UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2005

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ______ TO ______

COMMISSION FILE NUMBER 1-10596

ESCO TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| MISSOURI<br>(State or other jurisdiction of incorporation or organization) | 43-1554045<br>(I.R.S. Employer Identification No.) |
| 9900A CLAYTON ROAD<br>ST. LOUIS, MISSOURI<br>(Address of principal executive offices) | 63124-1186<br>(Zip Code) |

Registrant's telephone number, including area code: (314) 213-7200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer X Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No X

Indicate the number of shares outstanding of each of the issuer's class of common stock, as of the latest practicable date.

| Class | Outstanding at January 31, 2006 |
|---|---|
| [Common stock, $.01 par value per share] | 25,619,003 shares |

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Dollars in thousands, except per share amounts)

| | Three Months Ended December 31, | |
|---|---|---|
| | 2005 | 2004 |

| | | |
|---|---|---|
| Net sales | $ 90,586 | 104,375 |
| Costs and expenses: | | |
| Cost of sales | 64,027 | 68,509 |
| Selling, general and administrative expenses | 23,619 | 19,813 |
| Interest income | (717) | (481) |
| Other (income) expense, net | (38) | (453) |
| Total costs and expenses | 86,891 | 87,388 |
| Earnings before income taxes | 3,695 | 16,987 |
| Income tax expense | 1,491 | 6,464 |
| Net earnings | $ 2,204 | 10,523 |
| Earnings per share: | | |
| Basic | $ 0.09 | 0.41 |
| Diluted | $ 0.08 | 0.40 |

See accompanying notes to consolidated financial statements.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

| | December 31, 2005 | September 30, 2005 |
|---|---|---|
| | (Unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 70,359 | 104,484 |
| Accounts receivable, net | 68,928 | 68,819 |
| Costs and estimated earnings on long-term contracts, less progress billings of $10,369 and $7,033, respectively | 3,679 | 4,392 |
| Inventories | 52,774 | 48,645 |
| Current portion of deferred tax assets | 29,965 | 30,219 |
| Other current assets | 8,369 | 8,394 |
| Total current assets | 234,074 | 264,953 |
| Property, plant and equipment, net | 66,962 | 67,190 |
| Goodwill | 92,606 | 68,880 |
| Other assets | 40,084 | 27,697 |
| | $ 433,726 | 428,720 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Short-term borrowings and current maturities of long-term debt | - | $ - |
| Accounts payable | 31,858 | 29,299 |
| Advance payments on long-term contracts, less costs incurred of $11,356 and $10,949, respectively | 7,590 | 6,773 |
| Accrued salaries | 8,942 | 12,024 |
| Accrued other expenses | 19,556 | 14,661 |
| Total current liabilities | 67,946 | 62,757 |
| Deferred income | 2,979 | 3,134 |
| Pension obligations | 17,478 | 17,481 |
| Other liabilities | 11,426 | 14,324 |
| Long-term debt | - | - |
| Total liabilities | 99,829 | 97,696 |
| Shareholders' equity: | | |
| Preferred stock, par value $.01 per share, authorized 10,000,000 shares | - | - |
| Common stock, par value $.01 per share, authorized 50,000,000 shares, issued 28,756,327 and 28,738,958 shares, respectively | 288 | 287 |
| Additional paid-in capital | 229,693 | 228,317 |
| Retained earnings | 161,567 | 159,363 |
| Accumulated other comprehensive loss | (6,313) | (5,566) |
| Less treasury stock, at cost: 3,173,226 and 3,175,626 common shares, respectively | (51,338) | (51,377) |
| Total shareholders' equity | 333,897 | 331,024 |
| | $ 433,726 | 428,720 |

See accompanying notes to consolidated financial statements.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

| | Three Months Ended December 31, 2005 | Three Months Ended December 31, 2004 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net earnings | $ 2,204 | 10,523 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 3,078 | 3,119 |
| Stock compensation expense | 1,273 | 749 |
| Changes in operating working capital | (532) | (1,265) |
| Effect of deferred taxes | (3,090) | 1,122 |
| Other | (1,001) | 1,205 |
| Net cash provided by operating activities | 1,932 | 15,453 |
| Cash flows from investing activities: | | |
| Acquisition of business | (28,833) | - |
| Capital expenditures | (2,320) | (2,013) |
| Additions to capitalized software | (5,724) | (1,173) |
| Net cash used by investing activities | (36,877) | (3,186) |
| Cash flows from financing activities: | | |
| Principal payments on long-term debt | - | (42) |
| Purchases of common stock into treasury | - | (24,928) |
| Other(including exercise of stock options) | 820 | 779 |
| Net cash provided (used) by financing activities | 820 | (24,191) |
| Net decrease in cash and cash equivalents | (34,125) | (11,924) |
| Cash and cash equivalents, beginning of period | 104,484 | 72,281 |
| Cash and cash equivalents, end of period | $ 70,359 | $ 60,357 |

See accompanying notes to consolidated financial statements.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements, in the opinion of management, include all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the results for the interim periods presented. The consolidated financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all the disclosures required by accounting principles generally accepted in the United States of America (GAAP). For further information refer to the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2005. During 2005, the Company had a 2-for-1 stock split which was effected as a 100 percent stock dividend and was paid on September 23, 2005. The prior years common stock and per share amounts have been adjusted to reflect the stock split.

The results for the three month period ended December 31, 2005 are not necessarily indicative of the results for the entire 2006 fiscal year.

2. EARNINGS PER SHARE (EPS)

Basic EPS is calculated using the weighted average number of common shares outstanding during the period. Diluted EPS is calculated using the weighted average number of common shares outstanding during the period plus shares issuable upon the assumed exercise of dilutive common share options and vesting of performance-accelerated restricted shares (restricted shares) by using the treasury stock method. The number of shares used in the calculation of earnings per share for each period presented is as follows (in thousands):

| | Three Months Ended December 31, 2005 | Three Months Ended December 31, 2004 |
|---|---|---|
| Weighted Average Shares Outstanding - Basic | 25,575 | 25,586 |
| Dilutive Options and Restricted Shares | 759 | 822 |
| Adjusted Shares- Diluted | 26,334 | 26,408 |

Options to purchase 6,000 shares of common stock at prices ranging from \$49.74 - \$50.26 and options to purchase 3,000 shares of common stock at a price of \$38.85 were outstanding during the three month periods ended December 31, 2005 and 2004, respectively, but were not included in the computation of diluted EPS because the options' exercise prices were greater than the average market price of the common shares. The options expire at various periods through 2013. Approximately 34,000 and 54,000 restricted shares were excluded from the respective computation of diluted EPS based upon the application of the treasury stock method for the three month periods ended December 31, 2005 and 2004, respectively.

3. SHARE-BASED COMPENSATION

Prior to October 1, 2005, the Company accounted for its stock option plans using the intrinsic value method of accounting provided under APB Opinion No. 25, "Accounting for Stock Issued to Employees," (APB 25) and related interpretations, as permitted by FASB Statement No. 123, "Accounting for Stock-Based Compensation," (SFAS 123) under which no compensation expense was recognized for stock option grants. Accordingly, share-based compensation for stock options was included as a pro forma disclosure in the financial statement footnotes and continues to be provided for periods prior to fiscal 2006.

Effective October 1, 2005, the Company adopted the fair value recognition provisions of FASB Statement No. 123 (R), "Share-Based Payment," (SFAS 123(R)) using the modified-prospective transition method. Under this transition method, compensation cost recognized in the first quarter of fiscal 2006 includes:

a) compensation cost for all share-based payments granted through September 30, 2005, for which the requisite service period had not been completed as of September 30, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, and

b) compensation cost for all share-based payments granted subsequent to September 30, 2005, based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R). Results for prior periods have not been restated.

As a result of adopting SFAS 123(R) on October 1, 2005, the Company's earnings before income taxes and net earnings for the first quarter ended December 31, 2005 are $0.5 million lower than if it had continued to account for share-based compensation under APB 25. Diluted earnings per share for the first quarter of fiscal 2006 would have been $0.10 if the company had not adopted SFAS 123(R), compared to reported diluted earnings per share of $0.08.

The Company provides compensation benefits to certain key employees under several share-based plans providing for employee stock options and/or performance-accelerated restricted shares (restricted shares), and to non-employee directors under a non-employee directors compensation plan.

Stock Option Plans

The Company has various stock option plans that permit the Company to grant key Management employees (1) options to purchase shares of the Company's common stock or (2) stock appreciation rights with respect to all or any part of the number of shares covered by the options. All outstanding options were granted at prices equal to fair market value at the date of grant. The options granted prior to September 30, 2003 have a ten-year contractual life from date of issuance, expiring in various periods through 2013. Beginning in fiscal 2004, the options granted have a five-year contractual life from date of issuance. No stock appreciation rights have been awarded to date. The Company's stock option awards are subject to graded vesting over a three year service period. Beginning with fiscal 2006 awards, the Company recognizes compensation cost on a straight-line basis over the requisite service period for the entire award. Prior to fiscal 2006, the Company calculated the pro forma compensation cost using the graded vesting method (FIN 28 approach).

The fair value of each option award is estimated as of the date of grant using a Black-Scholes option pricing model. The weighted average assumptions for the periods indicated are noted below. Expected volatility is based on historical volatility of ESCO's stock calculated over the expected term of the option. The expected term was calculated in accordance with Staff Accounting Bulletin No. 107 using the simplified method for "plain-vanilla" options. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the date of grant.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in the three month period ended December 31, 2005 and 2004, respectively: expected dividend yield of 0% in both periods; expected volatility of 28.6% and 28.3%; risk-free interest rate of 4.5% and 3.6%; and expected term of 3.5 years and 4.2 years. Pre-tax compensation expense related to the stock option awards was $0.5 million for the first quarter of fiscal 2006.

The following summary presents information regarding outstanding stock options as of December 31, 2005 and changes during the first quarter then ended with regard to options under the option plans:

| | Shares | Weighted Avg.Price | Aggregate Intrinsic Value (in millions) | Weighted-Average Remaining Contractual Life |
|---|---|---|---|---|
| Outstanding at October 1, 2005 | 1,324,548 | $20.48 | | |
| Granted | 263,130 | $42.99 | | |
| Exercised | (20,188) | $14.39 | | |
| Cancelled | (5,152) | $35.38 | | |
| Outstanding at December 31, 2005 | 1,562,338 | $24.31 | $30.9 | 4.5 years |
| Exercisable at December 31, 2005 | 904,423 | $15.91 | $25.5 | |

The weighted-average grant-date fair value of options granted during the first quarter ended December 31, 2005 was $11.74.

During fiscal 2004, the Board of Directors authorized and the shareholders approved, the 2004 Incentive Compensation Plan, which states, in part, that on February 5, 2004, there shall be added to the authorized shares allocated 2,000,000 shares for the grant of stock options, stock appreciation rights, performance-accelerated restricted stock, or other full value awards. Of these, shares up to 600,000 may be utilized for performance-accelerated restricted stock or other full value awards.

Restricted Share Awards

At December 31, 2005, the maximum number of restricted shares available for issue under the 2004 Incentive Compensation Plan and the 2001 Stock Incentive Plan was 600,000 and 361,162 shares, respectively. These shares vest over five years with accelerated vesting over three years if certain performance targets are achieved. In these cases, if it is probable that the performance condition will be met, the Company recognizes compensation cost on a straight-line basis over the shorter performance period; otherwise, it will recognize compensation cost over the longer service period. Compensation cost for all outstanding restricted share awards is being recognized over the shorter performance period as it is probable the performance condition will be met. The restricted share award grants were valued at the stock price on the date of grant. Compensation expense related to the restricted share awards was $0.6 million for the three-month periods ended December 31, 2005 and 2004, respectively.

The following summary presents information regarding outstanding restricted share awards as of December 31, 2005 and changes during the first quarter then ended:

| | Three months ended December 31, 2005 | |
|---|---|---|
| | Shares | Weighted Avg. Price |
| October 1 | 238,436 | $23.78 |
| Granted | 60,630 | $42.62 |
| December 31, | 299,066 | $27.60 |

Non-Employee Directors Plan

The non-employee directors compensation plan includes a retainer of 800 common shares per quarter. Compensation expense related to the non-employee directors was $0.2 million and $0.1 million for the three-month period ended December 31, 2005 and 2004, respectively.

The total share-based compensation cost that has been recognized in results of operations and included within SG&A was $1.3 million and $0.8 million for the first quarter of fiscal 2006 and 2005, respectively. The total income tax benefit recognized in results of operations for share-based compensation arrangements was $0.4 million and $0.3 million for the first quarter of fiscal 2006 and 2005, respectively. As of December 31, 2005, there was $10.2 million of total unrecognized compensation cost related to share-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 4 years.

Pro Forma Net Earnings

The following table provides pro forma net earnings and earnings per share had the Company applied the fair value method of SFAS 123 for the first quarter ended December 31, 2004:

(Unaudited)
(Dollars in thousands, except per share amounts)

| | Three Months Ended December 31, 2004 |
|---|---|
| Net earnings, as reported | $ 10,523 |
| Add: stock-based employee compensation expense included in reported net earnings, net of tax | 369 |
| Less: total stock-based employee compensation expense determined under fair value based methods, net of tax | (918) |
| Pro forma net earnings | $ 9,974 |
| Net earnings per share: | |
| Basic - as reported | $ 0.41 |
| Basic - pro forma | 0.39 |
| Diluted - as reported | $ 0.40 |
| Diluted - pro forma | 0.38 |

4 ACQUISITION

Effective November 29, 2005, the Company acquired Nexus Energy Software, Inc. (Nexus) through an all cash for shares merger transaction for approximately $29 million in cash plus contingent cash consideration over the four year period following the merger if Nexus exceeds certain sales targets. Nexus is a software company headquartered in Wellesley, Massachusetts with annual revenues in excess of $10 million. The operating results for Nexus, since the date of acquisition, are included within the Communications segment. The Company recorded approximately $24 million of goodwill as a result of the transaction, subject to post-closing adjustments including finalization of purchase accounting. The Company also recorded $2.7 million of identifiable intangible assets consisting of customer contracts and backlog value which will be amortized on a straight-line basis over a period not to exceed three years. The post-closing purchase accounting items are expected to be completed prior to September 30, 2006.

5 INVENTORIES

Inventories consist of the following (in thousands):

| | December 31, 2005 | September 30, 2005 |
|---|---|---|
| Finished goods | $ 17,011 | 14,361 |
| Work in process, including long- term contracts | 13,496 | 12,512 |
| Raw materials | 22,267 | 21,772 |
| Total inventories | $ 52,774 | 48,645 |

6. COMPREHENSIVE INCOME

Comprehensive income for the three-month periods ended December 31, 2005 and 2004 was $1.5 million and $13.9 million, respectively. For the three-month period ended December 31, 2005, the Company's comprehensive income was negatively impacted by foreign currency translation adjustments of $0.7 million. For the three-month period ended December 31, 2004, the Company's comprehensive income was positively impacted by foreign currency translation adjustments of $3.4 million.

7. BUSINESS SEGMENT INFORMATION

The Company is organized based on the products and services that it offers. Under this organizational structure, the Company operates in three segments: Filtration/Fluid Flow, Communications and Test.

Management evaluates and measures the performance of its operating segments based on "Net Sales" and "EBIT", which are detailed in the table below. EBIT is defined as earnings from continuing operations before interest and taxes.

| ($ in thousands) | Three Months ended December 31, | |
|---|---|---|
| NET SALES | 2005 | 2004 |
| PTI | $ 10,697 | 10,222 |
| VACCO | 8,054 | 10,615 |
| Filtertek | 22,695 | 23,167 |
| Filtration/Fluid Flow | 41,446 | 44,004 |
| Communications | 19,133 | 33,533 |
| Test | 30,007 | 26,838 |
| Consolidated totals | $ 90,586 | 104,375 |
| EBIT | | |
| PTI | 1,199 | 1,130 |
| VACCO | 1,891 | 3,564 |
| Filtertek | 997 | 2,365 |
| Filtration/Fluid Flow | 4,087 | 7,059 |
| Communications | (959) | 9,622 |
| Test | 2,916 | 2,082 |
| Corporate | (3,066) | (2,257) |
| Consolidated EBIT | 2,978 | 16,506 |
| Add: Interest income | 717 | 481 |
| Earnings before income taxes | $ 3,695 | 16,987 |

8. RETIREMENT AND OTHER BENEFIT PLANS

A summary of net periodic benefit expense for the Company's defined benefit plans and postretirement healthcare and other benefits for the three-month periods ended December 31, 2005 and 2004 are shown in the following tables. Effective December 31, 2003, the Company's defined benefit plan was frozen and no additional benefits will be accrued after that date. Net periodic benefit cost for each period presented is comprised of the following:

| | Three Months Ended December 31, | |
|---|---|---|
| (Dollars in thousands) | 2005 | 2004 |
| Defined benefit plans | | |
| Service cost | $ - | - |
| Interest cost | 650 | 663 |
| Expected return on assets | (675) | (713) |
| Amortization of: | | |

| | | |
|---|---|---|
| Prior service cost | - | - |
| Actuarial (gain) loss | 125 | 125 |
| Net periodic benefit cost | $ 100 | 75 |

Net periodic postretirement (retiree medical) benefit cost for each period presented is comprised of the following:

| (Dollars in thousands) | Three Months Ended December 31, 2005 | 2004 |
|---|---|---|
| Service cost | $ 9 | 8 |
| Interest cost | 10 | 10 |
| Amortization of actuarial gain | (9) | (8) |
| Net periodic postretirement benefit cost | $ 10 | 10 |

9. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2004, the FASB issued FASB Staff Position FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004 (FSP 109-2)." The American Jobs Creation Act of 2004, (the "Act") provides for a special one-time deduction of 85 percent of certain foreign earnings repatriated into the U.S. from non-U.S. subsidiaries through September 30, 2006. The Company is currently evaluating the merits of repatriating funds under the Act. At December 31, 2005, the range of reasonably possible amounts of unremitted earnings that are being considered for repatriation is between zero and $39.5 million, which would require the Company to pay income taxes in the range of zero to $3.1 million. Federal income taxes on the repatriated amounts would be based on the 5.25% effective statutory rate as provided in the Act, plus applicable withholding taxes. To date, the Company has not provided for income taxes on unremitted earnings generated by non-U.S. subsidiaries given the Company's historical intent to permanently invest these earnings abroad. As a result, additional taxes may be required to be recorded for any funds repatriated under the Act. The Company expects to complete its evaluation of the repatriation provision of the Act by September 30, 2006.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following discussion refers to the Company's results from continuing operations, except where noted. References to the first quarters of 2006 and 2005 represent the fiscal quarters ended December 31, 2005 and 2004, respectively.

NET SALES

Net sales decreased $13.8 million, or 13.2%, to $90.6 million for the first quarter of 2006 from $104.4 million for the first quarter of 2005, primarily due to a decrease in sales in the Communications segment of $14.4 million. Unfavorable foreign currency values resulted in approximately $1.0 million of the sales decrease realized in the 2006 first quarter.

-Filtration/Fluid Flow

Net sales decreased $2.5 million, or 5.7%, to $41.5 million for the first quarter of 2006 from $44.0 million for the first quarter of 2005. The sales decrease during the fiscal quarter ended December 31, 2005 as compared to the prior year quarter is mainly due to the following: lower defense spares and T-700 shipments at VACCO of $2.5 million; a net sales decrease at Filtertek of $0.5 million driven by lower automotive shipments and lower volumes in France; partially offset by higher commercial aerospace shipments at PTI of $0.5 million.

-Communications

Net sales decreased $14.4 million, or 43.0%, to $19.1 million for the first quarter of 2006 from $33.5 million for the first quarter of 2005. The sales decrease in the first quarter of 2006 as compared to the prior year period was due to $11.0 million of lower shipments of DCSI's automatic meter reading (AMR) products and $4.6 million of lower shipments of Comtrak's SecurVision video security products. The Nexus acquisition contributed $1.2 million in sales in the first quarter of fiscal 2006 which represented one month of sales.

The decrease in sales of AMR products for the three month period ended December 31, 2005 as compared to the prior year quarter was due to the following items: $9.9 million of lower AMR product sales to the COOP market due to the weakness in orders entered during the latter half of fiscal 2005; $2.2 million of lower sales to legacy customers such as Wisconsin Public Service (WPS), Bangor Hydro, Puerto Rico Power Authority (PREPA), and PPL Electric Utilities Corporation (PPL). These decreases were partially offset by sales to TXU Electric Delivery Company (TXU) of $1.5 million in the first quarter of 2006. During the first quarter of 2006, DCSI's sales to COOP and public power (Municipal) customers were $11.5 million compared to $21.4 million in the first quarter of 2005.

Sales of SecurVision products were $2.5 million for the first quarter of 2006 as compared to $7.1 million for the prior year first quarter. The decrease in sales was due to an acceleration of shipments in the prior year quarter to catch up on backlog resulting from certain software modifications.

-Test

For the first quarter of 2006, net sales of $30.0 million were $3.2 million, or 11.9% higher than the $26.8 million of net sales recorded in the first quarter of 2005. The sales increase as compared to the prior year quarter was mainly due to the following: a $4.8 million increase in net sales from the Company's U.S. operations driven by additional test chamber installations and higher component sales; partially offset by a $1.5 million decrease in net sales from the Company's European operations due to the prior year completion of several large test chamber projects.

ORDERS AND BACKLOG

Backlog was $268.7 million at December 31, 2005 compared with $233.1 million at September 30, 2005. The Company received new orders totaling $126.1 million in the first quarter of 2006 (including $2.0 million of new orders and $9.0 million of acquired backlog from Nexus). New orders of $41.1 million were received in the first quarter of fiscal 2006 related to Filtration/Fluid Flow products, $59.2 million related to Communications products and $25.8 million related to Test products.

Within the Communications segment, DCSI received $45.6 million of new orders for its AMR products in the first quarter of 2006, which included a $9.4 million follow-on order from TXU for a 100,000 endpoint expansion of the existing program.

In addition, in November 2005, DCSI signed an agreement with PG&E with an anticipated contract value of approximately $300 million covering five million endpoints over a five year deployment period beginning in late fiscal 2006. The Company received a $0.4 million order from PG&E under this agreement during the first quarter of 2006. See "Recent Development."

GROSS PROFIT

The Company computes gross profit as net sales less cost of sales. The gross profit margin is the gross profit divided by net sales, expressed as a percentage. The gross profit margin was 29.3% and 34.4% in the first quarters of fiscal 2006 and 2005, respectively. The decrease in the gross profit margin in the first quarter of 2006 as compared to the prior year quarter is mainly due to the lower sales volumes in the Communications segment and $1.0 million of pre-tax charges at DCSI consisting of a $0.4 million write-off of assets related to a terminated subcontract manufacturer and $0.6 million of warranty costs related to a commercial transponder. In addition, VACCO's and Filtertek's gross profit margins were negatively impacted by lower defense spares shipments and the softness in the automotive market, respectively.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses for the first quarter of fiscal 2006 were $23.6 million (26.1% of net sales), compared with $19.8

million (19.0% of net sales) for the prior year quarter. The increase in SG&A spending in the first quarter of 2006 as compared to the prior year quarter is primarily due to the following items: an increase of approximately $1.0 million associated with engineering, marketing and new product development within the Communications segment; $0.7 million of SG&A expenses related to the Nexus acquisition; and $0.5 million related to stock option expense.

OTHER (INCOME) EXPENSES, NET

Other (income) expenses, net, were $(0.1) million for the first quarter of 2006 compared to $(0.5) million for the prior year quarter. Principal components of other (income) expenses, net, for the first quarter of 2006 included $(0.6) million of royalty income; partially offset by $0.3 million of amortization expense of identifiable intangible assets (primarily patents, licenses and software); and a $0.2 million write off of assets related to a terminated subcontract manufacturer. Principal components of other (income) expenses, net, for the first quarter of 2005 included $(0.6) million of royalty income and $0.2 million of amortization expense of identifiable intangible assets (primarily patents, licenses and software).

EBIT

The Company evaluates the performance of its operating segments based on EBIT, defined below. EBIT was $3.0 million (3.3% of net sales) for the first quarter of 2006 and $16.5 million (15.8% of net sales) for the first quarter of 2005. The decrease in EBIT for the first quarter of 2006 as compared to the prior year quarter is primarily due to the sales decrease in the Communications segment.

This Form 10-Q contains the financial measure "EBIT", which is not calculated in accordance with generally accepted accounting principles in the United States of America (GAAP). EBIT provides investors and Management with an alternative method for assessing the Company's operating results. The Company defines "EBIT" as earnings from continuing operations before interest and taxes. Management evaluates the performance of its operating segments based on EBIT and believes that EBIT is useful to investors to demonstrate the operational profitability of the Company's business segments by excluding interest and taxes, which are generally accounted for across the entire Company on a consolidated basis. EBIT is also one of the measures Management uses to determine resource allocations within the Company and incentive compensation. The following table represents a reconciliation of EBIT to net earnings from continuing operations.

| ($ in thousands) | Three Months ended December 31, 2005 | 2004 |
|---|---|---|
| EBIT | $ 2,978 | 16,506 |
| Interest income | 717 | 481 |
| Less: Income taxes | 1,491 | 6,464 |
| Net earnings | $ 2,204 | 10,523 |

-Filtration/Fluid Flow

EBIT was $4.1 million (9.9% of net sales) and $7.1 million (16.0% of net sales) in the first quarters of 2006 and 2005, respectively. For the first quarter of 2006 as compared to the prior year quarter, EBIT decreased $3.0 million due to the following: a $1.7 million decrease at VACCO due to lower defense spares shipments; a $1.4 million net decrease at Filtertek primarily due to softness in the automotive market and increase in raw material costs (e.g. petroleum based resins). Additionally, Filtertek's prior year first quarter included $0.6 million of cost reimbursement related to a supply agreement with a medical device customer which was terminated in fiscal 2005.

-Communications

EBIT in the first quarter of 2006 was a loss of $1.0 million compared to EBIT of $9.6 million (28.7% of net sales) in the prior year period. The decrease in EBIT in the first quarter of 2006 was due to the following items: a $6.9 million decrease at DCSI due to lower shipments of AMR products; a $1.0 million increase in DCSI's SG&A expenses related to additional engineering, marketing and new product development; $1.0 million in charges at DCSI related to the subcontractor and warranty issues noted above; a $1.8 million decrease at Comtrak due to lower shipments of its video security products; partially offset by a $0.2 million contribution from the Nexus acquisition for its one month of operations.

-Test

EBIT in the first quarter of 2006 was $2.9 million (9.7% of net sales) as compared to $2.1 million (7.8% of net sales) in the prior year period. In the first quarter of 2006, EBIT increased $0.8 million due to the favorable changes in sales mix resulting from additional test chamber installations, and sales of antennas and other components. EBIT in the prior year quarter was adversely affected by $0.3 million of installation cost overruns incurred on certain government shielding projects in foreign locations, as well as increased material costs (steel and copper).

-Corporate

Corporate costs included in EBIT were $3.1 million for the first quarter of fiscal 2006 compared to $2.3 million for the prior year quarter. The increase in Corporate costs in the first quarter of fiscal 2006 as compared to the prior year quarter is primarily due to the implementation of SFAS 123(R) which resulted in $0.5 million of incremental expense related to stock options.

INTEREST INCOME, NET

Interest income, net, was $0.7 million and $0.5 million for the three month periods ended December 31, 2005 and 2004, respectively. The increase in interest income in the first quarter of 2006 as compared to the prior year quarter is due to favorable interest rates in fiscal 2006.

INCOME TAX EXPENSE

The first quarter 2006 effective income tax rate was 40.4% compared to 38.1% in the first quarter of 2005. The increase in the effective income tax rate in the first quarter of fiscal 2006 as compared to the prior year period is primarily due to the timing and volume of profit contributions of the Company's foreign operations (primarily Puerto Rico). The Company estimates the annual effective tax rate for fiscal 2006 to be approximately 39%.

CAPITAL RESOURCES AND LIQUIDITY

Working capital (current assets less current liabilities) decreased to $166.1 million at December 31, 2005 from $202.2 million at September 30, 2005. During the first quarter of 2006, cash decreased $34.1 million, which included $28.8 million paid for the Nexus acquisition. Inventories increased by $4.1 million in the first quarter of 2006, of which $2.7 million related to the Filtration segment due to the timing of expected sales and $0.9 million related to the Communications segment (new product offerings and safety stock to satisfy customer requirements).

Net cash provided by operating activities was $1.9 million and $15.5 million for the three-month periods ended December 31, 2005 and 2004, respectively. The decrease in the first quarter of 2006 as compared to the prior year quarter was a result of the lower earnings and working capital requirements.

Capital expenditures were $2.3 million and $2.0 million in the first quarter of 2006 and 2005, respectively. Major expenditures in the current period included manufacturing equipment used in the Filtration/Fluid Flow businesses.

At December 31, 2005, other assets (non-current) of $40.1 million included $26.0 million of capitalized software. Approximately $22.9 million of the capitalized software balance represents external development costs on new software development called "TNG" within the Communications segment to further penetrate the investor owned utility market. TNG is being developed in conjunction with a third party software contractor. TNG is being deployed to efficiently handle the additional levels of communications dictated by the size of the service territories and the frequency of reads that are required under time-of-use or critical peak pricing scenarios needed to meet the requirements of large IOUs. At December 31, 2005, the Company had approximately $11 million of commitments related to TNG versions 1.5 and 1.6 which is expected to be spent over the next nine months. The Company expects to spend up to $5 million in fiscal 2007. Amortization of TNG will be on a straight-line basis over seven years and will begin in February 2006.

The closure and relocation of the Filtertek Puerto Rico facility was completed in March 2004. The Puerto Rico facility is included in other current assets with a carrying value of $3.6 million at December 31, 2005. The facility is being marketed for sale.

In October 2004, the Company entered into a $100 million five-year revolving bank credit facility with a $50 million increase option that has a final maturity and expiration date of October 6, 2009. At December 31, 2005, the Company had approximately $98.6 million available to borrow under the credit facility in addition to $70.4 million cash on hand. At December 31, 2005, the Company had no borrowings, and outstanding letters of credit of $2.5 million. Cash flow from operations and borrowings under the Company's bank credit facility are expected to meet the Company's capital requirements and operational needs for the foreseeable future.

Acquisition

Effective November 29, 2005, the Company acquired Nexus Energy Software, Inc. (Nexus) through an all cash for shares merger transaction for approximately $29 million in cash plus contingent cash consideration over the four year period following the merger if Nexus exceeds certain sales targets. Nexus is a software company headquartered in Wellesley, Massachusetts with annual revenues in excess of $10 million. The operating results for Nexus, since the date of acquisition, are included within the Communications segment. The Company recorded approximately $24 million of goodwill as a result of the transaction, subject to post-closing adjustments including finalization of purchase accounting. The Company also recorded $2.7 million of identifiable intangible assets consisting of customer contracts and backlog value which will be amortized on a straight-line basis over a period not to exceed three years. The post-closing purchase accounting items are expected to be completed prior to September 30, 2006.

Recent Development

On November 7, 2005, the Company announced that DCSI had entered into a contract to provide equipment, software and services to Pacific Gas & Electric (PG&E) in support of the electric portion of PG&E's Advanced Metering Infrastructure (AMI) project. PG&E's current AMI project plan calls for the purchase of TWACS communication equipment for approximately five million electric customers over a five-year period after the commencement of full deployment. The total anticipated contract value from commencement through the five-year full deployment period is expected to be approximately $300 million. PG&E has the right to purchase additional equipment and services to support existing and new customers through the twenty to twenty-five year term of the contract. Equipment will be purchased by PG&E only upon issuance of purchase orders and release authorizations. PG&E will continue to have the right to purchase products or services from other suppliers for the electric portion of the AMI project. Full deployment is contingent upon satisfactory system testing, regulatory approval and final PG&E management approval all of which are currently scheduled to be concluded during fiscal 2006. DCSI has agreed to deliver to PG&E versions of its newly developed TNG software as they become available and are tested. Acceptance of the final version for which DCSI has committed is currently anticipated in the latter portion of fiscal 2007. Until such acceptance is obtained, the Company will be required under U.S. financial accounting standards to defer revenue recognition. The contract provides for liquidated damages in the event of DCSI's late development or delivery of hardware and software, and includes indemnification and other customary provisions. The contract may be terminated by PG&E for default, for its convenience and in the event of a force majeure lasting beyond certain prescribed periods. The Company has guaranteed the obligations of DCSI under the contract. If PG&E terminates the contract for its convenience, DCSI will be entitled to recover certain costs.

Subsequent Event

On February 2, 2006, the Company announced the acquisition of the capital stock of Hexagram, Inc. (Hexagram) for cash consideration of $67.5 million and a potential working capital adjustment. The acquisition agreement also provides for contingent consideration of up to $6.25 million over the five year period following the acquisition if Hexagram exceeds certain sales targets. Hexagram is a well established RF fixed network AMR company headquartered in Cleveland, Ohio. The Company's annual revenue over the past three years has been in the range of $20 million to $35 million.

On November 3, 2005, Hexagram entered into a contract to provide equipment, software and services to PG&E in support of the gas utility portion of PG&E's AMI project. The total anticipated contract revenue from commencement through the five-year full deployment is expected to be approximately $225 million. As with DCSI's contract with PG&E, discussed above, equipment will be purchased only upon issuance of purchase orders and release authorizations, and PG&E will continue to have the right to purchase from other suppliers for the gas utility portion of the AMI project. Full deployment is contingent upon satisfactory system testing, regulatory approval and final PG&E management approval, which are expected to be concluded during fiscal 2006. The contract provides for liquidated damages in the event of late deliveries, includes indemnification and other customary provisions, and may be terminated by PG&E for default, for its convenience and in the event of a force majeure lasting beyond certain prescribed periods. The Company has guaranteed the performance of the contract by Hexagram.

CRITICAL ACCOUNTING POLICIES

Management has evaluated the accounting policies used in the preparation of the Company's financial statements and related notes and believes those policies to be reasonable and appropriate. Certain of these accounting policies require the application of significant judgment by management in selecting appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on historical experience, trends in the industry, information provided by customers and information available from other outside sources, as appropriate. The most significant areas involving management judgments and estimates may be found in the Critical Accounting Policies Section of Management's Discussion and Analysis and in Note 1 to the Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2005 at Exhibit 13.

OTHER MATTERS

Contingencies

As a normal incident of the businesses in which the Company is engaged, various claims, charges and litigation are asserted or commenced against the Company. In the opinion of Management, final judgments, if any, which might be rendered against the Company in current litigation are adequately reserved, covered by insurance, or would not have a material adverse effect on its financial statements.

## RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2004, the FASB issued FASB Staff Position FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004 (FSP 109-2)." The American Jobs Creation Act of 2004, (the "Act") provides for a special one-time deduction of 85 percent of certain foreign earnings repatriated into the U.S. from non-U.S. subsidiaries through September 30, 2006. The Company is currently evaluating the merits of repatriating funds under the Act. At December 31, 2005, the range of reasonably possible amounts of unremitted earnings that are being considered for repatriation is between zero and $39.5 million, which would require the Company to pay income taxes in the range of zero to $3.1 million. Federal income taxes on the repatriated amounts would be based on the 5.25% effective statutory rate as provided in the Act, plus applicable withholding taxes. To date, the Company has not provided for income taxes on unremitted earnings generated by non-U.S. subsidiaries given the Company's historical intent to permanently invest these earnings abroad. As a result, additional taxes may be required to be recorded for any funds repatriated under the Act. The Company expects to complete its evaluation of the repatriation provision of the Act by September 30, 2006.

## FORWARD LOOKING STATEMENTS

Statements in this report that are not strictly historical are "forward looking" statements within the meaning of the safe harbor provisions of the federal securities laws. Forward looking statements include those relating to the estimates or projections made in connection with the Company's accounting policies, annual effective tax rate, timing of Communications segment commitments and expenditures, costs related to share-based compensation, outcome of current claims and litigation, future cash flow, and capital requirements and operational needs for the foreseeable future and the ultimate value of the DCSI / PG&E contract and the Hexagram / PG&E contract, the future delivery and acceptance of the TNG software by PG&E, completion of Nexus post-closing purchase accounting items, the amounts, if any, and timing of foreign earnings repatriated into the U.S. and the additional taxes resulting from such repatriation. Investors are cautioned that such statements are only predictions, and speak only as of the date of this report. The Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment including, but not limited to: actions by the California Public Utility Commission, PG&E's Board of Directors and PG&E's management impacting PG&E's AMI projects; the timing and success of DCSI's software development efforts; the timing and content of purchase order releases under PG&E's contracts; the Company's successful performance under the PG&E contracts; weakening of economic conditions in served markets; changes in customer demands or customer insolvencies; competition; intellectual property rights; successful execution of the planned sale of the Company's Puerto Rico facility; material changes in the costs of certain raw materials including steel, copper and petroleum based resins; delivery delays or defaults by customers; termination for convenience of customer contracts; timing and magnitude of future contract awards; performance issues with key suppliers, customers and subcontractors; collective bargaining and labor disputes; changes in laws and regulations including changes in accounting standards and taxation requirements; changes in foreign or U.S. business conditions affecting the distribution of foreign earnings; costs relating to environmental matters; litigation uncertainty; and the Company's successful execution of internal operating plans.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to the Company's operations result primarily from changes in interest rates and changes in foreign currency exchange rates. There has been no material change to the Company's risks since September 30, 2005. Refer to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2005 for further discussion about market risk.

## ITEM 4. CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and with the participation of Management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of that date. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. There has been no change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II OTHER INFORMATION

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In August 2004, the Company's Board of Directors approved the extension of the previously authorized (February 2001) open market common stock repurchase program originally authorizing up to 2.6 million shares, which is subject to market conditions and other factors and covers the period through September 30, 2006. At December 31, 2005, the Company has 1,152,966 shares remaining for repurchase under this program. There were no stock repurchases during the first quarter of fiscal 2006.

ITEM 6. EXHIBITS

a) Exhibits

| Exhibit Number | | |
|---|---|---|
| 3.1 | Restated Articles of Incorporation | Incorporated by reference to Form 10-K for the fiscal year ended September 30, 1999, at Exhibit 3(a) |
| 3.2 | Amended Certificate of Designation Preferences and Rights of Series A Participating Cumulative Preferred Stock of the Registrant | Incorporated by reference to Form 10-Q for the fiscal quarter ended March 31, 2000, at Exhibit 4(e) |
| 3.3 | Articles of Merger effective July 10, 2000 | Incorporated by reference to Form 10-Q for the fiscal quarter ended June 30, 2000, at Exhibit 3(c) |
| 3.4 | Bylaws, as amended and restated. | Incorporated by reference to Form 10-K for the fiscal year ended September 30, 2003, at Exhibit 3.4 |
| 4.1 | Specimen Common Stock Certificate | Incorporated by reference to Form 10-Q for the fiscal quarter ended June 30, 2000, at Exhibit 4(a) |
| 4.2 | Specimen Rights Certificate | Incorporated by reference to Current Report on Form 8-K dated February 3, 2000, at Exhibit B to Exhibit 4.1 |
| 4.3 | Rights Agreement dated as of September 24, 1990 (as amended and Restated as of February 3, 2000) between the Registrant and Registrar and Transfer Company, as successor Rights Agent | Incorporated by reference to Current Report on Form 8-K dated February 3, 2000, at Exhibit 4.1 |
| 4.4 | Credit Agreement dated as of October 6, 2004 among the Registrant, Wells Fargo Bank, N.A., as agent, and the lenders listed therein | Incorporated by reference to Form10-K for the fiscal year ended September 30, 2004, at Exhibit 4.4 |
| 4.5 | Consent and Waiver to Credit Agreement (listed as 4.4 above) dated as of January 20, 2006 | Incorporated by reference to Form 8-K dated February 2, 2006 at Exhibit 4.1 |
| 10.1 | Summary of Non-Employee Directors' Compensation (Revised as of January 1, 2006 | |
| 31.1 | Certification of Chief Executive Officer relating to Form 10-Q for period ended December 31, 2005 | |
| 31.2 | Certification of Chief Financial Officer relating to Form 10-Q for period ended December 31, 2005 | |

| | |
|---|---|
| 32 | Certification of Chief Executive Officer and Chief Financial Officer relating to Form 10-Q for period ended December 31, 2005 |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ESCO TECHNOLOGIES INC.

/s/ Gary E. Muenster
Gary E. Muenster
Senior Vice President and Chief Financial Officer
(As duly authorized officer and principal accounting officer of the registrant)

Dated: February 8, 2006

EXHIBIT 10.1

# ESCO Technologies Inc.
# Summary of Non-Employee Directors' Compensation
(Revised as of January 1, 2006)

1. Board of Directors:

   - Annual Retainer -- $20,000
   - Lead Director Additional Annual Retainer -- $15,000
   - Annual fee for meetings regularly scheduled -- $4,800 (four meetings); plus $1,200 fee for any additional meeting held
   - 3,200 shares* of ESCO common stock per annum -- payable quarterly

2. Committees of the Board:

   - Annual fees for meetings regularly scheduled:
     - Audit and Finance Committee (A&F) -- $4,800 (four meetings, not including additional telephone meetings)
     - Nominating and Corporate Governance Committee (NCG) -- $6,000 (five meetings)
     - Human Resources and Compensation Committee (HRC) -- $4,800 (four meetings)

     Plus $1,200 fee for any additional meeting held

3. Committee Chairmen -- Annual Retainers:

   - A&F Committee -- $7,000
   - HRC Committee -- $5,000
   - NCG Committee -- $5,000

All of the above cash retainers and fees for regularly scheduled meetings shall be paid in advance in January of each year. Fees payable for any additional meetings held shall be paid within 30 days of such meeting.

* Adjusted to reflect the two-for-one stock split effective 9-9-05.

Exhibit 31.1

CERTIFICATIONS

I, V.L. Richey, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of ESCO Technologies Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit and finance committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2006

(s) V.L. Richey, Jr.
V.L. Richey, Jr.
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, G.E. Muenster, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ESCO Technologies Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit and finance committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2006

(s) G.E. Muenster
G.E. Muenster
Chief Financial Officer

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of ESCO Technologies Inc. (the "Company") on Form 10-Q for the period ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, V. L. Richey, Jr., Chief Executive Officer of the Company, and G. E. Muenster, Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 8, 2006

/s/ V.L. Richey, Jr.
V.L. Richey, Jr.
Chief Executive Officer
ESCO Technologies Inc.

/s/ G.E. Muenster
G.E. Muenster
Chief Financial Officer
ESCO Technologies Inc.