UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2011

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	**43-1554045**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
9900A Clayton Road St. Louis, Missouri	**63124-1186**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:

(314) 213-7200

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	**New York Stock Exchange, Inc.**
Preferred Stock Purchase Rights	**New York Stock Exchange, Inc.**

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form l0-K or any amendment to this Form l0-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check If a smaller reporting company)	Smaller reporting company	☐

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

Aggregate market value of the Common Stock held by non-affiliates of the registrant as of the close of trading on March 31, 2011: $996,051,597*

* For purpose of this calculation only, without determining whether the following are affiliates of the registrant, the registrant has assumed that (i) its directors and executive officers are affiliates, and (ii) no party who has filed a Schedule 13D or 13G is an affiliate.

Number of shares of Common Stock outstanding at November 16, 2011: 26,676,284.

DOCUMENTS INCORPORATED BY REFERENCE:

1. Portions of the registrant's Annual Report to Stockholders for fiscal year ended September 30, 2011 (the "2011 Annual Report") (Parts I and II).
2. Portions of the registrant's Proxy Statement dated December 21, 2011 (the "2012 Proxy Statement") (Part III).

ESCO TECHNOLOGIES INC.
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PART I

Item 1. Business

THE COMPANY

ESCO Technologies Inc. ("ESCO") is a producer of engineered products and systems sold to customers worldwide, primarily for utility, industrial, aerospace and commercial applications. ESCO operates in three operating segments which, together with the primary operating subsidiaries within each segment, are as follows:

Utility Solutions Group ("Utility Solutions"):

Aclara Power-Line Systems Inc. ("Aclara PLS")
Aclara RF Systems Inc. ("Aclara RF")
Aclara Software Inc.
Doble Engineering Company
Doble Lemke AG
Doble Lemke GmbH
Doble PowerTest Limited
Doble TransiNor AS

RF Shielding and Test ("Test"):

Beijing Lindgren ElectronMagnetic Technology Co., Ltd.
EMV Elektronische Messgeräte Vertriebs-GmbH
ETS Lindgren Engineering India Private Limited
ETS Lindgren Japan, Inc.
ETS Lindgren Limited
ETS-Lindgren L.P.
ETS-Lindgren OY
Lindgren R.F. Enclosures, Inc.

Filtration/Fluid Flow ("Filtration"):

Crissair, Inc.
PTI Technologies Inc. ("PTI")
Thermoform Engineered Quality LLC (formerly named TekPackaging LLC)
VACCO Industries ("VACCO")

The Aclara entities listed above are hereinafter collectively referred to as "Aclara". The Doble entities listed above are hereinafter collectively referred to as "Doble". All of the Test segment entities listed above are hereinafter collectively referred to as "ETS-Lindgren".

The above listed operating subsidiaries are engaged primarily in the research, development, manufacture, sale and support of the products and systems described below, and are subsidiaries of ESCO Technologies Holding Inc., a wholly-owned direct subsidiary of ESCO. ESCO and its direct and indirect subsidiaries are hereinafter collectively referred to as the "Company". The Company's businesses are subject to a number of risks and uncertainties, including without limitation those discussed in Item 1A. below, which is incorporated herein by reference. See also "Management's Discussion and Analysis" appearing in the 2011 Annual Report, which is herein incorporated by reference, and "Forward-Looking Information" below.

Effective February 28, 2011, the Company acquired the capital stock of EMV Elektronische Messgeräte Vertriebs-GmbH, together with its subsidiary EMSCREEN Electromagnetic Screening GmbH (collectively, "EMV") for approximately $5 million in cash. EMV, with operations in Taufkirchen, Germany, provides turnkey test systems and shielded environments for research, development and quality assurance testing of electronic equipment for a variety of high-tech customers throughout Europe.

PRODUCTS

The Company's products are described below. See Note 15 of the Notes to Consolidated Financial Statements in the 2011 Annual Report for financial information regarding business segments and 10% customers, which Note is herein incorporated by reference.

UTILITY SOLUTIONS

The Utility Solutions segment accounted for approximately 50%, 57% and 60% of the Company's total revenue in fiscal years 2011, 2010 and 2009, respectively.

Aclara PLS is a leading manufacturer of two-way power line communication systems for the electric utility industry (the "TWACS® systems"), which are composed of equipment (primarily meter modules and equipment for central stations and substations), software and support services. The TWACS® systems provide electric utilities with a proprietary communication technology for automatic meter reading, load control, interval data, outage assessment/restoration monitoring, remote service disconnect/connect, time-of-use data for critical peak pricing, tamper/theft detection and pre-paid metering. Revenue from the TWACS® systems, which may be considered a class of similar products, accounted for approximately 23%, 22% and 19% of the Company's total revenue in fiscal years 2011, 2010 and 2009, respectively.

Aclara RF provides, through its STAR® network, wireless radio frequency ("RF") data communications systems to gas, water and electric utilities for advanced metering infrastructure ("AMI") applications. The STAR® network provides accurate and timely billing, high/low consumption reporting, and non-revenue water loss detection. In November 2005, Aclara RF entered into a contract with Pacific Gas & Electric Company ("PG&E") to provide its communications system for the gas meter portion of PG&E's AMI project. In fiscal 2011, total revenue received by the Company from PG&E for all sales was $24.0 million, representing 3.5% of the Company's consolidated revenue. Total revenue of $321 million from this contract had been recorded from inception through September 30, 2011. Sales under this contract are currently nearing completion. In May 2011, Aclara RF signed a contract with Southern California Gas Co. ("SoCalGas"), a Sempra Energy subsidiary, to deploy its AMI system and utility data management software, system-wide. SoCalGas has announced its plans to deploy Aclara's integrated hardware, software, and network architecture system to over six million residential, and most commercial, natural gas customers throughout its service territory. Revenue from STAR® network products, which may be considered a class of similar products, accounted for approximately 10%, 17% and 25% of the Company's total revenue in fiscal years 2011, 2010 and 2009, respectively.

Aclara Software Inc. provides utilities with software systems for energy and water information, delivering a scalable meter data management system ("MDMS"), comprehensive AMI/meter device records and asset management, proven business applications addressing areas such as revenue assurance and distribution asset analysis, and the industry's leading customer presentment and analysis applications. Aclara's analytics-based software applications are used by over 100 major energy organizations worldwide.

Doble provides electric utility customers with products and services intended to achieve the reliability and sustainability of electric power infrastructure. It combines three core elements for customers – diagnostic test instruments, expert consulting and testing services – and provides access to its large reserve of related knowledge. It has been operating for over 80 years, and serves over 5,500 companies in 100 countries. Revenue from Doble's products and services, which may be considered a class of similar products and services, accounted for approximately 15%, 15% and 14% of the Company's total revenue in fiscal years 2011, 2010 and 2009, respectively.

TEST

The Test segment accounted for approximately 25%, 23% and 22% of the Company's total revenue in fiscal years 2011, 2010 and 2009, respectively.

ETS-Lindgren designs and manufactures products to measure and contain magnetic, electromagnetic and acoustic energy. It supplies customers with a broad range of isolated environments and turnkey systems, including RF test facilities, acoustic test enclosures, RF and magnetically shielded rooms, secure communication facilities and broadcast and recording studios. Many of these facilities include proprietary features such as shielded doors and windows. ETS-Lindgren also provides the design, program management, installation and integration services required to successfully complete these types of facilities.

ETS-Lindgren also supplies customers with a broad range of components including RF absorptive materials, RF filters, active compensation systems, antennas, antenna masts, turntables and electric and magnetic probes, RF test cells, proprietary measurement software and other test accessories required to perform a variety of tests. ETS-Lindgren also offers a variety of services including calibration for antennas and field probes, chamber certification, field surveys, customer training and a variety of product tests. ETS-Lindgren operates the following accredited test labs: American Association for Laboratory Accreditation (“A2LA”), National Voluntary Laboratory Accreditation Program (“NAVLAP”) and CATL (CTIA-The Wireless Association (“CTIA”) Accredited Test Lab). ETS-Lindgren serves the acoustics, medical, health and safety, electronics, wireless communications, automotive and defense markets.

FILTRATION

The Filtration segment accounted for approximately 24%, 20% and 17% of the Company’s total revenue in fiscal years 2011, 2010 and 2009, respectively.

PTI is a leading supplier of filtration products serving the commercial aerospace, military aerospace and various industrial markets. The industrial markets include chemical processing, automotive and mobile equipment. Products include filter elements, assemblies, modules, indicators and other related components. All products must meet stringent quality requirements and withstand severe operating conditions. Product applications include: hydraulic, fuel and air filtration systems for fixed wing and rotary aircraft, mobile transportation and construction equipment, aircraft engines and stationary plant equipment. PTI supplies products worldwide to original equipment manufacturers and the U.S. government under long term contracts, and to the commercial and military aftermarket through distribution channels.

VACCO supplies flow control products, valves and premium filters to the space, defense and commercial industries for use in aircraft, satellite propulsion systems, satellite launch vehicles and other space transportation systems such as the SLS (Space Shuttle’s successor). VACCO also uses its etched disc technology to produce quiet valves and manifolds for U.S. Navy applications.

Crissair, Inc. supplies a wide variety of custom and standard valves and other various components to the aerospace, defense and commercial industries. Product applications include: hydraulic, fuel and air filtration systems for commercial and military fixed wing and rotary aircraft, and defense missile systems. Crissair supplies products worldwide to original equipment manufacturers and to the U.S. Government under long term contracts and to the commercial aftermarket through distribution channels.

Thermoform Engineered Quality LLC produces highly engineered thermoformed products and packaging materials for medical, retail, food and electronic applications.

MARKETING AND SALES

The Filtration and Test segments’ products, as well as Doble’s products, generally are distributed to customers through a domestic and foreign network of distributors, sales representatives and in-house sales personnel. Aclara’s sales to investor-owned utilities are made directly to the utilities through its sales team. Aclara utilizes distributors and direct sales representatives to sell its systems to the electric utility cooperative and municipal markets, and to non investor-owned gas, water and combination utilities. Aclara’s software products are marketed utilizing its in-house sales force.

The Company’s international sales accounted for approximately $181 million (26%), $141 million (23%) and $111 million (18%) of the Company’s total revenue in the fiscal years ended September 30, 2011, 2010 and 2009, respectively. See Note 15 of the Notes to Consolidated Financial Statements in the 2011 Annual Report for financial information regarding geographic areas, which Note is herein incorporated by reference. See also Item 1A. Risk Factors for a discussion of risks of the Company’s international operations.

Some of the Company's products are sold directly or indirectly to the U.S. Government under contracts with the Army, Navy and Air Force and subcontracts with prime contractors of such entities. Direct and indirect sales to the U.S. Government, primarily related to the Filtration segment, accounted for approximately 10%, 8% and 5% of the Company's total revenue in the fiscal years ended September 30, 2011, 2010 and 2009, respectively.

INTELLECTUAL PROPERTY

The Company owns or has other rights in various forms of intellectual property (i.e., patents, trademarks, service marks, copyrights, mask works, trade secrets and other items). As a major supplier of engineered products to industrial and commercial markets, the Company emphasizes developing intellectual property and protecting its rights therein. However, the scope of protection afforded by intellectual property rights, including those of the Company, is often uncertain and involves complex legal and factual issues. Some intellectual property rights, such as patents, have only a limited term. Also, there can be no assurance that third parties will not infringe or design around the Company's intellectual property. Policing unauthorized use of intellectual property is difficult, and copyright infringement is a persistent problem for many companies, particularly in some international markets. In addition, the Company may not elect to pursue an unauthorized user due to the high costs and uncertainties associated with litigation. Further, there can be no assurance that courts will ultimately hold issued patents valid and enforceable. See Item 1A. Risk Factors.

In the Utility Solutions segment, many of the products are based on patented or otherwise proprietary technology, including the Company's TWACS® technology. The TWACS® systems are protected primarily by a number of patents expiring on various dates ending in 2017. Patents covering significant aspects of the TWACS® technology expired in 2010 for outbound signal reception and will expire in 2017 for inbound signal generation. The expiration of the foregoing patents is not expected to have a material effect on the Company's operations**.** Other patents covering inbound and outbound signal detection expired in 2007. The Utility Solutions segment policy is to seek patent and/or other forms of intellectual property protection on new and improved products, components of products and methods of operation for its businesses, as such developments are made. The Company protects the TWACS NG™ software code as a trade secret, although certain discrete features and functionality have been or may be patented. The Company holds two significant patents which cover the operation of its STAR® network communications systems. These will expire in 2015 and 2016. Doble holds an extensive library of apparatus performance information useful to Doble employees and to entities that generate, distribute or consume electric energy. Doble makes part of this library available to registered users via an Internet portal.

In the Test segment, patent protection has been sought for significant inventions. Examples of such inventions include novel designs for window and door assemblies used in shielded enclosures and anechoic chambers, improved acoustic techniques for sound isolation and a variety of unique antennas.

With respect to the Filtration segment, a number of products are based on patented or otherwise proprietary technology that sets them apart from the competition. VACCO's proprietary quieting technology, which it protects as trade secrets, is a significant differentiator for products supplied to the U.S. Navy submarine fleet.

The Company considers its patents and other intellectual property to be of significant value in each of its segments. The Utility Solutions segment owns intellectual property, including its TWACS® technology, which it deems necessary or desirable for the manufacture, use or sale of its products. No other segment is materially dependent on any single patent, group of patents or other intellectual property.

BACKLOG

Total Company backlog at September 30, 2011 was $343.1 million, representing a decrease of $17.5 million (4.9%) from the beginning of the fiscal year backlog of $360.6 million. The backlog of firm orders at September 30, 2011 and September 30, 2010, respectively, was: $125.4 million and $153.5 million for Utility Solutions; $86.9 million and $74.3 million for Test; and $130.8 million and $132.8 million for Filtration. As of September 30, 2011, it is estimated that domestic customers accounted for approximately 70% of the Company's total firm orders, and international customers accounted for approximately 30%. Of the Company's total backlog of orders at September 30, 2011, approximately 91% is expected to be completed in the fiscal year ending September 30, 2012.

PURCHASED COMPONENTS AND RAW MATERIALS

The Company's products require a wide variety of components and materials. Although the Company has multiple sources of supply for most of its materials requirements, certain components and raw materials are supplied by sole source vendors, and the Company's ability to perform certain contracts depends on their performance. In the past, these required raw materials and various purchased components generally have been available in sufficient quantities. However, in each of the Company's segments, there are instances of some risk of shortages of materials or components due to reliance on sole or limited sources of supply. See Item 1A. Risk Factors.

In the Utility Solutions segment, in addition to its internal manufacturing of RF end-products, Aclara RF has contracts with three independent manufacturers which produce and supply a significant amount of such end-products, as well as contracts with several critical suppliers of raw material incorporated into such end-products. Aclara PLS has arrangements with three independent manufacturers which produce and supply substantially all of Aclara PLS's power-line end-products. Aclara PLS also contracts with certain critical raw material suppliers, directing the supply terms of such raw material to Aclara PLS's contract manufacturers.

Two of these contract manufacturers, which support both Aclara RF and Aclara PLS, are industry leaders with worldwide operations. Each of these manufacturers is directed by Aclara to purchase certain unique raw material components from suppliers designated by Aclara. The Company believes that the above-described manufacturers and suppliers will be reliable sources for Aclara's end-products for the foreseeable future.

The Test segment is a vertically integrated supplier of electro-magnetic ("EM") shielding products, producing most of its critical RF components. However, this segment purchases significant quantities of raw materials such as steel, copper, nickel and wood. Accordingly, the segment is subject to price fluctuations in the worldwide raw materials markets, although ETS-Lindgren has contracts with three suppliers of certain raw materials.

The Filtration segment purchases supplies from a wide array of vendors. In most instances, multiple vendors of raw materials are screened during a qualification process to ensure that there will not be an interruption of supply should one of them discontinue operations. Nonetheless, in some situations, there is a risk of shortages due to reliance on a limited number of suppliers or because of price fluctuations due to the nature of the raw materials. For example, aerospace-grade titanium, an important raw material for VACCO, Crissair and PTI, may continue to sometimes be in short supply.

COMPETITION

Competition in the Company's major markets is broadly based and global in scope. The Company faces intense competition from a large number of companies for nearly all of its products. Competition can be particularly intense during periods of economic slowdown, and this has been experienced in some of the Filtration markets. Although the Company is a leading supplier in several of the markets it serves, it maintains a relatively small share of the business in many of the other markets it serves. Individual competitors range in size from annual revenues of less than $1 million to billion dollar enterprises. Because of the specialized nature of the Company's products, its competitive position with respect to its products cannot be precisely stated. However, Aclara is believed to be a leading supplier in the fixed network segment of the AMI market. This fixed network segment comprises a substantial part of the total AMI market for utilities. Substantial efforts are required in order to maintain existing business levels. In the Company's major served markets, competition is driven primarily by quality, technology, price and delivery performance. See Item 1A. Risk Factors.

Primary competitors of Aclara in the utility communications market include Itron, Inc., Silver Spring Networks, Landis+Gyr, Cannon Technologies Inc., Sensus Metering Systems Inc., Trilliant Inc., Elster Electricity, L.L.C., Comverge, Inc., Neptune Technology Group, e-Meter Corporation, Oracle Corporation, APOGEE Interactive Inc., Opower, Inc., Ecologic Analytics, LLC, SmartSynch, Inc. and Tantalus Systems Corp. OMICRON Electronics Corp. USA has for some time been a primary competitor of Doble in the international market, and has increased competition in the North America market. OMICRON has the ability to heavily fund research and development. In addition, Megger Group Limited has emerged as a significant competitor to Doble.

The Test segment is the global leader in the EM shielding market. Significant competitors in this served market include TDK RF Solutions Inc., Albatross GmbH, IMEDCO AG and Cuming Corporation.

Primary competitors of the Filtration segment include Pall Corporation, Moog, Inc., SoFrance, Clarcor Inc., PneuDraulics and the Lee Company.

RESEARCH AND DEVELOPMENT

Research and development and the Company's technological expertise are important factors in the Company's business. Research and development programs are designed to develop technology for new products or to extend or upgrade the capability of existing products, and to enhance their commercial potential.

The Company performs research and development at its own expense, and also engages in research and development funded by customers. For the fiscal years ended September 30, 2011, 2010 and 2009, total Company-sponsored research and development expenses were approximately $33.5 million, $32.2 million and $32.0 million, respectively. Total customer-sponsored research and development expenses were approximately $8.5 million, $4.0 million and $2.9 million for the fiscal years ended September 30, 2011, 2010 and 2009, respectively. All of the foregoing expense amounts exclude certain engineering costs primarily associated with product line extensions, modifications and maintenance, which amounted to approximately $11.5 million, $13.3 million and $14.4 million for the fiscal years ended September 30, 2011, 2010 and 2009, respectively.

ENVIRONMENTAL MATTERS

The Company is involved in various stages of investigation and cleanup relating to environmental matters. It is very difficult to estimate the potential costs of such matters and the possible impact of these costs on the Company at this time due in part to: the uncertainty regarding the extent of pollution; the complexity of Government laws and regulations and their interpretations; the varying costs and effectiveness of alternative cleanup technologies and methods; the uncertain level of insurance or other types of cost recovery; and in the case of off-site waste disposal facilities, the uncertain level of the Company's relative involvement and the possibility of joint and several liability with other contributors under applicable law. Based on information currently available, the Company does not believe that the aggregate costs involved in the resolution of any of its environmental matters will have a material adverse effect on the Company's financial condition or results of operations.

GOVERNMENT CONTRACTS

The Company's contracts with the U.S. Government and subcontracts with prime contractors of the U.S. Government are primarily firm fixed-price contracts under which work is performed and paid for at a fixed amount without adjustment for the actual costs experienced in connection with the contracts. Therefore, unless the customer actually or constructively alters or impedes the work performed, all risk of loss due to cost overruns is borne by the Company. All Government prime contracts and virtually all of the Company's subcontracts provide that they may be terminated at the convenience of the Government. Upon such termination, the Company is normally entitled to receive equitable compensation from the customer. See "Marketing and Sales" in this Item 1, and Item 1A. Risk Factors for additional information regarding Government contracts.

EMPLOYEES

As of October 31, 2011, the Company employed approximately 2,480 persons.

FINANCING

The Company maintains a $330 million five-year revolving credit facility with a $50 million increase option. The facility is available for direct borrowings and/or the issuance of letters of credit, and is provided by a group of sixteen banks, led by PNC Bank (successor to National City Bank) as agent, with a maturity of November 30, 2012. The facility is secured by the unlimited guaranty of the Company's material domestic subsidiaries and a 65% pledge of the material foreign subsidiaries' share equity. The Company's ability to access the $50 million increase option of the facility is subject to acceptance by the participating banks or other outside banks. See "Management's Discussion and Analysis – Bank Credit Facility" in the 2011 Annual Report, and Note 9 of the Notes to Consolidated Financial Statements in the 2011 Annual Report, which information is herein incorporated by reference.

HISTORY OF THE BUSINESS

ESCO was incorporated in Missouri in August 1990 as a wholly owned subsidiary of Emerson Electric Co. ("Emerson") to be the indirect holding company for several Emerson subsidiaries, which were primarily in the defense business. Ownership of ESCO and its subsidiaries was distributed on October 19, 1990 by Emerson to its shareholders through a special distribution. Since that time, through a series of acquisitions and divestitures, the Company has shifted its primary focus from defense contracting to the production and supply of engineered products and systems marketed to utility, industrial, aerospace and commercial users. Effective July 10, 2000, ESCO changed its name from ESCO Electronics Corporation to ESCO Technologies Inc. In fiscal year 2011, ESCO acquired EMV Elektronische Messgeräte Vertriebs-GmbH. In fiscal year 2010, ESCO acquired Crissair, Inc. and Xtensible Solutions, Inc. In fiscal year 2008, ESCO acquired Doble Engineering Company, and sold the filtration business of Filtertek Inc. See Notes 2 and 3 of the Notes to Consolidated Financial Statements in the 2011 Annual Report, which Notes are herein incorporated by reference.

AVAILABLE INFORMATION

The Company makes available free of charge on or through its Internet website, www.escotechnologies.com, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission.

Item 1A. Risk Factors

This Form 10-K, including Item 1 "Business," Item 2 "Properties", Item 3 "Legal Proceedings" and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" (incorporated by reference to "Management's Discussion and Analysis" appearing in the 2011 Annual Report), contains "forward-looking statements" within the meaning of the safe harbor provisions of the federal securities laws. In addition to the risks and uncertainties discussed elsewhere in this Form 10-K, the following are important risk factors which could cause actual results and events to differ materially from those contained in any forward-looking statements.

MOST UTILITY SOLUTIONS SEGMENT SALES ARE TO OR FOR THE UTILITY INDUSTRY, KNOWN FOR LONG SALES CYCLES AND UNCERTAINTY, WHICH COULD AFFECT THE TIMING OF REVENUE.

Most of the Utility Solutions segment's sales are to or for the utility industry, where sales cycles are long and often unpredictable due to budgeting, purchasing and regulatory approval processes that can take up to several years to complete. Most Aclara sales involve large dollar amounts, and are marked by extended and complex competitive procurements. These factors often cause delays in the timing of sales, and such delays could result in order postponement, reduction in size or cancellation, thereby reducing or delaying the Company's future revenue. In addition, delays in the receipt of grants by certain utility customers under the American Recovery and Reinvestment Act of 2009 may cause delays in the placement of orders with Aclara. Also, these customers' selection of vendors may be influenced by the specific terms of such grants, such as buy-American requirements, which may prohibit the supply by Aclara of products produced outside the U.S.

NEGATIVE WORLDWIDE ECONOMIC CONDITIONS AND RELATED CREDIT SHORTAGES COULD RESULT IN A DECREASE IN THE COMPANY'S SALES AND AN INCREASE IN ITS OPERATING COSTS, WHICH COULD ADVERSELY AFFECT ITS BUSINESS AND OPERATING RESULTS.

If there is a worsening of global and U.S. economic and financial market conditions and additional tightening of global credit markets, as currently experienced in Greece and certain other European countries, many of the Company's customers may further delay or reduce their purchases of its products. The current uncertainties in the global economy may cause the utility industry to experience shortages in available credit, which could limit capital spending. To the extent this problem affects customers of the Utility Solutions segment, the sales and profits of this segment could be adversely affected. Likewise, if the Company's suppliers face challenges in obtaining credit, they may have to increase their prices or become unable to continue to offer the products and services the Company uses to manufacture its products, which could have an adverse effect on its business, results of operations and financial condition.

A SIGNIFICANT PORTION OF THE UTILITY SOLUTIONS SEGMENT REVENUES MAY BE GENERATED BY A LIMITED NUMBER OF LARGE CONTRACTS.

A significant portion of the Utility Solutions segment's business may be dependent on several large contracts with customers. The loss of revenue which would result from such a customer's selection of other suppliers, cancellations, delays, reductions, regulatory actions or the Company's failure to perform in connection with such a contract could have a material adverse effect on the Company's business, results of operations and financial condition.

THE COMPANY'S QUARTERLY RESULTS MAY FLUCTUATE SUBSTANTIALLY.

The Company has experienced variability in quarterly results and believes its quarterly results will continue to fluctuate as a result of many factors, including the size and timing of customer orders, Federal Communications Commission or other governmental actions, changes in existing taxation rules or practices, the gain or loss of significant customers, timing and levels of new product developments, shifts in product or sales channel mix, increased competition and pricing pressure, and general economic conditions affecting enterprise spending for the utility industry.

FAILURE OR DELAY IN NEW PRODUCT DEVELOPMENT COULD REDUCE THE COMPANY'S FUTURE SALES.

Much of the Company's business is dependent on the continuous development of new products and technologies to meet the changing needs of the Company's markets on a cost-effective basis. Many of these markets are highly technical from an engineering standpoint, and the relevant technologies are subject to rapid change.

If the Company fails to timely enhance existing products or develop new products, sales opportunities could be lost, which would adversely affect business. In addition, in some existing contracts with customers, the Company has made commitments to develop and deliver new products. If the Company fails to meet these commitments, the default could result in the imposition of contractual penalties including termination. The inability to enhance existing products in a timely manner could make the products less competitive, while the inability to successfully develop new products may limit growth opportunities. Delays in product development may also require greater investment in research and development. Increased costs associated with new product development and product enhancements could adversely affect operating results. The costs of new product development may not be recoverable if demand for the products is not as anticipated.

A SIGNIFICANT PORTION OF THE COMPANY'S CAPITALIZED SOFTWARE IS SUBJECT TO IMPAIRMENT RISK BASED ON THE ABILITY TO MARKET THE SOFTWARE.

A significant portion of the Company's capitalized software value is contingent on the future sales of TWACS NG™ software. Failure to generate sufficient sales to recoup costs could result in the impairment of the capitalized software costs.

CERTAIN MANUFACTURING OPERATIONS ARE DEPENDENT ON A SMALL NUMBER OF THIRD-PARTY SUPPLIERS.

A significant part of the Utility Solutions segment's manufacturing operations relies on a small number of third-party manufacturers to supply the segment's products. For example, Aclara has arrangements with four manufacturers which produce and supply substantially all of Aclara's end-products. Two of these suppliers produce these end-products in Mexico. A significant disruption (for example, a strike) in the supply of those products could negatively affect the timely delivery of Aclara's products to customers and future sales. Also, most of Doble's manufacturing operations rely on third-party manufacturers to supply its products. Disruption in the supply of critical components such as integrated circuit components could have an adverse impact on business by, among other things, increasing costs and reducing margins.

Certain of the Company's other businesses are dependent upon sole source or a limited number of third-party manufacturers of parts and components. Many of these suppliers are small businesses. Since alternative supply sources are limited, there is an increased risk of adverse impacts on the Company's production schedules and profits if the Company's suppliers were to default in fulfilling their price, quality or delivery obligations.

PRODUCT DEFECTS COULD RESULT IN COSTLY FIXES, LITIGATION AND DAMAGES.

If there are claims related to defective products (under warranty or otherwise), particularly in a product recall situation, the Company could be faced with significant expenses in replacing or repairing the product. For example, the Aclara meter modules are installed in thousands of residences and other buildings. The replacement/repair costs for such products, if defective, could have a material adverse effect on the Company's financial condition. Also, the Filtration segment obtains raw materials, machined parts and other product components from suppliers who provide certifications of quality which are relied on by the Company. Should these product components be defective and pass undetected into finished products, there could be significant costs to the Company for repairs, re-work or replacement.

In addition, if a dispute over product claims cannot be settled, arbitration or litigation may result, involving attorneys' fees and the potential of damage awards against the Company.

INCREASES IN PRICES OF RAW MATERIAL AND COMPONENTS, AND DECREASED AVAILABILITY OF SUCH ITEMS, COULD ADVERSELY AFFECT THE COMPANY'S BUSINESS.

The cost of raw materials and product components is a major element of the total cost of many of the Company's products. For example, the Test segment's critical components rely on purchases of raw materials from third parties. Increases in the prices of raw materials (such as steel, copper, nickel, zinc, wood and petrochemical products) could have an adverse impact on business by, among other things, increasing costs and reducing margins.

In addition, the Company's reliance on sole or limited sources of supply of raw materials and components in each of its segments could adversely affect the business. Weather-created disruptions in supply, in addition to affecting costs, could impact the Company's ability to procure an adequate supply of these raw materials and components, and delay or prevent deliveries of products to customers. For example, currently Aclara is reliant on contract manufacturing plants located in Thailand for the supply of certain critical electronic components, and the recent flooding there may impede Aclara's ability to timely obtain these components.

Further, much of Doble's equipment in the hands of customers for their use are in the maturity of their life cycles, which creates the risk that replacement components may be unavailable or available only at increased costs.

ECONOMIC, POLITICAL AND OTHER RISKS OF THE COMPANY'S INTERNATIONAL OPERATIONS COULD ADVERSELY AFFECT BUSINESS.

In fiscal 2011, approximately 26% of the Company's sales were made to international customers. An economic downturn or an adverse change in the political situation in certain foreign countries in which the Company does business could cause a decline in revenues and adversely affect the Company's financial condition. For example, the Test segment does significant business in Asia and Europe.

Changes in the Asian political climate or political changes in specific Asian countries could negatively affect the Company's business. Weakness in the European economy could have a significant adverse effect on the Company's European revenues. For example, several Doble and ETS-Lindgren companies are based in Europe, and could be negatively impacted by weakness in the European economy.

The Company's international sales are also subject to other risks inherent in foreign commerce, including currency fluctuations and devaluations, the risk of war and terrorism, differences in foreign laws, uncertainties as to enforcement of contract rights, and difficulties in negotiating and resolving disputes with foreign customers.

The U.S. International Traffic in Arms Regulations ("ITAR"), which impose certain restrictions on the U.S. export of defense articles and services, may be viewed as too restrictive by international customers, who may develop their own domestic products or elect to procure products from other international suppliers, which are not subject to such export restrictions.

SALES OF GOVERNMENT PRODUCTS DEPEND UPON CONTINUED GOVERNMENT FUNDING.

During the past three fiscal years, from 5% to 10% of the Company's revenues have been generated from sales to the U.S. Government or its contractors. These sales are dependent on continuous government funding of its programs. There could be reductions or terminations of the government funding on programs which are applicable to the Company or its customers. These funding effects could adversely affect the Company's sales and profit, and could bring about a restructuring of Company operations, which could result in an adverse effect on its financial condition or results of operations.

For example, a significant part of VACCO's sales involve major U.S. Government defense and space programs. Government reduction in spending on these programs could have a significant adverse impact on Company financial results.

THE END OF CUSTOMER PRODUCT LIFE CYCLES COULD NEGATIVELY AFFECT FILTRATION SEGMENT RESULTS.

Many of the Company's filtration products are sold to be components in the customers' end-products. If a customer discontinues a certain end-product line, the ability of the Company to continue to sell those components will be reduced or eliminated. The result could be a significant decrease in Company sales.

For example, a substantial portion of PTI's revenue is generated from commercial aviation aftermarket sales. As certain aircraft are retired and replaced by newer aircraft, there could be a corresponding decrease in sales associated with the Company's current products. Such a decrease could adversely affect the Company's operating results. In addition, if the Government cuts back the space program (for example, the successor to the Space Shuttle), VACCO's sales of space products would be reduced, and its revenues could be adversely affected.

ACQUISITIONS OF OTHER COMPANIES CARRY RISK.

Acquisitions of other companies involve numerous risks, including difficulties in the integration of the operations, technologies and products of the acquired companies, the potential exposure to unanticipated and undisclosed liabilities, the potential that expected benefits or synergies are not realized and that operating costs increase, the potential loss of key personnel, suppliers or customers of acquired businesses and the diversion of management's time and attention from other business concerns. Although management will attempt to identify and evaluate the risks inherent in any future transaction, the Company may not properly ascertain all such risks.

CREDIT SHORTAGES COULD AFFECT THE PRICING OF THE COMPANY'S CREDIT FACILITY INCREASE OPTION.

Tightening of the global credit markets could cause an increase in the pricing or fees related to the Company's overall credit facility if the Company exercises its $50 million increase option.

DESPITE ITS EFFORTS, THE COMPANY MAY BE UNABLE TO ADEQUATELY PROTECT ITS INTELLECTUAL PROPERTY.

Despite the Company’s efforts to protect its intellectual property, unauthorized parties or competitors may copy or otherwise obtain and use the Company’s products and technology, particularly in foreign countries where the laws may not protect the Company’s proprietary rights as fully as in the United States. Current and future actions to enforce the Company’s proprietary rights may result in substantial costs and diversion of resources, and may not be successful. In addition, the Company may not elect to pursue an unauthorized user due to the high costs and uncertainties associated with litigation. The Company may also face exposure to claims by others challenging its intellectual property rights.

CHANGES IN TESTING STANDARDS COULD ADVERSELY IMPACT TEST SEGMENT AND UTILITY SOLUTIONS SEGMENT SALES.

A significant portion of the business of the Test and Utility Solutions segments involves sales to technology customers, which result from these customers needing to meet specific international and domestic test standards. If demand for product testing from these customers decreases, the Company’s business could be adversely affected. Likewise, if regulatory agencies eliminate or reduce certain domestic or international test standards, the Company’s sales could be adversely affected. For example, if it were determined that there is no need to include Wi-Fi technology in mobile phones, there may be no need for certain testing on mobile phones. Also, if a regulatory authority relaxes the test standards for certain electronic devices because they do not interfere with the broadcast spectrum, sales of certain Company products could be reduced.

DISPUTES WITH CONTRACTORS COULD ADVERSELY AFFECT THE TEST SEGMENT’S COSTS.

A major portion of the Test segment’s business involves working in conjunction with general contractors to produce end-products, such as electronic test chambers, secure communication rooms, MRI facilities, etc. If there are performance problems caused by either the Company or a contractor, these often result in cost overruns and may lead to a dispute as to which party is responsible. The resolution of such disputes can result in arbitration or litigation, and could involve significant expense including attorneys’ fees. In addition, these disputes may result in reduction in revenue, a loss on a particular project, or even a significant damages award against the Company.

THE LOSS OF SPECIALIZED KEY EMPLOYEES COULD AFFECT PERFORMANCE AND REVENUES.

There is a risk of the Company’s losing key employees having engineering and technical expertise to other employers. For example, the Utility Solutions segment relies heavily on engineers with significant experience and reputation in the utility industry to furnish expert consulting services and support to customers. There is a current trend of a shortage of these qualified engineers because of hiring competition from other companies in the industry. Loss of these employees to other employers could reduce the segment’s ability to provide services and affect revenues negatively.

ENVIRONMENTAL OR REGULATORY REQUIREMENTS COULD INCREASE EXPENSES AND ADVERSELY AFFECT PROFITABILITY.

The Company’s operations and properties are subject to U.S. and foreign environmental laws and regulations governing, among other things, the generation, storage, emission, discharge, transportation, treatment and disposal of hazardous materials and the clean up of contaminated properties. These regulations, and changes therein, could increase the cost of compliance. Failure to comply could result in the imposition of significant fines, suspension of production, alteration of product processes, cessation of operations or other actions, which could materially and adversely affect the Company’s business, financial condition and results of operations. For example, the Company is currently involved as a responsible party in several on-going investigations and remediations of contaminated third-party owned properties. Future costs associated with these situations are difficult to quantify. These and any future costs associated with environmental issues currently unknown could have a significant effect on the Company’s financial condition. See Item 1, Business-Environmental Matters for a discussion of these factors.

COMPETITION IS BROADLY BASED AND GLOBAL IN SCOPE.

The Company faces competition from a large number of manufacturers and distributors for nearly all of its products. Some of the Company's competitors are larger, more diversified corporations, global in scope, with greater financial, marketing, production and research and development resources. If the Company cannot compete successfully against current or future competitors, it could have a material adverse effect on the Company's business, financial condition and results of operations. See Item 1, Business—Competition for further discussion of these factors.

FORWARD-LOOKING INFORMATION

Statements contained in this Form 10-K regarding future events and the Company's future results that are based on current expectations, estimates, forecasts and projections about the Company's performance and the industries in which the Company operates, the amount and timing of 2012 revenues and EPS, adequacy of the Company's credit facilities and future cash flows, the anticipated size of SoCalGas' deployment, the anticipated timing of deliveries by VACCO for the U.S. Navy's Virginia Class submarine program and the anticipated timing and value of deliveries for the U.S. Army's T-700 valve program, the outcome of current litigation, claims and charges, the anticipated timing and amount of lost deferred tax assets, continued reinvestment of foreign earnings, the accuracy of the Company's estimates utilized in software revenue recognition, the accuracy of the Company's estimates utilized to project costs at completion in the Test segment and Filtration segment, income tax liabilities, the effective tax rate, the amount, timing and ability to use net research tax credits, the timing and amount of the reduction of unrecognized tax benefits, repayment of debt within the next twelve months, the recognition of costs related to share-based compensation arrangements, future costs relating to environmental matters, share repurchases, investments, sustained performance improvement, performance improvement initiatives, growth opportunities, new product development, the Company's ability to increase shareholder value, acquisitions, and the beliefs and assumptions of Management contained in the letter "To Our Shareholders", and "Management's Discussion and Analysis" in the 2011 Annual Report, and other statements contained herein which are not strictly historical are considered "forward-looking statements" within the meaning of the safe harbor provisions of the Federal securities laws. Words such as expects, anticipates, targets, goals, projects, intends, plans, believes, estimates, variations of such words, and similar expressions are intended to identify such forward-looking statements. Investors are cautioned that such statements are only predictions, speak only as of the date of this report, and the Company undertakes no duty to update. 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 those described herein under "Item 1A. Risk Factors", and the following: changes in requirements or financial constraints impacting SoCalGas; the receipt of necessary regulatory approvals pertaining to SoCalGas' project; the impacts of natural disasters such as flooding in Thailand on the availability of certain component parts; the timing and content of future customer orders; termination for convenience of customer contracts; timing and magnitude of future contract awards; weakening of economic conditions in served markets; the success of the Company's competitors; changes in customer demands or customer insolvencies; competition; intellectual property rights; technical difficulties; the availability of selected acquisitions; delivery delays or defaults by customers; performance issues with key customers, suppliers and subcontractors; material changes in the costs of certain raw materials; labor disputes; changes in laws and regulations including but not limited to changes in accounting standards and taxation requirements; costs relating to environmental matters; litigation uncertainty; and the Company's successful execution of internal operating plans.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The Company's principal buildings contain approximately 1,135,400 square feet of floor space.

Approximately 682,900 square feet are owned by the Company and approximately 452,500 square feet are leased. See Note 7 of the Notes to Consolidated Financial Statements in the 2011 Annual Report, which information is herein incorporated by reference. The principal plants and offices are as follows:

Location	Size (Sq. Ft.)	Owned/Leased	Lease Expiration Date	Principal Use (Operating Segment)
Oxnard, CA	127,400	Owned		Management, Engineering and Manufacturing (Filtration)
Cedar Park, TX	118,000	Owned		Management, Engineering and Manufacturing (Test)
Cleveland, OH	111,300	Leased	9-1-2019 (two 5-year renewal options)	Management, Engineering and Manufacturing (Utility Solutions)
South El Monte, CA	100,100	Owned		Management, Engineering and Manufacturing (Filtration)
Durant, OK	100,000	Owned		Manufacturing (Test)
Huntley, IL	85,000	Owned		Management and Manufacturing (Filtration)
Watertown, MA	78,500	Owned		Management, Engineering and Manufacturing (Utility Solutions)
St. Louis, MO	71,600	Leased	3-31-2013 (one 5-year renewal option)	Management and Engineering (Utility Solutions)
Glendale Heights, IL	59,400	Leased	3-31-2015 (one 5-year renewal option)	Management, Engineering and Manufacturing (Test)
Beijing, China	50,600	Leased	December, 2011	Manufacturing (Test)
Eura, Finland	40,900	Owned		Management, Engineering and Manufacturing (Test)
Palmdale, CA	39,100	Leased	7-31-2015 (five 1-year renewal options)	Management, Engineering and Manufacturing (Filtration)
St. Louis, MO	33,000	Owned		Management and Engineering (Utility Solutions)
Minocqua, WI	30,200	Leased	3-31-2013 (two 3-year renewal options)	Engineering and Manufacturing (Test)
St. Louis, MO	20,700	Leased	8-31-2015 (one 5-year renewal option)	ESCO Headquarters
Wellesley, MA	18,500	Leased	9-30-2012	Management and Engineering (Utility Solutions)

Morrisville, NC	16,700	Leased	3-31-2014 (one 3-year renewal option)	Management (Utility Solutions)
Taufkirchen, Germany	13,700	Leased	12-1-2015	Management and Engineering (Test)
Stevenage, England	12,200	Leased	8-11-2017 (option to terminate in 2012)	Management, Engineering and Manufacturing (Test)
Kesselsdorf, Germany	8,500	Leased	5-31-2012	Management, Engineering and Manufacturing (Utility Solutions)

The Company believes its buildings, machinery and equipment have been generally well maintained, are in good operating condition and are adequate for the Company's current production requirements and other needs.

Item 3. Legal Proceedings

As a normal incident of the businesses in which the Company is engaged, various claims, charges and litigation are asserted or commenced from time to time against the Company. With respect to claims and litigation asserted or commenced against the Company, it is the opinion of management that final judgments, if any, which might be rendered against the Company are not likely to have a material adverse effect on its financial condition or results of operation.

Item 4. (Removed and Reserved)

Executive Officers of the Registrant

The following sets forth certain information as of November 24, 2011 with respect to ESCO's executive officers. These officers have been elected to terms which expire at the first meeting of the Board of Directors after the next annual meeting of Stockholders.

Name	Age	Position(s)
Victor L. Richey, Jr.*	54	Chairman, President and Chief Executive Officer
Gary E. Muenster	51	Executive Vice President and Chief Financial Officer, and Director
Alyson S. Barclay	52	Senior Vice President, Secretary and General Counsel

* Also Chairman of the Executive Committee of the Board of Directors.

There are no family relationships among any of the executive officers and directors.

Since April 2003, Mr. Richey has been Chairman and Chief Executive Officer of ESCO. Since October 2006, he has also been President.

Mr. Muenster was Senior Vice President and Chief Financial Officer of ESCO from November 2005 until February 2008. Since the latter date, he has been Executive Vice President and Chief Financial Officer. Since February 2011, he has been a Director.

Ms. Barclay was Vice President, Secretary and General Counsel of ESCO from October 1999 until November 2008. Since the latter date, she has been Senior Vice President, Secretary and General Counsel.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The information required by this item is incorporated herein by reference to Notes 10, 11 and 17 of the Notes to Consolidated Financial Statements, “Common Stock Market Price” and “Shareholders’ Summary—Capital Stock Information” appearing in the 2011 Annual Report. As of November 16, 2011, there were approximately 2,370 record holders of Common Stock (including Company employees holding shares under the Employee Stock Purchase Plan). No cash dividends on the Common Stock were paid for fiscal year 2009. However, the Board of Directors, on November 12, 2009, adopted a resolution to initiate quarterly cash dividends payable at an annual rate of $0.32 per share on the Common Stock. The first quarterly dividend of $0.08 per share was paid on January 19, 2010 to stockholders of record as of January 4, 2010. These dividends of $0.08 per share per quarter are being paid and will be paid until such time as the Board of Directors may terminate or amend the dividend declaration.

ISSUER PURCHASES OF EQUITY SECURITIES*:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1-31, 2011	0	N.A.	0	$ 30 Million
August 1-31, 2011	0	N.A.	0	$ 30 Million
Sep. 1-30, 2011	0	N.A.	0	$ 30 Million
Total	0	N.A.	0	$ 30 Million

* In July 2010, the Board of Directors authorized a new common stock repurchase program (the “2010 Program”) for a maximum total value of $30 million. The 2010 Program will expire September 30, 2012. The pre-existing stock repurchase program, having a maximum total value of $30 million, was superseded and cancelled by the 2010 Program. There currently is no repurchase program which the Company has determined to terminate prior to the program’s expiration, or under which the Company does not intend to make further purchases.

Item 6. Selected Financial Data

The information required by this item is incorporated herein by reference to “Five-Year Financial Summary” and Notes 2 and 3 of the Notes to Consolidated Financial Statements appearing in the 2011 Annual Report.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The information required by this item is incorporated herein by reference to “Management’s Discussion and Analysis” appearing in the 2011 Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is incorporated herein by reference to “Market Risk Analysis” and “Quantitative And Qualitative Disclosures About Market Risk” in “Management’s Discussion and Analysis” appearing in the 2011 Annual Report.

Item 8. Financial Statements and Supplementary Data

The information required by this item is incorporated herein by reference to the Consolidated Financial Statements of the Company on pages 25 through 46 and the report thereon of KPMG LLP, an independent registered public accounting firm, appearing on page 49 of the 2011 Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not Applicable.

Item 9A. Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of the Company's 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 defined in Rules 13a-15(e) and 15d–15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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 September 30, 2011. 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 Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Management's Report on Internal Control Over Financial Reporting and the attestation report thereon of KPMG LLP are incorporated herein by reference to pages 48 and 49, respectively, in the 2011 Annual Report.

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding nominees and directors appearing under "Nominees and Continuing Directors" in the 2012 Proxy Statement is hereby incorporated by reference. Information regarding executive officers is set forth in Part I of this Form 10-K. Information regarding the Audit and Finance Committee and its members appearing under "Board of Directors and Committees" and under the separate section "Committees" in the 2012 Proxy Statement is hereby incorporated by reference.

Information appearing under "Section 16(a) Beneficial Ownership Reporting Compliance" in the 2012 Proxy Statement is hereby incorporated by reference.

The Company has adopted codes of ethics which apply to its chief executive officer, chief financial officer, principal accounting officer, controller and all other senior executives, as well as all Company employees. The following documents are available free of charge through the Company's internet website at www.escotechnologies.com and in print to any person who requests them: Corporate Governance Guidelines; Charters of the Audit and Finance Committee, Human Resources and Compensation Committee, and Nominating and Corporate Governance Committee; Code of Business Conduct and Ethics; and Code of Ethics for Senior Financial Officers. Direct your request for printed documents to Director of Investor Relations, ESCO Technologies Inc., 9900A Clayton Road, St. Louis, MO 63124.

Item 11. Executive Compensation

Information appearing under “Board of Directors and Committees,” “Director Compensation”, “Executive Compensation” (including but not limited to the information set forth under “Compensation Discussion And Analysis” and under “Summary Compensation Table” through the information under “Potential Payments Upon Termination Or Change In Control”, “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report” in the 2012 Proxy Statement is hereby incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information regarding beneficial ownership of shares of common stock by nominees and directors, by executive officers, by directors and executive officers as a group and by any known five percent stockholders appearing under “Security Ownership of Directors and Executive Officers” and “Security Ownership of Certain Beneficial Owners” in the 2012 Proxy Statement is hereby incorporated by reference.

Equity Compensation Plan Information:

The following table summarizes certain information regarding Common Shares that may be issued by the Company pursuant to its equity compensation plans existing as of September 30, 2011.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1) (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(1) (c)
Equity compensation plans approved by security holders (2)	921,962(3)	$ 35.58(4)	1,470,514(5)(6)
Equity compensation plans not approved by security holders	0	N/A	160,658(7)
Total	921,962	N/A	1,631,172

(1) Number of Common Shares is subject to adjustment for any future changes in capitalization for stock splits, stock dividends and similar events.

(2) Consists of the Company’s 1994 and 1999 Stock Option Plans, the 2001 Stock Incentive Plan and the 2004 Incentive Compensation Plan. Each of the above-cited Plans has been amended without Stockholder approval in accordance with its terms, as follows: the Company’s 1994 and 1999 Stock Option Plans have been amended to provide for tax withholding, to provide for adjustment upon a special distribution and in certain other respects; the 1994 and 1999 Stock Option Plans have been amended to reflect the change of the Company’s name and the elimination of the Company’s common stock trust receipts; the 1994 Stock Option Plan was amended to authorize the Human Resources and Compensation Committee (the “Committee”), in its discretion, to: (i) permit an optionee who terminates employment with the approval of the Company to exercise a vested stock option at any time within three months after termination, but before ten years from the date of grant, and (ii) direct that an option award agreement may permit an optionee who terminates employment on account of retirement on or after age 60 to exercise a vested stock option up to one year after retirement, but before ten years from the date of grant; the 1994 and 1999 Stock Option Plans and the 2001 Stock Incentive Plan were amended to authorize the Committee to delegate to any employee the power to extend a stock option beyond termination of employment for persons who are not “officers” as defined in Rule 16a-1 under the

Exchange Act; the 1994 and 1999 Stock Option Plans and the 2001 Stock Incentive Plan have been amended to authorize the Committee to delegate to the Chief Executive Officer the power to grant stock options to persons who are not such "officers", with the limitation of 10,000 shares per award and 100,000 shares awarded in the aggregate in any fiscal year; the 2001 Stock Incentive Plan and the 2004 Incentive Compensation Plan were amended with respect to Performance Share distributions to: (i) eliminate the participant's option to pay cash for tax withholding and receive all shares due, and (ii) eliminate the participant's option to defer the distribution; the 2004 Incentive Compensation Plan was amended with respect to Performance Share distributions to eliminate the Committee's discretion to determine the percentage of the distribution to be made in shares or to be withheld for tax payments; the 1999 Stock Option Plan, the 2001 Stock Incentive Plan and the 2004 Incentive Compensation Plan were amended in accordance with Section 409A of the Internal Revenue Code of 1986, as amended, to eliminate the Committee's discretion to grant to stock option holders additional alternative stock appreciation rights covering additional shares, under certain circumstances; and in the case of the 2004 Plan, to restrict the payment of dividend equivalents to participants in restricted stock awards to the time when the shares to which the dividend equivalents apply are delivered to the participant; the 1999 Stock Option Plan, the 2001 Stock Incentive Plan and the 2004 Incentive Compensation Plans were amended to remove the restriction that stock issued pursuant to options must be held for investment purposes only; and the 2001 Stock Incentive Plan was amended to limit the maximum period of time for an option extension to the original option term.

(3) Includes 241,646 Common Shares and 245,262 Common Shares issuable in connection with the vesting and distribution of outstanding performance-accelerated restricted share awards under the Company's 2001 Stock Incentive Plan and 2004 Incentive Compensation Plan, respectively.

(4) Does not include the Common Shares listed in footnote (3) above, for which there are no exercise prices.

(5) Represents Common Shares under the 2004 Incentive Compensation Plan.

(6) Does not include shares that may be purchased on the open market pursuant to the Company's Employee Stock Purchase Plan (the "ESPP"). Under the ESPP, participants may elect to have up to 10% of their current salary or wages withheld and contributed to one or more independent trustees for the purchase of Common Shares. At the discretion of an officer of the Company, the Company or a domestic subsidiary or division may contribute cash in an amount not to exceed 20% of the amounts contributed by participants. The total number of Common Shares purchased with the Company's matching contributions, however, may not exceed 200,000. As of September 30, 2011, 90,571 shares had been purchased with the Company's matching funds.

(7) Represents Common Shares issuable pursuant to the Compensation Plan for Non-Employee Directors (the "Compensation Plan"), which provides for each director to be paid (in addition to other fees) an annual retainer fee payable partially in cash and partially in Common Shares. Periodically, the Committee determines the amount of the retainer fee and the allocation of the fee between cash and Common Shares. The maximum number of Common Shares available for distribution under the Compensation Plan is 400,000 shares. The stock portion of the retainer fee is distributable in quarterly installments. Directors may elect to defer receipt of all of their cash compensation and/or all of the stock portion of the retainer fee. The deferred amounts are credited to the director's deferred compensation account in stock equivalents. Deferred amounts are distributed in Common Shares or cash at such future dates as specified by the director unless distribution is accelerated in certain circumstances, including a change in control of the Company. The stock portion which has been deferred may only be distributed in Common Shares.

Item 13. Certain Relationships and Related Transactions and Director Independence

Information regarding the Company's directors, nominees for directors and members of the committees of the board of directors, and their status of independence appearing under "Board of Directors and Committees" and under "Committees" in the 2012 Proxy Statement is hereby incorporated by reference.

There was no transaction since the beginning of the Company's last fiscal year, or any currently proposed transaction, in which the Company was or is to be a participant and the amount involved exceeds $120,000, and in which any related person had or will have a direct or indirect material interest.

The Company has implemented a written policy to ensure that all "Interested Transactions" with "Related Parties" will be at arm's length and on terms generally available to an unaffiliated third-party under the same or similar circumstances. Interested Transactions are any Company transactions in which any Related Party has or will have a direct or indirect interest. Related Parties are executive officers, directors, director nominees and persons owning more than 5% of Company common stock, or any immediate family member of such parties. The policy contains procedures requiring Related Parties to notify the Company of potential Interested Transactions and for the Nominating and Corporate Governance Committee ("Committee") to review and approve or disapprove of such transaction. The Committee will consider whether the Interested Transaction with a Related Party is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances. If advance Committee approval is not feasible or is not obtained, the policy requires submission of the transaction to the Committee after the fact, and the Committee is empowered to approve, ratify, amend, rescind or terminate the transaction. In such event, the Committee will also request the General Counsel to evaluate the Company's controls and procedures to ascertain whether any changes to the policy are recommended. See the information appearing under "Related Person Transactions and Procedures" in the 2012 Proxy Statement, which is herein incorporated by reference.

Item 14. Principal Accounting Fees and Services

Information regarding the Company's independent registered public accounting firm, its fees and services, and the Company's Audit and Finance Committee's pre-approval policies and procedures regarding such fees and services appearing under "Independent Registered Public Accounting Firm Services And Fees" in the 2012 Proxy Statement is hereby incorporated by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as a part of this report:

1. The Consolidated Financial Statements of the Company on pages 15 through 46 and the Report of Independent Registered Public Accounting Firm thereon of KPMG LLP appearing on page 49 of the 2011 Annual Report.
2. Financial statement schedules have been omitted because the subject matter is disclosed elsewhere in the financial statements and notes thereto, not required or not applicable, or the amounts are not sufficient to require submission.

3. Exhibits:

Exhibit Number	Description	Filed Herewith or Incorporated by Reference to Document Indicated By Footnote
3.1	Restated Articles of Incorporation	Incorporated by Reference, Exhibit 3(a)[1]
3.2	Amended Certificate of Designation, Preferences and Rights of Series A Participating Cumulative Preferred Stock of the Registrant	Incorporated by Reference, Exhibit 4(e)[2]
3.3	Articles of Merger effective July 10, 2000	Incorporated by Reference, Exhibit 3(c)[3]
3.4	Bylaws, as amended and restated	Incorporated by Reference, Exhibit 3.4[4]
3.5	Amendment to Bylaws effective February 2, 2007	Incorporated by Reference, Exhibit 3.5[30]
3.6	Amendment to Bylaws effective November 9, 2007	Incorporated by Reference, Exhibit 3.1[23]
4.1	Specimen revised Common Stock Certificate	Incorporated by Reference, Exhibit 4.1[34]
4.2	Credit Agreement dated as of November 30, 2007 among the Registrant, National City Bank and the lenders from time to time parties thereto.	Incorporated by Reference, Exhibit 4.1[31]
4.3	Amendment No. 1 to the Agreement listed at 4.2 above, with retroactive effect to November 12, 2009 among the Registrant, the lenders from time to time parties thereto, and PNC Bank, National Association (successor to National City Bank)	Incorporated by Reference, Exhibit 4.1[32]
10.1	Form of Indemnification Agreement with each of ESCO’s directors	Incorporated by Reference, Exhibit 10(k)[7]
10.2	Supplemental Executive Retirement Plan as amended and restated as of August 2, 1993*	Incorporated by Reference, Exhibit 10(n)[8]
10.3	Second Amendment to Supplemental Executive Retirement Plan effective May 1, 2001*	Incorporated by Reference, Exhibit 10.4[9]
10.4	Directors’ Extended Compensation Plan*	Incorporated by Reference, Exhibit 10(o)[8]

10.5	First Amendment to Directors’ Extended Compensation Plan effective January 1, 2000*	Incorporated by Reference, Exhibit 10.11[10]
10.6	Second Amendment to Directors’ Extended Compensation Plan effective April 1, 2001*	Incorporated by Reference, Exhibit 10.7[9]
10.7	1994 Stock Option Plan (as amended and restated effective October 16, 2000)*	Incorporated by Reference, Exhibit 10.1[11]
10.8	Amendment to 1994 Stock Option Plan effective July 18, 2002*	Incorporated by Reference, Exhibit 10(b)[12]
10.9	Form of Incentive Stock Option Agreement*	Incorporated by Reference, Exhibit 10.15[10]
10.10	Severance Plan adopted as of August 10, 1995 (as restated February 5, 2002)*	Incorporated by Reference, Exhibit 10[13]
10.11	Amendment to 1994 Stock Option Plan effective August 7, 2003*	Incorporated by Reference, Exhibit 10.12[4]
10.12	1999 Stock Option Plan (as amended and restated effective October 16, 2000)*	Incorporated by Reference, Exhibit 10.2[11]
10.13	Form of Incentive Stock Option Agreement*	Incorporated by Reference, Exhibit 10.3[11]
10.14	Amendment to 1999 Stock Option Plan effective August 7, 2003*	Incorporated by Reference, Exhibit 10.15[4]
10.15	Employment Agreement with Executive Officer*[14]	Incorporated by Reference, Exhibit 10(bb)[1]
10.16	Amendment to Employment Agreement with Executive Officer*[15]	Incorporated by Reference, Exhibit 10.18[9]
10.17	Executive Stock Purchase Plan*	Incorporated by Reference, Exhibit 10.24[10]
10.18	Compensation Plan For Non-Employee Directors*	Incorporated by Reference, Exhibit 10.22[9]
10.19	2001 Stock Incentive Plan*	Incorporated by Reference, Exhibit B[16]
10.20	Form of Incentive Stock Option Agreement*	Incorporated by Reference, Exhibit 10.24[17]
10.21	Form of Non-qualified Stock Option Agreement*	Incorporated by Reference, Exhibit 10.25[17]
10.22	Form of Notice of Award–Performance–Accelerated Restricted Stock under 2004 Stock Incentive Plan*	Incorporated by Reference, Exhibit 10[36]

10.23	Form of Supplemental Executive Retirement Plan Agreement *	Incorporated by Reference, Exhibit 10.28[17]
10.24	Amendment to 2001 Stock Incentive Plan effective August 7, 2003*	Incorporated by Reference, Exhibit 10.29[4]
10.25	Sixth Amendment and Restatement of Employee Stock Purchase Plan effective as of October 15, 2003*	Incorporated by Reference, Appendix C[18]
10.26	Second Amendment to Employment Agreement with V.L. Richey, Jr. *	Incorporated by Reference, Exhibit 10.1[19]
10.27	Second Amendment to Employment Agreement with G.E. Muenster (identical document with A.S. Barclay)*	Incorporated by Reference, Exhibit 10.2[19]
10.28	2004 Incentive Compensation Plan*	Incorporated by Reference, Appendix B[18]
10.29	Fourth Amendment to Employment Agreement with A.S. Barclay*	Incorporated by Reference, Exhibit 10.1[21]
10.30	Performance Compensation Plan Amended and Restated as of November 25, 2002*	Incorporated by Reference, Exhibit 10.2[20]
10.31	Fourth Amendment to Incentive Compensation Plan for Executive Officers*	Incorporated by Reference, Exhibit 10.31[35]
10.32	Eighth Amendment to Performance Compensation Plan*	Incorporated by Reference, Exhibit 10.32[35]
10.33	Form of Incentive Stock Option Agreement under 2004 Incentive Compensation Plan*	Incorporated by Reference, Exhibit 10.6[20]
10.34	Form of Non-qualified Stock Option Agreement under 2004 Incentive Compensation Plan*	Incorporated by Reference, Exhibit 10.7[20]
10.35	Form of Incentive Stock Option Agreement under 2001 Stock Incentive Plan*	Incorporated by Reference, Exhibit 10.8[20]
10.36	Form of Non-qualified Stock Option Agreement under 2001 Stock Incentive Plan*	Incorporated by Reference, Exhibit 10.9[20]
10.37	Second Amendment to 2001 Stock Incentive Plan effective August 3, 2006*	Incorporated by Reference, Exhibit 10.39[22]
10.38	First Amendment to 2004 Incentive Compensation Plan effective August 3, 2006*	Incorporated by Reference, Exhibit 10.40[22]
10.39	Employment Agreement with C.J. Kretschmer effective October 1, 2006*	Incorporated by Reference, Exhibit 10.41[22]

10.40	Form of Exhibits (“Non-Compete” and “Change of Control”) to Option Agreements listed as 10.33 and 10.34, above*	Incorporated by Reference, Exhibit 10.42[24]
10.41	Third Amendment to Directors’ Extended Compensation Plan effective October 3, 2007*	Incorporated by Reference, Exhibit 10.43[24]
10.42	Second Amendment to 2004 Incentive Compensation Plan effective October 3, 2007*	Incorporated by Reference, Exhibit 10.44[24]
10.43	Third Amendment to 2001 Stock Incentive Plan effective October 3, 2007*	Incorporated by Reference, Exhibit 10.45[24]
10.44	First Amendment to Incentive Compensation Plan for Executive Officers effective October 3, 2007*	Incorporated by Reference, Exhibit 10.46[24]
10.45	Amendment to 1999 Stock Option Plan effective October 3, 2007*	Incorporated by Reference, Exhibit 10.47[24]
10.46	Amendment to Severance Plan effective October 3, 2007*	Incorporated by Reference, Exhibit 10.48[24]
10.47	Amendment to Performance Compensation Plan effective October 3, 2007*	Incorporated by Reference, Exhibit 10.49[24]
10.48	Amendment to Compensation Plan for Non-Employee Directors effective October 3, 2007*	Incorporated by Reference, Exhibit 10.50[24]
10.49	Form of Notice of Award (2009) – Performance Accelerated Restricted Stock under 2001 Stock Incentive Plan*	Incorporated by Reference, Exhibit 10.51[29]
10.50	Third Amendment to Employment Agreement with V.L. Richey, Jr. * [25]	Incorporated by Reference, Exhibit 10.1[26]
10.51	Fourth Amendment to Employment Agreement with G.E. Muenster*	Incorporated by Reference, Exhibit 10.1[27]
10.52	Third Amendment to 2004 Incentive Compensation Plan effective October 1, 2007*	Incorporated by Reference, Appendix A[28]
10.53	Fourth Amendment to 2001 Stock Incentive Plan effective October 1, 2007*	Incorporated by Reference, Appendix B[28]
10.54	Amendment to 1999 Stock Option Plan effective October 3, 2007*	Incorporated by Reference, Appendix C[28]
10.55	Second Amendment to Incentive Compensation Plan for Executive Officers effective November 12, 2009*	Incorporated by Reference, Exhibit 10.55[6]

10.56	Board Committee Resolutions Regarding Interpretation of 1999, 2001 and 2004 Compensation Plans*	Incorporated by Reference, Exhibit 10.1[5]
10.57	Fifth Amendment to 1999 Stock Option Plan *	Incorporated by Reference, Exhibit 10.2[5]
10.58	Fifth Amendment to 2001 Stock Incentive Plan*	Incorporated by Reference, Exhibit 10.3[5]
10.59	Fourth amendment to 2004 Incentive Compensation Plan*	Incorporated by Reference, Exhibit 10.4[5]
10.60	Sixth Amendment to 2001 Stock Incentive Plan*	Incorporated by Reference, Exhibit 10.5[5]
10.61	Compensation Recovery Policy*	Incorporated by Reference, Exhibit 10.6[5]
10.62	Form of Notice of Award –Performance-Accelerated Restricted Stock under 2001 Stock Incentive Plan*	Incorporated by Reference, Exhibit 10.7[5]
10.63	Form of Exhibits (“Non-Compete”, “Compensation Recovery Policy” and “Clawback”) to Incentive Stock Option Agreements and Non-qualified Stock Option Agreements under 2001 Stock Incentive Plan and 2004 Incentive Compensation Plan*	Incorporated by Reference, Exhibit 10.8[5]
10.64	Seventh Amendment to Performance Compensation Plan*	Incorporated by Reference, Exhibit 10.9[5]
10.65	Third Amendment to Incentive Compensation Plan for Executive Officers*	Incorporated by Reference, Exhibit 10.10[5]
10.66	Board Actions Regarding Compensation for Non-Employee Directors	
13	The following-listed sections of the Annual Report to Stockholders for the year ended September 30, 2011: • Management’s Discussion and Analysis (pgs. 14-24) • Consolidated Financial Statements (pgs. 25-46)	

- Management’s Report on Internal Control over Financial Reporting (p. 48)
- Report of Independent Registered Public Accounting Firm (p. 49)
- Five-year Financial Summary (p. 50)
- Common Stock Market Price (p. 50)
- Shareholders’ Summary–Capital Stock Information (p. 52)

21	Subsidiaries of ESCO
23	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer
31.2	Certification of Chief Financial Officer
32	Certification of Chief Executive Officer and Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

Attached as Exhibit 101 to this report are documents formatted in XBRL (Extensible Business Reporting Language). Users of this data are advised pursuant to Rule 406T of Regulation S-T that the interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of section 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise not subject to liability under these sections.

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[1] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 1999, at the Exhibit indicated.
[2] Incorporated by reference to Form 10-Q for the fiscal quarter ended March 31, 2000, at the Exhibit indicated.
[3] Incorporated by reference to Form 10-Q for the fiscal quarter ended June 30, 2000, at the Exhibit indicated.
[4] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 2003, at the Exhibit indicated.
[5] Incorporated by reference to Current Report on Form 8-K dated February 10, 2010, at the Exhibit indicated.
[6] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 2009, at the Exhibit indicated.

[7] Incorporated by reference to Form l0-K for the fiscal year ended September 30, 1991, at the Exhibit indicated.
[8] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 1993, at the Exhibit indicated.
[9] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 2001, at the Exhibit indicated.
[10] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 2000, at the Exhibit indicated.
[11] Incorporated by reference to Form 10-Q for the fiscal quarter ended December 31, 2000, at the Exhibit indicated.
[12] Incorporated by reference to Form 10-Q for the fiscal quarter ended June 30, 2002, at the Exhibit indicated.
[13] Incorporated by reference to Form 10-Q for the fiscal quarter ended March 31, 2002, at the Exhibit indicated.
[14] Identical Employment Agreements between ESCO and executive officers A.S. Barclay, G.E. Muenster and V.L. Richey, Jr., except that in the cases of Ms. Barclay and Mr. Muenster the minimum annual salary is $94,000 and $108,000, respectively.
[15] Identical Amendments to Employment Agreements between ESCO and executive officers A.S. Barclay, G.E. Muenster and V.L. Richey, Jr.
[16] Incorporated by reference to Notice of Annual Meeting of the Stockholders and Proxy Statement dated December 11, 2000, at the Exhibit indicated.
[17] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 2002, at the Exhibit indicated.
[18] Incorporated by reference to Notice of Annual Meeting of the Stockholders and Proxy Statement dated December 29, 2003, at the Appendix indicated.
[19] Incorporated by reference to Form 10-Q for the fiscal quarter ended June 30, 2004, at the Exhibit indicated.
[20] Incorporated by reference to Form 10-Q for the fiscal quarter ended December 31, 2004, at the Exhibit indicated.
[21] Incorporated by reference to Current Report on Form 8-K dated August 3, 2010, at the Exhibit indicated.
[22] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 2006, at the Exhibit indicated.
[23] Incorporated by reference to Current Report on Form 8-K dated November 12, 2007, at the Exhibit indicated.
[24] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 2007, at the Exhibit indicated.
[25] Identical Amendments to Employment Agreements between ESCO and executive officers G.E. Muenster and A.S. Barclay, except that (i) the termination amounts payable under Paragraph 9.a(1) are equal to base salary for 12 months, and (ii) under Paragraph 9.a(1)(B), such termination amounts may be paid in biweekly installments equal to 1/26th of such amounts.

[26] Incorporated by reference to Current Report on Form 8-K dated December 31, 2007, at the Exhibit indicated.
[27] Incorporated by reference to Current Report on Form 8-K dated February 6, 2008, at the Exhibit indicated.
[28] Incorporated by reference to Notice of Annual Meeting of the Stockholders and Proxy Statement dated December 20, 2007, at the Appendix indicated.
[29] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 2008, at the Exhibit indicated.
[30] Incorporated by reference to Form 10-Q for the fiscal quarter ended December 31, 2006, at the Exhibit indicated.
[31] Incorporated by reference to Current Report on Form 8-K dated November 30, 2007, at the Exhibit indicated.
[32] Incorporated by reference to Current Report on Form 8-K dated January 12, 2010, at the Exhibit indicated.
[33] Incorporated by reference to Form 10-Q for the fiscal quarter ended June 30, 2010, at the Exhibit indicated.
[34] Incorporated by reference to Form 10-Q for the fiscal quarter ended March 31, 2010, at the Exhibit indicated.
[35] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 2010, at the Exhibit indicated.
[36] Incorporated by reference to Form 10-Q for the fiscal quarter ended September 30, 2010, at the Exhibit indicated.
* Represents a management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K pursuant to Item 15(c) of this Part IV.

(b) Exhibits: Reference is made to the list of exhibits in this Part IV, Item 15(a)3 above.

(c) Financial Statement Schedules: Reference is made to Part IV, Item 15(a)2 above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: November 29, 2011

By /s/ V.L. Richey, Jr.
V.L. Richey, Jr.
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on November 29, 2011, by the following persons on behalf of the registrant and in the capacities indicated.

SIGNATURE	TITLE
/s/ V.L. Richey, Jr. V.L. Richey, Jr.	Chairman, President, Chief Executive Officer and Director
/s/ G.E. Muenster G.E. Muenster	Executive Vice President, Chief Financial Officer and Director, Principal Accounting Officer
/s/ J.M. McConnell J.M. McConnell	Director
/s/ L.W. Solley L.W. Solley	Director
/s/ J.M. Stolze J.M. Stolze	Director
/s/ D.C. Trauscht D.C. Trauscht	Director
/s/ J.D. Woods J.D. Woods	Director

INDEX TO EXHIBITS

Exhibits are listed by numbers corresponding to the Exhibit Table of Item 601 in Regulation S-K.

Exhibit No.	Exhibit
10.66	Board Actions Regarding Compensation for Non-Employee Directors.
13	The following-listed sections of the Annual Report to Stockholders for the year ended September 30, 2011: • Management's Discussion and Analysis (pgs. 14-24) • Consolidated Financial Statements (pgs. 25-46) • Management's Report on Internal Control over Financial Reporting (p. 48) • Report of Independent Registered Public Accounting Firm (p. 49) • Five-year Financial Summary (p. 50) • Common Stock Market Price (p. 50) • Shareholders' Summary–Capital Stock Information (p. 52)
21	Subsidiaries of ESCO
23	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer
31.2	Certification of Chief Financial Officer
32	Certification of Chief Executive Officer and Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

See Item 15(a)3 for a list of exhibits incorporated by reference.

EXHIBIT 10.66

Board of Directors Actions in Increasing Compensation for Non-Employee Directors.

On July 28, 2011, the Board of Directors took the following actions, to be effective January 1, 2012:

1. Increased the stock retainer from 800 to 900 common shares per quarter.
2. Increased the annual cash fee for Board meetings from $4,800 to $6,500.

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto. The years 2011, 2010 and 2009 represent the fiscal years ended September 30, 2011, 2010 and 2009, respectively, and are used throughout the document.

Introduction

ESCO Technologies Inc. and its wholly owned subsidiaries (ESCO, the Company) are organized into three reportable operating segments: Utility Solutions Group (USG), RF Shielding and Test (Test), and Filtration/Fluid Flow (Filtration). The Company's business segments are comprised of the following primary operating entities:

- ***USG:*** Aclara Power-Line Systems Inc. (Aclara PLS), Aclara RF Systems Inc. (Aclara RF), Aclara Software Inc., (Aclara Software), collectively (Aclara); and Doble Engineering Company (Doble),
- ***Test:*** EMC Group companies consisting primarily of ETS-Lindgren L.P. (ETS) and Lindgren R.F. Enclosures, Inc. (Lindgren), and
- ***Filtration:*** PTI Technologies Inc. (PTI), VACCO Industries (VACCO), Crissair, Inc. (Crissair) and Thermoform Engineered Quality LLC (TEQ) (formerly named TekPackaging LLC).

USG: Aclara is a proven supplier of special purpose fixed-network communications systems for electric, gas and water utilities, including hardware and software to support advanced metering applications. Aclara's STAR® Network system and TWACS® technology provide advanced radio-frequency (RF) and powerline (PLS) based fixed-network technologies proven to meet the wide-ranging data communications requirements of utilities worldwide. Aclara Software applications add value across the utility enterprise, addressing meter and energy data management, distribution planning and operations, customer service, revenue management and integration solutions. Doble provides high-end, intelligent diagnostic test solutions for the electric power delivery industry and is a leading supplier of power factor and partial discharge testing instruments used to assess the integrity of high-voltage power delivery equipment.

Test: The EMC Group is an industry leader in providing its customers with the ability to identify, measure and contain magnetic, electromagnetic and acoustic energy.

Filtration: The companies within this segment primarily design and manufacture specialty filtration products including hydraulic filter elements used in commercial aerospace applications, unique filter mechanisms used in micro-propulsion devices for satellites and custom designed filters for manned and unmanned aircraft and submarines.

ESCO continues to operate with meaningful growth prospects in its primary served markets and with considerable financial flexibility. The Company continues to focus on new products that incorporate proprietary design and process technologies. Management is committed to delivering shareholder value through internal growth, ongoing performance improvement initiatives, and acquisitions.

Highlights of 2011 Operations

- Sales, net earnings and diluted earnings per share were $693.7 million, $52.5 million and $1.95 per share, respectively, compared to sales, net earnings and diluted earnings per share of $607.5 million, $44.8 million and $1.68 per share in 2010.
- Net cash provided by operating activities was approximately $76 million compared to $67 million in 2010.
- At September 30, 2011, cash on hand was $34.2 million; outstanding debt was $125 million, for a net debt position of approximately $91 million. (Net debt position is defined as total debt less net cash.)
- 2011 entered orders were $676.1 million resulting in a book-to-bill ratio of approximately 1.0x. Backlog at September 30, 2011, was $343.1 million.
- Gross margins in the fourth quarter of 2011 were negatively impacted by $6.5 million in charges related to the write-down of certain Aclara inventory which was determined to be obsolete as next generation Advanced Metering Infrastructure (AMI) products are currently being offered for sale.
- Other (income) expenses, net in 2011, was favorably impacted by $7.6 million in gains related to the revaluation of an earnout liability associated with a previous acquisition.
- In June 2011, the Company signed an agreement with Southern California Gas Co. (SoCalGas), a subsidiary of Sempra Energy, for its Aclara RF STAR® Network in connection with SoCalGas' AMI project. SoCalGas' project currently includes plans for deployment of Aclara's integrated hardware, software and network architecture solution to over six million customers throughout its service territory. The Company recorded $20 million in initial orders related to this agreement in 2011.
- Aclara PLS received an additional $21 million order to supply products to Mexico's electric utility, Federal Commission of Electricity (CFE), related to CFE's electric AMI deployment and recorded $33 million in sales from this customer in 2011.
- The Company received $17 million of orders in 2011 and recorded $24 million in sales to Pacific Gas & Electric Company (PG&E) related to its gas AMI deployment. Cumulative-to-date orders from PG&E for the gas AMI deployment total 4.8 million units and $268 million through September 30, 2011.

- On February 28, 2011, the Company acquired EMV GmbH (EMV) for $5 million. EMV provides turnkey systems and shielded environments for research, development and quality assurance testing of electronic equipment within the Test segment.
- The Company declared dividends of $0.32 per share, totaling $8.5 million in payments during 2011.

Results of Continuing Operations

NET SALES

	Fiscal year ended			Change 2011	Change 2010
(Dollars in millions)	**2011**	2010	2009	**vs. 2010**	vs. 2009
USG	**$349.6**	348.3	374.0	**0.4%**	(6.9)%
Test	**176.5**	138.4	138.4	**27.5%**	— %
Filtration	**167.6**	120.8	106.7	**38.7%**	13.2%
Total	**$693.7**	607.5	619.1	**14.2%**	(1.9)%

USG

The net sales increase of $1.3 million, or 0.4%, in 2011 as compared to the prior year was due to: a $21.8 million increase in net sales from Aclara PLS primarily due to higher shipments to CFE; an $11.7 million increase in net sales from Doble driven by higher product shipments; a $3.3 million increase in net sales from Aclara Software mainly due to the Xtensible acquisition (acquired September 3, 2010); partially offset by a $32 million decrease in net sales from Aclara RF related to the PG&E gas project and a $10 million decrease for the New York City water project as both near completion.

The net sales decrease of 6.9%, or $25.7 million in 2010 as compared to 2009 was due to: a $50.4 million decrease in net sales from Aclara RF due to lower AMI gas product deliveries at PG&E; partially offset by an $18.2 million increase in net sales from Aclara PLS due to higher shipments to CFE, Colombia's utility EMCALI EICE ESE (EMCALI) and the Puerto Rico Electric Power Authority (PREPA); and a $6.7 million increase in net sales from Doble driven by an increase in service and product revenues.

The Company's total sales to PG&E were $24 million in 2011, $55.9 million in 2010 (representing approximately 9% of the Company's consolidated net sales), and $106.2 million in 2009 (representing approximately 17% of the Company's consolidated net sales).

Test

The net sales increase of $38.1 million, or 27.5%, in 2011 as compared to the prior year was due to: a $15.5 million increase in net sales from the segment's U.S. operations mainly driven by a large project for NASA in Florida; a $17.3 million increase in net sales from the segment's European operations mainly due to the current year EMV acquisition that contributed $11 million; and a $5.4 million increase in net sales from the segment's Asian operations due to several large chamber projects in Japan.

Net sales for the segment were consistent in 2010 and 2009. However, there was a $4.1 million increase in net sales from the segment's European operations due to an improvement in the European medical business and the shipment of a large military project; a $2.9 million increase in net sales from the segment's Asian operations due to higher chamber shipments; partially offset by a $6.9 million decrease in net sales from the segment's U.S. operations driven by a decrease in small test and measurement projects domestically.

Filtration

The 38.7%, or $46.8 million increase in net sales in 2011 as compared to the prior year was due to: a $22.9 million increase in net sales from Crissair (Crissair was acquired effective July 31, 2010); a $12.7 million increase at TEQ due to higher shipments of its ear thermometer probe cover product; an $8.2 million increase in net sales from VACCO due to higher shipments of Virginia Class submarine products and defense spares shipments; and a $3 million increase at PTI driven by higher shipments of aerospace assemblies and elements.

The 13.2%, or $14.1 million increase in net sales in 2010 as compared to 2009 was due to: a $5 million increase in net sales at PTI due to higher shipments of aerospace assemblies and elements; the acquisition of Crissair with a net sales contribution of $4 million (representing two months of sales); a $2.8 million increase in net sales at VACCO driven by higher shipments of space products; and a $2.3 million increase at TEQ due to higher sales to commercial customers.

ORDERS AND BACKLOG

New orders received in 2011 were $676.1 million as compared to $668.8 million in 2010, resulting in order backlog of $343.1 million at September 30, 2011, as compared to order backlog of $360.6 million at September 30, 2010. In 2011, the Company recorded $321.4 million of orders related to USG products, $189.1 million related to Test products, and $165.6 million related to Filtration products. Orders are entered into backlog as firm purchase order commitments are received.

In 2010, the Company recorded $369.4 million of orders related to USG products, $158.5 million related to Test products, and $140.9 million related to Filtration products (including $15.3 million related to the Crissair acquisition).

In June 2011, the Company finalized a definitive agreement with Southern California Gas Co. (SoCalGas), a subsidiary of Sempra Energy, for its AMI project. SoCalGas' project includes plans to deploy Aclara's integrated hardware, software and network architecture solution to over six million residential and most commercial natural gas customers throughout its service territory. Most of the equipment will be ordered by placement of formal purchase orders under the agreement. The Company recorded $20 million in initial orders related to this agreement in 2011.

The Company received orders from PG&E for AMI products of $17 million, $54 million and $80 million during 2011, 2010 and 2009, respectively. Cumulative-to-date orders from PG&E for the gas AMI deployment total 4.8 million units and $268 million through September 30, 2011, as the contract nears completion.

In December 2010, Aclara PLS received an additional $21 million order from Mexico's electric utility CFE for an additional 90,000 units to further expand its deployment of Aclara's TWACS® powerline technology solution.

During the first quarter of 2011, ETS-Lindgren received a $6.5 million order for an anechoic test chamber in South America that will be used to test telecommunications satellites, and a $5.4 million order in Turkey for a chamber that will be used to identify electromagnetic interference for a variety of large motorized vehicles.

2010

Aclara RF received $28 million in orders from New York City for its fixed-network AMI water project.

In December 2009, Aclara PLS received the first $21 million order to supply products to Mexico's electric utility CFE related to its electric AMI deployment and a $5 million order from Colombia's utility EMCALI for its electric AMI project.

In January 2010, Aclara RF received a contract from the Toho Water Authority of Kissimmee, Florida, related to its AMI water project with orders expected to total $9 million over a five-year deployment period. In addition, Aclara RF received a contract to supply products for the City of Toronto, Canada's, AMI water project with orders anticipated to total $34 million over a six-year deployment period. The Company also received a $13 million order from the San Francisco Public Utilities Commission related to its AMI water project.

In July 2010, VACCO finalized a $41 million contract to provide the next seven ship-sets of valves and manifolds for the U.S. Navy's Virginia Class submarine program with product deliveries from 2010 through 2014.

In August 2010, VACCO was awarded a five-year contract with orders anticipated to be valued at up to $35 million to supply T-700 anti-icing valves for use on U.S. Army UH-60 series Black Hawk helicopters.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses (SG&A) were $182.5 million, or 26.3% of net sales in 2011, $157.3 million, or 26% of net sales in 2010, and $152.4 million, or 24.6% of net sales in 2009.

The increase in SG&A expenses in 2011 as compared to the prior year was due to: an $11.4 million increase within the USG segment due to new product development, marketing and engineering expenses; a $7.7 million increase within the Test segment primarily due to the current year acquisition of EMV and SG&A to support the international marketplace expansion; and a $6.1 million increase within the Filtration segment mainly due to a full year contribution from Crissair (versus two months in 2010).

The increase in SG&A expenses in 2010 as compared to 2009 was due to increases in new product development, marketing and engineering expenses at Doble; an increase in SG&A within the Test segment to support the international marketplace expansion; and an increase within the Filtration segment due to higher engineering expenses.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets was $12 million in 2011, $11.6 million in 2010 and $19.2 million in 2009. The Company recorded $4.7 million, $4.5 million and $12.2 million in 2011, 2010 and 2009, respectively, related to Aclara PLS's TWACS NG capitalized software. Amortization of intangible assets included $4.6 million, $4.8 million and $4.7 million of amortization of acquired intangible assets related to the Company's acquisitions in 2011, 2010 and 2009, respectively. The amortization of acquired intangible assets related to the Company's acquisitions is included in the Corporate operating segment's results. The remaining amortization expenses consist of other identifiable intangible assets (primarily software, patents and licenses) and are included in the respective segment's operating results.

The decrease in amortization expense in 2010 as compared to 2009 was mainly due to the Company's TWACS NG software. During 2010, the Company re-evaluated the economic useful life of its TWACS NG capitalized software and concluded the remaining TWACS NG asset value has an expected remaining useful life of ten years, through 2019 (compared to its previous useful life of seven years).

OTHER (INCOME) EXPENSES, NET

Other (income) expenses, net, was ($5.1) million in 2011 compared to other expenses, net, of $2.9 million and $4.5 million in 2010 and 2009, respectively. The principal component in other (income) expenses, net, in 2011 was ($7.6) million of income representing a revaluation of the earnout liability related to the Xtensible acquisition. The principal item included in other expenses, net, in 2010 was $1.5 million of severance expenses. The principal item included in other expenses, net, in 2009 consisted of $2.3 million of facility exit/relocation charges incurred in connection with the move of the Aclara RF facility. There were no other individually significant items included in other (income) expenses, net, in 2011, 2010 or 2009.

EARNINGS BEFORE INTEREST AND TAXES (EBIT)

The Company evaluates the performance of its operating segments based on EBIT, which the Company defines as earnings before interest and taxes. EBIT is not a defined GAAP measure. However, the Company believes that EBIT provides investors and Management with a valuable and alternative method for assessing the Company’s operating results. 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 and incentive compensation.

EBIT

	Fiscal year ended			**Change**	Change
(Dollars in millions)	**2011**	2010	2009	**2011 vs. 2010**	2010 vs. 2009
USG	**$ 54.3**	67.4	62.5	**(19.4)%**	7.8%
% of net sales	**15.5%**	19.4%	16.7%		
Test	**18.6**	12.2	14.1	**52.5%**	(13.5)%
% of net sales	**10.5%**	8.8%	10.2%		
Filtration	**30.8**	19.5	18.1	**57.9%**	7.7%
% of net sales	**18.4%**	16.1%	17.0%		
Corporate	**(24.2)**	(25.5)	(24.1)	**(5.1)%**	5.8%
Total	**$ 79.5**	73.6	70.6	**8.0%**	4.2%
% of net sales	**11.5%**	12.1%	11.4%		

The reconciliation of EBIT to a GAAP financial measure is as follows:

(Dollars in millions)	**2011**	2010	2009
EBIT	**$ 79.5**	73.6	70.6
Less: Interest expense	**(2.5)**	(4.0)	(7.4)
Less: Income taxes	**(24.5)**	(24.8)	(13.9)
Net earnings from continuing operations	**$ 52.5**	44.8	49.3

USG

The $13.1 million decrease in EBIT in 2011 as compared to 2010 was due to: lower sales volumes at Aclara RF as the PG&E gas project and New York City water project both near completion; partially offset by increases in EBIT at Aclara PLS and Doble due to increased sales volumes. EBIT was negatively impacted by $6.5 million in charges related to the write-down of certain Aclara inventory which was determined to be obsolete as next generation AMI products are currently being offered for sale. EBIT was favorably impacted by a $7.6 million gain related to the revaluation of the earnout liability related to a previous acquisition.

The $4.9 million increase in EBIT in 2010 as compared to 2009 was due to: a $3 million increase in EBIT from Aclara primarily due to increased sales volumes at Aclara PLS along with a decrease in amortization for the TWACS NG capitalized software; and a $1.9 million increase in EBIT from Doble related to the increased sales volumes.

Test

The $6.4 million increase in EBIT in 2011 as compared to the prior year was due to: an increase of $4.8 million related to the segment’s U.S. operations driven by the higher sales volumes; and a $1.6 million increase related to the segment’s European and Asian operations also driven by additional sales volumes as mentioned earlier.

The $1.9 million decrease in EBIT in 2010 as compared to 2009 was due to: a decrease in EBIT from the Company’s U.S. operations due to changes in product mix; higher SG&A expenses to support the international marketplace expansion; partially offset by a $1.4 million increase in EBIT from the Company’s European and Asian operations related to the increased sales volumes.

Filtration

EBIT increased $11.3 million in 2011 as compared to the prior year mainly due to the additional sales volumes at VACCO, TEQ and PTI mentioned above as well as the full-year EBIT contribution from Crissair.

EBIT increased $1.4 million in 2010 as compared to 2009 primarily due to increased sales volumes and favorable overhead absorption at VACCO.

Corporate

Corporate operating charges included in consolidated EBIT decreased $1.3 million in 2011 as compared to 2010 mainly due to a decrease in transaction costs related to acquisition activity and lower professional fees.

Corporate operating charges included in consolidated EBIT increased $1.4 million in 2010 as compared to 2009 primarily due to transaction costs related to acquisition activity, including professional fees.

The "Reconciliation to Consolidated Totals (Corporate)" in Note 15 to the Consolidated Financial Statements represents Corporate office operating charges.

INTEREST EXPENSE, NET

Interest expense was $2.5 million in 2011, $4 million in 2010 compared to $7.4 million in 2009, respectively. The decrease in interest expense in 2011 as compared to the prior year was due to lower average interest rates (1.4% vs. 1.9%) and lower average outstanding borrowings ($143 million vs. $171 million) under the revolving credit facility. The decrease in interest expense in 2010 as compared to 2009 was due to lower average interest rates (1.9% vs. 3.3%) and lower average outstanding borrowings ($171 million vs. $211 million) under the revolving credit facility.

INCOME TAX EXPENSE

The 2011 effective tax rate was 31.8% compared to 35.6% in 2010 and 22% in 2009. The decrease in the 2011 effective tax rate as compared to the prior year was due to: the favorable impact of the research tax credit which reduced 2011 income tax expense by $1.6 million and the effective tax rate by 2% as a result of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010; the release of uncertain tax positions as a result of the lapse of statute of limitations reduced income tax expense by $0.4 million and the effective tax rate by 0.5%; and an increase in the beneficial effect of foreign tax rates which reduced 2011 income tax expense by $0.6 million and the effective tax rate by 0.7%.

The increase in the 2010 effective tax rate as compared to 2009 was due primarily to the absence of certain items, such as the decrease in the tax liabilities related to uncertain tax positions recorded in 2009 for the fiscal years 2003 through 2007. The overall decrease in uncertain tax positions reduced 2009 income tax expense by $8.6 million and the effective tax rate by 13.6%.

Capital Resources and Liquidity

The Company's overall financial position and liquidity is strong. Working capital (current assets less current liabilities) increased to $122.5 million at September 30, 2011 from $109.4 million at September 30, 2010, due to higher cash balances on hand and higher inventory and advance payments on long-term contract balances.

The $14 million increase in inventory at September 30, 2011, was mainly due to: $7 million in the Test segment due to the current year acquisition of EMV and an increase in long-lead raw materials for new products; and $5.8 million in the Filtration segment mainly due to accelerated material receipts for VACCO's T-700 program. The $18 million increase in advance payments on long-term contracts was primarily at VACCO related to advance payments received on the Virginia Class project.

Net cash provided by operating activities from continuing operations was $75.9 million, $67 million and $77.5 million in 2011, 2010 and 2009, respectively. The increase in 2011 as compared to 2010 was primarily due to an increase in net earnings and lower operating working capital requirements.

Capital expenditures were $13.7 million, $13.4 million and $9.3 million in 2011, 2010 and 2009, respectively. The increase in 2010 as compared to 2009 was due to approximately $4.5 million for manufacturing equipment and new ERP software within the Filtration segment. There were no commitments outstanding that were considered material for capital expenditures at September 30, 2011. In addition, the Company incurred expenditures for capitalized software of $14.2 million, $8.8 million and $5 million in 2011, 2010 and 2009, respectively. The increase in 2011 as compared to the prior years was primarily due to a $3 million increase within the USG segment related to software development for new products.

The Company made required pension contributions of $5.2 million, $1.4 million and $2 million in 2011, 2010 and 2009, respectively.

ACQUISITIONS

2011

On February 28, 2011, the Company acquired the capital stock of EMV Elektronische Messgerate Vertriebs - GmbH, together with its subsidiary EMSCREEN Electromagnetic Screening GmbH (collectively, EMV) for a purchase price of approximately $5 million, inclusive of cash acquired. EMV, with operations in Taufkirchen, Germany, provides turnkey systems and shielded environments for research, development and quality assurance testing of electronic equipment. EMV’s operating results, since the date of acquisition, are included within the Test segment and the Company recorded approximately $4.8 million of goodwill as a result of the transaction.

2010

Effective July 31, 2010, the Company acquired the capital stock of Crissair, Inc. (Crissair) for a purchase price of approximately $27 million, net of cash acquired. Crissair, headquartered in Palmdale, California, is a manufacturer of high-quality hydraulic, fuel and pneumatic system components for the aerospace industry. The operating results for Crissair, since the date of acquisition, are included within the Filtration segment. The Company recorded approximately $9 million of goodwill as a result of the transaction, $4.3 million of trade names and $7.4 million of amortizable identifiable intangible assets consisting of customer relationships.

On September 3, 2010, the Company acquired the capital stock of Xtensible Solutions, Inc. (Xtensible) for a purchase price of approximately $4 million in cash plus contingent consideration. Xtensible is a provider of information management and integration solutions to the utility industry worldwide and its operating results, since the date of acquisition, are included within Aclara Software in the USG segment. The agreement includes contingent consideration based on target revenues to be paid out over the next three and one-half years from the date of acquisition. The Company recorded approximately $15 million of goodwill as a result of the transaction. During 2011, the Company revalued the earnout obligation based on current forecasted revenues and recorded a $7.6 million gain in Other (income) expenses, net.

2009

On September 21, 2009, the Company acquired a minority interest in Firetide, Inc. for $4 million in cash. Firetide, Inc. is a provider of wireless infrastructure mesh network management systems which will enable communications with other Smart Grid assets and this technology will be used in Aclara’s Acendant Network solution. This investment is accounted for under the cost method and is included in Other assets on the Company’s Consolidated Balance Sheet as of September 30, 2011 and 2010.

On July 2, 2009, the Company acquired certain assets of Complus Systems Pvt Ltd. (Complus) in India for approximately $1.2 million in cash and formed a new Indian entity. The entity operates as ETS-India and its operating results, since the date of acquisition, are included within the Test segment.

All of the Company’s acquisitions have been accounted for using the purchase method of accounting, and accordingly, the respective purchase prices were allocated to the assets (including intangible assets) acquired and liabilities assumed based on estimated fair values at the date of acquisition. The financial results from these acquisitions have been included in the Company’s financial statements from the date of acquisition.

BANK CREDIT FACILITY

At September 30, 2011, the Company had approximately $190 million available to borrow under its credit facility, plus a $50 million increase option, in addition to $34.2 million of cash on hand. At September 30, 2011, the Company had outstanding borrowings of $125 million, and outstanding letters of credit of $15 million. The Company classified $50 million as the current portion of long-term debt as of September 30, 2011, as the Company intends to repay this amount within the next twelve months; however, the Company has no contractual obligation to repay such amount during the next twelve months. The Company’s ability to access the additional $50 million increase option of the credit facility is subject to acceptance by participating or other outside banks. The credit facility has a maturity date of November 30, 2012. The Company intends to refinance its credit facility during 2012.

Cash flow from operations and borrowings under the bank credit facility are expected to provide adequate resources to meet the Company’s capital requirements and operational needs for the foreseeable future.

The credit facility requires, as determined by certain financial ratios, a facility fee ranging from 15 to 25 basis points per annum on the unused portion. The terms of the facility provide that interest on borrowings may be calculated at a spread over the LIBOR or based on the prime rate, at the Company’s election. The credit facility is secured by the unlimited guaranty of the Company’s material domestic subsidiaries and a 65% pledge of the material foreign subsidiaries’ share equity. The financial covenants of the credit facility include a leverage ratio and an interest coverage ratio. As of September 30, 2011, the Company was in compliance with all bank covenants.

DIVIDENDS

During 2010, the Company initiated a quarterly cash dividend payable at an annual rate of $0.32 per share. The Company paid $8.5 million of dividends in 2011.

OUTLOOK — 2012

Management expects 2012 consolidated revenues to increase in the low-to-mid single digits compared to 2011. EPS is expected to grow five to ten percent in 2012 compared to 2011. In addition, the 2012 effective tax rate is projected to be between 33% and 35%. On a quarterly basis, Management expects 2012 revenues and EPS to be more second-half weighted.

CONTRACTUAL OBLIGATIONS

The following table shows the Company's contractual obligations as of September 30, 2011:

(Dollars in millions)

	Payments due by period				
Contractual Obligations	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Long-Term Debt Obligation	$125.0	—	125.0	—	—
Estimated Interest Payments[1]	4.8	2.2	2.6	—	—
Operating Lease Obligations	27.2	7.6	11.6	4.7	3.3
Purchase Obligations[2]	11.5	10.9	0.6	—	—
Total	$168.5	20.7	139.8	4.7	3.3

(1) Estimated interest payments for the Company's debt obligations were calculated based on Management's determination of the estimated applicable interest rates and payment dates.

(2) A purchase obligation is defined as a legally binding and enforceable agreement to purchase goods and services that specifies all significant terms. Since the majority of the Company's purchase orders can be cancelled, they are not included in the table above.

As of September 30, 2011, the Company had $3.6 million of liabilities for uncertain tax positions. The unrecognized tax benefits have been excluded from the table above due to uncertainty as to the amounts and timing of settlement with taxing authorities.

The Company has no off-balance-sheet arrangements outstanding at September 30, 2011.

SHARE REPURCHASES

In July 2010, the Company's Board of Directors extended its previously authorized open market common stock repurchase program of the Company's shares at a value not to exceed $30 million, subject to market conditions and other factors which covers the period through September 30, 2012. There were no stock repurchases during 2011, 2010 or 2009.

PENSION FUNDING REQUIREMENTS

The minimum cash funding requirements related to the Company's defined benefit pension plans are estimated to be approximately $3.4 million in 2012, approximately $4.4 million in 2013 and approximately $4.8 million in 2014.

OTHER

Management believes that, for the periods presented, inflation has not had a material effect on the Company's results of operations.

The Company is currently involved in various stages of investigation and remediation relating to environmental matters. Based on current information available, Management does not believe the aggregate costs involved in the resolution of these matters will have a material adverse effect on the Company's operating results, capital expenditures or competitive position.

Market Risk Analysis

MARKET RISK EXPOSURE

Market risks relating to the Company's operations result primarily from changes in interest rates and changes in foreign currency exchange rates. The Company is exposed to market risk related to changes in interest rates and selectively uses derivative financial instruments, including forward contracts and swaps, to manage these risks. During 2010, the Company entered into a $60 million one-year amortizing forward interest rate swap effective October 5, 2010. This interest rate swap expired in October 2011. All derivative instruments are reported on the balance sheet at fair value. The derivative instrument is designated as a cash flow hedge and the gain or loss on the derivative is deferred in accumulated other comprehensive income until recognized in earnings with the underlying hedged item. Based on the interest rate swaps outstanding, the interest rates on approximately 50% of the Company's total borrowings were effectively fixed as of September 30, 2011. The Company has determined that the market risk related to interest rates with respect to its variable debt that is not hedged is not material. The Company estimates that if market interest rates averaged one percentage point higher, the effect would have been less than 2% of net earnings for the year ended September 30, 2011. The following is a summary of the notional transaction amounts and fair values for the Company's outstanding derivative financial instruments by risk category and instrument type, as of September 30, 2011.

(Dollars in thousands)	Notional Amount	Average Rec Rate	Average Pay Rate	Fair Value
Interest rate swap	$60,000	0.22%	1.10%	$ (3)

The Company is also subject to foreign currency exchange rate risk inherent in its sales commitments, anticipated sales, anticipated purchases and assets and liabilities denominated in currencies other than the U.S. dollar. The foreign currency most significant to the Company's operations is the Euro. Net sales to customers outside of the United States were $181.3 million, $141.4 million, and $110.7 million in 2011, 2010 and 2009, respectively. The Company hedges certain foreign currency commitments by purchasing foreign currency forward contracts. The estimated fair value of open forward contracts at September 30, 2011 was not material. The Company does not have material foreign currency market risk (e.g. net foreign currency transaction gain/loss was less than 2% of net earnings for fiscal years 2011, 2010 and 2009).

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying Consolidated Financial Statements. In preparing these financial statements, Management has made its best estimates and judgments of certain amounts included in the Consolidated Financial Statements, giving due consideration to materiality. The Company does not believe there is a great likelihood that materially different amounts would be reported under different conditions or using different assumptions related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. The Company's senior Management discusses the critical accounting policies described below with the Audit and Finance Committee of the Company's Board of Directors on a periodic basis.

The following discussion of critical accounting policies is intended to bring to the attention of readers those accounting policies which Management believes are critical to the Consolidated Financial Statements and other financial disclosure. It is not intended to be a comprehensive list of all significant accounting policies that are more fully described in Note 1 of Notes to Consolidated Financial Statements.

REVENUE RECOGNITION

USG Segment: Within the USG segment, approximately 70% of the segment's revenue arrangements (approximately 35% of consolidated revenues) contain software components and/or multiple element arrangements. Revenue under these arrangements is recognized in accordance with FASB ASC Subtopic 985-605, *Software — Revenue Recognition* and/or FASB ASC Subtopic 605-25, *Revenue Recognition: Multiple Deliverable Arrangements*. The application of these standards requires judgment, including the determination of whether an arrangement includes multiple elements and estimates of the fair value of the elements, using vendor-specific objective evidence of fair value (VSOE), if it exists, otherwise third-party evidence (TPE) or estimated selling price (ESP). Changes to the elements in an arrangement, and the ability to identify fair value for those elements could materially impact the amount of earned and/or deferred revenue. There have been no material changes to these estimates for the financial statement periods presented and the Company believes that these estimates generally should not be subject to significant variation in the future. The remaining 30% of the segment's revenues (approximately 15% of consolidated revenues) represent products sold under a single element arrangement and are recognized when products are delivered (when title and risk of ownership transfers), when services are performed for unaffiliated customers or on a straight-line basis over the lease term.

Test Segment: Within the Test segment, approximately 40% of revenues (approximately 10% of consolidated revenues) are recognized when products are delivered (when title and risk of ownership transfers) or when services are performed for unaffiliated customers. Certain arrangements contain multiple elements which are accounted for under the provisions of FASB ASC Subtopic 605-25, *Revenue Recognition: Multiple-Element Arrangements*. The application of the applicable guidance requires judgment as to whether the deliverables can be divided into more than one unit of accounting and whether the separate units of accounting have value to the customer on a stand-alone basis. Changes to these elements could affect the timing of revenue recognition. There have been no material changes to these elements for the financial statement periods presented.

Approximately 60% of the segment's revenues (approximately 15% of consolidated revenues) are recorded under the percentage-of-completion provisions of FASB ASC Subtopic 605-35, *Revenue Recognition: Construction-Type and Production-Type Contracts* due to the complex nature of the enclosures that are designed and produced under these contracts. As discussed above, this method of accounting involves the use of various estimating techniques to project costs at completion, which are based on

Management's judgment and the Company's substantial experience in developing these types of estimates. Changes in underlying assumptions/estimates may adversely or positively affect financial performance in a period. Due to the nature of these contracts and the operating unit's cost estimating process, the Company believes that these estimates generally should not be subject to significant variation in the future. There have been no material changes to these estimates for the financial statement periods presented. The Company regularly reviews its contract estimates to assess revisions in contract values and estimated costs at completion.

Filtration Segment: Within the Filtration segment, approximately 65% of segment revenues (approximately 15% of consolidated revenues) are recognized when products are delivered (when title and risk of ownership transfers) or when services are performed for unaffiliated customers.

Approximately 35% of segment revenues (approximately 10% of consolidated revenues) are recorded under the percentage-of-completion provisions of FASB ASC Subtopic 605-35, *Revenue Recognition: Construction-Type and Production-Type Contracts* because the Company manufactures complex products for aerospace and military customers under production contracts. The percentage-of-completion method of accounting involves the use of various estimating techniques to project costs at completion. These estimates involve various assumptions and projections relative to the outcome of future events over a period of several years, including future labor productivity and availability, the nature and complexity of the work to be performed, availability of materials, the impact of delayed performance, and the timing of product deliveries. These estimates are based on Management's judgment and the Company's substantial experience in developing these types of estimates. Changes in underlying assumptions/estimates may adversely affect financial performance if they increase estimated project costs at completion, or positively affect financial performance if they decrease estimated project costs at completion. Due to the nature of these contracts and the operating unit's cost estimating process, the Company believes that these estimates generally should not be subject to significant variation in the future. There have been no material changes to these estimates for the financial statement periods presented. The Company regularly reviews its estimates to assess revisions in contract values and estimated costs at completion.

INVENTORY

Inventories are valued at the lower of cost (first-in, first-out) or market value. Management regularly reviews inventories on hand compared to historical usage and estimated future usage and sales. Inventories under long-term contracts reflect accumulated production costs, factory overhead, initial tooling and other related costs less the portion of such costs charged to cost of sales and any unliquidated progress payments. In accordance with industry practice, costs incurred on contracts in progress include amounts relating to programs having production cycles longer than one year, and a portion thereof may not be realized within one year.

INCOME TAXES

The Company operates in numerous taxing jurisdictions and is subject to examination by various U.S. Federal, state and foreign jurisdictions for various tax periods. Additionally, the Company has retained tax liabilities and the rights to tax refunds in connection with various divestitures of businesses in prior years. The Company's income tax positions are based on research and interpretations of the income tax laws and rulings in each of the jurisdictions in which the Company does business. Due to the subjectivity of interpretations of laws and rulings in each jurisdiction, the differences and interplay in tax laws between those jurisdictions, as well as the inherent uncertainty in estimating the final resolution of complex tax audit matters, Management's estimates of income tax liabilities may differ from actual payments or assessments.

Management regularly assesses the Company's position with regard to tax exposures and records liabilities for these uncertain tax positions and related interest and penalties, if any, according to the principles of FASB ASC Topic 740, *Income Taxes* (ASC 740). The Company has recorded an accrual that reflects the recognition and measurement process for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return based upon ASC 740. Additional future income tax expense or benefit may be recognized once the positions are effectively settled. It is the Company's policy to follow FASB ASC 740-10-45-20 and record the tax effects of changes in the opening balance of unrecognized tax benefits in net earnings from continuing operations.

At the end of each interim reporting period, Management estimates the effective tax rate expected to apply to the full fiscal year. The estimated effective tax rate contemplates the expected jurisdiction where income is earned, as well as tax planning strategies. Current and projected growth in income in higher tax jurisdictions may result in an increasing effective tax rate over time. If the actual results differ from Management's estimates, Management may have to adjust the effective tax rate in the interim period if such determination is made.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets

and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets may be reduced by a valuation allowance if it is more likely than not that some portion of the deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company regularly reviews its deferred tax assets for recoverability and establishes a valuation allowance when Management believes it is more likely than not such assets will not be recovered, taking into consideration historical operating results, expectations of future earnings, tax planning strategies, and the expected timing of the reversals of existing temporary differences.

GOODWILL AND OTHER LONG-LIVED ASSETS

In accordance with FASB ASC Topic 350, *Intangibles — Goodwill and Other* (ASC 350), Management annually reviews goodwill and other long-lived assets with indefinite useful lives for impairment or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. If the Company determines that the carrying value of the long-lived asset may not be recoverable, a permanent impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value. Fair value is measured based on a discounted cash flow method using a discount rate determined by Management to be commensurate with the risk inherent in the Company’s current business model. The estimates of cash flows and discount rate are subject to change due to the economic environment, including such factors as interest rates, expected market returns and volatility of markets served. Management believes that the estimates of future cash flows and fair value are reasonable; however, changes in estimates could result in impairment charges. At September 30, 2011, the Company has determined that no reporting units are at risk of material goodwill impairment as the fair value of all reporting units substantially exceeded its carrying value. Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed annually for impairment.

PENSION PLANS AND OTHER POSTRETIREMENT BENEFIT PLANS

The measurement of liabilities related to pension plans and other postretirement benefit plans is based on Management’s assumptions related to future events including interest rates, return on pension plan assets, and health care cost trend rates. Actual pension plan asset performance will either decrease or increase unamortized pension losses that will affect net earnings in future years. Depending upon the performance of the equity and bond markets in 2012, the Company could be required to record a charge to equity. In addition, if the discount rate was decreased by 25 basis points from 4.5% to 4.25%, the projected benefit obligation for the defined benefit plan would increase by approximately $2.5 million and result in an additional after-tax charge to shareholders’ equity of approximately $1.6 million. The discount rate used in measuring the Company’s pension and postretirement welfare obligations was developed by matching yields of actual high-quality corporate bonds to expected future pension plan cash flows (benefit payments). Over 400 Aa-rated, non-callable bonds with a wide range of maturities were used in the analysis. After using the bond yields to determine the present value of the plan cash flows, a single representative rate that resulted in the same present value was developed.

Other Matters

CONTINGENCIES

As a normal course of business in which the Company is engaged, various claims, charges and litigation are asserted or commenced against the Company. With respect to claims and litigation asserted or commenced against the Company, it is the opinion of Management that final judgments, if any, which might be rendered against the Company are adequately reserved, covered by insurance, or are not likely to have a material adverse effect on its financial condition or results of operation.

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. The Company is exposed to market risk related to changes in interest rates and selectively uses derivative financial instruments, including forward contracts and swaps, to manage these risks. During 2010, the Company entered into a $60 million one-year amortizing forward interest rate swap effective October 5, 2010. This interest rate swap expired in October 2011. All derivative instruments are reported on the balance sheet at fair value. The derivative instrument is designated as a cash flow hedge and the gain or loss on the derivative is deferred in accumulated other comprehensive income until recognized in earnings with the underlying hedged item. See further discussion in “Management’s Discussion and Analysis — Market Risk Analysis” regarding the Company’s market risks.

CONTROLS AND PROCEDURES

The Company carried out an evaluation under the supervision of 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 are effective. 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 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. There have been no significant changes in the Company's internal controls or in other factors during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

New Accounting Pronouncements

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, *Comprehensive Income (Topic 220) - Presentation of Comprehensive Income* (ASU 2011-05), to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. The standard does not change the items which must be reported in other comprehensive income, how such items are measured or when they must be reclassified to net income. This standard is effective for interim and annual periods beginning after December 15, 2011 and will be applied retrospectively. ASU 2011-05 affects financial statement presentation only and will have no impact on the Company's results of operations.

Forward-Looking Information

Statements regarding future events and the Company's future results that are based on current expectations, estimates, forecasts and projections about the Company's performance and the industries in which the Company operates, the amount and timing of 2012 revenues and EPS, adequacy of the Company's credit facilities and future cash flows, ability of the Company to refinance its credit facility in 2012, minimum cash funding requirements for the Company's defined benefit pension plans, the anticipated size of SoCalGas' deployment, the anticipated timing of deliveries by VACCO for the U.S. Navy's Virginia Class submarine program and the anticipated timing and value of deliveries for the U.S. Army's T-700 valve program, the expected value of Aclara's contracts with Toho Water Authority and the City of Toronto, the outcome of current litigation, claims and charges, the anticipated timing and amount of lost deferred tax assets, continued reinvestment of foreign earnings, the accuracy of the Company's estimates utilized in software revenue recognition, the accuracy of the Company's estimates utilized to project costs at completion in the Test segment and Filtration segment, income tax liabilities, the effective tax rate, the amount, timing and ability to use net research tax credits, the timing and amount of the reduction of unrecognized tax benefits, repayment of debt within the next twelve months, the recognition of costs related to share-based compensation arrangements, future costs relating to environmental matters, share repurchases, investments, sustained performance improvement, performance improvement initiatives, growth opportunities, new product development, the Company's ability to increase shareholder value, acquisitions, and the beliefs and assumptions of Management contained in the letter To Our Shareholders (pages 1-3), and Management's Discussion and Analysis and other statements contained herein which are not strictly historical are considered "forward-looking statements" within the meaning of the safe harbor provisions of the Federal securities laws. Words such as expects, anticipates, targets, goals, projects, intends, plans, believes, estimates, variations of such words, and similar expressions are intended to identify such forward-looking statements. Investors are cautioned that such statements are only predictions, speak only as of the date of this report, and the Company undertakes no duty to update. 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 those described under "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2011, and the following: changes in requirements or financial constraints impacting SoCalGas; the receipt of necessary regulatory approvals pertaining to SoCalGas' project; the impacts of natural disasters such as flooding in Thailand on the availability of certain component parts; the timing and content of future customer orders; termination for convenience of customer contracts; timing and magnitude of future contract awards; weakening of economic conditions in served markets; the success of the Company's competitors; changes in customer demands or customer insolvencies; competition; intellectual property rights; technical difficulties; the availability of selected acquisitions; delivery delays or defaults by customers; performance issues with key customers, suppliers and subcontractors; material changes in the costs of certain raw materials; labor disputes; changes in laws and regulations including but not limited to changes in accounting standards and taxation requirements; costs relating to environmental matters; litigation uncertainty; and the Company's successful execution of internal operating plans.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts) Years ended September 30,	2011	2010	2009
Net sales	**$ 693,711**	607,493	619,064
Costs and expenses:			
Cost of sales	**424,846**	361,942	372,351
Selling, general and administrative expenses	**182,530**	157,348	152,397
Amortization of intangible assets	**11,982**	11,633	19,214
Interest expense, net	**2,493**	3,977	7,450
Other (income) expenses, net	**(5,098)**	2,928	4,480
Total costs and expenses	**616,753**	537,828	555,892
Earnings before income tax	**76,958**	69,665	63,172
Income tax expense	**24,457**	24,819	13,867
Net earnings from continuing operations	**$ 52,501**	44,846	49,305
Earnings from discontinued operations, net of tax of $568 in 2009	**—**	—	135
Loss on sale of discontinued operations, net of tax of $905 in 2009	**—**	—	(32)
Net earnings from discontinued operations	**—**	—	103
Net earnings	**$ 52,501**	44,846	49,408
Earnings per share:			
Basic:			
Continuing operations	**$ 1.97**	1.70	1.88
Discontinued operations	**—**	—	—
Net earnings	$ 1.97	1.70	1.88
Diluted:			
Continuing operations	1.95	1.68	1.86
Discontinued operations	—	—	—
Net earnings	$ 1.95	1.68	1.86
Average common shares outstanding (in thousands):			
Basic	**26,588**	26,450	26,216
Diluted	**26,903**	26,738	26,560

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands) Years ended September 30,	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 34,158**	26,508
Accounts receivable, less allowance for doubtful accounts of $2,044 and $1,885 in 2011 and 2010, respectively	**144,083**	141,098
Costs and estimated earnings on long-term contracts, less progress billings of $11,416 and $12,189 in 2011 and 2010, respectively	**12,974**	12,743
Inventories	**96,986**	83,034
Current portion of deferred tax assets	**20,630**	15,809
Other current assets	**19,523**	17,169
Total current assets	**328,354**	296,361
Property, plant and equipment:		
Land and land improvements	**4,986**	4,986
Buildings and leasehold improvements	**52,648**	50,318
Machinery and equipment	**85,440**	75,721
Construction in progress	**2,779**	5,970
	145,853	136,995
Less accumulated depreciation and amortization	**72,786**	64,432
Net property, plant and equipment	**73,067**	72,563
Intangible assets, net	**231,848**	229,736
Goodwill	**361,864**	355,656
Other assets	**16,704**	19,975
Total Assets	**$1,011,837**	974,291

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands) Years ended September 30,	2011	2010
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	**$ 50,000**	50,000
Accounts payable	**54,037**	59,088
Advance payments on long-term contracts, less costs incurred of $30,925 and $19,547 in 2011 and 2010, respectively	**23,667**	5,729
Accrued salaries	**26,040**	23,762
Current portion of deferred revenue	**24,499**	21,907
Accrued other expenses	**27,594**	26,494
Total current liabilities	**205,837**	186,980
Pension obligations	**33,439**	29,980
Deferred tax liabilities	**85,313**	79,388
Other liabilities	**11,538**	17,961
Long-term debt	**75,000**	104,000
Total liabilities	**411,127**	418,309
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 29,956,904 and 29,839,343 shares in 2011 and 2010, respectively	**300**	298
Additional paid-in capital	**275,807**	270,943
Retained earnings	**403,241**	359,274
Accumulated other comprehensive loss, net of tax	**(19,191)**	(14,793)
	660,157	615,722
Less treasury stock, at cost (3,320,926 and 3,338,986 common shares in 2011 and 2010, respectively)	**(59,447)**	(59,740)
Total shareholders' equity	**600,710**	555,982
Total Liabilities and Shareholders' Equity	**$1,011,837**	974,291

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, September 30, 2008	29,465	295	254,240	273,470	556	(60,324)	468,237
Comprehensive income:							
Net earnings	—	—	—	49,408	—	—	49,408
Translation adjustments	—	—	—	—	(707)	—	(707)
Net unrecognized actuarial loss, net of tax of $7,488	—	—	—	—	(11,393)	—	(11,393)
Interest rate swap, net of tax of $62	—	—	—	—	(54)	—	(54)
Comprehensive income							37,254
Stock options and stock compensation plans, net of tax benefit of $(325)	306	3	11,554	—	—	292	11,849
Balance, September 30, 2009	29,771	298	265,794	322,878	(11,598)	(60,032)	517,340
Comprehensive income:							
Net earnings	—	—	—	44,846	—	—	44,846
Translation adjustments	—	—	—	—	(1,557)	—	(1,557)
Net unrecognized actuarial loss, net of tax of $1,422	—	—	—	—	(2,234)	—	(2,234)
Interest rate swap, net of tax of $(385)	—	—	—	—	596	—	596
Comprehensive income							41,651
Cash dividends declared ($0.32 per share)	—	—	—	(8,450)	—	—	(8,450)
Stock options and stock compensation plans, net of tax benefit of $(105)	68	—	5,149	—	—	292	5,441
Balance, September 30, 2010	29,839	298	270,943	359,274	(14,793)	(59,740)	555,982
Comprehensive income:							
Net earnings	**—**	**—**	**—**	**52,501**	**—**	**—**	**52,501**
Translation adjustments	**—**	**—**	**—**	**—**	**(333)**	**—**	**(333)**
Net unrecognized actuarial loss, net of tax of $2,689	**—**	**—**	**—**	**—**	**(4,354)**	**—**	**(4,354)**
Interest rate swap, net of tax of $(187)	**—**	**—**	**—**	**—**	**289**	**—**	**289**
Comprehensive income							**48,103**
Cash dividends declared ($0.32 per share)	**—**	**—**	**—**	**(8,534)**	**—**	**—**	**(8,534)**
Stock options and stock compensation plans, net of tax benefit of $(55)	**118**	**2**	**4,864**	**—**	**—**	**293**	**5,159**
Balance, September 30, 2011	**29,957**	**$ 300**	**275,807**	**403,241**	**(19,191)**	**(59,447)**	**600,710**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

Years ended September 30,	**2011**	2010	2009
Cash flows from operating activities:			
Net earnings	**$ 52,501**	44,846	49,408
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Net earnings from discontinued operations, net of tax	**—**	—	(103)
Depreciation and amortization	**23,521**	22,137	30,267
Stock compensation expense	**4,670**	4,558	4,866
Changes in current assets and liabilities	**(1,542)**	(9,615)	1,566
Effect of deferred taxes on tax provision	**3,551**	4,059	(2,543)
Change in acquisition earnout obligation	**(7,595)**	—	—
Pension contributions	**(5,230)**	(1,368)	(1,997)
Change in deferred revenue and costs, net	**2,565**	329	1,781
Amortization of prepaid debt fees	**772**	257	610
Change in uncertain tax positions	**294**	765	(5,700)
Other	**2,359**	1,055	(681)
Net cash provided by operating activities — continuing operations	**75,866**	67,023	77,474
Net cash provided by operating activities — discontinued operations	**—**	—	142
Net cash provided by operating activities	**75,866**	67,023	77,616
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	**(4,982)**	(32,316)	(6,442)
Change in restricted cash (acquisition escrow)	**1,361**	2,041	2,189
Capital expenditures	**(13,709)**	(13,438)	(9,255)
Additions to capitalized software	**(14,151)**	(8,827)	(5,004)
Net cash used by investing activities — continuing operations	**(31,481)**	(52,540)	(18,512)
Proceeds from divestiture of business, net — discontinued operations	**—**	—	3,100
Net cash used by investing activities	**(31,481)**	(52,540)	(15,412)
Cash flows from financing activities:			
Proceeds from long-term debt	**49,370**	40,000	32,000
Principal payments on long-term debt	**(78,370)**	(66,467)	(85,183)
Dividends paid	**(8,534)**	(6,335)	—
Proceeds from exercise of stock options	**762**	767	6,621
Other	**370**	988	1,029
Net cash used by financing activities	**(36,402)**	(31,047)	(45,533)
Effect of exchange rate changes on cash and cash equivalents	**(333)**	(1,558)	(708)
Net increase (decrease) in cash and cash equivalents	**7,650**	(18,122)	15,963
Cash and cash equivalents at beginning of year	**26,508**	44,630	28,667
Cash and cash equivalents at end of year	**$ 34,158**	26,508	44,630
Changes in current assets and liabilities:			
Accounts receivable, net	**$ (1,786)**	(27,960)	26,090
Costs and estimated earnings on long-term contracts, net	**(231)**	(1,985)	(1,663)
Inventories	**(12,459)**	5,926	(17,001)
Other assets	**35**	(2,397)	(714)
Accounts payable	**(6,118)**	10,597	(1,764)
Advance payments on long-term contracts, net	**17,938**	2,889	(4,627)
Accrued expenses	**1,079**	3,315	1,245
	$ (1,542)	(9,615)	1,566
Supplemental cash flow information:			
Interest paid	**$ 1,959**	3,536	7,425
Income taxes paid (including state & foreign)	**21,895**	21,378	22,144

See accompanying Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

A. PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements include the accounts of ESCO Technologies Inc. (ESCO) and its wholly owned subsidiaries (the Company). All significant intercompany transactions and accounts have been eliminated in consolidation.

B. BASIS OF PRESENTATION

Fair values of the Company's financial instruments are estimated by reference to quoted prices from market sources and financial institutions, as well as other valuation techniques. The estimated fair value of each class of financial instruments approximated the related carrying value at September 30, 2011, and 2010.

C. NATURE OF OPERATIONS

The Company has three reportable segments: Utility Solutions Group (USG), RF Shielding and Test (Test), and Filtration/Fluid Flow (Filtration).

USG: Aclara is a proven supplier of special purpose fixed-network communications systems for electric, gas and water utilities, including hardware and software to support advanced metering applications. Doble provides high-end, intelligent, diagnostic test solutions for the electric power delivery industry.

Test: The EMC Group is an industry leader in providing its customers with the ability to identify, measure and contain magnetic, electromagnetic and acoustic energy.

Filtration: The companies within this segment primarily design and manufacture specialty filtration products including hydraulic filter elements used in commercial aerospace applications, unique filter mechanisms used in micro-propulsion devices for satellites and custom designed filters for manned and unmanned aircraft and submarines.

D. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The Company regularly evaluates the estimates and assumptions related to the allowance for doubtful trade receivables, inventory obsolescence, warranty reserves, value of equity-based awards, goodwill and purchased intangible asset valuations, asset impairments, employee benefit plan liabilities, income tax liabilities and assets and related valuation allowances, uncertain tax positions, and litigation and other loss contingencies. Actual results could differ from those estimates.

E. REVENUE RECOGNITION

USG Segment: Within the USG segment, approximately 70% of the segment's revenue arrangements (approximately 35% of consolidated revenues) contain software components and/or multiple element arrangements. Revenue under these arrangements is recognized in accordance with FASB ASC Subtopic 985-605, *Software — Revenue Recognition* and/or FASB ASC Subtopic 605-25, *Revenue Recognition: Multiple-Deliverable Arrangements*. These revenue arrangements are divided into separate units of accounting if the delivered item(s) has value to the customer on a stand-alone basis, there is objective and reliable evidence of the fair value of the undelivered item(s) and delivery/performance of the undelivered item(s) is probable. The segment's revenue arrangements within Aclara generally include multiple products and services, or "elements" consisting of meter and substation hardware, meter reading system software, program management support during the deployment period and software support (post-contract customer support or "PCS"). These arrangements typically require the Company to deliver software at the inception of the arrangement while the hardware and program management support are delivered over the contractual deployment period. Software support is provided during deployment and subsequent thereto. The Company allocates consideration to each deliverable in an arrangement based on its relative selling price. When arrangements have both software and non-software elements, the Company allocates consideration to each element using vendor-specific objective evidence (VSOE), if it exists, otherwise third-party evidence (TPE) is utilized. If neither VSOE nor TPE of selling price exists for a unit of accounting, the Company uses estimated selling price (ESP). The VSOE of the fair value of undelivered elements is determined based on the historical evidence of stand-alone sales of these elements to customers or, if applicable, the stated renewal rate in the agreement. TPE is determined by the prices charged by the Company's competitors for a similar deliverable when sold separately. The objective of ESP is to determine the price at which the Company would transact if the product or service were sold on a stand-alone basis. The application of these principles requires judgment, including the determination of whether a software arrangement includes multiple elements and estimates of the fair value of the elements.

Hardware is considered a specified element in the software arrangement and VSOE has been established for this element. VSOE for the hardware element is determined based on the price when sold separately to customers. Hardware revenues are generally recognized at the time of shipment or receipt by customer depending upon contract terms. VSOE generally does

not exist for the software element; therefore, the Company uses TPE or ESP based on the number of endpoints. The Company has established VSOE for the PCS element by a consistent pricing of PCS and PCS renewals as a percentage of the software license fees or by reference to contractual renewals, when the renewal terms are substantive. Revenues for PCS are recognized ratably over the maintenance term specified in the contract (generally in 12 monthly increments). Revenues for program management support are recognized when services have been provided. The Company determines VSOE for program management support based on hourly rates when services are performed separately. Effective October 1, 2010, the Company adopted FASB Accounting Standards Update (ASU) No. 2009-13, *Revenue Recognition* (Topic 605) - *Multiple-Deliverable Revenue Arrangements* (ASU 2009-13) and ASU No. 2009-14, *Software* (Topic 985), *Certain Revenue Arrangements That Include Software Elements* (ASU 2009-14) on a prospective basis for new arrangements. This new guidance did not have a material impact on the Company's financial statements for the year ended September 30, 2011, as the Company already had the ability to divide the deliverables within our revenue arrangements into separate units of accounting.

Approximately 30% of segment revenues (approximately 15% of consolidated revenues) are recognized when products are delivered (when title and risk of ownership transfers), when services are performed for unaffiliated customers or on a straight-line basis over the lease term.

Test Segment: Within the Test segment, approximately 40% of revenues (approximately 10% of consolidated revenues) are recognized when products are delivered (when title and risk of ownership transfers) or when services are performed for unaffiliated customers. Certain arrangements contain multiple elements which are accounted for under the provisions of FASB ASC Subtopic 605-25, *Revenue Recognition: Multiple-Element Arrangements*. The multiple elements generally consist of materials and installation services used in the construction and installation of standard shielded enclosures to measure and contain magnetic and electromagnetic energy. The installation process does not involve changes to the features or capabilities of the equipment and does not require proprietary information about the equipment in order for the installed equipment to perform to specifications. There is objective and reliable evidence of fair value for each of the units of accounting, and, as a result, the arrangement revenue is allocated to the separate units of accounting based on their relative fair values. Typically, fair value is the price of the deliverable when it is regularly sold on a stand-alone basis.

Approximately 60% of the segment's revenues (approximately 15% of consolidated revenues) are recorded under the percentage-of-completion provisions of FASB ASC Subtopic 605-35, *Revenue Recognition: Construction-Type and Production-Type Contracts* due to the complex nature of the enclosures that are designed and produced under these contracts. Products accounted for under this Subtopic include the construction and installation of complex test chambers to a buyer's specifications that provide its customers with the ability to measure and contain magnetic, electromagnetic and acoustic energy. As discussed above, for arrangements that are accounted for under this Subtopic, the Company estimates profit as the difference between total estimated revenue and total estimated cost of a contract and recognizes these revenues and costs based on either (a) units delivered or (b) contract milestones. If a reliable measure of output cannot be established (which applies in less than 10% of Test segment revenues or 2% of consolidated revenues), input measures (e.g., costs incurred) are used to recognize revenue. Given the nature of the Company's operations related to these contracts, costs incurred represent an appropriate measure of progress towards completion.

The percentage-of-completion method of accounting involves the use of various techniques to estimate expected costs at completion. These estimates are based on Management's judgment and the Company's substantial experience in developing these types of estimates.

Filtration Segment: Within the Filtration segment, approximately 65% of revenues (approximately 15% of consolidated revenues) are recognized when products are delivered (when title and risk of ownership transfers) or when services are performed for unaffiliated customers.

Approximately 35% of segment revenues (approximately 10% of consolidated revenues) are recorded under the percentage-of-completion provisions of FASB ASC Subtopic 605-35, *Revenue Recognition: Construction-Type and Production-Type Contracts*. Products accounted for under this Subtopic include the design, development and manufacture of complex fluid control products, quiet valves, manifolds and systems primarily for the aerospace and military markets. For arrangements that are accounted for under this Subtopic, the Company estimates profit as the difference between total estimated revenue and total estimated cost of a contract and recognizes these revenues and costs based on units delivered. The percentage-of-completion method of accounting involves the use of various techniques to estimate expected costs at completion.

F. CASH AND CASH EQUIVALENTS

Cash equivalents include temporary investments that are readily convertible into cash, such as money market funds.

G. ACCOUNTS RECEIVABLE

Accounts receivable have been reduced by an allowance for amounts that the Company estimates are uncollectible in the future. This estimated allowance is based on Management's evaluation of the financial condition of the customer and historical write-off experience.

H. COSTS AND ESTIMATED EARNINGS ON LONG-TERM CONTRACTS

Costs and estimated earnings on long-term contracts represent unbilled revenues, including accrued profits, accounted for under the percentage-of-completion method, net of progress billings.

I. INVENTORIES

Inventories are valued at the lower of cost (first-in, first-out) or market value. Inventories are regularly reviewed for excess quantities and obsolescence based upon historical experience, specific identification of discontinued items, future demand, and market conditions. Inventories under long-term contracts reflect accumulated production costs, factory overhead, initial tooling and other related costs less the portion of such costs charged to cost of sales and any unliquidated progress payments. In accordance with industry practice, costs incurred on contracts in progress include amounts relating to programs having production cycles longer than one year, and a portion thereof will not be realized within one year.

J. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Depreciation and amortization are computed primarily on a straight-line basis over the estimated useful lives of the assets: buildings, 10-40 years; machinery and equipment, 3-10 years; and office furniture and equipment, 3-10 years. Leasehold improvements are amortized over the remaining term of the applicable lease or their estimated useful lives, whichever is shorter.

K. GOODWILL AND OTHER LONG-LIVED ASSETS

Goodwill represents the excess of purchase costs over the fair value of net identifiable assets acquired in business acquisitions. The Company accounts for goodwill as required by FASB ASC Topic 350, *Intangibles — Goodwill & Other*. Management annually reviews goodwill and other long-lived assets with indefinite useful lives for impairment or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. If the Company determines that the carrying value of the long-lived asset may not be recoverable, a permanent impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value.

Fair value is measured based on a discounted cash flow method using a discount rate determined by Management to be commensurate with the risk inherent in the Company's current business model. Other intangible assets represent costs allocated to identifiable intangible assets, principally capitalized software, patents, trademarks, and technology rights. See Note 4 regarding goodwill and other intangible assets activity.

L. CAPITALIZED SOFTWARE

The costs incurred for the development of computer software that will be sold, leased, or otherwise marketed are charged to expense when incurred as research and development until technological feasibility has been established for the product. Technological feasibility is typically established upon completion of a detailed program design. Costs incurred after this point are capitalized on a project-by-project basis in accordance with FASB ASC Topic 985, *Software*. Capitalized costs consist of internal and external development costs. Upon general release of the product to customers, the Company ceases capitalization and begins amortization, which is calculated on a project-by-project basis as the greater of (1) the ratio of current gross revenues for a product to the total of current and anticipated future gross revenues for the product or (2) the straight-line method over the estimated economic life of the product. The Company generally amortizes the software development costs over a three-to-ten year period based upon the estimated future economic life of the product. Factors considered in determining the estimated future economic life of the product include anticipated future revenues, and changes in software and hardware technologies. Management annually reviews the carrying values of capitalized costs for impairment or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. If expected cash flows are insufficient to recover the carrying amount of the asset, then an impairment loss is recognized to state the asset at its net realizable value.

M. IMPAIRMENT OF LONG-LIVED ASSETS AND LONG-LIVED ASSETS TO BE DISPOSED

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If such assets are

considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to dispose.

N. INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets may be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company regularly reviews its deferred tax assets for recoverability and establishes a valuation allowance when Management believes it is more likely than not such assets will not be recovered, taking into consideration historical operating results, expectations of future earnings, tax planning strategies, and the expected timing of the reversals of existing temporary differences.

O. RESEARCH AND DEVELOPMENT COSTS

Company-sponsored research and development costs include research and development and bid and proposal efforts related to the Company's products and services. Company-sponsored product development costs are charged to expense when incurred. Customer-sponsored research and development costs incurred pursuant to contracts are accounted for similarly to other program costs. Customer-sponsored research and development costs refer to certain situations whereby customers provide funding to support specific contractually defined research and development costs.

P. FOREIGN CURRENCY TRANSLATION

The financial statements of the Company's foreign operations are translated into U.S. dollars in accordance with FASB ASC Topic 830, *Foreign Currency Matters*. The resulting translation adjustments are recorded as a separate component of accumulated other comprehensive income.

Q. EARNINGS PER SHARE

Basic earnings per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings per share 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 using the treasury stock method.

The number of shares used in the calculation of earnings per share for each year presented is as follows:

(In thousands)	**2011**	2010	2009
Weighted Average Shares Outstanding — Basic	**26,588**	26,450	26,216
Dilutive Options and Performance-Accelerated Restricted Stock	**315**	288	344
Shares — Diluted	**26,903**	26,738	26,560

Options to purchase 372,653 shares at prices ranging from $32.55 -$54.88 were outstanding during the year ended September 30, 2011, but were not included in the respective computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares. Options to purchase 569,363 shares at prices ranging from $32.55-$54.88 were outstanding during the year ended September 30, 2010, but were not included in the respective computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares. Options to purchase 605,186 shares at prices ranging from $35.69-$54.88 were outstanding during the year ended September 30, 2009, but were not included in the respective computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares. These options expire in various periods through 2014.

Approximately 173,000, 214,000 and 180,000 restricted shares were outstanding but unearned at September 30, 2011, 2010 and 2009, respectively, and, therefore, were not included in the respective years' computations of diluted EPS.

R. SHARE-BASED COMPENSATION

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. Share-based payment expense is measured at the grant date based on the fair value of the award and is recognized on a straight-line basis over the requisite service period (generally the vesting period of the award).

S. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss of $(19.2) million at September 30, 2011, consisted of $(24.5) million related to the pension net actuarial loss; and $5.3 million related to currency translation adjustments. Accumulated other comprehensive loss of $(14.8) million at September 30, 2010, consisted of $(20.1) million related to the pension net actuarial loss; $5.6 million related to currency translation adjustments; and $(0.3) million related to interest rate swaps.

T. DEFERRED REVENUE AND COSTS

Deferred revenue and costs are recorded when products or services have been provided but the criteria for revenue recognition have not been met. If there is a customer acceptance provision or there is uncertainty about customer acceptance, revenue and costs are deferred until the customer has accepted the product or service.

U. DERIVATIVE FINANCIAL INSTRUMENTS

All derivative financial instruments are reported on the balance sheet at fair value. The accounting for changes in fair value of a derivative instrument depends on whether it has been designated and qualifies as a hedge and on the type of hedge. For each derivative instrument designated as a cash flow hedge, the effective portion of the gain or loss on the derivative is deferred in accumulated other comprehensive income until recognized in earnings with the underlying hedged item. For each derivative instrument designated as a fair value hedge, the gain or loss on the derivative and the offsetting gain or loss on the hedged item are recognized immediately in earnings. Regardless of type, a fully effective hedge will result in no net earnings impact while the derivative is outstanding. To the extent that any hedge is ineffective at offsetting cash flow or fair value changes in the underlying hedged item, there could be a net earnings impact.

V. NEW ACCOUNTING STANDARDS

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, *Comprehensive Income (Topic 220) - Presentation of Comprehensive Income* (ASU 2011-05), to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. The standard does not change the items which must be reported in other comprehensive income, how such items are measured or when they must be reclassified to net income. This standard is effective for interim and annual periods beginning after December 15, 2011 and will be applied retrospectively. ASU 2011-05 affects financial statement presentation only and will have no impact on the Company's results of operations.

2. Acquisitions

2011

On February 28, 2011, the Company acquired the capital stock of EMV Elektronische Messgerate Vertriebs - GmbH, together with its subsidiary EMSCREEN Electromagnetic Screening GmbH (collectively, EMV) for a purchase price of approximately $5 million, inclusive of cash acquired. EMV, with operations in Taufkirchen, Germany, provides turnkey systems and shielded environments for research, development and quality assurance testing of electronic equipment. EMV's operating results, since the date of acquisition, are included within the Test segment and the Company recorded approximately $4.8 million of goodwill as a result of the transaction.

2010

Effective July 31, 2010, the Company acquired the capital stock of Crissair, Inc. (Crissair) for a purchase price of approximately $27 million, net of cash acquired. Crissair, headquartered in Palmdale, California, is a manufacturer of high-quality hydraulic, fuel and pneumatic system components for the aerospace industry. The operating results for Crissair, since the date of acquisition, are included within the Filtration segment. The Company recorded approximately $9 million of goodwill as a result of the transaction, $4.3 million of trade names and $7.4 million of amortizable identifiable intangible assets consisting of customer relationships.

On September 3, 2010, the Company acquired the capital stock of Xtensible Solutions, Inc. (Xtensible) for a purchase price of approximately $4 million in cash plus contingent consideration. Xtensible is a provider of information management and integration solutions to the utility industry worldwide and its operating results, since the date of acquisition, are included within the USG segment (as part of Aclara). The agreement includes contingent consideration based on target revenues to be earned and paid out over the next three and a half years from

the date of acquisition. The Company recorded approximately $15 million of goodwill as a result of the transaction. During 2011, the Company revalued the earnout obligation based on current forecasted revenues and recorded a $7.6 million gain in Other (income) expenses, net.

2009

On September 21, 2009, the Company acquired a minority equity interest in Firetide, Inc. for $4 million in cash. Firetide, Inc. is a provider of wireless infrastructure mesh network management systems which will enable communications with other Smart Grid assets and this technology will be used in Aclara's Acendant Network solution. This investment is accounted for under the cost method and is included in Other assets on the Company's Consolidated Balance Sheet as of September 30, 2011 and 2010.

On July 2, 2009, the Company acquired certain assets of Complus Systems Pvt Ltd. (Complus) in India for approximately $1.2 million in cash and formed a new Indian entity. The entity will operate as ETS-India and its operating results, since the date of acquisition, are included within the Test segment.

All of the Company's acquisitions have been accounted for using the purchase method of accounting and accordingly, the respective purchase prices were allocated to the assets (including intangible assets) acquired and liabilities assumed based on estimated fair values at the date of acquisition. The financial results from these acquisitions have been included in the Company's financial statements from the date of acquisition. Pro forma financial information related to the Company's acquisitions was not presented as it was not significant to the Company's results of operations. None of the goodwill recorded as part of the acquisitions mentioned above is expected to be deductible for U.S. Federal or state income tax purposes except for the goodwill recorded in connection with the Xtensible acquisition.

3. Divestitures

2009

On March 13, 2009, the Company completed the sale of the business and most of the assets of Comtrak Technologies, LLC (Comtrak) for $3.1 million, net, of cash. Comtrak's operations were previously included within the Company's USG segment. A pretax loss of $1.2 million related to the sale and its 2009 results of operations are reflected in the Company's fiscal 2009 results in discontinued operations. Comtrak's net sales were $3.4 million for the year ended September 30, 2009.

4. Goodwill and Other Intangible Assets

Included on the Company's Consolidated Balance Sheets at September 30, 2011, and 2010 are the following intangible assets gross carrying amounts and accumulated amortization:

(Dollars in millions)	**2011**	2010
Goodwill	**$361.9**	355.7
Intangible assets with determinable lives:		
Patents		
Gross carrying amount	**$ 13.5**	13.5
Less: accumulated amortization	**13.3**	13.3
Net	**$ 0.2**	0.2
Capitalized software		
Gross carrying amount	**$116.7**	102.4
Less: accumulated amortization	**57.4**	49.3
Net	**$ 59.3**	53.1
Customer Relationships		
Gross carrying amount	**$ 61.4**	61.4
Less: accumulated amortization	**11.6**	8.3
Net	**$ 49.8**	53.1
Other		
Gross carrying amount	**$ 10.3**	9.7
Less: accumulated amortization	**9.6**	8.2
Net	**$ 0.7**	1.5
Intangible assets with indefinite lives:		
Trade names	**$121.8**	121.8

The Company performed its annual evaluation of goodwill and intangible assets for impairment during the fourth quarter of fiscal 2011 and concluded no impairment existed at September 30, 2011.

The changes in the carrying amount of goodwill attributable to each business segment for the years ended September 30, 2011, and 2010 are as follows:

(Dollars in millions)	USG	Test	Filtration	Total
Balance as of September 30, 2009	$279.9	30.5	20.3	330.7
Acquisitions/adjustments	16.2	—	8.8	25.0
Balance as of September 30, 2010	296.1	30.5	29.1	355.7
Acquisitions/adjustments	1.7	4.3	0.2	6.2
Balance as of September 30, 2011	**$297.8**	**34.8**	**29.3**	**361.9**

Amortization expense related to intangible assets with determinable lives was $12 million, $11.6 million and $19.2 million in 2011, 2010 and 2009, respectively. The decrease in amortization expense in 2010 as compared to 2009 was mainly due to the Company's TWACS NG software. During 2010, the Company re-evaluated the economic useful life of its TWACS NG software and concluded the remaining TWACS NG asset value has an expected remaining useful life of ten years, through 2019. The Company recorded $4.7 million, $4.5 million and $12.2 million of amortization expense related to Aclara PLS's TWACS NG software in 2011, 2010 and 2009, respectively. Patents are amortized over the life of the patents, generally 17 years. Capitalized software is amortized over the estimated useful life of the software, generally three to seven years. Customer relationships are generally amortized over twenty years. Intangible asset amortization for fiscal years 2012 through 2016 is estimated at approximately $12 million declining to $10.5 million per year.

5. Accounts Receivable

Accounts receivable, net of the allowance for doubtful accounts, consist of the following at September 30, 2011, and 2010:

(Dollars in thousands)	**2011**	2010
Commercial	**$137,498**	137,833
U.S. Government and prime contractors	**6,585**	3,265
Total	**$144,083**	141,098

6. Inventories

Inventories consist of the following at September 30, 2011, and 2010:

(Dollars in thousands)	**2011**	2010
Finished goods	**$30,192**	29,902
Work in process — including long-term contracts	**23,139**	18,743
Raw materials	**43,655**	34,389
Total	**$96,986**	83,034

7. Property, Plant and Equipment

Depreciation expense of property, plant and equipment from continuing operations for the years ended September 30, 2011, 2010 and 2009 was $11.5 million, $10.5 million and $11.1 million, respectively.

The Company leases certain real property, equipment and machinery under noncancelable operating leases. Rental expense under these operating leases for the years ended September 30, 2011, 2010 and 2009 was $8.1 million, $7.7 million and $8 million, respectively. Future aggregate minimum lease payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2011 are:

(Dollars in thousands) Years ending September 30:	
2012	$ 7,592
2013	5,939
2014	5,689
2015	3,065
2016 and thereafter	4,888
Total	$27,173

8. Income Tax Expense

Total income tax expense (benefit) for the years ended September 30, 2011, 2010 and 2009 was allocated as follows:

(Dollars in thousands)	**2011**	2010	2009
Income tax expense from continuing operations	**$24,457**	24,819	13,867
Discontinued operations	**—**	—	(1,473)
Total income tax expense	**$24,457**	24,819	12,394

The components of income from continuing operations before income taxes consisted of the following for the years ended September 30:

(Dollars in thousands)	**2011**	2010	2009
United States	**$73,275**	66,639	60,477
Foreign	**3,683**	3,026	2,695
Total income before income taxes	**$76,958**	69,665	63,172

The principal components of income tax expense (benefit) from continuing operations for the years ended September 30, 2011, 2010 and 2009 consist of:

(Dollars in thousands)	2011	2010	2009
Federal			
Current	**$15,708**	17,585	10,425
Deferred	**5,578**	4,199	(1,666)
State and local:			
Current	**2,218**	2,193	4,683
Deferred	**580**	230	(421)
Foreign:			
Current	**3,104**	1,130	1,179
Deferred	**(2,731)**	(518)	(333)
Total	**$24,457**	24,819	13,867

The actual income tax expense (benefit) from continuing operations for the years ended September 30, 2011, 2010 and 2009 differs from the expected tax expense for those years (computed by applying the U.S. Federal corporate statutory rate) as follows:

	2011	2010	2009
Federal corporate statutory rate	**35.0%**	35.0%	35.0%
State and local, net of Federal benefits	**3.6**	3.1	4.4
Foreign	**(2.2)**	(1.5)	(0.2)
Research credit	**(2.0)**	0.3	(7.5)
Domestic production deduction	**(2.5)**	(1.9)	(1.8)
Change in uncertain tax positions	**(0.5)**	0.1	(7.9)
Other, net	**0.4**	0.5	—
Effective income tax rate	**31.8%**	35.6%	22.0%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at September 30, 2011, and 2010 are presented below.

(Dollars in thousands)	2011	2010
Deferred tax assets:		
Inventories, long-term contract accounting, contract cost reserves and other	**$ 6,029**	3,331
Pension and other postretirement benefits	**11,341**	12,178
Net operating loss carryforward — domestic	**687**	813
Net operating loss carryforward — foreign	**3,419**	2,018
Capital loss carryforward	**240**	254
Other compensation-related costs and other cost accruals	**17,316**	14,196
State credit carryforward	**1,240**	1,545
Total deferred tax assets	**40,272**	34,335
Deferred tax liabilities:		
Plant and equipment, depreciation methods, acquisition asset allocations, and other	**(104,082)**	(96,300)
Net deferred tax liabilities before valuation allowance	**(63,810)**	(61,965)
Less valuation allowance	**(873)**	(1,613)
Net deferred tax liabilities	**$ (64,683)**	(63,578)

The Company has a foreign net operating loss carryforward of $11.4 million at September 30, 2011, which reflects tax loss carryovers in Brazil, Germany and the United Kingdom. These losses have no expiration date. The Company also has net state research and other credit carryforwards of $1.2 million of which $0.6 million expires between 2022 and 2026. The remaining $0.6 million does not have an expiration date.

At September 30, 2011, the Company has established a valuation allowance of $0.2 million against the capital loss carryforward generated in 2008, as such loss carryforward may not be realized in future periods. In addition, the Company has established a valuation allowance against certain net operating loss (NOL) carryforwards in foreign jurisdictions which may not be realized in future periods. The valuation allowance established against

the foreign NOL carryforwards was $0.7 million and $1.4 million at September 30, 2011, and 2010, respectively. The Company classifies its valuation allowance related to deferred taxes on a pro rata basis.

The Company's foreign subsidiaries have accumulated unremitted earnings of $32.2 million and cash of $18.6 million at September 30, 2011. No deferred taxes have been provided on the accumulated unremitted earnings because these funds are not needed to meet the liquidity requirements of the Company's U.S. operations and it is the Company's intention to reinvest these earnings indefinitely. In the event these foreign entities' earnings were distributed, it is estimated that U.S. taxes, net of available foreign tax credits, of approximately $5.2 million would be due, which would correspondingly reduce the Company's net earnings. No significant portion of the Company's foreign subsidiaries' earnings was taxed at a very low tax rate.

As of September 30, 2011, the Company had $3.6 million of unrecognized benefits (see table below), of which $3.5 million, net of Federal benefit, if recognized, would affect the Company's effective tax rate.

A reconciliation of the Company's unrecognized tax benefits for the years ended September 30, 2011, and 2010 is presented in the table below:

(Dollars in millions)	**2011**	2010
Balance as of October 1,	**$ 3.2**	3.3
Increases related to prior year tax positions	**0.7**	0.2
Decreases related to prior year tax positions	**—**	(0.2)
Increases related to current year tax positions	**0.2**	0.1
Lapse of statute of limitations	**(0.5)**	(0.2)
Balance as of September 30,	**$ 3.6**	3.2

The Company anticipates a $1.7 million reduction in the amount of unrecognized tax benefits in the next twelve months as a result of a lapse of the applicable statute of limitations. The Company's policy is to include interest related to unrecognized tax benefits in income tax expense and penalties in operating expense. As of September 30, 2011, 2010 and 2009, the Company had accrued interest related to uncertain tax positions of $0.2 million, $0.1 million and $0.1 million, respectively, net of Federal income tax benefit, on its Consolidated Balance Sheet. No significant penalties have been accrued.

The principal jurisdictions for which the Company files income tax returns are U.S. Federal and the various city, state, and international locations where the Company has operations. Due to the timing of the utilization of the Company's net operating loss, the U.S. Federal tax years for the periods ended September 30, 1998, and forward remain subject to income tax examination. Various state tax years for the periods ended September 30, 2007, and forward remain subject to income tax examinations. The Company is subject to income tax in many jurisdictions outside the United States, none of which is individually material to the Company's financial position, statements of cash flows, or results of operations.

9. Debt

Debt consists of the following at September 30, 2011, and 2010:

(Dollars in thousands)	**2011**	2010
Revolving credit facility, including current portion	**$125,000**	154,000
Current portion of long-term debt	**(50,000)**	(50,000)
Total long-term debt, less current portion	**$ 75,000**	104,000

At September 30, 2011, the Company had approximately $190 million available to borrow under the credit facility, plus a $50 million increase option, in addition to $34.2 million cash on hand. The Company classified $50 million as the current portion of long-term debt as of September 30, 2011, as the Company intends to repay this amount within the next twelve months; however, the Company has no contractual obligation to repay such amount during the next twelve months. The Company's ability to access the additional $50 million increase option of the credit facility is subject to acceptance by participating or other outside banks. The credit facility has a maturity date of November 30, 2012.

The credit facility requires, as determined by certain financial ratios, a facility fee ranging from 15 to 25 basis points per annum on the unused portion. The terms of the facility provide that interest on borrowings may be calculated at a spread over the London Interbank Offered Rate (LIBOR) or based on the prime rate, at the Company's election. The facility is secured by the unlimited guaranty of the Company's material domestic subsidiaries and a 65% pledge of the material foreign subsidiaries' share equity. The financial covenants of the credit facility include a leverage ratio and an interest coverage ratio. During 2011 and 2010, the maximum aggregate short-term borrowings at any month-end were $159 million and $180.4 million, respectively; the average aggregate short-term borrowings outstanding based on month-end balances were $143 million and $170.6 million, respectively; and the weighted average interest rates were 1.40%, 1.87%, and 3.26% for 2011, 2010 and 2009, respectively. The letters of credit issued and outstanding under the credit facility totaled $15 million and $13 million at September 30, 2011, and 2010, respectively.

10. Capital Stock

The 29,956,904 and 29,839,343 common shares as presented in the accompanying Consolidated Balance Sheets at September 30, 2011, and 2010 represent the actual number of shares issued at the respective dates. The Company held 3,320,926 and 3,338,986 common shares in treasury at September 30, 2011, and 2010, respectively.

In July 2010, the Company's Board of Directors authorized an open market common stock repurchase program of the Company's shares at a value not to exceed $30 million, subject to market conditions and other factors which covers the period through September 30, 2012. There were no stock repurchases during 2011, 2010 or 2009.

11. Share-Based Compensation

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. 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 2,000,000 shares added to the authorized shares allocated 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. At September 30, 2011, the maximum number of full value shares available for issue under the 2004 Incentive Compensation Plan was 354,738.

Stock Option Plans

The Company's stock option awards are generally subject to graded vesting over a three-year service period. 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. The Company recognizes compensation cost on a straight-line basis over the requisite service period for the entire award.

The fair value of each option award is estimated as of the date of grant using the 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 Company utilizes historical company data to develop its expected term assumption. 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. There were no stock option grants during 2011. 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 2010 and 2009, respectively: expected dividend yield of 0.9% and 0%; expected volatility of 48.1% and 39.3%; risk-free interest rate of 1.9% and 1.9%; and expected term of 3.9 years and 3.8 years.

Information regarding stock options awarded under the option plans is as follows:

	FY2011		FY2010		FY2009	
	Shares	**Estimated Weighted Avg. Price**	Shares	Estimated Weighted Avg. Price	Shares	Estimated Weighted Avg. Price
October 1,	**761,931**	**$ 35.15**	891,826	$ 33.63	1,139,201	$ 30.40
Granted	—	—	2,000	$ 32.55	129,300	$ 37.42
Exercised	**(104,912)**	**$ 13.18**	(73,765)	$ 12.03	(336,876)	$ 22.85
Cancelled	**(221,965)**	**$ 44.67**	(58,130)	$ 41.17	(39,799)	$ 45.03
September 30,	**435,054**	**$ 35.58**	761,931	$ 35.15	891,826	$ 33.63
At September 30,						
Reserved for future grant	**1,115,776**		949,062		935,345	
Exercisable	**397,073**	**$ 35.42**	677,538	$ 34.88	683,192	$ 31.61

The aggregate intrinsic value of options exercised during 2011, 2010 and 2009 was $2.4 million, $1.3 million and $5.2 million, respectively. The aggregate intrinsic value of stock options outstanding and exercisable at September 30, 2011, was $1.2 million. The weighted-average contractual life of stock options outstanding at September 30, 2011, was 0.8 years. The weighted-average fair value of stock options per share granted in 2011, 2010 and 2009 was zero, $11.90, and $12.11, respectively.

Summary information regarding stock options outstanding at September 30, 2011, is presented below:

	Options Outstanding		
Range of Exercise Prices	**Number Outstanding at Sept. 30, 2011**	**Weighted-Average Remaining Contractual Life**	**Weighted Average Exercise Price**
$12.64 - $27.44	**108,372**	**0.88 years**	**$ 14.86**
$32.55 - $37.98	**126,950**	**1.92 years**	**$ 37.25**
$44.30 - $45.81	**199,732**	**0.02 years**	**$ 45.77**
	435,054	**0.79 years**	**$ 35.58**

	Exercisable Options Outstanding	
Range of Exercise Prices	**Number Exercisable at Sept. 30, 2011**	**Weighted Average Exercise Price**
$12.64 - $27.44	**108,105**	**$ 14.83**
$32.55 - $37.98	**89,236**	**$ 37.20**
$44.30 - $45.81	**199,732**	**$ 45.77**
	397,073	**$ 35.42**

Performance-accelerated Restricted Share Awards

The performance-accelerated restricted shares (restricted shares) have a five-year term with accelerated vesting 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 the majority of the outstanding restricted share awards is being recognized over the longer performance period as it is not probable the performance condition will be met. The restricted share award grants were valued at the stock price on the date of grant. Pretax compensation expense related to the restricted share awards was $3.6 million, $3.6 million and $2.8 million for the fiscal years ended September 30, 2011, 2010 and 2009, respectively.

The following summary presents information regarding outstanding restricted share awards as of September 30, 2011, and changes during the period then ended:

	Shares	Weighted Avg. Price
Nonvested at October 1, 2010	304,176	$ 38.95
Granted	248,262	$ 29.40
Vested	(51,530)	$ 45.66
Cancelled	(14,000)	$ 37.65
Nonvested at September 30, 2011	486,908	$ 33.41

Non-Employee Directors Plan

The non-employee directors’ compensation plan provides to each non-employee director a retainer of 800 common shares per quarter. Compensation expense related to the non-employee director grants was $0.6 million, $0.5 million and $0.7 million for the years ended September 30, 2011, 2010 and 2009, respectively.

Total Share-Based Compensation

The total share-based compensation cost that has been recognized in results of operations and included within SG&A was $4.7 million, $4.6 million and $4.9 million for the years ended September 30, 2011, 2010 and 2009, respectively. The total income tax benefit recognized in results of operations for share-based compensation arrangements was $1.8 million, $1.8 million and $1.7 million for the years ended September 30, 2011, 2010 and 2009, respectively. The Company has elected to use tax law ordering rules when calculating the income tax benefit associated with its share-based payment arrangements. In addition, the Company elected to use the simplified method of calculating the pool of excess tax benefits available to absorb tax deficiencies recognized. As of September 30, 2011, there was $9.8 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 1.7 years.

12. Retirement and Other Benefit Plans

Substantially all domestic employees are covered by a defined contribution pension plan maintained by the Company. Effective December 31, 2003, the Company's defined benefit plan was frozen and no additional benefits have been accrued after that date. As a result, the accumulated benefit obligation and projected benefit obligation are equal. These frozen retirement income benefits are provided to employees under defined benefit pay-related and flat-dollar plans, which are noncontributory. In conjunction with the acquisition of Doble, the Company assumed responsibility for their defined benefit plan and has frozen the plan effective December 31, 2008, and no additional benefits have been accrued after that date. Effective October 1, 2009, the Company's defined benefit plan and Doble's benefit plan were merged into one plan. The annual contributions to the defined benefit retirement plans equal or exceed the minimum funding requirements of the Employee Retirement Income Security Act or applicable local regulations. In addition to providing retirement income benefits, the Company provides unfunded postretirement health and life insurance benefits to certain retirees. To qualify, an employee must retire at age 55 or later and the employee's age plus service must equal or exceed 75. Retiree contributions are defined as a percentage of medical premiums. Consequently, retiree contributions increase with increases in the medical premiums. The life insurance plans are noncontributory and provide coverage of a flat dollar amount for qualifying retired employees. Effective December 31, 2004, no new retirees are eligible for life insurance benefits.

The Company uses a measurement date of September 30 for its pension and other postretirement benefit plans. The Company has an accrued benefit liability of $0.8 million and $0.7 million at September 30, 2011 and 2010, respectively, related to its other postretirement benefit obligations. All other information related to its postretirement benefit plans is not considered material to the Company's results of operations or financial condition.

The following tables provide a reconciliation of the changes in the pension plans and fair value of assets over the two-year period ended September 30, 2011, and a statement of the funded status as of September 30, 2011, and 2010:

(Dollars in millions)	2011	2010
Reconciliation of benefit obligation		
Net benefit obligation at beginning of year	**$ 79.4**	74.9
Service cost	**0.1**	0.2
Interest cost	**3.9**	4.0
Actuarial loss	**4.8**	4.2
Settlements	**(1.8)**	(0.8)
Gross benefits paid	**(3.2)**	(3.1)
Net benefit obligation at end of year	**$ 83.2**	79.4

(Dollars in millions)	2011	2010
Reconciliation of fair value of plan assets		
Fair value of plan assets at beginning of year	**$ 49.2**	46.5
Actual return on plan assets	**0.8**	4.2
Employer contributions	**5.5**	2.4
Gross benefits paid	**(3.2)**	(3.1)
Settlements	**(1.8)**	(0.8)
Fair value of plan assets at end of year	**$ 50.5**	49.2

(Dollars in millions)	2011	2010
Funded Status		
Funded status at end of year	**$(32.7)**	(30.2)
Unrecognized prior service cost	**—**	—
Unrecognized net actuarial (gain) loss	**—**	—
Accrued benefit cost	**(32.7)**	(30.2)
Amounts recognized in the Balance Sheet consist of:		
Noncurrent asset	**—**	—
Current liability	**(0.2)**	(0.3)
Noncurrent liability	**(32.5)**	(29.9)
Accumulated other comprehensive (income)/loss (before tax effect)	**41.3**	34.1
Amounts recognized in Accumulated Other Comprehensive (Income)/Loss consist of:		
Net actuarial loss	**41.2**	34.0
Prior service cost	**0.1**	0.1
Accumulated Other Comprehensive (Income)/Loss	**$ 41.3**	34.1

The following table provides the components of net periodic benefit cost for the plans for the years ended September 30, 2011, 2010 and 2009:

(Dollars in millions)	2011	2010	2009
Service cost	$ 0.1	0.2	0.4
Interest cost	3.9	4.0	4.2
Expected return on plan assets	(4.2)	(4.1)	(4.3)
Net actuarial loss	1.1	0.9	0.2
Settlement gain	—	(0.5)	—
Net periodic benefit cost	0.9	0.5	0.5
Defined contribution plans	3.7	4.3	4.4
Total	$ 4.6	4.8	4.9

The discount rate used in measuring the Company's pension obligations was developed by matching yields of actual high-quality corporate bonds to expected future pension plan cash flows (benefit payments). Over 400 Aa-rated, non-callable bonds with a wide range of maturities were used in the analysis. After using the bond yields to determine the present value of the plan cash flows, a single representative rate that resulted in the same present value was developed. The expected long-term rate of return on plan assets assumption was determined by reviewing the actual investment return of the plans since inception and evaluating those returns in relation to expectations of various investment organizations to determine whether long-term future returns are expected to differ significantly from the past.

The following weighted-average assumptions were used to determine the net periodic benefit cost for the pension plans:

	2011	2010	2009
Discount rate	5.00%	5.50%	7.25%
Rate of increase in compensation levels	N/A	N/A	N/A
Expected long-term rate of return on assets	8.00%	8.00%	8.25%

The following weighted-average assumptions were used to determine the net periodic benefit obligations for the pension plans:

	2011	2010
Discount rate	4.5%	5.0%
Rate of increase in compensation levels	N/A	N/A

The assumed rate of increase in compensation levels is not applicable in 2011, 2010 and 2009 as the plan was frozen in earlier years.

The asset allocation for the Company's pension plans at the end of 2011 and 2010, the Company's acceptable range and the target allocation for 2012, by asset category, follows:

Asset Category	Target Allocation 2012	Acceptable Range	Percentage of Plan Assets at Year-end 2011	2010
Equity securities	62%	50-70%	56%	63%
Fixed income	38%	30-50%	43%	35%
Cash/cash equivalents	0%	0-5%	1%	2%

The Company's pension plan assets are managed by outside investment managers and assets are rebalanced when the target ranges are exceeded. Pension plan assets consist principally of marketable securities including common stocks, bonds, and interest-bearing deposits. The Company's investment strategy with respect to pension assets is to achieve a total rate of return (income and capital appreciation) that is sufficient to accomplish the purpose of providing retirement benefits to all eligible and future retirees of the pension plan. The Company regularly monitors performance and compliance with investment guidelines.

FAIR VALUE OF FINANCIAL MEASUREMENTS

The fair values of the Company's defined benefit plan investments as of September 30, 2011, by asset category, are as follows:

(Dollars in millions)	Level 1	Level 2	Level 3	Total
Investments at Fair Value:				
Cash and Cash Equivalents	$ 0.5	$ —	$ —	$ 0.5
Common and Preferred Stock Funds:				
Domestic large capitalization	7.2	0.4	—	7.6
Domestic small/mid capitalization	7.0	0.5	—	7.5
International funds	7.2	0.6	—	7.8
Fixed Income Funds	0.8	24.0	—	24.8
Real Estate Investments	2.1	0.2	—	2.3
Total Investments at Fair Value	$ 24.8	25.7	—	50.5

For assets that are measured using quoted prices in active markets, the total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs, which have been determined to be immaterial. Assets that are measured using significant other observable inputs

are primarily valued by reference to quoted prices of markets that are not active. The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents: The carrying value of cash represents fair value as it consists of actual currency, and is classified as Level 1.

Common and preferred stock funds: The plans' common and preferred stock funds primarily consist of investments in listed U.S. and international company stock. The stock investments are valued using quoted prices from the various public markets. Most equity securities trade on formal exchanges, both domestic and foreign (e.g. NYSE, NASDAQ, LSE), and can be accurately described as active markets. The observable valuation inputs are unadjusted quoted prices that represent active market trades and are classified as Level 1 or Level 2.

Fixed income funds: Fixed income funds consist of investments in U.S. and foreign corporate credit, U.S. and foreign government issues (including agencies and mortgages), U.S. Treasuries, U.S. state and municipal securities and asset-backed securities. These investments are generally priced by institutional bids, which reflect estimated values based on underlying model frameworks at various dealers and vendors, or are formally listed on exchanges, where dealers exchange bid and ask offers to arrive at most executed transaction prices. These investments are classified as Level 1 or Level 2.

Real estate investments: The plan invests in U.S. real estate through indirect ownership entities, which are structured as limited partnerships or private real estate investment trusts (REITs). These real estate investments are classified as Level 1 or Level 2.

FASB ASC 825, *Financial Instruments*, establishes a three-level hierarchy for disclosure of fair value measurements, based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date, as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

EXPECTED CASH FLOWS

Information about the expected cash flows for the pension and other postretirement benefit plans follows:

(Dollars in millions)	Pension Benefits	Other Benefits
Expected Employer Contributions — 2012	$ 7.3	0.1
Expected Benefit Payments		
2012	3.8	0.1
2013	4.3	0.1
2014	4.1	0.1
2015	4.3	—
2016	4.7	—
2017-2021	$ 24.9	0.3

13. Derivative Financial Instruments

Market risks relating to the Company's operations result primarily from changes in interest rates and changes in foreign currency exchange rates. The Company is exposed to market risk related to changes in interest rates and selectively uses derivative financial instruments, including forward contracts and swaps, to manage these risks. During 2010, the Company entered into a $60 million one-year amortizing forward interest rate swap effective October 5, 2010. This interest rate swap expired in October 2011. All derivative instruments are reported on the balance sheet at fair value. The derivative instruments are designated as a cash flow hedge and the gain or loss on the derivative is deferred in accumulated other comprehensive income until recognized in earnings with the underlying hedged item. Including the impact of interest rate swaps outstanding, the interest rates on approximately 50% of the Company's total borrowings were effectively fixed as of September 30, 2011. The following is a summary of the notional transaction amounts and fair values for the Company's outstanding derivative financial instruments by risk category and instrument type, as of September 30, 2011.

(Dollars in thousands)	Notional Amount	Average Rec Rate	Average Pay Rate	Fair Value
Interest rate swap	$60,000	0.22%	1.10%	$ (3)

The Company's interest rate swap and contingent consideration liabilities are presented below as of September 30, 2011:

(Dollars in millions)	Level 1	Level 2	Level 3	Total
Liabilities				
Interest rate swap	$ —	$ —	$ —	$—
Contingent consideration	—	—	4.8	4.8

14. Other Financial Data

Items charged to operations during the years ended September 30, 2011, 2010 and 2009 included the following:

(Dollars in thousands)	**2011**	2010	2009
Salaries and wages (including fringes)	**$187,214**	160,780	153,416
Maintenance and repairs	**4,530**	3,440	3,807
Research and development (R&D) costs:			
Company-sponsored	**33,574**	32,199	31,974
Customer-sponsored	**8,527**	4,035	2,937
Total R&D	**$ 42,101**	36,234	34,911
Other engineering costs	**11,490**	13,250	14,370
Total R&D and other engineering costs	**$ 53,591**	49,484	49,281
As a % of net sales	**7.7%**	8.1%	8.0%

A reconciliation of the changes in accrued product warranty liability for the years ended September 30, 2011, 2010, and 2009 is as follows:

(Dollars in thousands)	**2011**	2010	2009
Balance as of October 1,	**$ 3,877**	4,370	2,788
Additions charged to expense	**3,275**	1,813	4,086
Deductions	**(3,318)**	(2,306)	(2,504)
Balance as of September 30,	**$ 3,834**	3,877	4,370

15. Business Segment Information

The Company is organized based on the products and services it offers. Under this organizational structure, the Company has three reporting segments: Utility Solutions Group (USG), RF Shielding and Test (Test) and Filtration/Fluid Flow (Filtration).

The USG segment's operations consist of: Aclara Power-Line Systems Inc. (Aclara PLS); Aclara RF Systems Inc. (Aclara RF); Aclara Software Inc. (Aclara Software) and Doble Engineering Company (Doble). Aclara is a proven supplier of special purpose fixed-network communications systems for electric, gas and water utilities, including hardware and software to support advanced metering applications. Aclara's STAR® Network system and TWACS® technology provide advanced radio-frequency (RF) and powerline (PLS) based fixed-network technologies proven to meet the wide-ranging data communications requirements of utilities worldwide. Aclara Software applications add value across the utility enterprise, addressing meter and energy data management, distribution planning and operations, customer service, revenue management and integration solutions. Doble provides high-end, intelligent diagnostic test solutions for the electric power delivery industry and is a leading supplier of power factor and partial discharge testing instruments used to assess the integrity of high-voltage power delivery equipment.

Test segment operations represent the EMC Group, consisting primarily of ETS-Lindgren L.P. (ETS) and Lindgren R.F. Enclosures, Inc. (Lindgren). The EMC Group is an industry leader in providing its customers with the ability to identify, measure and contain magnetic, electromagnetic and acoustic energy. The EMC Group also manufactures radio frequency (RF) shielding products and components used by manufacturers of medical equipment, communications systems, electronic products, and shielded rooms for high-security data processing and secure communication.

The Filtration segment's operations consist of: PTI Technologies Inc., VACCO Industries, Crissair, Inc. and TEQ (formerly named TekPackaging LLC). The companies within this segment design and manufacture specialty filtration products including hydraulic filter elements used in commercial aerospace applications, unique filter mechanisms used in micro-propulsion devices for satellites and custom designed filters for manned and unmanned aircraft and submarines.

Accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1 to the Consolidated Financial Statements. The operating units within each reporting segment have been aggregated because of similar economic characteristics and meet the other aggregation criteria of FASB ASC 280.

The Company evaluates the performance of its operating units based on EBIT, which is defined as: Earnings Before Interest and Taxes. Intersegment sales and transfers are not significant. Segment assets consist primarily of customer receivables, inventories, capitalized software and fixed assets directly associated with the production processes of the segment. Segment depreciation and amortization is based upon the direct assets listed above. Information in the tables below is presented on a Continuing Operations basis and excludes Discontinued Operations.

NET SALES

(Dollars in millions) Year ended September 30,	2011	2010	2009
Utility Solutions	**$349.6**	348.3	374.0
Test	**176.5**	138.4	138.4
Filtration	**167.6**	120.8	106.7
Consolidated totals	**$693.7**	607.5	619.1

No customers exceeded 10% of sales in 2011 or 2010. One customer (PG&E) exceeded 10% of sales in 2009 with sales of $106.2 million.

EBIT

(Dollars in millions) Year ended September 30,	2011	2010	2009
Utility Solutions	**$ 54.3**	67.4	62.5
Test	**18.6**	12.2	14.1
Filtration	**30.8**	19.5	18.1
Reconciliation to consolidated totals			
(Corporate)	**(24.2)**	(25.5)	(24.1)
Consolidated EBIT	**79.5**	73.6	70.6
Less: interest expense	**(2.5)**	(3.9)	(7.4)
Earnings before income tax	**$ 77.0**	69.7	63.2

IDENTIFIABLE ASSETS

(Dollars in millions) Year ended September 30,	2011	2010
Utility Solutions	**$ 203.6**	207.5
Test	**100.6**	80.4
Filtration	**88.6**	79.2
Corporate	**619.0**	607.2
Consolidated totals	**$1,011.8**	974.3

Corporate assets consist primarily of goodwill, deferred taxes, acquired intangible assets and cash balances.

CAPITAL EXPENDITURES

(Dollars in millions) Year ended September 30,	2011	2010	2009
Utility Solutions	**$ 8.9**	5.3	6.2
Test	**1.5**	1.9	1.5
Filtration	**3.3**	6.2	1.6
Corporate	**—**	—	—
Consolidated totals	**$13.7**	13.4	9.3

In addition to the above amounts, the Company incurred expenditures for capitalized software of $14.2 million, $8.8 million and $5 million in 2011, 2010 and 2009, respectively.

DEPRECIATION AND AMORTIZATION

(Dollars in millions) Year ended September 30,	2011	2010	2009
Utility Solutions	**$13.1**	12.2	20.5
Test	**2.2**	2.3	2.2
Filtration	**3.3**	2.7	2.7
Corporate	**4.9**	4.9	4.9
Consolidated totals	**$23.5**	22.1	30.3

GEOGRAPHIC INFORMATION

Net sales

(Dollars in millions) Year ended September 30,	2011	2010	2009
United States	**$512.4**	466.1	508.4
Far East	**45.9**	54.2	48.4
Europe	**57.1**	36.7	28.2
Mexico	**38.0**	9.5	3.7
Other	**40.3**	41.0	30.4
Consolidated totals	**$693.7**	607.5	619.1

Long-lived assets

(Dollars in millions) Year ended September 30,	2011	2010
United States	**$67.3**	66.1
Europe	**3.4**	3.1
Other	**2.4**	3.4
Consolidated totals	**$73.1**	72.6

Net sales are attributed to countries based on location of customer. Long-lived assets are attributed to countries based on location of the asset.

16. Commitments and Contingencies

At September 30, 2011, the Company had $15 million in letters of credit outstanding as guarantees of contract performance. As a normal course of business in which the Company is engaged, various claims, charges and litigation are asserted or commenced against the Company. With respect to claims and litigation asserted or commenced against the Company, it is the opinion of Management that final judgments, if any, which might be rendered against the Company are adequately reserved, covered by insurance, or are not likely to have a material adverse effect on its financial condition or results of operation.

17. Quarterly Financial Information (Unaudited)

(Dollars in thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
2011					
Net sales	**$159,936**	**166,748**	**176,326**	**190,701**	**693,711**
Net earnings	**10,813**	**13,227**	**13,078**	**15,383**	**52,501**
Basic earnings per share:					
Net earnings	**0.41**	**0.50**	**0.49**	**0.58**	**1.97**
Diluted earnings per share:					
Net earnings	**0.40**	**0.49**	**0.49**	**0.57**	**1.95**
Dividends declared per common share	**$ 0.08**	**0.08**	**0.08**	**0.08**	**0.32**
2010					
Net sales	$112,705	129,281	157,582	207,925	607,493
Net earnings	436	5,966	14,547	23,897	44,846
Basic earnings per share:					
Net earnings	0.02	0.23	0.55	0.90	1.70
Diluted earnings per share:					
Net earnings	0.02	0.22	0.55	0.89	1.68
Dividends declared per common share	$ 0.08	0.08	0.08	0.08	0.32

See Notes 2 and 3 of Notes to Consolidated Financial Statements for discussion of acquisition and divestiture activity.

During the fourth quarter of 2011, the Company recorded a $6.5 million charge related to the write-down of certain Aclara inventory which was determined to be obsolete as next generation AMI products are currently being offered for sale and a $6.6 million gain representing the revaluation of a contingent consideration liability related to a previous acquisition.

MANAGEMENT'S STATEMENT OF FINANCIAL RESPONSIBILITY

The Company's Management is responsible for the fair presentation of the Company's financial statements in accordance with accounting principles generally accepted in the United States of America, and for their integrity and accuracy. Management is confident that its financial and business processes provide accurate information on a timely basis.

Management, with the oversight of ESCO's Board of Directors, has established and maintains a strong ethical climate in which the Company's affairs are conducted. Management also has established an effective system of internal controls that provide reasonable assurance as to the integrity and accuracy of the financial statements, and responsibility for the Company's assets. KPMG LLP, the Company's independent registered public accounting firm, reports directly to the Audit and Finance Committee of the Board of Directors. The Audit and Finance Committee has established policies consistent with corporate reform laws for auditor independence. In accordance with corporate governance listing requirements of the New York Stock Exchange:

- A majority of Board members are independent of the Company and its Management.
- All members of the key Board committees — the Audit and Finance, the Human Resources and Compensation and the Nominating and Corporate Governance Committees — are independent.
- The independent members of the Board meet regularly without the presence of Management.
- The Company has a clear code of ethics and a conflict of interest policy to ensure that key corporate decisions are made by individuals who do not have a financial interest in the outcome, separate from their interest as Company officials.
- The charters of the Board committees clearly establish their respective roles and responsibilities.
- The Company has a Corporate Ethics Committee, ethics officers at each operating location and an ombudsman hot line available to all domestic employees and all foreign employees have local ethics officers and access to the Company's ombudsman.

The Company has a strong financial team, from its executive leadership to each of its individual contributors. Management monitors compliance with its financial policies and practices over critical areas including internal controls, financial accounting and reporting, accountability, and safeguarding of its corporate assets. The internal audit control function maintains oversight over the key areas of the business and financial processes and controls, and reports directly to the Audit and Finance Committee. Additionally, all employees are required to adhere to the ESCO Code of Business Conduct and Ethics, which is monitored by the Corporate Ethics Committee.

Management is dedicated to ensuring that the standards of financial accounting and reporting that are established are maintained. The Company's culture demands integrity and a commitment to strong internal practices and policies.

The Consolidated Financial Statements have been audited by KPMG LLP, whose report is included herein.

Victor L. Richey Chairman, Chief Executive Officer, and President	Gary E. Muenster Executive Vice President, and Chief Financial Officer

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

Because of its inherent limitations, any system of internal control over financial reporting, no matter how well designed, may not prevent or detect misstatements due to the possibility that a control can be circumvented or overridden or that misstatements due to error or fraud may occur that are not detected. Also, because of changes in conditions, internal control effectiveness may vary over time.

Management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2011, using criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and concluded that the Company maintained effective internal control over financial reporting as of September 30, 2011, based on these criteria.

Our internal control over financial reporting as of September 30, 2011, has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Victor L. Richey
Chairman, Chief Executive
Officer, and President

Gary E. Muenster
Executive Vice President, and
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
ESCO Technologies Inc.:

We have audited the accompanying Consolidated Balance Sheets of ESCO Technologies Inc. and subsidiaries as of September 30, 2011, and 2010, and the related Consolidated Statements of Operations, Shareholders' Equity, and Cash Flows for each of the years in the three-year period ended September 30, 2011. We also have audited ESCO Technologies Inc.'s internal control over financial reporting as of September 30, 2011, based on criteria established in *Internal Control — Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). ESCO Technologies Inc.'s Management is responsible for these Consolidated Financial Statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on ESCO Technologies Inc.'s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the Consolidated Financial Statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by Management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of Management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position of ESCO Technologies Inc. and subsidiaries as of September 30, 2011, and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2011, in conformity with U.S. generally accepted accounting principles. Also in our opinion, ESCO Technologies Inc. maintained, in all material respects, effective internal control over financial reporting as of September 30, 2011, based on criteria established in *Internal Control — Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

KPMG LLP

St. Louis, Missouri
November 29, 2011

FIVE - YEAR FINANCIAL SUMMARY

(Dollars in millions, except per share amounts)	2011	2010	2009	2008	2007
For years ended September 30:					
Net sales	**$ 693.7**	607.5	619.1	613.6	437.4
Net earnings from continuing operations	**52.5**	44.8	49.3	47.6	30.8
Net earnings (loss) from discontinued operations	**—**	—	0.1	(0.9)	2.9
Net earnings	**52.5**	44.8	49.4	46.7	33.7
Earnings (loss) per share:					
Basic:					
Continuing operations	**$ 1.97**	1.70	1.88	1.84	1.19
Discontinued operations	**—**	—	—	(0.04)	0.11
Net earnings	**$ 1.97**	1.70	1.88	1.80	1.30
Diluted:					
Continuing operations	**$ 1.95**	1.68	1.86	1.81	1.17
Discontinued operations	**—**	—	—	(0.03)	0.11
Net earnings	**$ 1.95**	1.68	1.86	1.78	1.28
As of September 30:					
Working capital from continuing operations	**122.5**	109.4	116.2	100.6	118.2
Total assets	**1,011.8**	974.3	923.7	928.1	576.1
Total debt	**125.0**	154.0	180.5	233.7	—
Shareholders' equity	**600.7**	556.0	517.3	468.2	415.5
Cash dividends declared per common share	**$ 0.32**	0.32	—	—	—

See Notes 2 and 3 of Notes to Consolidated Financial Statements for discussion of acquisition and divestiture activity.

In 2008, the Company acquired Doble Engineering Company for a purchase price of approximately $328 million, net of cash acquired.

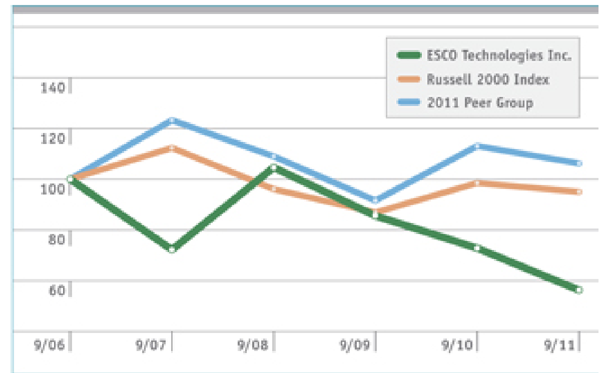
COMMON STOCK MARKET PRICE

ESCO's common stock is listed on the New York Stock Exchange under the symbol "ESE." The following table summarizes the high and low prices of the common stock for each quarter of fiscal 2011 and 2010.

	2011		2010	
Quarter	**High**	**Low**	High	Low
First	**$38.83**	**31.54**	$42.24	31.20
Second	**40.53**	**35.00**	36.89	29.90
Third	**38.14**	**33.40**	33.78	24.76
Fourth	**38.04**	**25.50**	34.85	24.55

Performance Graph

The adjacent graph presents a comparison of the cumulative total shareholder return on the Company's common stock as measured against the Russell 2000 Index and a peer group (the "2011 Peer Group"). The Company is not a component of the 2011 Peer Group, but it is a component of the Russell 2000 Index. The measurement period begins on September 30, 2006 and measures at each September 30 thereafter. These figures assume that all dividends, if any, paid over the measurement period were reinvested, and the starting value of each index and the investments in the Company's common stock were $100 at the close of trading on September 30, 2006.



	9/06	9/07	9/08	9/09	9/10	9/11
ESCO Technologies Inc.	**100.00**	**72.20**	**104.63**	**85.58**	**72.81**	**56.32**
Russell 2000 Index	100.00	112.34	96.07	86.90	98.50	95.02
2011 Peer Group	100.00	123.25	108.98	91.58	113.07	106.20

The 2011 Peer Group is the same peer group included in the performance graph in last year's Annual Report designated the "2010 Peer Group". The 2011 Peer Group is comprised of eight companies that correspond to the Company's three industry segments as follows: Utility Solutions Group segment (50% of the Company's 2011 total revenue) — Badger Meter Inc., Itron Inc., Comverge, Inc., Echelon Corporation and Roper Industries Inc.; Test segment (26% of the Company's 2011 total revenue) — LeCroy Corporation; and Filtration/Fluid Flow segment (24% of the Company's 2011 total revenue) — Pall Corporation and Clarcor Inc.

In calculating the composite return of the 2011 Peer Group, the return of each company comprising the 2011 Peer Group is weighted by (a) its market capitalization in relation to the other companies in its corresponding Company industry segment, and (b) the percentage of the Company's 2011 total revenue represented by its corresponding Company industry segment.

SHAREHOLDERS' ANNUAL MEETING

The Annual Meeting of the Shareholders of ESCO Technologies Inc. will be held at 9:30 a.m. Thursday, February 2, 2012, at the headquarters of ETS-Lindgren L.P., 1301 Arrow Point Drive, Cedar Park, Texas 78613-6936, a subsidiary of the Company. You may access this Annual Report as well as the Notice of the meeting and the Proxy Statement on the Company's Annual Meeting web site at http://www.cfpproxy.com/5157.

CERTIFICATIONS

Pursuant to New York Stock Exchange (NYSE) requirements, the Company submitted to the NYSE the annual certifications, dated February 24, 2011 and February 19, 2010, by the Company's chief executive officer that he was not aware of any violations by the Company of NYSE's corporate governance listing standards. In addition, the Company filed with the Securities and Exchange Commission the certifications by the Company's chief executive officer and chief financial officer required under Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to the Company's Forms 10-K for its fiscal years ended September 30, 2011 and September 30, 2010.

10-K REPORT

A copy of the Company's 2011 Annual Report on Form 10-K filed with the Securities and Exchange Commission is available to shareholders without charge. Direct your written request to Kate Lowrey, Director of Investor Relations, ESCO Technologies Inc., 9900A Clayton Road, St. Louis, Missouri 63124.

The Form 10-K is also available on the Company's web site at www.escotechnologies.com.

INVESTOR RELATIONS

Additional investor-related information may be obtained by contacting the Director of Investor Relations at (314) 213-7277 or toll free at (888) 622-3726. Information is also available through the Company's web site at www.escotechnologies.com or via e-mail to klowrey@escotechnologies.com.

TRANSFER AGENT AND REGISTRAR

Shareholder inquiries concerning lost certificates, transfer of shares or address changes should be directed to:

Registrar and Transfer Company
10 Commerce Drive
Cranford, NJ 07016-3572
1 (800) 368-5948
E-mail: info@rtco.com

CAPITAL STOCK INFORMATION

ESCO Technologies Inc. common stock shares (symbol ESE) are listed on the New York Stock Exchange. There were approximately 2,370 holders of record of shares of common stock at November 16, 2011.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP
10 South Broadway, Suite 900
St. Louis, Missouri 63102

SUBSIDIARIES OF ESCO TECHNOLOGIES INC.

NAME	STATE OR JURISDICTION OF INCORPORATION OR ORGANIZATION	NAME UNDER WHICH IT DOES BUSINESS
Aclara Power-Line Systems Inc.	Missouri	Same
Aclara RF Systems Inc.	Ohio	Same
Aclara Software Inc.	Massachusetts	Same
Beijing Lindgren ElectronMagnetic Technology Co., Ltd.	People’s Republic of China	Same
Crissair, Inc.	California	Same
Distribution Control Systems Caribe, Inc.	Puerto Rico	Same
Doble Engineering Company	Massachusetts	Same
Doble Lemke AG	Switzerland	Same
Doble Lemke GmbH	Germany	Same
Doble PowerTest Limited	United Kingdom	Same
Doble TransiNor AS	Norway	Same
EMV Elektronische Messgeräte Vertriebs-GmbH	Germany	Same
ESCO Technologies Holding Inc.	Delaware	Same
ETS Lindgren Engineering India Private Limited	India	Same
ETS Lindgren Japan, Inc.	Japan	Same
ETS Lindgren Limited	England	Same
ETS-Lindgren, L.P.	Texas	Same and Acoustic Systems
ETS-Lindgren OY	Finland	Same
Lindgren R.F. Enclosures, Inc.	Illinois	Same and ETS-Lindgren
PTI Technologies Inc.	Delaware	Same
Thermoform Engineered Quality LLC	Delaware	Same
VACCO Industries	California	Same

Consent of Independent Registered Public Accounting Firm

The Board of Directors
ESCO Technologies Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 33-39737, 33-47916, 33-98112, 333-92945, 333-77887, 333-96309, 333-63930, 333-85268, and 333-117953) on Form S-8 of ESCO Technologies Inc. of our report under date of November 29, 2011, with respect to the consolidated balance sheets of ESCO Technologies Inc. and subsidiaries as of September 30, 2011 and 2010, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2011, and the effectiveness of internal control over financial reporting as of September 30, 2011, which report appears in the Annual Report to Stockholders for the fiscal year ended September 30, 2011 and is incorporated by reference in the September 30, 2011 annual report on Form 10-K of ESCO Technologies Inc.

/s/ KPMG LLP

St. Louis, Missouri
November 29, 2011

EXHIBIT 31.1

CERTIFICATION

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

1. I have reviewed this annual report on Form 10-K of ESCO Technologies Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant, and 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 report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) 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
   d) 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: November 29, 2011

/s/ V.L. Richey, Jr.

V.L. Richey, Jr.
Chairman, President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, G.E. Muenster, certify that:

1. I have reviewed this annual report on Form 10-K of ESCO Technologies Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant, and 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 report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) 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
   d) 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: November 29, 2011

/s/ G.E. Muenster

G.E. Muenster
Exec. Vice President and 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 annual report of ESCO Technologies Inc. (the "Company") on Form 10-K for the period ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, V. L. Richey, Jr., Chairman, President and Chief Executive Officer of the Company, and G. E. Muenster, Executive Vice President and 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:

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

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

Dated: November 29, 2011

/s/ V.L. Richey, Jr.
V.L. Richey, Jr.
Chairman, President and Chief Executive Officer

/s/ G.E. Muenster
G.E. Muenster
Exec. Vice President and Chief Financial Officer