SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

(X) Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended March 31, 1997

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 ELECTRONICS CORPORATION

(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.)
8888 Ladue Road, Suite 200 St. Louis, Missouri (Address of principal executive offices)	63124-2090 (Zip Code)

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

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

Number of common stock trust receipts outstanding at April 30, 1997: 11,821,368 receipts.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ESCO ELECTRONICS CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)
(Dollars in thousands, except per share amounts)

	Three Months Ended March 31, 1997	1996
Net sales	$ 88,811	117,444
Costs and expenses:		
Cost of sales	66,384	92,336
Selling, general and administrative expenses	15,740	18,577
Interest expense	1,234	1,425
Other, net	1,069	857
Total costs and expenses	84,427	113,195
Earnings before income taxes	4,384	4,249
Income tax expense	1,617	1,835
Net earnings	$ 2,767	2,414
Earnings per share, primary and fully diluted	$ .23	.20

See accompanying notes to condensed consolidated financial statements.

ESCO ELECTRONICS CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)
(Dollars in thousands, except per share amounts)

	Six Months Ended March 31, 1997	1996
Net sales	$157,710	230,054
Costs and expenses:		
Cost of sales	118,323	181,526
Selling, general and administrative expenses	28,691	35,468
Interest expense	1,511	2,814
Other, net	1,799	2,613
Total costs and expenses	150,324	222,421
Earnings before income taxes	7,386	7,633
Income tax expense	2,437	3,297
Net earnings	$ 4,949	4,336
Earnings per share, primary and fully diluted	$ .40	.37

See accompanying notes to condensed consolidated financial statements.

ESCO ELECTRONICS CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Dollars in thousands)

	March 31, 1997	September 30, 1996
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 4,336	22,209
Accounts receivable, less allowance for doubtful accounts of $366 and $273, respectively	44,130	34,664
Costs and estimated earnings on long-term contracts, less progress billings of $89,274 and $70,671, respectively	55,562	51,585
Inventories	61,585	51,187
Other current assets	3,187	3,005
	-------	-------
Total current assets	168,800	162,650
	-------	-------
Property, plant and equipment, at cost	126,689	80,351
Less accumulated depreciation and amortization	31,647	26,325
	-------	-------
Net property, plant and equipment	95,042	54,026
Excess of cost over net assets of purchased businesses, less accumulated amortization of $2,009 and $1,597, respectively	55,199	20,395
Deferred tax asset	51,660	53,326
Other assets	17,078	17,435
	-------	-------
	$387,779	307,832
	========	=======
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term borrowings and current maturities of long-term debt	$ 42,500	1,300
Accounts payable	32,591	40,057
Advance payments on long-term contracts, less costs incurred of $4,849 and $5,478, respectively	8,458	8,336
Accrued expenses and other current liabilities	24,670	26,771
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Total current liabilities	108,219	76,464
Other liabilities	29,044	28,860
Long-term debt	54,000	11,375
Total liabilities	191,263	116,699
Commitments and contingencies	-	-
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 12,432,801 and 12,415,346 shares, respectively	124	124
Additional paid-in capital	193,445	192,967
Retained earnings since elimination of deficit of $60,798 at September 30, 1993	9,133	4,184
Cumulative foreign currency translation adjustment	458	107
Minimum pension liability	(1,770)	(1,869)
	201,390	195,513
Less treasury stock, at cost; 615,545 and 566,622 common shares, respectively	(4,874)	(4,380)
Total shareholders' equity	196,516	191,133
	$387,779	307,832

See accompanying notes to condensed consolidated financial statements.

ESCO ELECTRONICS CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Dollars in thousands)

	Six Months Ended March 31, 1997	1996
Cash flows from operating activities:		
Net earnings	$ 4,949	4,336
Adjustments to reconcile net earnings to net cash used by operating activities:		
Depreciation and amortization	6,140	7,093
Changes in operating working capital, net of acquired business	(17,941)	(21,213)
Other	2,203	3,284
Net cash used by operating activities	(4,649)	(6,500)
Cash flows from investing activities:		
Capital expenditures	(4,251)	(4,510)
Acquisition of business, less cash acquired	(92,900)	_
Net cash used by investing activities	(97,151)	(4,510)
Cash flows from financing activities:		
Net increase in short-term borrowings	37,500	14,500
Proceeds from long-term debt	60,000	_
Principal payments on long-term debt	(13,675)	(1,037)
Other	102	343
Net cash provided by financing activities	83,927	13,806
Net increase (decrease) in cash and cash equivalents	(17,873)	2,796
Cash and cash equivalents at beginning of period	22,209	320
Cash and cash equivalents at end of period	$ 4,336	3,116

See accompanying notes to condensed consolidated financial statements.

ESCO ELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

The accompanying condensed consolidated financial statements, in the opinion of management, include all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the results for the interim periods presented. The condensed consolidated financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all the disclosures required by generally accepted accounting principles. For further information refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 1996. Certain prior year amounts have been reclassified to conform with the fiscal 1997 presentation.

The results for the three and six month periods ended March 31, 1997 are not necessarily indicative of the results for the entire 1997 fiscal year.

2. Earnings Per Share

Earnings per share are based on the weighted average number of common shares outstanding plus shares issuable upon the assumed exercise of dilutive common share options and performance shares by using the treasury stock method. For the three month period ended March 31, 1997, primary and fully diluted earnings per share are computed using 12,266,660 and 12,266,744 common shares and common share equivalents outstanding, respectively. For the six month period ended March 31, 1997, primary and fully diluted earnings per share are computed using 12,241,742 and 12,248,262 common shares and common share equivalents outstanding, respectively. For the quarter ended March 31, 1996, primary and fully diluted earnings per share are computed using 11,810,203 and 11,950,667 common shares and common share equivalents outstanding, respectively. For the six month period ended March 31, 1996, primary and fully diluted earnings per share are computed using 11,579,474 and 11,824,245 common shares and common share equivalents outstanding, respectively.

3. Inventories

Inventories consist of the following (dollars in thousands):

	March 31, 1997	September 30, 1996
Finished Goods	$ 5,618	5,927
Work in process, including long-term contracts	41,666	32,071
Raw materials	14,301	13,189
Total inventories	$ 61,585	51,187

Under the contractual arrangements by which progress payments are received, the U.S. Government has a security interest in the inventories associated with specific contracts. Inventories are net of progress payment receipts of $.9 million and $1.2 million at March 31, 1997 and September 30, 1996, respectively.

4.Hazeltine Divestiture - 1996

On July 22, 1996, the Company completed the sale of its Hazeltine subsidiary to GEC-Marconi Electronic Systems Corporation (GEC). The Company sold 100% of the common stock of Hazeltine for $110 million in cash. Certain assets and liabilities of Hazeltine were retained by the Company.

Included in the condensed consolidated statement of operations for the three and six months ended March 31, 1996 are the operating results of Hazeltine prior to its divestiture as follows (dollars in thousands):

	Fiscal 1996	
	Second Quarter	Six Months
Net sales	$27,335	54,828
Cost of sales	21,533	43,486
Selling, general and administrative expenses	3,899	7,629
Other costs and expenses, net	322	525
Earnings before income taxes	$ 1,581	3,188

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations - Three months ended March 31, 1997 compared with three months ended March 31, 1996.

Net sales of $88.8 million for the second quarter of fiscal 1997 decreased $28.6 million (24.4%) from net sales of $117.4 million for the second quarter of fiscal 1996. The decrease was primarily due to the sale of Hazeltine in July 1996. Net sales at the remainder of the Company's operating units decreased approximately $1.3 million due to lower defense sales at Systems & Electronics Inc. (SEI) in the current period, partially offset by the additional sales ($10.7 million) resulting from the Filtertek acquisition in February 1997. Defense sales were $49.7 million and commercial sales were $39.1 million for the second quarter of fiscal 1997, compared with defense and commercial sales of $84.7 million and $32.7 million, respectively, in the second quarter of fiscal 1996. Prior to its divestiture, Hazeltine's second quarter fiscal 1996 defense and commercial sales were $27.2 million and $.1 million, respectively. Adjusted for the sale of Hazeltine, prior year second quarter defense and commercial sales were $57.5 million and $32.6 million, respectively.

The backlog of firm orders at March 31, 1997 was $265.6 million, compared with $234.9 million at December 31, 1996. During the fiscal 1997 second quarter, new orders aggregating $95.5 million were received, compared with $70.6 million in the second quarter of fiscal 1996, excluding Hazeltine. Second quarter fiscal 1996 orders, as reported including Hazeltine, were $91.1 million. Order backlog increased $24 million in conjunction with the acquisition of Filtertek in February 1997. The most significant orders in the current period were for M1000 tank transporters, filtration/fluid flow products and airborne radar systems.

The gross profit percentage was 25.3% in the second quarter of fiscal 1997 and 21.4% in the second quarter of fiscal 1996. The gross profit percentage in the second quarter fiscal 1996 excluding Hazeltine was also 21.4%. The fiscal 1997 second quarter gross profit percentage increased from fiscal 1996 due to an improved sales mix in both the defense and commercial segments.

Selling, general and administrative expenses for the second quarter of fiscal 1997 were $15.7 million, or 17.7% of net sales, compared with $18.6 million, or 15.8% of net sales, for the same period a year ago. Excluding Hazeltine, prior year second quarter selling, general and administrative expense was $14.7 million or 16.3% of adjusted sales. The fiscal 1997 second quarter selling, general and administrative expenses increased as a percentage of adjusted sales due to the reduced sales volume in second quarter fiscal 1997.

Interest expense decreased to $1.2 million from $1.4 million as a result of lower average borrowings in the second quarter of fiscal 1997 as compared to the second quarter of fiscal 1996. A significant amount of the fiscal 1997 debt was incurred with the February 1997 acquisition of Filtertek.

Other costs and expenses, net, were $1.1 million in the second quarter of fiscal 1997 compared to $.9 million in the same period of fiscal 1996. The increase in fiscal 1997 reflects the increase in amortization of goodwill due to the purchase of Filtertek.

The effective income tax rate in the second quarter of fiscal 1997 was 36.9% compared with 43.2% for the second quarter of fiscal 1996. The lower effective tax rate for 1997 is attributable to the reduction in state and foreign taxes previously paid on income from Hazeltine in fiscal 1996 coupled with the lower Federal rate recognized on the Puerto Rican operations of Filtertek in fiscal 1997.

Results of Operations - Six months ended March 31, 1997 compared with six months ended March 31, 1996.

Net sales of $157.7 million for the first six months of fiscal 1997 decreased $72.3 million (31.4%) from net sales of $230.1 million for the first six months of fiscal 1996. The decrease was primarily due to the sale of Hazeltine in July 1996. Net sales at the remainder of the Company's operating units decreased approximately $17.5 million primarily due to lower defense sales at SEI in the current period, partially offset by the additional sales ($10.7 million) resulting from the Filtertek acquisition. Defense sales were $92.2 million and commercial sales were $65.5 million for the first six months of fiscal 1997, compared with defense and commercial sales or $167.7 million and $62.3 million, respectively, in the first six months of fiscal 1996. Hazeltine's defense and commercial sales were $51.5 million and $3.3 million, respectively in the first six months of fiscal 1996. Adjusted for the sale of Hazeltine, prior year first six months defense and commercial sales were $116.2 million and $59.0 million, respectively.

The backlog of firm orders at March 31, 1997 was $265.6 million, compared with $246.7 million at September 30, 1996. During the first six months of fiscal 1997, new orders aggregating $152.6 million were received, compared with $142.2 million in the first six months of fiscal 1996, excluding Hazeltine. Orders during the first six months of fiscal 1996, as reported including Hazeltine, were $199.7 million. Order backlog increased $24 million in conjunction with the acquisition of Filtertek in February, 1997.
The most significant orders in the current period were for M1000 tank transporters, filtration/fluid flow products, airborne radar systems, and integrated mail handling and sorting systems.

The gross profit percentage was 25.0% in the first six months of fiscal 1997 and 21.1% in the first six months of fiscal 1996. The gross profit percentage in the first six months fiscal 1996 excluding Hazeltine was 21.2%. The fiscal 1997 first six months gross profit percentage increased from fiscal 1996 due to an improved sales mix in both the defense and commercial segments.

Selling, general and administrative expenses for the first six months of fiscal 1997 were $28.7 million, or 18.2% of net sales, compared with $35.5 million, or 15.4% of net sales, for the same period a year ago. Excluding Hazeltine, prior year first six months selling, general and administrative expense was $27.8 million or 15.9% of adjusted sales. The fiscal 1997 first six months selling, general and administrative expenses increased as a percentage of adjusted sales due to the reduced sales volume in the first six months of fiscal 1997.

Interest expense decreased to $1.5 million from $2.8 million as a result of lower average borrowings in fiscal 1997 compared to fiscal 1996. A significant amount of the 1997 debt was increased with the February 1997 acquisition of Filtertek.

Other costs and expenses, net, were $1.8 million in the first six months of fiscal 1997 compared to $2.6 million in the same period of fiscal 1996. The decrease in fiscal 1997 reflects lower miscellaneous expenditures in the current six month period.

The effective income tax rate in the first six months of fiscal 1997 was 33.0% compared with 43.2% for the first six months of fiscal 1996. The lower effective tax rate for the first six months of fiscal 1997 is attributable to the reduction in state and foreign taxes previously paid on income from Hazeltine in fiscal 1996 coupled with the favorable resolution of a Hazeltine state tax audit, and the lower Federal rate recognized on the Puerto Rican operations of Filtertek in fiscal 1997. Management estimates the annual effective tax rate for fiscal year 1997 to be approximately 37%.

Financial Condition

Working capital decreased to $60.6 million at March 31, 1997 from $86.2 million at September 30, 1996, primarily due to the additional borrowings related to the Filtertek acquisition, offset by the purchased working capital of Filtertek. During the first six months of fiscal 1997, accounts receivable increased by $9.5 million and inventories increased in the aggregate by $14.4 million primarily as a result of the acquisition of Filtertek. Accounts payable and accrued expenses decreased by $9.6 million during the first six months of fiscal 1997 through payments necessary to satisfy commitments outstanding at
September 30, 1996. Net cash used by operating activities was $4.6 million in the first six months of fiscal 1997 and $6.5 million in the same period of fiscal 1996. The decrease in the 1997 period was primarily due to the changes in operating working capital mentioned above.

Capital expenditures were $4.3 million in the first six months of fiscal 1997 compared with $4.5 million in the first six months of fiscal 1996. Major expenditures in the current period include routine capitalized facility costs at SEI and manufacturing equipment at Filtertek and PTI.

On February 7, 1997, the Company completed the purchase of Filtertek. The purchase was financed with cash and borrowings from the Company's bank credit facility. The existing bank credit facility was amended and restated as of February 7, 1997 to increase the available credit facility to $140 million. The maturity of the amended bank credit facility was extended to September 30, 2000. This acquisition will be accounted for under the purchase method of accounting, and accordingly, the acquisition cost will be allocated among the net assets of Filtertek based upon their estimated fair market values. However, this allocation process has not yet been completed.

New Accounting Pronouncements

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 (SFAS 128), "Earnings Per Share" and Statement of Financial Accounting Standards No. 129 (SFAS 129), "Disclosure of Information about Capital Structure". The Company will adopt the provisions of these pronouncements during the quarter ending December 31, 1997. The effect of adopting these provisions is not expected to be material.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

The Annual Meeting of the Company's shareholders was held on Tuesday February 11, 1997. Voted on at the meeting was the election of two directors. The voting for directors was as follows:

	For	Withheld
J. M. McConnell	10,425,275	74,170
D. C. Trauscht	10,447,899	51,546

The only other matter voted on at the meeting was a proposal to approve the 1997 Performance Share Plan. The voting on this proposal was as follows:

For	Against	Abstentions	Broker Non-Votes
9,805,717	631,456	62,272	0

Item 6. Exhibits and Reports on Form 8-K.

a) Exhibits

Exhibit Number

2(a) Acquisition Agreement dated December 18, 1996 between the Company and Schawk, Inc.

Certain schedules and attachments have been omitted due to immateriality. The Company agrees to furnish supplementally a copy of any omitted schedule or attachment to the Commission upon request.

2(b) First Amendment dated as of February 7, 1997 to Acquisition Agreement listed as Exhibit 2(a) above.

4 Credit Agreement dated as of September 23, 1990 (as most recently amended and restated as of February 7, 1997) among the Company, Defense Holding Corp., the Banks listed therein and Morgan Guaranty Trust Company of New York, as agent.

The above-listed Exhibits are incorporated by reference to Form 10-Q for the quarterly period ended December 31, 1996, at the Exhibit Numbers listed above, respectively.

b) Reports on Form 8-K.

The Company filed a Current Report on Form 8-K, dated February 7, 1997, during the quarter ended March 31, 1997 which reported "Item 2. Acquisition or Disposition of Assets" and "Item 7. Financial Statements and Exhibits". Financial statements filed with the report were:

(1) Audited financial statements of Filtertek at December 31, 1996 and the consolidated results of its operations and its cash flows for the year then ended.

(2) Introduction to Unaudited Pro Forma Consolidated Financial Statements.

(3) Unaudited Pro Forma Consolidated Statement of Operations for the fiscal year ended September 30, 1996.

(4) Unaudited Pro Forma Consolidated Statement of Operations for the three months ended December 31, 1996.

(5) Unaudited Pro Forma Consolidated Balance Sheet at December 31, 1996.

SIGNATURE

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

ESCO ELECTRONICS CORPORATION

/s/ Philip M. Ford

Philip M. Ford
Senior Vice President
and Chief Financial Officer
(as duly authorized officer
and principal financial
officer of the registrant)

Dated: May 14,1997

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1,000

6-MOS
SEP-30-1997
MAR-31-1997
4,336
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44,496
366
61,585
168,800
126,689
31,647
387,779
108,219
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0
124
196,392
387,779
157,710
157,710
118,323
147,014
1,799
0
1,511
7,386
2,437
4,949
0
0
0
4,949
.40
.40

THIS NUMBER DOES NOT INCLUDE $56.0 MILLION OF COSTS AND ESTIMATED EARNINGS ON LONG-TERM CONTRACTS.