

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): February 2, 2018

ESCO TECHNOLOGIES INC.
(Exact Name of Registrant as Specified in Charter)

Missouri
(State or Other
Jurisdiction of Incorporation)

1-10596
(Commission
File Number)

43-1554045
(I.R.S. Employer
Identification No.)

9900A Clayton Road, St. Louis, Missouri
(Address of Principal Executive Offices)

63124-1186
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2 (b) under the Exchange Act (17 CFR 240.14d-2 (b))
- Pre-commencement communications pursuant to Rule 13e-4 (c) under the Exchange Act (17 CFR 240.113d-4 (c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

Today, February 6, 2018, the Registrant is issuing a press release (furnished as Exhibit 99.1 to this report) announcing its fiscal 2018 first quarter financial and operating results. See Item 7.01, Regulation FD Disclosure, below.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

On February 2, 2018, the Registrant's shareholders approved the Registrant's 2018 Omnibus Incentive Plan (the "Plan"), by the vote set forth in Item 5.07, below. The Plan had been approved and adopted by the Registrant's Board of Directors on November 9, 2017 subject to shareholder approval. The Plan replaces the Registrant's 2013 Incentive Compensation Plan (the "2013 Plan"), which terminated as to new awards upon shareholder approval of the Plan.

The Plan, which is attached as Exhibit 10.1 to this report and is more fully described in the Proxy Statement for the Registrant's 2018 Annual Meeting filed with the Securities and Exchange Commission on December 14, 2017, permits the Registrant's Human Resources and Compensation Committee (the "Committee") to grant awards based on shares of the Registrant's common stock, as well as cash awards, to facilitate effective employee incentive arrangements, subject to limits on the numbers of shares specified for certain types of awards. Awards may be granted in the form of stock options (including incentive stock options), tandem stock appreciation rights, performance-accelerated restricted stock awards, other restricted stock awards, other stock-based awards, and cash-based awards. The Committee may delegate to the Registrant's chief executive officer the authority to grant a limited number of stock options, and may delegate to the Registrant's Executive Committee the authority to grant a limited number of other stock based awards, only to employees who are not reporting persons under Section 16 of the Exchange Act or covered employees (as defined in Section 162(m) of the Code). The number of shares with respect to which stock options and tandem stock appreciation rights may be granted to any individual during any calendar year may not exceed 150,000 shares.

The total number of authorized but unissued shares of the Registrant's common stock allocated for awards under the Plan is 977,878, of which 350,000 are newly-authorized shares; the remaining 627,878 shares have been rolled over from the 2013 Plan, under which they were previously authorized but not awarded prior to its termination. Of these 627,878 shares, 100,000 shares may be used under the 2018 Plan only for stock options or other awards which require the participant to make a payment to the Registrant in order to receive actual shares, which is the same restriction that applied to the shares under the 2013 Plan. Another 400,000 shares previously authorized under the 2013 Plan have been de-authorized and will not be rolled over into the Plan. The Registrant may, in its discretion, use either treasury shares or authorized but unissued shares for awards.

No awards may be granted under the Plan after February 2, 2023, which is five years after its approval by the Registrant's shareholders, or such earlier date as the Plan may be terminated by the Registrant's Board of Directors or the Committee.

Item 5.07 Submission of Matters to a Vote of Security Holders

The 2018 Annual Meeting of the Registrant's stockholders was held on February 2, 2018. Each of the 25,835,902 shares entitled to vote at the meeting was entitled to one vote on each matter voted on at the meeting. The affirmative vote of a majority of the shares represented in person or by proxy at the meeting was required to elect each director and to approve each of Proposals 3, 4 and 5 below. The affirmative vote of 85% of the shares outstanding and entitled to vote at the meeting was required to approve Proposal 2, the charter amendment. The vote totals below are rounded down to the nearest whole share, and Broker Non-Votes are not considered to be entitled to vote on the matter in question and are therefore not counted in determining the number of votes required for approval.

At the meeting, there were 24,735,572 shares represented and voted on one or more matters, or 95.74% of the shares entitled to vote at the meeting. The voting on each of the proposals at the meeting was as follows:

Proposal 1, Election of Directors:

Nominee	"For"	"Withhold"	Broker Non-Votes	Percent of Shares Represented at the Meeting Voting "For"
Gary E. Muenster	21,128,346	2,550,372	1,056,853	89.23%
James M. Stolze	23,012,782	665,937	1,056,853	97.19%

Because each nominee received a majority of the shares represented at the meeting and entitled to vote on the nominees, all of the nominees were duly elected.

Proposal 2, Charter Amendment to permit the Registrant’s shareholders to amend the Registrant’s Bylaws:

“For”	“Against”	“Abstain”	Broker Non-Votes	Percent of Shares Represented at the Meeting Voting “For”	Percent of Outstanding Shares Voting “For”
23,666,170	5,849	6,700	1,056,853	99.95%	91.60%

Because the proposal received the affirmative vote of at least 85% of the outstanding shares entitled to vote on the matter, it was duly approved.

Proposal 3, Approval of the Registrant’s 2018 Omnibus Incentive Plan:

“For”	“Against”	“Abstain”	Broker Non-Votes	Percent of Shares Represented at the Meeting Voting “For”
23,351,997	315,477	11,244	1,056,853	98.62%

Because the proposal received a majority of the shares represented at the meeting and entitled to vote on the matter, it was duly approved.

Proposal 4, Ratification of the Registrant’s appointment of KPMG LLP as the Registrant’s independent registered public accounting firm for the 2018 fiscal year:

“For”	“Against”	“Abstain”	Broker Non-Votes	Percent of Shares Represented at the Meeting Voting “For”
24,621,200	108,861	5,510	0	99.54%

Because the proposal received a majority of the shares represented at the meeting and entitled to vote on the matter, it was duly approved.

Proposal 5, Advisory vote on the resolution to approve the compensation of the Registrant’s executive officers (“Say on Pay”):

“For”	“Against”	“Abstain”	Broker Non-Votes	Percent of Shares Represented at the Meeting Voting “For”
22,911,468	755,504	11,746	1,056,853	96.76%

Because the proposal received a majority of the shares represented at the meeting and entitled to vote on the matter, it was duly approved.

Item 7.01 Regulation FD Disclosure

Today, February 6, 2018, the Registrant is issuing a press release (Exhibit 99.1) announcing its fiscal 2018 first quarter financial and operating results. The Registrant will conduct a related Webcast conference call today at 4:00 p.m. Central Time. This press release will be posted on the Registrant’s web site located at <http://www.escotechnologies.com>. It can be viewed through the “Investor Relations” page of the web site under the tab “Press Releases,” although the Registrant reserves the right to discontinue that availability at any time.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit No.	Description of Exhibit
10.1	2018 Omnibus Incentive Plan
99.1	Press Release dated February 6, 2018

Other Matters

The information in this report furnished pursuant to Item 2.02 and Item 7.01, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 as amended (“Exchange Act”) or otherwise subject to the liabilities of that section, unless the Registrant incorporates it by reference into a filing under the Securities Act of 1933 as amended or the Exchange Act.

References to the Registrant’s web site address are included in this Form 8-K and the press release only as inactive textual references, and the Registrant does not intend them to be active links to its web site. Information contained on the Registrant’s web site does not constitute part of this Form 8-K or the press release.

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 hereunto duly authorized.

Date: February 6, 2018

ESCO TECHNOLOGIES INC.

By: /s/ Gary E. Muenster
Gary E. Muenster
Executive Vice President and Chief Financial Officer

**ESCO TECHNOLOGIES INC.
2018 OMNIBUS INCENTIVE PLAN**

1. Purpose of the Plan.

This **ESCO Technologies Inc. 2018 Omnibus Incentive Plan** (the “Plan”) has been adopted by ESCO Technologies Inc., a Missouri corporation (the “Company”), to:

- (a) attract and retain executive, managerial and other employees;
- (b) motivate participants, by means of appropriate incentives, to achieve long-range goals;
- (c) provide incentive compensation opportunities that are competitive with those of other similar businesses; and
- (d) in the case of stock-based awards, further align a participant’s interests with those of the Company’s stockholders through compensation that is based on the Company’s common stock, and thereby promote the long-term financial interests of the Company, including the growth in value of the Company’s equity and enhancement of long-term stockholder returns.

2. Types of Incentive Compensation Awards Available Under the Plan.

The following types of incentive compensation awards (“Awards”) may be granted under the Plan:

- (a) **Stock-Based Awards.** Awards granted on the basis of shares of Common Stock (defined in Section 3) or the value thereof (“Stock-Based Awards”), whether paid in cash or distributed in Common Stock, as follows:
 - (i) Stock options as described in Section 6 (“Stock Options”);
 - (ii) Stock appreciation rights as described in Section 7 (“Tandem SARs”);
 - (iii) Performance-accelerated restricted share awards as described in Section 8 (“PARS Awards”);
 - (iv) Other restricted share awards as described in Section 9 (“Other Restricted Share Awards”); and
 - (v) Other Stock-Based Awards as described in Section 10 (“Other Stock-Based Awards”).
- (b) **Cash-Based Awards.** Awards other than Stock-Based Awards, which are valued and paid in cash (“Cash-Based Awards”), as follows:
 - (i) Long term cash incentive awards as described in Section 12 (“Long Term Cash Incentive Awards”); and
 - (ii) Other cash incentive awards as described in Section 13 (“Other Cash Incentive Awards”).

3. Stock Available Under the Plan.

(a) **Number of Shares Available.** The following shares of common stock of the Company, par value \$0.01 per share (“Common Stock”) are hereby reserved and made available for issuance pursuant to Stock-Based Awards under the Plan:

- (i) 350,000 shares of Common Stock; plus
- (ii) 527,878¹ shares of Common Stock which were authorized under the ESCO Technologies Inc. 2013 Incentive Compensation Plan (the “2013 Plan”) but not awarded prior to termination of the 2013 Plan and which were available under the 2013 Plan for “Performance Accelerated Restricted Stock Awards” (as defined in the 2013 Plan), “Restricted Stock Awards” (as defined in the 2013 Plan) or any other awards authorized under the 2013 Plan wherein actual shares of Common Stock could have been distributed without requiring any payment to the Company by the participant; plus:
 - (iii) One hundred thousand (100,000) shares of Common Stock which were authorized under the 2013 Plan but not awarded prior to termination of the 2013 Plan and which were to be used under the 2013 Plan only for “Stock Options” as defined in the 2013 Plan or any other awards authorized under the 2013 Plan which would have required the recipient of the award to make a payment to the Company in order to receive actual shares of Common Stock; provided that these 100,000 shares may only be used under the Plan for Stock Options or other Stock-Based Awards which require the recipient of the Award to make a payment to the Company in order to receive actual shares of Common Stock.

¹ After subtracting 1,000 shares awarded since the mailing of the Company’s December 14, 2017 Proxy Statement.

(b) Adjustments in Numbers of Shares. The number of shares of Common Stock allocated to the Plan shall be appropriately adjusted to reflect subsequent stock dividends, stock splits, reverse stock splits and similar matters affecting the number of outstanding shares of Common Stock.

(c) No Reload. Shares which have once been the subject of any Stock-Based Award but which are not actually issued or delivered to the participant, by reason of expiration or cancellation of the Award, termination of the participant's employment, failure to meet performance goals or other terms of such Award, tender of the shares in payment for a Stock Option, delivery or withholding of the shares in satisfaction of any tax withholding obligation, or any other reason whatsoever, shall not be returned to the Plan and shall not again become available for Stock-Based Awards under the Plan.

4. Administration.

(a) Committee. The Plan shall be administered by the Human Resources and Compensation Committee (the "Committee") of the Company's Board of Directors (the "Board"). The Committee shall at all times consist solely of two or more outside directors as defined in Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") and shall be constituted to comply with Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor to such Rule, and the requirements of the New York Stock Exchange or other applicable exchange.

(b) Authority of Committee. Subject to the express provisions of the Plan, the Committee shall have plenary authority, in its discretion, to determine the individuals to whom, and the time or times at which, Awards shall be granted and for each Award the potential number or value of shares of Common Stock (in the case of Stock-Based Awards) or the potential cash incentive (in the case of Cash-Based Awards) subject to the Award. In making such determinations the Committee may take into account the nature of the services rendered by the respective individuals, their present and potential contributions to the Company's success, and such other factors as the Committee, in its discretion, shall deem relevant. Subject to the express provisions of the Plan, the Committee shall also have plenary authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Awards (which need not be identical for all recipients) and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations on the matters referred to in this Section 4 shall be conclusive.

(c) Limited Authority to Delegate. The Committee may delegate to the Chief Executive Officer the authority to grant Stock Options of up to 10,000 shares of Common Stock per person (and 50,000 per year in the aggregate) to selected employees who are not either reporting persons under Section 16 of the Exchange Act or covered employees (as defined in section 162(m) of the Internal Revenue Code). The Committee may delegate to the Executive Committee of the Board the authority to grant Stock-Based Awards other than Stock Options of up to 10,000 shares of Common Stock per person (and 50,000 per year in the aggregate) to selected employees who are not either reporting persons under Section 16 of the Exchange Act or covered employees (as defined in section 162(m) of the Internal Revenue Code).

(d) Award Notice. Every Award granted under the Plan shall be memorialized by a written grant agreement or notice of award ("Award Notice") setting forth in writing all of the terms and conditions of the Award, including without limitation the number or value of shares of Common Stock, or the cash, as the case may be, which the holder shall be entitled to receive upon satisfaction of the vesting, service, performance or other criteria specified in the Award, which Award Notice shall be delivered to the participant receiving the Award promptly as practicable after the Award is approved by the Committee or its delegate.

(e) Effective Dates of Awards; No Retroactive Grants. Awards may be granted with an effective date which is on or after, but not before, the date the material terms of the grant are approved by the Committee or other authorized person, and which, in the case of Stock-Based Awards, is a trading day on the New York Stock Exchange. Notwithstanding the foregoing, the performance and/or service criteria for an Award (if any) may be determined with respect to a period (such as a fiscal year) which begins prior to the effective date of the Award, provided that the effective date of the Award must be prior to the time it can be determined whether the criteria will be satisfied, or in the case of a 162(m) Award as defined in subsection 14(g), such earlier date as may be required under such subsection.

(f) Sub-Plans and Performance Programs.

(i) For clarity and convenience in granting, administering and referring to Awards which have similar provisions or which are made to similarly-situated recipients, the Committee may authorize sub-plans (hereafter, "Sub-Plans") under the Plan. Each Sub-Plan shall be subject to all of the terms, conditions and restrictions in the Plan, and all Sub-Plans in the aggregate shall not exceed the limitations, including without limitation those on the aggregate number of authorized shares, set forth in the Plan.

(ii) The Committee may establish from time to time one or more performance programs under the Plan or any Sub-Plan, each with one or more specified objectives and specified performance periods over which the specified objectives are targeted for achievement. The specified performance criteria, performance goals and/or service contingencies need not be the same for all participants and may be established for the Company as a whole or separately for its various groups, divisions and subsidiaries, all as the Committee may determine in its discretion. Performance criteria may, but except in the case of 162(m) Awards need not, be limited to those specified in subsection 14(g).

5. Eligibility.

(a) Incentive Stock Options (defined in subsection 6(a)) may be granted only to full-time or part-time employees of the Company or its Qualifying Corporate Subsidiaries as defined in clause 5(d)(iii).

(b) Tandem SARS and Stock Options other than Incentive Stock Options may be granted only to full-time or part-time employees of the Company or its Subsidiaries.

(c) PARS Awards, Other Restricted Share Awards, Other Stock-Based Awards and Cash-Based Awards may be granted only to full time employees (or such other employees as the Company may determine) of the Company or its Subsidiaries who are determined by the Committee in its discretion to be management personnel important to the future success of the Company; such management personnel may, but need not be, officers of the Company or of its Subsidiaries or divisions.

(d) For purposes of the eligibility and service requirements set forth in the Plan:

(i) The term “employees” does not include temporary employees, contract employees, or directors who are not regular employees of the Company or its Subsidiaries;

(ii) “Subsidiary” means any domestic or foreign corporation, limited liability company, partnership or other entity in which the Company controls, directly or indirectly, 50% or more of the voting power or equity interests; for clarity, the term includes a Qualifying Corporate Subsidiary;

(iii) “Qualifying Corporate Subsidiary” means any domestic or foreign corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of the granting of the Incentive Stock Option in question, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain; or such other meaning as may be hereafter ascribed to it in Section 424 of the Code; and

(iv) the term “corporation” has the meaning ascribed to it in Internal Revenue Regulations Section 1.421-1(i)(1).

6. Stock Options.

(a) Types of Stock Options. In the discretion of the Committee (or the Chief Executive Officer with respect to Stock Options granted under subsection 4(c)), Stock Options may or may not be intended to qualify as incentive stock options within the meaning of Section 422 of the Code (“Incentive Stock Options”). Neither the Company nor the Chief Executive Officer nor the Committee shall have any liability to the optionee or any other person on account of the failure of a Stock Option to qualify as an Incentive Stock Option.

(b) Limitation on Incentive Stock Options. The maximum aggregate fair market value (determined at the time an Incentive Stock Option is granted) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any optionee during any calendar year (under all plans of the Company and its Subsidiaries) shall not exceed \$100,000.

(c) Individual Limit on Number of Stock Options and Tandem SARs. The aggregate number of shares of Common Stock with respect to which Stock Options and Tandem SARs may be granted to any individual during any calendar year may not exceed one hundred fifty thousand shares (150,000).

(d) Minimum Exercise Prices. The exercise price of Common Stock purchased under each Stock Option shall not be less than 100% of the fair market value of the Common Stock on the effective date of the Stock Option. Such fair market value per share shall generally be the closing price per share of the Common Stock on the New York Stock Exchange on the effective date; provided, however, that the Committee may adopt any other criterion for the determination of such fair market value as it may determine to be appropriate and in compliance with, or in conformity with the requirements of, any laws and regulations applicable to the Company and the Stock Option.

(e) Payment of Exercise Price. The exercise price for Common Stock subject to a Stock Option is to be paid in full upon the exercise of the Stock Option, either:

(i) In cash; or

(ii) By the tender to the Company (either actually or by attestation) of shares of Common Stock owned by the optionee for at least six (6) months having a fair market value equal to the cash exercise price of the Stock Option being exercised, with the fair market value of such stock to be determined in such appropriate manner as may be provided for by the Committee or the Company as may be required in order to comply with, or to conform to the requirements of, any applicable laws or regulations applicable to the Company and the Stock Options; or

(iii) Except as may be limited or prohibited by the Committee or the Company, by effecting a “cashless exercise” of the Stock Option by means of a “same day sale” in which the option shares are sold through a broker selected by the optionee and a portion of the proceeds equal to the exercise price plus any taxes due is paid to the Company; or

(iv) By any combination of the foregoing payment methods; or

(v) By such other method or methods as may be determined by the Committee or the Company.

Provided, however, that no shares of Common Stock may be tendered in exercise of an Incentive Stock Option if such shares were acquired by the optionee through the exercise of an Incentive Stock Option unless (A) the tendered shares have been held by the optionee for at least one year and (B) the Incentive Stock Option through which such tendered shares were received was granted at least two years prior to the tender.

(f) Use of Exercise Proceeds. The proceeds from the exercise of a Stock Option shall be added to the general funds of the Company or to treasury shares, as the case may be, and used for such corporate purposes as the Company shall determine.

(g) Term of Stock Options. The term of a Stock Option shall be five (5) years from its effective date, or such shorter period as the Committee may determine. Subject to the other provisions of this Section 6, a Stock Option will be exercisable at such time or times within the stated term, and subject to such restrictions and conditions, as the Committee shall, in each circumstance, approve, which need not be uniform for all optionees.

(h) Employment Requirement. No Stock Option may be exercised unless the optionee is an employee of the Company or a Subsidiary at the time of exercise and has been so employed continuously since the granting of the Stock Option, except that:

(i) If the employment of an optionee terminates with the consent and approval of the Company, the Committee or its designee, may, in its absolute discretion, permit the optionee to exercise a Stock Option (to the extent the optionee was entitled to exercise it at the date of such termination of employment) (A) within ninety (90) days after such termination, or (B) for Stock Options other than Incentive Stock Options, within one (1) year after termination of the optionee’s employment on account of retirement on or after age 55, but in no event after the expiration of its term as specified in the Award Notice.

(ii) An optionee whose employment terminates on account of disability may exercise such Stock Option (to the extent the optionee was entitled to exercise it at the date of such termination) within one (1) year of such termination of employment, but in no event after the expiration of its term as specified in the Award Notice. For this purpose “disability” means permanent and total disability within the meaning of Section 22(e)(3) of the Code, which, as of the date hereof, means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. An optionee shall be considered disabled only if the optionee furnishes such proof of disability as the Committee may require.

(iii) In the event of the death of an optionee, the optionee’s Stock Option may be exercised (to the extent the optionee was entitled to exercise it at the date of death) by the optionee’s personal representative, by the person succeeding to ownership of the Stock Option under the optionee’s last will, or by such other person legally entitled to do so, at any time within a period of one (1) year after the optionee’s death, but in no event after the expiration of its term as specified in the Award Notice.

(iv) The Committee may delegate its authority to extend a Stock Option beyond termination of employment hereunder to such employee or employees as it deems appropriate, so long as the optionees whose options have been extended by such employee or employees are not either reporting persons under Section 16 of the Exchange Act or covered employees (as defined in section 162(m) of the Code).

(v) Stock Option Award Notices may contain such provisions as the Committee shall approve with reference to the effect of approved leaves of absence.

A Stock Option shall not be affected by any change in the optionee’s employment so long as the optionee continues to be an employee of the Company or a Subsidiary thereof.

(i) Non-Transferability of Stock Options. Each Stock Option granted under the Plan shall, by its terms, be non-transferable otherwise than by will or the laws of descent and distribution, and may be exercised during the lifetime of the optionee only by the optionee. Notwithstanding the foregoing, the Committee may permit a Stock Option which is not an Incentive Stock Option to be transferred to a trust for the benefit of the optionee's immediate family member(s) or a partnership, limited liability company, or similar entity in which the optionee's immediate family member(s) comprise the majority partners or equity holders. For purposes of this provision, an optionee's immediate family shall mean the optionee's spouse, children and grandchildren.

(j) Successive Stock Option Grants. Successive Stock Option grants may be made to any optionee under the Plan.

(k) Vesting. Subject to the other provisions and limitations of the Plan, the Committee may, in its sole discretion, determine the time when, or criteria upon which, options may vest including, but not limited to stock price, continued service or performance measures. The vesting criteria, which need not be uniform for all optionees, shall be specified in the Award Notice.

7. Tandem SARs.

(a) Grant. At the time of grant of a Stock Option, the Committee, in its discretion, may grant to the optionee, in tandem with the Stock Option (the "Linked Option"), a Tandem SAR for all or any part of the number of shares covered by the Linked Option. The Tandem SAR Award Notice shall specify the Linked Option in respect of which the Tandem SAR is granted. A Tandem SAR shall specify a time period for its exercise, which may not extend beyond, but may be less than, the time period during which the Linked Option may be exercised.

(b) Exercise. At any time when a Tandem SAR and its Linked Option are both exercisable, the optionee may, in lieu of exercising the Linked Option, elect to exercise the Tandem SAR, by delivering to the Company a written notice stating that the optionee elects to exercise the Tandem SAR as to the number of shares specified in the notice and stating what portion, if any, of the Tandem SAR Exercise Amount the holder requests to have paid in cash and what portion, if any, the holder requests to have paid in Common Stock. For purposes of this section, "Tandem SAR Exercise Amount" means the excess of the closing price per share of the Common Stock on the New York Stock Exchange on the date of exercise over the exercise price per share under the Linked Option, multiplied by the number of shares as to which the Tandem SAR is exercised. The Committee promptly shall cause to be paid to such holder the Tandem SAR Exercise Amount either in cash, in Common Stock, or any combination of cash and stock as it may determine. Such determination may be either in accordance with the request made by the optionee or otherwise, in the sole discretion of the Committee.

(c) Effect of Exercise. Any exercise of the Linked Option by the optionee shall reduce the Tandem SAR by the same number of shares as to which the Linked Option is exercised; and any exercise of the Tandem SAR shall reduce the Linked Option by the same number of shares as to which the Tandem SAR is exercised. The failure of the optionee to fully exercise it within the time period specified shall not reduce the optionee's remaining exercise rights under the Linked Option.

(d) Other Provisions of Plan Applicable. All provisions of the Plan applicable to Stock Options granted hereunder shall apply with equal effect to Tandem SARs.

8. PARS Awards.

(a) Definition; Performance Objectives. A PARS Award is a right to receive shares of Common Stock (which may include stock with certain restrictions attached) at a future time specified in the Award Notice (the "PARS Award Term") if specified performance goals and/or service contingencies established from time to time by the Committee and set forth in the PARS Award are achieved.

(b) Grants of PARS Awards. Eligible employees may be granted PARS Awards under any one or more of the performance programs. The number of shares per PARS Award and the PARS Award frequency shall be determined at the discretion of the Committee. In determining the participants in any performance program, the Committee shall take into account such factors as the participant's level of responsibility, job performance, level and types of compensation, and such other factors as the Committee deems relevant. The Committee may require the participant to retain shares received from the payout of a PARS Award until ownership guidelines are achieved. The Committee may also require the participant to certify ownership of such shares from time to time in its discretion and to secure approval of any sales or other disposition of Common Stock during the performance period.

(c) Determination of Achievement of Objectives. The Committee, in regard to any performance program adopted by it, may thereafter change or modify the terms of the program, so long as the number of shares subject to the PARS Award is not reduced and the PARS Award Term is not extended, and the Committee may determine reasonably whether any performance goal of any program has been met. The Committee may, but is not obligated to, authorize a distribution of all or a portion of the PARS Award based upon its discretionary evaluation of the Company's financial performance during the period of the PARS Award even if the performance goals are not fully met.

(d) Employment Requirement. Except as otherwise herein provided or determined by the Committee, a participant, in order to be entitled to receive any distribution in respect of the PARS Award, must be continuously in the employ of the Company or a Subsidiary from the effective date of the PARS Award until the expiration of the relevant performance and/or service period, except for leaves of absence which may be approved by the Company, and except that:

(i) **Exception for Retirement.** For a participant whose employment terminates on account of retirement with the approval of the Committee:

(A) Any PARS Award granted to the participant within 12 months prior to the participant's retirement date shall be forfeited and no distribution shall be made;

(B) With respect to any other outstanding PARS Award, that portion, if any, of the Award for which the distribution date has been accelerated in full or in part due to satisfaction of the applicable performance goal(s) prior to the participant's retirement date shall vest and be distributed in full;

(C) All other outstanding PARS Awards (including any non-distributed portion of an Award distributed in part under the preceding clause (B)) shall vest and be distributed pro rata based on the number of months elapsed during the PARS Award Term as of the retirement date compared to the total number of months in the PARS Award Term; and

(D) Any distribution to which the retired participant shall be entitled under this section 8(d) shall be made as soon as administratively feasible but not later than 2½ months after the participant's retirement date.

(ii) **Discretionary Exception for Death or Disability.** The Committee, in its absolute discretion, may make such full, pro-rata, or no share distribution as it may determine, to a participant whose employment terminates on account of death or disability (as defined in section 6(h)(ii)) prior to the time the participant is entitled to receive distribution in respect of the PARS Award. If termination is on account of death, the Committee may make any distribution it authorizes to the participant's surviving spouse, heirs or estate, as the Committee may determine.

9. Other Restricted Share Awards.

Subject to the terms of the Plan, the Committee may also grant eligible employees Other Restricted Share Awards, which may include grants of Common Stock subject to specified restrictions or conditions (including without limitation forfeiture of the shares in certain events), or grants of rights to receive shares of Common Stock in the future upon the satisfaction of specified conditions. Such Other Restricted Share Awards shall include an employment requirement not less restrictive than that specified in section 8(d) and if to NEOs, shall comply with Section 11, and shall otherwise be subject to all of the limitations and restrictions provided in the Plan. Such Other Restricted Share Awards may also specify, without limitation, restrictions on transfer of such Other Restricted Share Award and/or the underlying Common Stock, and whether the participant may make elections with respect to the taxation of such Other Restricted Share Award either with or without the consent of the Committee.

10. Other Stock-Based Awards.

The Committee may from time to time grant Other Stock-Based Awards pursuant to which shares may be acquired in the future, such as Other Stock-Based Awards denominated in Common Stock, stock units, securities convertible into Common Stock or phantom securities. The Committee, in its sole discretion, shall determine, and provide in the applicable Award Notice, the terms and conditions of such Other Stock-Based Awards. The Committee may, in its sole discretion, direct that shares of Common Stock issued pursuant to Other Stock-Based Awards shall be subject to restrictive legends, stop transfer instructions or other restrictions as it may deem appropriate.

11. Special Provisions for Stock-Based Awards to Named Executive Officers.

Every Stock-Based Award granted to a person who is a "named executive officer" of the Company as defined in Item 402(a)(3) of Securities and Exchange Commission Regulation S-K (an "NEO") shall provide that, in addition to any other applicable restrictions on transfer, the NEO may not dispose of any portion of the beneficial interest in Common Stock received (net of any withheld shares) on account of such Award: (i) within 12 months after the Common Stock is delivered to the NEO, or such earlier time as the person ceases to be an NEO; or (ii) if after such disposition the NEO would fail to satisfy the NEO's minimum ownership requirement for Company Common Stock established by the Company.

12. Long Term Cash Incentive Awards.

Long Term Cash Incentive Awards provide for the payment of cash if certain performance goals are met over a specified performance period. The Committee may also permit Long-Term Cash Incentive Awards to be distributed in shares of Common Stock, which may be issued subject to restrictions to be determined by the Committee in each specific case. Each performance goal and performance period shall be set forth in the relevant Long Term Cash Incentive Award agreement, which need not be uniform for all awardees.

13. Other Cash Incentive Awards.

The Committee may from time to time grant Other Cash Incentive Awards, upon such terms, conditions and restrictions as the Committee shall determine in its sole discretion and specify in a corresponding Award Notice.

14. Additional Provisions.

(a) No Rights as Shareholder until Stock Issued. The recipient of a Stock-Based Award shall have no voting rights, dividend rights, or other rights of a shareholder with respect to the shares of Common Stock subject to the Award until such shares are actually issued to the recipient.

(b) No Adjustment of Award Shares for Dividends or Rights. No adjustment shall be made in the number of shares of Common Stock subject to a Stock-Based Award on account of dividends which may be paid, or other rights which may be issued to, the holders of Common Stock during the term of such Award except as provided in Section 15, and no dividends or dividend equivalents shall be paid or accrued on any such shares unless the shares have actually been issued to the participant pursuant to the Award prior to the record date for payment of the dividend or rights.

(c) No Right to Continuation of Employment. No participant in the Plan shall have any right because of being a participant in the Plan or receiving an Award to continue in the employ of the Company or of any of its subsidiaries for any period of time, or any right to a continuation of the participant's present or any other level of compensation; and such rights and powers as the Company now has or which it may have in the future to dismiss or discharge any participant from employment or to change the assignments of any participant are expressly reserved to the Company.

(d) Tax Withholding. At the time any Award is paid out to the recipient, the Company shall withhold (or direct the appropriate Subsidiary to withhold) from such payout an amount necessary to satisfy the tax withholding requirements in respect of such payout under the tax laws applicable to the payout; and if permitted by applicable law, the Company may withhold (or direct the appropriate Subsidiary to withhold) additional amounts at such rate as it may determine in its discretion to be advisable up to the highest individual marginal Federal income tax and applicable state income tax rate then in effect. In the case of Awards payable in shares of Common Stock, the Company shall effect such withholding, unless otherwise required by applicable law, by deducting from the distribution shares of Common Stock having a fair value equal to the amount to be withheld.

(e) Common Stock. The Company may, in its discretion, fund Stock-Based Awards using either treasury shares or authorized but unissued shares. The Board and the Company's officers are authorized to take such action as may be necessary to provide for the issuance of any and all of the shares which may be necessary to satisfy the Company's obligations hereunder and to cause said shares to be registered under the Securities Act of 1933, as amended (the "Securities Act"), and to be listed on the New York Stock Exchange and any other stock exchanges on which Common Stock may at such time be listed; provided that in the Company's discretion, shares of Common Stock delivered to participants hereunder in satisfaction of a Stock-Based Award may be issued as restricted stock under the Securities Act, or otherwise subject to specified restrictions on resale.

(f) Minimum Vesting Periods. The minimum vesting period for any Award shall be 1 year; except that Awards which amount in the aggregate to no more than 5% of the total number of shares available under the Plan, and which are made to participants who are not NEOs, may have a shorter vesting period.

(g) 162(m) Awards. If an Award is granted to a person who is, or who is likely to be as of the end of the tax year in which the Company would claim a tax deduction in connection with such Award, a "covered employee" as defined in section 162(m) of the Code (a "Covered Employee") then the Committee may qualify such Award as "performance-based compensation" pursuant to section 162(m) of the Code (a "162(m) Award"). The Committee has complete discretion concerning whether a particular Award should be qualified as a 162(m) Award. Each 162(m) Award shall be subject to the following additional provisions::

(i) Performance Criteria for 162(m) Awards. The performance criteria for any 162(m) Award shall consist of objective tests based on one or more of the following: earnings per share; adjusted earnings per share; sales; earnings; cash flow; profitability; customer satisfaction; investor relations; revenues; financial return ratios; market performance; shareholder return and/or value; operating profits (including earnings before income taxes, depreciation and amortization); net profits; earnings per share growth; profit returns and margins; stock price; working capital; business trends; production cost; project milestones; plant and equipment performance; safety performance; environmental performance; gross margin; operating margin; net margin; expense margins; EBIT margin; EBIT growth; EBITDA margin; EBITDA growth; adjusted EBITDA; NOPAT margin; net assets; working capital; asset turnover; working capital turnover; accounts receivable turnover; accounts payable turnover; inventory turnover; inventory days outstanding; accounts receivable days outstanding; accounts payable days outstanding; debt to equity; debt to capital; current ratio; return on equity; return on assets; return on net assets; return on invested capital; return on gross assets; return on tangible assets; cash flow return on investment; cash value added; price to earnings ratio; market to book ratio; market to capital ratio; cost of capital; cost of debt; cost of equity; market risk premium; stock price appreciation with or without divisions; total shareholder return; economic value added; economic profit; sales growth percentage; EPS growth percentage; cash flow growth year over year; return on total capital, or any combination of the foregoing. Performance criteria may be measured solely on a corporate, subsidiary, business unit or individual basis, or a combination thereof; may be measured in absolute levels or relative to another company or companies, a peer group, an index or indices or Company performance in a previous period; and may be measured annually or over a longer period of time. Satisfaction of Common Stock ownership guidelines may also be a prerequisite to payment.

(ii) Establishment of Performance Goals. The performance goals for each 162(m) Award and the amount payable if those goals are met shall be established in writing for each specified period of performance by the Committee no later than 90 days after the commencement of the period of service to which the performance goals relate and while the outcome of whether or not those goals will be achieved is substantially uncertain. However, in no event will such goals be established after 25% of the period of service to which the goals relate has elapsed.

(iii) Limited Discretion to Adjust Payment. If the applicable performance goals under a 162(m) Award are achieved for a given performance period, the Committee nevertheless has full discretion to reduce or eliminate the amount otherwise payable for that performance period. Under no circumstances may the Committee use discretion to increase the amount payable to a participant under a 162(m) Award.

(iv) Limitation on Certain Awards. Except for Stock Options and Tandem SARS, in any fiscal year of the Company no Covered Employee may receive aggregate distributions of more than \$2,500,000 from Awards which are also 162(m) Awards.

(h) Maximum Distributions. In no event shall the total distributions of Common Stock under the Plan exceed the number of shares reserved under Section 3 (as such number may be adjusted as provided in Section 15).

(i) Compliance with Code Section 409A. It is intended that no Award granted under the Plan shall be subject to any interest or additional tax under Section 409A of the Code, and the terms of the Plan should be construed accordingly. In the event Code Section 409A is amended after the date hereof, or regulations or other guidance is promulgated after the date hereof that would make an Award under the Plan subject to the provisions of Code Section 409A, then the terms and conditions of the Plan shall be interpreted and applied, to the extent possible, in a manner to avoid the imposition of the provisions of Code Section 409A. Notwithstanding the preceding, a participant shall be responsible for any and all tax liabilities, including liability under 409A (but excluding the employer's share of employment taxes) with respect to Awards made to the participant; and neither the Committee nor the Company shall have any liability to a participant for reimbursement or otherwise on account of any such tax liabilities which may be imposed on the participant.

(j) Amendments to Awards. The Committee reserves the right to amend the terms of any outstanding Award, provided that:

(i) No amendment may reduce the rights of the recipient of the Award without the consent of such recipient; and

(ii) Except for adjustments described in Section 15, shareholder approval shall be required to (A) reduce the exercise price of outstanding Stock Options or Tandem SARs or (B) cancel outstanding Stock Options or Tandem SARs in exchange for cash or other Awards having an exercise price that is less than the exercise price of the original Stock Options or Tandem SARs.

(k) Limitation on Acceleration Upon Change of Control. No Award may permit acceleration of vesting or payment by reason of a Change of Control of the Company prior to the date on which the Change of Control is consummated, except where the participant's employment is terminated within 90 days prior to a Change of Control at the direction of a third party who, at such time, had taken steps reasonably calculated to effect the Change of Control, and acceleration in such event is expressly provided for in a written severance agreement with the participant the terms of which have been approved by the Committee. For purposes of this section 14(k), "Change of Control" means any of the following events:

(i) The individuals who constitute the Board on the effective date of the Award (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the effective date of the Award whose election or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Securities and Exchange Commission Rule 14a-11) shall be, for purposes of this section, considered as though such person were a member of the Incumbent Board; or

(ii) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) directly or indirectly acquires or beneficially owns (as defined in Rule 13d-3 under the Exchange Act) more than either (x) 50% of the then outstanding shares of Common Stock (“Outstanding Common Stock”) or (y) 50% of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (“Outstanding Voting Securities”), provided that no acquisition or beneficial ownership by the Company or a Subsidiary or an employee benefit plan (or related trust) sponsored or maintained by the Company or a Subsidiary shall be considered in determining if either of such thresholds has been met; or

(iii) The sale or other disposition of all or substantially all of the assets of the Company (in a single transaction or a series of transactions, provided that in the latter case the date of consummation of the Change of Control shall be the date on which the first sale or disposition in such series occurs); or

(iv) The commencement of a shareholder-approved liquidation or dissolution of the Company; or

(v) The consummation of a reorganization, merger, share exchange or consolidation (a “Business Combination”), unless immediately after the Business Combination:

(A) All or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of both the outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors (or other governing body) of the entity resulting from such Business Combination (including, without limitation, an entity that as a result of such transaction owns the Company through one or more subsidiaries); and

(B) No individual, entity or group (excluding any employee benefit plan or related trust of the entity resulting from such Business Combination) beneficially owns, directly or indirectly, more than 50% of either the then outstanding shares of common stock or the combined voting power of the then outstanding voting securities of such entity entitled to vote generally in the election of directors (or other governing body) of the entity resulting from such Business Combination, except to the extent that such individual, entity or group owned more than 50% of the Outstanding Common Stock or Outstanding Voting Securities prior to the Business Combination; and

(C) At least a majority of the members of the board of directors or other governing body of the entity resulting from such Business Combination were members of the Board at the time of the execution of the initial agreement, or at the time of the initial Board action, approving such Business Combination.

Notwithstanding the foregoing, “Change of Control” shall not include a transaction commonly known as a Reverse Morris Trust transaction.

15. Adjustments to Stock-Based Awards Upon Changes in Capitalization or Corporate Acquisitions.

(a) Notwithstanding any other provisions of the Plan, Stock Option and Tandem SAR agreements may contain such provisions as the Committee shall determine to be appropriate for the adjustment of the number and class of shares subject to each outstanding Stock Option or Tandem SAR and the Stock Option prices and Tandem SAR exercise amounts in the event of changes in the outstanding Common Stock by reason of stock dividends, stock splits, reverse stock splits, recapitalization, mergers, consolidations, split-ups, combinations or exchanges of shares and the like; and in the event of any such change in the outstanding Common Stock, the aggregate number and class of shares available under the Plan and the maximum number of shares and respective exercise prices as to which Stock Options and Tandem SARs which have been granted or may be granted to any individual shall be appropriately adjusted by the Committee, whose determination shall be conclusive.

(b) In the event the Company or a Subsidiary enters into a transaction described in Section 424(a) of the Code with any other corporation, the Committee may grant a Stock Option or Tandem SAR to employees or former employees of such corporation in substitution of a Stock Option or Tandem SAR previously granted to them upon such terms and conditions as shall be necessary to qualify such grant as a substitution described in Section 424(a) of the Code.

(c) In the event of stock dividends, stock splits or reverse stock splits affecting the number of outstanding shares of Common Stock during the term of the Plan, appropriate adjustments shall be made to outstanding Awards, including but not limited to per-share-based objectives and the number of shares awarded, if and as may be required in the Committee’s discretion to fairly reflect the effect of such stock dividend, stock split or reverse stock split on the interests of the recipients of the Awards.

(d) In the event of a special, non-recurring distribution with respect to Common Stock, the Committee may (i) adjust the number of shares subject to each outstanding Stock Option and Tandem SAR, and the exercise price per share in such manner as it deems just and equitable to reflect such distribution, and (ii) pay such special bonus or take such other action with respect to PARS Awards, Other Restricted Share Awards and Other Stock-Based Awards as it deems just and equitable to reflect such distribution.

(e) In no event shall the foregoing adjustments cause the total number of shares used under the Plan to exceed the number authorized under Section 3 (as may be adjusted).

16. Data Privacy.

As a condition of acceptance of an Award, each participant explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of personal data as described in this Section 16 for the exclusive purpose of implementing, administering and managing the participant's participation in the Plan. The participant understands that the Company holds certain personal information about the participant, including the participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to Common Stock awarded, canceled, exercised, vested, unvested or outstanding in the participant's favor, for the purpose of implementing, managing and administering the Plan (the "Data"). The participant further understands that the Company may transfer the Data internally as necessary for the purpose of implementation, management and administration of the participant's participation in the Plan, and that the Company may further transfer the Data to any third parties assisting the Company in the implementation, management, and administration of the Plan. The participant understands that these recipients may be located in the participant's country, or elsewhere, and that the recipient's country may have different data privacy laws and protections than the participant's country. The participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. The participant, through participation in the Plan and acceptance of an Award under the Plan, authorizes such recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the participant's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the participant may elect to deposit any Shares. The participant understands that the Data will be held only as long as is necessary to implement, manage, and administer the participant's participation in the Plan. The participant understands that he or she may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data, or refuse or withdraw the consents herein in writing, in any case without cost, by contacting the Company's Vice President of Human Resources. The participant understands that refusal or withdrawal of consent may affect the participant's ability to participate in the Plan. For more information on the consequences of refusal to consent or withdrawal of consent, the participant understands that he or she may contact the Company's Vice President of Human Resources.

17. Effectiveness of the Plan.

The Plan shall become effective upon and subject to approval by the shareholders of the Company within twelve (12) months after the date of its adoption by the Board at a duly convened meeting of shareholders. Grants of Awards may be made after adoption of the Plan by the Board and prior to such shareholder approval, but all Awards made prior to shareholder approval shall be subject to the obtaining of such approval and if such approval is not obtained, such Awards shall not be effective for any purpose.

18. Amendment and Termination.

Either the Board or the Committee may at any time amend or terminate the Plan; provided, however, that neither the Board nor the Committee may, without shareholder approval, increase (except under the anti-dilution provisions hereof, including those under Section 15) either the maximum number of shares as to which Stock-Based Awards may be granted under the Plan or any specified limit on any particular type or types of Award, or change the class of employees to whom an Award may be granted, or withdraw the authority to administer the Plan from a committee whose members satisfy the requirements of Section 4(a). No amendment or termination of the Plan may adversely affect any holder of an outstanding Award without the consent of the holder.

19. Term of Plan.

Unless terminated earlier pursuant to Section 18, the Plan shall terminate five (5) years after the date on which it is approved and adopted by the shareholders pursuant to Section 17, and no Award shall be granted hereunder after the termination of the Plan. Awards outstanding at the termination of the Plan shall continue in accordance with their terms and shall not be affected by such termination.

NEWS FROM



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ESCO ANNOUNCES FIRST QUARTER FISCAL 2018 RESULTS

- GAAP EPS \$1.33 Driven By Large Tax Benefit -
- Adjusted EPS \$0.33 at Top of Guidance Range -

ST. LOUIS, February 6, 2018 – ESCO Technologies Inc. (NYSE: ESE) (ESCO, or the Company) today reported its operating results for the first quarter ended December 31, 2017 (Q1 2018), compared to the first quarter ended December 31, 2016 (Q1 2017).

The financial results presented include certain non-GAAP financial measures such as EBIT, EBITDA (defined as earnings before interest, taxes, depreciation and amortization), Adjusted EBITDA (defined as EBITDA excluding certain defined non-recurring charges) and Adjusted EPS. Any non-GAAP financial measures presented are reconciled to their respective GAAP equivalents.

Management believes these non-GAAP financial measures are useful in assessing the ongoing operational profitability of the Company's business segments, and therefore, allow shareholders better visibility into the Company's underlying operations. See "*Non-GAAP Financial Measures*" described below.

GAAP EPS of \$1.33 per share reflects the estimated impact of the December 2017 "Tax Cuts and Jobs Act" (U.S. Tax Reform) which resulted in a Q1 2018 net tax benefit of approximately \$25 million, or \$1.00 per share, which is excluded when determining Adjusted EPS. GAAP net earnings were \$35 million in Q1 2018.

Q1 2018 Adjusted EPS of \$0.33 per share compares favorably to Management's November 2017 guidance of \$0.28 to \$0.33 per share. Achieving the high end of the guidance range resulted from the Filtration and USG segments stronger than expected operating performance, with Test and Technical Packaging generally on plan.

EBITDA was \$24 million in Q1 2018 and was also at the high end of previous expectations.

Management believes the financial impact of U.S. Tax Reform will be beneficial to the Company's operating results and cash flow in 2018 and beyond, and as a result, is raising its 2018 GAAP EPS guidance from the previously communicated \$2.30 to \$2.40 per share, to \$3.55 to \$3.65 per share, and is introducing 2018 Adjusted EPS guidance in the range of \$2.65 to \$2.75 per share.

Operating Highlights

- Q1 2018 sales increased \$27 million (19 percent) to \$173 million compared to \$146 million in Q1 2017;
 - On a segment basis, Q1 2018 Filtration sales increased nominally and were consistent with previous expectations. Commercial aerospace and space sales increased, industrial/automotive sales decreased at PTI as previously communicated, and Westland's navy sales decreased due to the quarterly timing of large projects. Test sales increased \$4 million, or 11 percent driven by its strong backlog, and Technical Packaging sales increased \$2 million, or 11 percent as a result of new programs. USG sales increased \$20 million, or 57 percent, driven by the recent acquisitions and the continued strength of new products and software at Doble. NRG sales were below plan as certain customers delayed project deliveries in December until U.S. Tax Reform was finalized, which when signed, removed the uncertainty within the renewable energy industry;
 - SG&A expenses increased \$8 million in Q1 2018 primarily due to the inclusion of the 2017 acquisitions in the current period, coupled with additional sales, marketing, R&D, and bid and proposal costs incurred to support future revenue growth;
 - Amortization of intangible assets increased \$1 million due to the 2017 acquisitions;
 - Entered orders were \$201 million in Q1 2018 (book-to-bill of 1.16x) reflecting a \$27 million (7 percent) increase in backlog during the Quarter and an ending backlog of \$404 million at December 31, 2017;
 - Filtration orders were \$65 million (book-to-bill of 1.09x) comprised of recurring commercial aerospace orders and additional space and navy products;
 - Test orders were \$58 million (book-to-bill of 1.55x) which reflects continued strength in the wireless, government and defense, electric vehicle, and automotive chamber markets;
 - USG orders were \$58 million (book-to-bill of 1.03x) which reflects increased orders for new products and solutions across the segment;
 - Technical Packaging orders were \$19 million (book-to-bill of 0.95x), and of special note, the KAZ program was extended another three years;
 - The Q1 2018 income tax rates were (170.8) percent on a GAAP basis due to the above noted \$25 million net tax benefit recorded, and 33.5 percent on an Adjusted basis when excluding the net tax benefit. The Adjusted rate is consistent with the 33.5 percent tax rate recorded in Q1 2017; and,
 - Net cash provided by operating activities was \$18 million in Q1 2018 resulting in \$218 million of net debt (outstanding borrowings less cash on hand) at December 31, 2017 and a 2.1x leverage ratio. Management is planning to repatriate a substantial portion of its foreign cash (currently \$32 million) to pay down its outstanding debt and for other corporate purposes.
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Chairman's Commentary – Q1 2018

Vic Richey, Chairman and Chief Executive Officer, commented, "I'm pleased with the start of the year as Q1's operating results came in at the high end of our range, and Q1 cash flow and entered orders exceeded our original expectations.

"USG's recent acquisitions remain on track and the integrations are nearly complete, which continues to support my enthusiasm for USG's growth outlook and enhanced operating margins. The integration and consolidation of our sales channels, including our global rep and distributor network, has gone very well and we are already seeing the positive impact of these actions across the entire segment platform.

"Realizing the success of this integration so quickly has allowed us to identify other opportunities to significantly reduce USG's operating costs and expand future margins. We are finalizing this cost/benefit analysis in USG, as well as in Filtration resulting from PTI exiting its low margin industrial/automotive market.

"We expect to incur a pretax charge of approximately \$2 to \$3 million in Q2 for these cost reduction actions, and considering the significant annual ongoing cost savings we expect to achieve as a result, the economic payback is essentially one year.

"Touching on a few Q1 operating highlights, as noted earlier, we came in at the top of our guidance range as Filtration and USG exceeded plan, with Test and Technical Packaging essentially meeting plan. Our November guidance for Q1 2018 projected EPS to be lower compared to prior year Q1 for the specific items communicated previously. A clear highlight is that we achieved Q1 2018 EBITDA of \$24.2 million which was above the prior year, despite the quarterly earnings profile being more back half weighted in 2018.

"Another clear highlight continues to be the strength of our order activity and backlog growth supporting our second half of the year. All four operating segments recorded significant orders, led by Test with nearly \$60 million in new business.

"Our operating cash flow was also well ahead of plan which allowed us to pay down debt sooner than expected. With the new tax laws, we expect to generate and/or retain a substantially higher amount of cash than in past years. This bodes well for supporting our continuing acquisition strategy, as we balance our M&A actions with our debt levels and leverage ratios as we are committed to maintaining a prudent balance sheet.

"Our market positions and continued growth opportunities across the Company provide me with a favorable view of the future with our goal remaining unchanged – to increase long-term shareholder value."

Dividend Payment

The next quarterly cash dividend of \$0.08 per share will be paid on April 18, 2018 to stockholders of record on April 3, 2018.

Business Outlook – 2018

With the significant level of M&A activity completed over the past 18 months, coupled with the positive earnings and cash flow impact of U.S. Tax Reform, Management will continue to emphasize Adjusted EBITDA as a supplement to net income and Adjusted EPS as a supplement to GAAP EPS as it believes these are relevant metrics to be considered for measuring ongoing operating performance as well as the Company's enterprise valuation.

Management continues to see meaningful sales and Adjusted EBITDA growth across each of the Company's business segments and anticipates growth rates in 2018 and beyond that are projected to exceed the Company's defined peer group and the broader industrial market.

Excluding the favorable EPS impact of U.S. Tax Reform, the details of Management's growth expectations for 2018 compared to 2017 are consistent with the November guidance and are repeated here for convenience:

- Sales are expected to increase approximately 13 percent driven by: incremental sales from acquisitions being included for a full year; increased commercial aerospace deliveries at PTI, Crissair and Mayday; higher organic sales at USG; significantly higher sales at Test including the catch-up of 2017 deliveries as well as significant new product wins currently in backlog; partially offset by a reduction in lower margin industrial/automotive market product deliveries at PTI as it exits that market; and flat sales in Technical Packaging;
- Adjusted EBITDA is expected to increase between 15 and 17 percent, resulting in Adjusted EBITDA in the range of \$141 million to \$143 million, compared to 2017 Adjusted EBITDA of \$123 million;
- Interest expense on higher debt (acquisition funding) is expected to be approximately \$9.5 million, reflecting an increase of \$4.9 million (or \$0.12 per share) over the \$4.6 million of interest expense in 2017;
- Non-cash depreciation and amortization of intangibles is expected to increase approximately \$7.1 million (or \$0.18 per share after-tax) as a result of the recent acquisitions. Purchase accounting intangible asset amortization charges are recorded at Corporate;
- Income tax expense is expected to significantly decrease in 2018 due to the recent tax law changes. The expense is expected to be lower as a result of an estimated Quarterly tax rate of approximately 26 percent projected over the remainder of 2018, and the large, one time net benefit recorded in Q1 2018; and,
- In summary, Management projects 2018 GAAP EPS in the range of \$3.55 to \$3.65 per share, and Adjusted EPS in the range of \$2.65 to \$2.75 per share, reflecting the profit contributions from the recent acquisitions, additional depreciation and amortization charges, higher interest costs, the discrete cost reduction charges described above in Filtration and USG, and, adjusting for the Q1 2018 one-time / incremental net tax benefits resulting from U.S. Tax Reform and the noted cost reduction charges described above.

On a quarterly basis, Management continues to expect the balance of 2018's revenues, operating results and EPS to be significantly second-half weighted compared to the first half.

Management expects Q2 2018 GAAP EPS in the range of \$0.30 to \$0.35 per share (reflecting the above noted cost reduction charges in Filtration and USG), and Q2 2018 Adjusted EPS in the range of \$0.38 to \$0.43 per share.

The timing of quarterly sales and earnings throughout the year, coupled with higher non-cash charges within the respective quarters impacts comparability in Q2.

Chairman's Commentary – 2018

Mr. Richey continued, "Given the expected contribution from our 2017 acquisitions, coupled with anticipated organic growth from "legacy" operations, and supplemented by the favorable earnings and cash flow impact from U.S. Tax Reform, I continue to believe that 2018 will reflect solid sales, EBIT, EBITDA and EPS growth and position us well to meet or exceed our shareholder value-creation goals.

"Our market leadership positions and the breadth and diversity of our new product offerings will allow us to continue to grow at levels above our peer averages. Our management teams' focus on profitable growth and ROIC will remain steadfast as we believe these are the key drivers of continued and sustainable share price appreciation."

Conference Call

The Company will host a conference call today, February 6, at 4:00 p.m. Central Time, to discuss the Company's Q1 2018 results. A live audio webcast will be available on the Company's website at www.escotechnologies.com. Please access the website at least 15 minutes prior to the call to register, download and install any necessary audio software. A replay of the conference call will be available for seven days on the Company's website noted above or by phone (dial 1-855-859-2056 and enter the pass code 1085239).

Forward-Looking Statements

Statements in this press release regarding the Company's expected quarterly, 2018 full year and beyond results, revenue and sales growth, EPS, Adjusted EPS, EPS growth, cash, EBIT, EBITDA, Adjusted EBITDA, gross profit, interest expense, non-cash depreciation and amortization of intangibles, corporate costs, income tax expense, effective tax rates, income tax expense, cash generation, repatriation of foreign cash and the uses of such cash, the impacts of U.S. Tax Reform, margin expansion and savings resulting from cost reduction actions, the Company's ability to increase operating margins, realize financial goals and increase shareholder value, the success of acquisition efforts, the size, number and timing of future sales and growth opportunities, the long-term success of the Company, and any other statements which are not strictly historical are "forward-looking" statements within the meaning of the safe harbor provisions of the federal securities laws.

Investors are cautioned that such statements are only predictions and speak only as of the date of this release, and the Company undertakes no duty to update them except as may be required by applicable laws or regulations. 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 in Item 1A, "Risk Factors", of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2017, and the following: the success of the Company's competitors; weakening of economic conditions in served markets; changes in customer demands or customer insolvencies; competition; intellectual property rights; technical difficulties; delivery delays or defaults by customers; material changes in the costs and availability of certain raw materials; the appropriation, allocation and availability of Government funds; the termination for convenience of Government and other customer contracts; the timing and content of future contract awards or customer orders; performance issues with key customers, suppliers and subcontractors; labor disputes; the impacts of natural disasters on the Company's operations and those of the Company's customers and suppliers; changes in laws and regulations, including but not limited to changes in accounting standards and taxation requirements; legal and foreign tax requirements impacting the repatriation of cash in foreign locations; changes in interest rates; costs relating to environmental matters arising from current or former facilities; financial exposure in connection with Company guarantees of certain Aclara contracts; the availability of select acquisitions; uncertainty regarding the ultimate resolution of current disputes, claims, litigation or arbitration; and the success and integration of recently acquired businesses.

Non-GAAP Financial Measures

The financial measures EBIT, EBITDA, Adjusted EBITDA and Adjusted EPS are presented in this press release. The Company defines “EBIT” as earnings before interest and taxes, “EBITDA” as earnings before interest, taxes, depreciation and amortization, “Adjusted EBITDA” as EBITDA excluding certain defined non-recurring charges, and “Adjusted EPS” as GAAP earnings per share (EPS) excluding the charges described above which were \$1.00 per share for Q1 2018.

EBIT, EBITDA, Adjusted EBITDA and Adjusted EPS are not recognized in accordance with U.S. generally accepted accounting principles (GAAP). However, Management believes that EBIT, EBITDA and Adjusted EBITDA are useful in assessing the operational profitability of the Company’s business segments because they exclude interest, taxes, depreciation and amortization, which are generally accounted for across the entire Company on a consolidated basis. EBIT is also one of the measures used by Management in determining resource allocations within the Company as well as incentive compensation. The Company believes that the presentation of EBIT, EBITDA, Adjusted EBITDA and Adjusted EPS provides important supplemental information to investors by facilitating comparisons with other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results. The use of non-GAAP financial measures is not intended to replace any measures of performance determined in accordance with GAAP.

ESCO, headquartered in St. Louis: Manufactures highly-engineered filtration and fluid control products for the aviation, space and process markets worldwide; is the industry leader in RF shielding and EMC test products; provides diagnostic instruments, software and services for the benefit of industrial power users and the electric utility and renewable energy industries; and, produces custom thermoformed packaging, pulp-based packaging, and specialty products for medical and commercial markets. Further information regarding ESCO and its subsidiaries is available on the Company’s website at www.escotechnologies.com.

- tables attached -

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations (Unaudited)
(Dollars in thousands, except per share amounts)

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016
Net Sales	\$ 173,495	146,368
Cost and Expenses:		
Cost of sales	111,736	92,914
Selling, general and administrative expenses	42,154	33,762
Amortization of intangible assets	4,446	3,649
Interest expense	2,185	684
Other expenses (income), net	173	(766)
Total costs and expenses	<u>160,694</u>	<u>130,243</u>
Earnings before income taxes	12,801	16,125
Income tax (benefit) expense	<u>(21,870)</u>	<u>5,398</u>
Net earnings	<u>\$ 34,671</u>	<u>10,727</u>
Diluted EPS - GAAP	<u>\$ 1.33(1)</u>	<u>0.41</u>
Diluted average common shares O/S:	<u>26,080</u>	<u>25,979</u>

(1) Q1 '18 GAAP EPS included \$25 million, (or \$1.00 per share) of net tax benefit recorded related to the December 2017 "Tax Cuts and Jobs Act" (U.S. Tax Reform). Excluding this impact, Adjusted EPS was \$0.33 per share.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
Condensed Business Segment Information (Unaudited)
(Dollars in thousands)

	GAAP	
	Q1 2018	Q1 2017
Net Sales		
Filtration	\$ 60,035	58,785
Test	37,530	33,827
USG	55,754	35,556
Technical Packaging	20,176	18,200
Totals	<u>\$ 173,495</u>	<u>146,368</u>
EBIT		
Filtration	\$ 9,645	10,726
Test	2,596	2,425
USG	10,651	9,674
Technical Packaging	965	1,031
Corporate	<u>(8,871)</u>	<u>(7,047)</u>
Consolidated EBIT	14,986	16,809
Less: Interest expense	(2,185)	(684)
Plus (Less): Income tax	21,870	(5,398)
Net earnings	<u>\$ 34,671</u>	<u>10,727</u>

EBITDA Reconciliation to Net earnings:

	Q1 2018	Q1 2017
Consolidated EBITDA	\$ 24,212	23,897
Less: Depr & Amort	(9,226)	(7,088)
Consolidated EBIT	14,986	16,809
Less: Interest expense	(2,185)	(684)
Plus (Less): Income tax	21,870	(5,398)
Net earnings	<u>\$ 34,671</u>	<u>10,727</u>

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)
(Dollars in thousands)

	<u>December 31,</u> 2017	<u>September 30,</u> 2017
Assets		
Cash and cash equivalents	\$ 41,600	45,516
Accounts receivable, net	148,502	160,580
Costs and estimated earnings on long-term contracts	39,045	47,286
Inventories	130,579	124,515
Other current assets	13,301	14,895
Total current assets	373,027	392,792
Property, plant and equipment, net	132,790	132,748
Intangible assets, net	347,578	351,134
Goodwill	378,510	377,879
Other assets	5,843	5,891
	\$ 1,237,748	1,260,444
Liabilities and Shareholders' Equity		
Short-term borrowings and current maturities of long-term debt	\$ 20,000	20,000
Accounts payable	48,766	54,789
Current portion of deferred revenue	25,447	28,583
Other current liabilities	83,819	91,597
Total current liabilities	178,032	194,969
Deferred tax liabilities	57,877	86,378
Other liabilities	54,770	52,179
Long-term debt	240,000	255,000
Shareholders' equity	707,069	671,918
	\$ 1,237,748	1,260,444

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)
(Dollars in thousands)

	Three Months Ended December 31, 2017
Cash flows from operating activities:	
Net earnings	\$ 34,671
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation and amortization	9,226
Stock compensation expense	1,353
Changes in assets and liabilities	4,507
Effect of deferred taxes	(28,501)
Change in deferred revenue and costs, net	(3,099)
Pension contributions	(360)
Net cash provided by operating activities	17,797
Cash flows from investing activities:	
Acquisition of businesses, net of cash acquired	(233)
Capital expenditures	(3,606)
Additions to capitalized software	(2,083)
Net cash used by investing activities	(5,922)
Cash flows from financing activities:	
Proceeds from long-term debt	15,000
Principal payments on long-term debt	(30,000)
Dividends paid	(2,067)
Other	17
Net cash used by financing activities	(17,050)
Effect of exchange rate changes on cash and cash equivalents	1,259
Net decrease in cash and cash equivalents	(3,916)
Cash and cash equivalents, beginning of period	45,516
Cash and cash equivalents, end of period	\$ 41,600

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
Other Selected Financial Data (Unaudited)
(Dollars in thousands)

Backlog And Entered Orders - Q1 FY 2018	Filtration	Test	USG	Technical Packaging	Total
Beginning Backlog - 10/1/17	\$ 203,120	114,792	35,581	23,614	377,107
Entered Orders	65,395	58,290	57,645	19,205	200,535
Sales	(60,035)	(37,530)	(55,754)	(20,176)	(173,495)
Ending Backlog - 12/31/17	<u>\$ 208,480</u>	<u>135,552</u>	<u>37,472</u>	<u>22,643</u>	<u>404,147</u>
