SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2003

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ______ TO ______
COMMISSION FILE NUMBER 1-10596

ESCO TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

MISSOURI	43-1554045
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
8888 LADUE ROAD, SUITE 200 ST. LOUIS, MISSOURI	63124-2090
(Address of principal executive offices)	(Zip Code)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes X No___

The number of shares of the registrant's stock outstanding at January 31, 2004 was 12,869,319.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended December 31, 2003	2002
Net sales	$ 96,396	98,289
Costs and expenses:		
Cost of sales	66,270	66,557
Selling, general and administrative expenses	18,769	18,064
Interest income	(36)	(111)
Other, net	614	516
Total costs and expenses	85,617	85,026
Earnings before income taxes	10,779	13,263
Income tax expense	4,191	4,789
Net earnings from continuing operations	6,588	8,474
Loss from discontinued operations, net of tax of $656 and $719, respectively	(437)	(1,922)

		----	------
Net earnings	$	6,151	6,552
		=====	=====
Earnings (loss) per share:			
Basic - Continuing operations		$0.51	$0.68
- Discontinued operations		(0.03)	(0.16
		-----	-----
- Net earnings		$0.48	$0.52
		=====	=====
Diluted - Continuing operations		$0.50	$0.65
- Discontinued operations		(0.04)	(0.15)
		-----	-----
- Net earnings		$0.46	$0.50
		=====	=====

See accompanying notes to consolidated financial statements.

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

	December 31, 2003	September 30, 2003
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 37,622	31,285
Accounts receivable, less allowance for doubtful accounts of $711 and $734, respectively	63,019	69,379
Costs and estimated earnings on long-term contracts, less progress billings of $3,375 and $5,089, respectively	3,093	4,663
Inventories	52,036	48,432
Current portion of deferred tax assets	24,659	24,187
Other current assets	6,622	6,549
Current assets from discontinued operations	23,036	21,640
Total current assets	210,087	206,135
Property, plant and equipment, at cost	126,604	122,791
Less accumulated depreciation and amortization	54,574	51,622
Net property, plant and equipment	72,030	71,169
Goodwill	69,081	68,653
Deferred tax assets	16,131	16,618
Other assets	14,113	14,081
Other assets from discontinued operations	15,950	16,725
	$397,392	393,381
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings and current maturities of long-term debt	$ 7,116	10,143
Accounts payable	31,183	34,940
Advance payments on long-term contracts, less costs incurred of $4,768 and $1,728, respectively	3,358	1,144
Accrued expenses and other current liabilities	27,985	30,013
Current liabilities from discontinued operations	9,801	9,397
Total current liabilities	79,443	85,637
Deferred income	3,080	3,194
Other liabilities	20,506	20,556
Long-term debt	529	490
Other liabilities from discontinued operations	9,013	8,115
Total liabilities	112,571	117,992
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 13,952,271 and 13,933,193 shares, respectively	140	139
Additional paid-in capital	217,317	216,506
Retained earnings	86,442	80,292
Accumulated other comprehensive loss	(2,522)	(4,982)
	301,377	291,955
Less treasury stock, at cost: 1,104,077 and 1,105,052 common shares, respectively	(16,556)	(16,566)
Total shareholders' equity	284,821	275,389
	$397,392	393,381

See accompanying notes to consolidated financial statements.

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

	Three Months Ended December 31, 2003	2002
Cash flows from operating activities:		
Net earnings	$6,151	6,552
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Net loss from discontinued operations	437	1,922
Depreciation and amortization	2,841	2,487
Changes in operating working capital	210	(7,226)
Effect of deferred taxes	487	1,570
Other	3,246	2,192
Net cash provided by operating activities - continuing operations	13,372	7,497
Net cash used by discontinued operations	(517)	(495)
Net cash provided by operating activities	12,855	7,002
Cash flows from investing activities:		
Acquisition of business - continuing operations	-	(4,000)
Acquisition of business - discontinued operations	-	(364)
Capital expenditures - continuing operations	(2,513)	(2,145)
Capital expenditures - discontinued operations	(1,278)	(816)
Net cash used by investing activities	(3,791)	(7,325)
Cash flows from financing activities:		
Net decrease in short-term borrowings	(3,000)	(24)
Proceeds from long-term debt	-	199
Principal payments on long-term debt	(37)	-
Other (including exercise of stock options)	310	497
Net cash (used) provided by financing activities	(2,727)	672
Net increase in cash and cash equivalents	6,337	349
Cash and cash equivalents, beginning of period	31,285	24,930
Cash and cash equivalents, end of period	$37,622	25,279

See accompanying notes to consolidated financial statements.

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

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements, in the opinion of management, include all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the results for the interim periods presented. The consolidated financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all the disclosures required by accounting principles generally accepted in the United States of America (GAAP). For further information refer to the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2003. Certain prior year amounts have been reclassified to conform to the fiscal 2004 presentation.

The results for the three-month period ended December 31, 2003 are not necessarily indicative of the results for the entire 2004 fiscal year.

2. DISCONTINUED OPERATIONS

Microfiltration and Separations Businesses (MicroSep) - In July 2003, the Company announced its decision to sell the MicroSep businesses in the Filtration/Fluid Flow segment, and therefore, these businesses are recorded as discontinued operations beginning in the fourth quarter of fiscal 2003. The net sales from the MicroSep businesses were $11.9 million and $11.0 million for the quarters ended December 31, 2003 and 2002, respectively.

The major classes of discontinued assets and liabilities included in the Consolidated Balance Sheets at December 31, 2003 and September 30, 2003 are as follows (in thousands):

	December 31, 2003	September 30, 2003
Assets:		
Accounts receivable, net	$ 11,409	10,728
Inventories	9,719	8,778
Current portion of deferred tax assets	1,375	1,379
Other current assets	533	755
Current assets	23,036	21,640
Net property, plant & equipment	10,687	9,096
Deferred tax assets	5,142	7,493
Other assets	121	136
Total assets of Discontinued Operations	$ 38,986	38,365
Liabilities:		
Accounts payable	$ 5,229	4,522
Accrued expenses and other current liabilities	4,572	4,875
Current liabilities	9,801	9,397
Other liabilities	9,013	8,115
Total liabilities of Discontinued Operations	$ 18,814	17,512

3. EARNINGS PER SHARE (EPS)

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

	Three Months Ended December 31, 2003	Three Months Ended December 31, 2002
Weighted Average Shares Outstanding - Basic	12,838	12,554
Dilutive Options and Performance Shares	446	491
Adjusted Shares- Diluted	13,284	13,045

Options to purchase 77,250 shares of common stock at a price of $48.58 and options to purchase approximately 44,000 shares of common stock at prices ranging from $35.23 - $36.33 were outstanding during the three month periods ended December 31, 2003 and 2002, respectively, but were not included in the computation of diluted EPS because the options' exercise prices were greater than the average market price of the common shares. The options expire at various periods through 2013. Approximately 16,000 and 50,300 performance shares were excluded from the respective computation of diluted EPS based upon the application of the treasury stock method for the three month periods ended December 31, 2003 and 2002, respectively.

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure, an Amendment of FASB Statement No. 123," (SFAS 148) to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company previously adopted the disclosure-only provisions of SFAS 123. Under APB 25, no compensation cost was recognized for the Company's stock option plans. Had compensation cost for the Company's stock option plans and performance share plans been determined based on the fair value at the grant date for awards outstanding during the first quarter of fiscal 2004 and 2003 consistent with the provisions of SFAS 148, the Company's net earnings and net earnings per share would have been as shown in the table below:

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

	Three Months Ended December 31, 2003	Three Months Ended December 31, 2002
Net earnings, as reported	$ 6,151	6,552
Less: total stock-based employee compensation expense determined under fair value based methods, net of tax	262	618
Pro forma net earnings	$ 5,889	5,934
Net earnings per share:		
Basic - as reported	$ 0.48	0.52
Basic - pro forma	$ 0.46	0.47
Diluted - as reported	$ 0.46	0.50
Diluted - pro forma	$ 0.44	0.45

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The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in the first quarter of fiscal year 2004 and 2003, respectively: expected dividend yield of 0% in both periods; expected volatility of 23.9% and 38.8%; risk-free interest rate of 4.3% and 3.8%; and expected life based on historical exercise periods of 4.24 years and 4.25 years.

4. INVENTORIES

Inventories consist of the following (in thousands):

	December 31, 2003	September 30, 2003
Finished goods	$ 12,744	12,449
Work in process, including long- term contracts	16,278	14,611
Raw materials	23,014	21,372
Total inventories	$ 52,036	48,432

5. COMPREHENSIVE INCOME

Comprehensive income for the three-month periods ended December 31, 2003 and 2002 was $8.6 million and $7.8 million, respectively. For the three months ended December 31, 2003, the Company's comprehensive income was positively impacted by foreign currency translation adjustments of approximately $2.5 million.

6. BUSINESS SEGMENT INFORMATION

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

Management evaluates and measures the performance of its operating segments based on "Net Sales" and "EBIT", which are detailed in the table below. EBIT is defined as earnings from continuing operations before interest and taxes. Effective October 1, 2003, corporate office operating charges are no longer being allocated to the operating units. Previously, corporate costs were allocated to the operating segments based on 2.5% of the segment's net sales. The prior year period has been adjusted to reflect the change in corporate office operating charges. "Corporate" consists of these unallocated corporate office operating charges, which were included in the "Other" operating segment in fiscal 2003 and prior periods. The table below is presented for continuing operations and excludes discontinued operations.

($ in millions)	Three Months ended December 31,	
NET SALES	2003	2002
Filtration/Fluid Flow	$39.9	39.2
Communications	31.4	39.5
Test	25.1	19.6
Consolidated totals	$96.4	98.3
EBIT		
Filtration/Fluid Flow	$ 3.5 (1)	5.7
Communications	7.4	10.4
Test	2.2	1.3
Corporate	(2.4)	(4.2) (2)
Consolidated EBIT	10.7	13.2
Add: Interest income	(0.1)	(0.1)
Earnings before income taxes	$10.8	13.3

(1) Includes $0.7 million of exit costs related to the Filtertek Puerto Rico facility. See further discussion in Item 2 below, under "Results of Operations - EBIT - Filtration/Fluid Flow".

(2) Includes $0.7 million of costs related to the Management Transition Agreement (MTA) between the Company and its former Chairman.

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

RESULTS OF OPERATIONS

The following discussion refers to the Company's results from continuing operations, except where noted. The Microfiltration and Separations businesses (MicroSep) are accounted for as discontinued operations in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Accordingly, amounts in the financial statements and related notes for all periods shown reflect these discontinued operations.

NET SALES

Net sales decreased $1.9 million (1.9%) to $96.4 million for the first quarter of fiscal 2004 from $98.3 million for the first quarter of fiscal 2003.

- -Filtration/Fluid Flow

Net sales increased $0.7 million (1.8%) to $39.9 million for the first quarter of fiscal 2004 from $39.2 million for the first quarter of fiscal 2003. The sales increase during the three month period ended December 31, 2003 as compared to the prior year period is mainly due to the favorable impact of foreign currency exchange rates at Filtertek's European operations and higher defense aerospace shipments at VACCO (combined increase of $2.0 million), partially offset by a $1.1 million decline in sales of commercial aerospace products.

- -Communications

For the first quarter of fiscal 2004, net sales of $31.4 million were $8.1 million (20.5%) lower than the $39.5 million of net sales recorded in the first quarter of fiscal 2003. The sales decrease is the result of a decline in shipments of Automatic Meter Reading (AMR) products to PPL Electric Utilities Corporation (PPL) as the contract is nearing completion. Sales to PPL were $12.5 million and $22.6 million in the first quarters of fiscal 2004 and 2003, respectively. The PPL contract is scheduled for completion in the third quarter of fiscal 2004. The decrease in sales to PPL was partially offset by significantly higher AMR product sales to the electric utility Co-op market and other customers. Sales to Co-ops and other customers were $18.5 million and $13.8 million for the first quarters of fiscal 2004 and 2003, respectively.

Sales of Comtrak's SecurVision products were $0.5 million for the first quarter of fiscal 2004 as compared to $3.1 million for the prior year first quarter. The decrease in sales for the quarter ended December 31, 2003 as compared to the prior year period is due to a delay in deliveries as a result of a significant customer requesting Comtrak to modify its software operating system to provide enhanced "virus" protection within the product. Normal sales volumes are anticipated to resume during the third quarter of fiscal 2004.

- -Test

Net sales increased $5.5 million (28.1%) to $25.1 million for the first quarter of fiscal 2004 from $19.6 million for the first quarter of fiscal 2003. The net sales increase is the result of higher sales of test chambers in Europe of approximately $2 million, an increase in sales from the Company's Asian operations of approximately $1 million, and the addition of the acoustics business (acquired at the end of the first quarter of fiscal 2003), which contributed $2 million to sales for the first quarter of fiscal 2004.

ORDERS AND BACKLOG

Backlog was $265.0 million at December 31, 2003 compared with $263.0 million at September 30, 2003. The Company received new orders totaling $98.4 million in the first three months of fiscal 2004. New orders of $46.9 million were received in the first three months of fiscal 2004 related to Filtration/Fluid Flow products, $26.5 million related to Communications products (includes $26.1 million of new orders related to AMR products, primarily for the Co-op market), and $25.0 million related to Test products. Backlog decreased in the Communications segment due to shipments to PPL.

COST OF SALES

Cost of sales was $66.3 million (68.7% of net sales) and $66.6 million (67.7% of net sales) for the first quarter of fiscal 2004 and 2003, respectively. Cost of sales as a percent of net sales increased slightly in the first quarter of fiscal 2004 as compared to the prior year period mainly due to lower margins on reduced sales volumes of the Company's commercial aerospace products.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses for the first quarter of fiscal 2004 were $18.8 million (19.5% of net sales), compared with $18.1 million (18.4% of net sales) for the prior year period. The increase in SG&A spending in the first three months of fiscal 2004 is mainly due to the costs associated with research and development, engineering, and marketing within the Communications segment to further penetrate the investor owned utility market. In addition, the acoustics business acquired in fiscal 2003 had $0.5 million of SG&A expenses in the first quarter of fiscal 2004. SG&A in fiscal 2004 also includes $0.3 million of severance charges related to the closure of the Filtertek Puerto Rico facility. The first quarter of fiscal 2003 included $0.7 million of SG&A expenses related to the MTA.

OTHER COSTS AND EXPENSES, NET

Other costs and expenses, net, were $0.6 million for the quarter ended December 31, 2003 compared to $0.5 million for the prior year quarter. The principal components of other costs and expenses, net, for the three months ended December 31, 2003 included $0.4 million of exit costs related to the Puerto Rico facility and $0.2 million of amortization of identifiable intangible assets (primarily patents and licenses). The principal component of other costs and expenses, net, for the first three months of fiscal 2003 included $0.3 million of amortization of patents and licenses.

EBIT

The Company evaluates the performance of its operating segments based on EBIT, defined below. EBIT was $10.7 million (11.1% of net sales) for the first quarter of fiscal 2004 and $13.2 million (13.4% of net sales) for the first quarter of fiscal 2003. EBIT for the first quarter of fiscal 2004 was negatively impacted by $0.7 million of severance and exit costs related to the Filtertek Puerto Rico facility (Filtration/Fluid Flow segment). EBIT for the first quarter of fiscal 2003 was negatively impacted by $0.7 million of MTA costs.

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

($ in thousands)	Three Months ended December 31, 2003	Three Months ended December 31, 2002
EBIT	$10,743	$13,152
Add: Interest income	(36)	(111)
Less: Income taxes	4,191	4,789
Net earnings from continuing operations	$ 6,588	$ 8,474

- -Filtration/Fluid Flow

EBIT was $3.5 million and $5.7 million in the first quarters of fiscal 2004 and 2003, respectively. EBIT decreased approximately $1.6 million due to lower shipments of commercial aerospace products and changes in the sales mix of military aftermarket products. In addition, during the first quarter of fiscal 2004, the Company recorded $0.7 million of exit costs related to the Filtertek Puerto Rico facility. In May 2003, the Company committed to plans to proceed with the closure of the Filtertek manufacturing operation in Puerto Rico. The manufacturing will be moved to existing facilities in Hebron, IL and Juarez, Mexico. The Company recorded severance costs of $0.3 million and move costs of $0.4 million in the fiscal 2004 first quarter. The closure and relocation will be completed in the second quarter of fiscal 2004.

- -Communications

EBIT in the first quarter of fiscal 2004 was $7.4 million as compared to $10.4 million in the prior year period. The decrease in EBIT in the first quarter of fiscal 2004 as compared to the prior year period is due to lower shipments of AMR equipment to PPL as the contract is nearing completion. The Company continues to increase its engineering and new product development expenditures in the Communications segment in order to continue its growth in the AMR markets, and to further differentiate its technology from the competition.

In addition, Comtrak's EBIT decreased approximately $1 million in the first quarter of fiscal 2004 as compared to the prior year period due to the decreased sales as a result of the software modifications noted earlier.

- -Test

EBIT in the first quarter of fiscal 2004 was $2.2 million as compared to $1.3 million in the prior year period. Current year EBIT was positively impacted by the increase in sales volume.

- -Corporate

Corporate costs included in EBIT were ($2.4) million and ($4.2) million for the three-month periods ended December 31, 2003 and 2002, respectively. EBIT for the first quarter of fiscal 2003 included $0.7 million of MTA costs. The decrease in corporate costs for the first quarter of fiscal 2004 as compared to the prior year period is also due to lower operating costs, such as professional fees and headcount related costs.

INTEREST INCOME, NET

Interest income, net, was $0.1 million for the fiscal quarters ended December 31, 2003 and 2002.

INCOME TAX EXPENSE

The first quarter fiscal 2004 effective income tax rate was 38.9% compared to 36.1% in the first quarter of fiscal 2003. The increase in the effective income tax rate in fiscal 2004 is primarily due to the timing and volume of profit contributions of the Company's foreign operations. The Company estimates the annual effective tax rate for fiscal 2004 to be approximately 39%, excluding the effect of discontinued operations.

CAPITAL RESOURCES AND LIQUIDITY

Working capital increased to $130.6 million at December 31, 2003 from $120.5 million at September 30, 2003. During the first three months of fiscal 2004, accounts receivable decreased by $6.4 million due to cash collections during the quarter. Inventories increased by $3.6 million in the first three months of fiscal 2004 mainly to provide safety stock to support the facility relocations related to the Filtertek Puerto Rico move (Filtration/Fluid Flow segment) and to support near term demand in the Test segment. In addition, accounts payable and accrued expenses decreased by $5.8 million in the first three months of fiscal 2004 primarily due to the timing of payments.

Net cash provided by operating activities from continuing operations increased $5.9 million to $13.4 million in the first quarter of fiscal 2004, compared to $7.5 million in the same period of fiscal 2003, mainly due to the increased level of operating working capital in the prior year period.

Capital expenditures from continuing operations were $2.5 million and $2.1 million in the three-month periods ended December 31, 2003 and 2002, respectively. Major expenditures in the current period included manufacturing equipment and facility modifications used in the Filtration/Fluid Flow businesses. The Company has approximately $7 million in capital commitments in the Communications segment to further differentiate its products and to further penetrate the investor owned utility market. This amount will be spent within the next twelve months.

At December 31, 2003, other current assets included a mortgage note receivable of $1.8 million from the prior sale of the Riverhead, NY property, related to a former defense subsidiary. The Company does not anticipate a loss related to this matter.

Effective September 5, 2003, the Company amended its existing revolving credit facility. The amended credit facility continues to have $5 million annual reductions, a $25 million increase option through April 11, 2004 and a final maturity and expiration of April 11, 2005. As of December 31, 2003, the Company had not exercised the $25 million increase option and the revolving line of credit was $65 million. At December 31, 2003, the Company had approximately $46.1 million available to borrow under the credit facility in addition to $37.6 million cash on hand. Against the $65 million available under the revolving credit facility at December 31, 2003, the Company had $7 million of short-term borrowings, $8.7 million of outstanding long-term borrowings related to the Bea acquisition (included in "Other liabilities from discontinued operations") and outstanding letters of credit of $3.2 million. Cash flow from operations and borrowings under the Company's bank credit facility are expected to meet the Company's capital requirements and operational needs for the foreseeable future.

CRITICAL ACCOUNTING POLICIES

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

The following discussion of critical accounting policies is intended to bring to the attention of readers those accounting policies which Management believes are critical to the Consolidated Financial Statements and other financial disclosure. It is not intended to be a comprehensive list of all significant accounting policies that are more fully described in Note 1 of the Notes to the Consolidated Financial Statements included in the 2003 Annual Report on Form 10-K.

The Company has identified the following areas as critical accounting policies.

Revenue Recognition

The majority of the Company's revenues are recognized when products are shipped to or when services are performed for unaffiliated customers. Other revenue recognition methods the Company uses include the following: Revenue on production contracts is recorded when specific contract terms are fulfilled, usually by delivery or acceptance. Revenues from cost reimbursement contracts are recorded as costs are incurred, plus fees earned. Revenue under long-term contracts, for which delivery is an inappropriate measure of performance, is recognized on the percentage-of-completion method based upon incurred costs compared to total estimated costs under the contract. Revenue under engineering contracts is generally recognized as milestones are attained. The Company has certain revenue arrangements with multiple elements within the Test segment. For such arrangements, the Company determines the fair value of each element under the provisions of EITF 00-21, "Revenue Arrangements with Multiple Deliverables." Revenue of each element is then recognized when the products and/or services are delivered. Revenue arrangements with software components are recognized under the provisions of SOP 97-2, "Software Revenue Recognition." Management believes that all relevant criteria and conditions are considered when recognizing revenue.

Accounts Receivable

Accounts receivable have been reduced by an allowance for amounts that may become uncollectible in the future. This estimated allowance is based primarily on Management's evaluation of the financial condition of the customer and historical bad debt experience.

Inventory

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

Income Taxes

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

Goodwill and Other Long-Lived Assets

The Company adopted the provisions of SFAS No. 142 effective October 1, 2001. Management annually reviews goodwill and other long-lived assets with indefinite useful lives for impairment or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. If indicators of impairment are present, the determination of the amount of impairment for long-lived assets with definite lives is based on Management's judgment as to the future operating cash flows to be generated from these assets throughout their estimated useful lives. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144.

Pension Plans and Other Postretirement Benefit Plans

The measurement of liabilities related to pension plans and other post-retirement benefit plans is based on Management's assumptions related to future events including interest rates, return on pension plan assets, rate of compensation increases, and health care cost trend rates. Actual pension plan asset performance will either decrease or increase unamortized pension losses that will affect net earnings in future years. Depending upon the performance of the equity and bond markets in 2004, the Company could be required to record a charge to equity.

OTHER MATTERS

Contingencies

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

On December 23, 2003, the FASB issued FASB Statement No. 132 (Revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits." This standard increases the existing GAAP disclosure requirements by requiring more detailed information about pension plan assets, benefit obligations, cash flows, benefit costs and related information. Companies will be required to segregate plan assets by category, such as debt, equity and real estate, and to provide certain expected rates of return and other informational disclosures. The provisions of this standard are effective for interim periods beginning after December 15, 2003.

FORWARD LOOKING STATEMENTS

Statements in this report that are not strictly historical are "forward looking" statements within the meaning of the safe harbor provisions of the federal securities laws. Forward looking statements include those relating to the estimates made in connection with the Company's accounting policies, annual effective tax rate, SecurVision sales volumes, timing of facilities closures, results of real estate sales, recovery in connection with the Riverhead, N. Y. property note receivable, results of future closures, consolidations, relocations, and capital requirements and operational needs for the foreseeable future. Investors are cautioned that such statements are only predictions, and speak only as of the date of this report. The Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment including, but not limited to: the timing and terms of the MicroSep divestiture; further weakening of economic conditions in served markets; changes in customer demands or customer insolvencies; competition; intellectual property rights; the performance of discontinued operations prior to completion of the MicroSep divestiture; successful execution of planned facility closures, sales, consolidations and relocations with regard to the Company's Puerto Rico facility and U.K. facility; delivery delays or defaults by customers; termination for convenience of customer contracts; timing and magnitude of future contract awards; performance issues with key suppliers and subcontractors; collective bargaining and labor disputes; changes in laws and regulations including changes in accounting standards and taxation requirements; changes in foreign or U.S. business conditions affecting the distribution of foreign earnings; costs relating to environmental matters; litigation uncertainty; and the Company's successful execution of internal operating plans.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to the Company's operations result primarily from changes in interest rates and changes in foreign currency exchange rates. There has been no material change to the Company's risks since September 30, 2003. Refer to the Company's 2003 Annual Report on Form 10-K for further discussion about market risk.

ITEM 4. CONTROLS AND PROCEDURES

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

PART II OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

a) Exhibits

Exhibit Number		
3(a)	Restated Articles of Incorporation	Incorporated by reference to Form 10-K for the fiscal year ended September 30, 1999 at Exhibit 3(a)
3(b)	Amended Certificate of Designation Preferences and Rights of Series A Participating Cumulative Preferred Stock of the Registrant	Incorporated by reference to Form 10-Q for the fiscal quarter ended March 31, 2000 at Exhibit 4(e)
3(c)	Articles of Merger effective July 10, 2000	Incorporated by reference to Form10-Q for the fiscal quarter ended June 30, 2000 at Exhibit 3(c)
3(d)	Bylaws, as amended and restated.	Incorporated by reference to Form10-K for the fiscal year ended September 30, 2003 at Exhibit 3.4
4(a)	Specimen Common Stock Certificate	Incorporated by reference to Form10-Q for the fiscal quarter ended June 30, 2000 at Exhibit 4(a)
4(b)	Specimen Rights Certificate	Incorporated by reference to Exhibit B to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated February 3, 2000
4(c)	Rights Agreement dated as of September 24, 1990 (as amended and Restated as of February 3, 2000) between the Registrant and Registrar and Transfer Company, as successor Rights Agent	Incorporated by reference to Current Report on Form 8-K dated February 3, 2000, at Exhibit 4.1
4(d)	Amended and Restated Credit Agreement dated as of February28, 2001 among the Registrant, Bank of America, N.A., as agent, and the lenders listed therein	Incorporated by reference to Form10-Q for the fiscal quarter ended March 31, 2001 at Exhibit 4(d)
4(e)	Amendment No. 1 dated as of April 5, 2002 to Credit Agreement listed as Exhibit 4(d) above.	Incorporated by reference to Form 10-Q for the fiscal quarter ended June 30, 2002, at Exhibit 4(e)
4(f)	Amendment No. 2 and Consent dated as of September 5, 2003 to Credit Agreement listed as Exhibit 4(d) above.	Incorporated by reference to Form 10-K for the fiscal year ended September 30, 2003, at Exhibit 4.6
31.1	Certification of Chief Executive Officer relating to Form 10-Q for period ended December 31, 2003	
31.2	Certification of Chief Financial Officer relating to Form 10-Q for period ended December 31, 2003	

32	Certification of Chief Executive Officer and Chief Financial Officer relating to Form 10-Q for period ended December 31, 2003

b) Reports on Form 8-K.

On November 20, 2003, the Company filed a Current Report on Form 8-K, dated November 20, 2003, which reported in Item 7, Item 9 and Item 12 that the Company has issued a press release announcing its fiscal fourth quarter and fiscal year 2003 financial and operating results.

SIGNATURE

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

ESCO TECHNOLOGIES INC.

/s/ Gary E. Muenster

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

Dated: February 10, 2004

Exhibit 31.1

CERTIFICATIONS

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

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

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

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

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

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

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

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

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

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

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

Date: February 10, 2004

(s) V.L. Richey, Jr.

V.L. Richey, Jr.
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, G.E. Muenster, certify that:

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

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

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

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

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

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

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

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

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

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

Date: February 10, 2004

(s) G.E. Muenster

G.E. Muenster
Chief Financial Officer

EXHIBIT 32

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

In connection with the quarterly report of ESCO Technologies Inc. (the "Company") on Form 10-Q for the period ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, V. L. Richey, Jr., Chief Executive Officer of the Company, and G. E. Muenster, Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: February 10, 2004

/s/ V.L. Richey, Jr.

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

/s/ G.E. Muenster

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