

ARCHIVED REPORT

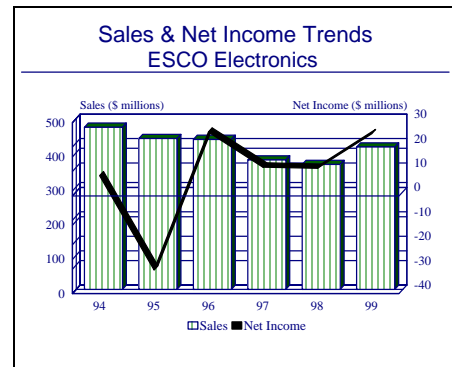
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ESCO - Archived 10/2001

Outlook

- ESCO sold its last major defense operations, Systems & Electronics Inc and Rantec Microwave Antenna, in the past year
- As a result, defense-related sales have dropped from 40 percent to approximately ten percent of total sales
- The divestitures are part of a strategy to focus on commercial operations



Headquarters

ESCO Technologies Inc
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St. Louis, MO 63124
Telephone: (314) 213-7200
Web site: <http://www.escostl.com>

Emerson Electric Co, ESCO's predecessor, was founded in 1890 in St. Louis, Missouri, where its headquarters remain today. Prior to World War II, the company had primarily engaged in the manufacture and sale of electric motors and fans. However, in the early 1940s, Emerson built bomber aircraft gun turrets, advancing its capabilities steadily into manufacturing motors, drives, hydraulics, and communications equipment.

By 1990, ranked among the top 200 US industrial corporations, Emerson had become a major international corporation with annual sales of more than \$7 billion. However in 1989, the company decided to leave the defense business by spinning off six other businesses. Emerson Electric thus formed and spun off the ESCO Electronics Corporation in 1990.

ESCO Electronics Corporation was incorporated in August 1990 to be the holding company for six subsidiaries of Emerson Electric Co. These subsidiaries

were engaged in a wide variety of R&D, manufacture and sale of systems and products to the US Army, Navy and Air Force. They are Electronics and Space, Hazeltine Corporation (subsequently sold to GEC in 1996), Rantec Microwave and Electronics Inc, and Southwest Mobile System Corporation (forming a wholly owned ESCO subsidiary called Defense Holding Corporation). The other two units are Vacco Industries and Distribution Control Systems Inc, both wholly owned subsidiaries of Southwest. In September 1992, ESCO expanded its number of subsidiaries through the acquisition of Textron Filtration Systems, which has been renamed PTI Technologies Inc. In May 1996, ESCO sold Hazeltine Corporation to GEC-Marconi. The company then used the funds from this sale to purchase Filtertek in 1997.

In 1999, ESCO completed the sale of its last major defense operations, Systems & Electronics Inc and Rantec Microwave Antenna. As a result, defense related sales for ESCO have dropped to approximately ten percent of total sales. During 1999 ESCO employed 2,000 people. The company's stock is listed on the New York Exchange and traded under the symbol "ESE."

Structure and Personnel

Executive Officers

Dennis J. Moore
Chairman and Chief Executive Officer

C.J. Kretschmer
Vice President & Chief Financial Officer

V.L. Richey
Vice President, Administration

A.S. Barclay
Vice President, Secretary & General Counsel

Corporate Staff

D.W. Snoke
Vice President, Planning and Development

D.J. Hanlon
Vice President, Human Resources

G.E. Muenster
Controller

Operating Executives

J.M. Conway
President, PTI Technologies

R.J. Kay
President, Filtertek Inc

J. Orban
President, Distribution Control Systems Inc

B.E. Butler
President, EMC Test Systems

G.R. Wilson
President, Rantec Microwave & Electronics Inc

Product Area

ESCO is engaged in the design, development, manufacture, and sale of a broad range of electrical, electronic and mechanical products and systems. The company is organized and manages its business through the operations of its subsidiaries as follows:

ESCO Electronics Corporation

1. Defense Holding Company
 - 1.1 Systems & Electronics Inc (SEI) (*sold 10/99*)
 - 1.2 Rantec Microwave and Electronics Inc
 - 1.3 VACCO Industries
 - 1.4 PTI Technologies Inc
 - 1.5 EMC Test Systems, LP (ETC)
 - 1.6 Distribution Control Systems Inc (DCSI)
 - 1.7 Filtertek Inc

Defense Holding Company. This is largely a "paper" organization which is the parent company of the following subsidiaries. Defense Holding Company is in turn a wholly owned subsidiary of ESCO.

Systems & Electronics Inc. Formed in 1995, this subsidiary consists of the former Electronics & Space Corp and Southwest Mobile Systems. The unit manufactures a complete family of anti-armor armament systems for helicopters, vehicles and ground use. These revolve around the TOW and Hellfire missile launcher systems. The unit developed the Army's M981 Fire Support Team Vehicle, the Battlefield Management System and the Surrogate Research Vehicle. E&S provides fire control radar for military aircraft, ELINT

equipment to the Army and Air Force, ATE support equipment for several Service applications and has a total integrated logistic support organization. The unit is also a major supplier of special tactical vehicles. These include loaders, launchers, trucks, trailers, bridges and flatbeds. *SEI was sold in October 1999.*

Rantec. Rantec is a leading supplier of microwave systems, power systems, anechoic/shielding systems and EMI technology products. Rantec's microwave systems include flat-plate slotted array antennas used in missile guidance and aircraft systems, earth stations satellites antenna feed systems, and the AT-100 TACAN antenna. *Rantec's microwave antenna operations were sold in 1999.*

VACCO designs, develops and manufactures air and fluid control valves and filters for the US Navy. Also, its specialty includes submarine silencing.

PTI Technologies is a manufacturer of filtration systems and components used in various aerospace and industrial applications.

EMC Test Systems designs and manufactures electromagnetic compatibility (EMC) test equipment. This operation also produces radio frequency testing environments (anechoic chambers), shield structures for high-security data processing and electromagnetic absorption materials.

Distribution Control Systems Inc is a leading manufacturer of two-way powerline communications for the electric utility industry. Some DCSI equipment indeed can be used by the military but the company is primarily a commercial supplier.

Filtertek is a manufacturer of custom filtration products, custom molded filter elements, and fluid control devices.

Facilities

All of the company's operations are engaged in defense projects except DCI. The company has approximately 3 million square feet of facilities. Manufacturing plants are located in Sanford, FL; Juarez, Mexico; and at the operations listed below.

Central Region

Systems and Electronics
201 Evans Ln, St. Louis, MO 63121
Telephone: (314) 553-4000
Web site: <http://www.seistl.com>

In St. Louis the company designs, develops and manufactures airborne, ground and surface armament systems, airborne radar, fire control radar systems, automatic test equipment and high-technology electronic countermeasures systems. The unit also designs, develops and manufactures military mobility systems, including semi-trailers, mobile electrical/mechanical repair shops, mobile missile launch platforms, tactical bridging and axle/brake subsystems.

Systems and Electronics has major manufacturing facilities in West Plains, MO. The West Plain operation includes four plants, a secure storage site located on 80 acres and a 20-acre test track facility. *These facilities were sold in 1999.*

EMC Test Systems, L.P.
2205 Kramer Ln, Austin, TX 78758
Telephone: (512) 835-4684

This operation manufactures electromagnetic compatibility test equipment.

Filtertek Inc
11411 Price Rd, Hebron, IL 60034
Telephone: (815) 648-2416

Western Region

Rantec
24003 Ventura Boulevard, Calabasas, CA 91302
Telephone: (818) 223-5000

Rantec designs, develops and produces microwave absorbers, power conversion equipment, automatic and manual test systems, automated and semi-automated microwave systems, microwave antennas and feed systems, anechoic chambers and related instrumentation, solid-state scanned antennas, missile antennas and anechoic shield rooms. *The antenna business of Rantec was sold in 1999.*

Vacco Industries
10350 Vacco Street, South El Monte, CA 91733
Telephone: (626) 443-7121

Vacco manufactures fluid valves and filters. The company specializes in quiet devices and conducts work for the Navy relative to "quiet" submarines.

PTI Technologies
950 Rancho Conejo Blvd, Newbury Park, CA 91320
Telephone: (805) 499-2661

PTI provides filter technology products for aerospace, defense, fluid processing and fluid power applications.

Corporate Overview

The ESCO Electronics Corporation was formed in September 1990 by Emerson Electric Co, in order to spin off its defense business. Emerson shareholders received one ESCO share "receipt" for every 20 shares of Emerson stock held. The company is headed by the former vice chairman of Emerson, and while an independent company on paper, ESCO is tightly integrated into Emerson. Several Emerson/ESCO agreements expired in 1995, and since then ESCO has been operating as a truly independent operation.

ESCO ranked 80 in terms of US Department of Defense contractors for 1999.

New Products and Services

No new aerospace- or defense-related products have been announced by ESCO in the past year.

Plant Expansion/Organization Update

ESCO Name Change. In July 2000, ESCO Electronics Corporation changed its corporate name to ESCO Technologies Inc, reflecting the strong technology foundation that supports the company's engineered products. ESCO's trading symbol (ESE) will not change. According to the company, the name change effectively characterizes the evolution of ESCO from a defense contractor to a major supplier of engineered products to growing industrial and commercial markets.

Currently, the company is a leading supplier of engineered filtration products to the process, health care and transportation markets worldwide. In addition, with the acquisition of Lindgren, ESCO has become the undisputed market leader in RF shielding and EMC test products, a significant market driven by the rapid growth of electronics equipment.

Systems & Electronics Inc Formed. In October 1995, ESCO merged its Electronics & Space and Southwest Mobile Systems subsidiaries into a new company called Systems & Electronics Inc (SEI). The consolidation is part of ESCO's plan to cut costs and streamline operations. The new name was also adapted because ESCO no longer produces space systems.

Mergers/Acquisitions/Divestitures

Rantec Antenna Business Sold. In February 2000, ESCO completed the sale of its microwave antenna product line, historically operated as part of Rantec Microwave & Electronics, Inc. The company sold the contract order backlog and operating assets of the microwave antenna product line for \$2.1 million in cash, plus contingent consideration based on future operating results over the next two years. As part of this transaction, ESCO retained the land and buildings related to this business. The property consists of approximately 55,000 square feet of modern office space and manufacturing facilities situated on six acres of land located in a highly desirable area of Calabasas, California. The company is actively pursuing the sale of this property.

Defense Unit Sold. In October 1999, ESCO completed the previously announced sale of its Systems &

Electronics Inc (SEI) subsidiary to Engineered Support Systems, Inc for \$85 million in cash. Proceeds will be used for several purposes, including debt repayment, stock repurchase, and commercial acquisitions. ESCO originally announced its intention to sell SEI in September 1998.

Filter Acquisition. In July 1998, ESCO purchased Advanced Membrane Technology, Inc (AMT), which manufactures several types of filtration membrane and provides filtration systems for a variety of applications in the process industries. AMT, headquartered in San Diego, has annual sales of approximately \$12 million. Terms weren't disclosed. AMT will operate as part of ESCO's PTI Technologies Inc subsidiary which is based in Newbury Park, California. The company will be known as PTI Advanced Filtration Inc, and will continue to operate from its San Diego location.

Teaming/Competition/Joint Ventures

Karlskronavaret AB. In November 1996, SEI and Karlskronavaret of Sweden teamed together for the development of the heavy dry support bridge for the US Army. The companies will compete for a production contract with Williams Fairey Engineering of the UK. The bridge is designed to replace the Army's medium girder bridge inventory. Under the 45-month contract each team will develop, design, manufacture and test one bridge prototype.

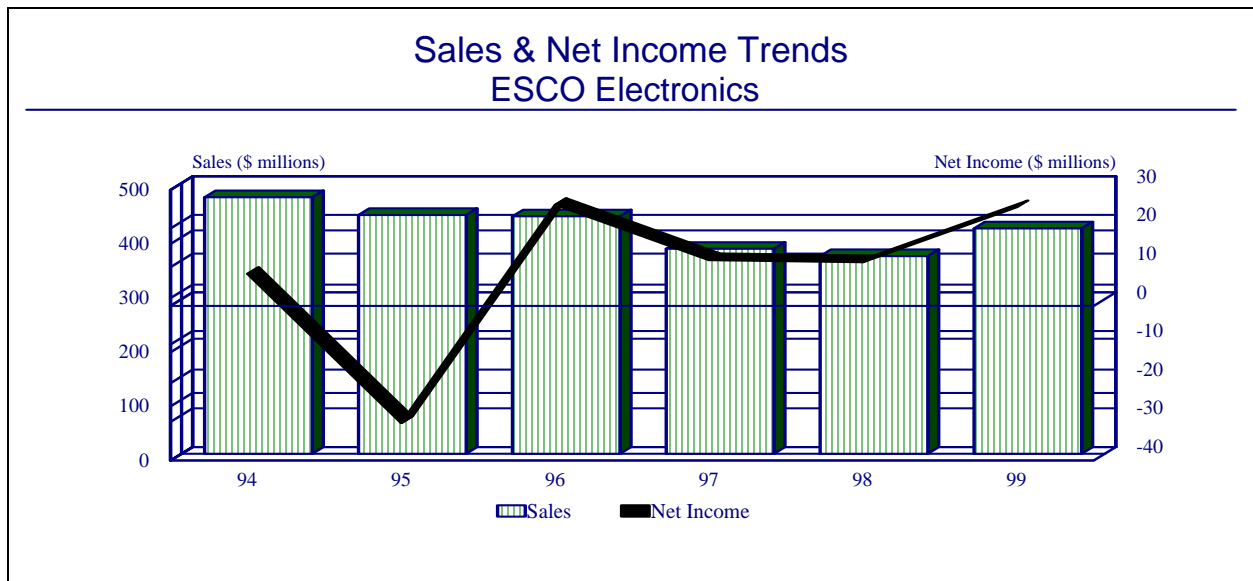
Alvis. In November 1995, ESCO and Alvis of the UK signed an agreement to jointly market a family of tactical bridging systems for rapid deployment requirements.

Rockwell. The Electronic and Space Corporation and Rockwell International planned to jointly market modular turrets for the Hellfire anti-armor missile for use on a variety of armored tracked and wheeled vehicles. ESCO will furnish the modular turret, the laser designator, crew control display unit, and vehicle modification and support equipment. Rockwell will provide the missiles, launcher, fire control system and support and test equipment.

Financial Results/Corporate Statistics

ESCO's sales for 1999 were \$416.1 million, 14 percent higher than 1998 sales of \$365.1 million. The company posted net income of \$25.5 million for 1999 compared to \$11.3 million for 1998. The increase in income for 1999 was attributed to \$59.9 million pretax gain on the sale of SEI which was offset somewhat by restructuring efforts and abandonment of certain businesses. The large gain in 1996 was attributed to the sale of Hazeltine during the year. The loss for 1995 was attributed to charges of \$35.4 million associated with the company's consolidation program and a change in accounting estimates for certain prepaid assets. The latest full-year statistics for ESCO are given below.

Y/E September 30	1994	1995	1996	1997	1998	1999
(\$ millions)						
Net Sales	473.9	441.0	438.5	378.5	365.1	416.1
Percent Govt	74.0	70.0	53.0	44.0	41.0	41.0
Net Income	8.3	-30.3	26.1	11.8	11.3	25.5
Backlog	535.7	530.9	246.7	225.0	292.7	142.9
R&D Expenditures	24.4	25.2	15.8	6.2	5.9	7.7



Strategic Outlook

Following up on a series of commercially oriented acquisitions over the past few years, ESCO has finally sold its last remaining defense operation, Electronics and Systems. The reasoning behind the sale is that company simply wishes to focus on growing its niche commercial operations.

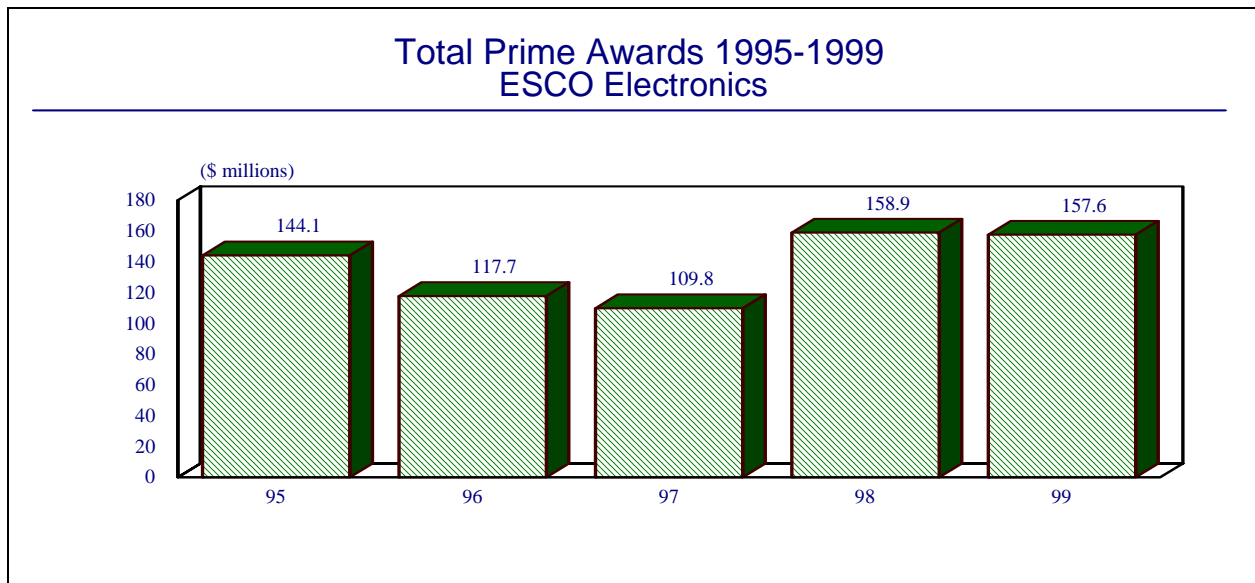
With these sales completed, ESCO is now primarily a commercially oriented company with only a minor interest (approximately 10 percent) in defense-related markets.

Prime Award Summary

The total of prime military awards to ESCO are shown in the following tables. The five-year summary of awards by military service, with dollars in millions, is given below. Zeroes indicate awards less than \$50,000. All data are for complete years.

(\$ millions)	1995	1996	1997	1998	1999
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(\$ millions)	1995	1996	1997	1998	1999
AIR FORCE	83.4	64.2	24.4	118.3	105.2
ARMY	11.9	41.0	81.3	28.5	47.3
DEF LOGISTICS AGENCY	0.6	0.4	0.7	2.3	0.6
DEPT OF TRANSPORTATION	0.0	0.0	0.0	0.2	0.0
HEALTH & HUMAN SERVICES	0.4	0.0	0.0	0.0	0.0
NASA	0.0	0.1	0.1	0.1	0.0
NAVY	47.8	12.0	3.3	9.5	4.5
TOTAL	144.1	117.7	109.8	158.9	157.6



The five-year summary of awards by key location within major geographical area and by customers, with dollars in millions, is reported below. Dashes indicate that data are not available. Zeroes represent awards, if any, less than \$50,000.

CENTRAL REGION

Missouri (\$ millions)	1995	1996	1997	1998	1999
AIR FORCE	61.1	63.1	23.0	117.4	104.5
ARMY	4.1	35.4	78.8	26.5	47.3
DEF LOGISTICS AGENCY	0.1	0.1	0.5	0.3	0.3
NAVY	23.2	2.9	2.8	8.8	1.3
TOTAL	88.5	101.5	105.1	153.0	153.4

Program Activity

Some important aerospace and government programs currently under way at ESCO are listed below. The briefs are intended to provide a listing of programs that are of major importance to the company. For detailed information or analysis of specific aerospace and defense programs or equipment, please refer to the appropriate FORECAST INTERNATIONAL binder (for example AIRCRAFT, MILITARY VEHICLES, WARSHIPS, MISSILES, ELECTRONICS, and GAS

TURBINES). The following is an outline of the company's business interests:

- Defense Electronics
- Avionics
- ASW
- C³I Systems
- Electronic Warfare
- Sensors
- Military Vehicles

- Systems Integration

The following programs are now owned by Engineered Support Systems, Inc which purchased SEI in October 1999.

Electronic Programs

(C3I)

All Source Analysis System (ASAS)

The All Source Analysis System (ASAS) is a battlefield intelligence management system. ASAS would automate the fusion of intelligence and combat information on the type of enemy units, as well as process information on their locations, movements, projected capabilities, and intentions. The system would also automate data analysis and supply a coherent picture of the enemy situation, disseminating this information to commanders to allow them to make timely, well-informed decisions. ESCO is working on the MSQ-103A interface equipment.

Striker

Striker is an advanced fire support system that provides enhanced surveillance, target location/designation, self-location and communications capabilities to the US Army Combat Observation Lasing Teams (COLT). The system integrates Bradley Fire Support Team (BFIST) mission equipment onto a lightweight High Mobility Multi-purpose Wheeled Vehicle (HMMWV) chassis. The system's open digital architecture and design flexibility allow for integration of a variety of sensor and command and control technologies, meeting the most demanding needs of the soldier and supporting the Army's force digitization effort. The current configuration includes a laser designator/rangefinder, Forward Looking Infrared (FLIR) thermal night sight and a complete voice and digital communications suite. The US Army took delivery of the first Striker in May 1998.

SEI has also introduced Striker II, an advanced fire support, surveillance and scout system. This is a company initiative designed to demonstrate a fully integrated, 24-hour, adverse-weather, long-range, reconnaissance, surveillance and fire support system. Striker II integrates the Striker advanced fire support package with a remote controlled multi-sensor suite to deliver a fully automated system that significantly decreases sensor to shooter timelines, increases flow of time sensitive information and enhances battlefield situational awareness.

(Radar)

APQ-170(V)

This is an airborne, dual-band, multimode radar. The APQ-170 was one of the major improvements to the MC-130H Combat Talon II aircraft. The advanced avionics suite for the Special Operations aircraft combines the multi-mode radar capabilities of the APQ-170 with an inertial navigation system, low-level aerial delivery and container release system, AAR-44 missile warning equipment; ALQ-84 ECM pods, the ALQ-172 EW system; ALR-69 RWR; along with IR jamming and chaff/flare dispensers. ESCO's SEI subsidiary was responsible for the radar's production.

APQ-175(V)

The APQ-175 is a dual-frequency radar specially designed to upgrade US Air Force C-130s used for Adverse Weather Aerial Delivery System (AWADS) operations. It replaced the APQ-122(V) on select C-130E aircraft. The radar provides the pilot with the necessary information to air-drop and land personnel and equipment in landing zones during adverse weather conditions. ESCO's SEI subsidiary is responsible for the radar's production.

MSTAR

MSTAR is a lightweight pulse Doppler J-Band radar to replace the ZB-298 for the detection of moving targets, including helicopters, vehicles and men in all weather at ranges in excess of 20 kilometers. In September 1993, prime contractor Thorn EMI (now Racal Thorn Systems) signed a licensing agreement with Electronics and Space Corp (ESCO), under the terms of which ESCO would produce and support any acquisition of MSTAR by the US Army. This deal was aimed at the US Lightweight Battlefield Surveillance System (LBSS) requirement. The procurement of approximately 160 MSTAR radars is envisaged under the terms of this agreement. Four radars have been supplied for evaluation to US Army.

Missile Programs

BGM-71 TOW

The TOW is a wire-guided, heavy anti-tank missile. ESCO is the contractor for the M901 Improved TOW Vehicle. This vehicle is basically an M113A1 personnel carrier equipped with two launch tubes and 10 TOW missiles. In addition, ESCO and Saab-Scania Combitech developed a new lightweight TOW launcher system for helicopters called HeliTOW. The system has developed into the HeliTOW-HELLFIRE system which adds HELLFIRE missile capability to the HeliTOW

system. With a TOW-HELLFIRE missile mix, the airborne operator can select the weapon appropriate to the target.

Military Vehicle Programs

US Tactical Vehicles

Southwest Mobile Systems produces a wide range of trailers, mobile missile platforms and launch canisters, mobile repair shops, air cargo handling systems and tactical bridges.

M860A1 Patriot Trailers and Canisters

ESCO products include the trailer and some canister equipment for the Patriot Missile system. Work on this program is continuing.

M1000 Trailer

This is a tank transporter trailer capable of carrying 70 tons. SEI offers two versions of the M1000 trailer: the Heavy Equipment Transporter (HET) and the Heavy Duty Medium Equipment Transporter (HDMET). It is in production and generally used with the M1070 (HET) tractor made by Oshkosh to transport the 70-ton Abrams tank.

HEMAT M989A1 11 Ton Trailer

This is a highly mobile utility trailer that is used by the Army for transport requirements. During 1991, the Heavy Expanded Mobility Ammunition Trailer (HEMAT) passed first article acceptance tests at the Southwest Mobile Operation. The company has a contract to deliver 1,046 HEMAT trailers with a 50 percent option. Contract deliveries of the trailer began in 1990. The HEMAT is intended for the carrying of Multiple Launch Rocket System (MLRS) pods. Other

applications include transporting ammunition pallets as well as fuel bladders for aviation refueling.

Light Assault Bridge

A transportable, trailered folding bridge that appears to span about 75 feet. It has a 30 ton carrying capacity when in place. It is available for production.

FFB-2000 Folding Floated Bridge

A next-generation bridge designed to meet future (1992 and later) battlefield requirements. The FFB will have a 70-ton capacity when in place.

Armored Vehicle Launched Bridge (AVLB)

The AVLB mounts on the front of a tank or other large tracked vehicle and can be deployed to cross narrow, deep ravines or rivers. It is a front-line tactical bridge also used to span mined areas or breach abutments.

Aircraft Cargo Loaders

Southwest makes several versions of cargo loaders. The current model is a 25,000-pound loader. The company was awarded a contract in 1994 for production of eight 60,000-pound loaders (see below).

Tunner 60K Loader

In April 1994, ESCO's Southwest Mobile Systems subsidiary was awarded a \$23 million contract to produce eight 60,000-pound (60K)-capacity aircraft cargo loaders. The contract contains four one-year options for a total of 113 units with a contract value of \$143 million. The potential market for the 60K Loader could reach 360 units over a 10-year period. The loader is designed to handle 60,000 pounds of cargo and is capable of servicing all large military transport aircraft. Deliveries began in 1996 and are continuing.

US Contract Awards

Below is a listing of major contracts awarded to ESCO from the United States government in the past several years (contracts as of press date).

Date	Award (\$ millions)	Contract #	Description
Systems & Electronics			
3/24/97	\$35.6	DAAE07-96-C-X100	187 Heavy Equipment Transporter (HET) semitrailers.
7/15/97	\$11.2	DAAE07-96-C-X100	Additional work on M1000W HET semitrailers.
9/30/97	\$30.0	F09603-97-D-0420	Engineering services in support of the 60k loader program.
12/30/97	\$16.7	F33657-97-C-0004	Interim contractor support at four bases for the APQ-170 radar on the MC-130H aircraft.
1/30/98	\$72.2	F09603-94-D-0338	Long lead materials and initial start-up for 44 60K Loader.
8/7/98	\$67.8	F09603-94-C-0338	Mod to existing 60K Loader contract for the purchase of 44 loaders.
2/8/99	\$59.8	F09603-99-D-0078	38 60K loaders.
6/21/99	\$18.9	F09603-99-D-0166	Retrofit kits to enhance reliability of the 60K loader.

Date	Award (\$ millions)	Contract #	Description
12/15/99	\$8.7	DAAE07-99-C-M011	LRIP of 26 Striker vehicles and 27 Bradley fire support vehicle packages.
1/3/00	\$69.1	F09603-99-D-0078	48 60K loaders.
4/3/00	\$9.2	N00189-95-C-0333	Full rate production of the high power test subsystems for Consolidated Automated Support System (CASS).
5/30/00	\$11.6	N00189-95-C-0333	Production of 19 AWG-9 and 25 ALQ-99 operational test program sets for CASS.

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