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ESCO TECHNOLOGIES INC
Form 10-Q
May 08, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(MARK ONE)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2009

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
(State or other jurisdiction of
incorporation or organization)

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

9900A CLAYTON ROAD
ST. LOUIS, MISSOURI
(Address of principal executive offices)

63124-1186
(Zip Code)

(314) 213-7200

(Registrant's telephone number, including area code)

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 has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer X Accelerated filer

Non-accelerated filer Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X
 ----- -----

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 2009
Common stock, \$.01 par value per share	26,208,772 shares

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 March 31,	
	2009	2008
	-----	-----
Net sales	\$ 154,156	134,400
Costs and expenses:		
Cost of sales	92,226	77,889
Selling, general and administrative expenses	38,237	38,535
Amortization of intangible assets	4,985	4,467
Interest expense, net	1,756	3,172
Other expenses (income), net	357	(136)
	-----	-----
Total costs and expenses	137,561	123,927
Earnings before income taxes	16,595	10,473
Income tax expense	5,990	3,912
	-----	-----
Net earnings from continuing operations	10,605	6,561
Loss from discontinued operations, net of tax benefit of \$101 and \$292, respectively	(177)	(479)
Loss on sale from discontinued operations, net of tax benefit of \$905	(32)	-
	-----	-----
Net loss from discontinued operations	(209)	(479)
	-----	-----
Net earnings	\$ 10,396	6,082
	=====	=====

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Earnings per share:		
Basic - Continuing operations	\$ 0.41	0.25
- Discontinued operations	(0.01)	(0.01)
	-----	-----
- Net earnings	\$ 0.40	0.24
	=====	=====
Diluted - Continuing operations	\$ 0.40	0.25
- Discontinued operations	(0.01)	(0.02)
	-----	-----
- Net earnings	\$ 0.39	0.23
	=====	=====

See accompanying notes to consolidated financial statements.

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

	Six Months Ended March 31,	
	2009	2008
Net sales	\$ 301,513	269,672
Costs and expenses:		
Cost of sales	184,842	162,071
Selling, general and administrative expenses	77,519	70,986
Amortization of intangible assets	9,587	7,933
Interest expense, net	4,374	4,529
Other expenses (income), net	244	(350)
	-----	-----
Total costs and expenses	276,566	245,169
Earnings before income taxes	24,947	24,503
Income tax expense	8,502	9,208
	-----	-----
Net earnings from continuing operations	16,445	15,295
Loss from discontinued operations, net of tax benefit of \$112 and \$1,125, respectively	(197)	(1,423)
Loss on sale from discontinued operations, net of tax benefit of \$905 and expense of \$4,809, respectively	(32)	(4,974)
	---	-----
Net loss from discontinued operations	(229)	(6,397)
	-----	-----
Net earnings	\$ 16,216	8,898
Earnings per share:		
Basic - Continuing operations	\$ 0.63	0.59
- Discontinued operations	(0.01)	(0.25)
	-----	-----
- Net earnings	\$ 0.62	0.34
	=====	=====

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Diluted - Continuing operations	\$	0.62	0.58
- Discontinued operations		(0.01)	(0.24)
		-----	-----
- Net earnings	\$	0.61	0.34
		=====	=====

See accompanying notes to consolidated financial statements.

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

	March 31, 2009 ----	September 30, 2008 ----
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 26,600	28,667
Accounts receivable, net	121,156	134,710
Costs and estimated earnings on long-term contracts, less progress billings of \$34,568 and \$34,978, respectively	4,239	9,095
Inventories	81,868	65,019
Current portion of deferred tax assets	14,540	15,368
Other current assets	17,215	14,888
Current assets from discontinued operations	-	2,889
Total current assets	----- 265,618	----- 270,636
Property, plant and equipment, net	69,774	72,353
Goodwill	329,659	328,878
Intangible assets, net	227,690	236,192
Other assets	17,565	17,665
Other assets from discontinued operations	-	2,349
Total assets	----- \$910,306 =====	----- 928,073 =====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	\$ 50,000	50,000
Accounts payable	43,768	48,982
Advance payments on long-term contracts, less costs incurred of \$21,704 and \$7,880, respectively	6,122	7,467
Accrued salaries	17,039	20,409
Current portion of deferred revenue	18,386	18,226
Accrued other expenses	21,370	22,058
Current liabilities from discontinued operations	-	1,541
Total current liabilities	----- 156,685	----- 168,683
Long-term portion of deferred revenue	2,087	2,228
Pension obligations	10,547	12,172
Deferred tax liabilities	83,167	83,515
Other liabilities	9,695	9,588

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Long-term debt, less current portion	165,504	183,650
	-----	-----
Total liabilities	427,685	459,836
Shareholders' equity:		
Preferred stock, par value \$.01 per share, authorized 10,000,000 shares	-	-
Common stock, par value \$.01 per share, authorized 50,000,000 shares, issued 29,567,818 and 29,465,154 shares, respectively	296	295
Additional paid-in capital	257,366	254,240
Retained earnings	289,686	273,470
Accumulated other comprehensive (loss) income, net of tax	(4,566)	556
	-----	-----
	542,782	528,561
Less treasury stock, at cost: 3,365,046 and 3,375,106 common shares, respectively	(60,161)	(60,324)
	-----	-----
Total shareholders' equity	482,621	468,237
	-----	-----
Total liabilities and shareholders' equity	\$910,306	928,073
	=====	=====

See accompanying notes to consolidated financial statements.

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

	Six Months Ended March 31,	
	2009	2008
Cash flows from operating activities:		
Net earnings	\$ 16,216	8,898
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Net loss from discontinued operations	229	6,397
Depreciation and amortization	15,108	12,462
Stock compensation expense	2,097	2,326
Changes in current assets and liabilities	(11,413)	2,615
Effect of deferred taxes	(1,074)	6,201
Other	(1,242)	(777)
	-----	-----
Net cash provided by operating activities- continuing operations	19,921	38,122
	-----	-----
Net loss from discontinued operations, net of tax	(229)	(6,397)
Net cash provided by discontinued operations	39	(416)
	-----	-----
Net cash used by operating activities- discontinued operations	(190)	(6,813)
	-----	-----
Net cash provided by operating activities	19,731	31,309
	-----	-----

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Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	-	(328,829)
Proceeds from sale of marketable securities	-	4,966
Additions to capitalized software	(2,487)	(8,004)
Capital expenditures - continuing operations	(3,116)	(8,673)
	-----	-----
Net cash used by investing activities- continuing operations	(5,603)	(340,540)
Capital expenditures - discontinued operations	-	(1,140)
Proceeds from divestiture of business, net- discontinued operations	3,100	74,370
	-----	-----
Net cash provided by investing activities- discontinued operations	3,100	73,230
	-----	-----
Net cash used by investing activities	(2,503)	(267,310)
	-----	-----
Cash flows from financing activities:		
Proceeds from long-term debt	27,000	275,197
Principal payments on long-term debt	(45,146)	(24,723)
Debt issuance costs	-	(2,965)
Proceeds from exercise of stock options	1,164	2,209
Other	592	(112)
Net decrease in short-term borrowings - discontinued operations	-	(2,844)
	-----	-----
Net cash (used) provided by financing activities	(16,390)	246,762
Effect of exchange rate changes on cash and cash equivalents	(2,905)	1,574
	-----	-----
Net(decrease) increase in cash and cash equivalents	(2,067)	12,335
Cash and cash equivalents, beginning of period	28,667	18,638
	-----	-----
Cash and cash equivalents, end of period	\$ 26,600	30,973
	=====	=====

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 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 for annual financial statements 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, 2008.

The Company's business is typically not impacted by seasonality: however, the results for the three-month period ended March 31, 2009 are not necessarily indicative of the results for the entire 2009 fiscal year. References to the second quarters of 2009 and 2008 represent the fiscal quarters ended March 31, 2009 and 2008, respectively.

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Certain assets of Comtrak Technologies, LLC (Comtrak) were sold during the second quarter of fiscal 2009. Comtrak is accounted for as a discontinued operation in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144)." In addition, the Filtertek businesses (excluding TekPackaging LLC) were sold during fiscal 2008 and are accounted for as discontinued operations in accordance with SFAS 144.

2. DIVESTITURE

On March 13, 2009, the Company completed the sale of certain assets of Comtrak for \$3.1 million, net, of cash (referred to as the "Comtrak sale"). The Comtrak business is reflected as a discontinued operation in the financial statements and related notes for all periods presented. Comtrak's operations were previously included within the Company's Utility Solutions Group segment. A pretax loss of \$0.9 million related to the Comtrak sale is reflected in the Company's fiscal 2009 second quarter results in discontinued operations. Comtrak's net sales were \$1.6 million and \$3.4 million for the three and six-month periods ended March 31, 2009, respectively. Comtrak's net sales were \$0.5 million for the six-month period ended March 31, 2008. The major classes of discontinued assets and liabilities included in the Consolidated Balance Sheet at September 30, 2008 are not significant and, therefore, will not be disclosed separately.

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 (restricted 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 March 31, -----		Six Months Ended March 31, -----	
	2009 ----	2008 ----	2009 ----	2008 ----
Weighted Average Shares				
Outstanding - Basic	26,177	25,847	26,143	25,803
Dilutive Options and Restricted Shares	293 ---	403 ---	301 ---	424 ---
Adjusted Shares- Diluted	26,470 =====	26,250 =====	26,444 =====	26,227 =====

Options to purchase 609,091 shares of common stock at prices ranging from \$35.69 - \$54.88 and options to purchase 554,842 shares of common stock at prices ranging from \$35.69 - \$54.88 were outstanding during the three month periods ended March 31, 2009 and 2008, 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 2014. Approximately 218,000 and 168,000 restricted shares were excluded from the computation of diluted EPS based upon the application of the treasury stock method for the three-month period ended March 31, 2009 and 2008, respectively.

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4. SHARE-BASED COMPENSATION

The Company provides compensation benefits to certain key employees under several share-based plans providing for employee stock options and/or performance-accelerated restricted shares (restricted shares), and to non-employee directors under a non-employee directors compensation plan.

Stock Option Plans

The Company's stock option awards are generally subject to graded vesting over a three year service period. All outstanding options were granted at prices equal to fair market value at the date of grant. The options granted prior to September 30, 2003 have a ten-year contractual life from date of issuance, expiring in various periods through 2013. Beginning in fiscal 2004, the options granted have a five-year contractual life from date of issuance.

The fair value of each option award is estimated as of the date of grant using the Black-Scholes option pricing model. The weighted average assumptions for the periods indicated are noted below. Expected volatility is based on historical volatility of ESCO's stock calculated over the expected term of the option. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the date of grant. 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 six-month period ended March 31, 2009: expected dividend yield of 0%; expected volatility of 39.2%; risk-free interest rate of 1.9%; and expected term of 3.8 years. Pretax compensation expense related to the stock option awards was \$0.3 million and \$0.8 million for the three and six-month periods ended March 31, 2009, respectively, and \$0.5 million and \$1.2 million for the respective prior year periods.

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

	Shares	Weighted Avg. Price	Aggregate Intrinsic Value (in millions)	Weighted Avg. Remaining Contractual Life
Outstanding at				
October 1, 2008	1,139,201	\$30.40		
Granted	128,300	\$37.42		
Exercised	(116,537)	\$13.08	\$ 2.5	
Cancelled	(31,883)	\$45.23		
	-----	-----		
Outstanding at				
March 31, 2009	1,119,081	\$32.60	\$ 9.8	2.2 years
	=====	=====	=====	
Exercisable at				
March 31, 2009	896,543	\$30.51	\$ 9.6	
	=====	=====	=====	

The weighted-average grant-date fair value of options granted during the six-month periods ended March 31, 2009 and 2008 was \$12.09 and \$10.98,

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respectively.

Performance-accelerated Restricted Share Awards

The performance-accelerated restricted shares (restricted shares) vest over five years with accelerated vesting if certain performance targets are achieved. In these cases, if it is probable that the performance condition will be met, the Company recognizes compensation cost on a straight-line basis over the shorter performance period; otherwise, it will recognize compensation cost over the longer service period. Compensation cost for the majority of the outstanding restricted share awards is being recognized over the longer performance period as it is not probable the performance condition will be met. The restricted share award grants were valued at the stock price on the date of grant. Pretax compensation expense related to the restricted share awards was \$0.6 million and \$1.1 million for the three and six-month periods ended March 31, 2009, respectively, and \$0.4 million and \$0.9 million for the respective prior year periods.

The following summary presents information regarding outstanding restricted share awards as of March 31, 2009 and changes during the six-month period then ended:

	Shares	Weighted Avg. Price
	-----	-----
Nonvested at October 1, 2008	202,895	\$41.15
Granted	98,459	\$37.35
	-----	-----
Nonvested at March 31, 2009	301,354	\$39.91
	=====	=====

Non-Employee Directors Plan

Pursuant to the non-employee directors compensation plan, each non-employee director receives a retainer of 800 common shares per quarter. Pretax compensation expense related to the non-employee director grants was \$0.2 million and \$0.4 million for the three and six-month periods ended March 31, 2009, respectively, and \$0.2 million and \$0.3 million for the respective prior year periods.

The total share-based compensation cost that has been recognized in results of operations and included within SG&A was \$1.1 million and \$2.1 million for the three and six-month periods ended March 31, 2009, respectively, and \$1.1 million and \$2.4 million for the three and six-month periods ended March 31, 2008, respectively. The total income tax benefit recognized in results of operations for share-based compensation arrangements was \$0.3 million and \$0.7 million for the three and six-month periods ended March 31, 2009, respectively, and \$0.3 million and \$0.6 million for the three and six-month periods ended March 31, 2008, respectively. As of March 31, 2009, there was \$9.8 million of total unrecognized compensation cost related to share-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 2.6 years.

5. INVENTORIES

Inventories from continuing operations consist of the following (in

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thousands):

	March 31, 2009 ----	September 30, 2008 ----
Finished goods	\$ 31,631	19,866
Work in process, including long-term contracts	20,318	15,736
Raw materials	29,919	29,417
	-----	-----
Total inventories	\$ 81,868 =====	65,019 =====

6. COMPREHENSIVE INCOME

Comprehensive income for the three-month periods ended March 31, 2009 and 2008 was \$8.3 million and \$4.4 million, respectively. Comprehensive income for the six-month periods ended March 31, 2009 and 2008 was \$11.1 million and \$8.2 million, respectively. For the six-month period ended March 31, 2009, the Company's comprehensive income was negatively impacted by foreign currency translation adjustments and interest rate swaps totaling \$5.1 million. For the six-month period ended March 31, 2008, the Company's comprehensive income was positively impacted by foreign currency translation adjustments of \$1.6 million and negatively impacted by interest rate swaps of \$2.3 million.

7. 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: Utility Solutions Group (USG), RF Shielding and Test (Test) and Filtration/Fluid Flow (Filtration). The USG segment's operations consist primarily of: Aclara Power-Line Systems Inc. (Aclara PLS), Aclara RF Systems Inc. (Aclara RF), Aclara Software, and Doble Engineering Company (Doble). The Aclara companies are suppliers of special purpose fixed network communications systems for electric, gas and water utilities, including hardware and software to support advanced metering applications. Doble provides high-end, diagnostic test solutions for the electrical power delivery industry and is a leading supplier of partial discharge testing instruments used to assess the integrity of high voltage power delivery equipment. Test segment operations consist of ETS-Lindgren L.P. (ETS) and Lindgren R.F. Enclosures, Inc. (Lindgren). The Test segment is principally involved in the design and manufacture of electromagnetic compatibility test equipment, test chambers, and electromagnetic absorption materials. The Filtration segment's operations consist of: PTI Technologies Inc. (PTI), VACCO Industries (VACCO) and TekPackaging LLC. PTI and VACCO develop and manufacture a wide range of filtration products and are leading suppliers of filters to the commercial and defense aerospace, satellite and industrial markets.

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. The table below is presented on the basis of continuing operations and excludes discontinued operations.

(In thousands)	Three Months ended March 31, -----		Six Months ended March 31, -----	
	2009	2008	2009	2008
NET SALES	-----	-----	-----	-----

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USG	\$ 94,065	73,812	182,266	153,436
Test	33,713	33,496	69,202	65,561
Filtration	26,378	27,092	50,045	50,675
	-----	-----	-----	-----
Consolidated totals	\$154,156	134,400	301,513	269,672
	=====	=====	=====	=====
EBIT				

USG	\$ 16,138	11,222	26,693	25,965
Test	3,748	2,742	6,982	4,732
Filtration	4,227	4,913	7,090	8,562
Corporate (loss)	(5,762)	(5,232)	(11,444)	(10,227)
	-----	-----	-----	-----
Consolidated EBIT	18,351	13,645	29,321	29,032
Less: Interest expense	(1,756)	(3,172)	(4,374)	(4,529)
	-----	-----	-----	-----
Earnings before income taxes	\$ 16,595	10,473	24,947	24,503
	=====	=====	=====	=====

8. DEBT

The Company's debt is summarized as follows:

(In thousands)	March 31, 2009	September 30, 2008
	----	----
Revolving credit facility, including current portion	\$215,504	233,650
Current portion of long-term debt	(50,000)	(50,000)
	-----	-----
Total long-term debt, less current portion	\$165,504	183,650
	=====	=====

At March 31, 2009, the Company had \$184.6 million available to borrow comprised of: approximately \$108.0 million available under the credit facility, plus a \$50.0 million increase option, in addition to \$26.6 million cash on hand. At March 31, 2009, the Company had \$215.5 million of outstanding borrowings under the credit facility and outstanding letters of credit of \$7.0 million. The Company classified \$50 million as the current portion on long-term debt as of March 31, 2009, as the Company intends to repay this amount within the next twelve months; however, the Company has no contractual obligation to repay such amount during the next twelve months.

The credit facility requires, as determined by certain financial ratios, a facility fee ranging from 15 to 25 basis points per annum on the unused portion. The terms of the facility provide that interest on borrowings may be calculated at a spread over the London Interbank Offered Rate (LIBOR) or based on the prime rate, at the Company's election. The facility is secured by the unlimited guaranty of the Company's material domestic subsidiaries and a 65% pledge of the material foreign subsidiaries' share equity. The financial covenants of the credit facility also include a leverage ratio and an interest coverage ratio.

9. INCOME TAX EXPENSE

The second quarter 2009 effective income tax rate for continuing operations was 36.1% compared to 37.4% in the second quarter of 2008. The effective income tax rate from continuing operations in the first six months of 2009 was 34.1% compared to 37.6% in the prior year period. The decrease in the effective income tax rate in the first six months of 2009 as compared to the prior year period was due to the favorable impact of research tax

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credits as a result of the Tax Extenders and Alternative Minimum Tax Relief Act of 2008. The income tax expense in the first six months of 2009 was favorably impacted by \$0.7 million, net, research credit for fiscal 2008, reducing the rate for the first six months of 2009 by 2.8%. The Company estimates the annual effective tax rate for fiscal 2009 to be approximately 35%, excluding the effect of discontinued operations.

During the fourth quarter of 2008, the Internal Revenue Service commenced examination of the Company's U.S. Federal income tax return for the periods ended September 30, 2003 through September 30, 2006 (fiscal 2003-2006). It is reasonably possible that the fiscal 2003-2006 U.S. audit cycle will be completed within the next twelve months, which could result in a decrease in the Company's balance of unrecognized tax benefits. However, an estimate of a range cannot be determined at this time. Various state tax years from 2003 through 2007 remain subject to income tax examinations.

10. RETIREMENT PLANS

A summary of net periodic benefit expense for the Company's defined benefit plans for the three and six-month periods ended March 31, 2009 and 2008 is shown in the following table. Net periodic benefit cost for each period presented is comprised of the following:

(In thousands)	Three Months Ended March 31,		Six Months Ended March 31,	
	2009	2008	2009	2008
	----	----	----	----
Defined benefit plans				
Interest cost	\$ 724	713	1,437	1,425
Expected return on assets	(776)	(738)	(1,514)	(1,475)
Amortization of:				
Prior service cost	4	4	8	8
Actuarial loss	79	86	131	172
	--	--	---	---
Net periodic benefit cost	\$ 31	65	62	130
	==	==	==	===

11. DERIVATIVE FINANCIAL INSTRUMENTS

Market risks relating to the Company's operations result primarily from changes in interest rates and changes in foreign currency exchange rates. The Company is exposed to market risk related to changes in interest rates and selectively uses derivative financial instruments, including forward contracts and swaps, to manage these risks. During the first quarter of 2008, the Company entered into a two-year amortizing interest rate swap to hedge some of its exposure to variability in future LIBOR-based interest payments on variable rate debt. The swap notional amount for the first year was \$175 million amortizing to \$100 million in the second year. In addition, during the second quarter of 2009, the Company entered into two \$40 million one-year forward interest rate swaps effective October 5, 2009 to hedge some of its exposure to variability in future LIBOR-based interest payments on variable rate debt. All derivative instruments are reported on the balance sheet at fair value. The derivative instrument is designated as a cash flow hedge and the gain or loss on the derivative is deferred in accumulated other comprehensive income until recognized in earnings with the underlying hedged item. Based on the interest rate swaps outstanding, the interest rates on approximately 50% of the Company's total borrowings

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were effectively fixed as of March 31, 2009.

The following is a summary of the notional transaction amounts and fair values for the Company's outstanding derivative financial instruments as of March 31, 2009.

(In thousands)	Notional Amount -----	Average Receive Rate ----	Average Pay Rate -----	Fair Value -----
Interest rate swap	\$100,000	1.28%	3.99%	(\$1,966)
Interest rate swaps *	\$ 80,000	N/A	N/A	(\$369)

* These swaps represent forward contracts and will be effective in October 2009.

12. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141R, "Business Combinations" (SFAS 141R), which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in an acquiree, including the recognition and measurement of goodwill acquired in a business combination. The requirements of SFAS 141R are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is not permitted.

In February 2008, the FASB released FASB Staff Position No. FAS 157-2, "Effective Date of FASB Statement No. 157," which delayed for one year the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Items in this classification include goodwill, asset retirement obligations, rationalization accruals, intangible assets with indefinite lives and certain other items. The adoption of SFAS 157 with respect to the Company's non-financial assets and liabilities will be effective October 1, 2009, and is not expected to have a significant effect on the Company's financial position or results of operations.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" (SFAS 161). This statement is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, financial performance, and cash flows. SFAS 161 is effective prospectively for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application permitted. The adoption of SFAS 161 is not expected to have a material impact on the Company's financial position or results of operations.

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

RESULTS OF OPERATIONS

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The following discussion refers to the Company's results from continuing operations, except where noted. Certain assets of Comtrak were sold during the second quarter of fiscal 2009. Comtrak is accounted for as a discontinued operation in accordance with SFAS 144. Accordingly, the Comtrak business is reflected as discontinued operations in the financial statements and related notes for all periods shown. References to the second quarters of 2009 and 2008 represent the fiscal quarters ended March 31, 2009 and 2008, respectively.

NET SALES

Net sales increased \$19.8 million, or 14.7%, to \$154.2 million for the second quarter of 2009 from \$134.4 million for the second quarter of 2008 mainly due to a significant increase in net sales from Aclara RF. Net sales increased \$31.8 million, or 11.8%, to \$301.5 million for the first six months of 2009 from \$269.7 million for the prior year period mainly due to a significant increase in net sales from Aclara RF and the impact of a full six months of Doble's operations versus four months in the prior year period. The Company acquired Doble on November 30, 2007.

-Utility Solutions Group

Net sales increased \$20.3 million, or 27.5%, to \$94.1 million for the second quarter of 2009 from \$73.8 million for the second quarter of 2008. Net sales increased \$28.9 million, or 18.8%, to \$182.3 million for the first six months of 2009 from \$153.4 million in the prior year period. The sales increase in the second quarter of 2009 as compared to the prior year quarter was mainly due to a \$21.8 million increase in net sales from Aclara RF primarily due to higher gas product Advanced Metering Infrastructure (AMI) deliveries at Pacific Gas & Electric (PG&E) and the shipment of additional water AMI products. The sales increase for the first six months of 2009 as compared to the prior year period was due to: a \$42.7 million increase in net sales from Aclara RF; a \$13.0 million increase from Doble reflecting the impact of a full six months of operations versus four months in the prior year period; a \$2.0 million increase in net sales at Aclara Software; and partially offset by a \$28.8 million decrease in sales at Aclara PLS driven mainly by a decrease in power-line AMI sales to PG&E. In the first quarter of 2008, the Company recorded revenue of \$20.5 million representing the cumulative effect of the recognition of deferred revenue related to the hardware shipments to PG&E to date, as TWACS NG 3.0 software was delivered to PG&E in December 2007.

-Test

For the second quarter of 2009, net sales of \$33.7 million were \$0.2 million, or 1%, higher than the \$33.5 million of net sales recorded in the second quarter of 2008. Net sales increased \$3.6 million, or 5.5%, to \$69.2 million for the first six months of 2009 from \$65.6 million for the first six months of 2008. The sales increase for the first six months of 2009 compared to the prior year period was due to: a \$3.3 million increase in net sales from the segment's U.S. operations driven by the timing of domestic chamber deliveries; a \$2.2 million increase in net sales from the segment's Asian operations due to an increase in large chamber deliveries to the international wireless and electronics end-markets; and partially offset by a \$1.9 million decrease in net sales from the segment's European operations due to unfavorable foreign currency values and a decrease in component shipments.

-Filtration

For the second quarter of 2009, net sales of \$26.4 million were \$0.7 million, or 2.6% lower than the \$27.1 million of net sales recorded in the second quarter of 2008. Net sales decreased \$0.7 million, or 1.4%, to \$50.0 million for the first six months of 2009 from \$50.7 million for the first six months of 2008. The sales decrease during the fiscal quarter ended March 31, 2009 as compared to the

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prior year quarter was mainly due to: a \$2.8 million decrease in net sales at PTI due to lower commercial aerospace shipments; and partially offset by a \$2.1 million increase in net sales at VACCO driven by higher military / defense aircraft product shipments. The sales decrease in the first six months of 2009 as compared to the prior year period was mainly due to: a \$5.0 million decrease in net sales at PTI; partially offset by a \$4.3 million increase in net sales at VACCO due to the reasons mentioned above.

ORDERS AND BACKLOG

Backlog from continuing operations was \$260.8 million at March 31, 2009 compared with \$266.1 million at September 30, 2008. The Company received new orders totaling \$156.7 million in the second quarter of 2009 compared to \$162.5 million in the prior year quarter. New orders of \$97.3 million were received in the second quarter of 2009 related to USG products, \$26.0 million related to Test products, and \$33.4 million related to Filtration products. New orders of \$98.1 million were received in the second quarter of 2008 related to USG products, \$32.5 million related to Test products, and \$31.9 million related to Filtration products. The Company received orders totaling \$24.3 million and \$53.1 million from PG&E during the three and six-month periods ended March 31, 2009, respectively, compared to \$32.3 million and \$46.5 million for the three and six-month periods ended March 31, 2008.

The Company received new orders totaling \$296.2 million in the first six months of 2009 compared to \$293.2 million in the prior year period. New orders of \$182.2 million were received in the first six months of 2009 related to USG products, \$55.9 million related to Test products, and \$58.1 million related to Filtration products. New orders of \$165.7 million were received in the first six months of 2008 related to USG products, \$65.8 million related to Test products, and \$61.7 million related to Filtration products.

Orders from PG&E for AMI gas products in the second quarter of 2009 were \$24.3 million bringing the total gas project-to-date to over 3 million units, or \$175 million. The entire PG&E project-to-date (gas and electric) represents 3.7 million units, worth approximately \$225 million.

In March 2009, Aclara Software received an order for approximately \$5 million from the City of Tallahassee, Florida for a system-wide implementation of Aclara Software Inc.'s Meter Data Management System (MDMS) and ENERGYprism (EP) AMI software applications with deployment beginning in the third quarter of fiscal 2009.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets was \$5.0 million and \$9.6 million for the three and six-month periods ended March 31, 2009, respectively, compared to \$4.5 million and \$7.9 million for the respective prior year periods. Amortization of intangible assets for the three and six-month periods ended March 31, 2009 included \$1.2 million and \$2.4 million, respectively, of amortization of acquired intangible assets related to recent acquisitions compared to \$1.1 million and \$1.9 million for the respective prior year periods. The amortization of these acquired intangible assets are included in Corporate's operating results; see "EBIT - Corporate". The remaining amortization expenses consist of other identifiable intangible assets (primarily software, patents and licenses). During the three and six-month periods ended March 31, 2009, the Company recorded \$3.1 million and \$6.0 million, respectively, of amortization related to Aclara PLS TWACS NG software compared to \$2.9 million and \$5.2 million for the respective prior year periods.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses for the second quarter of

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2009 were \$38.2 million (24.8% of net sales), compared with \$38.5 million (28.7% of net sales) for the prior year quarter. For the first six months of 2009, SG&A expenses were \$77.5 million (25.7% of net sales) compared with \$71.0 million (26.3% of net sales) for the prior year period. The \$6.5 million increase in SG&A spending in the first six months of 2009 as compared to the prior year period was primarily due to a \$5.8 million increase in SG&A expenses related to the acquisition of Doble, reflecting a full six months of SG&A expenses versus four months in the prior year period.

EBIT

The Company evaluates the performance of its operating segments based on EBIT, defined below. EBIT was \$18.4 million (11.9% of net sales) for the second quarter of 2009 and \$13.6 million (10.2% of net sales) for the second quarter of 2008. For the first six months of 2009, EBIT was \$29.3 million (9.7% of net sales) compared with \$29.0 million (10.8% of net sales) for the prior year period. The increase in EBIT for the second quarter of 2009 and first six months of 2009 as compared to the prior year periods is primarily due to the increase in shipments from Aclara RF within the USG segment.

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 presents a reconciliation of EBIT to net earnings from continuing operations.

(In thousands)	Three Months ended March 31, -----		Six Months ended March 31, -----	
	2009 ----	2008 ----	2009 ----	2008 ----
Consolidated EBIT	\$18,351	13,645	29,321	29,032
Less: Interest expense, net	(1,756)	(3,172)	(4,374)	(4,529)
Less: Income tax expense	(5,990)	(3,912)	(8,502)	(9,208)
	-----	-----	-----	-----
Net earnings from continuing operations	\$10,605 =====	6,561 =====	16,445 =====	15,295 =====

-Utility Solutions Group (USG)

EBIT in the second quarter of 2009 was \$16.1 million (17.2% of net sales) compared to \$11.2 million (15.2% of net sales) in the prior year quarter. For the first six months of 2009, EBIT was \$26.7 million (14.6% of net sales) compared to \$26.0 million (16.9% of net sales) in the prior year period. The \$4.9 million increase in EBIT in the second quarter of 2009 as compared to the prior year quarter was driven by an increase in EBIT at Aclara RF related to the increased sales volumes noted above. The \$0.7 million increase in EBIT in the first six months of 2009 compared to the prior year period was due to: an increase in EBIT at Aclara RF due to the sales increases mentioned above; an increase in EBIT from Doble due to a full six months included in the current year versus four months in the prior year period; partially offset by a decrease in EBIT at Aclara PLS resulting from lower sales to PG&E ; additional TWACS NG

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software amortization; and additional costs to support business development efforts related to the pursuit of international AMI market opportunities. The remaining operating units within the USG segment had increases in EBIT dollars for the first six months of 2009 compared to the prior year period as a result of the sales increases noted above.

-Test

EBIT in the second quarter of 2009 was \$3.7 million (11.1% of net sales) as compared to \$2.7 million (8.2% of net sales) in the prior year quarter. For the first six months of 2009, EBIT was \$7.0 million (10.1% of net sales) as compared to \$4.7 million (7.2% of net sales) in the prior year period. EBIT increased \$1.0 million and \$2.3 million over the prior year quarter and six-month period, respectively, mainly due to favorable changes in sales mix; sales increases as compared to the prior year period; and rigorous cost controls which resulted in a reduction of the segment's SG&A expenses.

-Filtration

EBIT was \$4.2 million (16.0% of net sales) and \$4.9 million (18.1% of net sales) in the second quarters of 2009 and 2008, respectively, and \$7.1 million (14.2% of net sales) and \$8.6 million (16.9% of net sales) in the first six months of 2009 and 2008, respectively. For the second quarter of 2009 as compared to the prior year quarter, EBIT decreased \$0.7 million mainly due to a decrease at PTI due to lower sales volumes. For the first six months of 2009 as compared to the prior year period, EBIT decreased \$1.5 million due to lower sales at PTI; additional research and development costs; and bid and proposal costs related to the pursuit of a significant number of space related projects at VACCO.

-Corporate

Corporate costs included in EBIT were \$5.8 million and \$11.4 million for the three and six-month periods ended March 31, 2009, respectively, compared to \$5.2 million and \$10.2 million for the respective prior year periods. The increase in Corporate costs for the first six months of 2009 as compared to the prior year period was due to a \$0.5 million increase in amortization expense related to acquired intangible assets recorded at Corporate. In the first six months of 2009, Corporate costs included \$2.1 million of pretax stock compensation expense and \$2.4 million of pretax amortization of acquired intangible assets. In the first six months of 2008, Corporate costs included \$2.3 million of pretax stock compensation expense and \$1.9 million of pretax amortization of acquired intangible assets.

INTEREST EXPENSE, NET

Interest expense was \$1.8 million and \$4.4 million for the three and six-month periods ended March 31, 2009, respectively, and \$3.2 million and \$4.5 million for the three and six-month periods ended March 31, 2008. The decrease in interest expense in the second quarter of 2009 and the first six months of 2009 as compared to the prior year periods is due to lower interest rates and lower average outstanding borrowings under the revolving credit facility.

INCOME TAX EXPENSE

The second quarter 2009 effective income tax rate for continuing operations was 36.1% compared to 37.4% in the second quarter of 2008. The effective income tax rate from continuing operations in the first six months of 2009 was 34.1% compared to 37.6% in the prior year period. The decrease in the effective income tax rate in the first six months of 2009 as compared to the prior year period

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was due to the favorable impact of research tax credits as a result of the Tax Extenders and Alternative Minimum Tax Relief Act of 2008. The income tax expense in the first six months of 2009 was favorably impacted by \$0.7 million, net, research credit for fiscal 2008, reducing the rate for the first six months of 2009 by 2.8%. The Company estimates the annual effective tax rate for fiscal 2009 to be approximately 35%, excluding the effect of discontinued operations.

There was no material change in the unrecognized tax benefits of the Company during the three months ended March 31, 2009. During the fourth quarter of 2008, the Internal Revenue Service commenced examination of the Company's U.S. Federal income tax return for the periods ended September 30, 2003 through September 30, 2006 (fiscal 2003-2006). It is reasonably possible that the fiscal 2003-2006 U.S. audit cycle will be completed within the next twelve months, which could result in a decrease in the Company's balance of unrecognized tax benefits. However, an estimate of a range cannot be determined at this time. Various state tax years from 2003 through 2007 remain subject to income tax examinations.

CAPITAL RESOURCES AND LIQUIDITY

Working capital from continuing operations (current assets less current liabilities) increased to \$108.9 million at March 31, 2009 from \$100.6 million at September 30, 2008. Accounts receivable decreased by \$13.6 million in the first six months of 2009, of which \$7.0 million related to the Test segment and approximately \$6.0 million related to the Filtration segment, both driven by timing of sales and increased collections. Inventories increased by \$16.8 million in the first six months of 2009 primarily related to an increase of approximately \$13.0 million in the USG segment to meet forecasted sales for the remainder of 2009.

Capital expenditures from continuing operations were \$3.1 million and \$8.7 million in the first six months of fiscal 2009 and 2008, respectively. The decrease in the first six months of 2009 as compared to the prior year period is mainly due to expenditures of approximately \$3.0 million for the ETS Austin facility expansion which occurred in 2008.

Credit facility

At March 31, 2009, the Company had \$184.6 million available to borrow comprised of: approximately \$108.0 million available under the credit facility, plus a \$50.0 million increase option, in addition to \$26.6 million cash on hand. At March 31, 2009, the Company had \$215.5 million of outstanding borrowings under the credit facility and outstanding letters of credit of \$7.0 million. The Company classified \$50.0 million as the current portion on long-term debt as of March 31, 2009, as the Company intends to repay this amount within the next twelve months; however, the Company has no contractual obligation to repay such amount during the next twelve months. 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.

Divestiture

On March 13, 2009, the Company completed the sale of certain assets of Comtrak for \$3.1 million, net, of cash. The Comtrak business is reflected as discontinued operations in the financial statements and related notes for all periods presented. A pretax loss of \$0.9 million related to the Comtrak sale is reflected in the Company's fiscal 2009 second quarter results in discontinued operations. Comtrak's net sales were \$1.6 million and \$3.4 million for the three and six-month periods ended March 31, 2009, respectively.

Pacific Gas & Electric

Refer to "Pacific Gas & Electric" in "Management's Discussion and Analysis"

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appearing in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2008 for discussion about the Company's contracts with PG&E.

CRITICAL ACCOUNTING POLICIES

Management has evaluated the accounting policies used in the preparation of the Company's financial statements and related notes and believes those policies to be reasonable and appropriate. Certain of these accounting policies require the application of significant judgment by Management in selecting appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on historical experience, trends in the industry, information provided by customers and information available from other outside sources, as appropriate. The most significant areas involving Management judgments and estimates may be found in the Critical Accounting Policies section of Management's Discussion and Analysis and in Note 1 to the Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2008 at Exhibit 13.

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

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations" (SFAS 141R), which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in an acquiree, including the recognition and measurement of goodwill acquired in a business combination. The requirements of SFAS 141R are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is not permitted.

In February 2008, the FASB released FASB Staff Position No. FAS 157-2, "Effective Date of FASB Statement No. 157," which delayed for one year the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Items in this classification include goodwill, asset retirement obligations, rationalization accruals, intangible assets with indefinite lives and certain other items. The adoption of SFAS 157 with respect to the Company's non-financial assets and liabilities will be effective October 1, 2009, and is not expected to have a significant effect on the Company's financial position or results of operations.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" (SFAS 161). This statement is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, financial performance, and cash flows. SFAS 161 is effective prospectively for financial statements issued for fiscal years and interim

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periods beginning after November 15, 2008, with early application permitted. The adoption of SFAS 161 is not expected to have a material impact on the Company's financial position or results of operations.

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, but are not limited to, those relating to the estimates or projections made in connection with the Company's accounting policies, timing and amount of repayment of debt, annual effective tax rate, the reduction in the amount of unrecognized tax benefits over the next twelve months, the impact of SFAS 157 and SFAS 161, outcome of current claims and litigation, future cash flow, capital requirements and operational needs for the foreseeable future, and the results of tax audits. 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 risk factors described in Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2008, the effect of the American Recovery and Reinvestment Act of 2009, actions by PG&E impacting PG&E's AMI projects, the Company's successful performance of large AMI contracts; weakening of economic conditions in served markets; changes in customer demands or customer insolvencies; competition; intellectual property rights; material changes in the costs of certain raw materials including steel and copper; delivery delays or defaults by customers; termination for convenience of customer contracts; timing and magnitude of future contract awards; performance issues with key suppliers, customers and subcontractors; collective bargaining and labor disputes; changes in laws and regulations including changes in accounting standards and taxation requirements; costs relating to environmental matters; litigation uncertainty; and the Company's successful execution of internal operating plans and integration of newly acquired businesses.

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. The Company is exposed to market risk related to changes in interest rates and selectively uses derivative financial instruments, including forward contracts and swaps, to manage these risks. During the first quarter of 2008, the Company entered into a two-year amortizing interest rate swap to hedge some of its exposure to variability in future LIBOR-based interest payments on variable rate debt. The swap notional amount for the first year was \$175 million amortizing to \$100 million in the second year. In addition, during the second quarter of 2009, the Company entered into two \$40 million one-year forward interest rate swaps effective October 5, 2009 to hedge some of its exposure to variability in future LIBOR-based interest payments on variable rate debt. All derivative instruments are reported on the balance sheet at fair value. The derivative instrument is designated as a cash flow hedge and the gain or loss on the derivative is deferred in accumulated other comprehensive income until recognized in earnings with the underlying hedged item. Based on the interest rate swaps outstanding, the interest rates on approximately 50% of the Company's total borrowings were effectively fixed as of March 31, 2009.

The following is a summary of the notional transaction amounts and fair values for the Company's outstanding derivative financial instruments as of March 31, 2009.

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(In thousands)	Notional Amount -----	Average Receive Rate ----	Average Pay Rate -----	Fair Value -----
Interest rate swap	\$100,000	1.28%	3.99%	(\$1,966)
Interest rate swaps *	\$ 80,000	N/A	N/A	(\$369)

* These swaps represent forward contracts and will be effective in October 2009.

In addition, as of March 31, 2009, the Company paid 67.5bps spread on its outstanding debt. Refer to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2008 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 were effective as of that date. 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 has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In August 2008, the Company's Board of Directors authorized an open market common stock repurchase program of the Company's shares in a value not to exceed \$30 million, subject to market conditions and other factors, which covers the period through September 30, 2009. There were no stock repurchases during the three and six-month periods ended March 31, 2009.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of the Company's shareholders was held on Thursday, February 5, 2009. The voting for directors was as follows:

	For ---	Withheld -----	Broker Non-Votes -----
J.M. McConnell	23,117,158	1,332,969	0
D.C. Trauscht	23,111,050	1,339,077	0

The terms of V.L. Richey, Jr., L.W. Solley, J.M. Stolze and J.D. Woods as directors continued after the meeting.

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The voting to ratify the Company's selection of KPMG LLP as independent public accountants for the fiscal year ending September 30, 2009 was as follows:

For ---	Against -----	Abstain -----	Broker Non-Votes -----
23,244,761	1,197,746	7,620	0

ITEM 6. EXHIBITS

a) Exhibits
Exhibit
Number

3.1	Restated Articles of Incorporation	Incorporated by reference to Form 10-K for the fiscal year ended September 30, 1999, at Exhibit 3(a)
3.2	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)
3.3	Articles of Merger effective July 10, 2000	Incorporated by reference to Form 10-Q for the fiscal quarter ended June 30, 2000, at Exhibit 3(c)
3.4	Bylaws, as amended and restated as of July 10, 2000	Incorporated by reference to Form 10-K for the fiscal year ended September 30, 2003, at Exhibit 3.4
3.5	Amendment to Bylaws effective as of February 2, 2007	Incorporated by reference to Form 10-Q for the fiscal quarter ended December 31, 2006, at Exhibit 3.5
3.6	Amendment to Bylaws effective as of November 9, 2007	Incorporated by reference to Current Report on Form 8-K dated November 12, 2007 at Exhibit 3.1
4.1	Specimen Common Stock Certificate	Incorporated by reference to Form 10-Q for the fiscal quarter ended June 30, 2000, at Exhibit 4(a)
4.2	Specimen Rights Certificate	Incorporated by reference to Current Report on Form 8-K dated February 3, 2000, at Exhibit B to Exhibit 4.1
4.3	Rights Agreement dated as of September 24, 1990 (as amended and Restated as of February 3, 2000) between the	Incorporated by reference to Current Report on Form 8-K dated February 3, 2000, at Exhibit 4.1

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Registrant and
Registrar and Transfer
Company, as successor
Rights Agent

- | | | |
|-------|---|---|
| 4.4 | Credit Agreement dated as of November 30, 2007 among the Registrant, National City Bank and the lenders from time to time parties thereto | Incorporated by reference to Current Report on Form 8-K dated November 30, 2007, at Exhibit 4.1 |
| *31.1 | Certification of Chief Executive Officer relating to Form 10-Q for period ended March 31, 2009 | |
| *31.2 | Certification of Chief Financial Officer relating to Form 10-Q for period ended March 31, 2009 | |
| *32 | Certification of Chief Executive Officer and Chief Financial Officer relating to Form 10-Q for period ended March 31, 2009 | |

* Denotes filed or furnished herewith.

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
Executive Vice President and Chief Financial Officer
(As duly authorized officer and principal accounting officer of the registrant)

Dated: May 8, 2009