SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarter ended March 31, 2001 Commission File Number 0-23599

MERCURY COMPUTER SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

MASSACHUSETTS	04-2741391
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
199 RIVERNECK ROAD CHELMSFORD, MA	01824
(Address of principal executive offices)	(Zip Code)

978-256-1300
(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

Number of shares outstanding of the issuer's classes of common stock as of April 30, 2001:

Class	Number of Shares Outstanding
Common Stock, par value $.01 per share	21,741,919

MERCURY COMPUTER SYSTEMS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

MERCURY COMPUTER SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	March 31, 2001 (Unaudited)	June 30, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,360	$ 5,850
Marketable securities	47,800	36,784
Trade accounts receivable, net of allowances of $326 and $308 at March 31, 2001 and June 30, 2000, respectively	30,732	25,046
Inventory	15,532	15,975
Deferred income taxes, net	1,909	1,909
Income tax receivable	--	722
Prepaid expenses and other current assets	6,654	3,496
Total current assets	113,987	89,782
Marketable securities	29,438	25,705
Property and equipment, net	28,135	27,574
Deferred income taxes, net	787	787
Other assets	347	369
Total assets	$ 172,694	$ 144,217
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,997	$ 9,231
Accrued expenses	5,440	2,486
Accrued compensation	7,425	6,143
Capital lease - short term	397	580
Notes payable - short term	577	577
Billings in excess of revenues and customer advances	3,820	2,788
Taxes payable	216	--
Total current liabilities	23,872	21,805
Commitments and contingencies	--	--
Deferred compensation - long term	292	--
Capital lease - long term	164	447
Notes payable - long term	13,174	13,605
Stockholders' equity:		
Common stock, $.01 par value: 40,000,000 shares authorized; 21,675,960 and 21,395,137 shares issued and outstanding at March 31, 2001 and June 30, 2000, respectively	217	214
Additional paid-in capital	38,961	34,446
Retained earnings	95,799	73,841
Accumulated other comprehensive income	215	(141)
Total stockholders' equity	135,192	108,360
Total liabilities and stockholders' equity	$ 172,694	$ 144,217

The accompanying notes are an integral part of the consolidated financial statements.

MERCURY COMPUTER SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and in thousands except per share data)

	Three months ended March 31,		Nine months ended March 31,	
	2001	2000	2001	2000
Net revenue	$ 46,953	$ 32,351	$ 131,747	$ 105,619
Cost of revenue	15,274	9,388	42,587	28,758
Gross profit	31,679	22,963	89,160	76,861
Operating expenses:				
Selling, general and administrative	12,607	9,656	37,509	28,905
Research and development	8,047	7,849	22,744	20,237
Total operating expenses	20,654	17,505	60,253	49,142
Income from operations	11,025	5,458	28,907	27,719
Interest income	995	751	2,927	1,647
Interest expense	(263)	(282)	(807)	(406)
Gain on sale of division, net	1,600	3,220	4,800	3,220
Equity loss in joint venture	(1,356)	(1,136)	(3,067)	(2,577)
Other income (expenses), net	(323)	53	(469)	130
Income before income taxes	11,678	8,064	32,291	29,733
Provision for income taxes	3,737	1,974	10,333	9,515
Net Income	$ 7,941	$ 6,090	$ 21,958	$ 20,218
Net income per share:				
Basic	$ 0.37	$ 0.29	$ 1.02	$ 0.97
Diluted	$ 0.34	$ 0.26	$ 0.95	$ 0.89
Weighted average shares outstanding:				
Basic	21,648	21,121	21,515	20,893
Diluted	23,286	23,095	23,016	22,611

The accompanying notes are an integral part of the consolidated financial statements

MERCURY COMPUTER SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

	Nine Months Ended March 31, 2001	Nine Months Ended March 31, 2000
Cash flows provided from operating activities:		
Net income	$ 21,958	$ 20,218
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,487	3,682
Gain on sale of division, net	(4,800)	(3,220)
Provision for inventory write-downs	3,294	2,028
Equity loss in joint venture	3,067	2,577
Tax benefit from disqualified dispositions	1,710	--
Stock option compensation expense	392	292
Provision for doubtful accounts	50	--
Other non-cash	12	--
Changes in assets and liabilities:		
Trade accounts receivable	(5,822)	11,282
Inventory	(2,950)	(3,510)
Prepaid expenses and other current assets	(2,315)	(3,830)
Other assets	(983)	64
Accounts payable	(3,227)	(972)
Accrued expenses and compensation	2,981	(757)
Deferred compensation	292	--
Billings in excess of revenues and customer advances	1,118	(891)
Income taxes payable	225	499
Net cash provided by operating activities	19,489	27,462
Cash flows from investing activities:		
Purchase of marketable securities	(88,126)	(107,411)
Sale of marketable securities	73,991	63,083
Purchases of property and equipment	(5,089)	(3,747)
Proceeds from sale of division net of selling costs	4,800	3,930
Investment in joint venture	(1,000)	(2,500)
Net cash used in investing activities	(15,424)	(46,645)
Cash flows from financing activities:		
Proceeds from employee stock purchase plan and the exercise of stock options	2,420	4,416
Proceeds from issuance of notes	--	14,500
Payments of debt	(431)	(179)
Principal payments under capital lease obligations	(466)	(363)
Net cash provided by financing activities	1,523	18,374
Net increase in cash and cash equivalents	5,588	(809)
Effect of exchange rate change on cash and cash equivalents	(78)	173
Cash and cash equivalents at beginning of period	5,850	3,676
Cash and cash equivalents at end of period	$ 11,360	$ 3,040
Cash paid during the period for:		
Interest	$ 807	$ 406
Income taxes	9,805	7,429
Supplemental disclosure of non-cash investing and financing activity:		
Acquisition of equipment through capital lease transaction	--	390

The accompanying notes are an integral part of the consolidated financial statements.

MERCURY COMPUTER SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(TABLES IN THOUSANDS EXCEPT PER SHARE DATA)

A. BASIS OF PRESENTATION

These consolidated financial statements should be read in conjunction with the Company's financial statements and footnotes included in the Company's Form 10-K, filed with the Securities and Exchange Commission. In the opinion of management, the accompanying unaudited financial statements include all adjustments, consisting of normal recurring adjustments, necessary to present fairly the consolidated financial position, results of operations and cash flows of Mercury Computer Systems, Inc.

B. INVENTORY

	March 31, 2001	June 30, 2000
Raw materials	$ 6,705	$ 4,252
Work in process	5,039	7,415
Finished goods	3,788	4,308
Total	$15,532	$15,975

C. NET INCOME PER COMMON SHARE

The following table sets forth the computation of basic and diluted net income per common share:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2001	2000	2001	2000
Net income	$ 7,941	$ 6,090	$21,958	$20,218
Shares used in computation:				
Weighted average common shares outstanding used in computation of basic net income per share	21,648	21,121	21,515	20,893
Dilutive effect of stock options	1,638	1,974	1,501	1,718
Shares used in computation of diluted net Income per share	23,286	23,095	23,016	22,611
Basic net income per share	$ 0.37	$ 0.29	$ 1.02	$ 0.97
Diluted net income per share	$ 0.34	$ 0.26	$ 0.95	$ 0.89

Options to purchase 216,717 and 19,084 shares of common stock outstanding during the three months ended March 31, 2001 and 2000, respectively, were not included in the calculation of diluted net income per share because the option price was greater than the average market price of the common shares during the period. Options to purchase 209,023 and 14,890 shares of common stock outstanding during the nine months ended March 31, 2001 and 2000, respectively, were not included in the calculation of diluted net income per share because the option price was greater than the average market price of the common shares during the period.

D. NEW ACCOUNTING PRONOUNCEMENTS

In June 1999, the Financial Accounting Standards Board issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 137 amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" which was issued in June 1998. SFAS No. 137 defers the effective date of SFAS No. 133 to the first quarter of fiscal years beginning after June 15, 2000. SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in either current earnings or accumulated other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction. The adoption of SFAS No. 133 did not have a material impact on the Company's financial position or results of operations.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements". SAB 101 summarizes the staff's view in applying generally accepted accounting principles to selected revenue recognition issues. The application of the guidance in SAB 101 will be required in the Company's fourth quarter of fiscal year 2001. The effects of applying this guidance will be reported as a cumulative effect adjustment resulting from a change in accounting principle. The Company has not completed its evaluation of SAB101 and therefore is unable to determine its impact.

In March 2000, the Financial Accounting Standard Board issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation - an interpretation of APB Opinion No. 25" ("FIN 44"). FIN 44 clarifies the application of APB Opinion No. 25 and among other issues clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a noncompensatory plan; the accounting consequence of various modifications to the terms of previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. The application of FIN 44 did not have a material impact on the Company's financial position or results of operations.

E. COMPREHENSIVE INCOME

Mercury's total comprehensive income was as follows:

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000	Nine Months Ended March 31, 2001	Nine Months Ended March 31, 2000
Net income	$ 7,941	$ 6,090	$ 21,958	$ 20,218
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	(51)	(104)	(175)	(14)
Unrealized gain or (loss) on securities	215	1	418	(59)
Other comprehensive income	164	(103)	243	(73)
Total comprehensive income	$ 8,105	$ 5,987	$ 22,201	$ 20,145

F. OPERATING SEGMENT AND GEOGRAPHIC INFORMATION

During the three month period ended March 31, 2001, the Company had six principal operating segments: North American defense, international defense, medical imaging, commercial businesses, wireless communications, and research and development. These operating segments were determined based upon the nature of the products offered to customers, the market characteristics of each operating segment, and the Company's management structure. The Company has five reportable segments: North American defense segment, medical imaging segment, commercial segment, other defense and commercial segment, and research and development segment. The other commercial segment is comprised of international defense, wireless communications, and other commercial businesses unrelated to the defense or medical businesses. A new commercial operating segment was established during the first quarter of fiscal 2000. Previously, most commercial businesses were included within the North American and international operating segments. Historical information was not restated to reflect this business reorganization because it is impractical to obtain the necessary information.

The accounting policies of the business segments are the same as those described in "Note B: Summary of Significant Accounting Policies" in the Company's Annual Report on Form 10-K for the year ended June 30, 2000. The following table provides operating segment information for the three month and nine month periods ended March 31, 2001 and 2000:

	North American Defense Segment	Medical Imaging Segment	Commercial Segment	Other Defense and Commercial Segment	Research and Development Segment	Corporate	Consolidated
Three months ended March 31, 2001							
Sales to unaffiliated customers	$ 29,067	$ 10,266	$ 4,640	$ 2,980	--	--	$ 46,953
Income (loss) before taxes (1)	20,412	2,863	2,227	668	(8,046)	(6,446)	11,678
Depreciation/amort. Expense	198	19	4	33	440	817	1,511
Three months ended March 31, 2000:							
Sales to unaffiliated customers	$ 18,733	$ 7,549	--	$ 6,069	--	--	$ 32,351
Income (loss) before taxes (1)	11,940	2,805	--	3,161	(7,311)	(2,531)	8,064
Depreciation/amort. Expense	107	10	--	44	311	666	1,138
Nine months ended March 31, 2001:							
Sales to unaffiliated customers	$ 81,072	$ 29,583	$ 12,636	$ 8,456	--	--	$131,747
Income (loss) before taxes (1)	55,053	9,121	6,587	2,002	(22,744)	(17,728)	32,291
Depreciation/amort. Expense	581	40	8	175	1,253	2,430	4,487
Nine months ended March 31, 2000:							
Sales to unaffiliated customers	$ 72,805	$ 19,385	--	$ 13,429	--	--	$105.619
Income (loss) before taxes (1)	50,516	7,630	--	3,487	(18,953)	(12,947)	29,733
Depreciation/amort. Expense	175	32	--	162	884	2,429	3,682

(1) Interest income, interest expense and foreign exchange gain/(loss) are reported in Corporate and not allocated to the principal operating segments. Only expenses directly related to an operating segment were charged to the appropriate operating segment. All other expenses for marketing and administrative support activities that could not be specifically identified with a principal operating segment were allocated to Corporate.

G. EQUITY LOSS IN JOINT VENTURE

In September, 1999, the Company formed AgileVision as a joint venture with Sarnoff Corporation, the developer of color television and a pioneer in the creation of digital television ("DTV"). AgileVision provides broadcasters and cable providers equipment to optimize their DTV investment and develop new broadband media commerce revenue streams, including master control systems that permit broadcasters to perform multiple functions on a single platform that previously would have required the engineering and integration of numerous discrete products and systems. As of March 31, 2001, the Company has contributed $5.5 million to AgileVision. During the three month periods ended March 31, 2001 and 2000, the Company recognized $1.4 million and $1.1 million, respectively, in expenses related to the operations of AgileVision. During the nine month periods ended March 31, 2001 and 2000, the Company recognized $3.1 million and $2.6 million, respectively, in expenses related to the operations of AgileVision.

Summarized Income Statements for AgileVision during the periods ended March 31, 2001 and 2000 are as follows:

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000	Nine Months Ended March 31, 2001	Nine Months Ended March 31, 2000
Expenses	$1,356	$1,136	$3,067	$2,577
Loss from continuing operations	1,356	1,136	3,067	2,577
Net loss	$1,356	$1,136	$3,067	$2,577

Summarized Statements of Financial Position of AgileVision:

	March 31, 2001	June 30, 2000
Current assets	$ 561	$ 1,009
Non-current assets	42	12
Total assets	603	1,021
Current liabilities	3,530	2,744
Non-current liabilities	2,000	--
Shareholders' equity	(4,927)	(1,723)
Total liabilities and equity	$ 603	$ 1,021

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

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

From time to time, information provided by the Company, statements made by its employees or information included in its filings with the Securities and Exchange Commission may contain statements which are not historical facts but which are "forward-looking statements" which involve risks and uncertainties. The words "may," "will," "expect," "anticipate," "continue", "estimate", "project," "intend" and similar expressions are intended to identify forward-looking statements regarding events, conditions and financial trends that may affect the Company's future plans of operations, business strategy, results of operations and financial position. These statements are based on the Company's current expectations and estimates as to prospective events and circumstances about which there can be no firm assurances given. Further, any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made. As it is not possible to predict every new factor that may emerge, forward-looking statements should not be relied upon as a prediction of actual future financial condition or results. Important factors that may cause the Company's actual results to differ from forward-looking statements are referenced in the Company's Form 10-K filed with the Securities and Exchange Commission.

RESULTS OF OPERATIONS

REVENUES

The Company's total revenues increased 45% from $32.4 million during the three months ended March 31, 2000 to $47.0 million during the three months ended March 31, 2001. Revenue increased 25% from $105.6 million during the nine months ended March 31, 2000 to $131.7 million during the nine months ended March 31, 2001.

Defense electronics revenues increased 55% from $20.3 million or 63% of total revenues during the three months ended March 31, 2000 to $31.4 million or 67% of total revenues during the three months ended March 31, 2001. Defense electronics revenues increased 17% from $76.1 million or 72% of total revenues during the nine months ended March 31, 2000 to $88.8 million or 67% of total revenues during the nine months ended March 31, 2001. The increase in revenues was due primarily to continued strong demand for defense electronics products.

Medical imaging revenues increased 36% from $7.6 million or 23% of total revenues during the three months ended March 31, 2000 to $10.3 million or 22% of total revenues during the three months ended March 31, 2001. Medical imaging revenues for the nine months ended March 31, 2001 increased 53% from $19.4 million or 18% or total revenues for the nine months ended March 31, 2000 to $29.6 million of 22% of total revenues for the nine months ended March 31, 2001. The increase in medical imaging revenues is primarily due to strong growth in both magnetic resonance imaging (MRI) and computed tomography (CT) systems, along with initial production shipments for the Company's first digital cardiology design win.

Commercial revenues increased 17% from $4.5 million or 14% of total revenues during the three months ended March 31, 2000 to $5.3 million or 11% of total revenues during the three months ended March 31, 2001. Other revenues for the nine months ended March 31, 2001 increased 30% from $10.2 million or 10% of total revenues in the nine months ended March 31, 2000 to $13.3 million or 10% of total revenues for the nine months ended March 31, 2001. The increase in other revenues was due primarily to the shipments of imaging systems into the semiconductor industry, along with continued sales growth to other commercial customers.

COST OF REVENUES

Cost of revenues increased 63% from $9.4 million during the three months ended March 31,2000 to $15.3 million during the three months ended March 31, 2001. As a percent of total revenues, cost of revenues increased from 29% during the three month period ended March 31, 2000 to 33% for the three months ended March 31, 2001. For the three months ended March 31, 2001, the increase in cost of revenues as a percentage of total revenues was primarily due to an increase in certain processing and component costs and costs associated with re-establishing certain discontinued standard parts. For the nine months ended March 31, 2001, cost of revenues increased by 48% from $28.8 million during the nine months ended March 31, 2000 to $42.6 million during the nine months ended March 31, 2001. As a percent of total revenues, cost of revenues increased from 27% during the nine months ended March 31, 2000 to 32% during the nine months ended March 31, 2001. For the nine months ended March 31, 2001, the increase in cost of revenues as a percentage of total revenues was primarily due to an increase in certain processing and component costs, a shift in product mix and costs associated with re-establishing certain discontinued standard parts.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general, and administrative expenses increased 31% from $9.7 million during the three months ended March 31, 2000 to $12.6 million during the three months ended March 31, 2001. Selling, general and administrative expenses increased 30% from $28.9 million during the nine months ended March 31, 2000 to $37.5 million during the nine months ended March 31, 2001. The increase was primarily due to expenses associated with the ongoing cost of implementing a new financial, manufacturing, and administrative computer system. Additionally, commissions associated with higher sales volume and the ongoing development of the Company's sales and management infrastructure to support the Company's growth contributed to the increased expenses.

RESEARCH AND DEVELOPMENT

Research and development expenses increased 3% from $7.8 million during the three months ended March 31, 2000 to $8.0 million during the three months ended March 31, 2001. Research and development expenses increased by 12% from $20.2 million during the nine months ended March 31, 2000 to $22.7 million during the nine months ended March 31, 2001. Even with the increase in research and development expenses as compared with a year ago, expenses are running lower than management's expectations due to the delay in certain prototyping activities. Management anticipates that in the near term, research and development expenses will increase as certain projects enter into the prototyping phase.

INCOME FROM OPERATIONS

Income from operations doubled from $5.5 million during the three months ended March 31, 2000 to $11.0 million during the three months ended March 31, 2001. Income from operations increased from $27.7 million during the nine months ended March 31, 2000 to $28.9 million during the nine months ended March 31, 2001. This increase is associated with higher sales volume coupled with improved operating efficiency.

Included in the income from operations during the three months ended March 31, 2000 were $241,000 in software revenues and $350,000 in direct expenses related to the shared storage business (the "SSBU"). Included in income from operations during the nine months ended March 31, 2000 were $1.8 million in hardware and software revenues and approximately $2.4 million in direct expenses related to the SSBU. The direct expenses include expenses from marketing and engineering activities, primarily related to compensation, trade shows, prototype development and direct costs related to the sale of the product, including certain hardware costs. The SSBU was sold during January 2000 and therefore, the company did not record any operating income from this business unit during the three and nine months ended March 31, 2001.

EQUITY LOSS IN JOINT VENTURE

In September 1999, the Company formed AgileVision as a joint venture with Sarnoff Corporation, the developer of color television and a pioneer in the creation of digital television ("DTV"). AgileVision will provide broadcasters and cable providers' equipment to optimize their DTV investment and develop new broadband media commerce revenue streams. These master control systems permit broadcasters to perform multiple functions on a single platform that previously would have required the engineering and integration of numerous discrete products and systems. To date, the Company's contribution to AgileVision is $5.5 million. During the three month period ended March 31, 2001 and 2000 the Company recognized $1.4 million and $1.1 million, respectively, in losses related to the operations of AgileVision. During the nine month period ended March 31, 2001 and 2000, the Company recognized $3.1 million and $2.6 million, respectively, in expenses related to the operations of AgileVision.

PROVISION FOR INCOME TAX

The Company recorded a tax provision of $3.7 million during the three months ended March 31, 2001 reflecting a 32% tax rate as compared to a $2.0 million tax provision during the three months ended March 31, 2000, reflecting a 24% tax rate. The Company recorded a tax provision of $10.3 million during the nine months ended March 31, 2001 reflecting a 32% tax rate as compared to a $9.5 million tax provision during the nine months ended March 31, 2000, reflecting a 32% tax rate.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2001, the Company had cash and marketable investments of approximately $88.6 million. During the nine months ended March 31, 2001, the Company generated approximately $19.1 million in cash from operations compared to $27.2 million generated during the nine months ended March 31, 2000. Trade accounts receivable increased, using $5.8 million, primarily attributable to the increase in revenue late in the period. Trade accounts payable decreased, using $3.2 million, primarily attributable to payments to key product suppliers. Days sales outstanding was 59 days at March 31, 2001 and 70 days at June 30, 2000.

During the nine months ended March 31, 2001, the Company's investing activities used cash of $15.4 million. During the period, investing activities consisted of $14.1 million for the purchase of marketable securities (net of sales), $5.1 million for the purchase of computers, furniture and equipment and $1.0 million investment in a joint venture. These cash outflows were partially offset by the receipt of $4.8 million, net of selling costs, from proceeds received on the sale of the SSBU division. During the nine months ended March 31, 2000, the Company's investing activities used cash of $46.6 million, which consisted of $44.3 million for the purchase of marketable securities (net of sales), $2.5 million for the investment in a joint venture, and $3.7 million for the purchase of computers, furniture equipment and leasehold improvements. These cash outflows were partially offset by the receipt of $3.9 million, net of selling costs, from proceeds received on the sale of the SSBU division.

During the nine months ended March 31, 2001, the Company's financing activities provided approximately $1.9 million. These financing activities consisted primarily of inflows from the exercise of stock options and proceeds received from the employee stock purchase plan, offset by outflows from payment under capital lease obligations and debt. During the nine months ended March 31, 2000, the Company's financing activities provided cash of $18.7 million, which consisted primarily of $14.5 million in proceeds received upon the issuance of two 7.30% senior secured financing notes. These notes are due November 2014. In addition, $4.7 million in cash was generated in the nine months ended March 31, 2000 from the employee stock purchase plan and the exercise of stock options.

Management believes that the Company's available cash, plus cash generated from operations, will be sufficient to provide for the Company's working capital and capital expenditure requirements for the foreseeable future. If the Company acquires one or more businesses or products, the Company's capital requirements could increase substantially. In the event of such an acquisition or in the event that any unanticipated circumstances arise which significantly increase the Company's capital requirements, there can be no assurance that necessary additional capital will be available on terms acceptable to the Company, if at all.

ITEM 3 Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk Management

There were no material changes in the Company's exposure to market risk from June 30, 2000.

PART II. OTHER INFORMATION

ITEM 2. Use of Proceeds from Registered Securities:

None

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

None

ITEM 5 Other Information

None

ITEM 6. Exhibits and Reports Filed on Form 8-K

(a) Exhibits.

None.

(b) Reports on Form 8-K.

None.

MERCURY COMPUTER SYSTEMS, INC.
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.

MERCURY COMPUTER SYSTEMS, INC.

Date: May 14, 2001

By: /s/ G. MEAD WYMAN

G. Mead Wyman
Senior Vice President, Chief
Financial Officer and Treasurer

(Principal Financial and Accounting Officer)