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 December 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 January 31, 2002:

Class	Number of Shares Outstanding
Common Stock, par value $.01 per share	22,087,534

Total number of pages 14

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)

	December 31, 2001 (Unaudited)	June 30, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,757	$ 13,307
Marketable securities	81,036	54,135
Trade accounts receivable, net of allowances of $797 and $600 at December 31, 2001 and June 30, 2001, respectively	27,117	34,928
Inventory	13,433	12,840
Deferred income taxes, net	3,206	3,206
Prepaid expenses and other current assets	5,397	5,341
Prepaid income taxes	6,903	--
Total current assets	147,849	123,757
Marketable securities	14,329	28,166
Property and equipment, net	28,120	28,793
Deferred income taxes, net	2,207	2,207
Other assets	33	661
Total assets	$192,538	$183,584
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,431	$ 6,638
Accrued expenses	3,501	4,263
Accrued compensation	6,419	7,427
Capital lease - short term	183	292
Notes payable - short term	621	621
Billings in excess of revenues and customer advances	966	1,060
Income taxes payable	--	2,065
Total current liabilities	19,121	22,366
Deferred compensation - long term	471	337
Capital lease - long term	23	108
Notes payable - long term	12,678	12,985
Commitments and contingencies (Note H)		
Stockholders' equity:		
Common stock, $.01 par value; 65,000,000 shares authorized; 22,057,594 and 21,811,738 shares issued and outstanding at December 31, 2001 and June 30, 2001, respectively	221	218
Additional paid-in capital	47,085	42,575
Retained earnings	112,312	104,525
Accumulated other comprehensive income	627	470
Total stockholders' equity	160,245	147,788
Total liabilities and stockholders' equity	$192,538	$183,584

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 December 31, 2001	Three months ended December 31, 2000	Six months ended December 31, 2001	Six months ended December 31, 2000
Net revenue	$ 37,435	$ 43,325	$ 72,296	$ 84,794
Cost of revenue	12,607	14,189	23,489	27,313
Gross profit	24,828	29,136	48,807	57,481
Operating expenses:				
Selling, general and administrative	12,423	12,779	24,373	24,902
Research and development	8,462	7,954	16,317	14,697
Total operating expenses	20,885	20,733	40,690	39,599
Income from operations	3,943	8,403	8,117	17,882
Interest income	1,068	1,004	2,247	1,932
Interest expense	(330)	(268)	(501)	(543)
Gain on sale of division	1,600	1,600	3,200	3,200
Equity loss in joint venture	(872)	(476)	(1,752)	(1,711)
Other expenses, net	(174)	(104)	(186)	(147)
Income before income taxes	5,235	10,159	11,125	20,613
Provision for income taxes	1,453	3,251	3,338	6,596
Net income	$ 3,782	$ 6,908	$ 7,787	$ 14,017
Net income per share:				
Basic	$ 0.17	$ 0.32	$ 0.36	$ 0.65
Diluted	$ 0.16	$ 0.30	$ 0.33	$ 0.61
Weighted average shares outstanding:				
Basic	21,985	21,484	21,924	21,445
Diluted	23,424	23,006	23,327	22,876

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)

	Six months ended December 31, 2001	Six months ended December 31, 2000
Cash flows provided from operating activities:		
Net income	$ 7,787	$ 14,017
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,305	2,949
Gain on sale of division	(3,200)	(3,200)
Equity loss in joint venture	1,752	1,733
Provision for doubtful accounts	200	--
Tax benefit from disqualified dispositions	1,173	1,137
Stock compensation expense	420	--
Changes in operating assets and liabilities:		
Trade accounts receivable	7,649	(3,419)
Inventory	(592)	(490)
Prepaid expenses and other current assets	(46)	(1,344)
Other assets	(312)	(991)
Accounts payable	789	(3,488)
Accrued expenses and compensation	(1,595)	2,099
Deferred compensation	135	222
Billings in excess of revenues and customer advances	(90)	930
Income taxes	(8,967)	(763)
Net cash provided by operating activities	8,408	9,392
Cash flows from investing activities:		
Purchases of marketable securities	(42,723)	(50,301)
Maturities of marketable securities	29,783	50,093
Purchases of property and equipment	(2,615)	(3,875)
Proceeds from sale of division	3,200	3,200
Investments in joint venture	(1,000)	(60)
Net cash used in investing activities	(13,355)	(943)
Cash flows from financing activities:		
Proceeds from employee stock purchase plan and the exercise of stock options	2,919	2,017
Payments of long-term debt	(307)	(308)
Principal payments under capital lease obligations	(194)	(285)
Net cash provided by financing activities	2,418	1,424
Net increase (decrease) in cash and cash equivalents	(2,529)	9,873
Effect of exchange rate change on cash and cash equivalents	(21)	(77)
Cash and cash equivalents at beginning of period	13,307	5,850
Cash and cash equivalents at end of period	$ 10,757	$ 15,646
Cash paid during the period for:		
Interest	$ 501	$ 543
Income taxes	$ 10,978	$ 7,839

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

	December 31, 2001	June 30, 2001
Raw materials	$ 5,393	$ 6,109
Work in process	4,403	4,301
Finished goods	3,637	2,430
Total	$13,433	$12,840

C. NET INCOME PER SHARE

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2001	2000	2001	2000
Net income	$ 3,782	$ 6,908	$ 7,787	$14,017
Shares used in computation:				
Weighted average common shares outstanding used in computation of basic net income per share	21,985	21,484	21,924	21,445
Dilutive effect of stock options	1,439	1,522	1,403	1,431
Shares used in computation of diluted net income per share	23,424	23,006	23,327	22,876
Basic net income per share	$ 0.17	$ 0.32	$ 0.36	$ 0.65
Diluted net income per share	$ 0.16	$ 0.30	$ 0.33	$ 0.61

Options to purchase 283,200 and 158,250 shares of common stock outstanding during the three months ended December 31, 2001 and 2000, respectively, were not included in the calculation of diluted net income per share because the option exercise prices were greater than the average market price of the common stock during the period. Options to purchase 357,335 and 274,915 shares of common stock outstanding during the six months ended December 31, 2001 and 2000, respectively, were not included in the calculation of diluted net income per share because the option exercise prices were greater than the average market price of the common stock during the period.

D. NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No.142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that all business combinations be accounted for under the purchase method only and that certain acquired intangible assets in a business combination be recognized as assets apart from goodwill. SFAS No. 142 requires that ratable amortization of goodwill be replaced with periodic tests of the goodwill's impairment and that intangible assets other than goodwill be amortized over their useful lives. SFAS No. 141 is effective for all business combinations initiated after June 30, 2001 and for all business combinations accounted for by the purchase method for which the date of acquisition is after June 30, 2001. The provisions of SFAS No. 142 are required to be adopted for fiscal years beginning after December 15, 2001, however, the Company has, as permitted, adopted SFAS No. 142 early, as of July 1, 2001. The adoption of SFAS No. 142 had no impact on the Company's financial position or results of operations.

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 143 ("SFAS 143"), "Accounting for Obligations Associated with the Retirement of Long-Lived Assets." SFAS 143 provides the accounting requirements for retirement obligations associated with tangible long-lived assets. SFAS 143 is effective for financial statements for fiscal years beginning after June 15, 2002. Management is currently assessing but has not yet determined the impact, if any, of SFAS 143 on its financial position and results of operations.

In October 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 144 requires one method of accounting for long-lived assets disposed of by sale. SFAS 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001. Management is currently assessing but has not yet determined the impact, if any, of SFAS 144 on its financial position and results of operations.

E. COMPREHENSIVE INCOME

Mercury's total comprehensive income was as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2001	2000	2001	2000
Net income	$ 3,782	$ 6,908	$7,787	$ 14,017
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	(7)	(158)	24	(124)
Unrealized gain (loss) on marketable securities	(98)	148	87	203
Other comprehensive income	(105)	(10)	111	79
Total comprehensive income	$ 3,677	$ 6,898	$7,898	$ 14,096

F. OPERATING SEGMENT AND GEOGRAPHIC INFORMATION

Operating segments are defined as components of an enterprise evaluated regularly by the Company's senior management in deciding how to allocate resources and in assessing performance. The Company has six principal operating segments: North American Defense, Medical Imaging, Commercial, International Defense, 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 Defense and Commercial segment is comprised of International Defense, Wireless Communications, and Other Commercial businesses unrelated to the defense or medical businesses. These operating segments are not separately reported, as they do not meet any of SFAS No. 131's quantitative thresholds.

The accounting policies of the reportable 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, 2001. The following table provides reportable segment information for the three-month and six-month periods ended December 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 DECEMBER 31, 2001:							
Sales to unaffiliated customers	$22,037	$10,610	$1,956	$ 2,832	--	--	$ 37,435
Income (loss) before taxes (1)	14,296	4,571	178	(1,472)	(6,876)	(5,462)	5,235
Depreciation/amort. Expense	76	27	11	21	517	1,010	1,662
THREE MONTHS ENDED DECEMBER 31, 2000:							
Sales to unaffiliated customers	$24,276	$10,439	$4,661	$ 3,949	--	--	$ 43,325
Income (loss) before taxes (1)	16,245	3,546	2,694	749	(7,344)	(5,731)	10,159
Depreciation/amort. Expense	196	13	3	75	434	811	1,532
SIX MONTHS ENDED DECEMBER 31, 2001:							
Sales to unaffiliated customers	$39,580	$20,538	$4,960	$ 7,218	--	--	$ 72,296
Income (loss) before taxes (1)	25,809	8,915	1,177	(1,182)	(13,470)	(10,124)	11,125
Depreciation/amort. Expense	150	59	21	122	992	1,961	3,305
SIX MONTHS ENDED DECEMBER 31, 2000:							
Sales to unaffiliated customers	$52,005	$19,317	$7,996	$ 5,476	--	--	$ 84,794
Income (loss) before taxes (1)	34,641	6,259	4,360	(57)	(13,307)	(11,283)	20,613
Depreciation/amort. expense	384	21	4	142	813	1,585	2,949

(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 are charged to the appropriate operating segment. All other expenses for marketing and administrative support activities that cannot be specifically identified with a principal operating segment are allocated to Corporate.

(2) The North American Defense and the Other Defense and Commercial segments differ in definition from the defense market segment described in the Company's management discussion and analysis ("MD&A"). The Defense market segment in the MD&A refers to the worldwide defense market. The North American Defense and Other Defense and Commercial are operating segments as defined by Statement No. 131, and are subsets of the worldwide defense market discussed in the MD&A.

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. During the three months ended December 31, 2001, the Company did not invest any additional funds in AgileVision. During the three-month periods ended December 31, 2001 and 2000, the Company recognized $0.9 million and $0.5 million, respectively, in losses related to the operations of AgileVision. During the six-month periods ended December 31, 2001 and 2000, the Company recognized $1.8 million and $1.7 million, respectively, in losses related to the operations of AgileVision.

Summarized income statements for AgileVision during the periods ended December 31, 2001 and 2000 are as follows:

	Three Months Ended December 31, 2001	Three Months Ended December 31, 2000	Six Months Ended December 31, 2001	Six Months Ended December 31, 2000
Expenses	$1,415	$476	$2,448	$1,711
Loss from continuing operations	1,415	476	2,448	1,711
Net loss	$1,415	$476	$2,448	$1,711

Summarized Statements of Financial Position of AgileVision:

	December 31, 2001	June 30, 2001
Current assets	$ 366	$ 471
Non-current assets	33	37
Total assets	399	508
Current liabilities	9,195	6,864
Shareholders' equity	(8,796)	(6,356)
Total liabilities and equity	$ 399	$ 508

H. COMMITMENTS AND CONTINGENCIES

In July 1999, a former employee brought a wrongful termination action against the Company and certain officers of the Company. The plaintiff seeks severance pay, the right to purchase 60,000 shares of the Company's common stock at a price of $2.00 per share, the right to exercise 96,000 stock options at an exercise price of $2.00 per share, and other financial consideration. Binding arbitration has commenced but no ruling has been decided. The position of the Company's management after consultation with external counsel is that a loss from this action is not probable. Accordingly, no loss accrual has been recorded. If the plaintiff were to prevail on its claims, depending on the price of the Company's common stock, a judgement for a material amount could be awarded against the Company. The Company has objected to the claims and is aggressively defending the matter.

ITEM 2. MANAGEMENT'S 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 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

RESULTS OF OPERATIONS

REVENUES

The Company's total revenues decreased 14% from $43.3 million during the three months ended December 31, 2000 to $37.4 million during the three months ended December 31, 2001. Revenue decreased 15% from $84.8 million during the six months ended December 31, 2000 to $72.3 million during the six months ended December 31, 2001.

Defense electronics revenues decreased 12% from $28.2 million or 65% of total revenues during the three months ended December 31, 2000 to $24.8 million or 67% of total revenues during the three months ended December 31, 2001. Defense electronics revenues decreased 19% from $57.3 million or 67% of total revenues during the six months ended December 31, 2000 to $46.5 million or 65% of total revenues during the six months ended December 31, 2001. The decrease in revenues was due primarily to an elongated planning and budgeting cycle of the new federal administration and the subsequent re-focusing of the priorities to the operational necessities of the war on terrorism.

Medical imaging revenues increased 2% from $10.4 million or 24% of total revenues during the three months ended December 31, 2000 to $10.6 million or 28% of total revenues during the three months ended December 31, 2001. Medical imaging revenues for the six months ended December 31, 2001 increased 6% to $20.5 million or 28% of total revenues from $19.4 million or 23% of total revenues for the six months ended December 31, 2000. The increase in medical imaging revenues is primarily due to strong growth in sales of both magnetic resonance imaging ("MRI") and positron emission tomography ("PET") systems, offset partially by the decline in sales of our more mature computed tomography ("CT") systems.

Other revenues decreased 59% from $4.7 million or 11% of total revenues during the three months ended December 31, 2000 to $2.0 million or 5% of total revenues during the three months ended December 31, 2001. Other revenues for the six months ended December 31, 2001 decreased 34% to $5.3 million or 7% of total revenues from $8.1 million or 10% of total revenues for the six months ended December 31, 2000. The decrease in other revenues was due primarily to the continued economic downturn in the overall semiconductor-manufacturing sector.

COST OF REVENUES

Cost of revenues decreased 11% from $14.2 million during the three months ended December 31, 2000 to $12.6 million during the three months ended December 31, 2001. As a percent of total revenues, cost of revenues increased from 33% during the three months ended December 31, 2000 to 34% for the three months ended December 31, 2001. For the six months ended December 31, 2001, cost of revenues decreased by 14% to $23.5 million from $27.3 million during the six months ended December 31, 2000. As a percent of total revenues, cost of revenues remained relatively flat at 32%, year over year.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general, and administrative expenses decreased 3% from $12.8 million during the three months ended December 31, 2000 to $12.4 million during the three months ended December 31, 2001. Selling, general and administrative expenses decreased 2% from $24.9 million during the six months ended December 31, 2000 to $24.4 million during the six months ended December 31, 2001. The decrease was primarily due to the reduction of expenses associated with the implementation of a new financial, manufacturing, and administrative computer system that was installed at the end of the first fiscal quarter this year. Additionally, commissions associated with lower sales volume contributed to the decreased expenses.

RESEARCH AND DEVELOPMENT

Research and development expenses increased 6% from $8.0 million during the three months ended December 31, 2000 to $8.5 million during the three months ended December 31, 2001. Research and development expenses increased by 11% from $14.7 million during the six months ended December 31, 2000 to $16.3 million during the six months ended December 31, 2001. The increase in research and development expenses was due primarily to the hiring of additional software and hardware engineers to develop and enhance the features and functionality of the Company's products and the introduction of new products in response to demand for next generation products.

GAIN ON SALE OF DIVISION

On January 18, 2000, the Company completed the sale of its shared storage division ("SSBU") to IBM. Payments were structured with an initial payment of $4.5 million (excluding $1.0 million to be held in escrow and payable on a contingent basis), followed by 12 quarterly contingent payments of $1.6 million, including principal and interest. The quarterly payments are contingent upon IBM's continued use of the technology. If IBM defaults, Mercury has the right to recover the assets, including the patent and other intellectual property. The Company recorded a $1.6 million gain during the three months ended December 31, 2001 and 2000, respectively and recorded a $3.2 million gain during the six months ended December 31, 2001 and 2000, respectively.

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. During the three-month periods ended December 31, 2001 and 2000, the Company recognized $872,000 and $476,000, respectively in losses related to the operations of AgileVision. During the six-month periods ended December 31, 2001 and 2000, the Company recognized $1.8 million and $1.7 million, respectively, in losses related to the operations of AgileVision. The Company does not expect to recognize any material gains or losses related to its investment in AgileVision going forward.

PROVISION FOR INCOME TAX

The Company recorded a tax provision of $1.5 million during the three months ended December 31, 2001 reflecting a 28% tax rate as compared to a $3.3 million tax provision during the three months ended December 31, 2000, reflecting a 32% tax rate. The Company recorded a tax provision of $3.3 million during the six months ended December 31, 2001 reflecting a 30% tax rate as compared to a $6.6 million tax provision during the six months ended December 31, 2000, reflecting a 32% tax rate. The decrease in the tax rate was due to the re-estimation of the Company's annual rate and an adjustment during the fiscal second quarter to reduce the annual rate from 32% to 30%. The reduction in the annual rate was the result of a reduction in the Company's overall profit forecast for the year while amounts for certain tax preference items such as the research and experimentation credit and tax exempt interest income, are expected to remain constant or increase.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2001, the Company had cash and marketable investments of approximately $106.1 million. During the six months ended December 31, 2001, the Company generated approximately $8.4 million in cash from operations compared to $9.4 million generated during the six months ended December 31, 2000. The cash generated from operations during the six-month period ended December 31, 2001 was primarily the result of net income, a reduction in the Company's trade receivables offset by an increase in current liabilities and prepayment of income taxes. Days sales outstanding was 65 days and 59 days at December 31, 2001 and 2000, respectively.

During the six months ended December 31, 2001, the Company's investing activities used cash of $13.4 million. During the period, investing activities consisted of purchases of $12.9 million of marketable securities (net of maturities), $2.6 million for the purchase of computers, furniture and equipment; and a $1.0 million investment in AgileVision. These cash outflows were partially offset by the receipt of $3.2 million from proceeds received on the sale of the SSBU division. During the six months ended December 31, 2000, the Company's investing activities used cash of $0.9 million, which consisted of $0.2 million for the purchase of marketable securities (net of maturities) and $3.9 million for the purchase of computers, furniture and equipment and leasehold improvements. These cash outflows were partially offset by the receipt of $3.2 million from proceeds received on the sale of the SSBU division.

During the six months ended December 31, 2001 and 2000, the Company's financing activities provided cash of approximately $2.4 million and $1.4 million, respectively. 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.

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, 2001.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings:

In July 1999, a former employee brought a wrongful termination action against the Company and certain officers of the Company. The plaintiff seeks severance pay, the right to purchase 60,000 shares of the Company's common stock at a price of $2.00 per share, the right to exercise 96,000 stock options at an exercise price of $2.00 per share, and other financial consideration. Binding arbitration has commenced but no ruling has been decided. The position of the Company's management after consultation with external counsel is that a loss from this action is not probable. Accordingly, no loss accrual has been recorded. If the plaintiff were to prevail on its claims, depending on the price of the Company's common stock, a judgement for a material amount could be awarded against the Company. The Company has objected to the claims and is aggressively defending the matter.

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

On November 15, 2001, the Company held a Special Meeting in lieu of the 2001 Annual Meeting of Stockholders (the "Meeting"). At the Meeting, Dr. Albert P. Belle Isle, James A. Dwyer, and Melvin Sallen were reelected as directors for terms ending in 2004. The voting results were as follows:

Dr. Albert P. Belle Isle	For 19,569,169	Withheld 164,560
James A. Dwyer	For 18,928,910	Withheld 804,819
Melvin Sallen	For 19,558,224	Withheld 175,505

The terms of the following Directors continued after the meeting:

James Bertelli
Russell K. Johnsen
Dr. Gordon B. Baty
Sherman N. Mullin

At the Meeting, the stockholders adopted an amendment to the Company's Articles of Organization to increase the number of authorized shares of common stock from 40,000,000 shares to 65,000,000 shares. The voting results were as follows:

For 18,556,267	Against 1,155,591	Abstain 21,871

The stockholders also approved an increase in the number of shares issuable pursuant to the Company's 1997 Stock Option Plan from 4,650,000 shares to 5,650,000 shares. The voting results were as follows:

For 8,648,387	Against 7,009,771	Abstain 52,862

The stockholders defeated a proposal to amend the Company's 1997 Stock Option Plan to increase automatically on an annual basis the number of shares of Common Stock reserved for issuance under such plan. The voting results were as follows:

For 7,173,554	Against 8,488,533	Abstain 48,933

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: February 14, 2002

By: /s/ G. MEAD WYMAN

G. Mead Wyman
Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)