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ENGINEERED SUPPORT SYSTEMS INC

Form 10-Q

September 14, 2001

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

Quarterly Report under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For the nine months ended July 31, 2001

Commission file number 0-13880

ENGINEERED SUPPORT SYSTEMS, INC.

(Exact name of Registrant as specified in its charter)

Missouri
(State of Incorporation)

43-1313242
(IRS Employer Identification Number)

201 Evans Lane, St. Louis, Missouri
(Address of principal executive offices)

63121
(Zip Code)

Registrant's telephone number including area code: (314) 553-4000

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
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The number of shares of the Registrant's common stock, \$.01 par value, outstanding at August 31, 2001 was 9,442,476.

ENGINEERED SUPPORT SYSTEMS, INC.

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ENGINEERED SUPPORT SYSTEMS, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (in thousands, except per share amounts)

	July 31 2001 ----- (Unaudited)	October 31 2000 -----
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,243	\$ 719
Accounts receivable	30,279	33,964
Contracts in process and inventories	53,261	57,465
Other current assets	8,753	10,727
	-----	-----
Total Current Assets	94,536	102,875
Property, plant and equipment, less accumulated depreciation of \$27,290 and \$22,432	53,451	56,883
Goodwill, less accumulated amortization of \$8,002 and \$5,649	72,224	74,577
Other assets	3,557	4,017
	-----	-----
Total Assets	\$ 223,768 =====	\$ 238,352 =====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Notes payable	\$	\$ 16,300
Current maturities of long-term debt	20,038	17,038
Accounts payable	20,224	26,826
Other current liabilities	28,450	25,654
	-----	-----

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Total Current Liabilities	68,712	85,818
Long-term debt	47,260	63,028
Other liabilities	10,615	10,575
ESOP guaranteed bank loan		431
Shareholders' Equity		
Common stock, par value \$.01 per share; 30,000 shares authorized; 10,452 and 8,298 shares issued	105	83
Additional paid-in capital	55,584	49,365
Retained earnings	56,345	43,571
Accumulated other comprehensive loss	(718)	
	-----	-----
	111,316	93,019
Less ESOP guaranteed bank loan		431
Less treasury stock at cost, 1,032 and 1,042 shares	14,135	14,088
	-----	-----
	97,181	78,500
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 223,768	\$ 238,352
	=====	=====

See notes to condensed consolidated financial statements.

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ENGINEERED SUPPORT SYSTEMS, INC. CONDENSED CONSOLIDATED STATEMENTS OF INCOME (in thousands, except per share amounts) (UNAUDITED)

	Three Months Ended July 31		Nine Months July 31
	2001	2000	2001
Net revenues	\$ 99,208	\$ 93,291	\$ 290,368
Cost of revenues	79,495	75,757	233,272
Gross profit	19,713	17,534	57,096
Selling, general and administrative expense	10,397	9,000	30,323
Income from operations	9,316	8,534	26,773
Interest expense	(1,337)	(2,262)	(5,110)
Interest income	48	54	173

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Gain (loss) on sale of assets	(7)	(50)	(8)
	-----	-----	-----
Income before income taxes	8,020	6,276	21,828
Income tax provision	3,208	2,512	8,731
	-----	-----	-----
Net income	\$ 4,812	\$ 3,764	\$ 13,097
	=====	=====	=====
Basic earnings per share (1)	\$ 0.51	\$ 0.43	\$ 1.42
	=====	=====	=====
Diluted earnings per share (1)	\$ 0.46	\$ 0.42	\$ 1.31
	=====	=====	=====

See notes to condensed consolidated financial statements.