Form 10-Q

United States Securities And Exchange Commission
Washington, D.C. 20549

|X| Quarterly Report pursuant to Section 13 or 15(D) of the Securities Exchange Act of 1934 for the fiscal quarter ended February 28, 2001

|_| 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: 1-11869

FactSet Research Systems Inc.
(Exact name of registrant as specified in its charter)

Delaware	13-3362547
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Greenwich Plaza, Greenwich, Connecticut	06830
(Address of principal executive office)	(Zip Code)

Registrant's telephone number, including area code: (203) 863-1500

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

Title of each class	Outstanding at February 28, 2001
Common Stock, par value $.01	33,043,000

FactSet Research Systems Inc.

Form 10-Q
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FactSet Research Systems Inc.
CONSOLIDATED STATEMENTS OF INCOME-Unaudited
In thousands, except per share data

	Three Months Ended		Six Months Ended	
	Feb 28, 2001	Feb 29, 2000	Feb 28, 2001	Feb 29, 2000
Subscription Revenues				
Commissions	$13,981	$11,980	$26,938	$22,876
Cash fees	28,943	20,505	56,897	39,893
Total subscription revenues	42,924	32,485	83,835	62,769
Expenses				
Cost of services	14,569	11,562	28,698	22,122
Selling, general, and administrative	15,818	11,676	30,817	22,718
Total operating expenses	30,387	23,238	59,515	44,840
Income from operations	12,537	9,247	24,320	17,929
Other income	942	700	1,873	1,387
Income before income taxes	13,479	9,947	26,193	19,316
Provision for income taxes	5,107	3,752	10,069	7,595
Non-recurring tax benefit	--	(1,119)	--	(1,119)
Total income taxes	5,107	2,633	10,069	6,476
Net income	$8,372	$7,314	$16,124	$12,840
Basic earnings per common share	$0.25	$0.23	$0.49	$0.40
Diluted earnings per common share	$0.24	$0.21	$0.46	$0.37
Weighted average common shares (Basic)	32,973	31,887	32,927	31,709
Weighted average common shares (Diluted)	34,779	34,659	34,797	34,556

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

FactSet Research Systems Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME-Unaudited
In thousands

	Three Months Ended		Six Months Ended	
	Feb 28, 2001	Feb 29, 2000	Feb 28, 2001	Feb 29, 2000
Net income	$8,372	$7,314	$16,124	$12,840
Unrealized gain (loss) on investments, net of taxes	35	(4)	42	(26)
Comprehensive Income	$8,407	$7,310	$16,166	$12,814

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

FactSet Research Systems Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION-Unaudited

ASSETS

In thousands	February 28, 2001	August 31, 2000
CURRENT ASSETS		
Cash and cash equivalents	$47,433	$39,629
Investments	30,799	22,704
Receivable from clients and clearing brokers	30,397	28,449
Receivable from employees	520	789
Deferred taxes	4,940	7,365
Other current assets	1,656	937
Total current assets	115,745	99,873
LONG-TERM ASSETS		
Property, equipment, and leasehold improvements, at cost	76,934	66,637
Less accumulated depreciation	(46,784)	(45,749)
Property, equipment, and leasehold improvements, net	30,150	20,888
OTHER LONG-TERM ASSETS		
Intangible assets, net	10,267	10,734
Deferred taxes	2,773	2,232
Other assets	1,863	1,841
TOTAL ASSETS	$160,798	$135,568

LIABILITIES AND STOCKHOLDERS' EQUITY

In thousands	February 28, 2001	August 31, 2000
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 15,311	$ 9,874
Accrued compensation	8,530	9,576
Deferred fees and commissions	10,074	9,656
Dividend payable	991	985
Current taxes payable	5,006	1,854
Total current liabilities	39,912	31,945
NON-CURRENT LIABILITIES		
Deferred rent	607	621
Total liabilities	40,519	32,566
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value, 10,000,000 shares authorized, none issued	-	-
Common stock	331	328
Capital in excess of par value	22,264	19,015
Retained earnings	100,157	86,011
Unrealized gain on investments, net of taxes	47	5
	122,799	105,359
Less treasury stock, at cost	(2,520)	(2,357)
Total stockholders' equity	120,279	103,002
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$160,798	$135,568

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

FactSet Research Systems Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS-Unaudited

In thousands	Six Months Ended Feb 28, 2001	Six Months Ended Feb 29, 2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$16,124	$12,840
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	7,635	6,069
Deferred tax provision	1,945	(406)
Accrued ESOP contribution	850	625
Net income adjusted for non-cash operating items	26,554	19,128
Changes in working capital		
Receivable from clients and clearing brokers	(1,948)	(3,240)
Prepaid taxes	--	(1,063)
Receivable from employees	269	(119)
Accounts payable and accrued expenses	5,437	785
Accrued compensation	(596)	(49)
Deferred fees and commissions	418	(711)
Current taxes payable	3,152	(1,522)
Other working capital accounts, net	(755)	56
Income tax benefits from option exercises	432	862
Net cash provided by operating activities	32,963	14,127
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments, net	(8,053)	(4,376)
Purchases of property, equipment, and leasehold improvements	(16,487)	(7,167)
Net cash used in investing activities	(24,540)	(11,543)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend payments	(1,842)	(1,461)
Repurchase of common stock from employees	(163)	(476)
Proceeds from exercise of stock options	1,386	1,032
Net cash used in financing activities	(619)	(905)
Net increase in cash and cash equivalents	7,804	1,679
Cash and cash equivalents at beginning of period	39,629	31,837
Cash and cash equivalents at end of period	$47,433	$33,516

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FactSet Research Systems Inc.
February 28, 2001
(Unaudited)

1. ORGANIZATION AND NATURE OF BUSINESS

FactSet Research Systems Inc.(the "Company") provides online integrated database services to the investment community. The Company's revenues are derived from subscription charges. Solely at the option of each client, these charges may be paid either in commissions on securities transactions (in which case subscription revenues are recorded as commissions) or on a cash basis (in which case subscription revenues are recorded as cash fees).

To facilitate the receipt of subscription revenues on a commission basis, the Company's wholly owned subsidiary, FactSet Data Systems, Inc. ("FDS"),is a member of the National Association of Securities Dealers, Inc. and is a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934.

Subscription revenues paid in commissions are derived from securities transactions introduced and cleared on a fully disclosed basis primarily through two clearing brokers. That is, a client paying subscription charges on a commission basis directs the clearing broker, at the time the client executes a securities transaction, to credit the commission on the transaction to FDS.

FactSet Limited and FactSet Pacific, Inc. are wholly owned subsidiaries of the Company and are U.S. corporations with foreign branch operations in London, Frankfurt, Tokyo, Hong Kong, and Sydney.

2. ACCOUNTING POLICIES

The accompanying unaudited interim consolidated financial statements of the Company have been prepared in conformity with generally accepted accounting principles in the United States, consistent in all material respects with those applied in the Annual Report on Form 10-K for the fiscal year ended August 31, 2000. Interim financial information is unaudited, but reflects all normal adjustments, which are, in the opinion of management, necessary to present fairly the results for the interim periods presented. The interim financial statements should be read in connection with the audited financial statements (including the footnotes thereto) in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2000.

The significant accounting policies of the Company and its subsidiaries are summarized below.

Financial Statement Presentation

The accompanying unaudited consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany activity and balances have been eliminated from the consolidated financial statements. Certain prior year amounts have been reclassified to conform to current year presentation.

Cost of services is composed of employee compensation and benefits for the applications engineering and consulting groups, clearing fees, data costs, amortization of acquired technology, computer maintenance and depreciation expenses, and communication costs. Selling, general, and administrative expenses include employee compensation and benefits for the sales, product development and various other support departments, promotional expenses, rent, amortization of goodwill and leasehold improvements, depreciation of furniture and fixtures, office expenses, professional fees, and other expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates have been made in areas including deferred tax assets, depreciable lives of fixed assets, accrued liabilities, income tax provision and allowances for doubtful accounts. Actual results could differ from those estimates.

Revenue Recognition

Subscription charges are quoted to clients on an annual basis, but are earned monthly as services are provided. Subscription revenues are earned each month, based on one-twelfth of the annual subscription charge quoted to each client. Amounts that have been earned but not yet paid through the receipt of commissions on securities transactions or through cash payments are reflected on the Consolidated Statements of Financial Condition as receivables from clients and clearing brokers. Amounts that have been received through commissions on securities transactions or through cash payments that are in excess of earned subscription revenues are reflected on the Consolidated Statements of Financial Condition as deferred fees and commissions.

Clearing Fees

When subscription charges are paid on a commission basis, the Company incurs clearing fees, which are the charges imposed by clearing brokers to execute and settle clients' securities transactions. Clearing fees are recorded when the related subscription revenues recorded as commissions are earned.

Cash and Cash Equivalents

Cash and cash equivalents consists of demand deposits and money market investments with maturities of 90 days or less.

Investments

Investments that have original maturities greater than 90 days are classified as available-for-sale securities and are reported at fair value. Unrealized gains and losses on available-for-sale securities are recognized as a separate component of stockholders' equity, net of income taxes. Fair value is determined for most investments from readily available quoted market prices.

Property, Equipment, and Leasehold Improvements

Computers and related equipment are depreciated on a straight-line basis over estimated useful lives of three years. Depreciation of furniture and fixtures is recognized using the double declining balance method over estimated useful lives of five years. Leasehold improvements are amortized on a straight-line basis over the terms of the related leases or estimated useful lives of the improvements, whichever period is shorter.

Intangibles

Intangible assets consist of goodwill and acquired technology. Amortization of goodwill and acquired technology is calculated on a straight-line basis using estimated lives of fifteen and seven years, respectively.

Income and Deferred Taxes

Deferred taxes are determined by calculating the estimated future tax consequences associated with differences between financial accounting and tax bases of assets and liabilities. A valuation allowance is established to the extent management considers it more likely than not that some portion or all of the deferred tax assets will not be realized. The effect on deferred taxes from income tax law changes is recognized immediately upon enactment. The deferred tax provision is derived from changes in deferred taxes on the balance sheet and reflected on the Consolidated Statements of Income as a component of income taxes.

Income tax benefits derived from the exercise of non-qualified stock options or the disqualifying disposition of incentive stock options are recorded directly to capital in excess of par value.

Earnings Per Share

The computation of basic earnings per share in each year is based on the weighted average number of common shares outstanding. The weighted average number of common shares outstanding includes shares issued to the Company's employee stock ownership plan at the date authorized by the Board of Directors. Diluted earnings per share are based on the weighted average number of common shares and potentially dilutive common shares outstanding. Shares available pursuant to grants made under the Company's stock option plans are included as common share equivalents using the treasury stock method.

Stock-Based Compensation

In January 2001, the Company's shareholders approved the 2001 Employee Stock Purchase Plan (the "Plan"). Under the Plan, 500,000 shares of FactSet common stock have been made available to all U.S. employees of the Company. The effective date of the Plan was on March 1, 2001. All U.S. employees are eligible to participate in the Plan at the beginning of each three-month period (the "Offering Period") which begin on March 1, June 1, September 1 and December 1. Eligible employees may elect to withhold up to 10% of their salary to purchase shares of the Company's common stock at a price equal to 85% of the fair market value of the stock on the first or last day of each Offering Period, whichever is lower. The details of the Plan are included in the Company's Proxy Statement filed on November 22, 2000.

The Company follows the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION. The Company accounts for stock-based compensation plans in accordance with APB Opinion No. 25, under which no compensation costs are recorded when the exercise price of a stock option and fair market value of the underlying stock are identical on the date of grant.

New Accounting Pronouncements

In December 1999, Staff Accounting Bulletin ("SAB") No. 101, Revenue Recognition in Financial Statements, was issued. During the quarter ended February 28, 2001, the Company implemented SAB No. 101 resulting in no impact to the Company's financial condition or results of operations.

3. COMMON STOCK AND EARNINGS PER SHARE

In January 2001, the Company's shareholders approved the Amendment of the Company's Certificate of Incorporation resulting in an increase in the number of authorized shares of common stock from 40 million to 100 million.

Shares of common stock outstanding were as follows:

In thousands and unaudited	Six months ended Feb 28, 2001	Six months ended Feb 29, 2000
Balance at September 1,	32,821	31,538
Additional stock issued for ESOP	42	48
Exercise of stock options	186	670
Repurchase of common stock	(6)	(16)
Balance at February 28, 2001 and February 29, 2000	33,043	32,240

A reconciliation between the weighted average shares outstanding used in the basic and diluted EPS computations is as follows:

In thousands, except per share data and unaudited	Net Income (Numerator)	Common Shares (Denominator)	Per Share Amount
For the Three Months Ended February 28, 2001			
Basic EPS			
Net income available to common stockholders	$ 8,372	32,973	$0.25
Diluted EPS			
Dilutive effect of stock options	--	1,806	
Net income available to common stockholders	$ 8,372	34,779	$0.24
For the Three Months Ended February 29, 2000			
Basic EPS			
Net income available to common stockholders	$ 7,314	31,887	$0.23
Diluted EPS			
Dilutive effect of stock options	--	2,772	
Net income available to common stockholders	$ 7,314	34,659	$0.21
For the Six Months Ended February 28, 2001			
Basic EPS			
Net income available to common stockholders	$16,124	32,927	$0.49
Diluted EPS			
Dilutive effect of stock options	--	1,870	
Net income available to common stockholders	$16,124	34,797	$0.46
For the Six Months Ended February 29, 2000			
Basic EPS			
Net income available to common stockholders	$12,840	31,709	$0.40
Diluted EPS			
Dilutive effect of stock options	--	2,847	
Net income available to common stockholders	$12,840	34,556	$0.37

4. SEGMENTS

The Company has three reportable segments based on geographic operations: the United States, Europe and Asia Pacific. Each segment markets online integrated database services to investment managers, investment banks and other financial services professionals. The U.S. segment services financial institutions throughout North America while the European and Asia Pacific segments serve investment professionals located in Europe and other non-U.S. regions. The European segment is headquartered in London, United Kingdom and maintains an office presence in Frankfurt, Germany. The Asia Pacific segment is headquartered in Tokyo, Japan with office locations in Hong Kong and Sydney, Australia. Mainly sales and consulting personnel staff each of these foreign branch operations. The Europe and Asia Pacific segments have similar market characteristics and each offers identical products and services through a common distribution method to financial services institutions. Segment revenues reflect direct sales of products and services to clients based in their geographic location. There are no intersegment or intercompany sales. Each segment records compensation, travel, office and other direct expenses related to its employees. Expenses for software development, expenditures related to the Company's computing centers, data costs, clearing fees, income taxes and corporate headquarters charges are recorded by the U.S. segment and are not allocated to the European and Asia Pacific segments. The accounting policies of the segments are the same as those described in Note 2, "Accounting Policies."

Segment Information In Thousands	U.S.	Europe	Asia Pacific	Total
For the Three Months Ended February 28, 2001				
Revenues from external clients	$ 34,692	$ 6,043	$ 2,189	$ 42,924
Segment operating profit*	8,997	2,671	869	12,537
Total assets at February 28, 2001	148,570	9,601	2,627	160,798
Capital expenditures	12,047	339	212	12,598
For the Three Months Ended February 29, 2000				
Revenues from external clients	$ 27,345	$ 3,627	$ 1,513	$ 32,485
Segment operating profit*	7,312	1,290	645	9,247
Total assets at February 29, 2000	105,796	5,303	2,426	113,525
Capital expenditures	2,939	753	60	3,752
For the Six Months Ended February 28, 2001				
Revenues from external clients	$ 68,092	$11,442	$ 4,301	$ 83,835
Segment operating profit*	16,743	5,560	2,017	24,320
Capital expenditures	16,465	767	242	17,474
For the Six Months Ended February 29, 2000				
Revenues from external clients	$ 52,857	$ 6,936	$ 2,976	$ 62,769
Segment operating profit*	13,866	2,667	1,396	17,929
Capital expenditures	6,125	978	64	7,167

* Expenses are not allocated or charged between segments. Expenditures associated with the Company's computer centers, software development costs, clearing fees, data fees, income taxes, and corporate headquarters charges are recorded by the U.S. segment.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS-Unaudited

In thousands, except per share data	Three Months Ended Feb 28, 2001	Three Months Ended Feb 29, 2000	Change	Six Months Ended Feb 28, 2001	Six Months Ended Feb 29, 2000	Change
Revenues	$42,924	$32,485	32.1%	$83,835	$62,769	33.6%
Operating expenses	30,387	23,238	30.8	59,515	44,840	32.7
Operating income	12,537	9,247	35.6	24,320	17,929	35.6
Provision for income taxes	5,107	3,752	36.1	10,069	7,595	32.6
Non-recurring tax benefit	--	(1,119)		--	(1,119)	
Total income taxes	5,107	2,633		10,069	6,476	
Net income	8,372	7,314	14.5	16,124	12,840	25.6
Diluted earnings per common share*	$0.24	$0.21	14.3	$0.46	$0.37	24.3

* Diluted earnings per share give retroactive effect to the 2-for-1 stock split that occurred on February 4, 2000.

REVENUES

Revenues for the quarter ended February 28, 2001 were $42.9 million, an increase of 32.1% over second quarter fiscal 2000 revenues earned of $32.5 million. Revenues increased 33.6% to $83.8 million during the first half of fiscal 2001. Excluding the August 2000 acquisition of Insyte, revenues grew by 29.4% and 30.7%, respectively, for the quarter and six months ended February 28, 2001. Revenue growth was driven by international expansion, incremental subscriptions to additional databases and applications by existing clients, as well as the net addition of 96 clients over the past twelve months.

Revenues from international operations for the quarter ended February 28, 2001 increased 60.2% to $8.2 million. Revenues from European operations increased 66.6%. Revenues in Asia Pacific grew 44.7%. Overseas revenues for the first six months of fiscal 2001 were $15.7 million, up 58.8% from the same period in fiscal 2000. Revenues from international operations accounted for 19.2% of consolidated revenues for the second quarter of fiscal 2001 and 18.8% of consolidated revenues for the first half of fiscal 2001. Over 95% of the Company's revenues are received in U.S. dollars. Net monetary assets held by FactSet's international branch offices during the quarter ended February 28, 2001 were immaterial. Accordingly, the Company's exposure to foreign currency fluctuations was not material.

Demand for the Company's value added applications, including Data Warehousing, Premium Workstations, and, in particular, Portfolio Analytics continued to increase. At February 28, 2001, there were approximately 200 clients representing an estimated 1,600 subscribers to the Company's Portfolio Analytics applications compared to approximately 140 clients and nearly 1,000 subscribers for the same period a year ago.

The Company had 786 clients at February 28, 2001 compared to 690 clients for the same period a year ago, a 13.9% increase. Passwords, a measure of users of FactSet, was virtually the same at the beginning and end of the second quarter of fiscal 2001, and totaled 25,700 at February 28, 2001. Passwords, at quarter end, increased 25.3% from the comparable period a year ago.

At February 28, 2001, client commitments grew to $177.9 million, an increase of 34.5% from the year ago period. ("Commitments" at a given point in time represent the forward-looking revenues for the next twelve months from all services being currently supplied to clients.) At the end of the second quarter of fiscal 2001, the average commitment per client was $226,000, an 18% increase from the same period a year ago. Commitments from international clients were $34.0 million, representing approximately 19% of total client commitments. No individual client accounted for more than 4% of total commitments. Commitments from the ten largest clients did not surpass 25% of total client commitments. Client retention for both the second quarter of fiscal 2001 and for the first half of the year continued at a rate in excess of 95%. As a matter of policy, the Company does not seek to enter into written contracts with its clients and clients may add, delete, or terminate services at any time. Historically, commitments have increased in virtually every month.

Operating Expenses

Cost of Services
For the quarter ended February 28, 2001, cost of services grew to $14.6 million, a 26.0% increase compared to the same period for fiscal 2000. Cost of services increased 29.7% to $28.7 million for the first six months of fiscal 2001. Increases in cost of services for the second quarter were attributed primarily to higher employee compensation costs. Increases in cost of services for the first half of fiscal 2001 were due to higher employee compensation costs and computer-related costs.

Employee Compensation and Benefits
During the second quarter of fiscal 2001, employee compensation and benefits for the applications engineering and consulting groups increased $2.2 million. For the six months ended February 28, 2001, there was an increase of $3.4 million in employee compensation and benefits related to the applications engineering and consulting groups. This growth is primarily attributable to the addition of new employees and increases in merit compensation. Employee headcount in the applications engineering and the consulting groups grew 45.3% over the past twelve months.

Computer-Related Costs
Computer-related costs grew $1.7 million for the six months of the fiscal year over the same period a year ago. The Company made capital expenditures of $16.5 million thus far in fiscal 2001 primarily to purchase and install four of Compaq's new generation Wildfire mainframe machines. The implementation of this new technology also resulted in accelerated depreciation of existing mainframe equipment.

Selling, General and Administrative
For the quarter ended February 28, 2001, selling, general, and administrative (SG&A) expenses rose to $15.8 million, an increase of 35.5% from the same period a year ago. For the first six months of fiscal 2001, SG&A expenses were $30.8 million, up 35.7% from the first half in fiscal 2000. Increases in both periods were due to higher costs related to employee compensation and benefits, travel expenses and office related expenses.

Employee Compensation and Benefits
For the three months ended February 28, 2001, employee compensation and benefits for the sales, product development and other support departments rose $3.5 million compared to the same period in the prior year. During the first half of fiscal 2001, employee compensation and benefits increased $5.4 million. Employee headcount for these departments increased 33.1% during the past twelve months.

Travel and Entertainment Expense
Travel and entertainment ("T&E") expense grew $318,000 for the three months February 28, 2001. For the first half of fiscal 2001, T&E increased $1.4 million. Increase in T&E was the result of continued servicing of an expanding global client base.

Office Expenses
For the three months ended February 28, 2001, rent, amortization of leasehold improvements and depreciation of furniture and fixtures rose $630,000 compared to the second quarter of fiscal 2000. At the end of the first half of fiscal 2001, these expenses increased $1.3 million over the same period a year ago. Increases were the result of office expansions in Stamford, Connecticut, New York, New York and Tokyo, Japan and an office opening in Frankfurt, Germany during the last twelve months.

Operating Margin
Operating margin for the quarter ended February 28, 2001 was 29.2% compared to 28.5% for the same period a year ago. For the first six months of fiscal 2001, operating margin was 29.0% compared to 28.6% for the first six months of fiscal 2000. The improvement in the Company's operating margin for the second quarter was largely the result of declining clearing fees, depreciation on computer-related equipment and taxes other than income taxes, as a percentage of revenues, offset by increased employee compensation and benefits.

Clearing Fees

Clients who elect to pay for FactSet services via commissions on securities transactions are charged a greater amount than cash-paying clients to compensate for clearing broker fees paid by the Company. Cash fees result in greater margin percentages than commission revenues, however, revenues net of clearing fees are approximately the same under both of these payment methods. Commission revenues, as a percentage of total revenues, for the three months and six months ended February 28, 2001, decreased from 37% to 33% and 36% to 32%, respectively.

Taxes Other Than Income Taxes

During the third quarter of fiscal 2000, the Company reached an agreement with a state tax authority regarding an ongoing tax audit. As a result, provision for taxes other than income taxes declined in the quarter ended February 29, 2000 compared with the quarter ended February 28, 2001.

Income Taxes

Income tax expense for the second quarter of fiscal 2001 increased $2.5 million from the same period a year ago. Pretax income grew $3.5 million compared to the year ago period. Income tax expense of $2.6 million in the second quarter of fiscal 2000 included a non-recurring tax benefit of $1.1 million. The effective tax rate for the second quarter of fiscal 2001 was 37.9%. Excluding the non-recurring income tax benefit for the second quarter of fiscal 2000, the effective tax rate was 37.7%. Income tax expense for the first half of fiscal 2001 was $10.1 million, an increase of $3.6 million. Without the one-time income tax benefit in the first half of 2000, the increase was $2.5 million. The effective tax rate for the first half of fiscal 2001 was 38.4%. The effective tax rate for the first half of fiscal 2000 was 39.3% excluding the non-recurring income tax benefit.

Liquidity

Cash generated by operating activities was $33.0 million, an increase of $18.9 million over the comparable period in fiscal 2000. The increase resulted from higher profitability, timing of income tax payments, and timing of accounts payable disbursements (due largely to an $8.5 million increase in accounts payable related to the Company's investment in new mainframes).

Capital Expenditures

The Company's capital expenditures for the six months ended February 28, 2001 amounted to $16.5 million. The Company made significant technological upgrades related to its two data centers. During the first half of fiscal 2000, the Company replaced four Compaq Alpha GS 140 systems at each of the data centers with two Compaq GS 320 systems, enabling the Company to increase capacity in the data centers by 50% and double system-wide main memory to 576 gigabytes. Office expansions in Stamford, Connecticut, New York, New York and Tokyo, Japan and an office opening in Frankfurt, Germany also resulted in additional capital expenditures during the first half of 2001.

Financing Operations and Capital Needs

Cash, cash equivalents and investments totaled $78.2 million or 49% of the Company's total assets at February 28, 2001. All of the Company's operating and capital expense requirements were financed entirely from cash generated from the Company's operations. The Company has no outstanding indebtedness.

Revolving Credit Facilities

The Company is a party to two credit facilities totaling $25.0 million for working capital and general corporate purposes. Approximately $250,000 of the credit facility is reserved for letters of credit issued during the ordinary course of business. The Company has no present plans to utilize any portion of the remaining available credit of $24.7 million.

Forward-Looking Factors

Business Outlook

The following forward-looking statements reflect FactSet's expectations as of April 12, 2001. Given the number of risk factors, assumptions and uncertainties enumerated and discussed below, actual results may differ materially. The Company does not intend to update its forward-looking statements until its next quarterly results announcement, other than in publicly available statements.

At February 28, 2001, total commitments were $177.9 million. Historically, total commitments at the end of the second quarter have been a reliable indicator of revenues for the fiscal year ending six months after quarter end.

Third Quarter Fiscal 2001 Expectations

- Revenues are expected to range between $44.5 million and $45.5 million.
- Operating margins should be comparable with the first half of fiscal 2001.

Full Year Fiscal 2001 Expectations

- Capital expenditures should total approximately $30 million.

Recent Market Trends

In the ordinary course of business, the Company is exposed to financial risks involving equity, foreign currency and interest rate fluctuations.

Since March 2000, major equity indices (Dow Jones 30 Industrials, Russell 2000, NASDAQ Composite, MSCI European Index) have experienced significant declines coupled with increased levels of volatility. Historically, there has been little correlation between the results of the Company's operations and the performance of the global equity markets. Nevertheless, a prolonged decline in the global equity markets could negatively impact a large number of the Company's clients (investment management firms and investment banks) and increase the possibility of personnel reductions among FactSet's existing and potential clients. Continued and prolonged deterioration in the performance of the global equity markets would make operating conditions difficult and likely result in year-over-year increases in revenues and net income to trend below 30%.

The fair market value of the Company's investment portfolio at February 28, 2001 was $30.8 million. It is anticipated that the fair market value of the Company's portfolio will continue to be immaterially affected by fluctuations in interest rates. Preservation of principal is the primary goal of the Company's investment portfolio. Pursuant to the investment guidelines established by the Company, third-party managers construct portfolios to achieve high levels of credit quality, liquidity and diversification. The Company's investment policy dictates that the weighted-average duration of short-term investments is not to exceed eighteen months. Investments such as puts, calls, strips, short sales, straddles, options, futures or investments on margin are not permitted by the Company's investment guidelines. Because the Company has no outstanding debts and, for the reasons enumerated above, the Company's financial exposure to fluctuations in interest rates is expected to continue to be low.

All of the Company's investments are held in U.S. dollars and greater than 95% of the Company's revenues are transacted in U.S. dollars. Accordingly, the Company's exposure to fluctuations in foreign currency rates is expected to continue to be immaterial.

Income Taxes

During the normal course of business, the Company's tax filings are subject to audit by federal and state tax authorities. Audits by two taxing authorities are currently ongoing. There is inherent uncertainty contained in the audit process but the Company has no reason to believe that such audits will result in additional tax payments that would have a material adverse effect on its results of operations or financial position.

Forward-Looking Statements

This Management's Discussion and Analysis contains forward-looking statements that are based on management's current expectations, estimates and projections. All statements that address expectations or projections about the future, including statements about the Company's strategy for growth, product development, market position, commitments and expected expenditures and financial results are forward-looking statements. Forward-looking statements may be identified by the words like "expected," "anticipates," "plans," "intends," "projects," "should," "indicates," "continue," "commitments" and similar expressions. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions ("future factors"). Therefore, actual results may differ materially from what is expressed or forecasted in such forward-looking statements. The Company undertakes no obligation to publicly update any forward-looking statements as a result of new information, future events, or otherwise.

These factors include, but are not limited to, the ability to hire qualified personnel; maintenance of the Company's leading technological position; the impact of global market trends on the Company's revenue growth rate and future results of operations; the negotiation of contract terms supporting new and existing databases; retention of key clients; the successful resolution of ongoing audits by tax authorities; the continued employment of key personnel; the absence of U.S. or foreign governmental regulation restricting international business; and the sustainability of historical levels of profitability and growth rates in cash flow generation.

Part II OTHER INFORMATION

Item 1. Legal Proceedings: None

Item 2. Changes in Securities: None

Item 3. Defaults Upon Senior Securities: None

Item 4. Submission of Matters to a Vote of Security Holders:

The Annual Meeting of Shareholders of FactSet Research Systems Inc. was held on January 11, 2001.

1. Four nominees to the Board of Directors were elected:

Director	Term	For	Not For	Abstain
Scott A. Billeadeau	3 yrs.	25,111,742	87,369	-
Michael F. DiChristina	2 yrs.	25,058,912	140,199	-
Philip A. Hadley	3 yrs.	25,110,582	88,529	-
John C. Mickle	3 yrs.	24,748,631	450,480	-

2. The appointment of PricewaterhouseCoopers LLP as independent public accountants of the Company was ratified:

For	25,171,808
Not for	17,260
Abstain	10,043

3. The adoption of the 2001 Employee Stock Purchase Plan was ratified:

For	25,071,556
Not for	112,634
Abstain	14,921

4. The Amendment of the Company's Certificate of Incorporation to increase the number of authorized shares of common stock from 40 million to 100 million was ratified:

For	23,258,689
Not for	1,931,477
Abstain	8,945

Item 5. Other Information: None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits
Exhibit Number

3.1	Restated Certificate of Incorporation(1)
3.2	By-laws(1)
4.1	Form of Common Stock(1)
10.1	Form of Consulting Agreement between the Company and Charles J. Snyder(2)
10.2	Letter of Agreement between the Company and Ernest S. Wong(1)
10.31	Amendment to 364-Day Credit Agreement, dated March 12, 2001
10.32	Three-Year Credit Agreement(3)
10.33	Retirement Agreement between the Company and Howard E. Wille (4)
10.4	The FactSet Research Systems Inc. 2000 Stock Option Plan (5)
10.41	The FactSet Research Systems Inc. 2001 Stock Purchase Plan (6)
10.5	The FactSet Research Systems Inc. Non-Employee Directors' Stock Option Plan(7)
27	Financial Data Schedule

(1) Incorporated by reference to the Company's Registration Statement on Form S-1 (File No. 333-4238).

(2) Incorporated by reference to the Company's annual report on Form 10-K for the fiscal year 1999.

(3) Incorporated by reference to the Company's quarterly report on Form 10-Q for the first quarter of fiscal year 1999.

(4) Incorporated by reference to the Company's quarterly report on Form 10-Q for the third quarter of fiscal year 2000.

(5) Incorporated by reference to the Company's Registration Statement on Form S-8 (File No. 333-56870).

(6) Incorporated by reference to the Company's Registration Statement on Form S-8 (File No. 333-57880).

(7) Incorporated by reference to the Company's Registration Statement on Form S-8 (File No. 333-59839).

(b) Reports on Form 8-K

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) 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.

FACTSET RESEARCH SYSTEMS INC.

Date: April 12, 2001 BY: /s/ ERNEST S. WONG
Ernest S. Wong,
Senior Vice President, Chief Financial Officer
and Secretary

THIRD AMENDMENT TO 364-DAY CREDIT AGREEMENT

This Third Amendment to 364-Day Credit Agreement (the "Amendment"), dated as of March 12, 2001, is between (i) FactSet Research Systems, Inc. (the "Borrower"), and (ii) The Chase Manhattan Bank (the "Bank").

WHEREAS, the Borrower and the Bank are parties to a 364-Day Credit Agreement dated as of November 20, 1998 (the "Credit Agreement"); and

WHEREAS, the Bank and the Borrower desire to amend the Credit Agreement to extend the Maturity Date.

NOW, THEREFORE, in consideration of the premises herein contained, and for other good and valuable consideration, receipt of which is acknowledged, it is hereby agreed as follows:

Section 1. Definitions. Terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Credit Agreement.

Section 2. Amendment to Section 1.01. The definition of the term Maturity Date in Section 1.01 of the Credit Agreement, is superseded and replaced in its entirety, and amended to read as follows:

"Maturity Date" means March 29th, 2002.

Section 3. Representations. The Borrower hereby represents and warrants to the Bank that;(i) the covenants, representations and warranties set forth in Article III of the Credit Agreement are true and correct in all material respects with the same effect on and as of the date hereof as if made on and as of the date hereof, except to the extent that such representations and warranties relate to an earlier date, and as if each reference therein to the Credit Agreement were a reference to the Credit Agreement as amended by this Amendment; (ii) no Event of Default or Default specified in the Credit Agreement has occurred and is continuing; and (iii) the making and performance by the Borrower of this Amendment have been duly authorized by all necessary corporate action.

Section 4. Conditions. The amendment set forth in Section 2 above shall become effective on the date first above written provided that the Bank shall have received a counterpart of this Amendment duly executed and delivered by the Borrower.

Section 5. Miscellaneous. Except as expressly provided in this Amendment, the Credit Agreement shall remain unchanged and in full force and effect except that each reference therein to "this Agreement", "herein", "hereunder" and similar terms referring to the Credit Agreement shall be deemed to refer to the Credit Agreement as amended hereby. This Amendment (i) shall be deemed to be effective on and as of the date first above written, (ii) shall be governed by and construed in accordance with the laws of the State of New York, and (iii) may be executed in counterparts, each of which taken together shall constitute one and the same instrument and either of the parties hereto may execute this Amendment by signing any such counterpart. Should any terms or provisions of the Credit Agreement conflict with the terms and provisions contained in this Amendment, the terms and provisions of this Amendment shall prevail.

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Amendment as of the day and year first above written.

FACTSET RESEARCH SYSTEMS INC.	THE CHASE MANHATTAN BANK
By: ______________________________	By: ___________________________
Its: _____________________________	Its: __________________________

Exhibit 27

This schedule contains summary financial information extracted from FactSet Research Systems Inc. consolidated statement of financial condition, consolidated statement of income, and consolidated statement of cash flows for the period ending February 28, 2001, and is qualified in its entirety by reference to such financial statements.

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FactSet Research Systems Inc.
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AUG-31-2001
FEB-28-2001
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30,799
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115,745
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16,124
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.46