UNITED DEFENSE INDUSTRIES INC
Form 10-Q
May 09, 2001

UNITED STATES
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 Quarter Ended: March 31, 2001 Commission File No. 333-43619

UNITED DEFENSE INDUSTRIES, INC.
(Exact Name of Registrant as Specified in Charter)

Delaware	52-2059782
(State or jurisdiction of incorporation or organization)	(I.R.S. employer identification Number)

Guarantors and Co-registrants

Iron Horse Investors, L.L.C.	Delaware 52-2059783
UDLP Holdings Corp.	Delaware 52-2059780
United Defense, L.P.	Delaware 54-1693796

1525 Wilson Boulevard, Suite 700
Arlington, VA 22209
(703) 312-6100

(Address and telephone number of principal executive offices of
each registrant and co-registrant)
Registrant's telephone number, including area code (703) 312-6100

Indicate by checkmark 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 and (2) has been subject to such filing requirement for the past 90 days. Yes [X] No [ ].

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of May 1, 2001:

	No. of Shares	Par Value
United Defense Industries, Inc.	17,971,667	$0.01
Iron Horse Investors, L.L.C.	-none-	
UDLP Holdings Corp.	1,000	$0.01
United Defense, L.P.	-none-	

IRON HORSE INVESTORS, L.L.C.
UNITED DEFENSE INDUSTRIES, INC.

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IRON HORSE INVESTORS, L.L.C.
UNITED DEFENSE INDUSTRIES, INC.

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Iron Horse Investors, L.L.C.
Unaudited Consolidated Balance Sheets

(In thousands)

	December 31, 2000
Assets	
Current assets:	
Cash and marketable securities	$113,357
Trade receivables	109,705
Inventories	259,238
Other current assets	13,083
Total current assets	495,383
Property, plant and equipment, net	80,775
Intangible assets, net	191,720
Prepaid pension and postretirement benefit cost	123,100
Restricted cash	23,528
Other assets	4,824
Total assets	$919,330
Liabilities and Capital	
Current liabilities:	
Current portion of long-term debt	$ 23,086
Accounts payable, trade and other	86,117
Advanced payments	342,394
Accrued and other liabilities	104,168
Total current liabilities	555,765
Long-term liabilities:	
Accrued pension and postretirement benefit cost	28,515
Long-term debt net of current portion	246,491
Other liabilities	41,428
Total liabilities	872,199
Minority interest	4,766
Commitments and contingencies (Note 2)	
Members' capital	42,365
Total liabilities and members' capital	$919,330

See accompanying notes.

Iron Horse Investors, L.L.C.
Unaudited Consolidated Statements of Operations

(In thousands)

	Three months ended March 31, 2000
Revenue:	
Sales	$266,894
Costs and expenses:	
Cost of sales	215,056
Selling, general and administrative expenses	42,177
Research and development	3,663
Total expenses	260,896
Earnings related to investments in foreign affiliates	846
Income from operations	6,844
Other income (expense):	
Interest income	1,081
Interest expense	(8,110)
Total other expense	(7,029)
(Loss) income before income taxes and minority interest	(185)
Provision for income taxes	575
(Loss) income before minority interest	(760)
Minority interest	31
Net (loss) income	$ (729)

See accompanying notes.

Iron Horse Investors, L.L.C.
Unaudited Consolidated Statement
of Members' Capital

(In thousands)

	Amount
Balance, December 31, 2000	$42,365
Net foreign currency translation adjustment	(1,512)
Cumulative effect of change in accounting principle- foreign currency hedges	(951)
Change in fair value of foreign currency hedges	(909)
Net income for the three months ended March 31, 2001	8,481
Total comprehensive income	5,109
Balance, March 31, 2001	$47,474

See accompanying notes.

Iron Horse Investors, L.L.C.
Unaudited Consolidated Statements of Cash Flows

(In thousands)

	Three months ended March 31, 200
Operating activities	
Net (loss) income	$ (72
Adjustments to reconcile net (loss) income to cash provided by operating activities:	
Depreciation	6,33
Amortization	17,46
Minority interest	(3
Changes in assets and liabilities:	
Trade receivables	(9,87
Inventories	(5,54
Other assets	22
Prepaid pension and postretirement benefit cost	(1,68
Accounts payable, trade and other	(16,28
Advanced payments	6,55
Accrued and other liabilities	1,18
Accrued pension and postretirement benefit cost	12
Cash used in operating activities	(2,26
Investing activities	
Capital spending	(2,91
Disposal of property, plant and equipment	10
Purchase of Barnes & Reinecke, net of $1.2 million cash acquired	(1,60

Cash used in investing activities	(4,42
Financing activities	
Payments on long-term debt	(35,82
Cash used in financing activities	(35,82
Effect of exchange rate changes on cash and marketable securities	
Decrease in cash and marketable securities	(42,50
Cash and marketable securities, beginning of period	94,32
Cash and marketable securities, end of period	$ 51,81

See accompanying notes.

Iron Horse Investors, L.L.C.

Notes to Unaudited Consolidated Financial Statements

March 31, 2001

1. Basis of Presentation

The financial information presented as of any other date than December 31 has been prepared from the books and records without audit. Financial information as of December 31 has been derived from the audited financial statements of Iron Horse Investors, L.L.C. (the "Company"), but does not include all the disclosures required by generally accepted accounting principles. In the opinion of management, the accompanying unaudited financial statements contain all adjustments, consisting of only normal recurring adjustments necessary to present fairly the Company's financial position as of March 31, 2001, and the results of its operations and cash flows for the periods ended March 31, 2001 and 2000. The results of operations are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. These unaudited consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

2. Commitments and Contingencies

United Defense Industries, Inc. has been a defendant in *U.S. ex rel. Seman and Shukla v. United Defense, FMC Corp., and Harsco Corp.*, an action filed against the Company and its prior owners on July 23, 1997 in the U.S. District Court for the District of Minnesota under the U.S. Civil False Claims Act. A complete settlement of such action was negotiated by the parties, and consented to by the U.S. Government, under which the Company is to pay a total of $6 million to settle the case, divided into installments payable over a three-year period. No finding of wrongdoing was made against the Company, and no other administrative or legal action is to be taken against the Company in respect of matters alleged in the case. On March 9, 2001, the settlement was approved by the court, and has accordingly become final.

Change in Accounting Principle

Effective January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. The statement requires that an entity recognize all derivatives as either assets or liabilities.

At December 31, 2000, the Company had foreign exchange contracts which were designated as cash flow hedges. The fair value of the contracts was a liability of $0.95 million at December 31, 2000. The transition adjustment to implement this new standard on January 1, 2001, which is presented as a cumulative effect of change in accounting principle, was charged to members' capital.

United Defense Industries, Inc.
Unaudited Consolidated Balance Sheets

(In thousands)

	December 31, 2000	Marc
Assets		
Current assets:		
Cash and marketable securities	$ 113,357	
Trade receivables	109,705	
Inventories	259,238	
Other current assets	13,083	
Total current assets	495,383	
Property, plant and equipment, net	80,775	
Intangible assets, net	191,720	
Prepaid pension and postretirement benefit cost	123,100	
Restricted cash	23,528	
Other assets	3,588	
Total assets	$ 918,094	
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	$ 23,086	
Accounts payable, trade and other	86,117	
Advanced payments	342,394	
Accrued and other liabilities	104,168	
Total current liabilities	555,765	
Long-term liabilities:		
Accrued pension and postretirement benefit cost	28,515	
Long-term debt net of current portion	246,491	
Other liabilities	41,428	
Total liabilities	872,199	
Commitments and contingencies (Note 2)		

Stockholders' Equity:	
Common Stock $.01 par value, 20,000,000 shares authorized; 18,036,667 issued and outstanding at December 31, 2000 and March 31, 2001	180
Additional paid-in-capital	180,031
Stockholders' loans	(1,236)
Retained deficit	(133,080)
Accumulated other comprehensive loss	-
Total stockholders' equity	45,895
Total liabilities and stockholders' equity	$ 918,094

See accompanying notes.

United Defense Industries, Inc.
Unaudited Consolidated Statements of Operations

(In thousands)

	Three months ended March 31, 2000
Revenue:	
Sales	$266,894
Costs and expenses:	
Cost of sales	215,056
Selling, general and administrative expenses	42,177
Research and development	3,663
Total expenses	260,896
Earnings related to investments in foreign affiliates	846
Income from operations	6,844
Other income (expense):	
Interest income	1,081
Interest expense	(8,110)
Total other expense	(7,029)
(Loss) income before income taxes	(185)
Provision for income taxes	575
Net (loss) income	$ (760)

See accompanying notes.

United Defense Industries, Inc.
Unaudited Consolidated Statement
of Stockholders' Equity

(In thousands)

	Common Stock	Additional Paid-In Capital	Retained Deficit	Accumulat other Comprehen Loss
Balance, December 31, 2000	$180	$180,031	$(133,080)	
Net foreign currency translation adjustment				(1,512
Cumulative effect of change in accounting principle-foreign currency hedges				(951
Change in fair value of foreign currency hedges				(909
Net income for the three months ended March 31, 2001			8,842	
Total comprehensive income				
Balance, March 31, 2001	$180	$180,031	$(124,238)	$(3,372

See accompanying notes.

United Defense Industries, Inc.
Unaudited Consolidated Statements of Cash Flows

(In thousands)

	Three month ended March 31, 2000
Operating activities	
Net (loss) income	$ (760)
Adjustments to reconcile net (loss) income to cash provided by operating activities:	
Depreciation	6,337
Amortization	17,460
Changes in assets and liabilities:	
Trade receivables	(9,874)
Inventories	(5,546)
Other assets	225
Prepaid pension and postretirement benefit cost	(1,681)
Accounts payable, trade and other	(16,284)
Advanced payments	6,556
Accrued and other liabilities	1,184
Accrued pension and postretirement benefit cost	120

Cash used in operating activities	(2,263)
Investing activities	
Capital spending	(2,919)
Disposal of property, plant and equipment	101
Purchase of Barnes & Reinecke, net of $1.2 million cash acquired	(1,602)
Cash used in investing activities	(4,420)
Financing activities	
Payments on long-term debt	(35,824)
Cash used in financing activities	(35,824)
Effect of exchange rate changes on cash and marketable securities	-
Decrease in cash and marketable securities	(42,507)
Cash and marketable securities, beginning of period	94,325
Cash and marketable securities, end of period	$ 51,818

See accompanying notes.

United Defense Industries, Inc.

Notes to Unaudited Consolidated Financial Statements

March 31, 2001

1. Basis of Presentation

The financial information presented as of any other date than December 31 has been prepared from the books and records without audit. Financial information as of December 31 has been derived from the audited financial statements of United Defense Industries, Inc. (the "Company"), but does not include all the disclosures required by generally accepted accounting principles. In the opinion of management, the accompanying unaudited financial statements contain all adjustments, consisting of only normal recurring adjustments necessary to present fairly the Company's financial position as of March 31, 2001, and the results of its operations and cash flows for the periods ended March 31, 2001 and 2000. The results of operations are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. These unaudited consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

2. Commitments and Contingencies

As described in the Company's Report on Form 10-K for the year ended December 31, 2000, the Company has been a defendant in U.S. ex rel. Seman and Shukla v. United Defense, FMC Corp., and Harsco Corp., an action filed against the Company and its prior owners on July 23, 1997 in the U.S. District Court for the District of Minnesota under the U.S. Civil False Claims Act. A complete settlement of such action was negotiated by the parties, and consented to by the

U.S. Government, under which the Company is to pay a total of $6 million to settle the case, divided into installments payable over a three-year period. No finding of wrongdoing was made against the Company, and no other administrative or legal action is to be taken against the Company in respect of matters alleged in the case. On March 9, 2001, the settlement was approved by the court, and has accordingly become final.

3. Financial Information for Subsidiary Guarantors and non-Guarantors

The outstanding loans under the senior credit facility and senior subordinated notes are general obligations of the Company and are jointly and severally guaranteed by the wholly owned subsidiary guarantors of the Company. Bofors is the only non-guarantor subsidiary of the Company.

The following information presents an unaudited consolidating Balance Sheet, Statement of Operations and Statement of Cash Flows for the Three Months 2001.

United Defense Industries, Inc.
Unaudited Consolidating Balance Sheet
As of March 31, 2001
(In millions)

	Parent	Subsidiary Guarantors	Non-Guarantor Subsidiary	Eli
Assets				
Current assets:				
Cash and maketable securities	$ -	$ 24.5	$ 37.7	
Trade receivables	-	96.4	14.7	
Inventories	-	275.9	11.8	
Other current assets	-	6.4	7.0	
Total current assets	-	403.2	71.2	
Property, plant and equipment, net	-	73.9	2.8	
Intangible assets, net	-	168.6	3.6	
Prepaid pension and postretirement benefit cost	-	123.7	-	
Restricted cash	-	-	21.8	
Due from subsidiary	19.9	-	-	
Investments in and advances to subsidiaries	269.5	-	-	
Other assets	-	5.2	1.0	
Total assets	$ 289.4	$774.6	$100.4	
Liabilities and Equity				
Current liabilities:				
Current portion of long-term debt	$ 11.5	$ -	$ -	
Accounts payable, trade and other	-	58.8	5.0	
Advanced payments	-	325.0	38.2	
Accrued and other liabilities	-	85.4	10.3	
Total current liabilities	11.5	469.2	53.5	
Long-term liabilities:				

Due to parent	-	-	19.9
Accrued pension and postretirement benefit cost	-	5.6	21.2
Long-term debt net of current portion	223.2	-	-
Other liabilities	-	32.9	6.5
Total liabilities	234.7	507.7	101.1
Common Stock	0.2	-	-
Additional paid-in-capital	180.0	-	-
Stockholders' loans	(1.2)	-	-
Retained earnings/(deficit)	(124.2)	266.9	2.7
Accumulated other comprehensive loss		-	(3.4)
Stockholders' Equity	54.7	266.9	(0.7)
Total liabilities and stockholders' equity	$ 289.4	$774.6	$100.4

United Defense Industries, Inc.
Unaudited Consolidating Statement of Operations
For the Quarter ended March 31, 2001

(In millions)

	Parent	Subsidiary Guarantors	Non-Guarantor Subsidiary	Eliminations	Co
Revenue:					
Sales	$ -	$260.9	$31.2	$ -	
Costs and expenses:					
Cost of sales	-	205.9	25.3	-	
Selling, general and administrative expenses	-	38.8	4.8	-	
Research and development	-	3.4	1.0	-	
Total expenses	-	248.1	31.1	-	
Earnings related to investments in foreign affiliates and subsidiaries	19.9	5.7	-	(19.9)	
Income (loss) from operations	19.9	18.5	0.1	(19.9)	
Other income (expense):					
Interest income	0.4	0.7	1.0	(0.4)	
Interest expense	(6.2)	-	(0.4)	0.4	
Total other expense	(5.8)	0.7	0.6	-	
Income (loss) before income taxes	14.1	19.2	0.7	(19.9)	
Provision for income taxes	5.3	-	-	-	
Net income (loss)	$ 8.8	$ 19.2	$ 0.7	$(19.9)	

United Defense Industries, Inc.
Unaudited Consolidating Condensed Statement of Cash Flows
March 31, 2001

(In millions)

	Parent	Subsidiary Guarantors	Non-Guarantor Subsidiary	E
Cash (used in) provided by operating activities	$ 54.7	$ 8.1	$(11.9)	
Cash (used in) provided by investing activities	(19.9)	(1.8)	0.2	
Cash (used in) provided by financing activities	(34.8)	(45.9)	-	
Effect of exchange rate changes on cash and marketable securities			0.2	
Net change in cash and marketable securities	-	(39.6)	(11.7)	
Cash and marketable securities, beginning of period	-	63.6	49.8	
Cash and marketable securities, end of period	$ -	$ 24.0	$ 38.1	

4. Change in Accounting Principle

Effective January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. The statement requires that an entity recognize all derivatives as either assets or liabilities.

At December 31, 2000, the Company had foreign exchange contracts which were designated as cash flow hedges. The fair value of the contracts was a liability of $0.95 million at December 31, 2000. The transition adjustment to implement this new standard on January 1, 2001, which is presented as a cumulative effect of change in accounting principle, was charged to accumulated other comprehensive loss within stockholders' equity.

IRON HORSE INVESTORS, L.L.C.
UNITED DEFENSE INDUSTRIES, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

March 31, 2001

Forward-Looking Statements

Management's Discussion and Analysis of the Results of Operations and Financial Condition contains forward-looking statements that are based on management's expectations, estimates, projections and assumptions. Words such as "expects," "anticipates," "plans," "believes," "estimates," variations of these words, and similar expressions are intended to identify forward-looking statements which include but are not limited to projections of revenues, earnings, performance, cash flows and contract awards. Forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks and uncertainties which are difficult to predict. Therefore, actual future results and trends may differ materially from those made in or suggested by any forward-looking statements due to a variety of factors, including: the ability of United Defense Industries, Inc. (the "Company") to design and implement key technological improvements (such as, for example in the Crusader program) and to execute its internal performance plans; performance issues with key suppliers and subcontractors; developments with respect to contingencies such as legal proceedings and environmental matters; labor negotiations; changing priorities or reductions in the U.S. government defense budget; the performance of, and political and other risks associated with, the Company's international operations and joint ventures; and the termination of government contracts due to unilateral government action. For additional information, see "Risk Factors" in the Company's Registration Statement on Form S-4, SEC File Number 333-43619.

The following discussion and analysis should be read in conjunction with the financial statements and related notes and the other financial information, included elsewhere in this report, and with the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

Introduction

In October 1997, the Company's direct parent, Iron Horse Investors, L.L.C. ("Iron Horse"), was funded from several partnerships controlled by The Carlyle Group. The equity was invested in the Company. On October 6, 1997, the Company acquired (the "Acquisition") directly or through its wholly owned subsidiary, UDLP Holdings Corp., 100% of the partnership interests in United Defense L.P. ("UDLP").

United Defense Industries, Inc. is the only asset of Iron Horse. Accordingly, Management's Discussion and Analysis of the Results of Operations and Financial Condition is the same for both Iron Horse and United Defense Industries, Inc. The Company's subsidiary guarantors, UDLP Holdings Corp., UDLP and Barnes & Reinecke, Inc. ("BRI"), are directly or indirectly wholly owned by the Company and all such subsidiary guarantors have guaranteed the Company's 8 3/4% Senior Subordinated Notes on a full, unconditional, and joint and several basis. Accordingly, separate financial statements of those subsidiaries are not considered material or provided herein. Bofors Defence ("Bofors"), a Swedish company acquired by the Company in September, 2000, is a non-guarantor subsidiary. Note 3 to the consolidated financial statements of United Defense Industries, Inc. sets forth condensed consolidating Balance Sheets, Statement of Operations and Statement of Cash Flows for guarantor and non-guarantor subsidiaries as of March 31, 2001 and for the three months then ended.

Overview

The Company is a supplier of tracked, armored combat vehicles and weapons delivery systems to the U.S. Department of Defense ("DoD") and a number of allied military forces worldwide. The Company's products include critical elements of the U.S. military's tactical force structure. The Company had a firm funded backlog of approximately $1.9 billion as of March 31, 2001, a substantial majority of which is derived from sole-source, prime contracts. Approximately 70% of the Company's sales for the first three months of 2001 were to the U.S. government, primarily to agencies of the DoD (excluding Foreign

Military Sales), or through subcontracts with other government contractors.

Interim Armored Vehicles. In October 1999 the U.S. Army embarked upon an initiative to create a so-called medium force, intended to be lighter and less heavily-armed than the Army's existing heavy divisions based on the M1 tank and Bradley Fighting Vehicle, but more lethal and survivable than lighter Army units such as the airborne forces. To equip the new units, known as Interim Brigade Combat Teams ("IBCT"), in April 2000 the Army commenced a solicitation for so-called Interim Armored Vehicles ("IAV"), emphasizing a thirty eight thousand pounds weight limit, rapid deployability using the Air Force's smallest air transports (C130 aircraft), and early fielding using off-the-shelf technology. United Defense participated in the competitive bidding for the IAVs, proposing the use of its tracked MTVL (stretched and upgraded M113) and M8 Armored Gun System vehicles (see Item 1. Description of Business in Company's Form 10-K report for 2000) at a total price of $1.9 billion. Certain competitors proposed wheeled vehicles for the IAV program. For military combat vehicles, there are substantial manufacturing, design, and engineering differences between wheeled and tracked vehicles, and the Company historically has not produced wheeled vehicles.

On November 16, 2000, the Army announced its award of the IAV contract at a price of $4.3 billion to a joint venture formed by General Motors of Canada and General Dynamics Land Systems (GM/GD). As many as 2,100 vehicles could be acquired under the IAV contract for up to six IBCT brigades over approximately a six-year period. The IAVs provided by GM/GD would be upgraded or redesigned versions of the Swiss light-duty LAV-III wheeled vehicle. On December 4, 2000, United Defense filed a formal protest with the General Accounting Office ("GAO") relating to the Army's IAV award, primarily on the grounds that (i) in a procurement where early fielding was stated to be of paramount importance, the LAV-III vehicles cannot be fielded, depending on specific vehicle type, until one to three years or more after their UDLP counterparts; (ii) the Army favored GM/GD during the competition by secretly applying new, unannounced evaluation factors which biased the selection in favor of a wheeled vehicle outcome; and (iii) in a best value procurement, the LAV-III selection cannot be justified when the vehicle is inferior in performance, requires an extensive development effort of uncertain outcome before it can ever be fielded, and will cost the Army more than double the price of the United Defense vehicles.

On April 9, 2001, the GAO issued its decision, denying the Company's protest. The Company does not anticipate that it would pursue the protest in federal court, and accordingly believes that legal proceedings over the award are at an end. Beyond the initial increment of IAV funding provided by Congress in 2000, the program would require successive annual appropriations for each additional year in which the program were to be continued. The ongoing existence and/or scale of the IAV program is subject to significant uncertainties, including the Bush Administration's review of DoD missions, priorities, and programs (the "Administration Defense Review", also described under such heading in Item 7 in the Company's Form 10-K report for 2000). To the extent that the IAV program were to continue, further funding for it may adversely affect funding available for other Company programs, such as the Crusader artillery system and upgrades to the Bradley Fighting Vehicle fleet.

Administration Defense Review. The eventual outcome of the Bush Administration's review of the Defense Department's principal missions, priorities, and programs is unknown. The Company understands that the review involves a number of panels of advisors, and that the recommendations of the various panels would in turn be drawn upon in formulating the Administration's ultimate position. Recent press reports indicate that some panel recommendations may include the cancellation or deferral of various DoD weapons programs, including certain programs in which the Company participates: the

Crusader artillery system, the DD21 destroyer, and further upgrades to the Bradley Fighting Vehicle fleet. The Company is uncertain whether (i) any such panel recommendations will ultimately be made, (ii) any such recommendations, if made, would in turn be incorporated into the Administration's defense budgetary and legislative proposals, and (iii) any ensuing Congressional action would adopt, reject, or otherwise

vary the Administration's proposals. If the final outcome of the foregoing process were to include any significant reduction, deferral, or cancellation of one or more substantial programs in which the Company participates, the Company's revenues and profits would be commensurately reduced, to the extent not offset by favorable developments elsewhere in the Company's business.

There were no material changes to the Company's major programs from those described in the Company's Form 10-K report other than additional funding as new contracts are negotiated and awarded.

For a more detailed description of the Company's business and principal operating programs, see the Form 10-K report for the year ended December 31, 2000.

Results of Operations

Three Months Ended March 31, 2001 ("Three Months 2001") Compared with Three Months Ended March 31, 2000 ("Three Months 2000").

Revenue. Revenue in the Three Months 2001 was $292.1 million, an increase of 9.4% or $25.2 million from the Three Months 2000. The improvement in revenue was largely due to the sales generated by Bofors Defence ("Bofors"), which was acquired in September, 2000, higher billings for advanced gun systems, self-propelled howitzers and Turkish royalties. However, these increases were partially offset by lower shipments of Bradley vehicles and technical support and decreased billing for the Crusader program.

Gross Profit. Gross profit for the Three Months 2001 of $60.9 million was higher by $9.0 million or 17.5% from the Three Months 2000. The gross profit percentage slightly improved by 1.4 percentage points to 20.8% for the Three Months 2001 from 19.4% for the Three Months 2000. Approximately half of the increase in gross profit was contributed by Bofors and the remaining positive variance was the result of contract profit adjustments primarily on the Crusader program.

Selling, general and administrative expenses. Selling, general and administrative expenses of $43.6 million for the Three Months 2001 were slightly higher by $1.4 million from $42.2 million for Three Months 2000. The higher expenses were mostly due to spending at Bofors and increased amortization of intangibles related to acquisitions partially offset by lower costs for proposals and marketing activity.

Research and development. Research and development costs were $4.4 million for the Three Months 2001 compared to $3.7 million for the Three Months 2000. The variance was primarily due to spending by Bofors.

Earnings from foreign affiliates. Earnings from foreign affiliates were $5.7 million in the Three Months 2001, up by $4.8 million from $0.8 million in the Three Months 2000. The increase was due to an end of contract adjustment in the Company's joint venture in Saudi Arabia.

Interest expense. Net interest expense for the Three Months 2001 was $4.5 million compared with $7.0 million for the Three Months 2000. The decline in interest expense is the result of lower debt levels and reduced interest rates.

Provision for income taxes. Income taxes provided in the Three Months 2001 was $5.3 million compared with $0.6 million for the Three Months 2000. In the Three Months 2001 $3.6 million was related to Pennsylvania state taxes for prior years.

Net (loss) income. As a result of the foregoing, there was a net income of $8.8 million in the Three Months 2001 compared with a net loss of $0.8 million in the Three Months 2000.

Liquidity

Cash used in operating activities was $14.9 million for the Three Months 2001 and $2.3 million for the Three Months 2000. The net income adjusted for non-cash items was $33.2 million in the Three Months 2001, higher by $10.2 million than the Three Months 2000. The higher adjusted net income was adversely affected by increases in working capital necessary to fund the production of major contracts such as Bradley Fighting vehicles, amphibious assault vehicles for Korea and Italy and the Crusader program.

Cash used for investing activities was $1.6 million during the Three Months 2001 compared to $4.4 million for the Three Months 2000. The reduced use of funds was the result of lower capital spending in 2001 and the purchase of Barnes & Reinecke, Inc. in 2000.

Cash used for financing activities was applied to pay down debt of $34.8 million and $35.8 million in 2001 and 2000, respectively.

IRON HORSE INVESTORS, L.L.C.
UNITED DEFENSE INDUSTRIES, INC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

March 31, 2001

Forward Exchange Contracts. Bofors uses forward exchange contracts to reduce the effect of fluctuating currencies on short-term foreign currency-denominated transactions.

The following table summarizes by major currency the contractual amounts of Bofors' forward exchange contracts and their termination market values.

Contractual Currency	Contractual Amount	Termination Market Value
British pound	USD 3.0	USD 3.3
European euro	USD 1.5	USD 1.6
US dollar	USD (9.0)	USD (11.2)

As a result of adopting SFAS No. 133, the net liability for the difference between the contractual amount and the termination market value is recorded as a current liability in the balance sheet.

PART II

OTHER INFORMATION

March 31, 2001

ITEM 1. Legal Proceedings

As described in the Company's Report on Form 10-K for the year ended December 31, 2000, the Company has been a defendant in U.S. ex rel. Seman and Shukla v. United Defense, FMC Corp., and Harsco Corp., an action filed against the Company and its prior owners on July 23, 1997 in the U.S. District Court for the District of Minnesota under the U.S. Civil False Claims Act. A complete settlement of such action was negotiated by the parties, and consented to by the U.S. Government, under which the Company is to pay a total of $6 million to settle the case, divided into installments payable over a three-year period. No finding of wrongdoing was made against the Company, and no other administrative or legal action is to be taken against the Company in respect of matters alleged in the case. On March 9, 2001, the settlement was approved by the court, and has accordingly become final.

The Company is also subject to other claims and lawsuits arising in the ordinary course of business. Management believes that the outcome of any such proceedings to which the Company is a party will not have a material adverse effect on the Company.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

None.

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.

By: /s/ Francis Raborn

Francis Raborn
Principal Financial and
Accounting Officer
and Authorized Signatory

Dated: May 9, 2001