ANALOGIC CORP
Form 10-Q/A
October 29, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1 on

Form 10-Q/A

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

For the period ended October 31, 2002

or

o **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 0-6715

Analogic Corporation

(Exact name of registrant as specified in its charter)

Massachusetts *(State or other jurisdiction of incorporation or organization)*	**04-2454372** *(I.R.S. Employer Identification No.)*
8 Centennial Drive, Peabody, Massachusetts *(Address of principal executive offices)*	**01960** *(Zip Code)*

(978) 977-3000
(Registrant s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

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 þ No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes þ No o

The number of shares of Common Stock outstanding at December 5, 2002 was 13,291,098.

ANALOGIC CORPORATION

QUARTERLY REPORT ON FORM 10-Q/A
FOR THE QUARTER ENDED OCTOBER 31, 2002
INTRODUCTORY NOTE

Pursuant to Rule 12b-15 of the Rules and Regulations under the Securities Exchange Act of 1934, this Amendment on Form 10-Q/A to the Quarterly Report on Form 10-Q of Analogic Corporation (the Company) for the quarter ended October 31, 2002 is being filed to (i) restate the Company s Condensed Consolidated Financial Statements (unaudited) for the three months ended October 31, 2002 and (ii) revise related disclosures included in the Form 10-Q.

On October 15, 2003, the Company reported that it would restate its financial statements for the fiscal years ended July 31, 2002 and July 31, 2001, and condensed financial statements for the quarters within the fiscal years ended July 31, 2003, 2002 and 2001, and would file amended annual reports on Form 10-K/A and amended quarterly reports on Form 10-Q/A. The purpose of this restatement is to reflect the application of the appropriate accounting principles to (1) the recognition of software revenue by Camtronics Medical Systems, Ltd., a 100% owned U.S. subsidiary of the Company, for fiscal years ended July 31, 2003, 2002 and 2001 and (2) to the treatment of foreign currency exchange gains and losses related to an inter-company loan between the Company and B-K Medical Systems A/S, a 100% owned Danish subsidiary of the Company, for fiscal years ended July 31, 2003 and 2002. As restated, the Company s financial results for the quarter ended October 31, 2002 reflect a reduction in revenues of $3,418,000, net income of $521,000, and diluted earnings per share of $0.04. See Note 2, Restatement, of the Notes to Condensed Consolidated Financial Statements for a more complete discussion of the restatement.

This Amendment amends Part I, Items 1, 2, and 3 and Part II, Item 6 of the Quarterly Report on Form 10-Q for the period ended October 31, 2002. This filing should be read in conjunction with the Company s Annual Report on Form 10-K/A for the year ended July 31, 2002, as filed on October 29, 2003 with the Securities and Exchange Commission and the Company s Form 10-Q/A for the three months ended October 3, 2001 as filed with the Securities and Exchange Commission on October 29, 2003. This Amendment continues to reflect circumstances as of December 13, 2002, the date of the original filing of the Quarterly Report on Form 10-Q, and the Company has not updated the disclosures contained therein to reflect events that occurred at a later date, except for items relating to the restatement.

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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

ANALOGIC CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(in thousands)

	October 31, 2002	July 31, 2002
	Restated	Restated
ASSETS		
Current assets:		
Cash and cash equivalents	$123,551	$123,168
Marketable securities, at market	54,515	58,621
Accounts and notes receivable, net of allowance for doubtful accounts of $1,976 at October 31, 2002, and $1,308 at July 31, 2002	73,986	61,119
Inventories	87,385	65,128
Costs related to deferred revenue	2,778	2,171
Refundable and deferred income taxes	12,247	11,567
Other current assets	7,598	7,969
Total current assets	362,060	329,743
Property, plant and equipment, net	82,925	79,613
Investments in and advances to affiliated companies	6,786	8,619
Capitalized software, net	4,485	4,333
Costs related to deferred revenue	10,437	8,643
Other assets, net	8,362	6,639
Total assets	$475,055	$437,590
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Mortgage and other notes payable	$ 227	$ 226
Obligations under capital leases	270	314
Accounts payable, trade	41,841	24,731
Accrued liabilities	20,637	16,948
Deferred revenue	8,361	7,964
Advance payments and other	44,858	62,244
Accrued income taxes	15,078	3,091
Total current liabilities	131,272	115,518
Long-term liabilities:		
Mortgage and other notes payable	4,012	4,069
Obligations under capital leases	306	337
Deferred revenue	15,597	12,886
Deferred income taxes	2,658	2,429
Total long-term liabilities	22,573	19,721

Commitments		
Stockholders equity		
Common stock, $.05 par value	707	706
Capital in excess of par value	39,697	39,379
Retained earnings	293,696	275,108
Accumulated other comprehensive income	(489)	(320)
Treasury stock, at cost	(8,271)	(8,313)
Unearned compensation	(4,130)	(4,209)
Total stockholders equity	321,210	302,351
Total liabilities and stockholders equity	$475,055	$437,590

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

ANALOGIC CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended October 31,	
	2002	**2001**
	Restated	**Restated**
Net revenue:		
Product	$123,228	$65,155
Engineering	6,380	7,477
Other	2,676	2,972
Total net revenue	132,284	75,604
Cost of sales:		
Product	67,633	41,989
Engineering	4,896	6,623
Other	1,241	1,455
Asset impairment charges		8,883
Total cost of sales	73,770	58,950
Gross margin	58,514	16,654
Operating expenses:		
Research and product development	11,377	10,162
Selling and marketing	7,934	8,329
General and administrative	8,085	7,949
	27,396	26,440
Income (loss) from operations	31,118	(9,786)
Other (income) expense:		
Interest income, net	(1,219)	(1,155)
Equity in unconsolidated affiliates	986	(738)
Other, net	(343)	166
	(576)	(1,727)
Income (loss) before income taxes	31,694	(8,059)
Provision (benefit) for income taxes	12,044	(1,611)
Net income (loss)	$ 19,650	$ (6,448)
Net income (loss) per common share:		
Basic	$ 1.49	$ (0.49)
Diluted	1.48	(0.49)
Weighted average shares outstanding:		

Basic	13,173	13,093
Diluted	13,252	13,093

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

ANALOGIC CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended October 31,	
	2002	**2001**
	Restated	**Restated**
OPERATING ACTIVITIES:		
Net income (loss)	$ 19,650	$ (6,448)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Deferred income taxes	(429)	(1,655)
Depreciation and amortization	4,593	4,217
Allowance for doubtful accounts	685	75
Impairment of assets		8,883
Loss on sale of equipment	3	32
Equity (gain) loss in unconsolidated affiliates	986	(738)
Compensation from stock grants	279	200
Net changes in operating assets and liabilities	(20,159)	9,911
NET CASH PROVIDED BY OPERATING ACTIVITIES:	5,608	14,477
INVESTING ACTIVITIES:		
Investments in and advances to affiliated companies		(7,500)
Return of investment from affiliated company	516	1,002
Purchase of FTNI, net of cash acquired	(1,751)	
Additions to property, plant and equipment	(6,892)	(7,309)
Capitalized software	(545)	(688)
Proceeds from sale of property, plant and equipment	49	4
Maturities of marketable securities	3,685	1,165
NET CASH USED BY INVESTING ACTIVITIES	(4,938)	(13,326)
FINANCING ACTIVITIES:		
Payments on debt and capital lease obligations	(103)	(246)
Proceeds from long-term debt		3,494
Issuance of stock pursuant to exercise of stock options and employee stock purchase plan	137	28
NET CASH PROVIDED BY FINANCING ACTIVITIES	34	3,276
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(321)	163
NET INCREASE IN CASH AND CASH EQUIVALENTS	383	4,590
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	123,168	46,013
CASH AND CASH EQUIVALENTS, END OF PERIOD	$123,551	$ 50,603

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

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ANALOGIC CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)

1. Basis of Presentation:

The unaudited condensed consolidated financial statements of Analogic Corporation (the Company) presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission (SEC) for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the results for all periods presented. The results of the operations for the three months ended October 31, 2002 are not necessarily indicative of the results to be expected for the fiscal year ending July 31, 2003, or any other interim period.

These statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended July 31, 2002, included in the Company s Form 10-K/A as filed with the SEC on October 29, 2003, and the Company s Form 10-Q/A for the three months ended October 31, 2001, as filed with the SEC on October 29, 2003.

The condensed financial statements have not been audited by independent certified public accountants. The condensed consolidated balance sheet as of July 31, 2002, contains data derived from audited financial statements.

Certain financial statement items have been reclassified to conform to the current year s financial presentation format.

2. Restatement:

The Company has restated its prior period condensed financial statements to reflect the application of the appropriate accounting principles to the recognition of software revenue by its 100% owned U.S. subsidiary Camtronics Medical Systems, Ltd, and to the treatment of foreign currency exchange gains and losses related to an inter-company loan between the Company and B-K Medical Systems A/S (B-K). As restated, the Company s financial results for the quarter ended October 31, 2002 reflect a reduction in revenues of $3,418, net income of $521, and diluted earnings per share of $0.04, compared to the Company s financial results previously reported for the quarter ended October 31, 2002.

Summarized below is a more detailed discussion of the restatement along with a comparison of the amounts previously reported in the condensed balance sheets and statements of operations in the Company s Form 10-Q/A for the three months ended October 31, 2002.

Software Revenue

In connection with the preparation of its financial statements for the year ended July 31, 2003, the Company concluded that its accounting for revenue at its Camtronics subsidiary did not meet required accounting standards. The Company has taken steps to ensure that Camtronics sales transactions will be properly accounted for in the future.

Camtronics previously accounted for all of its revenues in accordance with Staff Accounting Bulletin 101, Revenue Recognition (SAB 101). The Company has determined that Camtronics revenue recognition policy should be in accordance with American Institute of Certified Public Accountants (AICPA) Statement of Position 97-2, Software Revenue Recognition (SOP 97-2). Accordingly, certain revenues originally recorded in prior periods should have been deferred. In accordance with SAB 101, the Company had previously recognized revenue when the major components of software had been delivered, installed, and accepted by the customer. In the majority of sales transactions involved in the restatement, the customer has already installed and paid for the software it had accepted. As required by SOP 97-2, the Company will recognize the total revenue related to transactions involving software once all components are delivered, installed, and accepted by the customer.

Camtronics revenues are derived primarily from the sale of Digital Cardiac Information Systems. System sales revenues consist of the following components: computer software licenses, computer hardware, installation support, and sublicensed software. In addition, Camtronics generates revenues related to system sales for software support, hardware maintenance, training, consulting and other professional services.

Camtronics recognizes revenue in accordance with the provisions of SOP 97-2. SOP 97-2 requires revenue earned on software arrangements involving multiple-elements to be allocated to each element based on the fair values of those elements or by use of the residual method. Under the residual method, revenue is recognized in a multiple-element arrangement when vendor-specific objective evidence (VSOE) of fair value exists for all of the undelivered elements in the arrangement, which is determined by the price charged when that element is sold separately (i.e. professional services, software support, hardware maintenance, hardware and sublicensed software), but does not exist for one or more of the delivered elements in the arrangement (i.e. software solutions). Specifically, Camtronics determines the fair value of the maintenance portion of the arrangement based on the renewal price of the maintenance charged to clients, professional services portion of the arrangement, other than installation services, based on hourly rates which Camtronics charges for these services when sold apart from a software license, and the hardware and sublicensed software based on the prices for these elements when they are sold separately from the software. If evidence of the fair value cannot be established for the undelivered elements of a license agreement, the entire amount of revenue under the arrangement is deferred until these elements have been delivered or objective evidence of fair value for the remaining undelivered element is established.

Inherent in the revenue recognition process are significant management estimates and judgments, which influence the timing and the amount of revenue recognition. Camtronics provides several models for the procurement of its digital cardiac information systems. The predominant model includes a perpetual software license agreement, project-related installation services, professional consulting services, computer hardware and sub-licensed software and software support.

Camtronics provides installation services, which include project-scoping services, conducting pre-installation audits detailed installation plans, actual installation of hardware components, and testing of all hardware and software installed at the customer site. Because installation services are deemed to be essential to the functionality of the software, software license and installation services fees are recognized upon completion of installation.

Camtronics also provides professional consulting services, which include consulting activities that fall outside of the scope of the standard installation services. These services vary depending on the scope and complexity requested by the client. Examples of such services may include additional database consulting, system configuration, project management, interfacing to existing systems, and network consulting. Professional consulting services generally are not deemed to be essential to the functionality of the software, and thus, do not impact the timing of the software license revenue recognition. Professional consulting service revenue is recognized as the services are performed.

Hardware and software maintenance fees are marketed under annual and multi-year arrangements and are recognized as revenue ratably over the contracted maintenance term.

Deferred revenue is comprised of 1) license fee, maintenance and other service revenues for which payment has been received and for which services have not yet been performed and 2) revenues which had been invoiced, and paid in the majority of cases, related to delivered components of a multiple-element arrangement for which fair value has not been determined for components not yet delivered or accepted by the customer. Costs related to deferred revenues represent costs of goods sold and services provided and sales commission expenses.

Deferred Revenue and costs related to deferred revenue which have been classified within the Balance Sheet as long-term represent specific transactions where Camtronics has determined that it will not meet VSOE requirements for these transactions under SOP 97-2 within the next twelve calendar months.

Accounting for Foreign Exchange Transactions

The Company also concluded that application of Financial Accounting Standard No. 52, Foreign Currency Translation (FAS No. 52), with respect to foreign exchange gains (losses) attributable to an inter-company loan from the Company to its B-K subsidiary did not meet required accounting standards. Accordingly, gains (losses), which had been previously reported in Stockholders Equity as accumulated comprehensive income, must be recognized as gains (losses) in determining prior period operating results.

The Company had provided funding to B-K in December 2001, March 2002, and May 2002 for its new headquarters building via three interest bearing, U.S. dollar denominated inter-company notes. These notes at their inception totaled $12,900 and were to be repaid quarterly (principal and interest) over a 20 year period.

B-K had determined foreign exchange gain (loss) at the end of each quarter s for the then outstanding inter-company debt by marking this debt to the market foreign exchange rates and recording any unrealized gain or loss within Stockholders Equity via the accumulative other comprehensive income account. When B-K actually paid down the debt each quarter, realized gains (losses) on these inter-company debt payments were reflected in B-K s quarterly statements of operations.

Upon further review of the Company s application of FAS No. 52, it was determined that foreign exchange gains (losses) must be recognized in determining each quarters operating results and not recorded within Stockholders Equity via the accumulative other comprehensive income account. During the quarter ended July 31, 2003, the Company converted the then outstanding inter-company debt of $12,000 to equity. The Company currently has no outstanding inter-company debt between it and its B-K subsidiary.

The following tables show the effect of the restatement on the Company s Statements of Operations and Balance Sheets.

Statements of Operations:

	Three Months Ended October 31, 2002			
	(unaudited)			
	Previously Reported	Restated	Change	
Net revenue:				
Product	$126,646	$123,228	$(3,418)	(a)
Engineering	6,380	6,380		
Other	2,676	2,676		
Total net revenue	135,702	132,284	(3,418)	
Cost of sales:				
Product	69,869	67,633	(2,236)	(b)
Engineering	4,896	4,896		
Other	1,241	1,241		
Total cost of sales	76,006	73,770	(2,236)	
Gross margin	59,696	58,514	(1,182)	
Operating expenses:				
Research and product development	11,377	11,377		
Selling and marketing	8,131	7,934	(197)	(c)
General and administrative	8,085	8,085		
	27,593	27,396	(197)	
Income from operations	32,103	31,118	(985)	
Other (income) expense:				
Interest income, net	(1,219)	(1,219)		
Equity in unconsolidated affiliates	986	986		
Other, net	(198)	(343)	(145)	(d)
	(431)	(576)	(145)	
Income before income taxes	32,534	31,694	(840)	
Provision for income taxes	12,363	12,044	(319)	(e)
Net income	$ 20,171	$ 19,650	$ (521)	
Net income per common share:				
Basic	$ 1.53	$ 1.49	$ (0.04)	
Diluted	1.52	1.48	(0.04)	(f)
Weighted average shares outstanding:				
Basic	13,173	13,173		
Diluted	13,252	13,252		

Statements of Operations components increased (decreased) as a result of the following:

(a)	*Net revenue: Product* Adjust recognition of revenue for application of SOP 97-2	$(3,418)
(b)	*Cost of sales: Product* Adjust cost of sales related to transactions for which revenue has been deferred	$(2,236)
(c)	*Selling and marketing* Adjust commission expense related to transactions for which revenue has been deferred	$ (197)
(d)	*Other (income) expense: Other* Adjustment related to exchange gain on the B-K loan	$ (145)
(e)	*Provision for income taxes* Net decrease to provision due to above adjustments	$ (319)
(f)	*Net income per common share: Diluted* Net effect to diluted earnings per share due to above adjustments	$ (0.04)

Balance Sheets:

	October 31, 2002			
		unaudited		
	Previously Reported	Restated	Change	
ASSETS				
Current assets:				
Cash and cash equivalents	$123,551	$123,551		
Marketable securities, at market	54,515	54,515		
Accounts and notes receivable, net of allowance for doubtful accounts	73,986	73,986		
Inventories (Note 2)	87,385	87,385		
Costs related to deferred revenue		2,778	$ 2,778	(a)
Refundable and deferred income taxes	9,147	12,247	3,100	(b)
Other current assets	7,598	7,598		
Total current assets	356,182	362,060	5,878	
Property, plant and equipment, net	82,925	82,925		
Investments in and advances to affiliated companies (Note 12)	6,786	6,786		
Capitalized software, net	4,485	4,485		
Costs related to deferred revenue		10,437	10,437	(c)
Other assets, net	8,037	8,362	325	(d)
Total assets	$458,415	$475,055	$16,640	
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Mortgage and other notes payable	$ 227	$ 227		
Obligations under capital leases	270	270		
Accounts payable, trade	41,841	41,841		
Accrued liabilities (Note 2)	20,987	20,637	$ (350)	(e)
Deferred revenue		8,361	8,361	(f)
Advance payments and other	48,778	44,858	(3,920)	(g)
Accrued income taxes	14,350	15,078	728	(h)
Total current liabilities	126,453	131,272	4,819	
Long-term liabilities:				
Mortgage and other notes payable	4,012	4,012		
Obligations under capital leases	306	306		
Deferred revenue	745	15,597	14,852	(i)
Deferred income taxes	2,336	2,658	322	(j)
Total long-term liabilities	7,399	22,573	15,174	
Commitments				
Stockholders equity:				
Common stock, $.05 par value	707	707		
Capital in excess of par value	39,697	39,697		
Retained earnings	296,183	293,696	(2,487)	(k)
Accumulated other comprehensive income	377	(489)	(866)	(l)
Treasury stock, at cost	(8,271)	(8,271)		
Unearned compensation	(4,130)	(4,130)		

Total stockholders equity	324,563	321,210	(3,353)
Total liabilities and stockholders equity	$458,415	$475,055	$16,640

The increases (decreases) to the balance sheet components are due to (1) current period recognition of the effect of the current period restatement for foreign currency exchange gains and losses and current period deferrals of revenue and related costs; and (2) the cumulative effect at the beginning of the quarter for the restatements of prior periods for similar matters. On a net basis the balance sheet components increased (decreased) due to the following:

(a)	*Costs related to deferred revenue (short-term)*	
	Deferred costs related to deferred revenue	$ 2,778
(b)	*Refundable and deferred income taxes*	
	Deferred income tax related to deferred costs and revenue	$ 2,534
	Deferred income tax related to gains on the inter-company loan	566
	Net increase	$ 3,100
(c)	*Costs related to deferred revenue (long-term)*	
	Deferred costs related to deferred revenue	$ 10,437
(d)	*Other assets*	
	Purchase accounting adjustments related to the acquisition of the remaining 19% of Camtronics in July 2001 due to net effect from these adjustments for periods prior to such acquisition	$ 325
(e)	*Accrued liabilities*	
	Accrued warranty costs related to deferred revenue	$ (350)
(f)	*Deferred revenue (short-term)*	
	Deferred revenue classified as short-term	$ 4,441
	Reclassifications not impacting net income	3,920
	Net increase	$ 8,361
(g)	*Advance payments and other (short-term)*	
	Reclassifications not impacting net income	$ (3,920)
(h)	*Accrued income taxes*	
	Tax provision adjusted for the change to net income	$ 728
(i)	*Deferred revenue (long-term)*	
	Deferred revenue classified as long-term	$ 14,852
(j)	*Deferred income taxes*	
	Deferred income taxes related to expenses deferred to future periods	$ 322

(k) *Retained earnings*

Net effect to retained earnings from above adjustments:

Cumulative effect through July 31, 2002	$(1,966)
Effect for the quarter ended October 31,2002	(521)
Total	$(2,487)

(l) *Accumulated other comprehensive income*

Comprehensive income related to foreign currency gains (losses)	$ (866)

3. Balance sheet information:

Additional information for certain balance sheet accounts is as follows for the periods indicated:

	October 31, 2002	July 31, 2002
Inventories:		
Raw materials	$42,825	$34,753
Work-in-process	31,631	19,882
Finished goods	12,929	10,493
	$87,385	$65,128
Accrued liabilities: (Restated)		
Accrued employee compensation and benefits	$11,055	$11,036
Accrued warranty	4,704	3,235
Dividends payable to shareholders	1,062	
Other	3,816	2,677
	$20,637	$16,948
Advance payments and other:		
Long-lead-time components	$31,950	$50,550
Ramp-up funds	9,602	7,943
Customer deposits	3,306	3,751
	$44,858	$62,244

4. Business combinations:

During October 2002, Anrad Corporation, the Company s wholly owned subsidiary located in Saint-Laurent, Quebec, purchased the remaining 52% of the outstanding common stock of FTNI, Inc. for $2,407 in cash. Anrad s total investment at October 31, 2002, amounted to approximately $2,746 of which approximately $2,019 was determined to be intellectual property and $727 represented net assets, mainly cash. The intellectual property will be amortized over its estimated useful life of five years. The supplemental pro forma information disclosing the results of operations for the quarters ended October 31, 2002 and 2001 have not been presented as the results are immaterial.

FTNI was founded by three Canadian companies in April 1997 to develop products for medical and industrial applications. Noranda Advanced Materials, which was one of the FTNI founders with a 48% ownership interest, was acquired by Analogic in 1999 and renamed Anrad. With the acquisition of FTNI, Anrad will have full ownership rights and access to FTNI s basic technology and intellectual property.

5. Explosive Assessment Computed Tomography (EXACT) Systems Agreement:

The Company announced in April 2002 that it had entered into an agreement to supply up to 1,000 of its EXACT Systems to L-3 Communications Security and Detection System division (L-3). The EXACT is the core system of L-3 s Examiner 3DX6000 certified Explosive Detection System that is being purchased by the United States Transportation Security Administration (TSA) and installed at major airports across the United States.

The Company recognizes product revenue upon shipment of EXACT systems and spare parts to L-3, at which time all revenue recognition criteria have been met. During the first quarter of fiscal 2003, the Company received firm orders from L-3 for 245 additional systems. These orders brought the total number of systems that had been ordered by L-3 for delivery to the TSA to 425. As of October 31, 2002, the Company has shipped 229 completed units and certain spare parts related to the contract. The Company expects to be able to ship the remaining EXACT systems by December 31, 2002.

The Company recorded cash received from L-3 for the purchase of long-lead-time inventory components as advance payments and deferred revenue within the liabilities section of the balance sheet. These payments are not recognized as revenue until the systems to which the inventory components relate to have been shipped. As of October 31, 2002, the Company had a remaining balance of $31,950 recorded within advance payments related to long-lead purchases.

The agreement also provided for the Company to receive $22,000 of ramp-up funds for the purpose of leasing and fitting up a facility and ensuring the availability of key critical raw material and inventory components from suppliers to meet the production and volume requirements of this contract. These costs incurred and assets purchased are fully reimbursed by L-3. The Company has not recorded any revenues, costs or assets related to these ramp-up funds.

All cash received for ramp-up activities is recorded within advance payments and deferred revenue within the liability section of the balance sheet and reduced as the cash is spent on these activities.

In addition to the $22,000 of ramp-up funds provided by L-3 on behalf of the TSA, the Company has spent approximately $5,700 for manufacturing and office equipment which was capitalized during the quarter ended October 31, 2002.

As of October 31, 2002, the Company had a balance of $9,602 of unexpended funds recorded within advance payments and deferred revenue related to ramp-up funds.

6. Dividends:

The Company declared dividends of $.08 per common share on October 15, 2002, payable November 12, 2002 to shareholders of record on October 29, 2002.

7. Goodwill and Other Intangible Assets:

As of August 1, 2002, Analogic adopted Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets (SFAS No. 142). Under SFAS No. 142, goodwill and certain other intangible assets with indefinite lives are no longer amortized, but instead are viewed for impairment annually, or more frequently if impairment indicators arise.

In connection with the adoption of SFAS No. 142, Analogic was required to perform a transitional impairment assessment of goodwill within six months of adoption of this standard. SFAS No. 142 requires that Analogic identify its reporting units and determine the carrying value of each of those reporting units by assigning assets and liabilities, including existing goodwill and intangible assets, to those reporting units. Analogic has assigned the entire balance of goodwill to Imaging technology products for the purpose of performing the transitional impairment test. Analogic completed its transitional impairment assessment of goodwill during the first quarter of 2003, and determined that goodwill was not impaired.

The following table reflects the unaudited net income as adjusted of Analogic, giving effect to SFAS No. 142 as if it were adopted on August 1, 2001:

	Three Months Ended October 31,	
	2002	2001
	Restated	Restated
Net income (loss), as reported	$19,650	$(6,448)
Add back goodwill amortization expense		34
Net income (loss), as adjusted	$19,650	$(6,414)
Basic earning (loss) per common share:		
As reported	$ 1.49	$ (0.49)
As adjusted	1.49	(0.49)
Diluted earning (loss) per common share:		
As reported	1.48	(0.49)
As adjusted	1.48	(0.49)

Intangible assets, classified in other assets, consist of the following:

	October 31, 2002			July 31, 2002		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
	Restated		Restated	Restated		Restated
Software Technology	$7,343	$1,587	$5,756	$7,343	$1,236	$6,107
Intellectual Property	2,187	58	2,129	100	46	54
	$9,530	$1,645	$7,885	$7,443	$1,282	$6,161

The remaining amortization expense of intangible assets is expected to be as follows:

2003 (9 months)	$1,402
2004	1,827
2005	1,821
2006	1,821
2007	583

8. Comprehensive Income (Loss):

The following table presents the calculation of total comprehensive income (loss) and its components:

Three Months Ended October 31,	
2002	2001

	Restated	Restated
Net income (loss)	$19,650	$(6,448)
Other comprehensive income (loss) net of tax:		
Unrealized gains and losses from marketable securities, net of taxes of $167 and $229, for the three months ended October 31, 2002 and 2001	(254)	350
Foreign currency translation adjustment, net of taxes of $62 and $39, for the three months ended October 31, 2002 and 2001	85	59
Total comprehensive income (loss)	$19,481	$(6,039)

9. Net income (loss) per share:

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

	Three Months Ended October 31,	
	2002	2001
	Restated	Restated
Net income (loss)	$19,650	$ (6,448)
Basic:		
Weighted average number of common shares outstanding	13,173	13,093
Net income (loss) per share	$ 1.49	$ (0.49)
Diluted:		
Weighted average number of common shares outstanding	13,173	13,093
Dilutive effect of stock options	79	
Total	13,252	13,093
Net income (loss) per share	$ 1.48	$ (0.49)

Options to purchase 264 and 101 shares of common stock were outstanding as of October 31, 2002 and 2001, respectively, but were not included in the computation of diluted earnings per share because the exercise prices of the options were greater than the average market price of Analogic s common stock during the three months ended October 31, 2002 and 2001.

10. Supplemental disclosure of cash flow information:

Changes in operating assets and liabilities are as follows:

	Three Months Ended October 31,	
	2002	2001
	Restated	Restated
Accounts and notes receivable	$(14,315)	$15,285
Accounts receivable from affiliates	808	(1,785)
Inventories	(22,106)	(2,433)
Costs related to deferred revenue	(2,401)	(149)
Other current assets	329	242
Other assets	67	(200)
Accounts payable, trade	17,066	1,222
Accrued liabilities	2,714	(3,041)
Advance payments and deferred revenue	(14,320)	198
Accrued income taxes	11,999	572
Net changes in operating assets and liabilities	$(20,159)	$ 9,911

11. Segment information:

The Company operates primarily within two segments within the electronics industry: Imaging Technology Products (consisting of medical and security imaging products) and Signal Processing Technology Products. Imaging Technology Products consist primarily of electronic systems and subsystems for medical imaging equipment and advanced explosive detection systems. Signal Processing Technology Products consist of A/D converters and supporting modules, and high-speed digital signal processors. The Company s Corporate and other represents the Company s hotel business and net interest income. Assets of Corporate and other consist primarily of the Company s cash equivalents, marketable securities, fixed and other assets, not specifically identifiable.

The table below presents information about the Company s reportable segments:

	Three Months Ended October 31,	
	2002	2001
	Restated	Restated
Revenues:		
Imaging technology products	$125,373	$ 62,555
Signal processing technology products	7,653	10,275
Corporate and other	2,676	2,972
Total	$135,702	$ 75,802
Income (loss) before income taxes:		
Imaging technology products	$ 30,374	$ 2,179
Signal processing technology products(A)	388	(12,154)
Corporate and other	1,772	2,013
Total	$ 32,534	$ (7,962)

	October 31, 2002	July 31, 2002
	Restated	Restated
Identifiable assets:		
Imaging technology products	$229,318	$198,064
Signal processing technology products	13,383	14,260
Corporate and other(B)	232,354	225,266
Total	$475,055	$437,590

(A) Includes asset impairment charges on a pre-tax basis of $8,883 during the quarter ended October 31, 2001.

(B) Includes cash equivalents and marketable securities of $167,634 and $174,336 at October 31, 2002, and July 31, 2002, respectively.

12. Taxes:

The effective tax rate for the first quarter of fiscal 2002 was 38% as compared to 20% for the same period last year. This increase in the effective tax rate was due primarily to the less significant impact of the benefit of both tax exempt interest and the extraterritorial income exclusion as a percentage of pre-tax income.

13. Investments in and advances to affiliated companies:

Summarized results of operations of the Company s partially-owned equity affiliates for the quarters ended October 31, 2002 and 2001 are as follows:

	Three Months Ended October 31,

	2002	2001
Net revenue	$ 5,617	$2,994
Gross margin	2,766	1,728
Income (loss) from operations	(3,915)	242
Net income (loss)	(3,842)	239

14. Subsequent events:

On November 6, 2002, the Company s newly formed subsidiary, Sound Technology, Inc. (STI), acquired certain assets and liabilities of the Sound Technology business unit, located in State College, PA, from Acuson Corporation, a wholly owned subsidiary of Siemens Corporation, for approximately $10,100 in cash. STI produces linear and tightly curved array ultrasound transducers and probes for a broad range of clinical applications that are supplied to medical equipment companies worldwide. The Company is currently in the process of determining the allocation of the purchase price amongst the assets and liabilities acquired.

Also, on November 6, 2002, the Company s subsidiary, Camtronics Medical Systems, Ltd., acquired all the shares of VMI Medical, Inc., of Ottawa, Canada, for approximately $2,000 in cash, payable over a two year period and future consideration which will be based upon the combined companies achieving certain performance criteria over specific time periods. VMI Medical, Inc. is a medical information software company specializing in clinical database, workflow automation and business improvement solutions for children s heart centers. The Company is currently in the process of determining the allocation of the purchase price amongst the assets and liabilities acquired.

In December 2002 the Company received additional orders for its EXACT systems from L-3 Communications Security and Detection Systems division. The order from L-3 calls for the delivery of an additional 75 EXACT units for foreign and other anticipated orders. These units will be delivered at a rate of approximately eighteen to twenty systems per month during the first four months of calendar 2003.

Item 2: ***Management s Discussion and Analysis of Results of Operations and Financial Condition***

The following information has been amended to reflect the revisions made to the Condensed Consolidated Financial Statements as further discussed in Note 2, Restatement. This information should be read in conjunction with the information contained in the Condensed Consolidated Financial Statements, and Notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q/A. This Quarterly Report on Form 10-Q/A contains forward-looking statements that involve risks and uncertainties. See the discussion relating to Forward-Looking Statements below.

Result of Operations

Critical Accounting Policies

The U.S. Securities and Exchange Commission (SEC) has issued Financial Reporting Release No. 60, Cautionary Advice Regarding Disclosure About Critical Accounting Policies (FRR 60), suggesting companies provide additional disclosure and commentary on their most critical accounting policies. In FRR 60, the SEC defined the most critical accounting policies as the ones that are most important to the portrayal of a company s financial condition and operating results, and require management to make its most difficult and subjective judgments, often as a result of the need to make estimates on matters that are inherently uncertain. These judgments are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. Our critical accounting policies include:

Revenue Recognition

The Company recognizes revenue for product in accordance with SEC Staff Accounting Bulletin No. 101 Revenue Recognition in Financial Statements (SAB 101). Revenue related to product sales is recognized upon shipment provided that title and risk of loss has passed to the customer, there is persuasive evidence of an arrangement, the sales price is fixed or determinable, collection of the related receivable is reasonably assured and customer acceptance criteria, if any, have been successfully demonstrated. For product sales with acceptance criteria that are not successfully demonstrated prior to shipment, revenue is recognized upon customer acceptance provided all other revenue recognition criteria have been met. Hardware maintenance revenues are recognized ratably over the life of the contracts. For business units that sell software licenses, the Company recognizes revenue in accordance with the AICPA s Statement of Position 97-2, Software Revenue Recognition. The application of SOP 97-2 requires judgment, including whether a software arrangement includes multiple elements, and if so, whether vendor-specific objective evidence (VSOE) of fair value exists for those elements. License revenue is recognized upon delivery, provided that persuasive evidence of an arrangement exists, no significant obligations with regards to installation or implementation remain, fees are fixed or determinable, collectibility is reasonably assured and customer acceptance, when applicable, is obtained. Software maintenance revenues are recognized ratably over the life of the contracts. Service revenues are recognized at the time the services are rendered. The Company provides engineering services to some of its customers on a contractual basis and recognizes revenue using the percentage of completion method. The Company estimates the percentage of completion on contracts with fixed fees on a monthly basis utilizing hours incurred to date as a percentage of total estimated hours to complete the project. If the Company does not have a sufficient basis to measure progress towards completion, revenue is recognized upon completion of the contract. When total cost estimates exceed revenues, the Company accrues for the estimated losses immediately. Revenue related to the hotel operations is recognized as services are performed.

Inventories

The Company values inventory at the lower of cost or market using the first-in, first-out (FIFO) method. Management assesses the recoverability of inventory based on types and levels of inventory held, forecasted demand and changes in technology. These assessments require management judgments and estimates, and valuation adjustments for excess and obsolete inventory may be recorded based on these assessments.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, marketable securities and accounts receivable. The Company places its cash investments and marketable securities in high credit quality financial instruments and, by policy, limits the amount of credit exposure to any one financial institution. The Company grants credit to domestic and foreign original equipment manufacturers, distributors and end users, performs ongoing credit evaluations and adjusts credit limits based upon payment history and the customer s current creditworthiness. The Company continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon historical experience and any specific customer collections issues that have been identified. While such credit losses have historically been within expectations and provisions established, there is no guarantee that the Company will continue to experience the same credit loss rates as in the past. Since the accounts receivable are concentrated in a relatively few number of customers, a significant change in liquidity or financial position of any one of these customers could have a material adverse impact on the collectability of accounts receivables and future operating results.

Investments in and Advances to Affiliated Companies

The Company has several investments in affiliated companies related to areas of the Company s strategic focus. The Company accounts for these investments using the equity method of accounting. In assessing the recoverability of these investments, the Company must make certain assumptions and judgments based on changes in the Company s overall business strategy, the financial condition of the affiliated companies, market conditions and the industry and economic environment in which the entity operates. Adverse changes in market conditions or poor operating results of affiliated companies could result in losses or an inability to recover the carrying value of the investments, thereby requiring an impairment charge in the future.

Intangible and Other Long-Lived Assets

The Company has intangible and other long-lived assets primarily related to technology, licenses, capitalized software and property, plant and equipment. In assessing the recoverability of these assets, the Company must make assumptions regarding estimated future cash flows, the expected period in which the asset is to be utilized, changes in technology and customer demand. If these estimates or their related assumptions change in the future, the Company may be required to record impairment charges for these assets not previously recorded.

Income Taxes

As part of the process of preparing the Company s financial statements, the Company is required to estimate its income taxes in each of the jurisdictions in which it operates. This process involves estimating actual current tax exposure together with assessing temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the balance sheet. The Company must then assess the likelihood that the deferred tax assets will be recovered from future taxable income and, to the extent that recovery is not likely, a valuation allowance must be established. To the extent a valuation allowance is established, the Company must include an expense within the tax provision in the statement of operations. In the event that actual results differ from these estimates, the provision for income taxes could be materially impacted.

Warranty Reserve

The Company provides for the estimated cost of product warranties at the time products are shipped. Although the Company engages in extensive product quality programs and processes, its warranty obligation is affected by product failure rates and service delivery costs incurred in correcting a product failure. Should actual product failure rates or service costs differ from the Company s estimates which are based on historical data and engineering estimates, where applicable, revisions to the estimated warranty liability would be required.

Results of Operations

Three Months Fiscal 2003 (10/31/02) vs. Three Months Fiscal 2002 (10/31/01) (dollars in thousands)

Product revenue for the three months ended October 31, 2002, was $123,228 as compared to $65,155 for the same period last year, an increase of $58,073 or 89%. The increase was primarily due to $62,739 in sales of medical and security imaging products. Of this amount $72,648 represents sales of EXACT systems and spare parts, partially offset by a decrease of $6,689 primarily due to a reduction of sales of mid-range Computed Tomography (CT) medical systems supplied to Philips and, to a lesser extent, a decline in sales of Direct Digital Radiography systems. In addition, sales of Signal Processing Technology Products decreased $4,666 due to lower demand for embedded multiprocessing equipment.

Engineering revenue for the three months ended October 31, 2002, was $6,380 compared to $7,477 for the same period last year, a decrease of $1,097, or 15%. The decrease in engineering revenue was primarily due to a decrease in demand for CT services by Philips.

Other revenues of $2,676 and $2,972 represent revenue from the Hotel operation for the three months ended October 31, 2002 and 2001, respectively. The decrease in revenues was attributable to the lower occupancy rate due to the decline in the travel and lodging business.

Cost of product sales was $67,633 for the quarter ended October 31, 2002, compared to $41,989 for the same period last year. Cost of product sales as a percentage of product revenue was 55% and 64% for the three months ended October 31, 2002 and 2001, respectively. The decrease in the cost of product sales percentage over the prior year was primarily attributable to a higher mix of security imaging technology products.

Cost of engineering sales was $4,896 for the three months ended October 31, 2002, compared to $6,623 for the same period last year. The total cost of engineering sales as a percentage of engineering revenue decreased to 77% for the three months ended October 31, 2002, from 89% for the same period last year. The decrease was primarily attributable to license revenue for which there was no associated cost.

Research and Development expenses were $11,377 for the three months ended October 31, 2002, or 9% of total revenue, compared to $10,162 for the same period last year, or 13% of total revenue. The increase of $1,215 or 12%, was mainly due to the Company s effort to develop a high-speed, low-cost carry-on baggage CT scanning system, Explosive Detection Systems (EDS) for a variety of applications, and advanced ultrasound systems for the urology market.

Selling and marketing expenses were $7,934 for the three months ended October 31, 2002, or 6% of total revenue, compared to $8,329 , or 11% of total revenue for the same period last year. The decrease of $395, or 5%, was primarily due to the termination of all business activities related to Anatel, the Company s telecommunications subsidiary.

General and administrative expenses were $8,085 or 6% of total revenue, for the three months ended October 31, 2002, as compared to $7,949 or 11% of total revenue, for the same period last year. The increase of $136 was primarily due to an increase in bad debt expense of $450 related to an unsecured note receivable, an increase in general liability insurance, offset partially by the Company not matching contributions to the employees 401(k) plan during the three months ended October 31, 2002, and reduced use of outside consulting services.

Interest income, net of interest expense, was $1,219 for the three months ended October 31, 2002, compared to $1,155 for the same period last year. The increase was due to higher invested cash balances partially offset by lower effective interest rates.

The Company recorded a loss of $986 related to equity in unconsolidated affiliates for the three months ended October 31, 2002, as compared to a gain of $738 for the same period last year. The equity loss consists primarily of $469 and $495 reflecting the Company s share of loss in Shenzhen Anke High-Tech Co., Ltd. (SAHCO) and Cedara Software Corporation, respectively. For the three months ended October 31, 2001, the Company recorded a gain in equity of $331 and $407 reflecting the Company s share of profit in SAHCO and Enhanced CT Technology LLC, respectively.

Other income was $343 for the three months ended October 31, 2002, compared to a loss of $166 for the same period last year. Other income for the current quarter represents primarily currency exchange gains from the Company s Canadian and Danish subsidiaries, versus currency exchange losses for the same period last year from the same subsidiaries.

The effective tax rate for the three months ended October 31, 2002, was 38% versus 20% for the same period last year. This increase in the effective tax rate was due primarily to the less significant impact of the benefit of both tax exempt interest and the extraterritorial income exclusion as a percentage of pretax income.

Net income for the three months ended October 31, 2002, was $19,650 or $1.49 per basic share and $1.48 per diluted share as compared to a net loss of $6,448 or $0.49 per basic and diluted share for the same period last year. The increase in net income over the prior year was primarily the result of increased revenue for the medical and security imaging products. The prior year s loss included a pre-tax asset impairment charge of $8,883 related to certain assets of the Company s Anatel subsidiary and Test and Measurement Division.

Liquidity and Capital Resources (dollars in thousands)

The Company s balance sheet reflects a current ratio of 2.8 to 1 at October 31, 2002, and 2.9 to 1 at July 31, 2002. Liquidity is sustained principally through funds provided from operations, with short-term time deposits and marketable securities available to provide additional sources of cash. The Company places its cash investments in high credit quality financial instruments and, by policy, limits the amount of credit exposure to any one financial institution. The Company s debt to equity ratio was .48 to 1 at October 31, 2002, and .45 to 1 at July 31, 2002. The Company believes that its balances of cash and cash equivalents, marketable securities and cash flows expected to be generated by future operating activities will be sufficient to meet its cash requirements over the next twelve months.

The Company faces limited exposure to financial market risks, including adverse movements in foreign currency exchange rates and changes in interest rates. These exposures may change over time as business practices evolve and could have a material adverse impact on the Company s financial results. The Company s primary exposure has been related to local currency revenue and operating expenses in Europe.

The carrying amounts reflected in the unaudited condensed consolidated balance sheets of cash and cash equivalents, trade receivables, and trade payables approximate fair value at October 31, 2002, due to the short maturities of these instruments.

The Company maintains a bond investment portfolio of various issuers, types, and maturities. This portfolio is classified on the balance sheet as either cash and cash equivalents or marketable securities, depending on the lengths of time to maturity from original purchase. Cash equivalents include all highly liquid investments with maturities of three months or less from the time of purchase. Investments having maturities from the time of purchase in excess of three months are stated at amortized cost, which approximates fair value, and are classified as available for sale. A rise in interest rates could have an adverse impact on the fair value of the Company s investment portfolio. The Company does not currently hedge these interest rate exposures.

Cash flow provided from operations was $5,608 in the first three months of fiscal 2003 compared to $14,477 during the same period of the prior year. The decrease in cash flows from operations of $8,869 during the first three months of fiscal 2003 over the prior year period resulted primarily from increases in net income of $26,098, offset by a significant use of cash related to operating assets and liabilities, representing a change from prior year of $30,070. The significant use of cash relates to increased accounts receivable and inventories, and a reduction in advance payments and deferred revenue for the three month period ended October 31, 2002, of $27,007, $19,673 and $14,518, respectively, partially offset by increases in account payable of $15,844 and accrued income taxes of $11,427. These significant changes in operating assets and liabilities for the period are primarily a result of the shipping, production and long-lead procurement activities related to the EXACT contract with L-3.

Net cash used in investing activities was $4,938 for the first three months of fiscal 2003 compared to $13,326 for the same period last year. The decrease in net cash used of $8,388 was primarily due to the acquisition by the Company of a minority interest in Cedara Software Corporation for $7,500 during the first quarter of fiscal 2002.

Net cash flow from financing activities was $34 for the first three months of fiscal 2003 versus $3,276 for the prior year period. The decrease in financing activities of $3,242 was primarily the results of external financing for the construction of the Danish facility during the first quarter in fiscal 2002.

The Company s contractual obligations at October 31, 2002, and the effect such obligations are expected to have on liquidity and cash flows in future periods are as follows:

	Total	Less then 1 year	1-3 years	4-5 years	After 5 years
Mortgage payable	$ 5,310	$ 352	$ 704	$ 704	$3,550
Capital leases	649	310	300	38	
Operating leases (A)	9,269	2,297	4,304	795	1,874
Other commitments (B)	4,847	4,431	416		
	$20,075	$7,390	$5,724	$1,537	$5,424

(A) Includes approximately $3,500 of lease costs associated with the Haverhill facility funded by ramp-up monies received by the Company in connection with the EXACT system order.

(B) Includes approximately $4,800 of commitments to suppliers for the production of raw materials and inventory components funded by ramp-up monies received by the Company in connection with the EXACT system order.

The Company currently has approximately $30,000 in revolving credit facilities with various banks available for direct borrowings. As of October 31, 2002, there were no direct borrowings. However, the Company has guaranteed through a provision of a credit facility with its principal bank the debt owed by Cedara to its bank lender through a provision of a credit facility for approximately $9,500.

Business Environment and Risk Factors

Forward Looking Statements

This Amendment No. 1 to Quarterly Report on Form 10-Q/A contains statements which, to the extent that they are not recitation of historical facts, constitute forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that all forward-looking statements, including statements about product development, market and industry trends, strategic initiatives, regulatory approvals, sales, profits, expenses, price trends, research and development expenses and trends, and capital expenditures involve risk and uncertainties, and actual events and results may differ significantly form those indicated in any forward-looking statements as a result of a number of important factors, including those discussed below and elsewhere herein.

Risk Factors

You should carefully consider the risks described below before making an investment decision with respect to Analogic Common Stock. Additional risks not presently known to us or that we currently deem immaterial may also impair our business. Any of these risks could have a material and negative effect on our business, financial condition or results of operations. Because a significant portion of our revenue currently comes from a small number of customers, any decrease in revenue from these customers could harm our operating results.

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We depend on a small number of customers for a large portion of our business, and changes in our customers orders may have a significant impact on our operating results. If a major customer significantly reduces the amount of business it does with us, there would be an adverse impact on our operating results. The following table sets forth the percentages of our net product and engineering revenue for our three largest customers in any of the last three fiscal years and the percentage of our total net sales to our ten largest customers in those years:

	Year Ended July 31,		
	2002	2001	2000
	Restated	Restated	
Philips	18%	23%	16%
General Electric	12%	11%	10%
L-3 Communications	9%	1%	4%
Toshiba	5%	7%	9%
Ten largest customers as a group	67%	63%	60%

Although we are seeking to broaden our customer base, we will continue to depend on sales to a relatively small number of major customers. Because it often takes significant time to replace lost business, it is likely that our operating results would be adversely affected if one or more of our major customers were to cancel, delay or reduce significant orders in the future. Our customer agreements typically permit the customer to discontinue future purchases after timely notice.

In addition, we generate significant accounts receivable in connection with the products we sell and the services we provide to our major customers. Although our major customers are large corporations, if one or more of our customers were to become insolvent or otherwise be unable to pay for our services, our operating results and financial condition could be adversely affected.

Competition from existing or new companies in the medical instrumentation technology industry could cause us to experience downward pressure on prices, fewer customer orders, reduced margins, the inability to take advantage of new business opportunities and the loss of market share.

We operate in a highly competitive industry. We are subject to competition based upon product design, performance, pricing, quality and services and we believe our innovative engineering and product reliability have been important factors in our growth. While we try to maintain competitive pricing on those products which are directly comparable to products manufactured by others, in many instances our products will conform to more exacting specifications and carry a higher price than analogous products manufactured by others.

Our competitors include divisions of some larger, more diversified organizations as well as several specialized companies. Some of them have greater resources and larger staffs than we have. Many of our OEM customers and potential OEM customers have the capacity to design and manufacture the products we manufacture for themselves. We face competition from research and product development groups and the manufacturing operations of our current and potential customers, who continually evaluate the benefits of internal research and product development and manufacturing versus outsourcing.

We depend on our suppliers, some of which are the sole source for our components, and our production would be substantially curtailed if these suppliers are not able to meet our demands and alternative sources are not available.

We order raw materials and components to complete our customers orders, and some of these raw materials and components are ordered from sole-source suppliers. Although we work with our customers and suppliers to minimize the impact of shortages in raw materials and components, we sometimes experience short-term adverse effects due to price fluctuations and delayed shipments. In the past, there have been industry-wide shortages of electronics components. If a significant shortage of raw materials or components were to occur, we may have to delay shipments or pay premium pricing, which would adversely affect our operating results. In some cases, supply shortages of particular components will substantially curtail production of products using these components. We are not always able to pass on price increases to our customers. Accordingly, some raw material and component price increases could adversely affect our operating results. We also depend on a small number of suppliers, some of whom are affiliated with customers or competitors and others of whom may be small, poorly financed companies, for many of the other raw materials and components that we use in our business. If we are unable to continue to purchase these raw materials and components from our suppliers, our operating results would be adversely affected. Because many of our costs are fixed, our margins depend on our volume of output at our facilities and a reduction in volume will adversely affect our margins.

If we are left with excess inventory, our operating results will be adversely affected.

Because of long lead times and specialized product designs, we typically purchase components and manufacture products for customer orders or in anticipation of customer orders based on customer forecasts. For a variety of reasons, such as decreased end-user demand for the products we are manufacturing, our customers may not purchase all the products we have manufactured or for which we have purchased components. In either event, we would attempt to recoup our materials and manufacturing costs by means such as returning components to our vendors, disposing of excess inventory through other channels or requiring our OEM customers to purchase or otherwise compensate us for such excess inventory. Some of our significant customer agreements do not give us the ability to require our OEM customers to do this. To the extent we are unsuccessful in recouping our material and manufacturing costs, not only would our net sales be adversely affected, but also our operating results would be disproportionately adversely affected. Moreover, carrying excess inventory would reduce the working capital we have available to continue to operate and grow our business.

Uncertainties and adverse trends affecting our industry or any of our major customers may adversely affect our operating results.

Our business depends primarily on a specific segment of the electronics industry, medical instrumentation technology products, which is subject to rapid technological change and pricing and margin pressure. This industry has historically been cyclical and subject to significant downturns characterized by diminished product demand, rapid declines in average selling prices and production over-capacity. In addition, changes in government policy relating to reimbursement for the purchase and use of medical capital equipment could also affect our sales. Our customers markets are also subject to economic cycles and are likely to experience recessionary periods in the future. The economic conditions affecting our industry in general, or any of our major customers in particular, may adversely affect our operating results. Our businesses outside the medical instrumentation technology product sector are subject to the same or greater technological and cyclical pressures.

Our customers delay or inability to obtain any necessary United States or foreign regulatory clearances or approvals for their products could have a material adverse effect on our business.

Our products are used by a number of our customers in the production of medical devices that are the subject of a high level of regulatory oversight. A delay or inability to obtain any necessary United States or foreign regulatory clearances or approvals for products could have a material adverse effect on our business. The process of obtaining clearances and approvals can be costly and time-consuming. There is a further risk that any approvals or clearances, once obtained, may be withdrawn or modified. Medical devices cannot be marketed in the United States without clearance or approval by the FDA. Medical devices sold in the United States must also be manufactured in compliance with FDA Good Manufacturing Practices, which regulate the design, manufacture, packing, storage and installation of medical devices. Moreover, medical devices are required to comply with FDA regulations relating to investigational research and labeling. States may also regulate the manufacture, sale and use of medical devices. Medical device products are also subject to approval and regulation by foreign regulatory and safety agencies.

Our business strategy involves the pursuit of acquisitions or business combinations, which may be difficult to integrate, disrupt our business, dilute stockholder value or divert management attention.

As part of our business strategy, we may consummate additional acquisitions or business combinations. Acquisitions are typically accompanied by a number of risks, including the difficulty of integrating the operations and personnel of the acquired companies, the potential disruption of our ongoing business and distraction of management, expenses related to the acquisition and potential unknown liabilities associated with acquired businesses.

If we are not successful in completing acquisitions that we may pursue in the future, we may have incurred substantial expenses and devoted significant management time and resources in seeking to complete proposed acquisitions that will not generate benefits for us. In addition, with future acquisitions, we could use substantial portions of our available cash as consideration for these acquisitions.

Our annual and quarterly operating results are subject to fluctuations, which could affect the market price of our Common Stock.

Our annual and quarterly results may vary significantly depending on various factors, many of which are beyond our control, and may not meet the expectations of securities analysts or investors. If this occurs, the price of our Common Stock would likely decline.

These factors include:

- variations in the timing and volume of customer orders relative to our manufacturing capacity;
- introduction and market acceptance of our customers new products;
- changes in demand for our customers existing products;
- the timing of our expenditures in anticipation of future orders;
- effectiveness in managing our manufacturing processes;
- changes in competitive and economic conditions generally or in our customers markets;
- changes in the cost or availability of components or skilled labor; and
- foreign currency exposure

As is the case with many technology companies, we typically ship a significant portion of our products in the last month of a quarter. As a result, any delay in anticipated sales is likely to result in the deferral of the associated revenue beyond the end of a particular quarter, which would have a significant effect on our operating results for that quarter. In addition, most of our operating expenses do not vary directly with net sales and are difficult to adjust in the short term. As a result, if net sales for a particular quarter were below our expectations, we could not proportionately reduce operating expenses for that quarter, and, therefore, that revenue shortfall would have a disproportionate adverse effect on our operating results for that quarter.

Loss of any of our key personnel could hurt our business because of their industry experience and their technological expertise.

We operate in a highly competitive industry and depend on the services of our key senior executives and our technological experts. The loss of the services of one or several of our key employees or an inability to attract, train and retain qualified and skilled employees, specifically engineering and operations personnel, could result in the loss of customers or otherwise inhibit our ability to operate and grow our business successfully.

If we are unable to maintain our technological expertise in research and product development and manufacturing processes, we will not be able to successfully compete.

We believe that our future success will depend upon our ability to provide research and product development and manufacturing services that meet the changing needs of our customers. This requires that we successfully anticipate and respond to technological changes in design and manufacturing processes in a cost-effective and timely manner. As a result, we continually evaluate the advantages and feasibility of new product design and manufacturing processes. We cannot, however, be certain that our development efforts will be successful.

One stockholder has a substantial interest in Analogic

As of October 31, 2002, the Bernard M. Gordon Charitable Remainder Unitrust owned approximately 29% of Analogic s outstanding Common Stock. Bernard M. Gordon, Chairman of the Board of Directors, Executive Chairman, President and Chief Executive Officer of Analogic, and Julian Soshnick, Vice President and General

Counsel of Analogic, serve as trustees of this trust and have full power to vote or dispose of the shares held by the trust. The trust, based on its ownership interest in Analogic, has the ability to exert substantial influence over the actions of Analogic.

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

The Company places its cash investments in high credit quality financial instruments and, by policy, limits the amount of credit exposure to any one financial institution. The Company faces limited exposure to financial market risks, including adverse movements in foreign currency exchange rates and changes in interest rates. These exposures may change over time as business practices evolve and could have a material adverse impact on the Company s financial results. The Company s primary exposure has been related to local currency revenue and operating expenses in Europe.

The Company maintains a bond investment portfolio of various issuers, types, and maturities. The Company s cash and investments include cash equivalents, which the Company considers to be investments purchased with original maturities of three months or less. Investments having original maturities in excess of three months are stated at amortized cost, which approximates fair value, and are classified as available for sale. Total interest income, net for the quarter ended October 31, 2002 was $1,219. An interest rate change of 10% would not have a material impact to the fair value of the portfolio or to future earnings.

The Company s three largest customers in fiscal 2002, each of which is a significant and valued customer, were Philips, General Electric and L-3 Communications, which accounted for approximately 18.2% , 12.3% , and 9.5% , respectively, of product and engineering revenue for the fiscal year ended July 31, 2002. Loss of any one of these customers would have a material adverse effect upon the Company s business.

PART II OTHER INFORMATION

Item 6. ***Exhibits and Reports on Form 8-K***

(a) Exhibits

Exhibit	Description
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

(b) During the quarter ended October 31, 2002, the Company did not file any reports on Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment to be signed on its behalf by the undersigned thereunto duly authorized.

Analogic Corporation
Registrant

/s/John W. Wood Jr.

John W. Wood Jr.
President and Chief Executive Officer
(Principal Executive Officer)

Date: October 27, 2003

/s/John J. Millerick

John J. Millerick
Senior Vice President,
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Date: October 27, 2003

October 27, 2003

EXHIBIT INDEX

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