ANALOGIC CORP
Form 10-Q
June 05, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended April 30, 2009

OR

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

(978) 326-4000

(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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes ¨ No x

The number of shares of Common Stock outstanding at May 29, 2009 was 12,804,535.

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

ANALOGIC CORPORATION

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share data)

	April 30, 2009	July 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 88,740	$ 173,912
Marketable securities	64,550	12,530
Accounts receivable, net of allowance for doubtful accounts of $674 and $998 at April 30, 2009 and July 31, 2008, respectively	57,317	66,573
Inventories	82,519	79,197
Refundable and deferred income taxes	13,646	17,429
Other current assets	12,067	11,285
Total current assets	318,839	360,926
Property, plant, and equipment, net	83,343	90,405
Capitalized software, net	5,009	4,422
Intangible assets, net	41,524	44,574
Goodwill	2,418	3,534
Other assets	328	1,378
Deferred income tax assets	6,827	5,926
Total Assets	$ 458,288	$ 511,165
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 22,666	$ 28,329
Accrued liabilities	26,369	34,552
Advance payments and deferred revenue	8,409	10,785
Total current liabilities	57,444	73,666
Long-term liabilities:		
Accrued income taxes	5,282	7,365
Other long-term liabilities	757	686
Deferred income tax liabilities	716	942
Total long-term liabilities	6,755	8,993
Commitments and guarantees (Note 15)		
Stockholders equity:		
Common stock, $.05 par value	640	672
Capital in excess of par value	70,527	70,593
Retained earnings	317,635	338,669
Accumulated other comprehensive income	5,287	18,572
Total stockholders equity	394,089	428,506
Total Liabilities and Stockholders Equity	$ 458,288	$ 511,165

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

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ANALOGIC CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended April 30, 2009	Three Months Ended April 30, 2008	Nine Months Ended April 30, 2009	Nine Months Ended April 30, 2008
Net revenue:				
Product	$ 86,864	$ 98,167	$ 276,255	$ 277,709
Engineering	4,846	2,483	14,547	10,727
Other	1,883	2,118	7,058	7,933
Total net revenue	93,593	102,768	297,860	296,369
Cost of sales:				
Product	55,908	60,525	183,008	169,749
Engineering	5,148	2,218	14,631	10,794
Other	1,576	1,693	5,062	5,337
Total cost of sales	62,632	64,436	202,701	185,880
Gross margin	30,961	38,332	95,159	110,489
Operating expenses:				
Research and product development	10,572	12,363	34,497	35,403
Selling and marketing	8,985	8,422	28,397	24,209
General and administrative	9,899	9,878	30,363	29,014
Restructuring charge	-	-	3,488	-
Total operating expenses	29,456	30,663	96,745	88,626
Income (loss) from operations	1,505	7,669	(1,586)	21,863
Other income (loss):				
Interest income, net	531	1,640	2,306	6,827
Other	(158)	230	739	1,090
Total other income	373	1,870	3,045	7,917
Income before income taxes	1,878	9,539	1,459	29,780
Provision for (benefit from) income taxes	(373)	2,860	(2,531)	9,566
Net income	$ 2,251	$ 6,679	$ 3,990	$ 20,214
Net income per share:				
Basic	$ 0.18	$ 0.51	$ 0.31	$ 1.54
Diluted	$ 0.18	$ 0.50	$ 0.31	$ 1.52
Weighted-average shares outstanding:				
Basic	12,619	13,222	12,896	13,162
Diluted	12,691	13,318	12,990	13,269

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

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ANALOGIC CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Nine Months Ended April 30, 2009	Nine Months Ended April 30, 2008
OPERATING ACTIVITIES:		
Net income	$ 3,990	$ 20,214
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (benefit from) deferred income taxes	(1,619)	2,625
Depreciation and amortization	12,994	9,988
Allowance for (recoveries of) doubtful accounts and notes receivable	210	(530)
Gain on sale of other investments	-	(139)
Net gain on sale of property, plant, and equipment	(25)	-
Share-based compensation expense	3,786	2,291
Excess tax provision (benefit) from share-based compensation	123	(246)
Restructuring charge	3,488	-
Net changes in operating assets and liabilities (Note 12)	(14,164)	(1,966)
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,783	32,237
INVESTING ACTIVITIES:		
Additions to property, plant, and equipment	(8,153)	(9,712)
Acquisition of business, net of cash acquired	(350)	(73,304)
Capitalized software development costs	(1,521)	(1,566)
Purchase of short-term held-to-maturity marketable securities	(180,507)	(103,485)
Maturities of short-term held-to-maturity marketable securities	128,487	83,608
Maturities of long-term available-for-sale marketable securities	-	2,000
Proceeds from the sale of other investments	-	274
Proceeds from the sale of property, plant, and equipment	35	-
Investments in and advances to affiliated companies	(2)	-
NET CASH USED FOR INVESTING ACTIVITIES	(62,011)	(102,185)
FINANCING ACTIVITIES:		
Issuance of stock pursuant to exercise of stock options and employee stock purchase plan	149	2,310
Excess tax provision (benefit) from share-based compensation	(123)	246
Purchase of common stock	(25,022)	-
Dividends paid to shareholders	(3,913)	(3,996)
NET CASH USED FOR FINANCING ACTIVITIES	(28,909)	(1,440)
EFFECT OF EXCHANGE RATE DECREASE (INCREASE) ON CASH	(3,035)	977
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (85,172)	$ (70,411)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	173,912	226,545
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 88,740	$ 156,134
Supplemental disclosures of cash flow information:		
Refunds received (cash paid) for income taxes, net	$ 5,026	$ (5,092)
Interest paid	-	17

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

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ANALOGIC CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share and per share data)

1. Basis of presentation:

Company

Analogic Corporation and its subsidiaries (Analogic or the Company) are engaged primarily in the design, manufacture, and sale of high performance data acquisition and signal processing instruments to Original Equipment Manufacturers (OEMs) for use in advanced health and security systems and subsystems. One of Analogic s subsidiaries sells products under its own name directly to niche clinical ultrasound end-user markets. Analogic s top ten customers combined for approximately 68% and 67% of the Company s total product and engineering revenue for the three months ended April 30, 2009 and 2008, respectively, and 69% and 68% for the nine months ended April 30, 2009 and 2008, respectively. Two customers, Philips and L3 Communications, also accounted for 16% and 12%, respectively, of net accounts receivable at April 30, 2009.

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. Investments in companies in which ownership interests range from 20% to 50% and the Company exercises significant influence over operating and financial policies, are accounted for using the equity method. Other investments are accounted for using the cost method.

General

The unaudited consolidated financial statements of the Company presented herein have been prepared pursuant to the rules of the United States Securities and Exchange Commission (the SEC) for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America (GAAP) for complete financial statements. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary for a fair statement of the results for all interim periods presented. The results of operations for the three and nine months ended April 30, 2009 are not necessarily indicative of the results to be expected for the fiscal year ending July 31, 2009 (fiscal year 2009), or any other interim period. These statements should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended July 31, 2008 (fiscal year 2008) included in the Company s Annual Report on Form 10-K as filed with the SEC on September 29, 2008. The accompanying Consolidated Balance Sheet as of July 31, 2008 contains data derived from audited financial statements.

2. Recent accounting pronouncements:

Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* , defines fair value, establishes a methodology for measuring fair value and expands the required disclosure for fair value measurements. During calendar year 2008, the Financial Accounting Standards Board (FASB) issued the following interpretations of SFAS No. 157:

FASB Staff Position (FSP) No. FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* , amends SFAS No. 157 to remove certain leasing transactions from its scope.

FSP No. FAS 157-2, *Effective Date of FASB Statement No. 157* , delays the effective date of SFAS No. 157 from fiscal year 2008 to the fiscal year ending July 31, 2010 (fiscal year 2010) for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company is currently evaluating the potential impact of SFAS No. 157 for non-financial assets and non-financial liabilities on its financial position and results of operations.

FSP No. FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP No. FAS 157-3 was effective upon issuance on October 10, 2008, including for prior periods for which financial statements have not been issued.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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The Company adopted FSP No. FAS 157-1 and FSP No. FAS 157-3 in the first quarter of fiscal year 2009 concurrent with the adoption of SFAS No. 157. The adoption of SFAS No. 157, as amended, did not have an impact on the Company s financial position, results of operations, or cash flows. See Note 4 for additional SFAS No. 157 disclosures.

In April 2009, the FASB issued FSP No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* , which provides additional guidance for estimating fair value in accordance with SFAS No. 157. This FSP states that a significant decrease in the volume and level of activity for the asset or liability when compared with normal market activity is an indication that transactions or quoted prices may not be determinative of fair value because there may be increased instances of transactions that are not orderly in such market conditions. Accordingly, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value. This FSP was effective for the Company beginning April 1, 2009 and did not have an impact on the Company s financial position, results of operations, or cash flows.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of SFAS No. 115* . The new statement allows entities to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item s fair value in subsequent reporting periods must be recognized in current earnings. The Company adopted SFAS No. 159 on August 1, 2008 concurrent with its adoption of SFAS No. 157. The adoption of SFAS No. 159 did not have an impact on the Company s financial position, results of operations, or cash flows.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* . SFAS No. 141(R) requires the acquiring entity in a business combination to record all assets acquired and liabilities assumed at their respective acquisition date fair values, changes the recognition of assets acquired and liabilities assumed arising from contingencies, changes the recognition and measurement of contingent consideration, and requires the expensing of acquisition-related costs as incurred. SFAS No. 141(R) also requires additional disclosure of information surrounding a business combination, such that users of the entity s financial statements can fully understand the nature and financial impact of the business combination. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, which will be fiscal year 2010. An entity may not apply it before that date. The provisions of SFAS No. 141(R) will only impact the Company if the Company is a party to a business combination after July 31, 2009.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51* . SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. This statement is effective for the Company beginning on August 1, 2009. The Company is currently evaluating the potential impact of the adoption of SFAS No. 160 on its financial position, results of operations, and cash flows.

In April 2008, the FASB issued FSP No. FAS 142-3, *Determining the Useful Life of Intangible Assets.* FSP No. FAS 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful lives of recognized intangible assets. FSP No. FAS 142-3 is effective for fiscal years beginning after December 15, 2008. The Company does not believe the adoption of FSP No. FAS 142-3 will have a material impact on its results of operations, financial position, or cash flows.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* , which provides a framework for selecting accounting principles to be used in preparing financial statements that are presented in conformity with GAAP for nongovernmental entities. Prior to the issuance of SFAS No. 162, the GAAP hierarchy was defined in the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles* . SFAS No. 162 became effective 60 days following the SEC s approval on September 16, 2008 of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles* . This statement became effective during the second quarter of fiscal year 2009 and did not have an impact on the Company s financial position, results of operations, or cash flows.

In June 2008, the FASB issued FSP No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* , which classifies unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) as participating securities and requires them to be included in the computation of earnings per share pursuant to the two-class method described in SFAS No. 128, *Earnings per Share* . This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior-period earnings per share data presented are to be adjusted retrospectively (including interim financial statements, summaries of earnings, and selected financial data) to conform with the provisions of this FSP, with early application not permitted. The Company is currently evaluating the effect, if any, that the adoption of FSP No. EITF 03-6-1 will have on its financial position, results of operations and cash flows.

In April 2009, the FASB issued FSP No. FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies* , which amends and clarifies the initial recognition and measurement, subsequent measurement and accounting, and related disclosures of assets and liabilities arising from contingencies in a business combination under SFAS No. 141(R). The Company will adopt this FSP in the first quarter of fiscal year 2010 and the impact of the adoption on the Company s consolidated financial statements will largely depend on the size and nature of any business combinations. The provisions of this FSP will only impact the Company if the Company is a party to a business combination after July 31, 2009.

3. Share-based payment:

The Company accounts for share-based compensation expense in accordance with SFAS No. 123(R), *Share-Based Payment* , which establishes accounting for equity instruments exchanged for employee and director services. Under the provisions of SFAS No. 123(R), share-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the employee s or director s requisite service period (generally the vesting period of the equity grant).

The following table presents share-based compensation expenses included in the Company s unaudited Consolidated Statements of Operations:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2009	2008	2009	2008
Cost of product sales	$ 69	$ 40	$ 214	$ 135
Research and product development	279	292	874	573
Selling and marketing	149	53	444	53
General and administrative	591	439	2,254	1,530
Share-based compensation expense before tax	1,088	824	3,786	2,291
Income tax effect	571	100	1,191	462
Net share-based compensation expense	$ 517	$ 724	$ 2,595	$ 1,829

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ANALOGIC CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Beginning in fiscal year 2008, the Company s Compensation Committee (the Committee) began granting performance contingent restricted stock awards. From August 1, 2007 through April 30, 2009, the Committee granted awards for a target of 145,934 performance contingent restricted stock shares (performance awards) under the Company s 2007 Restricted Stock Plan, of which 7,148 shares have been forfeited. These shares will vest if specific pre-established levels of performance are achieved at the end of a three-year performance cycle, which is July 31, 2010 for 93,627 shares granted in fiscal year 2008 and July 31, 2011 for 45,159 shares granted in fiscal year 2009. The performance goal for the performance awards is based solely on the cumulative growth of an adjusted earnings per share metric. The actual number of shares to be issued will be determined at the end of each three-year performance cycle and can range from zero to, in most cases, 200% of the target award, or up to 277,572 shares. The actual number of shares to be issued will also include the payment of dividends on the actual number of shares earned. The maximum compensation expense for the performance awards is $16,253 based on a weighted average grant date fair value of $58.55 per share. Compensation expense is being recognized over the performance period based on the number of shares that is deemed to be probable of vesting at the end of each three-year performance cycle. As of April 30, 2009, the Company estimated that total awards covering 49,512 shares with a value of $2,910 were deemed probable of vesting out of awards totaling 138,786 outstanding shares. During the three months ended April 30, 2009 and 2008, compensation expense of $29 and $439, respectively, was recognized for the performance awards based on the amount of shares deemed probable of vesting. During the nine months ended April 30, 2009 and 2008, compensation expense of $449 and $635, respectively, was recognized for the performance awards based on the amount of shares deemed probable of vesting.

The Company estimates the fair value of stock options using the Black-Scholes valuation model. Key input assumptions used to estimate the fair value of stock options include the exercise price of the award, the expected option term, the expected volatility of the Company s Common Stock over the option s expected term, the risk-free interest rate over the option s expected term, and the Company s expected annual dividend yield. The Company believes that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair values of the Company s outstanding stock options. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by persons who receive equity-based awards.

The weighted average grant date fair values of options granted were $11.08 per share during the three months ended April 30, 2009, and $18.56 and $21.58 per share during the nine months ended April 30, 2009 and 2008, respectively. There were no option grants during the three months ended April 30, 2008. The fair value of options at date of grant was estimated using the Black-Scholes option-pricing model with the following assumptions:

	Three Months Ended April 30,	Nine Months Ended April 30,	
	2009	2009	2008
Expected option term (1)	4.7 years	4.7 years	4.7 years
Expected volatility factor (2)	34%	34%	31%
Risk-free interest rate (3)	3.04%	3.04%	4.71%
Expected annual dividend yield	0.6%	0.6%	0.6%

(1) The option life was determined by estimating the expected option life using historical data.
(2) The stock volatility for each grant is determined based on the review of the weighted average of historical daily price changes of the Company s Common Stock over the most recent five years, which approximates the expected option life of the grant.
(3) The risk-free interest rate for periods equal to the expected term of the share option is based on the U.S. Treasury yield curve in effect at the time of grant.

ANALOGIC CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

The weighted average fair values of the options granted under the Company s employee stock purchase plan was $5.80 per share for each of the three and nine months ended April 30, 2009 and $15.13 per share during each of the three and nine months ended April 30, 2008. The fair value of options at date of grant was estimated using the Black-Scholes option-pricing model with the following assumptions:

	Three and Nine Months Ended April 30,	
	2009	2008
Expected option term	0.5 years	0.5 years
Expected volatility factor	50%	24%
Risk-free interest rate	1.45%	5.02%
Expected annual dividend yield	1.5%	0.5%

The following table sets forth the stock option and restricted stock transactions from July 31, 2008 to April 30, 2009:

	Stock Options Outstanding				Time-Based Unvested Restricted Stock		Performance-Based Unvested Restricted Stock	
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at July 31, 2008	286,868	$ 51.47	4.29	$ 6,238	105,112	$ 55.71	98,072	$ 59.13
Granted	152,161	57.69			53,550	56.82	45,751	57.35
Exercised	(4,475)	44.26			-	-	-	-
Vesting of restricted stock	-	-			(29,280)	51.69	-	-
Cancelled (forfeited and expired)	(22,208)	44.79			(11,358)	62.35	(5,037)	58.94
Outstanding at April 30, 2009	412,346	54.20	4.84	97	118,024	56.57	138,786	58.55
Options vested or expected to vest at April 30, 2009 (1)	373,525	53.56	4.70	84				
Options exercisable at April 30, 2009	155,348	45.69	2.43	4				

(1) In addition to the vested options, the Company expects a portion of the unvested options to vest at some point in the future. Options expected to vest are calculated by applying an estimated forfeiture rate to the unvested options.

4. Marketable securities and fair value:

Effective August 1, 2008, the Company adopted SFAS No. 157 for its financial assets and liabilities that are re-measured at fair value at each reporting period. In February 2008, the FASB issued FSP No. FAS 157-2, which provides a one-year deferral of the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. The adoption of SFAS No. 157 with respect to financial assets and liabilities and non-financial assets and liabilities that are measured at fair value at least annually did not have an impact on the financial position or results of operations of the Company. SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and requires enhanced disclosures about fair value measurements. Fair value is defined under SFAS No. 157 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under SFAS No. 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. SFAS No. 157 describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

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ANALOGIC CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company s cash equivalents and marketable securities are comprised primarily of certificates of deposits and U.S. government and agency discount notes.

The Company did not have any financial assets or liabilities measured at fair value under SFAS No. 157 at April 30, 2009 or July 31, 2008.

The following table summarizes the composition of the Company s marketable securities at April 30, 2009 and July 31, 2008.

		Gross Unrealized		
	Cost	Gain	Loss	Fair Value
April 30, 2009				
Held-to-Maturity Securities				
Certificates of deposit	$ 64,550	$ -	$ -	$ 64,550
July 31, 2008				
Held-to-Maturity Securities				
U.S. government and agency discount notes	$ 12,530	$ -	$ -	$ 12,530

All marketable securities held at April 30, 2009 mature within one year of that date.

There were no realized gains or losses on marketable securities in the three and nine months ended April 30, 2009 and 2008, as the cost has approximated fair value.

5. Business combination

On April 14, 2008, the Company acquired all of the outstanding capital stock of Copley Controls Corporation (Copley). Copley is a supplier of gradient amplifiers for Magnetic Resonance Imaging (MRI) and precision motion control systems used in computer-controlled automation systems. This acquisition has enabled the Company to expand its product offerings to its OEM customers, pursue new opportunities in Asia, enhance its position as a provider of medical subsystems for MRI scanners, and provide additional opportunities in the high-technology automation market.

The purchase price, net of cash acquired, was $74,032, which consisted of $76,875 of cash paid upon closing, $734 of transaction costs, which primarily consisted of fees incurred by the Company for financial advisory, legal, and accounting services, $1,066 for working capital adjustment payments, of which the entire amount was paid prior to July 31, 2008, and $350 due to the former stockholders of Copley to reimburse them for the additional tax costs of making an election to treat the acquisition as an asset sale for tax purposes, net of cash acquired of $4,993. The total amount paid through April 30 2009, net of cash acquired, was $74,032.

The Company s consolidated financial statements include the results of Copley from the date of acquisition. The purchase price has been allocated to the assets acquired and the liabilities assumed based on estimated fair values as of the acquisition date.

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The following represents the purchase price allocation:

Current assets		$ 36,152
Property, plant, and equipment		3,912
Goodwill		2,418
Intangible assets:		
Developed technology (weighted-average useful life of 11 years)	11,771	
Customer relationships (weighted-average useful life of 14 years)	25,200	
Tradename (indefinite life)	7,607	
Backlog (estimated useful life of 0.5 years)	2,063	
Total intangible assets		46,641
Current liabilities		(10,098)
Total purchase price		$ 79,025

In determining the purchase price allocation, the Company considered, among other factors, its intention to use the acquired assets and the historical and estimated future demand for Copley products and services. The fair value of developed technology and tradename intangible assets were based upon the relief from royalty approach while the customer relationship and backlog intangible assets were based on the income approach. The rate used to discount the estimated future net cash flows to their present values for each intangible asset was based upon a weighted average cost of capital ranging from 15.5% to 20.0%. The discount rate was determined after consideration of market rates of return on debt and equity capital, the weighted average return on invested capital and the risk associated with achieving forecasted sales related to the technology and assets acquired from Copley.

The total weighted average amortization period for the intangible assets is approximately 12 years. The intangible assets are being amortized on a straight-line basis, which is consistent with the pattern that the economic benefits of the intangible assets are expected to be utilized based upon estimated cash flows generated from such assets. The goodwill is classified within the Company s Medical Imaging Products segment.

In connection with the acquisition of Copley, the Company commenced integration activities which have resulted in recognizing $1,276 in liabilities for personnel-related costs and $150 for idle facility space. The Company expects to pay a substantial amount of the liabilities associated with the personnel-related costs and idle facility space through fiscal year 2009. Approximately $819 has been paid as of April 30, 2009.

The following pro forma information gives effect to the acquisition of Copley as if the acquisition occurred at the beginning of the prior year comparative period for which pro forma results have been shown. The pro forma results are not necessarily indicative of what actually would have occurred had the acquisition been in effect for the period presented:

	Three Months Ended April 30, 2008	Nine Months Ended April 30, 2008
Net revenue	$ 121,157	$ 354,064
Net income	4,989	18,051
Net income per share, basic	0.38	1.37
Net income per share, diluted	0.37	1.36

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The pro forma results for the three months ended April 30, 2008 included $1,043 and $1,598 of expenses related to the amortization of both the backlog intangible asset and the inventory fair value adjustment from the purchase accounting, respectively, and pro forma results for the nine months ended April 30, 2008 included $2,085 and $1,598 of expenses related to the amortization of both the backlog intangible asset and the inventory fair value adjustment from the purchase accounting, respectively. The backlog and inventory valuation adjustment were completely amortized over six and three months, respectively, from the date of acquisition.

6. Goodwill and other intangible assets:

The carrying amount of the goodwill at April 30, 2009 and July 31, 2008 of $2,418 and $3,534, respectively, is from the acquisition of Copley. The decrease in goodwill of $1,116 from July 31, 2008 to April 30, 2009 is due primarily to an adjustment to the purchase price of $650 for the amount due to the former stockholders of Copley to reimburse them for the additional tax costs of making an election to treat the acquisition as an asset sale for tax purposes. Also contributing to the decrease was an adjustment recorded in the first quarter of fiscal year 2009 to deferred taxes of $466 in the purchase price allocation.

Intangible assets at April 30, 2009 and July 31, 2008 consisted of the following:

	April 30, 2009			July 31, 2008		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Developed technology	$ 11,771	$ 1,168	$ 10,603	$ 11,771	$ 322	$ 11,449
Customer relationships	25,200	1,886	23,314	25,200	529	24,671
Tradename	7,607	-	7,607	7,607	-	7,607
Backlog	2,063	2,063	-	2,063	1,216	847
Total	$ 46,641	$ 5,117	$ 41,524	$ 46,641	$ 2,067	$ 44,574

Amortization expense related to acquired intangible assets was $718 and $301 for the three months ended April 30, 2009 and 2008, respectively, and $3,050 and $657 for the nine months ended April 30, 2009 and 2008, respectively.

The estimated future amortization expenses related to intangible assets for each of the five succeeding fiscal years is expected to be as follows:

2009 (Remaining three months)	$ 733
2010	2,931
2011	2,931
2012	2,931
2013	2,931
	$ 12,457

SFAS No. 142, *Goodwill and Other Intangible Assets*, requires that goodwill and indefinite lived intangible assets be tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value. Goodwill represents the purchase price in excess of the net amount assigned to assets acquired and liabilities assumed by the Company in connection with the acquisition of Copley on April 14, 2008. The tradename represents the value allocated to the Copley tradename in connection with the acquisition of Copley. The goodwill and Copley tradename are part of the OEM reporting unit (the Reporting Unit), which the Company tests for goodwill impairment during the second quarter of each fiscal year.

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The Company performed the first step of the two-step impairment test under SFAS No. 142 and compared the fair value of the Reporting Unit to its carrying value during the second quarter of fiscal year 2009. The Company s approach considered both the market approach and income approach. Under the market approach, the fair value of the Reporting Unit is based on trading and acquisition multiples. In the trading multiple approach, the Company assumed a control premium of 25% for the Reporting Unit, which was determined based on a range of control premiums for relevant recent acquisitions. Under the income approach, the fair value of the Reporting Unit is based on the present value of estimated future cash flows. The income approach is dependent on a number of significant management assumptions including estimates of future sales, future gross margin percentage, and discount rates. The discount rate of 14.5% was determined after consideration of market rates of return on debt and equity capital, the weighted average return on invested capital, and the risk associated with achieving forecasted sales for the Reporting Unit. Due to current market conditions, greater weighting was attributed to the market approach, which was weighted 60% while the income approach was weighted 40% in arriving at the fair value of the Reporting Unit. The Company determined that the fair value of the Reporting Unit was more than the carrying value of the net assets of the Reporting Unit, and thus it was not necessary for the Company to perform step two of the impairment test.

Given the current economic environment and the uncertainties regarding the impact on the Company s business, there can be no assurance that the Company s estimates and assumptions regarding the duration of the ongoing economic downturn, or the period or strength of recovery, made for purposes of its goodwill impairment testing during the second quarter of fiscal year 2009 will prove to be accurate predictions of the future. If the Company s assumptions regarding forecasted revenue or margin growth rates of certain reporting units are not achieved, the Company may be required to record an impairment charge for the goodwill and indefinite lived intangible asset in future periods, whether in connection with the Company s next annual impairment testing in the second quarter of fiscal year 2010, or prior to that if any such change constitutes a triggering event outside of the quarter from when the annual goodwill impairment test is performed. It is not possible at this time to determine if any such future impairment charge would result or, if it does, whether such charge would be material.

7. Voluntary retirement and other restructuring costs:

In connection with the acquisition of Copley, the Company accrued for restructuring costs of $1,100 and $326 during the third and fourth quarters of fiscal year 2008, respectively. Included in the total of $1,426 were costs of $323 for 29 employees that were terminated by the Company in January 2009. See Note 5 for additional information related to these restructuring accruals.

In May 2008, the Company notified approximately 32 employees in various departments of the organization that they would be terminated by July 31, 2008. The cost associated with these terminations, which included severance and personnel related costs, was $597 and recorded as a voluntary retirement and other restructuring cost in the fourth quarter of fiscal year 2008.

On June 4, 2008, the Company announced a voluntary retirement program for all of its U.S. employees, under which the retirements were substantially completed by September 30, 2008. The total costs under this program for the 52 employees who participated in the program, including severance and personnel related costs, was $3,419 and was recorded as a voluntary retirement and other restructuring cost during the fourth quarter of fiscal year 2008.

On January 28, 2009, the Company announced a plan to reduce its workforce by 116 employees worldwide. The total costs of this plan, including severance and personnel related costs, was $3,488 and was recorded as a restructuring charge during the nine months ended April 30, 2009.

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The following table summarizes accrued voluntary retirement and other restructuring costs activity from January 31, 2008 through April 30, 2009:

	Involuntary Employee Severance	Voluntary Retirement Program	Copley Acquisition	Total
Balance at January 31, 2008	$ -	$ -	$ -	$ -
Restructuring charge	-	-	-	-
Copley acquisition restructuring accrual	-	-	1,100	1,100
Cash payments	-	-	-	-
Balance at April 30, 2008	-	-	1,100	1,100
Restructuring charge	597	-	-	597
Copley acquisition restructuring accrual	-	-	326	326
Voluntary retirement costs	-	3,419	-	3,419
Cash payments	(288)	(24)	(50)	(362)
Balance at July 31, 2008	309	3,395	1,376	5,080
Restructuring charge	-	-	-	-
Cash payments	(266)	(3,287)	(113)	(3,666)
Balance at October 31, 2008	43	108	1,263	1,414
Restructuring charge	3,488	-	-	3,488
Cash payments	(96)	(83)	(351)	(530)
Foreign exchange	(39)	-	-	(39)
Balance at January 31, 2009	3,396	25	912	4,333
Restructuring charge	-	-	-	-
Cash payments	(1,559)	(25)	(305)	(1,889)
Foreign exchange	26	-	-	26
Balance at April 30, 2009	$ 1,863	$ -	$ 607	$ 2,470

The remaining cash expenditures as of April 30, 2009 consist of approximately $2,470 in employee severance that will be paid within the next twelve months based upon the payment terms of the agreements.

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8. Balance sheet information:

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

	April 30, 2009	July 31, 2008
Inventories:		
Raw materials	$ 45,025	$ 43,689
Work-in-process	18,510	16,893
Finished goods	18,984	18,615
	$ 82,519	$ 79,197
Accrued liabilities:		
Accrued employee compensation and benefits	$ 11,333	$ 17,413
Accrued voluntary retirement and restructuring costs	2,470	5,080
Accrued warranty	5,885	5,403
Other	6,681	6,656
	$ 26,369	$ 34,552
Advance payments and deferred revenue:		
Deferred revenue	$ 6,542	$ 8,569
Customer deposits	1,867	2,216
	$ 8,409	$ 10,785

9. Net income per share:

Basic net income per share is computed using the weighted average number of common shares outstanding during the period. Unvested restricted shares, although legally issued and outstanding, are not considered outstanding for purposes of calculating basic net income per share. Diluted net income per share is computed using the sum of the weighted average number of common shares outstanding during the period and, if dilutive, the weighted average number of potential shares of Common Stock, including unvested restricted stock and the assumed exercise of stock options using the treasury stock method.

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2009	2008	2009	2008
Net income	$ 2,251	$ 6,679	$ 3,990	$ 20,214
Weighted average number of common shares outstanding-basic	12,619	13,222	12,896	13,162
Effect of dilutive securities:				
Stock options and restricted stock	72	96	94	107
Weighted average number of common shares outstanding-diluted	12,691	13,318	12,990	13,269
Net loss earnings per share:				
Basic	$ 0.18	$ 0.51	$ 0.31	$ 1.54
Diluted	$ 0.18	$ 0.50	$ 0.31	$ 1.52
Anti-dilutive shares related to outstanding stock options	526	80	416	76

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10. Dividends:

The Company declared a dividend of $0.10 per share of Common Stock on September 25, 2008, which was paid on October 20, 2008 to stockholders of record on October 6, 2008. The Company also declared a dividend of $0.10 per share of Common Stock on December 4, 2008, which was paid on December 31, 2008 to stockholders of record on December 18, 2008. The Company also declared a dividend of $0.10 per share of Common Stock on March 3, 2009, which was paid on March 31, 2009 to stockholders of record on March 17, 2009. The Company also declared a dividend of $0.10 per share of Common Stock on June 2, 2009, which will be paid on June 30, 2009 to stockholders of record on June 16, 2009.

11. Comprehensive income (loss):

Components of comprehensive income (loss) include net income and certain transactions that have generally been reported as a component of Stockholders Equity. The following table presents the calculation of total comprehensive income (loss) and its components:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2009	2008	2009	2008
Net Income	$ 2,251	$ 6,679	$ 3,990	$ 20,214
Other comprehensive income, net of taxes:				
Pension adjustment, net of a tax benefit of $1 and a tax provision of $1 for the three months ended April 30, 2009 and 2008, respectively, and a tax provision of $9 and a tax benefit of $14 for the nine months ended April 30, 2009 and 2008, respectively.	(2)	1	14	(22)
Foreign currency translation adjustment, net of a tax provision of $193 and a tax benefit of $13 for the three months ended April 30, 2009 and 2008, respectively, and a tax benefit of $1,093 and a tax provision of $295 for the nine months ended April 30, 2009 and 2008, respectively.	2,325	3,028	(13,299)	7,997
Total comprehensive income (loss)	$ 4,574	$ 9,708	$ (9,295)	$ 28,189

The components of accumulated other comprehensive income, net of taxes, at April 30, 2009 and July 31, 2008 are as follows:

	April 30, 2009	July 31, 2008
Foreign currency translation adjustment	$ 5,370	$ 18,669
Pension adjustment	(83)	(97)
Total	$ 5,287	$ 18,572

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12. Supplemental disclosure of cash flow information:

The changes in operating assets and liabilities were as follows:

	Nine Months Ended April 30, 2009	Nine Months Ended April 30, 2008
Accounts receivable	$ 5,465	$ 3,519
Inventories	(6,476)	(7,639)
Other assets	(1,614)	1,492
Refundable income taxes	4,304	-
Accounts payable	(3,531)	3,033
Accrued liabilities	(10,016)	(3,095)
Advance payments and deferred revenue	(1,888)	(1,967)
Other liabilities	221	13
Accrued income taxes	(629)	2,678
Net changes in operating assets and liabilities	$ (14,164)	$ (1,966)

Supplemental disclosure of non-cash investing activities were as follows:

In connection with the acquisition of Copley, the Company estimated at April 30, 2008 that it would pay up to $1,000 to the former stockholders of Copley to reimburse them for the additional tax costs of making an election to treat the acquisition as an asset sale for tax purposes. The final amount that was actually paid to the former stockholders of Copley for the additional tax costs in the third quarter of fiscal year 2009 was $350. The Company also estimated at April 30, 2008 that it would pay an additional $76 to the former stockholders of Copley for working capital adjustments in the fourth quarter of fiscal year 2008. The actual amount paid for the additional working capital adjustments in the fourth quarter of fiscal year 2008 was $355.

13. Taxes:

The following table presents the provision (benefit) for income taxes and the effective income tax rates:

	Three Months Ended April 30, 2009	Three Months Ended April 30, 2008	Nine Months Ended April 30, 2009	Nine Months Ended April 30, 2008
Provision (benefit) for income taxes	$ (373)	$ 2,860	$ (2,531)	$ 9,566
Effective tax rate	-20%	30%	-173%	32%

The effective income tax rate is based upon the estimated income for the year, the composition of the income in different countries, and adjustments, if any, in the applicable quarterly periods for the potential tax consequences, benefits, resolutions of tax audits or other tax contingencies.

The Company s income tax benefit for the three months ended April 30, 2009 was due primarily to the reversal of $856 of tax reserves due to the expiration of the statute of limitations for the fiscal year ended July 31, 2005 (fiscal year 2005). The Company s income tax benefit for the nine months ended April 30, 2009 was due primarily to the Internal Revenue Service (IRS) income tax refund of $6,459 received in December 2008. The refund, which included $1,065 of interest, was for the carryback of a loss and research and development credits from the fiscal year ended July 31, 2004 and from additional research and development tax credits claimed on amended income tax returns for the fiscal years ended July 31, 2001 through 2003. The impact of this refund and related interest was a reduction of unrecognized tax benefits by approximately $3,280, of which $1,232 was recorded as a tax benefit in the nine months ended April 30, 2009. Also contributing to the income tax benefit for the nine months ended April 30, 2009 was the reversal of $856 of tax reserves due to the expiration of the statute of limitations for fiscal year 2005, a discrete benefit of $391 for previously unrecognized tax benefits resulting from the settlement of the IRS audit of the fiscal years ended July 31, 2001 to 2004, and a discrete tax benefit of $404 for the reinstatement of the federal research and experimentation credit back to January 1, 2008. These benefits were partially offset by additional provisions for agreed federal and state adjustments and typical taxes owed related to the Company s profitable operations in that period.

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For the three and nine months ended April 30, 2008, the effective tax rate varied from the statutory tax rate primarily as a result of the mix of income attributable to foreign versus domestic jurisdictions. The Company s aggregate income tax rate in foreign jurisdictions is lower than its income tax rate in the United States. During the three months ended April 30, 2008, the Company recognized discrete tax benefits of $351 resulting primarily from currency gains on the capitalization of loans to a subsidiary located outside of the United States and employees disqualifying dispositions of incentive stock options. For the nine months ended April 30, 2008, the Company recognized discrete net tax benefits of $406 resulting primarily from the change in tax rate on certain foreign deferred tax assets, the tax benefit from employees disqualifying dispositions of incentive stock options and currency gains on the capitalization of loans to a subsidiary located outside of the United States.

The Company adopted FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes* , at the beginning of fiscal year 2008. FIN No. 48 requires management to perform a two-step evaluation of all tax positions, ensuring that these tax return positions meet the more likely than not recognition threshold and can be measured with sufficient precision to determine the benefit recognized in the financial statements. These evaluations provide management with a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements certain tax positions that the Company has taken or expects to take on its income tax returns. As a result of the implementation of FIN No. 48, the Company recognized the following increases on August 1, 2007.

Assets		
Non-current other asset	$	3,806
Liabilities and Stockholders Equity		
Accrued income taxes		1,567
Retained earnings		2,239

The total amount of gross unrecognized tax benefits, which excludes interest and penalties discussed below, were as follows for the dates indicated.

April 30, 2009		July 31, 2008	
$	14,573	$	18,296

These unrecognized tax benefits, if recognized in a future period, the timing of which $15,710 is not estimable, would impact the Company s effective tax rate.

Analogic and its subsidiaries are subject to U.S. federal income tax as well as the income tax of multiple state and foreign jurisdictions. The Company has concluded all U.S. federal income tax matters for fiscal years through July 31, 2002 and fiscal year 2005. As of April 30, 2009, Analogic was under audit by the IRS for the fiscal year ended July 31, 2007.

The Company also has an unresolved state tax audit currently under appeal and one in progress. It is reasonably possible that a reduction in the unrecognized tax benefits may occur as a result of some or all of the matters concluding, but quantification of an estimated range cannot be made at this time. Within the next four fiscal quarters, the statute of limitations may close on the 2003, 2004, and 2006 federal and state income tax returns and it is reasonably expected that net unrecognized tax benefits of $1,773 from these jurisdictions may be recognized in the next four quarters.

Within the next four fiscal quarters, the statute of limitations will close on the 2003 and 2004 tax returns filed in various foreign jurisdictions. As a result, it is reasonably expected that net unrecognized tax benefits from these foreign jurisdictions may be recognized within the next four quarters. The recognition of these tax benefits is not expected to have a material impact on the Company s financial statements.

The Company has net operating loss carryforwards in Belgium of approximately $4,200 that are subject to a full valuation allowance. It is reasonably possible that the valuation allowance could reverse in the next twelve months.

The Company accrues interest and, if applicable, penalties for any uncertain tax positions. This interest and penalty expense will be a component of income tax expense. At the date of adoption of FIN No. 48 and at April 30, 2009, the Company had approximately $1,025 and $1,121, respectively, accrued for interest on unrecognized tax benefits.

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14. Segment information:

The Company operates primarily within two major markets within the electronics industry: Medical Technology Products and Security Technology Products. Medical Technology Products consists of three reporting segments: Medical Imaging Products, which consists primarily of electronic systems and subsystems for medical imaging equipment and patient monitoring; Digital Radiography Products, which consists primarily of state-of-the-art, direct conversion amorphous Selenium-based, digital, flat-panel, X-ray detectors for diagnostic and interventional applications in digital fluoroscopy and mammography; and B-K Medical ApS (B-K Medical) for ultrasound systems and probes in the urology, surgery, and radiology markets. Security Technology Products consists of advanced weapon and threat detection aviation security systems and subsystems. The Company s Corporate and Other segment represents the Company s hotel business and net interest income. The accounting policies of the segments are the same as those described in the summary of Significant Accounting Policies included in Note 1 of the Notes to Consolidated Financial Statements in the Company s Annual Report on Form 10-K for fiscal year 2008.

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2009	2008	2009	2008
Revenue:				
Medical Technology Products from external customers:				
Medical Imaging Products (A)	$ 50,006	$ 58,550	$ 171,042	$ 164,289
Digital Radiography Products	10,307	8,693	24,533	19,326
B-K Medical	19,198	22,676	58,934	67,879
	79,511	89,919	254,509	251,494
Security Technology Products from external customers	12,199	10,731	36,293	36,942
Corporate and Other	1,883	2,118	7,058	7,933
Total	$ 93,593	$ 102,768	$ 297,860	$ 296,369
Income (loss) before income taxes				
Medical Technology Products:				
Medical Imaging Products (B)	$ (1,835)	$ 7,809	$ (4,498)	$ 19,204
Digital Radiography Products	1,872	(1,342)	2,411	(5,408)
B-K Medical	(71)	974	(1,349)	4,940
	(34)	7,441	(3,436)	18,736
Security Technology Products	1,597	856	3,526	3,534
Corporate and Other	315	1,242	1,369	7,510
Total	$ 1,878	$ 9,539	$ 1,459	$ 29,780

	April 30, 2009	July 31, 2008
Identifiable assets:		
Medical Imaging Products (C)	$ 133,809	$ 146,854
Digital Radiography Products	27,544	35,122
B-K Medical	85,884	101,455

Security Technology Products	14,241	13,011
Corporate and Other (D)	196,810	214,723
Total	$ 458,288	$ 511,165

(A) Includes Copley revenues for the three months ended April 30, 2009 and 2008 of $12,703 and $3,153, respectively, and for the nine months ended April 30, 2009 and 2008 of $48,180 and $3,153, respectively. The Copley revenue for the three and nine months ended April 30, 2008 only includes the period of April 14, 2008 through April 30, 2008, as Copley was acquired on April 14, 2008.

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(B) Includes Copley income (loss) before taxes for the three months ended April 30, 2009 and 2008 of ($957) and $195, respectively, and the nine months ended April 30, 2009 and 2008 of ($1,984) and $195, respectively. The Copley income before taxes for the three and nine months ended April 30, 2008 only includes the period of April 14, 2008 through April 30, 2008, as Copley was acquired on April 14, 2008.

(C) Includes goodwill and net intangible assets from the acquisition of Copley of $2,418 and $41,524, respectively, at April 30, 2009, and $3,534 and $44,574, respectively, at July 31, 2008.

(D) Includes cash and cash equivalents and marketable securities of $128,146 and $132,433 at April 30, 2009 and July 31, 2008, respectively.

15. Commitments and guarantees:

The Company accounts for guarantees in accordance with FIN No. 45, *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34* . FIN No. 45 requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken by issuing the guarantee. The following is a summary of agreements that the Company has determined are within the scope of FIN No. 45.

The Company s standard OEM and supply agreements entered into in the ordinary course of business typically contain an indemnification provision pursuant to which the Company indemnifies, holds harmless, and agrees to reimburse the indemnified party for losses suffered or incurred by the indemnified party in connection with any United States patent, or any copyright or other intellectual property infringement claim by any third party with respect to the Company s products. Such provisions generally survive termination or expiration of the agreements. The potential amount of future payments the Company could be required to make under these indemnification provisions is, in some instances, unlimited. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes that its estimated exposure on these agreements is currently minimal. Accordingly, the Company has no liabilities recorded for these agreements as of April 30, 2009.

Generally, the Company warrants that its products will perform in all material respects in accordance with its standard published specifications in effect at the time of delivery of the products to the customer for a period ranging from 12 to 24 months from the date of delivery. The Company provides for the estimated cost of product and service warranties based on specific warranty claims, claim history and engineering estimates, where applicable.

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2009	2008	2009	2008
Balance at the beginning of the period	$ 5,009	$ 5,596	$ 5,403	$ 5,241
Accrual	1,057	1,864	2,753	4,115
Acquired in acquisition of Copley	-	1,468	-	1,468
Settlements made in cash or in kind during the period	(181)	(1,963)	(2,271)	(3,859)
Balance at the end of the period	$ 5,885	$ 6,965	$ 5,885	$ 6,965

The Company currently has approximately $22,500 in revolving credit facilities with banks available for direct borrowings. The Company s revolving credit facility agreement contains a number of covenants, including a covenant requiring the Company to maintain a tangible net worth (as defined in the revolving credit facility agreement) of no less than $255,000 as of the end of any fiscal quarter. The Company was in compliance with this covenant at April 30, 2009 with a tangible net worth of approximately $345,100. As of April 30, 2009, there were no direct borrowings or off-balance sheet arrangements.

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(Continued)

16. Common Stock repurchase:

On October 13, 2008, the Company announced that, on the same date, its Board of Directors had authorized the repurchase of up to $25,000 of the Company s Common Stock. The Company completed the repurchase program, which was funded using the Company s available cash, in the second quarter of fiscal year 2009. During the nine months ended April 30, 2009, the Company repurchased 736,694 shares of Common Stock under this repurchase program for $25,022 at an average purchase price per share of $33.97. Included in the $25,022 paid for the Common Stock under this program was $22 of commissions and fees to the Company s broker.

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

The following discussion provides an analysis of the financial condition and results of operations for Analogic Corporation and its subsidiaries (the Company) and should be read in conjunction with the unaudited Consolidated Financial Statements and Notes thereto included elsewhere in this report. The discussion below contains forward-looking statements within the meaning of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements, other than statements of historical fact, the Company makes in this document are forward looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors, including those set forth in Part II. Item 1A. Risk Factors , which may cause the actual results, performance, or achievements of the Company to differ materially from the projected results.

The Company reports its financial condition and results of operations on a fiscal year basis ending July 31. The periods ended April 30, 2009 and 2008 represent the third quarters of the 2009 and 2008 fiscal years, respectively. All dollar amounts in this Item 2 are in thousands except per share data.

Summary

The Company is engaged primarily in the design, manufacture, and sale of high performance data acquisition and signal processing instruments to customers that manufacture products primarily for two major markets within the electronics industry: Medical Technology Products and Security Technology Products. Medical Technology Products consists of three reporting segments: Medical Imaging Products, which consists primarily of electronic systems and subsystems for medical imaging equipment and patient monitoring; Digital Radiography Products, which consists primarily of state-of-the-art, direct conversion amorphous Selenium-based, digital, flat-panel, X-ray detectors for diagnostic and interventional applications in digital fluoroscopy and mammography; and B-K Medical ApS (B-K Medical) for ultrasound systems and probes in the urology, surgery, and radiology markets. Security Technology Products consists of advanced weapon and threat detection aviation security systems and subsystems. The Company s Corporate and Other segment represents the Company s hotel business and net interest income.

A significant portion of the Company s products are sold to Original Equipment Manufacturers (OEMs), whose purchasing dynamics have an impact on the Company s reported sales. OEMs that purchase the Company s Medical Imaging and Digital Radiography Products generally incorporate those products as components in their systems, which are in turn sold to end users, primarily hospitals and medical clinics. During the first six months of fiscal year 2009, Medical Imaging Products revenues were impacted by the U.S Deficit Reduction Act (DRA). The DRA reduced government reimbursement rates for doctors utilizing medical imaging procedures for their patients, which, in turn, reduced demand for our OEM customers. In addition, the deterioration of global economic conditions over the last twelve months has resulted in reduced endowments and funding of hospitals and medical clinics. In response, these end users have begun to reduce the capital available for investment in new facilities, expansions, or upgrades. As such, Medical Imaging Products OEMs have experienced reductions in demand for their products and have in turn reduced their procurement spending.

In the Company s Security Technology Products business, a major OEM customer purchases and resells the Company s products to end users including domestic and foreign airports as well as the U.S Transportation Security Authority (TSA). In Security Technology Products, the Company s OEM customer s purchasing dynamics are generally affected by the level of government funding, the expansion of airport terminals and the fluctuations in airline passenger volume.

Over the past several years, the Company has had significant cash and marketable securities balances, which over the past year have been impacted by a reduction in interest rates. The Company has historically invested in U.S government backed securities, bonds, and certificates of deposit, the interest rates of which have declined significantly over the last year. Also contributing to the decline in interest income of approximately 65% for the three months ended April 30, 2009 as compared to the three months ended April 30, 2008 were Copley Controls Corporation (Copley) acquisition related costs of $73,332 in the third quarter of fiscal year 2008 and repurchases of Common Stock of $25,022 since July 31, 2008.

On January 28, 2009, the Company announced a plan to reduce its workforce by 116 employees worldwide. The total costs of this plan, including severance and personnel related costs, were $3,488 and were recorded as a restructuring charge during the nine months ended January 31, 2009. The Company also terminated 29 employees from Copley in January 2009. The severance and personnel related costs of $323 for the Copley employees were accrued for in fiscal year 2008 in connection with the acquisition. The savings from the termination of the 145 employees on an annual basis is estimated to be approximately $9,800.

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The following table sets forth key financial data from the Company s unaudited Consolidated Statement of Operations for the three months ended April 30, 2009 and 2008.

	Three Months Ended April 30, 2009	Three Months Ended April 30, 2008	Percentage Change
Total net revenue	$ 93,593	$ 102,768	-9%
Income from operations	1,505	7,669	-80%
Net income	2,251	6,679	-66%
Diluted net income per share	0.18	0.50	-64%

Net revenue for the three months ended April 30, 2009 was $9,175, or 9%, lower than the same period last year, due primarily to a reduction in demand for Medical Imaging Products as a result of the DRA and global economic conditions. This decrease is a net of a $9,550 increase in revenue from Copley, which was not acquired until late in the third quarter of fiscal year 2008 on April 14, 2008.

Income from operations, net income, and diluted net income per share in the three months ended April 30, 2009 declined from the three months ended April 30, 2008 due primarily to a decline in gross margin. The decline in gross margin was due primarily to amortization of acquisition related intangible assets from the Copley acquisition, unfavorable product mix, and manufacturing inefficiencies related to lower production volumes. Net income and diluted net income per share were further impacted by a decline in net interest income of $1,109, due primarily to lower effective interest rates and lower invested cash balances, partially offset by a decrease in the effective tax rate due to the reversal of $856 of tax reserves due to the expiration of the statute of limitations for fiscal year 2005 related to the U.S. federal tax return.

The following table sets forth an overview of cash flows for the nine months ended April 30, 2009 and 2008.

	Nine Months Ended April 30, 2009	Nine Months Ended April 30, 2008
Net cash provided by operating activities	$ 8,783	$ 32,237
Net cash used for investing activities	(62,011)	(102,185)
Net cash used for financing activities	(28,909)	(1,440)
Effect of exchange rate decrease (increase) on cash	(3,035)	977
Net decrease in cash and cash equivalents	$ (85,172)	$ (70,411)

During the nine months ended April 30, 2009, the Company continued to generate cash from its operating activities. The net cash provided by operating activities in the nine months ended April 30, 2009 was due primarily to depreciation and amortization of $12,994, net income of $3,990, share-based compensation expense of $3,786, and a restructuring charge of $3,488, partially offset by a net change in operating assets and liabilities of $14,164.

The net cash used for investing activities in the nine months ended April 30, 2009 was due primarily to the purchase of short-term held-to-maturity marketable securities of $180,507, partially offset by the maturity of $128,847 of short-term held-to-maturity marketable securities.

The net cash used for financing activities in the nine months ended April 30, 2009 was due primarily to the repurchase of $25,000 of the Company s Common Stock under a repurchase program authorized by its Board of Directors on October 13, 2008. The Company completed the repurchase program, which was funded using the Company s available cash, in the second quarter of fiscal year 2009. During the nine months ended April 30, 2009, the Company repurchased 736,694 shares of Common Stock under this repurchase program for $25,022 at an average purchase price per share of $33.97. Included in the $25,022 paid for the Common Stock under this program was $22 of commissions and fees to the Company s broker.

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Results of Operations

Net Revenue

Product Revenue

Product revenue is summarized in the table below.

	Three Months Ended April 30, 2009	Three Months Ended April 30, 2008	Change	Nine Months Ended April 30, 2009	Nine Months Ended April 30, 2008	Change
Product Revenue:						
Medical Technology Products from external customers:						
Medical Imaging Products	$ 47,502	$ 56,663	-16%	$ 163,755	$ 158,819	3%
Digital Radiography Products	10,075	8,339	21%	24,037	18,408	31%
B-K Medical	19,198	22,676	-15%	58,934	67,879	-13%
	76,775	87,678	-12%	246,726	245,106	1%
Security Technology Products from external customers	10,089	10,489	-4%	29,529	32,603	-9%
Total	$ 86,864	$ 98,167	-12%	$ 276,255	$ 277,709	-1%

Medical Imaging Products

The decrease in product revenue for Medical Imaging Products for the three months ended April 30, 2009 versus the prior year comparable period was due primarily to a decline in demand for data acquisition systems, detectors, and CT subsystems due primarily to the DRA and the global economic slowdown.

The increase in product revenue for Medical Imaging Products for the nine months ended April 30, 2009 versus the prior year comparable period was due primarily to the acquisition of Copley during April 2008, which accounted for $48,180 and $3,153 of product revenue in the nine months ended April 30, 2009 and 2008, respectively. This increase was partially offset by a decline in demand for data acquisition systems, detectors, and CT subsystems due primarily to the DRA and the global economic crisis.

Digital Radiography Products

The increase in product revenue for Digital Radiography Products in the three and nine months ended April 30, 2009 versus the prior year comparable period was due primarily to an increase in shipments of mammography detectors to an OEM customer.

B-K Medical

The decreases in B-K Medical product revenue in the three and nine months ended April 30, 2009 versus the prior year comparable periods were due primarily to unfavorable changes in the foreign currency exchange rate and a decline in demand due to the global economic slowdown. Also contributing to the decrease was a decline in demand for ultrasound systems due to customer order delays in anticipation of two new ultrasound products, one of which was introduced late in the second quarter of fiscal year 2009 and the other of which was introduced late in the third quarter of fiscal year 2009.

Security Technology Products

The decreases in Security Technology Products revenue in the three and nine months ended April 30, 2009 versus the prior year comparable periods were due primarily to a decrease in sales of spare parts and accessories of approximately $600 and $4,900, respectively. The decrease in the nine months ended April 30, 2009 versus the prior year comparable period was partially offset by seven more baggage scanners being shipped in the nine months ended April 30, 2009 as compared to the nine months ended April 30, 2008.

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Engineering Revenue

Engineering revenue is summarized in the table below.

	Three Months Ended April 30,			Nine Months Ended April 30,		
	2009	2008	Change	2009	2008	Change
Engineering Revenue:						
Medical Technology Products from external customers:						
Medical Imaging Products	$ 2,504	$ 1,887	33%	$ 7,287	$ 5,470	33%
Digital Radiography Products	232	354	-34%	496	918	-46%
B-K Medical	-	-	0%	-	-	0%
	2,736	2,241	22%	7,783	6,388	22%
Security Technology Products from external customers	2,110	242	772%	6,764	4,339	56%
Total	$ 4,846	$ 2,483	95%	$ 14,547	$ 10,727	36%

Medical Imaging Products

The increases in Medical Imaging Products engineering revenue in the three and nine months ended April 30, 2009 versus the prior year comparable periods were due primarily to an increase in activity on customer funded engineering projects.

Security Technology Products

The increases in Security Technology Products engineering revenue in the three and nine months ended April 30, 2009 versus the prior year comparable periods were due primarily to engineering revenue on a time and materials project with the TSA to transition the eXaminer XLB from a prototype into a product that can be manufactured. The increase in the nine months ended April 30, 2009 versus the prior year comparable period was partially offset by the completion of a project in the nine months ended April 30, 2008, which was accounted for under the completed contract method and had revenue of $2,417 for engineering activities that had been performed primarily in periods prior to the nine months ended April 30, 2008.

Other Revenue

Other revenue is summarized in the table below.

	Three Months Ended April 30,			Nine Months Ended April 30,		
	2009	2008	Change	2009	2008	Change
Other Revenue:						
Hotel	$ 1,883	$ 2,118	-11%	$ 7,058	$ 7,933	-11%

The decreases in the three and nine months ended April 30, 2009 versus the prior year comparable periods were due primarily to lower occupancy of the hotel due to lower business and personal travel as a result of the economic slowdown.

Gross Margin

Product Gross Margin

Product gross margin is summarized in the table below.

	Three Months Ended April 30,		Percentage Change	Nine Months Ended April 30,		Percentage Change
	2009	**2008**		**2009**	**2008**	
Product gross margin	$ 30,956	$ 37,642	-17.8%	$ 93,247	$ 107,960	-13.6%
Product gross margin %	35.6%	38.3%		33.8%	38.9%	

Product gross margin percentage decreased in the three and nine months ended April 30, 2009 versus the prior year comparable periods due primarily to Medical Imaging Products. The decline in the Medical Imaging Products gross margin percentage was due primarily to the amortization of intangible assets from the acquisition of Copley, a higher mix of lower margin Copley products, and reduced manufacturing efficiency caused by lower production volumes. The declines in the Medical Imaging Products gross margin

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percentages for the three and nine months ended April 30, 2009 were partially offset by increases in the product gross margin percentage of Digital Radiography Products due primarily to improved manufacturing yields.

Engineering Gross Margin

Engineering gross margin is summarized in the table below.

	Three Months Ended April 30, 2009	Three Months Ended April 30, 2008	Percentage Change	Nine Months Ended April 30, 2009	Nine Months Ended April 30, 2008	Percentage Change
Engineering gross margin (loss)	$ (302)	$ 265	-214.0%	$ (84)	$ (67)	-25.4%
Engineering gross margin %	-6.2%	10.7%		-0.6%	-0.6%	

The engineering gross margin decreased in the three and nine months ended April 30, 2009 versus prior year comparable periods, due primarily to an increase in costs incurred in excess of revenue on certain customer funded Medical Imaging Products projects. The increase in costs incurred in excess of revenue on certain customer funded Medical Imaging Products projects for the nine months ended April 30, 2009 was partially offset by more activity on higher gross margin projects for Security Technology Products.

Operating Expenses

Operating expenses are summarized in the table below.

	Three Months Ended April 30, 2009	Three Months Ended April 30, 2008	Nine Months Ended April 30, 2009	Nine Months Ended April 30, 2008
Research and product development	$ 10,572	$ 12,363	$ 34,497	$ 35,403
Selling and marketing	8,985	8,422	28,397	24,209
General and administrative	9,899	9,878	30,363	29,014
Restructuring charge	-	-	3,488	-
	$ 29,456	$ 30,663	$ 96,745	$ 88,626

Operating expenses as a percentage of total net revenue are summarized in the table below.

	Three Months Ended April 30, 2009	Three Months Ended April 30, 2008	Nine Months Ended April 30, 2009	Nine Months Ended April 30, 2008
Research and product development	11.3%	12.0%	11.6%	11.9%
Selling and marketing	9.6%	8.2%	9.5%	8.2%
General and administrative	10.6%	9.6%	10.2%	9.8%
Restructuring charge	0.0%	0.0%	1.2%	0.0%
	31.5%	29.8%	32.5%	29.9%

Operating expenses decreased $1,207 for the three months ended April 30, 2009 from the three months ended April 30, 2008, due primarily to a reduction in research and product development costs on internally funded engineering projects for Medical Imaging Products due primarily to an increase in customer funded engineering projects. Also contributing to the decrease was a decline in bonus costs of $369. These decreases were partially offset by an increase in Copley operating expenses of $2,751. The Copley operating expenses for the three months ended April 30, 2008 only includes the period of April 14, 2008 through April 30, 2008, as Copley was acquired on April 14, 2008.

Operating expenses increased $8,119 for the nine months ended April 30, 2009 from the nine months ended April 30, 2008. The increase was due primarily to the acquisition of Copley in April 2008, which accounted for operating expenses of $11,400 and $674, in the nine months ended April 30, 2009 and 2008, respectively. Also, contributing to the increase in operating expenses was the restructuring charge for severance and personnel related costs of $3,488 during the nine months ended April 30, 2009 and $688 of contingent professional fees in general and administrative expenses related to an income tax refund and related interest of $6,459 received from the Internal Revenue Service (IRS) in December 2008. Partially offsetting these increases in operating expenses was

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a reduction in research and product development costs on internally funded engineering projects for Medical Imaging Products due primarily to an increase in customer funded engineering projects, as well as reduced headcount, cost containment programs, and lower incentive compensation.

Other Income

Other income is summarized in the table below.

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2009	2008	2009	2008
Interest income, net	$ 531	$ 1,640	$ 2,306	$ 6,827
Other income (loss), net	$ (158)	$ 230	$ 739	$ 1,090

The decreases in net interest income in the three and nine months ended April 30, 2009 versus the prior year comparable periods were due primarily to lower invested cash balances as a result of the acquisition of Copley, the Company s $25,022 Common Stock repurchase in the first and second quarters of fiscal year 2009, and a decline in interest rates.

Net other income (loss) during the three and nine months ended April 30, 2009 consisted predominantly of foreign currency exchange gains and losses by the Company s Canadian subsidiary. Net other income during the three and nine months ended April 30, 2008 consisted primarily of $555 the Company received from its insurance company as reimbursement for legal fees incurred in relation to an indemnification matter related to the Company s sale of its wholly owned subsidiary, Camtronics Medical Systems, Ltd., in November 2005.

Provision (Benefit) for Income Taxes

The provision (benefit) for income taxes and the effective tax rates are summarized in the table below.

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2009	2008	2009	2008
Provision (benefit) for income taxes	$ (373)	$ 2,860	$ (2,531)	$ 9,566
Effective tax rate	-20%	30%	-173%	32%

The effective income tax rate is based upon the estimated income for the fiscal year, the composition of the income in different countries, and adjustments, if any, in the applicable quarterly periods for the potential tax consequences, benefits, resolutions of tax audits, or other tax contingencies.

For the three months ended April 30, 2009, the effective tax rate was due primarily to the reversal of $856 of tax reserves due to the expiration of the statute of limitations for fiscal year 2005 related to the Company s U.S. Federal income tax return. For the three months ended April 30, 2008, the effective tax rate varied from the statutory tax rate primarily as a result of the mix of income attributable to foreign versus domestic jurisdictions. The Company s aggregate income tax rate in foreign jurisdictions is lower than its income tax rate in the United States. During the three months ended April 30, 2008, the Company recognized discrete tax benefits of $351 resulting primarily from employees disqualifying dispositions of incentive stock options and currency gains on the capitalization of loans to a subsidiary located outside of the United States.

For the nine months ended April 30, 2009, the effective tax rate was due primarily to the IRS refund of $6,459 received in December 2008. The refund, which included $1,065 of interest, was for the carryback of a loss and research and development credits from fiscal year 2004 and from additional research and development tax credits claimed on amended income tax returns for fiscal years 2001 through 2003. The Company had recognized approximately $2,701 of this refund and related interest within stockholders equity upon the adoption of Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes* , which is an interpretation of Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes* , in fiscal year 2008. The impact of this refund and related interest was a reduction of unrecognized tax benefits by approximately $3,280, of which $1,232 was recorded as a tax benefit in the nine months ended April 30, 2009. Also contributing to the effective tax rate for the nine months ended April 30, 2009 were the reversal of $856 of tax reserves due to the expiration of the statute of limitations for fiscal year 2005, discrete benefits of $391 for previously unrecognized tax benefits resulting from the settlement of the IRS audit, and a discrete tax benefit of $404 for the reinstatement of the federal research and experimentation credit back to January 1, 2008. These benefits were partially offset by additional provisions for agreed federal and state adjustments and typical taxes owed related to the Company s profitable operations in that period. For the nine months

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ended April 30, 2008, the effective tax rate varied from the statutory tax rate primarily as a result of the mix of income attributable to foreign versus domestic jurisdictions. During the nine months ended April 30, 2008, the Company recognized discrete net tax benefits of $406 resulting primarily from the change in tax rate on certain foreign deferred tax assets, the tax benefit from employees disqualifying dispositions of incentive stock options and currency gains on the capitalization of loans to a subsidiary located outside of the United States.

Net Income per Share

Net income and diluted net income per share for the three and nine months ended April 30, 2009 and 2008 are as follows:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2009	2008	2009	2008
Net income	$ 2,251	$ 6,679	$ 3,990	$ 20,214
% of net revenue	2.4%	6.5%	1.3%	6.8%
Diluted net income per share	$ 0.18	$ 0.50	$ 0.31	$ 1.52
Diluted weighted average shares outstanding	12,691	13,318	12,990	13,269

The decreases in net income and diluted net income per share for the three and nine months ended April 30, 2009 versus the prior year comparable period were due primarily to declines in sales volumes, gross margins, and interest income. Also contributing to the decreases for the nine months ended April 30, 2009 versus the prior year comparable period was an increase in operating expenses. The decreases in the nine months ended April 30, 2009 were partially offset by a benefit from income taxes and a decline in the weighted average shares outstanding due to the Common Stock repurchase program completed in the second quarter of fiscal year 2009.

Liquidity and Capital Resources

Key liquidity and capital resource information is summarized in the table below.

	April 30, 2009	July 31, 2008
Cash and cash equivalents and marketable securities	$ 153,290	$ 186,442
Working capital	$ 261,395	$ 287,260
Current ratio	5.6 to 1	4.9 to 1

The Company faces limited exposure to financial market risks, including adverse movements in foreign currency exchange rates and changes in interest rates. These exposures can 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 is related to fluctuations between the U.S. dollar and local currencies for the Company s subsidiaries in Canada and Europe.

The carrying amounts reflected in the consolidated balance sheets of cash and cash equivalents, trade receivables, and trade payables approximate fair value at April 30, 2009, due to the short maturities of these instruments.

Cash equivalents totaled $88,740 at April 30, 2009 and consist solely of highly liquid investments with maturities of three months or less from the time of purchase. Marketable securities having maturities from the time of purchase in excess of three months, which totaled $64,550 at April 30, 2009, are stated at amortized cost, approximating fair value. These marketable securities are classified as held-to-maturity.

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Cash Flows

The following table summarizes our sources and uses of cash over the periods indicated:

	Nine Months Ended April 30, 2009	2008
Net cash provided by operating activities	$ 8,783	$ 32,237
Net cash used for investing activities	(62,011)	(102,185)
Net cash used for financing activities	(28,909)	(1,440)
Effect of exchange rate decrease (increase) on cash	(3,035)	977
Net decrease in cash and cash equivalents	$ (85,172)	$ (70,411)

The cash flows provided by operating activities in the nine months ended April 30, 2009 were due primarily to depreciation and amortization of $12,994, net income of $3,990, share-based compensation expense of $3,786, and a restructuring charge of $3,488, partially offset by a net change in operating assets and liabilities of $14,164. The net change in operating assets and liabilities was due primarily to decreases in accrued liabilities and accounts payable of $10,016 and $3,531, respectively, as well as increases in inventories of $6,476. Partially offsetting this net change in operating assets and liabilities were decreases in refundable income taxes and accounts receivable of $4,304 and $5,465, respectively.

The decrease in accrued liabilities of $10,016 was due primarily to the payment of bonuses and voluntary retirement and restructuring costs during the nine months ended April 30, 2009. The decrease in accounts payable of $3,531 was due primarily to the timing of vendor payments. The increase in inventories of $6,476 was due primarily to an increase in inventories at B-K Medical as a result of the introduction of two new ultrasound products, one of which was introduced late in the second quarter of fiscal year 2009 and the other of which was introduced late in the third quarter of fiscal year 2009. The decrease in refundable income taxes of $4,304 was due primarily to income tax refunds of $7,028, which included interest of $1,147, that were received from the IRS in the nine months ended April 30, 2009. The decrease in accounts receivable of $5,465 was due primarily to a lower sales volume in the third quarter of fiscal year 2009 as compared to the fourth quarter of fiscal year 2008.

Net cash used for investing activities in the nine months ended April 30, 2009 was due primarily to the purchase of short-term held-to-maturity marketable securities and capital expenditures of $180,507 and $8,153, respectively, partially offset by the maturity of $128,487 of short-term held-to-maturity marketable securities.

Net cash used for financing activities in the nine months ended April 30, 2009 consisted of $25,022 to repurchase shares of Common Stock and $3,913 for dividends paid to stockholders.

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 for at least the next 12 months.

Commitments, Contractual Obligations, and Off-Balance Sheet Arrangements

The Company s contractual obligations at April 30, 2009, and the effect such obligations are expected to have on liquidity and cash flows in future periods, are as follows:

Contractual Obligation	Total	Less than 1 year	1 - 3 years	More than 3 years - 5 years	More than 5 years
Operating leases	$ 10,502	$ 3,075	$ 3,369	$ 1,098	$ 2,960
Purchasing obligations	39,614	34,825	4,789	-	-
	$ 50,116	$ 37,900	$ 8,158	$ 1,098	$ 2,960

As of April 30, 2009, the total liabilities associated with uncertain tax positions under FIN No. 48 were $7,055. Due to the complexity associated with the Company s tax uncertainties, it cannot make a reasonably reliable estimate of the period in which it expects to settle the non-current liabilities associated with these uncertain tax positions. Therefore, these amounts have not been included in the contractual obligations table.

The Company currently has approximately $22,500 in revolving credit facilities with various banks available for direct borrowings. As of April 30, 2009, there were no direct borrowings or off-balance sheet arrangements.

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Critical Accounting Policies and Estimates

The accompanying discussion and analysis of the Company s financial condition and results of operations are based on the Company s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Company s most critical accounting policies have a significant impact on the preparation of these consolidated financial statements. These policies include estimates and significant judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosures of contingent assets and liabilities. The Company continues to have the same critical accounting policies and estimates as are described in Item 7, beginning on page 32, in the Company s Annual Report on Form 10-K for fiscal year 2008 filed with the United States Securities and Exchange Commission (the SEC) on September 29, 2008. Those policies and estimates relate to revenue recognition and accounts receivable; share-based compensation; inventories; concentration of credit risk; warranty reserve; investment in and advances to affiliated companies; business combinations; intangible assets and other long-lived assets; and income taxes. The Company continues to evaluate its estimates and judgments on an on-going basis. By their nature, these estimates and judgments 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. In the case of the Company s critical accounting policies, these estimates and judgments are based on its historical experience, terms of existing contracts, the Company s observance of trends in the industry, information provided by its customers, and information available from other outside sources, as appropriate.

Recent Accounting Pronouncements

SFAS No. 157, *Fair Value Measurements* , defines fair value, establishes a methodology for measuring fair value and expands the required disclosure for fair value measurements. During calendar year 2008, the FASB issued the following interpretations of SFAS No. 157:

FASB Staff Position (FSP) No. FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* , amends SFAS No. 157 to remove certain leasing transactions from its scope.

FSP No. FAS 157-2, *Effective Date of FASB Statement No. 157* , delays the effective date of SFAS No. 157 from fiscal year 2008 to fiscal year 2010 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company is currently evaluating the potential impact of SFAS No. 157 for non-financial assets and non-financial liabilities on its financial position and results of operations.

FSP No. FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* , clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP No. FAS 157-3 was effective upon issuance on October 10, 2008, including for prior periods for which financial statements have not been issued.

The Company adopted FSP No. FAS 157-1 and FSP No. FAS 157-3 in the first quarter of fiscal year 2009 concurrent with the adoption of SFAS No. 157. The adoption of SFAS No. 157, as amended, did not have an impact on the Company s financial position, results of operations, or cash flows. See Note 4 for additional SFAS No. 157 disclosures.

In April 2009, the FASB issued FSP No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* , which provides additional guidance for estimating fair value in accordance with SFAS No. 157. This FSP states that a significant decrease in the volume and level of activity for the asset or liability when compared with normal market activity is an indication that transactions or quoted prices may not be determinative of fair value because there may be increased instances of transactions that are not orderly in such market conditions. Accordingly, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value. This FSP was effective for the Company beginning April 1, 2009 and did not have an impact on the Company s financial position, results of operations, or cash flows.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of SFAS No. 115* . The new statement allows entities to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item s fair value in subsequent reporting periods must be recognized in current earnings. The Company adopted SFAS No. 159 on

August 1, 2008 concurrent with its adoption of SFAS No. 157. The adoption of SFAS No. 159 did not have an impact on the Company s financial position, results of operations, or cash flows.

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In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*. SFAS No. 141(R) requires the acquiring entity in a business combination to record all assets acquired and liabilities assumed at their respective acquisition date fair values, changes the recognition of assets acquired and liabilities assumed arising from contingencies, changes the recognition and measurement of contingent consideration, and requires the expensing of acquisition-related costs as incurred. SFAS No. 141(R) also requires additional disclosure of information surrounding a business combination, such that users of the entity s financial statements can fully understand the nature and financial impact of the business combination. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, which will be fiscal year 2010. An entity may not apply it before that date. The provisions of SFAS No. 141(R) will only impact the Company if the Company is a party to a business combination after July 31, 2009.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51*. SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. This statement is effective for the Company beginning on August 1, 2009. The Company is currently evaluating the potential impact of the adoption of SFAS No. 160 on its financial position, results of operations, and cash flows.

In April 2008, the FASB issued FSP No. FAS 142-3, *Determining the Useful Life of Intangible Assets*. FSP No. FAS 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful lives of recognized intangible assets. FSP No. FAS 142-3 is effective for fiscal years beginning after December 15, 2008. The Company does not believe the adoption of FSP No. FAS 142-3 will have a material impact on its results of operations, financial position, or cash flows.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, which provides a framework for selecting accounting principles to be used in preparing financial statements that are presented in conformity with GAAP for nongovernmental entities. Prior to the issuance of SFAS No. 162, the GAAP hierarchy was defined in the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. SFAS No. 162 became effective 60 days following the SEC s approval on September 16, 2008 of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. This statement became effective during the second quarter of fiscal year 2009 and did not have an impact on the Company s financial position, results of operations, or cash flows.

In June 2008, the FASB issued FSP No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, which classifies unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) as participating securities and requires them to be included in the computation of earnings per share pursuant to the two-class method described in SFAS No. 128, *Earnings per Share*. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior-period earnings per share data presented are to be adjusted retrospectively (including interim financial statements, summaries of earnings, and selected financial data) to conform with the provisions of this FSP, with early application not permitted. The Company is currently evaluating the effect, if any, that the adoption of FSP No. EITF 03-6-1 will have on its financial position, results of operations and cash flows.

In April 2009, the FASB issued FSP No. FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*, which amends and clarifies the initial recognition and measurement, subsequent measurement and accounting, and related disclosures of assets and liabilities arising from contingencies in a business combination under SFAS No. 141(R). The Company will adopt this FSP in the first quarter of fiscal year 2010 and the impact of the adoption on the Company s consolidated financial statements will largely depend on the size and nature of any business combinations. The provisions of this FSP will only impact the Company if the Company is a party to a business combination after July 31, 2009.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

All dollar amounts in this Item 3 are in thousands.

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

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as business practices evolve and could have a material adverse impact on the Company s financial results. The Company s primary exposure is related to fluctuations between the U.S. dollar and local currencies for the Company s subsidiaries in Canada and Europe.

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 fair value, and are classified as held-to-maturity. Total interest income for the three months ended April 30, 2009 was $560. An interest rate change of 10% would not have a material impact on the fair value of the Company s investment portfolio or on future earnings.

Item 4. Controls and Procedures

The Company s management, with the participation of the Company s principal executive officer and principal financial officer, evaluated the effectiveness of the Company s disclosure controls and procedures as of April 30, 2009. The term disclosure controls and procedures , as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company s management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions to be made regarding required disclosure. It should be noted that any system of controls and procedures, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met and that management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the Company s disclosure controls and procedures as of April 30, 2009, the Company s principal executive officer and principal financial officer concluded that, as of such date, the Company s disclosure controls and procedures were effective at the reasonable assurance level.

There were no changes to the Company s internal control over financial reporting during the quarter ended April 30, 2009 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1A. Risk Factors

You should carefully consider the risks described below before making an investment decision with respect to the Company s Common Stock. Additional risks not presently known to the Company, or that the Company currently deems immaterial, may also impair the Company s business. Any of these could have a material and negative effect on the Company s business, financial condition, or results of operations.

Because a significant portion of the Company s revenue currently comes from a small number of customers, any decrease in revenue from these customers could harm the Company s operating results.

The Company depends on a small number of customers for a large portion of its business, and changes in its customers orders may have a significant impact on the Company s operating results. If a major customer significantly reduces the amount of business it does with the Company, there would be an adverse impact on its operating results.

The Company had four customers, as set forth in the table below, which individually accounted for 10% or more of the Company s net product and engineering revenue during either the three or nine months ended April 30, 2009 or 2008.

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2009	2008	2009	2008
Philips	15%	(*)	15%	(*)
Toshiba	12%	15%	14%	18%
L-3 Communications	11%	10%	10%	11%
Siemens	10%	(*)	(*)	(*)

Note (*): Total product and engineering revenues were less than 10% in this quarter.

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The Company s top ten customers combined for approximately 68% and 67% of the Company s total product and engineering revenue for the three months ended April 30, 2009 and 2008, respectively, and 69% and 68% for the nine months ended April 30, 2009 and 2008, respectively. Philips and L-3 Communications also accounted for 16% and 12%, respectively, of net accounts receivable at April 30, 2009.

Although the Company is seeking to broaden its customer base, it 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 the Company s operating results would be adversely affected if one or more of the Company s major customers were to cancel, delay, or reduce significant orders in the future. The Company s customer agreements typically permit the customer to discontinue future purchases after timely notice.

In addition, the Company generates significant accounts receivable in connection with the products the Company sells and the services it provides to its major customers. Although the Company s major customers are large corporations, if one or more of its customers were to become insolvent or otherwise be unable to pay for the Company s products and services, the Company s operating results and financial condition could be adversely affected.

Competition from existing or new companies in the medical and security imaging technology industry could cause the Company 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.

The Company operates in a highly competitive industry. The Company is subject to competition based on product design, performance, pricing, quality, and service offerings, and management believes the Company s innovative engineering and product reliability have been important factors in its growth. While the Company tries to maintain competitive pricing on those products which are directly comparable to products manufactured by others, in many instances the Company s products will conform to more exacting specifications and carry a higher price than analogous products manufactured by others.

The Company s competitors include divisions of larger, more diversified organizations as well as specialized companies. Some of them have greater resources and larger staffs than the Company has. Many of the Company s existing and potential OEM customers have the ability to design and manufacture internally the products that the Company manufactures for them. The Company faces competition from the research and product development groups and manufacturing operations of its existing and potential customers, who continually compare the benefits of internal research, product development, and manufacturing with the costs and benefits of outsourcing.

The Company depends on its suppliers, some of which are the sole source for certain components, and its production could be substantially curtailed if these suppliers were not able to meet the Company s demands and alternative sources were not available.

The Company orders raw materials and components to complete its customers orders, and some of these raw materials and components are ordered from sole-source suppliers. Although the Company works with its customers and suppliers to minimize the impact of shortages in raw materials and components, the Company sometimes experiences 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, the Company might have to delay shipments or pay premium pricing, which could adversely affect its operating results. In some cases, supply shortages of particular components could substantially curtail the Company s production of products using these components. The Company is not always able to pass on price increases to its customers. Accordingly, some raw material and component price increases could adversely affect its operating results. The Company also depends on a small number of suppliers to provide many of the other raw materials and components that it uses in its business. Some of these suppliers are affiliated with customers or competitors, and others are small companies. If the Company were unable to continue to purchase these raw materials and components from its suppliers, its operating results could be adversely affected. Because many of the Company s costs are fixed, its margins depend on the volume of output at its facilities, and a reduction in volume could adversely affect its margins.

The Company relies on successful performance by and relationships with subcontractors, which reliance could have a material adverse effect on its results of operations and financial condition.

The Company has formed arrangements with subcontractors for various services and components. The Company has formed such arrangements because it is commercially more efficient to outsource such services and purchase such components than it would be for it to perform or manufacture such services and components, which in some cases require, among other things, a high degree of technical skill and advanced equipment that is not practical or cost-effective for it to develop or acquire. As a result, if one of the Company s subcontractors were to experience quality problems, capacity constraints, decreased yields, or delivery delays, or were to raise prices significantly, the Company could face product liability claims, product shortages, decreased revenues or lost customers, which could adversely affect its operating results.

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If the Company were to be left with excess inventory, its operating results could be adversely affected.

Because of long lead times and specialized product designs, in certain cases the Company purchases components and manufactures products in anticipation of customer orders based on customer forecasts. For a variety of reasons, such as decreased end-user demand for the Company s products, its customers might not purchase all of the products that it has manufactured or for which it has purchased components. In either event, the Company would attempt to recoup material and manufacturing costs by means such as returning components to its vendors, disposing of excess inventory through other channels, or requiring its OEM customers to purchase or otherwise compensate it for such excess inventory. Some of the Company s significant customer agreements do not give it the ability to require its OEM customers to do this. To the extent that the Company was unsuccessful in recouping its material and manufacturing costs, its net sales and operating results could be adversely affected. Moreover, carrying excess inventory would reduce the working capital the Company has available to continue to operate and grow its business.

Uncertainties and adverse trends affecting the Company s industry or any of its major customers could adversely affect its operating results.

The Company s business operates primarily within two major markets within the electronics industry, Medical Technology Products and Security Technology Products, which are subject to rapid technological change, pricing, and margin pressure. These markets have 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 and security-related capital equipment could also affect the Company s sales. The Company s customers markets are also subject to economic cycles and are likely to experience recessionary periods in the future. The economic conditions affecting the Company s industry in general or any of its major customers in particular, might adversely affect its operating results. The Company s other businesses are subject to the same or greater technological and cyclical pressures.

During the first six months of fiscal year 2009, Medical Imaging Products revenues were impacted by the DRA. The DRA reduced government reimbursement rates for doctors utilizing medical imaging procedures for their patients, which, in turn, reduced demand for our OEM customers. In addition, the deterioration of global economic conditions over the last twelve months has resulted in reduced endowments and funding of hospitals and medical clinics. In response, these end users have begun to reduce the capital available for investment in new facilities, expansions, or upgrades. As such, Medical Imaging Products OEMs have experienced reductions in demand for their products and have in turn reduced their procurement spending.

In Security Technology Products, the Company s OEM customer s purchasing dynamics are generally affected by the level of government funding, the expansion of airport terminals and the fluctuations in airline passenger volume.

The Company s 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 the Company s business.

The Company s products are used by a number of its customers in the production of medical devices that are subject to a high level of regulatory oversight. A delay in obtaining or inability to obtain any necessary United States or foreign regulatory clearances or approvals for products could have a material adverse effect on the Company s 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, might be withdrawn or modified. Medical devices cannot be marketed in the United States without clearance from the United States Food and Drug Administration (FDA). Medical devices sold in the United States must also be manufactured in compliance with FDA rules and regulations, which regulate the design, manufacturing, 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 manufacturing, sale, and use of medical devices. Medical devices are also subject to approval and regulation by foreign regulatory and safety agencies.

The Company s business strategy involves the pursuit of acquisitions or business combinations, which, if consummated, could be difficult to integrate, disrupt the Company s business, dilute stockholder value, or divert management attention.

As part of the Company s business strategy, the Company might consummate 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 the Company s ongoing business and distraction of management, expenses related to the acquisition, and potential unknown liabilities associated with acquired businesses. If the Company does not successfully complete acquisitions that it pursues in the future, it could incur substantial expenses and devote significant management time and resources without generating any benefit to the Company. In addition, substantial portions of the Company s available cash might be utilized as consideration for these acquisitions.

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The Company s annual and quarterly operating results are subject to fluctuations, which could affect the market price of its Common Stock.

The Company s annual and quarterly results may vary significantly depending on various factors, many of which are beyond the Company s control, and may not meet the expectations of securities analysts or investors. If this occurs, the price of the Company s Common Stock could decline. These factors include:

- variations in the timing and volume of customer orders relative to the Company s manufacturing capacity;
- introduction and market acceptance of the Company s customers new products;
- changes in demand for the Company s customers existing products;
- the timing of the Company s expenditures in anticipation of future orders;
- effectiveness in managing the Company s manufacturing processes;
- changes in competitive and economic conditions generally or in the Company s customers markets;
- changes in the cost or availability of components or skilled labor;
- changes in the Company s effective tax rate;
- fluctuations in manufacturing yields;
- foreign currency exposure; and
- investor and analyst perceptions of events affecting the Company, its competitors, and/or its industry.

A delay in anticipated sales could result in the deferral of the associated revenue beyond the end of a particular quarter, which would have a significant effect on the Company s operating results for that quarter. In addition, most of the Company s operating expenses do not vary directly with net revenues and are difficult to adjust in the short term. As a result, if revenues for a particular quarter were below the Company s expectations, the Company could not proportionately reduce operating expenses for that quarter. Hence, the revenue shortfall could have a disproportionate adverse effect on its operating results for that quarter.

Loss of any of the Company s key personnel could hurt its business because of their industry experience and their technological expertise.

The Company operates in a highly competitive industry and depends on the services of its key senior executives and its technological experts. The loss of the services of one or several of its 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 the Company s ability to operate and grow its business successfully.

If the Company is unable to maintain its expertise in research and product development, manufacturing processes, and marketing new products, it will not be able to compete successfully.

The Company believes that its future success depends upon its ability to provide research and product development, provide manufacturing services that meet the changing needs of its customers, and market new products. This requires that the Company successfully anticipate and respond to technological changes in design and manufacturing processes in a cost-effective and timely manner. As a result, the Company continually evaluates the advantages and feasibility of new product designs, and manufacturing processes. Further, there can be no assurance that the Company will be able to develop and introduce new and improved products in a timely or efficient manner or that new and improved products, if developed, will achieve market acceptance.

The September 11, 2001 terrorist attacks and the creation of the U.S. Department of Homeland Security have increased financial expectations that may not materialize.

The September 11, 2001 terrorist attacks and the subsequent creation of the U.S. Department of Homeland Security have created increased interest in the Company s security and inspection systems. However, the level of demand for the Company s products is not predictable and may vary over time. The Company does not know what solutions will continue to be adopted by the U.S. Department of Homeland Security as a result of terrorism and whether its products will continue to be a part of the solution. Additionally, should the Company s products be considered as a part of the future security solution, it is unclear what the level of purchases may be and how quickly funding to purchase the Company s products may be made available. These factors may adversely impact the Company and create unpredictability in revenues and operating results.

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The Company is exposed to risks associated with international operations and markets.

The Company markets and sells products in international markets, and has established offices and subsidiaries in Denmark, Germany, Italy, and Canada. Revenues from international operations accounted for 25% and 23% of total revenues for the three months ended April 30, 2009 and 2008, respectively, and 21% for both the nine months ended April 30, 2009 and 2008. From its U.S. operations, the Company also ships directly to customers in Europe and Asia, for which shipments accounted for 37% and 31% of total revenues for the three months ended April 30, 2009 and 2008, respectively, and 41% and 31% for the nine months ended April 30, 2009 and 2008, respectively. There are inherent risks in transacting business internationally, including:

- changes in applicable laws and regulatory requirements;
- export and import restrictions;
- export controls relating to technology;
- tariffs and other trade barriers;
- intellectual property laws that offer less protection for the Company s proprietary rights;
- difficulties in staffing and managing foreign operations;
- longer payment cycles;
- problems in collecting accounts receivable;
- political instability;
- fluctuations in currency exchange rates;
- expatriation controls; and
- potential adverse tax consequences.

There can be no assurance that one or more of these factors will not have a material adverse effect on the Company s future international activities and, consequently, on its business and results of operations.

If the Company becomes subject to intellectual property infringement claims, it could incur significant expenses and could be prevented from selling specific products.

The Company may become subject to claims that it infringes the intellectual property rights of others in the future. The Company cannot ensure that, if made, these claims will not be successful. Any claim of infringement could cause the Company to incur substantial costs defending against the claim even if the claim is invalid, and could distract management from other business. Any judgment against the Company could require substantial payment in damages and could also include an injunction or other court order that could prevent the Company from offering certain products.

If operators of the Company s security and inspection systems fail to detect weapons, explosives or other devices that are used to commit a terrorist act, the Company could be exposed to product liability and related claims for which it may not have adequate insurance coverage.

The Company s business exposes it to potential product liability risks that are inherent in the development, manufacturing, sale and service of security inspection systems. The Company s customers use its security and inspection systems to help them detect items that could be used in performing terrorist acts or other crimes. The training, reliability and competence of the customer s operators are crucial to the detection of suspicious items. In addition, the Company s security and inspection systems are not designed to work under all circumstances. The Company tests the reliability of its security and inspection systems during both their development and manufacturing phases. The Company also performs such tests if it is requested to perform installation, warranty or post-warranty servicing. However, the Company s security inspection systems are advanced mechanical and electronic devices and therefore can malfunction.

As a result of the September 11, 2001, and 1993 World Trade Center bombing attacks, and the potential for future attacks, product liability insurance coverage for such threats is extremely difficult and costly to obtain. It is possible, subject to the applicability of the Support Anti-terrorism by Fostering Effective Technologies Act of 2002 (the SAFETY Act), that if the Company was found to liable following a major act of terrorism, its insurance coverage might not fully cover the claims for damages.

The SAFETY Act is a federal law enacted to provide certain legal liability protections for providers of certain anti-terrorism technologies. If applicable to claims against Analogic, the SAFETY Act could mitigate some of this risk.

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The Company s security and inspections systems business depends in part on purchases of products and services by the U.S. federal government and its agencies, which purchases may be only partially funded, and are subject to potential termination and reductions and delays in government spending.

Sales of the Company s security and inspection systems, in some cases as an indirect subcontractor or team member with prime contractors and in some cases directly, to the U.S. Government and its agencies accounted for approximately 13% and 11% of the Company s total product and engineering revenues in the three months ended April 30, 2009 and 2008, respectively, and approximately 12% and 13% in the nine months ended April 30, 2009 and 2008, respectively. The Company s security and inspection systems are included in many different domestic programs. Over the lifetime of a program, the award of many different individual contracts and subcontracts could impact the Company s products requirements. The funding of U.S. Government programs is subject to Congressional appropriations. Although multiple-year contracts may be planned in connection with major procurements, Congress generally appropriates funds only on a single fiscal year basis. Consequently, programs are often only partially funded initially, and additional funds are committed only as Congress makes further appropriations and prime contracts receive such funding. The reduction or delay in funding or termination of a government program in which the Company is involved could result in a loss of or delay in receiving anticipated future revenues attributable to that program and contracts or orders received. The U.S. Government could reduce or terminate a prime contract under which the Company is a subcontractor or team member irrespective of the quality of our products or services. The termination of a program or delays in the reduction in or failure to commit additional funds to a program in which the Company is involved could negatively impact its revenues and have a material adverse effect on the Company s financial condition and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table contains information about purchases by the Company of its equity securities during the three months ended April 30, 2009. All of the shares shown as purchased in the table below were surrendered by employees of the Company in order to meet tax withholding obligations in connection with the vesting of restricted stock awards. These transactions were not part of a publicly announced program to repurchase shares of the Company s Common Stock.

Period	Total Number of Shares Purchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
2/1/09-2/28/09		$		$
3/1/09-3/31/09	1,074	28.55		
4/1/09-4/30/09	1,590	33.26		
Total	2,664	$ 31.36		$

(1) For purposes of determining the number of shares to be surrendered, the price per share deemed to be paid was the closing price of the Company s Common Stock on the NASDAQ Global Select Market on the vesting date.

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Item 6. Exhibits

Exhibit	Description
31.1	Certification of Principal 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 Principal 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 Principal Executive Officer pursuant to Rule 13a-14(b)/Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended
32.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(b)/Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended

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SIGNATURES

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.

	ANALOGIC CORPORATION
Date: June 5, 2009	/s/ James W. Green
	James W. Green President and Chief Executive Officer (Principal Executive Officer)
Date: June 5, 2009	/s/ John J. Millerick
	John J. Millerick Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)

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EXHIBIT INDEX

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