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

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 on

Form 10-Q/A

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

For the period ended January 31, 2003

Or

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

For the transition period from to

Commission file number 0-6715

Analogic Corporation

(Exact name of registrant as specified in its charter)

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

(978) 977-3000

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes x No o

The number of shares of Common Stock outstanding at March 6, 2003 was 13,362,501.

ANALOGIC CORPORATION

QUARTERLY REPORT ON FORM 10-Q/A
FOR THE QUARTER ENDED JANUARY 31, 2003
INTRODUCTORY NOTE

Pursuant to Rule 12b-15 of the Rules and Regulations under the Securities Exchange Act of 1934, this Amendment on Form 10-Q/A to the Quarterly Report on Form 10-Q of Analogic Corporation (the Company) for the quarter ended January 31, 2003 is being filed to (i) restate the Company s Condensed Consolidated Financial Statements (unaudited) for the three and six months ended January 31, 2003 and (ii) revise related disclosures included in the Form 10-Q.

On October 15, 2003, the Company reported that it would restate its financial statements for the fiscal years ended July 31, 2002 and July 31, 2001, condensed financial statements and for the quarters within the fiscal years ended July 31, 2003, 2002 and 2001, and would file amended annual reports on Form 10-K/A and amended quarterly reports on Form 10-Q/A. The purpose of this restatement is to reflect the application of the appropriate accounting principles to (1) the recognition of software revenue by Camtronics Medical Systems, Ltd., a 100% owned U.S. subsidiary of the Company, for fiscal years ended July 31, 2003, 2002 and 2001 and (2) to the treatment of foreign currency exchange gains and losses related to an inter-company loan between the Company and B-K Medical Systems A/S, a 100% owned Danish subsidiary of the Company, for fiscal years ended July 31, 2003 and 2002. As restated, the Company s financial results for the three months ended January 31, 2003 reflect a reduction in revenues of $3,422,000, an increase in net income of $58,000, and no effect on diluted earnings per share of $0.00, and for the six months ended January 31, 2003 reflects a reduction of revenues of $ 6,840,000, net income of $463,000 and diluted earnings per share of $0.04. See Note 2, Restatement, of the Notes to Condensed Consolidated Financial Statements for a more complete discussion of the restatement.

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

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Part I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

ANALOGIC CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(In thousands)

	January 31, 2003	July 31, 2002
	Restated	Restated
ASSETS		
Current assets:		
Cash and cash equivalents	$135,130	$123,168
Marketable securities, at market	48,217	58,621
Accounts and notes receivable, net of allowance for doubtful accounts of $2,354 at January 31, 2003 and $1,308 at July 31, 2002	60,208	61,119
Inventory	65,916	65,128
Costs related to deferred revenue	3,945	2,171
Refundable and deferred income taxes	12,044	11,567
Other current assets	8,781	7,969
Total current assets	334,241	329,743
Property, plant and equipment, net	84,095	79,613
Investments in and advances to affiliated companies	6,051	8,619
Capitalized software, net	4,737	4,333
Goodwill	6,090	258
Intangible assets, net	14,221	6,161
Costs related to deferred revenue	11,732	8,643
Other assets	218	220
Total assets	$461,385	$437,590
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Mortgage and other notes payable	$ 1,384	$ 226
Obligations under capital leases	270	314
Accounts payable, trade	18,015	24,731
Accrued liabilities	22,524	16,948
Deferred revenue	9,612	7,964
Advance payments and other	18,922	62,244
Accrued income taxes	16,546	3,091
Total current liabilities	87,273	115,518
Long-term liabilities:		
Mortgage and other notes payable	3,954	4,069
Obligations under capital leases	275	337
Deferred revenue	17,953	12,886
Deferred income taxes	6,797	2,429
Total long-term liabilities	28,979	19,721

Commitments		
Stockholders equity:		
Common stock, $.05 par value	707	706
Capital in excess of par value	41,352	39,379
Retained earnings	313,946	275,108
Accumulated other comprehensive income	572	(320)
Treasury stock, at cost	(7,612)	(8,313)
Unearned compensation	(3,832)	(4,209)
Total stockholders equity	345,133	302,351
Total liabilities and stockholders equity	$461,385	$437,590

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

ANALOGIC CORPORATION

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

	Three Months Ended January 31,		Six Months Ended January 31,	
	2003	2002	2003	2002
	Restated	Restated	Restated	Restated
Net revenue:				
Product	$149,980	$63,297	$273,208	$128,452
Engineering	5,475	4,261	11,855	11,738
Other	1,690	1,952	4,366	4,924
Total net revenue	157,145	69,510	289,429	145,114
Cost of sales:				
Product	88,051	39,860	155,684	81,849
Engineering	3,507	5,231	8,403	11,854
Other	1,125	1,266	2,366	2,721
Asset impairment charges				8,883
Total cost of sales	92,683	46,357	166,453	105,307
Gross margin	64,462	23,153	122,976	39,807
Operating expenses:				
Research and product development	14,571	10,382	25,948	20,544
Selling and marketing	8,456	7,830	16,390	16,159
General and administrative	8,847	6,827	16,932	14,776
	31,874	25,039	59,270	51,479
Income (loss) from operations	32,588	(1,886)	63,706	(11,672)
Other (income) expense:				
Interest income	(1,221)	(1,031)	(2,509)	(2,270)
Interest expense	82	153	151	237
Equity in unconsolidated affiliates	603	(631)	1,589	(1,369)
Other, net	(1,301)	128	(1,644)	294
	(1,837)	(1,381)	(2,413)	(3,108)
Income (loss) before income taxes	34,425	(505)	66,119	(8,564)
Provision (benefit) for income taxes	13,111	(102)	25,155	(1,713)
Net income (loss)	$ 21,314	$ (403)	$ 40,964	$ (6,851)
Net income (loss) per common share:				
Basic	$ 1.61	$ (0.03)	$ 3.10	$ (0.52)
Diluted	1.59	(0.03)	3.07	(0.52)

Weighted average shares outstanding:				
Basic	13,215	13,071	13,194	13,073
Diluted	13,412	13,115	13,332	13,073

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

ANALOGIC CORPORATION

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

	Six Months Ended January 31,	
	2003	**2002**
	Restated	**Restated**
OPERATING ACTIVITIES:		
Net income (loss)	$ 40,964	$ (6,851)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Deferred income taxes	2,639	(2,889)
Depreciation and amortization	9,836	8,197
Allowance for doubtful accounts	988	178
Impairment of assets		8,883
Loss on sale of equipment	8	52
Equity (gain) loss in unconsolidated affiliates	1,589	(1,369)
Compensation from stock grants	577	478
Net changes in operating assets and liabilities	(30,748)	6,468
NET CASH PROVIDED BY OPERATING ACTIVITIES	25,853	13,147
INVESTING ACTIVITIES:		
Investments in and advances to affiliated companies		(7,500)
Return of investment from affiliated company	516	1,502
Acquisition of businesses, net of cash acquired	(13,000)	
Additions to property, plant and equipment	(9,191)	(13,387)
Capitalized software	(1,071)	(1,334)
Proceeds from sale of property, plant and equipment	94	39
Maturities of marketable securities	10,225	7,475
NET CASH USED FOR INVESTING ACTIVITIES	(12,427)	(13,205)
FINANCING ACTIVITIES:		
Payments on debt and capital lease obligations	(234)	(945)
Issuance of stock pursuant to stock options and employee stock purchase plan	2,451	374
Dividends paid to shareholders	(2,126)	(1,851)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	91	(2,422)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,555)	562
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,962	(1,918)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	123,168	46,013
CASH AND CASH EQUIVALENTS, END OF PERIOD	$135,130	$ 44,095

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

ANALOGIC CORPORATION

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

1. Basis of presentation:

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

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

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

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

2. Restatement:

The Company has restated it prior period condensed financial statements to reflect the application of the appropriate accounting principles to the recognition of software revenue by its 100% owned U.S. subsidiary Camtronics Medical Systems, Ltd, and to the treatment of foreign currency exchange gains and losses related to an inter-company loan between the Company and B-K Medical Systems A/S. As restated, the Company s financial results for the three months ended January 31, 2003 reflect a reduction in revenues of $3,422, an increase in net income of $58 and no effect on diluted earnings per share, and for the six months ended January 31, 2003 reflects a reduction of revenues of $ 6,840, net income of $463 and diluted earnings per share of $0.04 compared to the Company s financial results previously reported for the quarter ended January 31, 2003.

Summarized below is a more detailed discussion of the restatement along with a comparison of the amounts previously reported in the condensed balance sheets and statements of operations in the Company s Form 10-Q/A for the three and six months ended January 31, 2003.

Software Revenue

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

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

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

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

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

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

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

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

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

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

Accounting for Foreign Exchange Transactions

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

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

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

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

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

Statements of Operations:

	Three Months Ended January 31, 2003		
	(unaudited)		
	Previously Reported	Restated	Change
Net revenue:			
Product	$153,402	$149,980	$(3,422)(a)
Engineering	5,475	5,475	
Other	1,690	1,690	
Total net revenue	160,567	157,145	(3,422)
Cost of sales:			
Product	90,392	88,051	(2,341)(b)
Engineering	3,507	3,507	
Other	1,125	1,125	
Total cost of sales	95,024	92,683	(2,341)
Gross margin	65,543	64,462	(1,081)
Operating expenses:			
Research and product development	14,571	14,571	
Selling and marketing	8,661	8,456	(205)(c)
General and administrative	8,847	8,847	
	32,079	31,874	(205)
Income from operations	33,464	32,588	(876)
Other (income) expense:			
Interest income	(1,221)	(1,221)	
Interest expense	82	82	
Equity in unconsolidated affiliates	603	603	
Other, net	(283)	(1,301)	(1,018)(d)
	(819)	(1,837)	(1,018)
Income before income taxes	34,283	34,425	142
Provision for income taxes	13,027	13,111	84(e)
Net income	$ 21,256	$ 21,314	$ 58
Net income per common share:			
Basic	$ 1.61	$ 1.61	
Diluted	1.59	1.59	
Weighted average shares outstanding:			
Basic	13,215	13,215	
Diluted	13,412	13,412	

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

(a)	*Net revenue: Product* Adjust recognition of revenue for application of SOP 97-2	$(3,422)
(b)	*Cost of sales: Product* Adjust cost of sales related to transactions for which revenue has been deferred	$(2,341)
(c)	*Selling and marketing* Adjust commission expense related to transactions for which revenue has been deferred	$ (205)
(d)	*Other (income) expense: Other, net* Adjustment related to exchange gain on the B-K loan	$(1,018)
(e)	*Provision for income taxes* Net increase to provision due to above adjustments	$ 84

Statements of Operations:

	Six Months Ended January 31, 2003		
	(unaudited)		
	Previously Reported	Restated	Change
Net revenue:			
Product	$280,048	$273,208	$(6,840)(a)
Engineering	11,855	11,855	
Other	4,366	4,366	
Total net revenue	296,269	289,429	(6,840)
Cost of sales:			
Product	160,261	155,684	(4,577)(b)
Engineering	8,403	8,403	
Other	2,366	2,366	
Total cost of sales	171,030	166,453	(4,577)
Gross margin	125,239	122,976	(2,263)
Operating expenses:			
Research and product development	25,948	25,948	
Selling and marketing	16,792	16,390	(402)(c)
General and administrative	16,932	16,932	
	59,672	59,270	(402)
Income from operations	65,567	63,706	(1,861)
Other (income) expense:			
Interest income	(2,509)	(2,509)	
Interest expense	151	151	
Equity in unconsolidated affiliates	1,589	1,589	
Other, net	(481)	(1,644)	(1,163)(d)
	(1,250)	(2,413)	(1,163)
Income before income taxes	66,817	66,119	(698)
Provision for income taxes	25,390	25,155	(235)(e)
Net income	$ 41,427	$ 40,964	$ (463)
Net income per common share:			
Basic	$ 3.14	$ 3.10	$ (0.04)
Diluted	3.11	3.07	(0.04)(f)
Weighted average shares outstanding:			
Basic	13,194	13,194	
Diluted	13,332	13,332	

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

(a)	*Net revenue: Product* Adjust recognition of revenue for application of SOP 97-2	$ (6,840)
(b)	*Cost of sales: Product* Adjust cost of sales related to transactions for which revenue has been deferred	$ (4,577)
(c)	*Selling and marketing* Adjust commission expense related to transactions for which revenue has been deferred	$ (402)
(d)	*Other (income) expense: Other, net* Adjustment related to exchange gain on the B-K loan	$ (1,163)
(e)	*Provision (Benefit) for income taxes* Net decrease to provision due to above adjustments	$ (235)
(f)	*Net income per common share: Diluted* Net effect to diluted earnings per share due to above adjustments	$ (0.04)

Balance Sheets:

	January 31, 2003 (unaudited)			
	Previously Reported	Restated	Change	
ASSETS				
Current assets:				
Cash and cash equivalents	$135,130	$135,130		
Marketable securities, at market	48,217	48,217		
Accounts and notes receivable, net of allowance for doubtful accounts	60,208	60,208		
Inventories	65,916	65,916		
Costs related to deferred revenue		3,945	$ 3,945	(a)
Refundable and deferred income taxes	8,174	12,044	3,870	(b)
Other current assets	8,781	8,781		
Total current assets	326,426	334,241	7,815	
Property, plant and equipment, net	84,095	84,095		
Investments in and advances to affiliated companies	6,051	6,051		
Capitalized software, net	4,737	4,737		
Goodwill	6,090	6,090		
Intangible assets, net	13,896	14,221	325	(c)
Costs related to deferred revenue		11,732	11,732	(d)
Other assets	218	218		
Total assets	$441,513	$461,385	$19,872	
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Mortgage and other notes payable	$ 1,384	$ 1,384		
Obligations under capital leases	270	270		
Accounts payable, trade	18,015	18,015		
Accrued liabilities	22,958	22,524	(434)	(e)
Deferred revenue	4,256	9,612	5,356	(f)
Advance payments and other	18,922	18,922		
Accrued income taxes	15,753	16,546	793	(g)
Total current liabilities	81,558	87,273	5,715	
Long-term liabilities:				
Mortgage and other notes payable	3,954	3,954		
Obligations under capital leases	275	275		
Deferred revenue	595	17,953	17,358	(h)
Deferred income taxes	6,088	6,797	709	(i)
Total long-term liabilities	10,912	28,979	18,067	
Commitments				
Stockholders equity:				
Common stock, $.05 par value	707	707		
Capital in excess of par value	41,352	41,352		
Retained earnings	316,375	313,946	(2,429)	(j)
Accumulated other comprehensive income	2,053	572	(1,481)	(k)

Treasury stock, at cost	(7,612)	(7,612)	
Unearned compensation	(3,832)	(3,832)	
Total stockholders equity	349,043	345,133	(3,910)
Total liabilities and stockholders equity	$441,513	$461,385	$19,872

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

(a)	*Costs related to deferred revenue (short-term)*		
	Deferred costs related to deferred revenue	$	3,945
(b)	*Refundable and deferred income taxes*		
	Deferred income tax related to deferred costs and revenue	$	2,901
	Deferred income tax related to gain on the inter-company loan	$	969
	Net increase	$	3,870
(c)	*Intangible assets, net*		
	Purchase accounting adjustments related to the acquisition of the remaining 19% of Camtronics in July 2001 due to net effect from these adjustments for periods prior to such acquisition	$	325
(d)	*Costs related to deferred revenue (long-term)*		
	Deferred costs related to deferred revenue	$	11,732
(e)	*Accrued liabilities*		
	Accrued warranty costs related to deferred revenue	$	(434)
(f)	*Deferred revenue (short-term)*		
	Deferred revenue classified as short-term	$	5,356
(g)	*Accrued income taxes*		
	Tax provision adjusted for the change to net income	$	793
(h)	*Deferred revenue (long-term)*		
	Deferred revenue classified as long-term	$	17,358
(i)	*Deferred income tax*		
	Deferred income taxes related to revenue and costs deferred to future periods	$	709
(j)	*Retained earnings*		
	Net effect to retained earnings from above adjustments:		
	Cumulative effect through 7/31/02	$	(1,966)
	Effect for the six months ended 1/31/03	$	(463)
	Total	$	(2,429)
(k)	*Accumulated other comprehensive income*		
	Comprehensive income related to foreign currency gains (losses)	$	(1,481)

3. Balance sheet information:

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

	January 31, 2003	July 31, 2002
Inventory:		
Raw materials	$37,236	$34,753
Work-in-process	15,735	19,882
Finished goods	12,945	10,493
	$65,916	$65,128
Accrued liabilities (restated):		
Accrued employee compensation and benefits	$12,025	$11,036
Accrued warranty	6,927	3,235
Other	3,572	2,677
	$22,524	$16,948
Advance payments and other:		
Long-lead-time components	$ 8,850	$50,550
Ramp-up funds	7,210	7,943
Customer deposits	2,862	3,751
	$18,922	$62,244

4. Business combinations:

During October 2002, Anrad Corporation, the Company s wholly owned subsidiary located in Saint-Laurent, Quebec, purchased the remaining 52% of the outstanding common stock of FTNI, Inc. (FTNI) for $2,407 in cash. FTNI was founded by three Canadian companies in April 1997 to develop products for medical and industrial applications. Noranda Advanced Materials, which was one of the FTNI founders with a 48% ownership interest, was acquired by the Company in 1999 and renamed Anrad. With the purchase of the remaining shares of FTNI, Anrad has full ownership rights and access to FTNI s basic technology and intellectual property. Upon completion of this transaction, Anrad s total investment in FTNI amounted to approximately $2,746 of which approximately $2,019 was determined to be intellectual property and $727 represented the fair value of tangible net assets, primarily cash. The intellectual property will be amortized over its estimated useful life of five years. The supplemental pro-forma information disclosing the results of operations has not been presented due to its immateriality.

On November 6, 2002, the Company s newly formed subsidiary, Sound Technology, Inc. (STI), acquired certain assets and liabilities of the Sound Technology business unit, located in State College, PA, from Acuson Corporation, a wholly owned subsidiary of Siemens Corporation, for approximately $10,100 in cash. STI produces linear and tightly curved array ultrasound transducers and probes for a broad range of clinical applications that are supplied to medical equipment companies worldwide. The Company s acquisition cost of $10,100 was subsequently reduced by approximately $200 reflecting estimated post-closing purchase price adjustments. As a result, the net investment of $9,900 consists of approximately $2,800 of tangible net assets acquired and approximately $7,100 of intellectual property and other intangible assets. The intellectual property and other intangible assets will be amortized over their estimated useful life of five years. The supplemental pro-forma information disclosing the results of operations has not been presented due to their immateriality.

Also, on November 6, 2002, the Company s subsidiary, Camtronics Medical Systems, Ltd., acquired all the shares of VMI Medical, Inc. (VMI), of Ottawa, Canada. VMI is a medical information software company specializing in clinical database, workflow automation and business improvement solutions for children s heart centers. VMI was acquired for approximately $2,000 in cash, payable over a two year period, and future contingent consideration, which will be based upon the combined companies achieving certain performance criteria over specific time periods. The future contingent purchase price consideration at the date of acquisition was estimated to range from $5,000-$7,000. The Company has not recognized this future contingent purchase price consideration on its books as an investment or future liability. Once the contingency is resolved and the consideration is

determinable, the Company will then record this purchase price adjustment. The Company paid $2,000 in cash related to the acquisition, assumed approximately $1,400 in net liabilities and acquired intellectual property valued at $3,400. The supplemental pro-forma information disclosing the results of operations has not been presented due to its immateriality.

5. Investments in and advances to affiliated companies:

Summarized results of operations of the Company s partially owned equity affiliates are as follows:

	Three Months Ended January 31,		**Six Months Ended January 31,**	
	2003	**2002**	**2003**	**2002**
Net revenue	$ 9,584	$ 11,546	$ 15,201	$ 14,673
Gross margin	4,932	8,956	7,698	10,817
Income (loss) from operations before extraordinary items and discontinued operations	(1,671)	(108)	(5,586)	267
Net income (loss)	$ (1,725)	$ 1,408	$ (5,567)	$ 1,780

6. Goodwill and intangible assets:

As of August 1, 2002, Analogic adopted Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). Under SFAS No. 142, goodwill and certain other intangible assets with indefinite lives are no longer amortized, but instead are reviewed for impairment annually, or more frequently if impairment indicators arise. In connection with the adoption of SFAS No. 142, the Company was required to perform a transitional impairment assessment of goodwill within six months of adoption of this standard. SFAS No. 142 requires that the Company identify its reporting units and determine the carrying value of each of those reporting units by assigning assets and liabilities, including existing goodwill and intangible assets, to those reporting units. The Company assigned the entire balance of goodwill to Imaging Technology Products for the purpose of performing the transitional impairment test. The Company completed its transitional impairment assessment of goodwill during the first quarter ended October 31, 2002, and determined that goodwill was not impaired.

Goodwill increased from $258 at July 31, 2002 to $6,090 at January 31, 2003 due to the Company paying a premium in connection with the acquisition of VMI and FTNI and other intangible assets. The entire goodwill balance is included within the Imaging Technology Products segment. None of the goodwill is deductible for tax purposes.

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

	Three Months Ended January 31,		**Six Months Ended January 31,**	
	2003	**2002**	**2003**	**2002**
	Restated	**Restated**	**Restated**	**Restated**
Net income (loss), as reported	$ 21,314	$ (403)	$ 40,964	$ (6,851)
Add goodwill amortization expense		34		68
Net income (loss), as adjusted	$ 21,314	$ (369)	$ 40,964	$ (6,783)
Basic earning (loss) per common share:				
As reported	$ 1.61	$ (0.03)	$ 3.10	$ (0.52)
As adjusted	$ 1.61	(0.03)	$ 3.10	$ (0.52)
Diluted earning (loss) per common share:				

As reported	$	1.59	(0.03)	$	3.07	$ (0.52)
As adjusted	$	1.59	(0.03)	$	3.07	$ (0.52)

Intangible assets at January 31, 2003 and July 2002, which will continue to be amortized, consisted of the following:

	January 31, 2003			July 31, 2002		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
	Restated		Restated	Restated		Restated
Amortizable Intangible Assets:						
Software Technology	$ 7,018	$1,938	$ 5,080	$7,018	$1,236	$5,782
Intellectual Property	9,346	530	8,816	100	46	54
	$16,364	$2,468	$13,896	$7,118	$1,282	$5,836

Intellectual property increased by approximately $9,200 since July 31, 2002. This increase relates to the acquisition of intellectual property from STI of approximately $7,100 and FTNI of approximately $2,100.

The estimated amortization expense of intangible assets for the six months remaining in the current fiscal year, and each of the five succeeding years, is expected to be as follows:

2003 (Remaining 6 months)	$1,644
2004	3,246
2005	3,240
2006	3,240
2007	2,005
2008	521

7. Net income (loss) per share:

Basic earnings per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed using the sum of the weighted average number of common stock outstanding during the period and, if dilutive, the weighted average number of potential shares of common stock including invested restricted stock and from the assumed exercise of stock options using the treasury stock method.

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

	Three Months Ended January 31,		Six Months Ended January 31,	
	2003	2002	2003	2002
	Restated	Restated	Restated	Restated
Net income (loss)	$21,314	$ (403)	$40,964	$ (6,851)
Basic:				
Weighted average number of common shares outstanding	13,215	13,071	13,194	13,073
Net income (loss) per share	$ 1.61	$ 0.03	$ 3.10	$ (0.52)
Diluted:				
Weighted average number of common shares outstanding	13,215	13,071	13,194	13,073

Dilutive effect of stock options	197	45	138	
Total	13,412	13,116	13,332	13,073
Net income (loss) per share	$ 1.59	$ (0.03)	$ 3.07	$ (0.52)

Options to purchase 7 and 367 shares of common stock with exercise prices greater than the average market price of the Company s common stock during the three months ended January 31, 2003 and 2002 were outstanding as of January 31, 2003 and 2002, respectively, and were not included in the computation of diluted earnings per share because their inclusion would have been antidilutive.

Options to purchase 830 and 802 shares of common stock with exercise prices greater than the average market price of the Company s common stock during the six months ended January 31, 2003 and 2002, were outstanding as of January 31, 2003 and 2002, respectively, were not included in the computation of diluted earnings per share because their inclusion would have been antidilutive. In addition, 147 shares of unvested restricted common stock were excluded from the computation of diluted earnings per share for the six months ended January 31, 2002, because their inclusion would have been antidilutive.

8. Dividends:

The Company declared dividends of $.08 per common share on December 11, 2002, payable January 7, 2003 to shareholders of record on December 24, 2002; and $.08 per common share on October 15, 2002 payable November 12, 2002 to shareholders of record on October 29, 2002.

9. Comprehensive income (loss):

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

	Three Months Ended January 31,		Six Months Ended January 31,	
	2003	2002	2003	2002
	Restated	Restated	Restated	Restated
Net income (loss)	$21,314	$(403)	$40,964	$(6,851)
Other comprehensive income (loss), net of taxes:				
Unrealized gains and losses from marketable securities, net of taxes of $96 and ($62), for the three months ended January 31, 2003 and 2002, and ($71) and $167 for the six months ended January 31, 2003, and 2002	146	(94)	(108)	256
Foreign currency translation adjustment, net of taxes of $517 and ($208), for the three months ended January 31, 2003 and 2002, and $579 and ($169) for the six months ended January 31, 2003 and 2002	789	(318)	1,000	(259)
Total comprehensive income (loss)	$22,249	$(815)	$41,856	$(6,854)

10. Supplemental disclosure of cash flow information:

Changes in operating assets and liabilities, net of the impact due to acquisitions, are as follows:

	Six Months Ended January 31,	
	2003	2002
	Restated	Restated
Accounts and notes receivable	$ 2,878	$10,274
Accounts receivable from affiliates	601	
Inventories	2,462	(3,394)
Costs related to deferred revenue	(4,863)	(2,292)
Other current assets	(632)	152
Other assets	(3,198)	291
Accounts payable, trade	(7,693)	1,307
Accrued liabilities	3,951	(2,868)
Advance payments and deferred revenue	(37,655)	3,298
Accrued income taxes	13,404	(300)
Net changes in operating assets and liabilities	$(30,745)	$ 6,468

11. Taxes:

The effective tax rate for the three and six months ended January 31, 2003 was 38% as compared to 20% for the same periods last year. This increase in the effective tax rate was due primarily to the less significant impact of the benefit of both tax exempt interest and the extraterritorial income exclusion as a percentage of pre-tax income.

12. Segment information:

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

	Three Months Ended January 31,		Six Months Ended January 31,	
	2003	2002	2003	2002
	Restated	Restated	Restated	Restated
Revenues:				
Imaging technology products	$150,937	$60,089	$272,892	$122,524
Signal processing technology products	4,518	7,469	12,171	17,666
Corporate and other	1,690	1,952	4,366	4,924
Total	$157,145	$69,510	$289,429	$145,114
Income (loss) before income taxes:				
Imaging technology products	$ 35,389	$ 765	$ 64,923	$ 2,847
Signal processing technology products(A)	(2,359)	(2,315)	(1,971)	(14,469)
Corporate and other	1,395	1,045	3,167	3,058
Total	$ 34,425	$ (505)	$ 66,119	$ (8,564)

	January 31, 2003	July 31, 2002
	Restated	Restated
Identifiable assets:		
Imaging technology products	$234,866	$198,064
Signal processing technology products	11,265	14,260
Corporate and other(B)	215,254	225,266
Total	$461,385	$437,590

(A) Includes asset impairment charges on a pre-tax basis of $8,883 during the six months ended January 31, 2002.

(B) Includes cash equivalents and marketable securities of $171,978 and $174,336 at January 31, 2003, and July 31, 2002, respectively.

13. Guarantor arrangements:

In November 2002, the Financial Accounting Standard Board (FASB) issued 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 45). Fin 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. Fin 45 also requires additional disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees it has issued. The accounting requirements for the initial recognition of guarantees are applicable on a prospective basis for guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for all guarantees outstanding, regardless of when they were issued or modified, for financial statements of interim or annual periods ending after December 15, 2002. The adoption of FIN 45 did not have a material effect on the Company s consolidated financial statements. The following is a summary of agreements that the Company determined are within the scope of FIN 45.

The Company has agreements whereby it indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was serving, at the Company s request in such capacity. The term of the indemnification period is for the officer s or director s lifetime. The potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. Also, to the extent permitted by Massachusetts law, the Company s Articles of Organization, require the Company to indemnify directors of the Company and the Company s By-laws require the Company to indemnify the present or former directors and officers of the Company, and also permit indemnification of other employees and agents of the Company for whom the Board of Directors from time to time authorizes indemnification. In no instance, however, will indemnification be granted to a director otherwise entitled thereto who is determined to have (a) committed a breach of loyalty to the Company or its stockholders, (b) committed acts or omissions not in good faith or which involved intentional misconduct or a knowing violation of the law, or (c) derived any improper personal benefit in connection with a particular transaction. Because no claim for indemnification has been made by any person covered by said agreements, and/or the relevant provisions of the Company s Articles or By-laws, the Company believes that its estimated exposure for these indemnification obligations is currently minimal. Accordingly, the Company has no liabilities recorded for these indemnity agreements and requirements as of January 31, 2003.

The Company s standard original equipment manufacturing and supply agreements entered in the Company s 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 January 31, 2003.

In fiscal 2002, the Company acquired a 19% interest in Cedara Software Corporation (Cedara) of Mississauga, Ontario, Canada. As part of the Company s investment agreement, the Company has guaranteed certain debt owed by Cedara to its bank lender through the provision of a credit facility with the Company s principal bank for approximately $6,300. During December 2002, the Company agreed to further guarantee an increase in the credit facility from approximately $6,300 to $9,800 based upon Cedara s funding requirements. To date, no claims have been asserted against the Company in connection with the guarantee of Cedara s debt. Accordingly, the Company has no liabilities recorded in connection with the Cedara guarantee as of January 31, 2003.

The Company warrants that its products will perform in all material respects in accordance with its standard published specification in effect at the time of delivery of the products to the customer for a period ranging from 12 to 18 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.

The following table presents the Company s product warranty liability for the reporting periods:

	Three Months Ended January 31, 2003	**Six Months Ended January 31, 2003**
	Restated	**Restated**
Balance at the beginning of the period	$ 4,704	$ 3,235
Accruals for warranties issued during the period	3,643	6,396
Accruals related to pre-existing warranties (including changes in estimates)		(87)
Settlements made in cash or in kind during the period	(1,420)	(2,617)
Balance at the end of the period	$ 6,927	$ 6,927

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

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

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

In December 2002, the Company received a purchase order from L-3 to deliver an additional 75 EXACT systems during the first four months of calendar 2003 for foreign and other anticipated orders. The Company believes that additional orders for EXACT systems should be forthcoming. At this time, the Company does not know when such orders will be placed or the quantities that will be required. The Company therefore expects that security imaging revenues may vary significantly from quarter to quarter.

The Company recorded cash received from L-3 for the purchase of long-lead-time inventory components in the advance payments and deferred revenue account within the liabilities section of the balance sheet. These payments are not recognized as revenue until the systems to which the inventory components relate have been shipped. As of January 31, 2003, the Company had a remaining balance of $8,850 recorded within the advance payments and deferred revenue account related to long-lead purchases.

The agreement also provided for the Company to receive $22,000 of ramp-up funds for the purpose of leasing and fitting up a facility and ensuring the availability of key critical raw material and inventory components from suppliers to meet the production and volume requirements of this contract. These costs incurred and assets purchased are fully reimbursed by L-3. The Company has not recorded any revenues, costs or assets related to these ramp-up funds. All cash received for ramp-up activities is recorded within the advance payments and deferred revenue account within the liability section of the balance sheet. These liabilities are reduced as the cash is spent on these activities. As of January 31, 2003, the Company had a balance of $7,210 of unexpended ramp-up funds recorded within the advance payments and deferred revenue account.

In addition to the $22,000 of ramp-up funds provided by L-3 on behalf of the TSA, the Company has spent approximately $5,700 of its own funds for the purchase of manufacturing and office equipment, which was capitalized during the six months ended January 31, 2003.

15. Recent accounting pronouncements:

In December 2002, the Financial Accounting Standard Board (FASB) issued SFAS No. 148, *Accounting for Stock Based Compensation Transition and Disclosure an amendment of FASB Statement No. 123* (SFAS 148). SAFS 148 provides for alternative methods of voluntary transition to the fair value based method of accounting for stock-based employee compensation, and it requires more prominent disclosures, in both interim and annual financial statements, about the method of accounting for stock-based employee compensation and the effect of the method used on reported financial results. SFAS 148 is effective for interim periods beginning after December 15, 2002, and for annual periods ending after December 15, 2002. As provided for in FAS No. 123, the Company has elected to apply Accounting Principals Board (APB) No. 25 Accounting for Stock Issued to Employees and related interpretations in accounting for the Company s stock based compensation plans. APB No. 25 does not require options to be expensed when granted with an exercise price equal to fair market value. We intend to continue to apply the provisions of APB No. 25. The Company plans to make the required disclosures in the quarter ending April 30, 2003.

In November 2002, the EITF reached a consensus on issue 00-21, *Revenue Arrangements with Multiple Deliverables* (EITF 00-21). EITF 00-21 addresses revenue recognition on arrangements encompassing multiple elements that are delivered at different points in time, defining criteria that must be met for elements to be considered to be a separate unit of accounting. If an element is determined to be a separate unit of accounting, the revenue for the element is recognized at the time of delivery. The Company does not expect that the pronouncement will have a material impact on its financial position or results of operations.

In January 2003, the Financial Accounting Standards Board (FASB) issued Financial Accounting Standards Board Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46). FIN 46 requires that if an entity has a controlling financial interest in a variable interest entity, the assets, liabilities and results of activities of the variable interest entity should be included in the consolidated financial statements of the entity. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to January 31, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. The Company is in the process of assessing what effect, if any, the adoption of FIN 46 will have on its financial position or results of operations.

16. Subsequent events:

On February 3, 2003, the Company announced that it is planning to construct a 100,000 square foot addition to its headquarters in Peabody, Massachusetts. This two-story addition will enable the Company to further consolidate its existing Massachusetts operations and to expand production capacity for its medical and security imaging system business.

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

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

Critical Accounting Policies, Judgments, and Estimates:

Revenue Recognition

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

When total cost estimates exceed revenues, the Company accrues for the estimated losses immediately. Revenue related to the hotel operations is recognized as services are performed.

Inventories

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

Concentration of Credit Risk

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

Warranty Reserve

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

Investments in and Advances to Affiliated Companies

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

Intangible Assets and Other Long-Lived Assets

Intangible assets consist of goodwill, intellectual property, licenses, and capitalized software. Other long-lived assets consist primarily of property, plant, and equipment. Intangible assets and property, plant, and equipment, excluding goodwill, are amortized using the straight-line method over their estimated useful life. The carrying value of goodwill and other intangible assets is reviewed on a quarterly basis for the existence of facts and circumstances both internally and externally that may suggest impairment. The Company determines whether impairment has occurred based on gross expected future cash flows, and measures the amount of impairment based on the related future discounted cash flows. To date, no such impairment has occurred. Factors which the Company considers important and that could trigger an impairment review include significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

The cash flow estimates used to determine impairment, if any, contain management s best estimates, using appropriate and customary assumptions and projections at the time. In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, the Company has ceased amortizing goodwill as of August 1, 2002 and will annually review the goodwill for potential impairment as well as on an event-driven basis, using a fair value approach.

Income Taxes

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

Results of Operations

Six Months Fiscal 2003 (01/31/03) vs. Six Months Fiscal 2002 (01/31/02) (dollars in thousands)

Product revenue for the six months ended January 31, 2003 was $273,208 as compared to $128,452 for the same period last year, an increase of 113%. The increase of $144,756 was primarily due to an increase of $152,983 in sales of Medical and Security Imaging Products, offset by a reduction in sales of Signal Processing Technology Products in the amount of $8,227 due primarily to lower demand for embedded multiprocessing equipment. Of the increased sales amount, $160,815 represents sales of EXACT systems and spare parts, $5,074 represents sales by Sound Technology Inc. (STI), and $9,364 represents sales due to increased demand for the Company s Data Acquisitions Systems. These revenues were partially offset by a decrease of $18,728 primarily due to a reduction in sales of mid-range Computed Tomography (CT) medical systems previously supplied to Philips. The Company believes that additional orders for EXACT systems should be forthcoming. At this time, the Company does not know when such orders will be placed or the quantities that will be required. The Company therefore expects that security imaging revenues may vary significantly quarter to quarter.

Engineering revenue for the six months ended January 31, 2003 was $11,855 compared to $11,738 for the same period last years, an increase of 1%.

Other revenue of $4,366 and $4,924 represents revenue from the Hotel operation for the six months ended January 31, 2003 and 2002, respectively. The decrease in revenue is attributable to lower occupancy due to the economic decline in the travel and lodging industries.

Cost of product sales was $155,684 and $81,849 for the six months ended January 31, 2003 and 2002, respectively. Cost of product sales, as a percentage of product revenue was 57% for the six months ended January 31, 2003 compared to 64% for the same period last year. The decrease in the cost of product sales percentage over the prior year was primarily attributable to the increased sales of security imaging technology products, which have lower cost of sales than most of the Company s other products.

Cost of engineering sales was $8,403 for the six months ended January 31, 2003 compared to $11,854 for the same period least year. The total cost of engineering sales as a percentage of engineering revenue decreased to 71% for the six months ended January 31, 2003 from 101% for the six months ended January 31, 2002. This percentage decrease was primarily attributable to license revenue recognized in the six months ended January 31, 2003 for which there was no associated cost.

Research and product development expenses were $25,948 for the six months ended January 31, 2003, or 9% of total revenue, as compared to $20,544 for the same period last year, or 14% of total revenue. The increase of $5,404 was due to the Company continuing to focus substantial resources in developing new generations of medical imaging equipment, including innovative CT systems for niche markets, advanced digital X-ray systems and subsystems for general radiography and mammography, and an extended family of multislice CT Data Acquisition Systems for both medical and security markets. In addition, the Company is developing security imaging systems for a variety of applications. The Company is in the initial stages of testing prototypes of an automated, CT-based portal screening system that can scan carry-on baggage at airports, carry-in baggage at public buildings, and parcels for corporations and delivery services. In addition, the Company continues to increase its investment in a number of other development projects to meet diverse, evolving security needs in the United States and abroad.

Selling and marketing expenses were $16,390 for the six months ended January 31, 2003, or 6% of the total revenue, as compared to $16,159 or 11% of total revenue for the same period last year. The increase of $231 is primarily associated with additional selling and marketing efforts by the Company s subsidiaries, Camtronics Medical Systems, Ltd. and B-K Medical Systems A/S.

General and administrative expenses were $16,932, or 6% of total revenue, for the six months ended January 31, 2003 as compared to $14,776, or 10% of total revenue, for the same period last year. The increase of $2,156 was due primarily attributable to increased salaries, bonuses paid and accrued, provisions made for the 401(k)/profit sharing plan of approximately $800, bad debt expenses of approximately $600 primarily related to an unsecured note receivable, amortization of approximately $700 related to acquired intangible assets, and approximately $300 related to incremental costs due to the acquisition of Sound Technology Inc., partially offset by a reduction of approximately $300 in outside consulting services.

Interest income was $2,509 for the six months ended January 31, 2003 as compared with $2,270 for the same period last year. The increase of $239 was primarily the result of higher invested cash balances partially offset by lower effective interest rates on short-term investments.

The Company recorded a loss of $1,589 related to equity in unconsolidated affiliates for the six months ended January 31, 2003 as compared to a gain of $1,369 for the same period last year. The equity loss consists primarily of $790 and $932 reflecting the Company s share of losses in Shenzhen Anke High-Tech Co., Ltd. (SAHCO) and Cedara Software Corp., respectively, for the six months ended January 31, 2003, compared with gains from these companies of $333 and $227, respectively, for the same period last year. For the six months ended January 31, 2003 and 2002, the Company also recorded a gain in equity of $160 and $825, respectively, reflecting the Company s share of profit in Enhanced CT Technology LLC.

Other income was $(1644) for the six months ended January 31, 2003 compared to a loss of $294 for the same period last year. Other income for the first six months of fiscal 2003 represents primarily currency exchange gains from the Company s Canadian and Danish subsidiary, versus currency exchange losses for the same period last year for the Company s Canadian and Danish subsidiaries.

The effective tax rate for the six months ended January 31, 2003 was 38% versus 20% for the same period last year. This increase in the effective tax rate was due primarily to the less significant impact of the benefit of both tax-exempt interest and extraterritorial income exclusion as percentage of pretax income.

Net income for the six months ended January 31, 2003 was $40,964 or $3.10 per basic share and $3.07 per diluted share as compared to a net loss of $6,851 or $ 0.52 per basic and diluted share for the same period last year. The increase in net income over the prior year was primarily the result of increased revenue and profit derived from the sale of EXACT systems. The prior year s loss included a pre-tax asset impairment charge of $8,883 related to certain assets of the Company s Anatel subsidiary and its Test and Measurement division.

Results of Operations

Second Quarter Fiscal 2003 (01/31/03) vs. Second Quarter Fiscal 2002 (01/31/02) (dollars in thousands)

Product revenue for the three months ended January 31, 2003 was $149,980 as compared to $63,297 for the same period last year, an increase of $86,683 or 137%. The increase was primarily due to $90,322 in sales of Medical and Security Imaging Products offset by a decrease of $3,639 of sales of Signal Processing Technology Products due to lower demand for embedded multiprocessing equipment. Of the increased sales amount $87,961 represents sales of EXACT systems and spare parts, and $5,074 represents sales by STI. These increases were partially offset by a decrease of $8,073 primarily due to a reduction of sales of mid-range Computed Tomography (CT) medical systems previously supplied to Philips and, to a lesser extent, a decline in sales of Direct Digital Radiography systems. The Company believes that additional orders for EXACT systems should be forthcoming. At this time, the Company does not know when such orders will be placed or the quantities that will be required. The Company therefore expects that security imaging revenues may vary significantly from quarter to quarter.

Engineering revenue for the three months ended January 31, 2003 was $5,475 compared to $4,261 for the same period last year, an increase of $1,214. The increase in engineering revenue was primarily due to an increase in funding for projects for developing medical and security imaging equipment.

Other revenues of $1,690 and $1,952 represent revenue from the Hotel operation for the three months ended January 31, 2003 and 2002, respectively. The decrease in revenues was attributable to lower occupancy due to the decline in the travel and lodging business.

Cost of product sales was $88,051 for the quarter ended January 31, 2003, compared to $39,860 for the same period last year. Cost of product sales as a percentage of product revenue was 59% and 63% for the three months ended January 31, 2003 and 2002, respectively. The decrease in the cost of product sales percentage over the prior year was primarily attributable to the sale of security imaging technology products, which have lower cost of sales than most of the Company s other products.

Cost of engineering sales was $3,507 for the three months ended January 31, 2003, compared to $5,231 for the same period last year. The total cost of engineering sales as a percentage of engineering revenue decreased to 64% for the three months ended January 31, 2003, from 123% for the same period last year. The decrease in cost as a percentage of engineering revenue for the three months ended January 31, 2003 was primarily attributable to improved cost management related to customer funded projects. In the previous year s quarter, the Company had several projects, which incurred cost overruns that were not reimbursable from its customers, resulting in costs exceeding revenues for the period.

Research and product development expenses were $14,571 for the three months ended January 31, 2003, or 9% of total revenue, compared to $10,382 for the same period last year, or 14% of total revenue. The increase of $4,189 was due to the Company continuing to focus substantial resources in developing new generations of medical imaging equipment, including innovative CT systems for niche markets, advanced digital X-ray systems and subsystems for general radiography and mammography, and an extended family of multislice CT Data Acquisition Systems for both medical and security markets. In addition, the Company is developing security imaging systems for a variety of applications. The Company is in the initial stages of testing prototypes of an automated, CT-based portal screening system that can scan carry-on baggage at airports, carry-in baggage at public buildings, and parcels for corporations and delivery services. In addition, the Company continues to increase its investment in a number of other development projects to meet diverse, evolving security needs in the United States and abroad.

Selling and marketing expenses were $8,456 for the three months ended January 31, 2003, or 5% of total revenue, compared to $7,830 or 11% of total revenue for the same period last year. The increase of $626 was primarily associated with additional selling and marketing efforts by the Company s subsidiaries, Camtronics Medical Systems, Ltd. and B-K Medical Systems S/A.

General and administrative expenses were $8,847, or 6% of total revenue, for the three months ended January 31, 2003, as compared to $6,827 or 10% of total revenue, for the same period last year. The increase of $2,020 was primarily attributable to increased salaries, bonuses paid and accrued, provisions made for the 401(k)/profit-sharing plan of approximately $900, approximately $500 in amortization related to acquired intangible assets, and approximately $300 related to incremental costs due to the acquisition of Sound Technology Inc.

Interest income was $1,221 for the three months ended January 31, 2003, compared to $1,031 for the same period last year. The increase of $190 was due to higher invested cash balances partially offset by lower effective interest rates.

The Company recorded a loss of $603 related to equity in unconsolidated affiliates for the three months ended January 31, 2003, as compared to a gain of $631 for the same period last year. The equity loss consists primarily of $321 and $437 reflecting the Company s share of losses in SAHCO and Cedara Software Corporation, respectively, partially offset by a gain in equity of $160 for the Company s share of profit in Enhanced CT Technologies LLC. For the three months ended January 31, 2002, the Company recorded a gain in equity of $227 and $418 reflecting the Company s share of profit in Cedara Software Corporation and Enhanced CT Technology LLC, respectively.

Other income was $1,301 for the three months ended January 31, 2003, compared to a loss of $128 for the same period last year. Other income for the current quarter primarily represents currency exchange gains from the Company s Canadian and Danish subsidiary, versus currency exchange loss for the same period last year from the Company s Canadian and Danish subsidiaries.

The effective tax rate for the three months ended January 31, 2003 was 38% versus 20% for the same period last year. This increase in the effective tax rate was due primarily to the less significant impact of the benefit of both tax-exempt interest and the extraterritorial income exclusion as a percentage of pretax income.

Net income for the three months ended January 31, 2003, was $21,314 or $1.61 per basic share and $1.59 per diluted share as compared to a net income of $(403) or $0.03 per basic and diluted share for the same period last year. The increase in net income over the prior year was primarily the result of increased revenue and profit derived from the sales of EXACT systems.

Liquidity and Capital Resources (dollars in thousands)

The Company s balance sheet reflects a current ratio of 4.0 to 1 at January 31, 2003, and 2.9 to 1 at July 31, 2002. Liquidity is sustained principally through funds provided from operations, with short-term deposits and marketable securities available to provide additional sources of cash. The Company places its cash investments in high credit quality financial instruments and, by policy, limits the amount of credit exposure to any one financial institution. The Company s debt to equity ratio was .34 to 1 at January 31, 2003, and .45 to 1st July 31, 2002. The Company believes that its balances of cash and cash equivalents, marketable securities and cash flows expected to be generated by future operating activities will be sufficient to meet its cash requirements over the next twelve months.

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

The carrying amounts reflected in the unaudited condensed consolidated balance sheets of cash and cash equivalents, trade receivables, and trade payables approximate fair value at January 31, 2003, due to the short maturities of these instruments.

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

Cash flow provided from operations was $25,853 for the first six months of fiscal 2003 compared to $13,147 during the same period of the prior year. The increase in cash flows from operations of $12,706 during the first six months of fiscal 2003 over the prior year period resulted primarily from increases in net income of $47,815 offset by a significant reduction in advance payments and deferred revenue of $40,953 primarily related to the EXACT contract with L-3.

Net cash used in investing activities was $12,427 for the first six months of fiscal 2003 compared to $13,205 for the same period last year. The decrease in net cash used of $778 was primarily due to reduced capital spending of $4,196 and $2,750 maturities of marketable securities which matured that the Company decided not to reinvest, offset by increased spending related to business acquisitions of $5,500.

Net cash flow from financing activities was $91 for the first six months of fiscal 2003 versus a use of $2,422 for the prior year period. The increase in financing activities of $2,513 was primarily the result of issuance of stock pursuant to employee stock option and employee stock purchase plans.

The Company s contractual obligations at January 31, 2003, and the effect such obligations are expected to have on liquidity and cash flows in future periods are as follows:

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Mortgage and notes payable	$ 6,402	$1,531	$ 704	$ 704	$3,463
Capital leases	625	312	294	19	
Operating leases (A)	10,610	2,475	4,722	1,128	2,285
Other commitments (B)	2,950	2,534	416		
	$20,587	$6,852	$6,136	$1,851	$5,748

(A) Includes approximately $3.1 million of lease costs associated with the Haverhill facility funded by ramp-up monies received by the Company in connection with the EXACT system order.

(B) Includes approximately $3.0 million of commitments to suppliers for the production of raw materials and inventory components funded by ramp-up monies received by the Company in connection with the EXACT system order.

The Company currently has approximately $30,000 in revolving credit facilities with various banks available for direct borrowings. As of January 31, 2003, there were no direct borrowings. However, the Company has guaranteed through a provision of a credit facility with its principal bank the debt owed by Cedara to its bank lender through a provision of a credit facility for approximately $9,800.

Business Environment and Risk Factors

Forward Looking Statements

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

Risk Factors

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

We depend on a small number of customers for a large portion of our business, and changes in our customers orders may have a significant impact on our operating results.

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

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

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

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

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

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

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

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

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

If we are unable to continue to purchase these raw materials and components from our suppliers, our operating results would be adversely affected. Because many of our costs are fixed, our margins depend on our volume of output at our facilities and a reduction in volume will adversely affect our margins.

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

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

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

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

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

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

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

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

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

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

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

These factors include:

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

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

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

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

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

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

One stockholder has a substantial interest in Analogic.

As of January 31, 2003, the Bernard M. Gordon Charitable Remainder Unitrust owned approximately 27% of Analogic s outstanding Common Stock. Bernard M. Gordon, Chairman of the Board of Directors, Executive Chairman, President and Chief Executive Officer of Analogic, and Julian Soshnick, Vice President and General Counsel of Analogic, serve as trustees of this trust and have full power to vote or dispose of the shares held by the trust. The trust, based on its ownership interest in Analogic, has the ability to exert substantial influence over the actions of Analogic.

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

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

The Company maintains a bond investment portfolio of various issuers, types, and maturities. The Company s cash and investments include cash equivalents, which the Company considers to be investments purchased with original maturities of three months or less. Investments having original maturities in excess of three months are stated at amortized cost, which approximates fair value, and are classified as available for sale. Total interest income, net for the six months ended January 31, 2003 was $2,358. An interest rate change of 10% would not have a material impact to the fair value of the portfolio or to future earnings.

The Company s three largest customers for the fiscal year ended July 31, 2002, each of which is a significant and valued customer, were Philips, General Electric and L-3 Communications, which accounted for approximately 18%, 12%, and 9%, respectively, of product and engineering revenue. For the six months ended January 31, 2003, these customers, L-3 Communications, General Electric and Philips accounted for approximately 56%, 7%, and 3%, respectively, of product and engineering revenue. Loss of any one of these customers would have a material adverse effect upon the Company s business.

PART II OTHER INFORMATION

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

(a) Exhibits

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

(b) During the quarter ended January 31, 2003, the Company did not file any reports on Form 8-K.

SIGNATURES

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

ANALOGIC CORPORATION
Registrant

/s/John W. Wood Jr.

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

Date: October 27, 2003

/s/John J. Millerick

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

Date: October 27, 2003

EXHIBIT INDEX

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32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350