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, 2002

OR

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

For the transition period from to

Commission file number 0-6715

ANALOGIC CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

Yes x No o

The number of shares of Common Stock outstanding at February 28, 2002 was 13,199,843.

ANALOGIC CORPORATION

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

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

On October 15, 2003, the Company reported that it would restate its financial statements for the fiscal years ended July 31, 2002 and July 31, 2001, and condensed financial statements for the quarters within the fiscal years ended July 31, 2003, 2002 and 2001, and would file amended annual reports on Form 10-K/A and amended quarterly reports on Form 10-Q/A. The purpose of this restatement is to reflect the application of the appropriate accounting principles to (1) the recognition of software revenue by Camtronics Medical Systems, Ltd., a 100% owned U.S. subsidiary of the Company, for fiscal years ended July 31, 2003, 2002 and 2001 and (2) to the treatment of foreign currency exchange gains and losses related to an inter-company loan between the Company and B-K Medical Systems A/S, a 100% owned Danish subsidiary of the Company, for fiscal years ended July 31, 2003 and 2002. As restated, the Company s financial results for the three months ended January 31, 2002 reflect a reduction in revenues of $3,100,000, net income of $1,008,000, and diluted earnings per share of $0.08, and for the six months ending January 31, 2002 reflects a reduction of revenue of $3,298,000, net income of $1,086,000 and diluted earnings per share of $0.08. 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 and 2 and Part II, Item 6 of the Quarterly Report on Form 10-Q for the period ended January 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, 2001, 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, 2001 as filed with the Securities and Exchange Commission on October 29, 2003. This Amendment continues to reflect circumstances 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.

ANALOGIC CORPORATION

INDEX

PART I. Financial Information

Item 1. Financial Statements

ANALOGIC CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)
(in thousands)

	January 31, 2002	July 31, 2001
	Restated	Restated
ASSETS		
Current assets:		
Cash and cash equivalents	$ 44,095	$ 46,013
Marketable securities, at market	69,847	76,899
Accounts and notes receivable, net of allowance for doubtful accounts of $1,421 in fiscal 2002, and $1,268 in fiscal 2001	57,992	68,287
Inventory	59,699	60,696
Costs related to deferred revenue	552	84
Refundable and deferred income taxes	13,971	10,369
Other current assets	6,734	7,410
Total current assets	252,890	269,758
Property, plant and equipment, net	73,658	68,846
Investments in and advances to affiliated companies	7,521	4,692
Capitalized software, net	4,007	5,488
Costs related to deferred revenue	6,731	4,907
Other assets	7,377	5,468
Total assets	$352,184	$359,159
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Mortgage and other notes payable	$ 222	$ 369
Obligations under capital leases	297	275
Accounts payable, trade	16,583	15,378
Accrued liabilities	15,472	20,466
Deferred revenue	6,338	4,775
Advance payments and other	2,248	972
Accrued income taxes	1,596	1,904
Total current liabilities	42,756	44,139
Mortgage and other notes payable	4,183	4,896
Obligations under capital leases	498	664
Deferred revenue	11,113	9,130
Advance payments and other	300	
Deferred income taxes	2,693	1,836
	18,787	16,526
Commitments		

Stockholders equity:		
Common stock, $.05 par value	705	703
Capital in excess of par value	38,781	37,857
Retained earnings	267,106	275,807
Accumulated other comprehensive income	(1,601)	(1,598)
Treasury stock, at cost	(8,900)	(9,035)
Unearned compensation	(5,450)	(5,240)
Total stockholders equity	290,641	298,494
Total liabilities and stockholders equity	$ 352,184	$ 359,159

The accompanying notes are an integral part of these 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,	
	2002	2001	2002	2001
	Restated	Restated	Restated	Restated
Net revenue:				
Product	$63,297	$81,184	$128,452	$152,317
Engineering	4,261	6,325	11,738	12,068
Other	1,952	2,638	4,924	6,757
Total net revenue	69,510	90,147	145,114	171,142
Costs of sales:				
Product	39,860	51,989	81,849	98,670
Engineering	5,231	6,031	11,854	10,031
Other	1,266	1,496	2,721	3,232
Asset impairment charges			8,883	
Total cost of sales	46,357	59,516	105,307	111,933
Gross Margin	23,153	30,631	39,807	59,209
Operating expenses:				
Research and product development	10,382	9,384	20,544	18,397
Selling and marketing	7,830	7,855	16,159	15,170
General and administrative	6,827	7,665	14,776	14,993
	25,039	24,904	51,479	48,560
Income (loss) from operations:	(1,886)	5,727	(11,672)	10,649
Other (income) expense:				
Interest income, net	(878)	(1,455)	(2,033)	(2,940)
Equity in unconsolidated affiliates	(631)	950	(1,369)	139
Other, net	128	38	294	422
	(1,381)	(467)	(3,108)	(2,379)
Income (loss) before income taxes and minority interest	(505)	6,194	(8,564)	13,028
Provision (benefit) for income taxes	(102)	2,029	(1,713)	4,239
Minority interest		(26)		46
Net income (loss)	$ (403)	$ 4,191	$ (6,851)	$ 8,743
Net income (loss) per common share:				
Basic	$ (0.03)	$ 0.33	$ (0.52)	$ 0.68
Diluted	(0.03)	0.32	(0.52)	0.67

Weighted average shares outstanding:				
Basic	13,071	12,906	13,073	12,892
Diluted	13,116	13,005	13,073	12,968

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

ANALOGIC CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)
(in thousands)

	Six Months Ended January 31,	
	2002	**2001**
	Restated	**Restated**
OPERATING ACTIVITIES:		
Net Income (loss)	$ (6,851)	$ 8,743
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Deferred income taxes	(2,889)	626
Depreciation and amortization	8,197	7,085
Minority interest in net income of consolidated subsidiaries		46
Allowance for doubtful accounts	178	91
Impairment of assets	8,883	
Loss (gain) on sale of equipment	52	(36)
Excess of equity in (gain) loss of unconsolidated affiliates	(1,369)	139
Loss on investment		332
Compensation from stock grants	478	403
Net changes in operating assets and liabilities	6,468	(12,341)
NET CASH PROVIDED BY OPERATING ACTIVITIES:	13,147	5,088
INVESTING ACTIVITIES:		
Investments in affiliated companies	(7,500)	
Return of investment from affiliated company	1,502	
Additions to property, plant and equipment	(13,387)	(7,477)
Capitalized software	(1,334)	(746)
Proceeds from sale of property, plant and equipment	39	78
Maturities of marketable securities	7,475	6,455
NET CASH USED IN INVESTING ACTIVITIES	(13,205)	(1,690)
FINANCING ACTIVITIES:		
Payments on debt and capital lease obligations	(945)	(602)
Issuance of common stock pursuant to stock options and employee stock purchase plan	374	414
Dividends paid to shareholders	(1,851)	(1,805)
NET CASH USED IN FINANCING ACTIVITIES	(2,422)	(1,993)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	562	(141)
NET INCREASE (DECREASE) IN CASH & CASH EQIVALENTS	(1,918)	1,264
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	46,013	29,132
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 44,095	$ 30,396

The accompanying notes are an integral part of these 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 months ended January 31, 2002 are not necessarily indicative of the results to be expected for the fiscal year ending July 31, 2003, or any other interim period.

These statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended July 31, 2001, 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, 2001 as filed with the SEC on October 29, 2003.

The condensed financial statements have not been audited by independent certified public accountants. The condensed consolidated balance sheet as of July 31, 2001, contains data derived from audited financial statements.

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

2. Restatement:

The Company has restated its prior period condensed financial statements to reflect the application of the appropriate accounting principles to the recognition of software revenue by its 100% owned U.S. subsidiary Camtronics Medical Systems, Ltd, and to the treatment of foreign currency exchange gains and losses related to an inter-company loan between the Company and B-K Medical Systems A/S. As restated, the Company s financial results for the three months ended January 31, 2002 reflect a reduction in revenues of $3,100, net income of $1,008, and diluted earnings per share of $0.08, and for the six months ending January 31, 2002 reflects a reduction in revenue of $3,298, net income $1,086, and diluted earning per share of $0.08 compared to the Company s financial results previously reported for the three and six months ended January 31, 2002.

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

Software Revenue

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

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

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

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

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

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

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

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

Deferred revenue is comprised of 1) license fee, maintenance and other service revenues for which payment has been received and for which services have not yet been performed and 2) revenues which had been invoiced, and paid in the majority of cases, related to delivered components of a multiple-element arrangement for which fair value has not been determined for components not yet delivered or accepted by the customer. Costs related to deferred 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 standards. Accordingly, gains (losses), which had been previously reported in Stockholders Equity as accumulated comprehensive income, must be recognized as gains (losses) in determining prior period operating results.

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

B-K had determined foreign exchange gain (loss) at the end of each quarter 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, 2002		
	(unaudited)		
	Previously Reported	Restated	Change
Net revenue:			
Product	$66,397	$63,297	$(3,100) (a)
Engineering	4,261	4,261	
Other	1,952	1,952	
Total net revenue	72,610	69,510	(3,100)
Costs of sales:			
Product	41,268	39,860	(1,408) (b)
Engineering	5,231	5,231	
Other	1,266	1,266	
Total cost of sales	47,765	46,357	(1,408)
Gross Margin	24,845	23,153	(1,692)
Operating expenses:			
Research and product development	10,733	10,382	(351) (c)
Selling and marketing	8,089	7,830	(259) (d)
General and administrative	6,827	6,827	
	25,649	25,039	(610)
Income (loss) from operations:	(804)	(1,886)	(1,082)
Other (income) expense:			
Interest income, net	(878)	(878)	
Equity in unconsolidated affiliates	(631)	(631)	
Other, net	(52)	128	180 (e)
	(1,561)	(1,381)	180
Income (loss) before income taxes and minority interest	757	(505)	(1,262)
Provision (benefit) for income taxes	152	(102)	(254) (f)
Net income (loss)	$ 605	$ (403)	$(1,008)
Net income (loss) per common share:			
Basic	$ 0.05	$ (0.03)	$ (0.08)
Diluted	0.05	(0.03)	(0.08) (g)
Weighted average shares outstanding:			
Basic	13,071	13,071	
Diluted	13,115	13,115	

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	$(3,100)
(b)	*Cost of sales: Product*	
	Adjust cost of sales related to transactions for which revenue has been deferred	$(1,759)
	Reclassification not impacting net income	351
	Net decrease	$(1,408)
(c)	*Research and product development*	
	Reclassification not impacting net income	$ (351)
(d)	*Selling and marketing*	
	Adjust commission expense related to transactions for which revenue has been deferred	$ (259)
(e)	*Other (income) expense: Other, net*	
	Adjustment related to exchange loss on the B-K loan	$ (180)
(f)	*Provision (benefit) for income taxes*	
	Net decrease to provision due to above adjustments	$ (254)
(g)	*Net income (loss) per common share: Diluted*	
	Net effect to diluted earnings per share due to above adjustments	$ (0.08)

Statements of Operations:

	Six Months Ended January 31, 2002		
		(unaudited)	
	Previously Reported	Restated	Change
Net revenue:			
Product	$131,750	$128,452	$(3,298) (a)
Engineering	11,738	11,738	
Other	4,924	4,924	
Total net revenue	148,412	145,114	(3,298)
Costs of sales:			
Product	82,819	81,849	(970) (b)
Engineering	11,854	11,854	
Other	2,721	2,721	
Asset impairment charges	8,883	8,883	
Total cost of sales	106,277	105,307	(970)
Gross Margin	42,135	39,807	(2,328)
Operating expenses:			
Research and product development	21,411	20,544	(867) (c)
Selling and marketing	16,441	16,159	(282) (d)
General and administrative	14,776	14,776	
	52,628	51,479	(1,149)
Loss from operations:	(10,493)	(11,672)	(1,179)
Other (income) expense:			
Interest income, net	(2,033)	(2,033)	
Equity in unconsolidated affiliates	(1,369)	(1,369)	
Other, net	114	294	180 (e)
	(3,288)	(3,108)	180
Loss before income taxes and minority interest	(7,205)	(8,564)	(1,359)
Provision (benefit) for income taxes	(1,440)	(1,713)	(273) (f)
Net loss	$ (5,765)	$ (6,851)	$(1,086)
Net loss per common share:			
Basic	$ (0.44)	$ (0.52)	$ (0.08)
Diluted	(0.44)	(0.52)	(0.08) (g)
Weighted average shares outstanding:			
Basic	13,073	13,073	
Diluted	13,073	13,073	

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	$(3,298)
(b)	*Cost of sales: Product*	
	Adjust cost of sales related to transactions for which revenue has been deferred	$(1,837)
	Reclassification not impacting net income	867
	Net decrease	$ (970)
(c)	*Research and product development*	
	Reclassification not impacting net income	$ (867)
(d)	*Selling and marketing*	
	Adjust commission expense related to transactions for which revenue has been deferred	$ (282)
(e)	*Other (income) expense: Other, net*	
	Adjustment related to exchange loss on the B-K loan	$ 180
(f)	*Provision (benefit) for income taxes*	
	Net decrease to provision due to above adjustments	$ (273)
(g)	*Net loss per common share: Diluted*	
	Net effect to diluted earnings per share due to above adjustments	$ (0.08)

Balance Sheets:

	January 31, 2002		
	(unaudited)		
	Previously Reported	Restated	Change
ASSETS			
Current assets:			
Cash and cash equivalents	$ 44,095	$ 44,095	
Marketable securities, at market	69,847	69,847	
Accounts and notes receivable, net of allowance for doubtful accounts	57,992	57,992	
Inventory	59,699	59,699	
Costs related to deferred revenue		552	$ 552 (a)
Refundable and deferred income taxes	12,232	13,971	1,739 (b)
Other current assets	6,734	6,734	
Total current assets	250,599	252,890	2,291
Property, plant and equipment, net	73,658	73,658	
Investments in and advances to affiliated companies	7,521	7,521	
Capitalized software, net	4,007	4,007	
Costs related to deferred revenue		6,731	6,731 (c)
Other assets	7,052	7,377	325 (d)
Total assets	$342,837	$352,184	$ 9,347
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Mortgage and other notes payable	$ 222	$ 222	
Obligations under capital leases	297	297	
Accounts payable, trade	16,583	16,583	
Accrued liabilities	22,930	15,472	(7,458) (e)
Deferred revenue		6,338	6,338 (f)
Advance payments and other		2,248	2,248 (g)
Accrued income taxes	1,090	1,596	506 (h)
Total current liabilities	41,122	42,756	1,634
Long-term liabilities:			
Mortgage and other notes payable	4,183	4,183	
Obligations under capital leases	498	498	
Deferred revenue		11,113	11,113 (i)
Advance payments and other	1,045	300	(745) (j)
Deferred income taxes	2,729	2,693	(36) (k)
	8,455	18,787	10,332
Commitments			
Stockholders equity:			
Common stock, $.05 par value	705	705	
Capital in excess of par value	38,781	38,781	
Retained earnings	269,834	267,106	(2,728) (l)
Accumulated other comprehensive income	(1,710)	(1,601)	109 (m)
Treasury stock, at cost	(8,900)	(8,900)	

Unearned compensation	(5,450)	(5,450)	
Total stockholders equity	293,260	290,641	(2,619)
Total liabilities and stockholders equity	$342,837	$352,184	$ 9,347

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

(a)	*Costs related to deferred revenue (short-term)*	
	Deferred costs related to deferred revenue	$ 552
(b)	*Refundable and deferred income taxes*	
	Deferred income tax related to deferred revenue	$ 1,810
	Deferred income tax related to loss on the inter-company loan	(71)
	Net increase	$ 1,739
(c)	*Costs related to deferred revenue (long-term)*	
	Deferred costs related to deferred revenue	$ 6,731
(d)	*Other assets*	
	Purchase accounting adjustments related to the acquisition of the remaining 19% of Camtronics in July 2001 due to net effect from these adjustments for periods prior to such acquisition	$ 325
(e)	*Accrued liabilities*	
	Reclassification not impacting net income	$ (7,219)
	Accrued warranty costs related to deferred revenue	(239)
	Net decrease	$ (7,458)
(f)	*Deferred revenue (short-term)*	
	Deferred revenue classified as short-term	$ 1,367
	Reclassification not impacting net income	4,971
	Net increase	$ 6,338
(g)	*Advance payments and other (short-term)*	
	Reclassification not impacting net income	$ 2,248
(h)	*Accrued income taxes*	
	Tax provision adjusted for the change to net income	$ 506
(i)	*Deferred revenue (long-term)*	
	Deferred revenue classified as long-term	$ 10,368
	Reclassification not impacting net income	745
	Net increase	$ 11,113
(j)	*Advance payments and other (long-term)*	
	Reclassification not impacting net income	$ (745)
(k)	*Deferred income taxes*	
	Deferred income taxes related to revenue and costs deferred to future periods	$ (36)

15

(l)	*Retained earnings*	
	Net effect to retained earnings from above adjustments:	
	Cumulative effect through July 31, 2001	$(1,642)
	Effect for the six months ended January 31, 2002	(1,086)
	Net decrease	$(2,728)
(m)	*Accumulated other comprehensive income*	
	Comprehensive income related to foreign currency losses	$ 109

3. Balance Sheet Information:

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

	January 31, 2002	July 31, 2001
Inventory:		
Raw materials	$36,881	$35,660
Work-in-process	12,515	15,642
Finished goods	10,303	9,394
	$59,699	$60,696
Accrued liabilities: (Restated)		
Accrued employee compensation and benefits	$ 9,938	$14,617
Accrued warranty	3,003	2,790
Other	2,531	3,059
	$15,472	$20,466

4. Investment in and Advances to Affiliated Companies:

In September 2001, the Company acquired a 19% interest in Cedara Software Corporation of Mississauga, Ontario, Canada, in exchange for cash of $7,500 and other considerations. The Company recorded an investment of $2,469 and a premium in excess of book value of $5,031, which was applied to intangible assets related to acquired technologies and amortized over the estimated useful life of five years. The Company accounts for this investment using the equity method of accounting due to the Company s ability to exercise influence over operating and financial policies and has two of the seven seats on Cedara s board of directors. During the first six months of fiscal 2002, the Company recorded a gain of $227 from its share of profit in Cedara, with a carrying value of this investment at January 31, 2002 of $2,696. The company also recognized amortization of the intangible asset of $336 during the first six months of fiscal 2002, with a carrying value of the intangible asset at January 31, 2002 of $4,695 which is classified as Other Assets on the Condensed Consolidated Balance Sheets.

The Company has guaranteed the debt owed by Cedara to its bank lender through the provision of a credit facility with Analogic s principal bank for approximately $6.3 million.

Cedara is a premier independent provider of imaging software technology and custom imaging software development to leading Original Equipment Manufacturers (OEMs) in the healthcare industry. Cedara enables healthcare solution providers to integrate better imaging software into their systems and hardware in such fields as Computed Tomography (CT) and Magnetic Resonance Imaging (MRI).

5. Dividends:

The Company declared dividends of $.07 per common share on March 16, 2002, payable April 15, 2002 to shareholders of record on April 1, 2002. The Company declared dividends of $.07 per common share on December 11, 2001, payable January 10, 2002 to shareholders of record on December 26, 2001. The Company declared dividends of $.07 per common share on October 11, 2001, payable November 8, 2001 to shareholders of record on October 25, 2001.

6. Asset Impairment Charges:

During the quarter ending October 31, 2001, Analogic recorded asset impairment charges totaling $8,883 on a pre-tax basis.

As a result of the continued decline in the economic and business conditions in the telecommunications industry, Analogic decided to terminate activities related to Anatel, the Company s wholly-owned telecommunications subsidiary. The Company recorded a pre-tax charge of $1,901 related to the impairment of purchased intangibles and other long-lived assets. The impairment charge is equal to the amount by which the assets carrying value exceeded the present value of their estimated discounted cash flows. Additionally, a pre-tax charge of $557 related to obsolete inventory, as well as a pre-tax charge of $1,120 related to capitalized software, has been recorded as those assets have been deemed to be unrecoverable. The Company also recorded a pretax asset impairment charge of $3,200 in fiscal 2001 primarily for inventory and capitalized software related to Anatel.

The Company decided to discontinue the sales of certain of its older and nonprofitable product lines within its semi-conductor test equipment business, in order to focus its resources on the highest potential growth areas within this business. As a result, the Company recorded a pre-tax charge of $902 related to the impairment of purchased intangibles and other long-lived assets. The impairment charge is equal to the amount by which the assets carrying value exceeded the present value of their estimated discounted cash flows. Additionally, a pre-tax charge of $3,600 related to excess and obsolete test equipment inventory, as well as a pre-tax charge of $803 related to capitalized software, has been recorded as those assets have been deemed to be unrecoverable. The Company also incurred immaterial costs related to involuntary terminations and other related activities. The entire balance of each charge has been recorded within the Cost of Sales section of the Company s Condensed consolidated Statements of Operations.

The inventory reserve established in fiscal year 2001 and in the first quarter of fiscal year 2002 as part of the asset impairment charges totaled $5,657. A total of $659 of excess and obsolete inventory was scrapped and charged to the reserve during the quarter ended January 31, 2002.

7. 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,	
	2002	2001	2002	2001
	Restated	Restated	Restated	Restated
Net income (loss)	$(403)	$4,191	$(6,851)	$8,743
Other comprehensive income (loss) net of tax:				
Unrealized gains and losses from marketable securities of $62 and $597 for the three months ended January 31, 2002 and 2001, and $167 and $680 for the six months ended January 31, 2002 and 2001,	(94)	913	256	1,039
Foreign currency translation adjustment, net of taxes of $208 and $485 for the three months ended January 31, 2002 and 2001, and $169 and $89 for the six months ended January 31, 2002 and 2001	(318)	735	(259)	(141)
Total comprehensive income (loss)	$(815)	$5,839	$(6,854)	$9,641

8. Net Income (Loss) Per Share:

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

	Three Months Ended January 31,		Six Months Ended January 31,	
	2002	2001	2002	2001
	Restated	Restated	Restated	Restated
Net income (loss)	$ (403)	$ 4,191	$ (6,851)	$ 8,743
Basic:				
Weighted average number of common shares Outstanding	13,071	12,906	13,073	12,892
Net income(loss) per share	$ (0.03)	$ 0.33	$ (0.52)	$ 0.68
Diluted:				
Weighted average number of common share Outstanding	13,071	12,906	13,073	12,892
Dilutive effect of stock options	45	99		76
Total	13,115	13,005	13,073	12,968
Net income(loss) per share	$ (0.03)	$ 0.32	$ (0.52)	$ 0.67

For the three months ended January 31, 2002, 367 options to acquire shares of common stock have been excluded from the calculation of diluted earnings per share because the options price was greater than the average market price of the common shares. For the six months ended January 31, 2002, 802 options to acquire shares of common stock and 147 shares of unvested restricted common stock have been excluded from the calculation of diluted earnings per share, as their inclusion would have been antidilutive.

For the three and six months ended January 31, 2001, 133 and 198 options to acquire shares of common stock, respectively, have been excluded from the calculation of diluted earnings per share because the options price was greater than the average market price of the common shares.

9. Supplemental Disclosure of Cash Flow Information:

Changes in operating assets and liabilities are as follows:

	Six Months Ended January 31,	
	2002	2001
	Restated	Restated
Accounts and notes receivable	$10,274	$ 56
Inventories	(3,394)	(10,423)
Costs related to deferred revenue	(2,292)	(1,268)
Other current assets	152	(288)
Other assets	291	(697)
Accounts payable trade	1,307	(1,774)
Accrued expenses and other current liabilities	430	3,663
Accrued income taxes	(300)	(1,610)
Net changes in operating assets and liabilities	$ 6,468	$(12,341)

10. Segment Information:

The Company s operations are primarily within a single segment within the electronics industry (Medical Instrumentation Technology Products). These operations encompass the design, manufacture and sale of high technology, high-performance, high precision data acquisition, conversion (analog/digital) and signal processing instruments and systems to customers that both manufacture and market products for medical and industrial use. The other segment represents the Company s hotel operation and other Company s operations which do not meet the materiality requirements for separate disclosure. The table below presents information about the Company s reportable segments:

	Three Months Ended January 31,		Six Months Ended January 31,	
	2002	2001	2002	2001
	Restated	Restated	Restated	Restated
Revenues:				
Medical instrumentation technology products	$62,234	$81,214	$128,442	$153,356
Other	7,276	8,933	16,672	17,786
Total	$69,510	$90,147	$145,114	$171,142
Income(loss) before income taxes and minority interest:				
Medical instrumentation technology product	$ (973)	$ 4,361	$ (10,840)	$ 8,170
Other	468	1,833	2,276	4,858
Total	$ (505)	$ 6,194	$ (8,564)	$ 13,028

	January 31, 2002	July 31, 2001

	Restated	Restated
Identifiable assets:		
Medical instrumentation technology product	$236,210	$244,282
Other	115,974	114,877
Total	$352,184	$359,159

11. Taxes:

The effective tax rate for the three and six months ended January 31, 2002 was 20% as compared to 33% for the same period last year. This decrease in the rate was due to the increase in the tax benefit of tax exempt interest and the extraterritorial income exclusion.

12. Commitments:

The Company s Danish subsidiary B-K Medical A/S announced in May 2001 the construction of a new 135,000 square foot facility in Herlev, north of Copenhagen, for the manufacturing of specialized diagnostic ultrasound equipment at an estimated cost of $15.5 million which will be funded internally. The new facility, due for completion in May 2002, will host manufacturing, R&D, service, marketing, sales and administrative functions.

The Company has guaranteed the debt owed by Cedara to its bank lender through the provision of a credit facility with Analogic s principal bank for approximately $6.3 million.

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

The following information has been amended to reflect the revisions made to the Unaudited 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

Our significant accounting policies are more fully described in Note 1 of the Company s Form 10K for the year ended July 31, 2001 as filed with the Securities and Exchange Commission on October 26, 2001. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. Our critical accounting policies include:

Revenue Recognition

The Company recognizes revenue 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, 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. Software 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. Estimates of future product demand or judgments related to changes in technology may prove to be inaccurate, in which case the carrying value of inventory could be overstated or understated. In the event of any such inaccuracies, an adjustment would be recognized in cost of goods sold at the time of such determination.

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 adjust credit limits based upon payment history and the customer s current credit worthiness. The Company continuously monitors collections and payments from our customers and maintains a provision for estimated credit losses based upon historical experience and any specific customer collections issues that have been identified. While such credit losses have historically been within expectations and provisions established, there is no guarantee that the Company will continue to experience the same credit loss rates as in the past. Since the accounts receivable are concentrated in a relatively few number of customers, a significant change in liquidity or financial position of any one of these customers could have a material adverse impact on the collectability of accounts receivables and future operating results.

Investments in and Advances to Affiliated Companies

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

Intangible and Other Long-lived Assets

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

Results of Operations

Six Months Fiscal 2002 (01/31/02) Vs. Six Months Fiscal 2001 (01/31/01) (dollars in thousands)

Product revenue for the six months ended January 31, 2002 was $128,452 as compared to $152,317 for the same period last year, a decrease of 16% . The decrease in revenue of $23,865 was primarily due to a decrease of sales volume in Industrial Technology Products of $18,283, or 88%, due to a severe decline in its semi-conductor Automatic Test Equipment (ATE) boards and a decrease of sales in Signal Processing Technology Products of $4,063, or 20%, due to the collapse of the Internet Telephony market.

Engineering revenue for the six months ended January 31, 2002 was $11,738 compared to $12,068 for the same period last year, a decrease of 3%. The change was primarily due to the decrease in the Company s customers demand for these services.

Other revenues of $4,924 and $6,757 represent revenue from the Hotel operation for the six months ending January 31, 2002 and 2001, respectively. The decrease in revenues is mostly attributable to the current economic decline in the travel and lodging industries.

Cost of product sales was $81,849 and $98,670 for the six months ending January 31, 2002 and 2001, respectively. Cost of product sales as a percentage of product revenue was 64% for the six months ending January 31, 2002 compared to 65% for the same period last year. This percentage decrease was primarily due to changes in product mix.

Engineering cost of sales was $11,854 for the six months ending January 31, 2002 compared to $10,031 for the same period last year. The total cost of engineering sales as a percentage of engineering revenue increased to 101% for the six months ending January 31, 2002 from 83% for the six months ending January 31, 2001. The increase was primarily attributable to the unanticipated costs associated with the development of leading edge, high precision health and security imaging systems.

Other costs of sales were $2,721 and $3,232 from the Company s Hotel operation for the six months ending January 31, 2002 and 2001, respectively.

During the six months ending January 31, 2002, the Company has recorded asset impairment charges totaling $8,883 on a pre-tax basis.

As a result of the continued decline in the economic and business conditions in the telecommunications industry, Analogic decided to terminate activities related to Anatel, the Company s wholly-owned telecommunications subsidiary. The Company recorded a pre-tax charge of $1,901 related to the impairment of purchased intangibles and other long-lived assets. The impairment charge is equal to the amount by which the assets carrying value exceeded the present value of their estimated discounted cash flows. Additionally, a pre-tax charge of $557 related to obsolete inventory, as well as a pre-tax charge of $1,120 related to capitalized software, has been recorded as those assets have been deemed to be unrecoverable. The Company also recorded a pretax asset impairment charge of $3,200 in fiscal 2001 primarily for inventory and capitalized software related to Anatel.

The Company decided to discontinue the sales of certain of its older and nonprofitable product lines within its semi-conductor test equipment business, in order to focus its resources on the highest potential growth areas within this business. As a result, the Company recorded a pre-tax charge of $902 related to the impairment of purchased intangibles and other long-lived assets. The impairment charge is equal to the amount by which the assets carrying value exceeded the present value of their estimated discounted cash flows. Additionally, a pre-tax charge of $3,600 related to excess and obsolete test equipment inventory, as well as a pre-tax charge of $803 related to capitalized software, has been recorded as those assets have been deemed to be unrecoverable. The Company also incurred immaterial costs related to involuntary terminations and other related activities. The entire balance of each charge has been recorded within the Cost of Sales section of the Company s Condensed Consolidated Statements of Operations.

The inventory reserve established in fiscal year 2001 and in the first quarter of fiscal year 2002 as part of the asset impairment charges totaled $5,657. A total of $659 of excess and obsolete inventory was scrapped and charged to the reserve during the quarter ended January 31, 2002.

Research and development expenses were $20,544 for the six months of fiscal 2002, or 14% of total revenue, as compared to $18,397 for the same period of the prior year, or 11% of total revenue. The increase of $2,147 or 12% , was due to research and development activities associated with the Vericis system interface database and continued development of medical and explosive detection system (EDS) products.

Selling and marketing expenses were $16,159 for the six months of fiscal 2002, or 11% of total revenue, as compared to $15,170 , or 9% of total revenue for the same period last year. The increase of $989 was primarily due to the Company s subsidiaries, Camtronics and B-K Medical, as they continue to expand their activities in the end user market.

General and administrative expenses were $14,776, or 10% of total revenue, for the six months ending January 31, 2002, as compared to $14,993, or 9% of total revenue, for the same period last year. The decrease of $217 was primarily due to a general cost reduction and containment program that had been put in place across the Company.

Interest income net of interest expense was $2,033 for the first six months of fiscal 2002, as compared with $2,940 for the same period last year. The decrease of $907 was primarily the result of lower interest rates on short term investments.

During the first six months of fiscal 2002, the Company recorded a gain of $1,369 related to equity in unconsolidated affiliates, as compared primarily of $333 reflecting the Company s share of profit in Shenzhen Anke High-Tech Co., Ltd. (SAHCO) for the first six months of fiscal 2002, versus a loss of $936 for the same period last year and a gain of $825 from its share of profit in Enhanced CT Technology LLC for the first six months of fiscal

2002, compared to a gain of $720 for the same period last year; and a gain of $227 from its share of profit in Cedara Software Corporation, in which the Company acquired a 19% interest in September 2001.

Other expenses were $294 for the first six months of fiscal 2002 as compared to $422 for the same period last year. The decrease was primarily due to an other than temporary impairment on an investment of restricted securities of approximately $332 recorded in the first six months of fiscal 2001, versus none in fiscal 2002.

The effective tax rate for the first six months of fiscal 2002 was 20% as compared to 32% for the same period last year. This decrease in the rate was due to the increase in the tax benefit for tax exempt interest and the extraterritorial income exclusion.

Net loss for the six months ended January 31, 2002 was $6,851 or $0.52 per basic and diluted share as compared with net income of $8,743 or $0.68 per basic share and $0.67 per diluted share. The net loss for the six months of fiscal 2002 includes an asset impairment charge of $8,883 related to the Company s telecommunications subsidiary, Anatel, and certain assets of the Company s Test and Measurement Division. Excluding the asset impairment charges, net income would have been approximately $255 or $0.02 per basic and diluted earnings for the six months ended January 31, 2002. The decrease in net income over the prior year, excluding the asset impairment charge, was primarily the result of decreased revenue in the semi-conductor industry, a reduction in revenue in the Company s Hotel operation due to the current economic decline in the travel and lodging industries, and engineering expenditures for projects developing imaging and security detection equipment.

Results of Operations

Second Quarter Fiscal 2002 (01/31/02) Vs. Second Quarter Fiscal 2001 (01/31/01) (dollars in thousands)

Product revenue for the three months ended January 31, 2002 was $63,297 as compared to $81,184 for the same period last year, a decrease of 22%. The decrease in revenue of $17,887 was due to a decrease in sales of Medical Technology Products of $4,549, or 6%, due to lower sales of digital radiography systems partially offset by higher demand for ultrasound and cardiovascular systems; a decrease in sales of Industrial Technology Products of $10,506, or 90%, due to the decline in its semi-conductor Automatic Test Equipment (ATE) boards; a decrease in sales of Signal Processing Technology Products of $2,832, or 30%, due to lower demand for embedded multiprocessing equipment and hybrid component boards.

Engineering revenue for the three months ended January 31, 2002 was $4,261 compared to $6,325 for the same period last year, a decrease of 33%. The change was primarily due to the decrease in the Company s customers demand for these services.

Other revenues of $1,952 and $2,638 represent revenue from the Hotel operation for the three months ending January 31, 2002 and 2001, respectively. The decrease in revenues is due to the current economic decline in the travel and lodging industries.

Cost of product sales was $39,860 and $51,989 for the three months ending January 31, 2002 and 2001, respectively. Cost of product sales as a percentage of product revenue was 63% for the three months ending January 31, 2002 compared to 64% for the same period last year. The decrease was primarily due to changes in product mix.

Engineering cost of sales was $5,231 for the three months ending January 31, 2002 compared to $6,031 for the same period last year. The total cost of engineering sales as a percentage of engineering revenue increased to 123% for the three months ended January 31, 2002 from 95% for the three months ending January 31, 2001. This percentage increase was primarily attributable to the unanticipated costs associated with the development of leading edge, high precision health and security imaging systems.

Other costs of sales were $1,266 and $1,496 from the Company s Hotel operation for the three months ending January 31, 2002 and 2001, respectively.

Research and development expenses were $10,382 for the three months of fiscal 2002, or 15% of total revenue, as compared to $9,384 for the same period of prior year, or 11% of total revenue. The increase of $998 or 10%, was due to research and development activities associated with the Vericis system interface database and continued development of medical and explosive detection system (EDS) products.

Selling and marketing expenses were $7,830 for the three months of fiscal 2002, or 11% of total revenue, as compared to $7,855, or 9% of total revenue for the same period last year. The decrease of $25 was primarily due to the higher deferred commission for the Company s subsidiaries, at Camtronics, partially offset by cost reduction efforts in other businesses.

General and administrative expenses were $6,827, or 10% of total revenue, for the three months ending January 31, 2002, as compared to $7,665, or 9% of total revenue, for the same period last year. The decrease of $838 was primarily due to general cost reduction and containment program that had been put in place across the Company.

Interest income net of interest expense was $878 for the first three months of fiscal 2002, as compared with $1,455 for the same period last year. The decrease of $577 was primarily the result of lower interest rates on short term investments.

During the second quarter of fiscal 2002, the Company recorded a gain of $631 related to equity in unconsolidated affiliates, as compared to a loss of $950 for the same period last year. This gain consist primarily of $418 from its share of profit in Enhanced CT Technology LLC for the second quarter of fiscal 2002, compared to a gain of $403 for the same period last year; a gain of $2 reflecting the Company s share of profit in SAHCO for the second quarter of fiscal 2002, versus a loss of $1,350 for the same period last year; and a gain of $227 from its share of profit in Cedara Software Corporation in which the Company acquired a 19% interest in September 2001.

The effective tax rate for the second quarter of fiscal 2002 was 20% as compared to 33% for the same period last year. This decrease in the rate was due to the increase in the tax benefit for tax exempt interest and the extraterritorial income exclusion.

Net loss for the second quarter ended January 31, 2002 was $404 or $(0.03) per basic and diluted share as compared with net income of $4,191 or $0.33 per basic share and $0.32 per diluted share for the same period last year. The decrease in net income over the prior year was primarily the result of decreased revenue in the semi-conductor industry, and an increase in engineering expenditures.

Liquidity and Capital Resources (dollars in thousands)

Cash generated by operations in the first six months of fiscal 2002 was $13,147 compared to $5,088 during the same period of the prior year. Although the company generated a net loss of $6,851 for the first six months of fiscal 2002, when the asset impairment charge of $8,883 and other recurring non-cash adjustments are added back to the net loss, operating cash was generated primarily due to a decrease in working capital balances. Net cash used in investment activities was $13,205 in the six months of fiscal 2002, primarily due to the Company s investment in Cedara of $7,500, and $13,387 used for additions to property, plant and equipment, partially offset by $1,502 return on investment from an affiliated company. The increase in property, plant and equipment was primarily for the construction of a new facility by the Company s Danish subsidiary, B-K Medical. Net cash used from financing activities of $2,422 was mostly due to dividends paid to shareholders and payment of debt.

The Company s balance sheet reflects a current ratio of 5.9 to 1 at January 31, 2002 and at July 31, 2001. Liquidity is sustained principally through funds provided from operations, with short term time deposits and marketable securities available to provide additional sources of cash. The Company places its cash investments in high credit quality financial instruments and, by policy, limits the amount of credit exposure to any one financial institution. The Company s debt to equity ratio was .21 to 1 at January 31, 2002 and at July 31, 2001. Management does not anticipate any difficulties in financing operations at anticipated levels for the foreseeable future.

The Company recently received a $20 million revolving line of credit from its principal bank. Of this amount a $6.3 million letter of credit was used to guarantee a debt owed by Cedara to its bank lender.

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

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. 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.

Accounts and notes receivable decreased by $10,295 during the six months ended January 31, 2002, primarily due to a decrease in revenue.

Inventory increased $3,160 before the asset impairment charges of $4,157 during the six months ended January 31, 2002 primarily due to an increase in raw material purchases.

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. ADDITIONAL RISKS NOT PRESENTLY KNOWN TO US OR THAT WE CURRENTLY DEEM IMMATERIAL MAY ALSO IMPAIR OUR BUSINESS. ANY OF THESE RISKS COULD HAVE A MATERIAL AND NEGATIVE EFFECT ON OUR BUSINESS, FINANCIAL CONDITION OR RESULTS OF OPERATIONS.

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

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 were to significantly reduce 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 total net sales of our three largest customers in 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,		
	2001	2000	1999
	Restated		
Philips	23%	16%	18%
General Electric	11%	10%	8%
Toshiba	7%	9%	9%
Ten largest customers as a group	63%	60%	60%

Although we are seeking to broaden our customer base, we will continue to depend on sales to a relatively small number of major customers. Because it often takes significant time to replace lost business, it is likely that our operating results would be adversely affected if one or more of our major customers were to cancel, delay or reduce significant orders in the future. Our customer agreements typically permit the customer to discontinue future purchases after timely notice. In addition, we generate significant accounts receivable in connection with the products we sell and the services we provide to our major customers. Although our major customers are large corporations, if one or more of our customers were to become insolvent or otherwise be unable to pay for our services, our operating results and financial condition could be adversely affected.

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

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

Our competitors include divisions of some larger, more diversified organizations as well as several specialized companies.

Some of them have greater resources and larger staffs than we have.

Many of our OEM customers and potential OEM customers have the capacity to design and manufacture the products we manufacture for themselves. We face competition from research and product development groups and the manufacturing operations of our current and potential customers, who continually evaluate the benefits of internal research and product development and manufacturing versus outsourcing.

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

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

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

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

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

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

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

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

Our 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 were to occur, 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 disproportionately 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 a 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, assure you that our development efforts will be successful.

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

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

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, 2002, the Company did not file any reports on Form 8-K.

SIGNATURES

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

Analogic Corporation
Registrant

/s/John W. Wood Jr.

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

Date: October 27, 2003

/s/John J. Millerick

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

Date: October 27, 2003

EXHIBIT INDEX

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