MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, and welcome to the Analogic Corporation's First Quarter Conference Call for Fiscal 2011. The following corporate officers are present. Mr. Jim Green, President and CEO, Mr. Michael Levitz, Vice President, CFO, and Treasurer, and Mr. John Fry, Vice President, General Counsel, and Corporation Secretary.

I'd like to remind everyone that a supplementary financial presentation will be used during today's call. If you have not already downloaded that presentation, you can do so anytime at investor.analogic.com. That presentation will remain available until January 8, 2011.

Now, I would like to turn the call over to Mark Namaroff, Director of Investor Relations and Corporate Marketing. You may begin.

Mark Namaroff, Director of Strategic Marketing and Investor Relations

Good afternoon, everyone. Welcome to Analogic's first quarter conference call for fiscal 2011. I'm sure all of you have downloaded our press release issued earlier today describing our results for the quarter. If not, you could do so via our website at investor.analogic.com.

Before I turn the call over to Jim Green and Mike Levitz to discuss our first quarter results, I'd like to remind everyone of our Safe Harbor statement. Today's call may include forward-looking statements, such as comments about our plans, expectations and projections. For more information on risks and other factors that could cause our actual results to differ significantly from our forward-looking statements, please refer to our most recent Form 10-K and 10-Q reports on file with the SEC.

And now, I'd like to turn the call over to Jim Green, our President and CEO. Jim?

James W. Green, President and Chief Executive Officer

Thank you, Mark. Now Mike Levitz and I will walk you through the first quarter results. Let's move onto the financial highlight section of the presentation on slide 4. Let me remind you that the hotel revenues have been extracted from all the periods. Starting with overall revenue, we came in at $104 million, which was up 12% from the same quarter last year. Medical Technology was up 8% from last year. Security Technology was up 63% versus last year of which product revenues made up 7% of that growth.

Our gross margins were 38% up a full 6 points from the same quarter last year. Operating margin came in at 2% up 2 points from last year including a $3.6 million negative impact of a restructuring charge. And our adjusted non-GAAP operating margins came in at 8% up a full 6 points from the same quarter last year. Our diluted earnings per share came in at $0.20 a share, EPS from continuing operations was $0.11 per share, and our adjusted non-GAAP EPS was $0.46 per share.

Move to the next slide, slide 5, and that's where you'll see our business highlights. Starting with Medical Imaging, we saw a revenue growth across the product lines. Gross margin continues to improve on cost containment and higher volume. I'm happy to announce Siemens received the FDA Pre-Market Approval for their newest generation of digital mammography systems incorporating our proprietary detectors. After the quarter ended, we acquired a new ultrasound transducer product line, which immediately improves our 4D OB/Gyn offering and will help us advance with other 4D applications.

Moving to ultrasound, we saw solid revenue growth as we continue to see adoption of our Flex Focus family of scanners. We introduced the new Flex Focus 700 for the surgery market in the U.S. and in Europe. We also improved our gross margins on volume growth and favorable product mix.

Moving to slide 6, looking at Security, revenues are ahead of last year, underpinned with bridge orders of mid-range product although below our historical levels. Our TSA certification testing is progressing, and we continue to make progress on customer funded engineering development with Smiths.

In terms of other business highlights, we're moving forward on restructuring plans, consolidating Denmark and Canton, Massachusetts manufacturing operations into existing U.S. facilities. I'm glad to say we sold the hotel business. I'm also glad to announce authorization to repurchase up to $30 million of Analogic stock, and we've broken ground on our permanent facility in Shanghai.

Now I'll turn it over the Mike Levitz, our CFO who will walk you through the detailed financials. Mike?

Michael L. Levitz, Vice President, Chief Financial Officer and Treasurer

Thank you, Jim. Good evening, everyone. I'm going to describe the financial results for the first quarter of fiscal 2011, which ended October 31 as compared to the same quarter last year as well as compared to the fourth quarter fiscal 2010. This information begins on slide 8 of our online presentation. As Jim said, please note that the results of all periods have been recast to reflect the removal of the hotel business from continuing operations.

The hotel business results are now recorded in discontinued operations on our income statement. Our business has trended positively over the past 5 quarters on the key metrics that we're focused on: revenue, gross margin and operating margin, reflecting the improving economy, our focus on new products along with cost containment.

Our revenue in the first quarter totaled just under $104 million up 12% from the same quarter last fiscal year though down 10% from last quarter. The 12% revenue growth from Q1 of last year was driven by steady improvement across our medical businesses, reflecting recovery from the global economic downturn and an increase in hospital spending. The decrease from last quarter is a result of the non-linear nature of our Security business as well as seasonality in our ultrasound business, with the first fiscal quarter traditionally being slowest of the year.

Our gross margin was 38% in the first quarter, which was up 6 points from the 32% last quarter or in the same quarter last year, and also up from 37% that we recorded in the fourth quarter of fiscal 2010. The increased revenue along with our focus on reducing supplier costs, improving manufacturing efficiency and introducing lower cost product designs have been some of the key drivers in improving our gross margins.

Our operating margin was 2% in the first quarter on a GAAP basis up from our breakeven quarter a year ago and down from the 8% operating margin we reported in the fourth quarter fiscal 2010. The operating margin this quarter included a $3.6 million charge for restructuring costs, associated with our plan to reduce our workforce by just over 100 employees worldwide as we consolidate our Denmark and Canton, Massachusetts operation into our existing U.S. facility and continue to streamline our operation.

The $3.6 million restructuring charge corresponds to 4 points of operating margin in the quarter. We expect this restructuring to result in gross annual expense savings of approximately $5 million, largely beginning in fiscal 2012 based on the timing of the plant consolidation. And a portion of the savings will be used to fund strategic growth initiatives. These savings will contribute to our stated financial goal of double-digit operating margins beginning next fiscal year.

On an adjusted non-GAAP basis, operating margin in the first quarter was 8% up significantly from the 2% in the same quarter last year and down from 11% last quarter. The operating margin reflects a 9% increase in adjusted operating expenses from the same quarter last fiscal year and a 3% increase from the fourth quarter of fiscal 2010. The increase in expense is primarily a result of product development spending, the level of customer funded versus self funded R&D projects during the quarter and additional spending on the sales and marketing line to support channel and product expansion in our ultrasound business. Our G&A costs have been flat and held flat from a year ago.

If you would please turn to slide 9 and our P&L for the period, the financial performance of first quarter we just discussed resulted in net income from continuing operations of $1.4 million or $0.11 per diluted share in the first quarter, which again was negatively impacted by the $3.6 million or $0.20 per diluted share restructuring charge mentioned earlier. This compares to the loss of $200,000 and $0.01 per share in the first quarter of fiscal 2010 and compares against income of $7 million or $0.55 per diluted share in the fourth quarter fiscal 2010.

Our diluted earnings per share was $0.20 per share, which included a $0.07 gain on the sale of the hotel and $0.02 of income from the hotel, which we are now showing in discontinued operations. Our adjusted non-GAAP diluted earnings per share, which excludes the impact of the restructuring, the hotel gain, stock-based compensation as well as acquisition-related charges was $0.46 in the first quarter up from $0.10 per share in the first quarter of fiscal 2010 though down from the $0.69 in the fourth quarter of fiscal 2010.

Over the next few slides, I'll walk through the trends that we're seeing in each of our 3 operating segments. Turning to slide 10, you'll see the quarterly trends in Medical Imaging, our largest segment. Please note that our segments changed from fiscal 2010 with the Medical Imaging segment now reflecting our previously separate CT and MRI and Digital Radiography or Mammography segment.

Segment revenue in the first quarter was just over $71 million, an increase of more than $5 million or 8.5% from the first quarter of last fiscal year and slightly below our fourth quarter results by $2 million. Steady revenue growth and cost containment has allowed our operating margin to grow from 3% in the first quarter of last year to 5% in Q1 of this year. Please note that the 5% reported this quarter reflects a negative impact of restructuring charges of $1.5 million in this segment, which corresponds to 2 points of operating margin. The revenue growth reflects growth across the product lines in this segment on continued improvement in the global economy and hospital spending, which favorably impacted our OEM customers.

Turning to slide 11, revenue in our Ultrasound segment in the first quarter totaled $21 million, an increase of $1 million or 5% from the first quarter of fiscal 2010 and down $2 million or 9% from last quarter. The majority of sales in this business are outside the United States, and therefore the revenues are impacted by changes in currency rate. In comparison to the first quarter of last year, the change in currency rates had an unfavorable impact this quarter of over $1 million. And in comparison to the fourth quarter, currency actually favorably impacted our revenues by $800,000.

The increase in revenues year-over-year reflects the continued penetration of our Flex Focus platform of products, and the decrease in revenues from the fourth quarter reflects normal seasonality in this business, which was partially offset by the Flex Focus market penetration.

During the first quarter, we continued with our investment and expansion of our direct sales force in this business, which is progressing as planned and also incurred costs of new product introductions. The results in the quarter also reflect a negative impact of restructuring charges of $1.6 million in this segment, which corresponds to 8 points of operating margin.

If you would turn to slide 12, take a look at our Security business. As we stated in the past, this chart demonstrates the somewhat lumpy nature of our Security business. We've grown revenue by over $4 million in the first quarter of 2011 as compared to the same quarter last year, driven mostly by our engineering revenue for development projects that are funded by our OEM partners.

Operating margin has greatly improved from Q1 of fiscal 2010 based on the higher revenue and reductions in operating expenses. Please note that the 10% operating margin reported this quarter reflects a negative impact of restructuring charges of $500,000, which corresponded 4 points of operating margin.

Turning to slide 13. You can see we ended the quarter with a $176 million in cash and investments. Our cash increased in the quarter as a result of the sales of hotel business for net proceeds of $10.5 million. This was offset in part by cash used to pay incentive compensation and increased inventories in preparation for the consolidation of our manufacturing facility as well as product demand. We continue to carry no debt. As we announced earlier, we are initiating an open market repurchase for up to $30 million in Analogic common stock. This program will be funded from our available cash balance.

With that, I'll turn the call back to Jim.

James W. Green, President and Chief Executive Officer

Thanks, Mike. Moving to slide 15 and looking at our summary, so looking forward to the rest of fiscal 2011, our Medical Imaging is expected to grow ahead of the market. Solid Ultrasound revenue growth as expected driven by expansion of our direct sales force and continued penetration of the Flex Focus platform.

Security revenues are expected to be flat to down and potentially variable throughout the year, but we expect to be helped by engineering funded activities. All tolled, we still expect overall mid-single digit revenue growth over last year. Operations will continue to improve through consolidation activities, and we'll focus on the build out of our permanent facility in Shanghai. Finally, we remain focused on progression towards our FY '12 goal of double-digit operating margin.

Thank you. And we'll now open the line for questions. Nelson?

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, the floor is now open for questions. [Operator Instructions] Thank you. And our first question comes from Larry Solow with CJS Securities.

<Q – Lawrence Solow>: Hi. Good afternoon.

<A – James Green>: Hi, Larry.

<A – Michael Levitz>: Hi Larry.

<Q – Lawrence Solow>: Just a quickie. Since you are I guess no longer going to breakout the DR from the CT MRI, is it fair to assume that I guess on a sequential basis the DR was down little bit based on your qualitative comments in there?

<A – Michael Levitz>: Yeah, I'll answer that. This is Mike. Year-over-year DR was down slightly. It was down more notably from the fourth quarter.

<Q – Lawrence Solow>: Okay.

<A – Michael Levitz>: And that was just timing, but we're pleased with Siemens getting their FDA approval and expect that number to come back up.

<Q – Lawrence Solow>: And then with Siemens, which kind of leading to my next question, does that – they got approval, is there any launch plans, is there – have they given you any indication of – do they go live immediately or is there sort of a ramp up before they actually physically launch the product on a full basis?

<A – James Green>: Hi, Larry, this is Jim. When something like this launches, they have planned for the adoption. So really what the way it rolls out is, the customers as they're ready start picking up the product. So typically you'd expect kind of a normal roll out, not a big massive launch of some kind. Typically it's based on the customer's timing and as they're ready to accept the product into their site, so we expect a just a good solid growth curve with that.

<Q – Lawrence Solow>: Okay. And then in the Specialized Ultrasound, it sounds like qualitatively with the Flex Focus on all things seem to be going pretty well, and I imagine just a seasonal slowdown maybe was exacerbated by your increased sales force at the same time. So as you look out and to get to more seasonably favorable quarters, I would imagine you see a pretty good sequential improvement in sales as we go out over the next few quarters?

<A – James Green>: Yeah, yeah, we do. We're really excited about this product line and with adding the sales force and getting the right kind of coverage, we're expecting double-digit revenue growth in that segment. And as you know since it is seasonally adjusted, there's a lot of fixed cost. As we get to good quarters, we see significant drop downs as we get to the seasonally adjusted more solid quarters.

<Q – Lawrence Solow>: Got it. Just one last question if I may. On the Security side, obviously revenues are sort of bouncing a little bit all round but to the – even at the 11 million number your margin was obviously pretty good, and I imagine that's due to the engineering revenue from Smiths. Is, at these sort of mid-teens numbers and the level of engineering revenue sustainable or any way to look at that?

<A – James Green>: Well, in general, that line is always a very profitable line for us. We took a lot of cost out over the last few years. So even on fairly low revenue, we – that's a nice profitable line for us.

<Q – Lawrence Solow>: Right.

<A – James Green>: So, yeah, I mean you typically see that to be one of our more profitable lines on the operating basis. So you're exactly right.

<Q – Lawrence Solow>: Right. And you expect that – I mean I imagine there's some variability in the engineering revenue, but you expect that sort of to continue at that current rate, I mean was this quarter unusually strong or anyway to look at that way?

<A – James Green>: Well, I think we just kind of have to look at it on an annual basis. It does bounce around because of the lumpiness and timing can make a huge difference in that space. So for the year we've been pretty consistent thinking that we'd be kind of flat to even maybe down a little bit from last year. Everything is really – everything is waiting on the adoption of the new test standards.

<Q – Lawrence Solow>: Right.

<A – James Green>: And the launch and the recapitalization of the installed base there.

<Q – Lawrence Solow>: Right.

<A – James Green>: In the meantime, we've just been, we're living on these bridge orders, which is okay, it's good, it's better than what the alternative I guess, but again we're – we just have, we live with the lumpiness of it.

<Q – Lawrence Solow>: Right, and you still expect sort of mid '11 type thing when this process will start plan out?

<A – James Green>: That's right. We expect to see the real up tick as we get into our FY '12.

<Q – Lawrence Solow>: Got you. Great, thank you very much.

<A – James Green>: Yeah. Thanks, Larry.

Operator: Thank you. Our next question comes from Josephine Millward with the Benchmark Company.

<Q – Josephine Millward>: Good afternoon.

<A – James Green>: Hi, Josephine.

<Q – Josephine Millward>: How are you Jim?

<A – James Green>: I'm good. Thank you.

<Q – Josephine Millward>: I'm going to ask you the same question I ask you every quarter. How many Security systems did you ship and how many 3DX and XLB do you have left in your backlog?

<A – James Green>: Okay. As usual, I'll look to Mike to answer that for you.

<Q – Josephine Millward>: Right.

<A – Michael Levitz>: Hi, Josephine. During the quarter, we shipped 10 3DX units. And in terms of our backlog, we have 10 3DX units in backlog as well as 2 XLBs.

<A – James Green>: And as you would, the next question you would have is, we're working on the next bridge order. So I'm sure that's the next question, which I thought I'd be proactive for you.

<Q – Josephine Millward>: When do you think we could see the next bridge order, Jim?

<A – James Green>: I'll expect it very soon.

<Q – Josephine Millward>: Okay. So before the end of this year or?

<A – James Green>: Yeah, yes, yes.

<Q – Josephine Millward>: Great. So, Jim, is it your – are you comfortable that L-3 will continue providing these bridge orders until we see the upgrade on late next year.

<A – James Green>: Yes, I am. I am comfortable that we'll continue to see this carry us through to where we get everything through testing and really see the nice up tick as we get to next year.

<Q – Josephine Millward>: I mean it looks like you have lowered your breakeven level on the Security business that you can be profitable at 10 units, is that a fair assessment or was the profitability driven by some of the engineering revenues that you had during the quarter?

<A – James Green>: It's the combination of both. You're right we have worked on getting our breakeven down and even on low volume make sure that we stay positive, but the engineering revenues also helps so it is a combination of both.

<Q – Josephine Millward>: Great. And, Jim, I attended an aviation security event in Washington early this week and what TSA said is they're working on certifying technologies for this Checked-Baggage EDS upgrade, but they're not really bidding – they're not really sure how many units they will be able to upgrade depending on funding. What's your view on that? How do you see this playing out because they have about 700 to 800 units that they need to upgrade in the U.S.? What do you think will be the timeframe for TSA to do that?

<A – James Green>: Well, it's hard to predict but when you have a number that large 700, 800 like that, that's a large number. And even if it takes 10 years to do it, that's still a significant number. So we see it as a great opportunity. We know it's coming. It really is a question of timing and funding, but as these units get older they do have to go through a replacement cycle.

<Q – Josephine Millward>: Great, thank you.

<A – James Green>: Thanks, Josephine.

Operator: Thank you. Our next question comes from Steve Levenson, Stifel.

<Q – Stephen Levenson>: Thanks. Good afternoon, everybody.

<A – James Green>: Thanks, Steve.

<Q – Stephen Levenson>: Just in relation to the recent attempt to cargo bomb, have you guys heard anything about what's going to be used for cargo scanning and if you think the CT method has an opportunity or is that more likely to be less expensive units?

<A – James Green>: Well, that's a good question. We do know that the cargo, the carriers are exploring what to do. It is a little more complicated to have to break down the pallets to run them through an EDS type of system, but a system like the XLB is actually probably one of the best opportunities to do exactly that. But we do know they're looking at it. We haven't – we don't know any specifics. Nothing has been announced yet, but that – I mean I don't know that I can really tell you anything more than that at this point.

<Q – Stephen Levenson>: Okay, well, that's a start, thanks. And could you give us a recap of what you saw at the recent RS&A show?

<A – James Green>: Well overall actually I just got a copy of the census just over the last couple hours, and overall I think it looked like the numbers were up around 4%, maybe 5% as far as customers to RS&A. That's a good thing. Certainly at each of the booths, we look at our booth. We look at our OEM customer booths, a lot of activity. We're pretty excited about what we see there, a lot of excitement about the new technologies in MR and CT and in Ultrasound. So overall I think it was a good solid RS&A.

<Q – Stephen Levenson>: Is there a particular focus, is it on middle sort of range, scanners or the real high density ones?

<A – James Green>: I think it's really kind of across the board. Some of the big hits were 3T on the MR side. CT, it's the workhorse, 64 in the U.S., 16 and 64 outside the U.S., and the specialty very high-end CTs, more in hospitals that are doing real advanced work. So it was – I would say it was across the board.

<Q – Stephen Levenson>: Great. Thank you very much.

<A – James Green>: Thanks for calling in, thank you.

Operator: Thank you. Our next question comes from Edwin J. Fowler with the Small Cap Report. Your line is open.

<A – James Green>: Jeff, we might want to go onto the next and let Ed call back in.

Operator: Yes sir. Our next question comes from Brad Evans with Heartland.

<Q – Brad Evans>: Good afternoon, everybody.

<A – James Green>: Hi, Brad.

<A – Michael Levitz>: Hi, Brad.

<Q – Brad Evans>: Congrats on the quarter and thanks for the buyback. I have a big smile on my face. So I really appreciate the buyback and thanks for the – thank you for listening to shareholders, it's great. And it's a good use of capital, so – and should allow you to continue to be offensive in terms of deploying some capital into some growth opportunities. So it's a good move and we applaud you for it.

Jim, I just wanted touch base on the Medical Imaging growth, your commentary about revenue growth ahead of the market, could you just walk us through a few of the key things that are driving the company's revenue growth in excess of the market?

<A – James Green>: Well, it's – with new products on the OEM side. The market is coming back. We have good penetration. We have some new products in for instance the new 64-slice product that we fairly recently announced. We see that giving additional penetration on the OEM side. The new products in MR with our RF amplifiers very well positioned to and being driven by the adoption of growth in the 3T market and the wide bore market that's now developing in MR. Ultrasound in general is doing well and with our direct sales force and the expansion of sales force and the new products, that's giving us nicely ahead of the market kind of growth. So it's really across all the lines. So we're pretty excited about it and continuing to work on the cost reductions and cost containment and making sure we have products to support this growth.

<Q – Brad Evans>: Can you breakout the growth that you're expecting between North America and international in terms of rate of growth?

<A – James Green>: That's real hard to do. I think just in general the feeling there's not a lot of specific data on it, but the fastest growing area remains China and the emerging markets. U.S. seems to be flat to slight growth. Europe is expected to be kind of flat, maybe slightly down depending on the country, but in general you put it all together, and we're looking at kind of a mid single-digit net growth. Now that's also includes flat to maybe even a little bit down on the Security side. So the Medical side is what's driving us going forward through this year.

<Q – Brad Evans>: Glad to hear it. Are you at 15 sales reps right now on the Ultrasound side?

<A – James Green>: I think right now we're at probably closer to 18, 17, 18, and we're continuing to expand that area and expect to get ourselves to around into the low 20s by the end of this year.

<Q – Brad Evans>: Okay.

<A – Michael Levitz>: And Brad, this is Mike, I'd just like to add one comment to what Jim said earlier. I think in terms of determining whether our sales are from a geographic basis. In the OEM business it's more challenging because we sell to the OEMs and then they place them where they place them. In the direct business, we have more line of sight to that, and we're seeing nice growth in Europe. In the direct businesses, we are across different geographies.

<Q – Brad Evans>: And just one last question, I'll cede the floor, so when we hear of GE's imaging orders up double digit in the third quarter, and I think Philips' were up about 7% in the third quarter, and how long until that filters into your revenue stream? Is that a 6-month type of lag between you start to recognize the revenue from your key OEM customers on the Imaging side?

<A – James Green>: Yeah, that's about right. CT typically we would look at 4 to 5 months, MR, maybe a little longer, but I think net on average, you figure about 6 months or so as far as the following of when our specific order comes in to when we, we're seeing an up tick on our side.

<Q – Brad Evans>: All right. Keep up the good work you guys. Really appreciate it. Congrats.

<A – James Green>: Thank you, Brad.

<A – Michael Levitz>: Thanks, Brad.

Operator: Thank you. [Operator Instructions] And our next question comes from Larry Solow with CJS Securities.

<Q – Lawrence Solow>: Hi. Just a quick follow up, your gross margins obviously you have enjoyed a nice improvement in the last few quarters and sort of sustainable at least in the last 4 and so the 36 to 38 range, do you think this is sort of a good level to look at or do you actually think it can improve from this?

<A – Michael Levitz>: Larry, this is Mike. I think that this is a good level to look at for this year. As we've mentioned before, we're doing this consolidation of our manufacturing operations from Denmark and from Canton into our existing U.S. facilities and that's going to result in some upfront costs in the transition. And as we get that all staged up and so there will be some costs associated with that, but there are also savings that we're driving. So I think that the range you described is a good range for this year, and we're looking forward to improvements as we get into the fiscal 2012.

<Q – Lawrence Solow>: All right, there's actually some cost in addition to the restructuring charges that you're actually naming upfront. So there's actually some duplicated costs or what have you that actually in your recurring numbers?

<A – Michael Levitz>: That's correct. Right, those costs could include travel as well as having work forces in both places and so on and so forth so.

<Q – Lawrence Solow>: And in prior restructuring moves, you've tried to outline how much of the severance you think that the expense is going to lead to an annual savings anywhere that sort of ballpark what this latest 3.5 million restructuring charge can lead to in annual savings?

<A – James Green>: Sure as I mentioned a few minutes ago I expect about $5 million in annual savings run-rate.

<Q – Lawrence Solow>: Okay.

<A – James Green>: However, that's really going to start in fiscal 2012.

<Q – Lawrence Solow>: Got it.

<A – James Green>: Based upon the timing of the consolidation on the manufacturing side and also we're using some of those savings to fund the different strategic growth initiatives whether it be expansion to sales force or some of these other things we've described to you. So I wouldn't just take minus 5 million. I don't think that's the way we're looking at it, but that is the savings.

<Q – Lawrence Solow>: If you just isolated it by itself it would be but obviously there is other initiatives that you wanted to use some of the savings with, understood. And I guess these – I guess this question I could probably answer myself, but just to confirm. So your R&D goes up to about 14 million, it's been tracking around that and I imagine that's mostly just the offset to your increased engineering revenues. So you're paying more out but you have to get some of that back?

<A – James Green>: I think that, that's largely true.

<Q – Lawrence Solow>: Okay.

<A – James Green>: It was a result of the level of funded, customer funded versus self funded revenues or projects and the timings of those in the quarter, and also just in general the timing of the product development that we're doing. I mean we've just been releasing these new products in Ultrasound. So there is some cost associated with that.

<Q – Lawrence Solow>: Great, okay. Thank you very much.

<A – James Green>: Thanks.

<A – Michael Levitz>: Thanks, Larry.

Operator: Thank you our next question comes from Jiwon Lee with Sidoti Incorporated.

<Q – Jiwon Lee>: Thanks, some of my questions were answered, but I just wanted to ask, Jim, how should we view your updated fiscal 2011 sales outlook compared to a previous one when you said you're expecting mid to single digit growth on a blended basis?

<**A – James Green**>**:** Yeah, actually that's, I'd say we're still on track. I'm not coming off of those numbers.

<**Q – Jiwon Lee**>**:** Okay, excellent.

<**A – James Green**>**:** Yeah. Thank you.

<**Q – Jiwon Lee**>**:** Okay, another one, just on the Siemens side any timetable as to when you're expecting some revenue stream on this.

<**A – James Green**>**:** Well we really have continuous revenue stream on that. In the past or up till now it has been fairly limited or it's been limited to outside the U.S. So we expect to see more of a mix of the U.S. It's still the same product, but we expect to see that the U.S. starting to kick in here now that they're free to sell in the U.S.

<**Q – Jiwon Lee**>**:** Okay, terrific. Thank you.

<**A – James Green**>**:** Thanks.

Operator: Thank you our next question comes from Edwin J. Fowler with the Small Cap Report.

<**Q**>**:** Guys, Bernie Gordon told me 3, 4 years ago that he thought the hotel was worth 30 million to 40 million. And you guys sold it for what 10 or 11. To an insider, so what's the deal there?

<**A – James Green**>**:** I'll give you a little bit on it. We put it.

<**Q**>**:** Revenues and expenses and

<**A – James Green**>**:** Well, we.

<**Q**>**:** Net or anything like that?

<**A – James Green**>**:** We went through a process and.

<**Q**>**:** I'm sure you did.

<**A – James Green**>**:** The hotel is worth. It's worth what somebody will pay for it. We had a number of people who are interested. We went through a formal process, went through bids, and so on and the best bid that we got, the safest bid with the least amount of issues was the bid that we took.

<**Q**>**:** Was the guy who own the company, right?

<**A – James Green**>**:** And it was somebody who of course knew the hotel reasonably well.

<**Q**>**:** Yeah, I bet he did.

<**A – James Green**>**:** A number of other – a number of others in the market that had interest, but the hotel was worth what we're able to sell it for. That's the definition of the market value on it.

<**Q**>**:** Yeah. And what do you seeing with CT and MRI? Is the business picking up or the hotels – the hospitals are picking up their expenditures or what?

<**A – James Green**>**:** Yeah, we do. We see the hospitals are picking up spending and it's fairly across the board. I mean it's – we're seeing and our customers are seeing CT, MR, Ultrasound's growing a little better at least in our case. Certainly, ultrasound we directly sell. So we're pretty

happy with all of it coming back nicely. Most of the more accelerated growth is in emerging markets like China but overall things have stabilized and everything is pointing in the right direction.

<Q>: Jim, I'm concerned about your transferring technology to China, tell me more about that?

<A – James Green>: Okay. Well, what we're doing is we're – most of our products if you look at them, a lot of the raw materials start in China today and a lot of our – a lot more and more of our sales are now – we're starting to ship more and more to China, more of our customers are in China. The growth is in much of the revenue growth and equipment growth is in China. So it just becomes much more efficient for us if we're going to source most of the raw material in China for us to add more value there if we're going to sell back into China, there we can sell in local currency. We don't – we're not stuck with lots of transportation charges and other types of import export fees and such. It's just a more efficient way for us to run the business. We're a global business.

<Q>: But are we giving them the technology?

<A – James Green>: Well, we control our technology quite well. It's taken many years for us and only a handful of companies have been able to come up with CT.

<Q>: I would hope so.

<A – James Green>: We're pretty confident that we're keeping track very close of our intellectual property, and it's our people in China with our division in China. It's not some outsourced group.

<Q>: You know, I love Bernie Gordon, and he is always been an inventor. So that's where we are.

<A – James Green>: All right, thank you, Ed.

<Q>: Thank you, Jim.

<A – James Green>: Take care.

Operator: If there are no further questions at this time, I will now turn the call back to Mr. Green for closing comments.

James W. Green, President and Chief Executive Officer

Okay. Well, thank you for your interest in Analogic. We invite to call again in March when the company will review our second quarter results. Thank you and have a good evening.

Operator: For listeners who may have come in late, this call has been recorded. You can access the telephone replay by dialing 1-877-919-4059 or for international callers 1-334-323-7226 and enter conference ID 52039466. The telephone replay will be available at that number beginning 2 hours from now and running through midnight Eastern Time, Saturday, January 8, 2010. Look the webcast replay will be available on the Investor Relations page of our website at www.analogic.com beginning about 3 hours from now and will be available through Saturday, January 8, 2010.

Thank you for joining Analogic Corporation's first quarter investor conference call. You may now disconnect and have a great day.

