MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, and welcome to Analogic Corporation's Fourth Quarter and Year-End Conference Call for Fiscal 2010. 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 at anytime at investor.analogic.com. That presentation will remain available until October 21, 2010.

Now, I'd like to turn the call over to Mark Namaroff, Director of Investor Relations.

Mark Namaroff, Director of Strategic Marketing and Investor Relations

Good afternoon, everyone, and welcome to Analogic's fourth quarter and year-end conference call. I'm sure 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 review the fourth quarter and year-end 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 Securities and Exchange Commission.

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

James W. Green, President and Chief Executive Officer

Thank you, Mark. Good afternoon. Good evening everyone. Let's move to slide three of the presentation and look at the highlights for the quarter. Let me start by saying that Q4 was a strong quarter driven by both product and engineering revenue. Revenues for the quarter were 117.9 million, which is up 10.7 million or 10% ahead of last quarter, and up 19.6 million or 20% from the same quarter a year ago.

Operating income for the quarter was $9.8 million or 8.3% of revenue, which is $3.6 million better than last quarter and an improvement of 12.4 million from an operating loss of negative 2.6 million in Q4 of last year. Operating margin improved 8% on a GAAP basis, and on a non-GAAP basis came in at 11%. GAAP earnings per share increased to $0.56 a share, up $0.18 from last quarter, and up $0.58 from last year. Non-GAAP earnings per share increased six times to $0.69 a share. Operating cash flows came in at $4.7 million.

Moving on to slide four to take a look at Q4 business highlights. CT and MRI related medical imaging saw strong revenue growth on increasing shipments to major OEM customers. Gross margin improvement came from manufacturing cost reduction initiatives, and we introduced new OEM products in both the MRI and CT areas.

For our Ultrasound business, we continued the expansion of our direct sales channel. Our Flex Focus scanners is beginning to penetrate anesthesiology. We introduced a new Flex Focus 700 with touch-screen, targeted at surgical applications. Please note that our Ultrasound revenues reflected an unfavorable currency exchange, which Mike will talk about in a little bit.

In Digital Radiography, our underlying mammography revenues continued to improve on sales outside the U.S. Moving to Security, we saw increased in-period shipments of high-speed checked baggage systems along with high margin customer funded engineering development, which is progressing to our plan.

Our manufacturing operations team received ISO Certification and shipped its first product from our Shanghai facility. And finally in August, we began consolidation of Denmark and Canton, Massachusetts manufacturing into existing U.S. and Shanghai facilities to further improve our costs.

Now I'll turn it over to Mike Levitz, our CFO to discuss the financials.

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

Thank you, Jim. Good evening everyone. I am going to walk you through the financial results for the fourth quarter ended July 31, 2010, as compared to the same period last year and compared to the third quarter of this fiscal year. This information is on slide five of our online presentation. I will also review our full year fiscal 2010 results.

Starting with our quarterly performance on slide five, our revenues in the fourth quarter totaled $117.8 million, which was up $19.5 million or 20% from the same quarter last fiscal year, and up $10.6 million or 10% from last quarter. Product revenues reached $105.9 million, which was up $16.4 million or 18% for the last year, and up $6.1 million or 6% from last quarter. This strong product revenue performance was primarily driven by the continued improvement in demand from our large medical OEM customers in our CT and MRI and Digital Radiography segments. And overall revenue growth also reflects incremental engineering revenues from the development agreement with Smiths in our Security segment.

Our gross margin was 36% in the fourth quarter, up from 31% in the same quarter last fiscal year, and up from 35% in the third quarter of this year. This significant improvement in gross margin when compared with last year is a result of our ongoing cost reduction initiatives along with the efficiencies associated with higher revenues.

Operating expenses were $33.2 million in the fourth quarter, an increase of 2% from the same quarter of last fiscal year, and an increase of 4% from the third quarter of this year. On an adjusted non-GAAP basis -- that is excluding such items as stock-based compensation and acquisition restructuring charges -- our operating expenses in the fourth quarter were $30.9 million, which was a 7% increase from the same quarter last fiscal year, and a 2% increase from the third quarter this fiscal year. The increase primarily reflects the impact of variable compensation accruals, including sales commissions, which increased this period due to our improved financial results. These incremental costs were partially offset by savings from our continued focus on cost containment.

Our net income improved to $7.1 million in the fourth quarter, an increase of $7.4 million over a net loss in the fourth quarter of last fiscal year, and an increase of $2.2 million from last quarter, a result of strong revenue and further gross margin improvement across all of our businesses.

Our diluted earnings per share was $0.56, an increase of $0.58 from the same quarter of last fiscal year, and an increase of $0.18 or 47% from the last quarter. Our adjusted non-GAAP diluted earnings per share was $0.69 in the fourth quarter, with an increase of $0.58 in the same quarter last fiscal year and a $0.20 increase – an increase of $0.20 or 41% compared to last quarter.

Turning to slide six, I would like to discuss our annual results. Given the lumpiness we've historically experienced on a quarterly basis, we believe the annual results are a better reflection of the trends we are seeing in our business. For fiscal 2010, our revenues were $423.6 million, up

27.4 million or 7% from fiscal 2009, driven by the continued improvement in demand from our large medical OEM customers, the growth and demand for our Flex Focus ultrasound products and the engineering revenues associated with the development agreement with Smiths in our Security business.

Our gross margin for fiscal year 2010 was 35%, up from 32% in fiscal '09. Again, this improvement in margin reflects our ongoing cost reduction initiatives as well as growth in revenues. These cost reduction efforts will continue in fiscal 2011 as well, including, as Jim mentioned, the consolidation of our Denmark and Copley manufacturing into our existing U.S. manufacturing facilities, which we are beginning in Q1 of this fiscal year, fiscal '11, and expect to complete by the latter half of fiscal '11.

The benefit of these fiscal '11 initiatives will largely be realized as we enter fiscal 2012 due to transition costs and timing of the transition in fiscal 2011. For the full year fiscal 2010, our operating expenses were $129.1 million, flat with fiscal 2009. The full fiscal year-over-year operating expense growth on an adjusted non-GAAP basis was 3%, reflecting again the impact of variable compensation accruals on our improved financial results, offset in part by the savings we're experiencing on a continued focus on cost containment.

Our net income for fiscal 2010 improved to $15.6 million as compared to income of $3.7 million in fiscal '09, reflecting the growth in revenues along with the gross margin improvement across our business. For fiscal 2010, our diluted earnings per share was $1.23, a significant improvement as compared to the $0.29 we reported last year. Our adjusted non-GAAP diluted earnings per share was $1.72 compared to $0.81 in fiscal 2010.

Turning to slide seven, I'll discuss our operating results by segment for the fourth quarter. Revenue from our CT and MRI segment previously referred to as Medical Imaging was $63.4 million in the fourth quarter. It's a 24% year-over-year increase, and up 4% from the third quarter of this fiscal year. We saw another good quarter of demand from our large medical OEM customers this quarter.

Operating income in this segment rose to $3.5 million in the fourth quarter, an increase of $8.5 million over the $5 million loss we recorded in the fourth quarter of last year, primarily reflecting both the benefit of the increased sales volume as well as the positive impact of supply chain cost reduction initiatives. The fourth quarter 2009 results for this segment also included a restructuring charge of $2.3 million.

Our Digital Radiography segment had revenues of $9.9 million in the fourth quarter, an 18% year-over-year increase, and down slightly 1% from last quarter. These segment revenues primarily reflect our sales of Selenium-based mammography detective plates. This business continues to be profitable on sales made outside the United States as our OEM customers have not yet received FDA approval in the U.S. Operating margin in this business was negatively impacted in the quarter by approximately $700,000 of unfavorable foreign currency exchange.

Our Specialized Ultrasound segment, which sells through our direct sales force under the BK Medical brand had revenues of $23 million in the third quarter, is a decrease of 3% from the same quarter last fiscal year, and an increase of 4% from last quarter. The revenues this quarter reflected an unfavorable impact from foreign currency exchange of $1.1 million compared to Q4 of last year and $1.3 million compared to last quarter. Excluding this unfavorable impact, the segment's revenues grew 2% from Q4 last year; the segment revenues rose 10% from the third quarter, excluding again this negative currency impact.

The growth in the fourth quarter is largely result of sales of the Flex Focus and Pro Focus UltraView products released last year in both the U.S. and European markets. And we've recently generated a number of ultrasound sales in the anesthesia market with the new Flex Focus 400 for anesthesia introduced just a few months ago.

Our Security Technology business reported revenues of $18.7 million in the fourth quarter, growing $5.9 million or 46% from the same quarter of last fiscal year, an increase of $6.5 million or 53% from last quarter. Included in this strong quarter for our Security business were shipments of three eXaminer XLB high throughput explosive detection systems as well as significant engineering revenue from our development contract with Smiths.

Revenues in the Security business have been lumpy in fiscal 2010, and we do not view the results from the fourth quarter to represent the run rate for this business. The Security business generated operating income of over $4.6 million in the fourth quarter as compared to $1.8 million in the same quarter of last fiscal year and $2.1 million in the third quarter this fiscal year, largely result of the higher Q4 revenue.

On slide eight, we can see the full year fiscal 2010 results by segment as compared to fiscal '09. As I mentioned earlier, given the lumpiness we can see in our business on a quarterly basis, we believe the full year results present a more reasonable basis for viewing the trends across our business.

Revenues in the CT and MRI business rose 7% on increased OEM customer demand, and operating margins improved from a loss in fiscal '09 to $9.5 million in fiscal '10 on revenue growth combined with a lower cost structure. Digital Radiography revenues grew 11% in outside the U.S. demand for mammography detectors. In fiscal 2010, we completed the transition of our DR business to mammography plates. Our operating income in this business was negatively impacted in fiscal '10 by approximately $2.6 million of unfavorable currency exchange on the Canadian dollar.

Revenues in our Specialized Ultrasound segment improved 9% in fiscal 2010, primarily on growing penetration in the Flex Focus family of scanners as well as the Pro Focus UltraView released in mid-fiscal '09 along with the overall improvement in hospital spending as compared to last year.

Security revenues increased 3% in fiscal 2010, primarily on a $3 million increase in engineering revenues. Engineering revenues were higher largely due to work performed on the development agreement with Smiths. Products revenues decreased by 4% in fiscal 2010, due primarily the lumpiness in ordering in the U.S., reflecting the TSA's move to a new procurement process.

Turning to slide nine, our balance sheet remains strong with $169.3 million of cash and investments and no debt. We generated operating cash flows of over $4 million in the quarter, which was lower than usual, largely due to the timing of tax payments.

And with that I'll turn the call back to Jim.

James W. Green, President and Chief Executive Officer

Thank you, Mike. Let's move on to the next slide and onto the outlook. Also I'm pleased with our overall results. In Q4, we saw solid underlying growth across all businesses with an exceptional quarter in Security, which was driven by customer funded engineering revenues, along with some them high speed XLB shipments. For CT, MRI and mammography related medical imaging; I expect revenue to grow ahead of market driven by expanded product content in CT and MRI, a new demand for our Selenium-based mammography detectors when Siemens get the anticipated FDA approval for their newest generation nano system.

Looking to Ultrasound, I expect solid growth in our ultrasound business as we continue to expand direct sales, potentially impacted by unfavorable currency headwinds. Continuing our investment in

Ultrasound, we're introducing innovative new products to penetrate anesthesia and expand our portfolio into ultrasound guided surgery in urology.

For Security, we expect Security to be a challenging year due to further delay in the TSA's new procurement process. This year will be mostly limited to U.S. replacement demand and demand outside the U.S. making for shipment variability over the next few quarters. We look forward to the combination of the TSA finalizing the procurement process and the adoption of certified EDS for Europe expected to all kick in as we get to our fiscal 2012.

Lastly, funded engineering for next generation products should soften the operating margin impact of shipment variability and potentially lower annual security revenue in FY11. On the operations side, we continue to execute our strategy of streamlining manufacturing with the consolidation of Copley and Denmark manufacturing into existing sites, driving down supply chain costs as we exit fiscal 2011.

Our profitability is underpinned by overall revenue growth and cost containment. Knowing that Q4 is typically our strongest quarter, we think about our upcoming annual revenue growth as similar to FY10's annual growth. Currency headwinds in Ultrasound and challenges in Security bring our overall expectations to around single or a mid single-digit revenue growth. Managing what we can control cost containment coupled with overall revenue growth will continue to drive improved operating margin expansion as we progress toward our FY12 target of double-digit operating margins.

Thank you. And I'll turn it over to the operator for questions.

QUESTION AND ANSWER SECTION

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

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

<A – James Green>: Hi, Larry.

<A – Michael Levitz>: Hi, Larry.

<Q – Lawrence Solow>: Just on the Security side real quick is – so it sounded like mostly upside this quarter was temporary stuff and a lot of funding from Smiths, is that a fair statement?

<A – James Green>: Yes, that's true for this last quarter.

<Q – Lawrence Solow>: Okay. And then so it seems like you're – and then the orders may actually drop a little bit you're looking – if we look out to fiscal '11?

<A – James Green>: Yeah. We're really looking forward to FY12 when everything gets cleaned up with the U.S. TSA completes their – the new procurement process, and they really start the ordering process the way we expect to see it. Along at the same time, the European starts to adopt the new EDF standard, so both coming together in FY12 looks really exciting for us. FY11 with the delay of this order process we really are – we expect to be limited to a replacement business here in the U.S. and then some business overseas replacement business and some new business there.

<Q – Lawrence Solow>: And excluding the engineering revenue this quarter or throughout the year, wasn't most of the sales you had this year mostly replacement?

<A – James Green>: Yeah, I think that's true, primarily driven by replacement for some new business but depending on where airports were as far as expanding.

<Q – Lawrence Solow>: By these three sales this quarter, [inaudible] this quarter obviously new. Okay, and just qualitatively, what is going on in the procurement process and what gives you great conviction that the delay won't continue indefinitely?

<A – James Green>: Well, I mean, at some point these – the TSA certainly understands that the units that were shipped six and seven years ago, they've got to start being prepared for replacing the units as they refresh the installed base, so you just can't wait too long with that. They had struggled and we'd been frustrated with the amount of time taken to get to this testing started, we've had all three tiers of products in the queue for testing now for awhile, and it's just – we're in kind of a hurry up and wait mode for the TSA on that, but they've indicated and our big customer, all three has indicated, they expect to start the testing here soon, but not to be expecting orders until we get to sometime around the end of this fiscal year.

<Q – Lawrence Solow>: Okay, so sort of a mid calendar '11 type thing or something.

<A – James Green>: Yeah, that's what we're looking for, yeah.

<Q – Lawrence Solow>: Okay. And then in terms of just the CT and MRI side, it sounded like things are going – certainly showing some improvement. Is that mostly because of, I don't know if you could break it down geographically, but I know that U.S. hospital spending doesn't seem like it's really – you made it sort of potboiler and it showed a real increase, and then it kind of backed off, so any just color on where you're seeing more sales come from?

<A – James Green>: Well, on our direct business, we're seeing pretty good improvement pretty much everywhere, I mean, the U.S. is driving our ultrasound sales, Europe is up also, but that's mainly with new products that we're introducing and the ability for us to introduce some into some adjacent segments there like anesthesia and rebuilding our line there. As far as the OEM business there, it just seems to be kind of a general uptick in the business, it's hard for us to say what's happening here for OEMs, but the U.S. seems to have stabilized, and we certainly are hearing and seeing strong growth in the Asian markets.

<Q – Lawrence Solow>: Right. So you – I mean, like a mid to high single-digit growth for this business next year is – it sounds like that's kind of what you are endorsing.

<A – James Green>: Yeah, I mean, we are expecting to be a little ahead of the market in the big space there with the big equipment kind of in that 2% to 4% region, but we expect to be ahead of that, and we expect to be doing even better on the Ultrasound side.

<Q – Lawrence Solow>: Right, okay. And then turning to the Ultrasound side, have you – you can quantify how much new sales guys you've added or any more color on that, I know you added a new VP of Global Marketing to that recently, so anymore color there?

<A – James Green>: Yeah, we've – I've said in the past that we were really under covered in terms of Ultrasound, especially in the U.S. where the pricing is excellent and the biggest opportunity existed for us. So this last year we took the number of quota-bearing reps up from something like 10 to about 15 or 16, and we expect this year to take that up into the low 20s, and then with a target of getting to somewhere in the low to mid 30s to really get full coverage of the majority opportunity here in the U.S. We're also driving some growth in some – in certain states or certain countries in Europe. Germany being one, where we're seeing nice growth and we are also expanding coverage; and then as we start to introduce our product into China, that's all brand new incremental business for us.

<Q – Lawrence Solow>: Right. And just last question, I'll sum it up for you take up all the time. On the DR side, any view on when Siemens may get approval in the U.S., is there anything they are saying? I know you can't say anything specifically.

<A – James Green>: Yeah, it's – everybody I think has been struggling with how much time it's been taken to get clearances in the U.S. with FDA, and we were hoping to see it here this summer, certainly everything is in. At this point I can – my understanding is the expectations are here in the fall. So certainly not some extended time period, certainly we hope, but it is – regulatory agencies can be a little fickle, and its – I mean, you just kind of hope and wait with that.

<Q – Lawrence Solow>: Yep, it's volatile with Siemens, you can get probably, they're pretty optimistic that it will be done at least in calendar '10?

<A – James Green>: Yeah, I mean, Siemens is such a rock solid company, they know how to do this stuff. And I – certainly if any company is going to do a good job of getting the clearance, you expect them to do well.

<Q – Lawrence Solow>: Great. Okay, great. Thanks a lot guys. I appreciate it.

<A – James Green>: Thanks, Larry.

Operator: Our next question comes from Steve Levenson at Stifel Nicolaus.

<Q – Stephen Levenson>: Thanks. Good afternoon everybody and thanks for the additional detail and all the slides.

<A – James Green>: Thank you, Steve.

<Q – Stephen Levenson>: Just a question on the European civil air authorities, and what the accrual process is, and where you stand there or where you expect to go there?

<A – James Green>: With the EDS equipment in Europe, well, there the standards are being aligned with the U.S. standards. There are a number of different reviewing agencies there, but they really look to the U.S. standards. So if you look to groups like Stack and you look to – the Netherlands has a separate testing agency in England, but in general as you cover – if you meet the specs for here in the U.S. then you are covered there.

<Q – Stephen Levenson>: Okay. So you won't likely have to submit a machine?

<A – James Green>: No, typically don't, we do – we do typically have a machine there that goes through the testing there, so that it will go there too.

<Q – Stephen Levenson>: Okay, thanks. With the recent acquisition of [inaudible], do you think the competitive landscape is a little easier for you or little more difficult?

<A – James Green>: I don't know that it's really changed. I could say the truth; I don't see what's changed much. We never really saw [inaudible] as a direct competitor for our mainline, our mid-tier and high-tier products, and we're introducing the introducing our lower tier – our lower speed product with the SX. We expect to be competing well in their space so, again, I don't see – certainly I don't see things as being significantly different than the way they were.

<Q – Stephen Levenson>: Okay. I just thought maybe being part of a much bigger company maybe it's a lumbering group rather than small and nimble. I guess that's really had to be pretty much.

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

Operator: Okay, thank you. Our next question comes from Josephine Millward at the Benchmark Company.

<Q – Josephine Millward>: Good afternoon Jim.

<A – James Green>: Hi Josephine.

<Q – Josephine Millward>: How are you?

<A – James Green>: I'm doing good, thank you.

<Q – Josephine Millward>: Great quarter.

<A – James Green>: Thank you.

<Q – Josephine Millward>: Can you tell us how many exact you shipped during the quarter, and what's left in the backlog?

<A – James Green>: Mike, do you want to pull this?

<A – Michael Levitz>: Sure, so we shipped 15 3DXs in the quarter and we shipped three XLBs in the quarter. In terms of the backlog, we have two XLBs in the backlog and no 3DXs.

<A – James Green>: As you'd expect we're waiting on the next bridge order from the TSA to come through.

<Q – Josephine Millward>: And do you have – do you – I guess going forward, you mentioned potential lumpiness in the Security business due to the delay. At this point. do you have comfort from L-3 that we could see this steady run rate throughout the coming year. Can you give us a little bit more color on that?

<A – James Green>: Yeah, I mean the comfort I can give you is that the L-3 deals satisfy that that we'll continue to see bridge orders to at least cover the replacement demand for here in the U.S. and they'll of course continue to sell overseas. Everybody – everyone's really waiting to get through this retesting process, so that we can really go after growth in the business.

<Q – Josephine Millward>: Can you tell us what the engineering revenue was in your Security business for the quarter and if you expect that trend to continue. I don't know – you have an agreement with Smiths to do a lot more than what – and you're just getting started?

<A – James Green>: Yeah, Mike, do you want to comment on that?

<A – Michael Levitz>: Yeah, we don't generally break that out, Josephine. But, I think in terms of direction, I don't expect engineering revenue for us as a company to be all that different next year than it is this year. There is some timing in that, we really got going in development here, we saw a ramp up in the fourth quarter and applies to some of that carryover into the first and then kind of even back down to a more normal run rate associated with that project. So the project is on plan according to a normal timeline, and so I think we just had – it's related to the timing on the project, and Q4 was a strong quarter in every way.

<A – James Green>: And I think the good news is we do expect it will help softening on the operating margin side, help us along those lines throughout this year.

<Q – Josephine Millward>: Is it a better margin business for you compared to delivery of ApS systems?

<A – James Green>: Every product is different and every customer is different depending on whether it's – and echoes across both medical and security. So it just depends on the product and what kind of a program we're putting together.

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

<A – James Green>: Thank you, Josephine.

<Q – Josephine Millward>: And just in the past you – you've always provided your outlook on MRI and CT market going forward, can you talk about your outlook on that?

<A – James Green>: Well, I think we've...

<Q – Josephine Millward>: [inaudible] you are going to grow faster than the market?

<A – James Green>: Right, and at this point most people are projecting that the underlying market is growing in the low single digits overall, and we expect to be doing better than that, kind of in the mid there. And then again on ultrasound, we expect we are doing even better.

<Q – Josephine Millward>: Do you think we could see double digit growth in ultrasound and digital mammography in the coming year?

<A – Michael Levitz>: I'll answer that. I think in terms of what we saw this past year, we saw close to double digit or double digit growth in ultrasound, and I would expect that that would continue. The challenge that we have this coming year from an OpEx standpoint is what happens in the exchange rate, and so that doesn't change the underlying volume and underlying economics but does change the translation into our overall results. And so if we see a challenge like we have in the last few months compared to last year, then that could – we could see less than 10% growth, but that's again OpEx, the underlying businesses should grow in the low single digit – low double digit.

<A – James Green>: Yeah, and we would expect that as far as the bottom line goes, we are going to continue to see improvements on that side, so.

<Q – Josephine Millward>: What about digital mammography, or is that very much driven by timing of FDA approval for Siemens to sell in the U.S.?

<A – James Green>: Well, I mean, even without the U.S. sales, we continue to improve there. The underlying business continues to do well. We're just excited about the expectation there that we are going to see Siemens selling the product here in the U.S. also. So, again, we have very high expectation for that business in that segment, and we expect as we get in the U.S., we're going to continue to see it improve.

<Q – Josephine Millward>: Thanks.

<A – Michael Levitz>: And I think Jim mentioned earlier that we expect the trend that we saw in fiscal '10 from a growth standpoint to continue in fiscal '11. So getting us it's a total company that it's a mid single-digit growth.

<Q – Josephine Millward>: Great job. Thank you.

<A – Michael Levitz>: Thank you, Josephine.

<A – James Green>: Thank you, Josephine.

Operator: [Operator Instructions]. Our next question comes from Dalton Chandler at Needham & Company. You may go ahead, Dalton.

<Q – Dalton Chandler>: Thanks. Good afternoon.

<A – James Green>: Good afternoon, Dalton.

<A – Michael Levitz>: Hi, Dalton.

<Q – Dalton Chandler>: Hi. You touched on this a little bit already, but I wanted to ask about what you are seeing on both the OEM and the direct medical business in the various geographies and especially Europe, because a lot of people have expressed concerns about that, and if you have any thoughts on how the rest of the year might play out?

<A – James Green>: Well, I mean certainly for us we – our main gauge is on the ultrasound side where we directly connect to the customers, and we're doing quite well in the U.S. and with the new products refreshing our product line, that's really driving our growth, not just in the U.S. but also in Europe. In Europe, we don't really do much business when you look down in the areas around Greece and Spain and Portugal, so those areas really haven't affected us.

The one area that I think from an overall market standpoint, I think that's been affected has been the UK, where all of – where most of their healthcare is really funded by the government. But our biggest business in Europe is more in the Central and – Central Europe and Germany and Northern Europe, where we continue to see nice improvement in the business.

As far as what we hear with our – on from the OEM side, I think in general people are feeling that Europe is probably somewhere flattish, maybe slightly up but it's kind of hard for me to say how they are doing. Our business is a little different in that, we're actually penetrating into some new areas with new products.

<Q – Dalton Chandler>: Okay, and then your comment that the imaging business should be low single-digit grower. That certainly sounds like a good long-term number, but hospital budgets are really starting to loosen up again. Wouldn't you expect to see some pent-up demand that would drive higher growth over the near term?

<A – James Green>: Well, certainly that could happen, but I am – it would be very hard to predict at this point.

<Q – Dalton Chandler>: Okay, and let's see – the consolidation that's coming, should we expect to see some charges for that? And if so, do you have a sense of what they might be?

<A – James Green>: All right, sure. That isn't finalized yet, but there will be a charge in the first quarter. And so I expect that at this point it's going to be north of $2 million, just to give a round number with a run rate savings of somewhere in the neighborhood north of $2 million a year.

<Q – Dalton Chandler>: Okay. All right thanks a lot.

<A – James Green>: Thanks Dalton.

Operator: Our next question comes from Larry Solow at CJS Securities.

<Q – Lawrence Solow>: Just a couple of follow-ups. Some of the new products you mentioned on the OEM, on the CT and MRI side, do those have any impacts yet or is it sort of coming out imminently or slowly or...?

<A – James Green>: Yeah, I would say that we didn't see a lot of impact on those in the last quarter, that it's really more new things that were introduced that we'll start to see – incorporate here this year.

<Q – Lawrence Solow>: Okay, and you mentioned on the other new Flex Focus Anesthesia came out I think in May, and you mentioned I think in your prepared comments that you're seeing some sales already, I imagine you – was that more after the quarter?

<A – James Green>: Yeah, now that's coming together very nicely. We are seeing adoption of the product into that segment, and we just are working right now on releasing the new battery control version, so we can operate without having to have it plugged-in in some of these area space. That's one of the things that I think has been slowing down some of the faster adoption we're looking for in anesthesia.

<Q – Lawrence Solow>: Okay. So, better control will be making it little more remote I guess?

<A – James Green>: Yeah, that's right. And then I also indicated that we have the Flex 700 coming out that's going to really help us redouble our efforts into ultrasound guided surgery.

<Q – Lawrence Solow>: Okay. Do you happen to have a depreciation number for the quarter?

<A – Michael Levitz>: Sure. I've got that – just one second. Depreciation for the quarter was $4 million.

<Q – Lawrence Solow>: 4 million, you said?

<A – Michael Levitz>: Yes.

<Q – Lawrence Solow>: 4.0 or...

<A – Michael Levitz>: 4.0.

<Q – Lawrence Solow>: Got it. Okay, great.

<A – Michael Levitz>: Thank you, Larry.

<Q – Lawrence Solow>: Thank you.

Operator: Okay. There are no further questions at this time. So I'll now turn the call back to Mr. Green for closing comments.

James W. Green, President and Chief Executive Officer

All right. Well, thank you for your interest in Analogic. We'd like to remind you that we'll be holding our Annual Analyst Day at our Peabody headquarters on Thursday, October 14 at 10 AM. We hope you can join us. Please contact Mark Namaroff, our Director of Investor Relations, to RSVP for additional details. We also invite you to call in again in December when the company will review its first quarter fiscal 2011 results. Thank you again 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, and for international callers 1-334-323-7226 and entering conference ID 83667160, again that's conference ID 83667160. The telephone replay will be available at that number beginning two hours from now and running through midnight Eastern Time Thursday, October 21, 2010. The webcast replay will be available on the Investor Relations page of our website at www.analogic.com beginning about three hours from now and will be available through Thursday, October 21, 2010.

Thank you for joining Analogic Corporation's fourth quarter investor conference call. You may now disconnect.