

Second Quarter FY2012 Earnings Call

March 6, 2012

Innovative Solutions for Life



Safe Harbor

Any statements about future expectations, plans, and prospects for the Company, including statements containing the words “believes,” “anticipates,” “plans,” “expects,” and similar expressions, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by such forward-looking statements as a result of various important factors, including risks relating to product development and commercialization, limited demand for the Company’s products, risks associated with competition, uncertainties associated with regulatory agency approvals, competitive pricing pressures, downturns in the economy, the risk of potential intellectual property litigation, and other factors discussed in our most recent quarterly report filed with the Securities and Exchange Commission. In addition, the forward-looking statements included in this presentation represent the Company’s views as of the date of this document. While the Company anticipates that subsequent events and developments will cause the Company’s views to change, the Company specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing the Company’s views as of any later date.



Use of Non-GAAP Financials

This presentation includes non-GAAP financial measures that are not in accordance with, nor an alternative to, generally accepted accounting principles and may be different from such non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles.

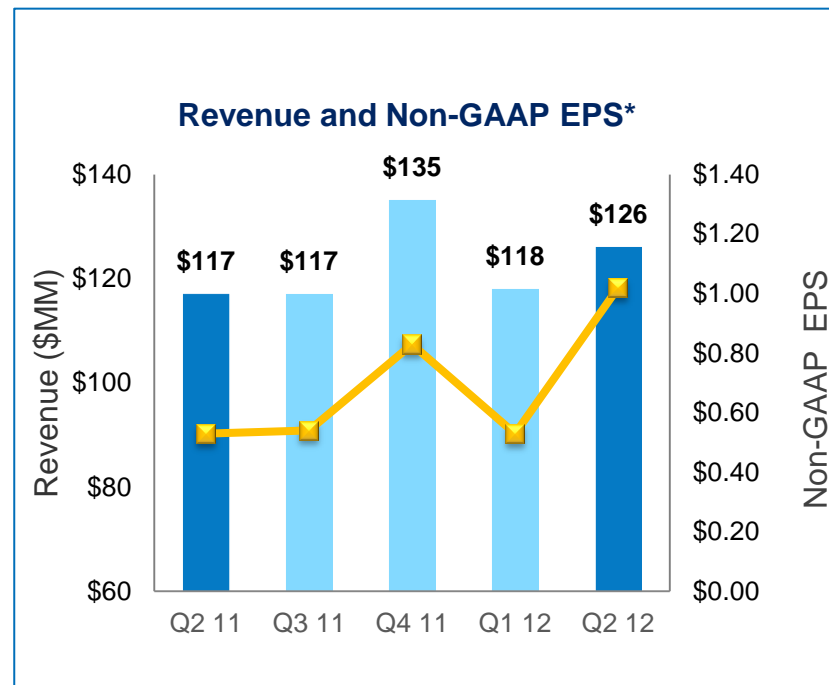
Management uses non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating margin, non-GAAP income before tax, non-GAAP net income and non-GAAP diluted earnings per share to evaluate the Company's operating performance against past periods and to budget and allocate resources in future periods. These non-GAAP measures also assist management in understanding and evaluating the underlying baseline operating results and trends in the Company's business.

Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. They are limited in value because they exclude charges that have a material effect on our reported results and, therefore, should not be relied upon as the sole financial measures to evaluate our financial results. The non-GAAP financial measures are meant to supplement, and to be viewed in conjunction with, GAAP financial measures. A reconciliation of GAAP to non-GAAP financial measures can be found in the appendix to this presentation and our Second Quarter FY2012 press release issued March 6th, 2012 available at our website <http://investor.analogic.com>.

Q2 '12 Financial Highlights

Solid revenue growth; Double digit operating margin across all segments

- Revenue \$126MM, up 8% from Q2 '11
- Operating Margin 6%, Non-GAAP* 12%
- GAAP EPS \$1.59
(includes \$0.80 net benefit from tax refund and gain on sale of equity interest)
- Non-GAAP EPS* \$1.02, up 92%
(excludes \$0.80 net benefit noted above)



* Please see Non-GAAP reconciliation in the Appendix and in our quarterly earnings announcement



Q2 '12 Business Highlights

- Medical Imaging revenue up 3% Q2, 8% YTD
 - Premium MRI products and Digital mammography drove growth
 - CT revenue slowed reflecting customer ordering patterns
 - Signed development agreement for a private label CT targeting new market segment

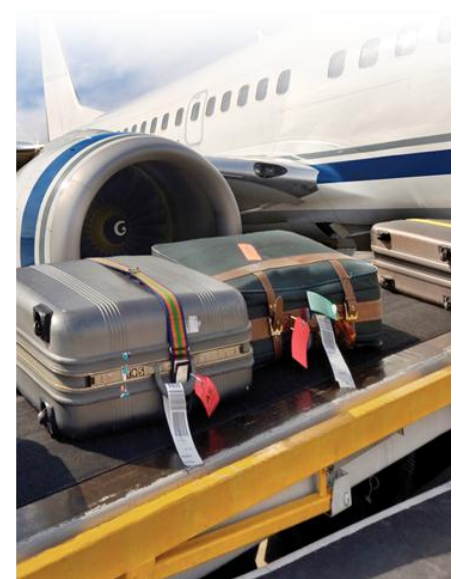
- Ultrasound revenue up 21% Q2 and YTD
 - Strong growth in direct business and OEM transducers
 - Rolled out Quantum, our world-class imaging technology, enabling deep high resolution imaging
 - Launched new Flex Focus 500 with Quantum Technology, driving share in our core markets
 - Launched new Flex Focus 800 with Quantum Technology, designed to secure robotic surgery guidance



Q2 '12 Business Highlights (continued)

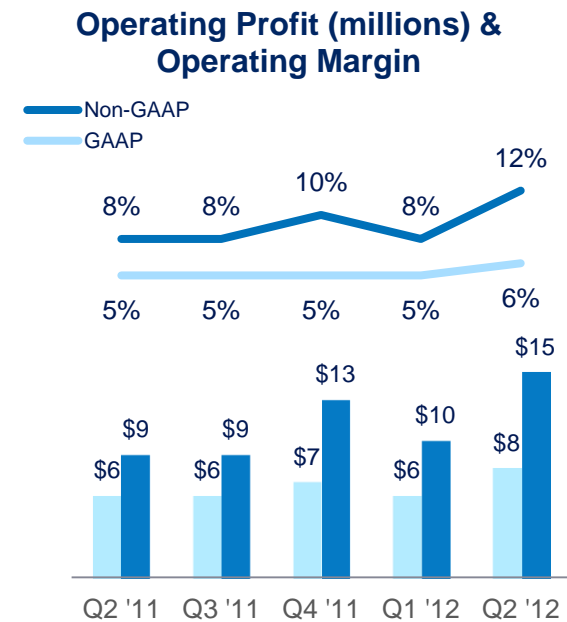
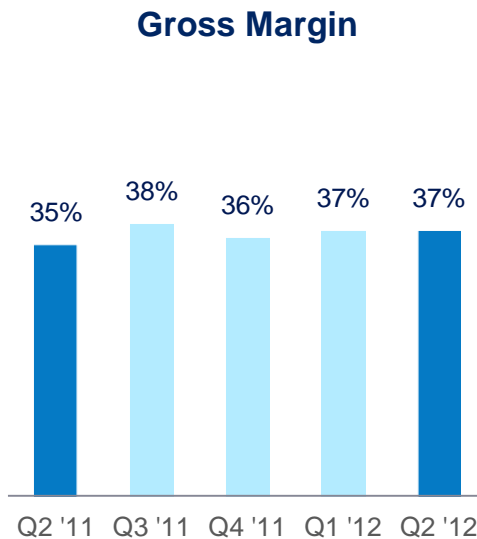
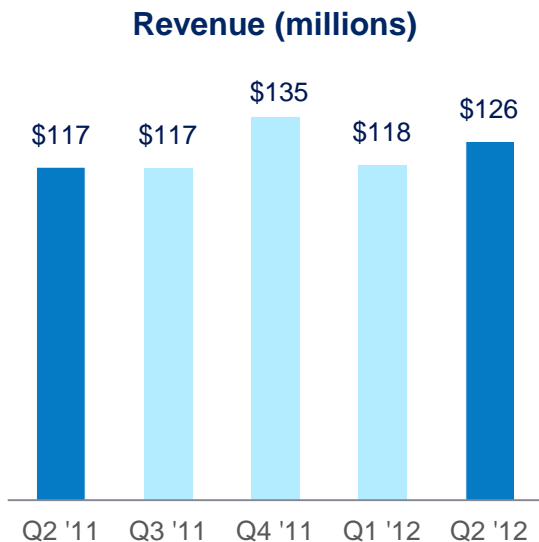
- Security product revenue grew 15% Q2, 25% YTD
 - Total revenue down slightly (-3%) from Q2 '11 on lower engineering revenue
 - Finalized L-3 long term agreement, positioning access to the U.S. recapitalization and providing engineering funding to optimize the global product line
 - TSA awarded L-3 reduced size checked baggage contract, we expect orders second half of this fiscal year

- Other business highlights
 - Received \$0.80 net EPS benefit from tax refund and gain on sale of equity stake
 - Completed last phase of ultrasound manufacturing consolidation



Financial Results

Analogic Quarterly Performance



- **Revenue** rose 8% led by Ultrasound (21%), with modest growth in Medical Imaging (3%)
- **Gross margin** improved with higher revenue and savings from manufacturing consolidation, offset in part by lower Mammography yield
- **Non-GAAP operating margin** reached 12% due to revenue growth and cost structure improvements (GAAP operating margin includes \$2.7MM (2pts) contingent fee related to tax refund and increased accrual for performance-based stock reflecting improved likelihood of meeting multi-year financial targets)

Note: Please see Non-GAAP reconciliation in the Appendix and in our quarterly earnings announcement

Q2 FY 2012 Financial Results

Unaudited - \$ Millions ex. EPS	As Reported		Non-GAAP	
	Quarters		Quarters	
	Q2 FY12	Q2 FY 11	Q2 FY12	Q2 FY11
Products	\$ 122.2	\$ 111.3	\$ 122.2	\$ 111.3
Engineering	4.2	6.0	4.2	6.0
Total Revenue	126.4	117.3	126.4	117.3
Gross Profit	46.8	40.8	47.3	41.6
Gross Margin % of Revenue	37%	35%	37%	36%
Operating Expenses before Restructuring	39.0	34.8	32.6	32.7
Restructuring	0.0	(0.1)	0.0	0.0
Operating Expenses	39.0	34.7	32.6	32.7
Op Ex % of Revenue	31%	30%	26%	28%
Operating Income	7.8	6.1	14.7	8.9
Operating Margin	6%	5%	12%	8%
Net Income	\$ 19.6	\$ 5.3	\$ 12.5	\$ 6.7
Effective Tax Rate	-83%	15%	17%	25%
EPS Diluted	\$1.59	\$0.42	\$1.02	\$0.53

- In Q2 FY12, received \$12.0MM IRS tax refund, including \$10.0MM P&L tax benefit from R&D tax credit from years 1991 through 2000, offset by related \$2.7MM (\$1.7MM net of tax) contingent consulting fee
- Also in Q2 FY12, sold equity stake for \$2.5MM (\$1.6MM net of tax)
- Together, these items provided \$0.80 benefit to GAAP EPS and are excluded from non-GAAP EPS

Note: Please see Non-GAAP reconciliation in the Appendix and in our quarterly earnings announcement

Six Months FY 2012 Financial Results

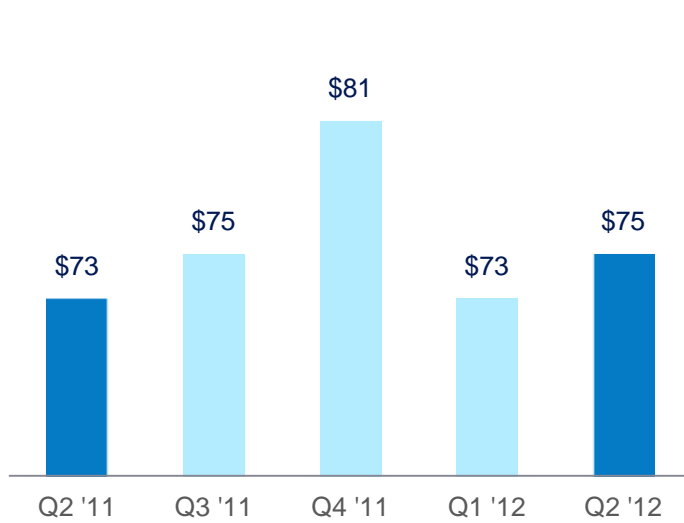
Unaudited - \$ Millions ex. EPS	As Reported		Non-GAAP	
	Six Months Ended		Six Months Ended	
	Jan 31, 2012	Jan 31, 2011	Jan 31, 2012	Jan 31, 2011
Products	\$ 236.2	\$ 208.0	\$ 236.2	\$ 208.0
Engineering	8.1	13.1	8.1	13.1
Total Revenue	244.3	221.1	244.3	221.1
Gross Profit	89.9	79.8	90.8	81.1
Gross Margin % of Revenue	37%	36%	37%	37%
Operating Expenses before Restructuring	76.5	68.1	66.5	64.0
Restructuring	0.0	3.4	0.0	0.0
Operating Expenses	76.5	71.5	66.5	64.0
Op Ex % of Revenue	31%	32%	27%	29%
Operating Income	13.4	8.3	24.3	17.1
Operating Margin	5%	4%	10%	8%
Net Income from Continuing Operations	\$ 23.6	\$ 6.7	\$ 19.2	\$ 12.2
Net Income	\$ 23.6	\$ 7.9	\$ 19.2	\$ 12.5
Effective Tax Rate	-42%	20%	23%	29%
EPS Continuing Operations	\$1.88	\$0.53	\$1.53	\$0.96
EPS Diluted	\$1.88	\$0.62	\$1.53	\$0.99

Note: Please see Non-GAAP reconciliation in the Appendix and in our quarterly earnings announcement

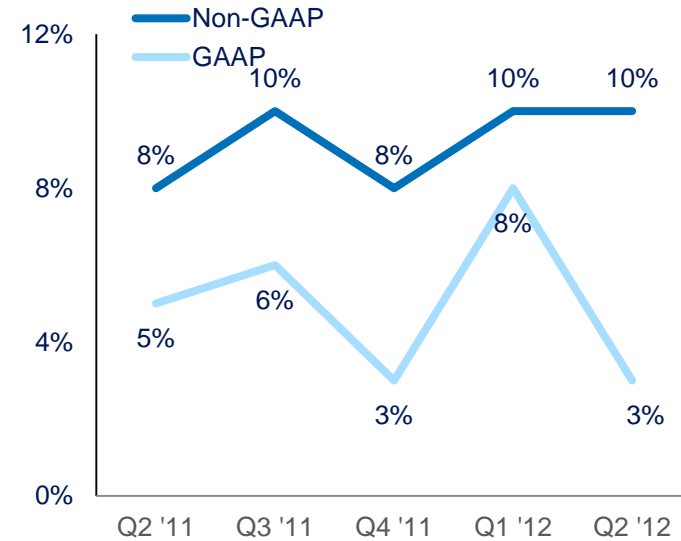


Medical Imaging Quarterly Performance

Revenue (millions)



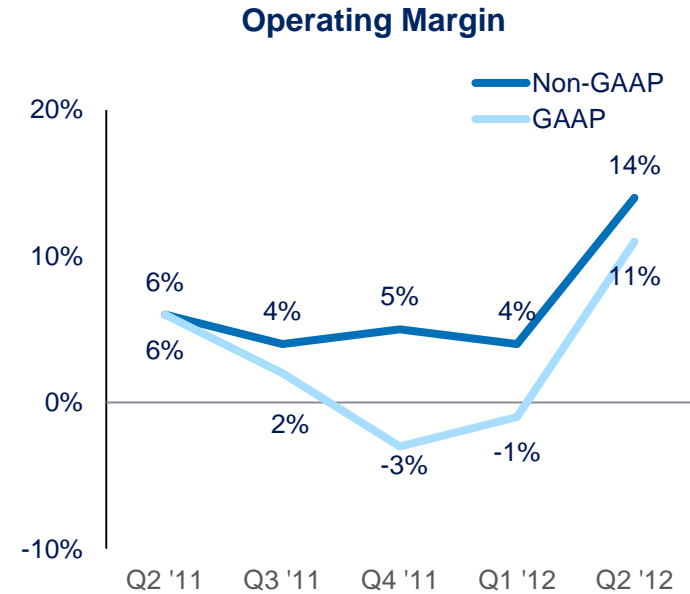
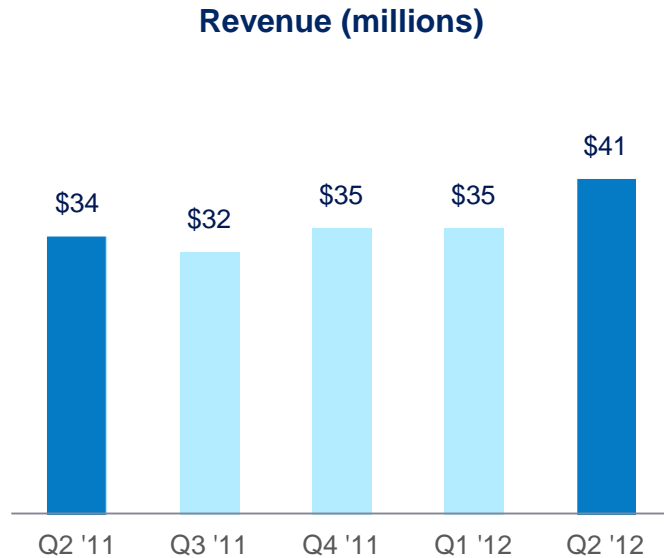
Operating Margin



- **Revenue** grew 3%; MRI and mammography delivered double digit revenue growth, with lower CT revenue reflecting customer ordering patterns
- **Non-GAAP operating margin** reached 10% in Q2 '12 on lower cost structure (GAAP operating margin impacted by \$2.2MM (3pts) portion of contingent fee related to tax refund)

Note: Please see Non-GAAP reconciliation in the Appendix and in our quarterly earnings announcement

Ultrasound Quarterly Performance

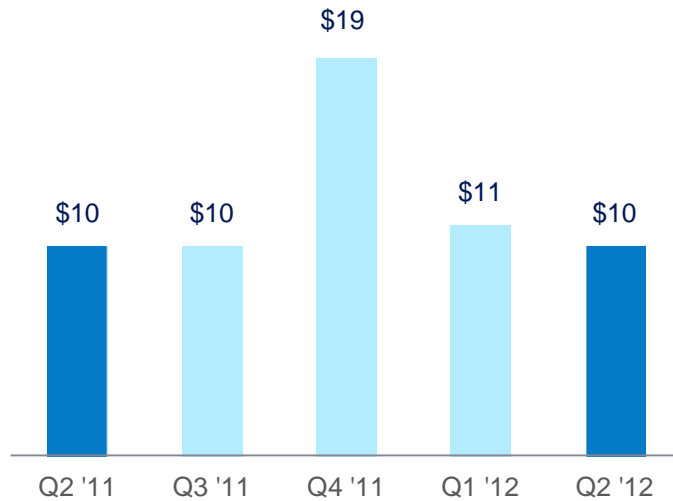


- **Revenue** up 21%; Direct system sales and OEM transducers both grew > 20% over Q2 '11
- **Non-GAAP operating margin** grew to 14% on strong revenue and improving gross margin as a result of recent manufacturing consolidation

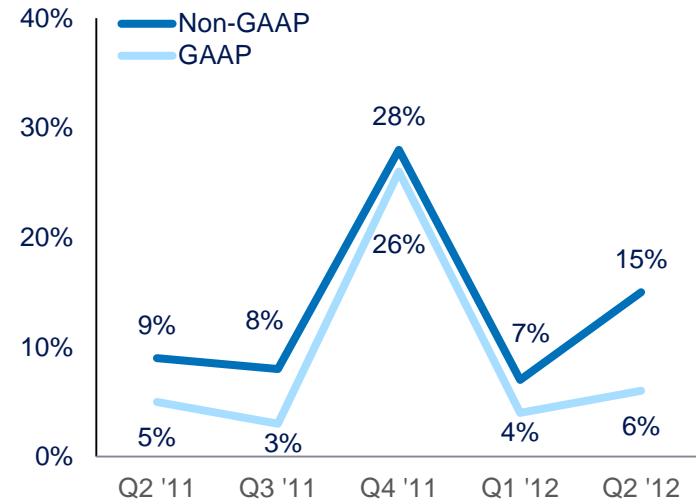
Note: Please see Non-GAAP reconciliation in the Appendix and in our quarterly earnings announcement

Security Quarterly Performance

Revenue (millions)



Operating Margin



- **Revenue** down slightly from Q2 '11(-3%); Product revenue grew 15% primarily on sales of medium speed systems
- **Non-GAAP Operating margin** improved to 15% on higher product revenue (GAAP operating margin impacted by \$0.5MM (5pts) portion of contingent fee related to tax refund)

Note: Please see Non-GAAP reconciliation in the Appendix and in our quarterly earnings announcement

Key Financial Data

Working Capital

	Q2 FY12	Q1 FY12	Q2 FY11
(Unaudited - in millions)			
Cash and Investments	\$ 174.3	\$ 151.1	\$ 162.6
Accounts receivable	78.0	85.9	81.3
Inventories	103.8	109.5	101.7
Other Working Capital, Net	(62.7)	(60.9)	(59.5)
Non-Cash Working Capital	119.1	134.5	123.5
Net Working Capital	\$ 293.4	\$ 285.6	\$ 286.1

Cash Flow

	Q2 FY12	Q1 FY12	Q2 FY11
(Unaudited - in millions)			
Operating Cash Flow from continuing operations	\$ 36.0	\$ 2.8	\$ 7.1
Capital Spending	10.5	6.8	8.4
Stock repurchased and dividends paid	5.0	13.2	12.4
Free Cash Flow *	\$ 20.5	\$ (17.2)	\$ (13.7)

- **Cash** has increased substantially on strong operating results, improved working capital, and \$12.0MM tax refund
- **Capital spending** increase driven by Shanghai and State College, PA facilities

*Free cash flow is defined as operating cash minus capital spending and dividends/repurchase

Summary and FY12 Outlook

- **Ultrasound - Expect double-digit revenue growth**
 - Quantum Technology brings world-class imaging resolution at depth
 - Flex Focus 800 will accelerate momentum in Robotic Surgery guidance
 - Continued U.S. sales expansion improves coverage, underpins share growth
- **Medical Imaging continues growth ahead of market**
 - Mammography Detectors and Premium wide-bore MRI drives growth
 - Growth in higher content and new premium CT products despite market softness
- **Security sees long term growth starting this fiscal year**
 - Multi-year L-3 agreement cements relationship ahead of U.S. recapitalization
 - Outside U.S. demand picking up for high-speed certified explosive threat-detection systems
 - Smiths high-speed certified program moving closer to production, expect FY13 shipments
- **We maintain our double-digit non-GAAP operating margin outlook**
- **Raising FY12 revenue outlook to high single digit growth**



Appendix

Segment Financial Summary

Unaudited - \$ Millions	Fiscal Quarters		Six Months Ended	
	Q2 FY12	Q2 FY11	Jan 31, 2012	Jan 31, 2011
Product Revenue				
Medical Imaging	\$ 73.2	\$ 70.6	\$ 143.5	\$ 132.1
Ultrasound	41.1	33.9	75.7	62.3
Security Technology	7.9	6.9	17.0	13.6
Total Product Revenue	\$ 122.2	\$ 111.4	\$ 236.2	\$ 208.0
Engineering Revenue				
Medical Imaging	\$ 2.0	\$ 2.3	\$ 4.4	\$ 4.9
Ultrasound	0.0	0.1	0.0	0.1
Security Technology	2.2	3.5	3.7	8.1
Total Engineering Revenue	\$ 4.2	\$ 5.9	\$ 8.1	\$ 13.1
Net Revenue				
Medical Imaging	\$ 75.2	\$ 72.9	\$ 147.9	\$ 137.0
Ultrasound	41.1	34.0	75.7	62.4
Security Technology	10.1	10.4	20.7	21.7
Total Net Revenue	\$ 126.4	\$ 117.3	\$ 244.3	\$ 221.1
Operating income				
Medical Imaging	\$ 2.5	\$ 3.5	\$ 8.0	\$ 5.2
Ultrasound	4.7	2.1	4.4	1.5
Security Technology	0.6	0.5	1.0	1.6
Total Operating Income	\$ 7.8	\$ 6.1	\$ 13.4	\$ 8.3



Non-GAAP Statements of Operations Reconciliation

(In thousands, except per share data)

	Three months Ended		Six months Ended	
	January 31, 2012	January 31, 2011	January 31, 2012	January 31, 2011
Gross Profit, As Reported	\$ 46,845	\$ 40,809	\$ 89,871	\$ 79,828
Share-based compensation expense	187	166	319	284
Acquisition related expenses	303	660	606	942
Non-GAAP Gross Profit	<u>\$ 47,335</u>	<u>\$ 41,635</u>	<u>\$ 90,796</u>	<u>\$ 81,054</u>
Percentage of Total Net Revenue	37.4%	35.5%	37.2%	36.7%
Operating Expenses, As Reported	\$ 39,054	\$ 34,671	\$ 76,496	\$ 71,492
Share-based compensation expense	(2,963)	(2,606)	(5,082)	(4,270)
B-K distributor matter inquiry related costs	(207)	-	(1,204)	-
Tax refund related charges	(2,714)	-	(2,714)	-
Restructuring	-	134	-	(3,428)
Acquisition related gains and expenses	(506)	568	(969)	117
Non-GAAP Operating Expenses	<u>\$ 32,664</u>	<u>\$ 32,767</u>	<u>\$ 66,527</u>	<u>\$ 63,911</u>
Percentage of Total Net Revenue	25.8%	27.9%	27.2%	28.9%
Income From Operations, As Reported	\$ 7,791	\$ 6,138	\$ 13,375	\$ 8,336
Share-based compensation expense	3,150	2,772	5,401	4,554
B-K distributor matter inquiry related costs	207	-	1,204	-
Tax refund related charges	2,714	-	2,714	-
Restructuring	-	(134)	-	3,428
Acquisition related gains and expenses	809	92	1,575	825
Non-GAAP Income From Operations	<u>\$ 14,671</u>	<u>\$ 8,868</u>	<u>\$ 24,269</u>	<u>\$ 17,143</u>
Percentage of Total Net Revenue	11.6%	7.6%	9.9%	7.8%
Other Income, As Reported	\$ 2,955	\$ 88	\$ 3,266	\$ 30
Gain on sale of other investments and other	(2,500)	-	(2,500)	-
Non-GAAP Other Income	<u>\$ 455</u>	<u>\$ 88</u>	<u>\$ 766</u>	<u>\$ 30</u>
Percentage of Total Net Revenue	0.4%	0.1%	0.3%	0.0%
Income From Continuing Operations Before Income Taxes, As Reported	\$ 10,746	\$ 6,226	\$ 16,641	\$ 8,366
Share-based compensation expense	3,150	2,772	5,401	4,554
B-K distributor matter inquiry related costs	207	-	1,204	-
Tax refund related charges	2,714	-	2,714	-
Restructuring	-	(134)	-	3,428
Acquisition related gains and expenses	809	92	1,575	825
Gain on sale of other investments and other	(2,500)	-	(2,500)	-
Non-GAAP Income From Continuing Operations Before Income Taxes	<u>\$ 15,126</u>	<u>\$ 8,956</u>	<u>\$ 25,035</u>	<u>\$ 17,173</u>
Percentage of Total Net Revenue	12.0%	7.6%	10.2%	7.8%

Non-GAAP Statements of Operations Reconciliation (continued)

(In thousands, except per share data)

	Three months Ended		Six months Ended	
	January 31, 2012	January 31, 2011	January 31, 2012	January 31, 2011
Income From Continuing Operations, As Reported	\$ 19,615	\$ 5,296	\$ 23,641	\$ 6,677
Share-based compensation expense	2,143	1,833	3,694	3,039
B-K distributor matter inquiry related costs	133	-	772	-
Tax refund and related charges	(8,285)	-	(8,285)	-
Restructuring	-	(120)	-	2,354
Acquisition related gains and expenses	519	(325)	1,010	140
Gain on sale of other investments and other	(1,603)	-	(1,603)	-
Non-GAAP Income From Continuing Operations	<u>\$ 12,522</u>	<u>\$ 6,684</u>	<u>\$ 19,229</u>	<u>\$ 12,210</u>
Percentage of Total Net Revenue	9.9%	5.7%	7.9%	5.5%
Diluted Net Income Per Share From Continuing Operations, As Reported	\$ 1.59	\$ 0.42	\$ 1.88	\$ 0.53
Effect of non-GAAP adjustments	(0.57)	0.11	(0.35)	0.43
Non-GAAP Diluted Net Income Per Share From Continuing Operations	<u>\$ 1.02</u>	<u>\$ 0.53</u>	<u>\$ 1.53</u>	<u>\$ 0.96</u>
Net Income, As Reported	\$ 19,615	\$ 5,296	\$ 23,641	\$ 7,890
Share-based compensation expense	2,143	1,833	3,694	3,039
B-K distributor matter inquiry related costs	133	-	772	-
Tax refund and related charges	(8,285)	-	(8,285)	-
Restructuring	-	(120)	-	2,354
Acquisition related gains and expenses	519	(325)	1,010	140
Gain on sale of other investments and other	(1,603)	-	(1,603)	-
Gain on sale of discontinued operation	-	-	-	(924)
Non-GAAP Net Income	<u>\$ 12,522</u>	<u>\$ 6,684</u>	<u>\$ 19,229</u>	<u>\$ 12,499</u>
Percentage of Total Net Revenue	9.9%	5.7%	7.9%	5.7%
Diluted Net Income Per Share, As Reported	\$ 1.59	\$ 0.42	\$ 1.88	\$ 0.62
Effect of non-GAAP adjustments	(0.57)	0.11	(0.35)	0.37
Non-GAAP Diluted Net Income Per Share	<u>\$ 1.02</u>	<u>\$ 0.53</u>	<u>\$ 1.53</u>	<u>\$ 0.99</u>



Non-GAAP Segment Financial Reconciliation (continued)

(In thousands, except per share data)

	Three months Ended				
	January 31, 2011	April 30, 2011	July 31, 2011	October 31, 2011	January 31, 2012
Medical Imaging					
Income From Operations, As Reported	\$ 3,503	\$ 4,746	\$ 2,744	\$ 5,482	\$ 2,530
Share-based compensation expense	1804	1,774	1,428	1,208	1,751
B-K distributor matter inquiry related costs	-	-	-	-	-
Tax refunds related charges	-	-	-	-	2,198
Restructuring	(85)	-	1,377	-	-
Acquisition related gains and expenses	734	732	732	733	733
Non-GAAP Income From Operations	\$ 5,956	\$ 7,252	\$ 6,281	\$ 7,423	\$ 7,212
Percentage of Total Net Revenue	8.2%	9.7%	7.7%	10.2%	9.6%
Ultrasound					
Income From Operations, As Reported	\$ 2,091	\$ 615	\$ (109)	\$ (341)	\$ 4,704
Share-based compensation expense	552	539	597	725	963
B-K distributor matter inquiry related costs	-	-	-	997	207
Tax refunds related charges	-	-	-	-	-
Restructuring	(34)	-	2,120	-	-
Acquisition related gains and expenses	(642)	55	33	33	76
Non-GAAP Income From Operations	\$ 1,967	\$ 1,209	\$ 1,731	\$ 1,414	\$ 5,950
Percentage of Total Net Revenue	5.8%	3.7%	5.0%	4.1%	14.5%
Security Technology					
Income From Operations, As Reported	\$ 544	\$ 336	\$ 4,978	\$ 443	\$ 557
Share-based compensation expense	416	430	316	318	436
B-K distributor matter inquiry related costs	-	-	-	-	-
Tax refunds related charges	-	-	-	-	516
Restructuring	(15)	-	141	-	-
Acquisition related gains and expenses	-	-	-	-	-
Non-GAAP Income From Operations	\$ 945	\$ 766	\$ 5,435	\$ 761	\$ 1,509
Percentage of Total Net Revenue	9.1%	7.5%	28.2%	7.2%	15.0%
Analogic					
Income From Operations, As Reported	\$ 6,138	\$ 5,697	\$ 6,703	\$ 5,584	\$ 7,791
Share-based compensation expense	2,772	2,743	2,341	2,251	3,150
B-K distributor matter inquiry related costs	-	-	-	997	207
Tax refunds related charges	-	-	-	-	2,714
Restructuring	(134)	-	3,638	-	-
Acquisition related gains and expenses	92	787	765	766	809
Non-GAAP Income From Operations	\$ 8,868	\$ 9,227	\$ 13,447	\$ 9,598	\$ 14,671
Percentage of Total Net Revenue	7.6%	7.9%	9.9%	8.1%	11.6%

