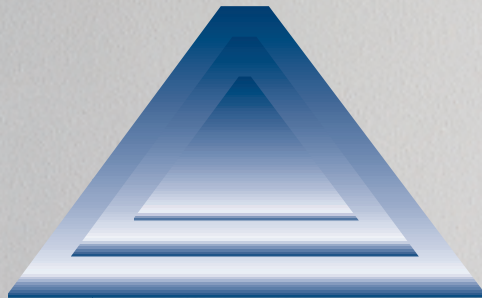


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ANALOGIC ■
*The World Resource
for Health & Security Technology*

Financial Highlights

For the Fiscal Years Ended July 31, 2001 and 2000 (in thousands, except per share data)

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<i>Revenues</i>	\$360,576	\$291,581
<i>Pretax Income</i>	22,553	21,092
<i>Net Income</i>	15,231	14,066
<i>Earnings per Share: Basic</i>	\$ 1.18	\$ 1.10
<i>Earnings per Share: Diluted</i>	\$ 1.17	\$ 1.09

Safe Harbor Statement

This report may contain projections or other forward-looking statements regarding future events or the future financial performance of the Company that involve risks and uncertainties. Readers are cautioned that these forward-looking statements are only predictions and may differ materially from actual future events or results. Readers are referred to the document filed by Analogic with the SEC, specifically the most recent reports on Form 10-K, and 10-Q, including amendments thereto, which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements, including risks associated with acquisition strategy, dependence on new product offerings, competition, patents, intellectual property and licensing, future growth, rapid technological and market change, manufacturing and sourcing risks, Internet infrastructure and regulation, international operations, volatility of stock price, financial risk management, and potential volatility in operating results, among others.

A N A L O G I C C O R P O R A T I O N & S U B S I D I A R I E S

Selected Financial Data (in thousands, except per share data)

	Years Ended July 31,				
	2001	2000	1999	1998	1997
Summary of Operations					
Net revenue:					
Product	\$320,108	\$255,250	\$242,853	\$260,517	\$222,033
Engineering	27,706	23,293	18,092	16,045	17,517
Other revenue	12,762	13,038	12,015	12,036	11,591
Total net revenue	360,576	291,581	272,960	288,598	251,141
Gross margin	123,087	108,790	110,130	116,616	103,109
Income from operations	15,907	16,797	23,567	34,299	25,640
Net income	15,231	14,066	19,185	23,771	18,769
Net income per common share:					
Basic	\$ 1.18	\$ 1.10	\$ 1.51	\$ 1.88	\$ 1.49
Diluted	\$ 1.17	\$ 1.09	\$ 1.50	\$ 1.86	\$ 1.48
Cash dividends declared per common share (1)	\$ 0.28	\$ 0.28	\$ 0.27	\$ 0.23	\$ 0.20
Number of common shares:					
Basic	12,950	12,817	12,683	12,614	12,554
Diluted	13,055	12,883	12,791	12,793	12,702
Financial Position					
Cash, cash equivalents, and marketable securities	\$122,912	\$116,374	\$124,202	\$121,800	\$114,450
Working capital	224,499	212,977	205,872	200,718	186,131
Total assets	352,519	333,201	312,699	301,053	280,628
Long-term liabilities	6,695	5,639	6,714	7,704	8,614
Stockholders' equity	300,137	277,761	265,635	249,817	226,891

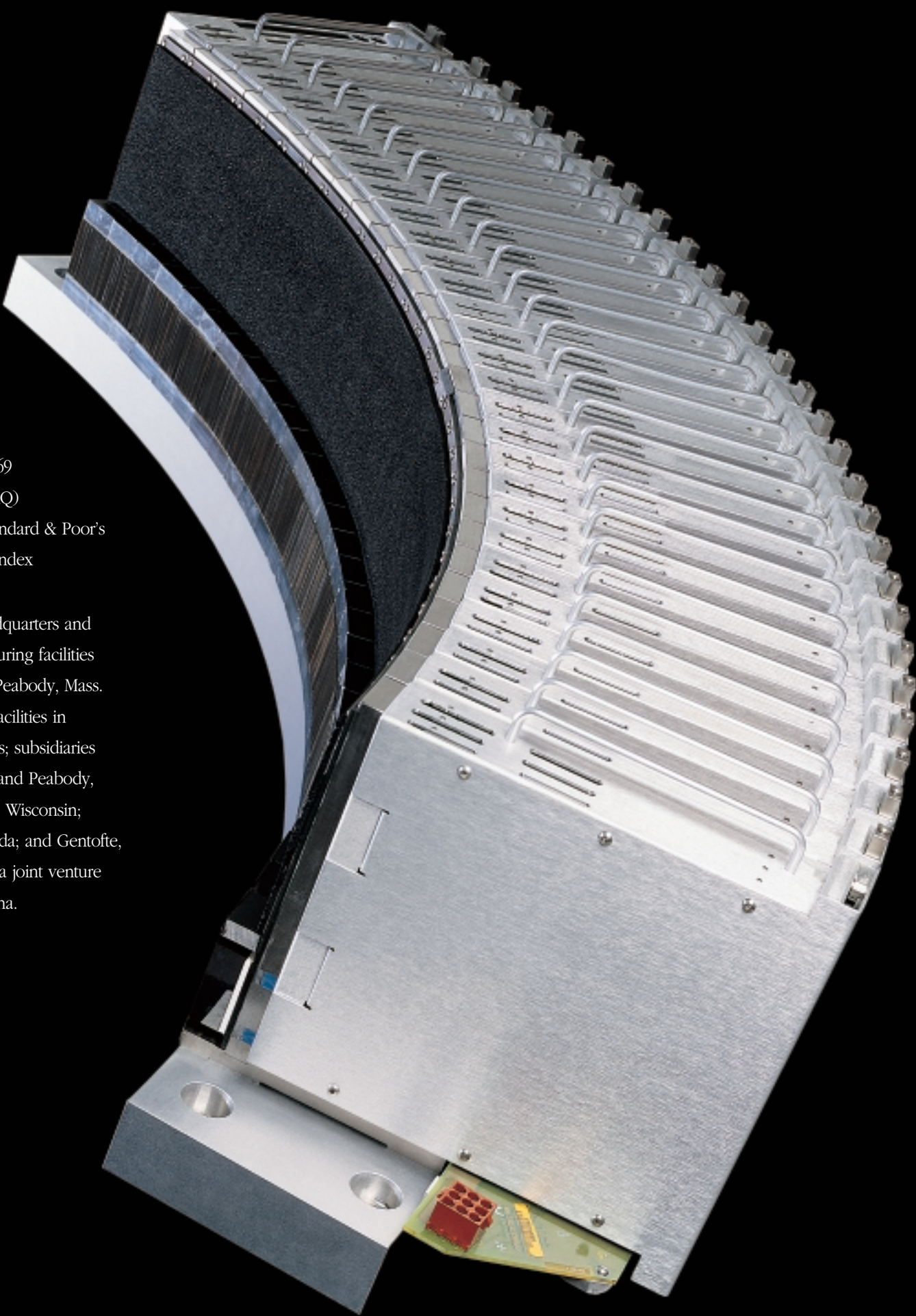
(1) Dividends of \$.07 per share were declared for each of the quarters of fiscal 2001 and fiscal 2000. The policy of the Company is to retain sufficient earnings to provide funds for the operation and expansion of its business.

Common Stock Market Prices

The Company's Common Stock trades on the NASDAQ Stock Market under the symbol: ALOG. The following table sets forth the range of high and low prices for the Common Stock, as reported by NASDAQ during the quarterly periods indicated:

	NASDAQ Stock Market			
	This Year		Last Year	
	8/1/00 — 7/31/01		8/1/99 — 7/31/00	
	High	Low	High	Low
First Quarter (8/1 — 10/31)	\$44.75	\$33.13	\$37.00	\$23.00
Second Quarter (11/1 — 1/31)	47.88	33.88	37.50	25.00
Third Quarter (2/1 — 4/30)	49.10	37.75	50.25	32.56
Fourth Quarter (5/1 — 7/31)	50.00	37.43	46.69	30.25

As of August 31, 2001, there were approximately 855 holders of record of the Common Stock.

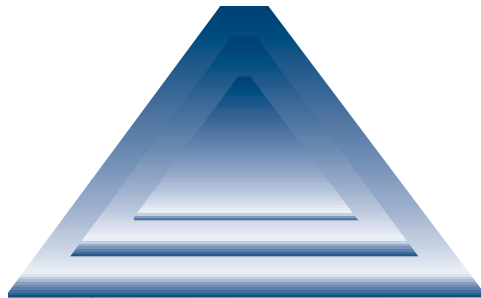


Founded in 1969
ALOG (NASDAQ)
Included in Standard & Poor's
SmallCap 600 Index

Analogic's headquarters and main manufacturing facilities are located in Peabody, Mass. We also have facilities in Wakefield, Mass; subsidiaries in Chelmsford and Peabody, Mass; Hartland, Wisconsin; Montreal, Canada; and Gentofte, Denmark; and a joint venture in Shekou, China.

Analogic conceives, designs, develops and manufactures some of the world's most innovative advanced medical and security imaging systems and subsystems. For decades, we have been recognized as a world leader in acquiring real world – or analog – signals and converting them at high-speed into digital format for processing by computers. We know what it takes to precisely acquire, convert, condition, process, communicate and display electronic signals, processes that are at the heart of the world's most advanced imaging equipment.

The breadth of our technology is marketed at three distinct levels as represented by the icons on these pages. On the first level we design, develop, and manufacture complex electronic imaging subsystems for medical and security imaging Original Equipment Manufacturers (OEMs). Approximately three-quarters of the data acquisition systems (*shown left*) used in Computed Tomography (CT) systems worldwide and approximately half the power systems used in Magnetic Resonance Imaging (MRI) have been designed and manufactured by Analogic. We have also designed and manufactured the electronics for several generations of the most advanced laser imagers, leading-edge X-ray detectors and innovative ultrasound subsystems.



On the second level, we design complete imaging systems for OEM customers. The experience and insights we have gained integrating critical subsystems into our customers' complex equipment and our considerable mechanical design capabilities enable us to design and develop innovative complete systems (*shown front cover*). Our expanding capabilities were recognized with our introduction of the world's first lightweight, mobile CT and have enabled us to develop a dynamic OEM imaging systems business. We have developed and are supplying five different CT scanners for medical and security imaging, as well as digital radiography and physiological monitoring systems. We believe that our products are among the most innovative and affordable in the industry, helping forge new applications and markets for our customers.

On the third level, Analogic subsidiaries develop and manufacture advanced solutions for niche end-user markets. These subsidiaries augment their rich, highly specialized, imaging application knowledge by drawing on Analogic's core technologies and considerable systems experience to develop niche market systems.

The continual need for more effective and more affordable medical and security imaging presents technological challenges at all three levels. We believe each market represents significant opportunities for Analogic and its 1830 employees, especially our design team of more than 500 engineers, scientists, mathematicians, and technicians.

Fellow Shareholders:

Our revenues for the year ended July 31, 2001, were a record \$360,576,000, an increase of 24% over our prior year's revenues of \$291,581,000. Net income for the twelve-month period was \$15,231,000, or \$1.17 per diluted share, compared with \$14,066,000, or \$1.09 per diluted share, for fiscal year 2000. Our cash position remains strong with



cash and marketable securities of \$122.9 million. At fiscal year end our book value had increased to \$22.70 per share and our current ratio was 6.1 to 1.

Revenues for the fourth quarter and the year reached record levels, but earnings fell below prior expectations in what proved to be a difficult and challenging year. Our medical systems and subsystems businesses, which represent about three fourths of our total revenues, experienced solid growth. However, our industrial businesses, which had performed well early in the year, suffered the effects of the drastic economic downturns in the semiconductor and telecommunications industries. This had a significant negative effect on earnings for the second half and the year.

Over the past year we incurred significant losses in the operations of Anatel, the recently formed telecommunications subsidiary, including a fourth-

quarter write-down of \$3,200,000 of certain assets relating to its Voice over Internet Protocol business. Our Test & Measurement business, which had been growing dynamically at the beginning of fiscal 2001, also incurred a significant operating loss for the year. It appears that sluggishness in these markets will continue for some time, and

we have taken several steps to reduce the impact on our business. Staffing levels have been reduced in both groups, and we are committed to limiting further losses in these areas. Conversely, SKY Computers, our subsidiary that supplies advanced multiprocessing systems and subsystems to industrial, medical, defense, and security markets, enjoyed substantial growth during the year.

In view of recent events, we are refocusing our overall activities so as to concentrate our substantial technological and production resources in the areas of health imaging and security detection subsystems and systems, as described in this report.

Health – Medical revenues grew substantially during the year. Sales of medical Computed Tomography (CT) systems and physiological monitors increased,

and two of our medical subsidiaries, Camtronics and B-K Medical, enjoyed solid growth. Both also expanded their capabilities during the year. In October 2000, Camtronics Medical Systems acquired the Cardiology Systems Group from ADAC Laboratories. Camtronics integrated ADAC's CorCAAT™, an advanced hemodynamic

and database management system for cardiac catheterization labs, into its flagship VERICIS® Integrated Cardiovascular Repository™.

In March Camtronics took an equity position in CardioWorks™, a company that provides a digital cardiac record solution for cardiology group practices. The addition of CardioWorks to Camtronics' VERICIS has created the first system to give cardiologists access to the complete Digital Integrated Cardiac Record that includes in-patient and out-patient data. During the year Camtronics also completed construction of a 35,000 square foot expansion of its headquarters in Hartland, Wisconsin, virtually doubling its facilities.

During the fourth quarter, B-K Medical acquired from American Acoustic Imaging Technologies Corporation (AITC), the intellectual property rights to manufacture AITC's transducer arrays. Production was transferred to B-K Medical's headquarters over the



summer and the first in-house production of arrays begins this fall. This acquisition has enhanced B-K Medical's position as the leading supplier of specialized transducers for surgical and urological ultrasound. In May B-K Medical announced the beginning of construction of a new 135,000 square foot facility in Herlev, Denmark, which

is scheduled for completion in May 2002. We are optimistic regarding the continuing opportunities for growth by Camtronics and B-K Medical.

In the fourth quarter the advanced selenium detector technology developed by our Anrad subsidiary was used to take its first high-resolution images of the human breast. Clinical reviews were very favorable. We also introduced several new Data Acquisition Systems (DASs) for Computed Tomography (CT) and a new low-cost AN8285 Integrated Gradient Power System for Magnetic Resonance Imaging (MRI). We shipped the first prototype of our new digital ultrasound engine to an Original Equipment Manufacturer (OEM) customer, who will be using the system to image the inside of the heart, and prototypes of two digital radiography systems to another major OEM customer. We also agreed to become the exclusive

supplier of capital equipment for a new ultrasound customer, which includes manufacturing their current products and jointly developing new products that we will manufacture for them.

Although we believe that the healthcare industry is a lagging economic indicator, recent events also raise concerns regarding capital expenditures in healthcare in the near future. The industry is a very dynamic one, with a rapidly changing landscape that affects both our customers and us.

As was previously announced, one of our major customers recently informed us that due to their intention to make a major acquisition, since completed, in the field of Computed Tomography, they are planning to source their CT products from the entity acquired instead of from Analogic. The potential impact of this decision on revenues would be somewhat limited until fiscal 2003. We are negotiating with that customer to replace that specific business with other substantial business.

To address the significant challenges for the Company in the months ahead, we are renewing emphasis on developing or acquiring new technologies to enable us to better exploit the opportunities we foresee. For that reason, subsequent to the end of the fiscal year, we acquired a 19% interest in Cedara Software Corporation (NASDAQ: CDSW; TSE: CDE) of Mississauga, Ontario, Canada. Cedara is the leading independent provider of imaging software technology and custom imaging software development for Original Equipment Manufacturers in the healthcare industry. We believe that working together, Analogic and Cedara will be able to offer more advanced comprehensive imaging solutions to our customers in a number of rapidly evolving OEM markets, including the field of security imaging.

In July we also acquired the remaining outstanding shares of Camtronics Medical Systems Ltd.,

approximately 18%, making it a wholly owned subsidiary. We view this as part of a natural progression that demonstrates our commitment to Camtronics and its strategic business direction.

Security – The attacks of September 11 have heightened awareness of the need for increased security and the potential benefits of sophisticated imaging technology for such applications. We therefore anticipate significant renewed activity in our security detection imaging business.

Several years ago Analogic developed the EXACT™, or EXplosive Assessment Computed Tomography system, the only computed tomography security scanner in the world able to provide the data to reconstruct full three-dimensional images of the entire contents of a bag or parcel. The EXACT is the heart of the eXaminer 3DX 6000™* Explosive Detection System (EDS), the first second-generation EDS certified by the Federal Aviation Administration to scan checked airline luggage.

Approximately 25 eXaminer 3DX 6000 systems have been sold, but the demand for EDS systems languished due to a very low perceived threat. That perception was dramatically altered by the events of the 11th, which we believe will lead to increased demand for advanced imaging devices in diverse security applications.

Aware that the cost of large EDS systems virtually prohibited their deployment for the more numerous, smaller airports, in May 2000 the FAA awarded grants to three companies to develop prototypes of more affordable scanners. These systems should provide the same high degree of performance as the larger systems, but at somewhat lower throughput. Two of those companies contracted with Analogic to de-

*eXaminer 3DX 6000 is a trademark of L-3 Communications, Inc.

sign, develop and manufacture CT portions of these smaller explosive detection systems. We anticipate that both of these systems will be certified and be moving toward production before the end of the current fiscal year.

Because of the importance of and the anticipated demands for these systems, we are doing everything possible to expedite their final stages of development and production.

International Security Systems (ISS), our security imaging subsidiary, had pioneered the marketing of the EXACT for other security imaging applications, such as screening luggage for cruise lines and customs stations or screening packages for corporate mail rooms or high-security buildings. We anticipate these markets will evolve relatively quickly and are already working on proposals for the design and development of very low-cost CT scanners to scan carry-on luggage for aircraft and other forms of transportation. We are also carefully examining several additional opportunities to innovatively apply our extensive technical knowledge to advance security imaging for other applications.

Conclusion—In summary, the year ahead looks to be a difficult one, fraught with many challenges. We expect earnings during the first half of the current fiscal year will be below recent levels. To date Analogic, overall, has never experienced a loss, and we are striving to maintain that record. Therefore, stringent steps are being taken to further reduce costs wherever possible without affecting our ability to deliver superior product to our customers on time and on budget. Our outlook for the second half of the fiscal year is cautiously optimistic.

The year also appears to offer some exciting opportunities for Analogic in the areas of health and security technology. We believe that our technical and economic strength and our reputation for inventive product development will enable us to weather what, at this time, appears to be an inevitable recession and exploit many of those opportunities. With the support of the loyal employees of Analogic, to whom we are grateful for their talents and efforts, and with the collective experience of our management team, we are confident of the Company's success.

Sincerely,



Bernard M. Gordon
*Chairman of the Board**

**Designated Executive Chairman on October 26, 2001*



Thomas J. Miller
President and Chief Executive Officer

November 6, 2001

pdjud



C O M P L E X S U B S Y S T E M S

CT & DR Subsystems – Analogic became a recognized leader in digital imaging technology over twenty-five years ago when a leading medical OEM asked if we could resolve a signal processing problem in the emerging medical imaging technique known as Computed Tomography. In solving this problem our engineering team invented instant imaging CT, making the modality practical for diagnostic use. We also invented techniques that improved the quality of X-ray images by orders of magnitude in accuracy and dynamic range.

Analogic quickly became a leader in the design and development of advanced imaging subsystems for medical imaging. We are the leading developer of complex Data Acquisition Systems (DASs) for CT. We continually develop new DAS designs for our OEM customers, based on proprietary Application-Specific Integrated Circuits (ASICs). We reduce DAS size and cost, and improve capabilities, such as enabling thousands of channels of data acquisition for the newest, very complex multi-slice CTs. Our engineers also develop advanced X-ray detectors, including an innovative DAS/detector combination that lowers costs and provides unmatched stability and performance.



Our knowledge of X-ray detection and data acquisition is now being applied to Digital Radiography (DR). Compared to conventional X-ray film, DR can provide better image quality at lower doses while significantly improving clinical workflow and reducing costs. The key component in DR is the solid-state, flat-panel digital X-ray detector. While both direct and indirect detectors are being developed by the industry, we have chosen to develop direct detectors, which have the distinct advantage of converting X-rays directly into a measurable electrical signal. Indirect detectors convert X-rays into visible light, which then is converted to an electrical signal. The additional steps or conversions lead to significant loss of sensitivity and to imaging artifacts.

Our Anrad subsidiary, working closely with Analogic's top engineers, is developing direct flat-panel digital X-ray detectors based on an amorphous-selenium-coated Thin-Film-Transistor (TFT) array. Anrad holds many patents on the amorphous selenium coating technology, which is key to the efficient and uniform direct-conversion of X-rays into electrical signals. Anrad's selenium coating, combined with Analogic's advanced detector electronics, provide images we believe are clearly superior to other Digital Radiographic technologies or film.

Anrad is developing, on an OEM basis, a family of direct digital X-ray detector plates for radiology, mammography (*shown left*), and cardiology applications that is attracting considerable interest from major medical equipment manufacturers.

Magnetic Resonance Imaging & Ultrasound – Analogic is the world's leading supplier of advanced Magnetic Resonance Imaging (MRI) power systems and subsystems to manufacturers and system integrators. MRI is a non-invasive, low-risk, imaging modality that uses radio waves and magnetic fields to acquire volumetric information related to the internal structures and functions of the body. MRI data may be used to construct two- or three-dimensional images of anatomical structures, particularly soft tissues such as the brain.

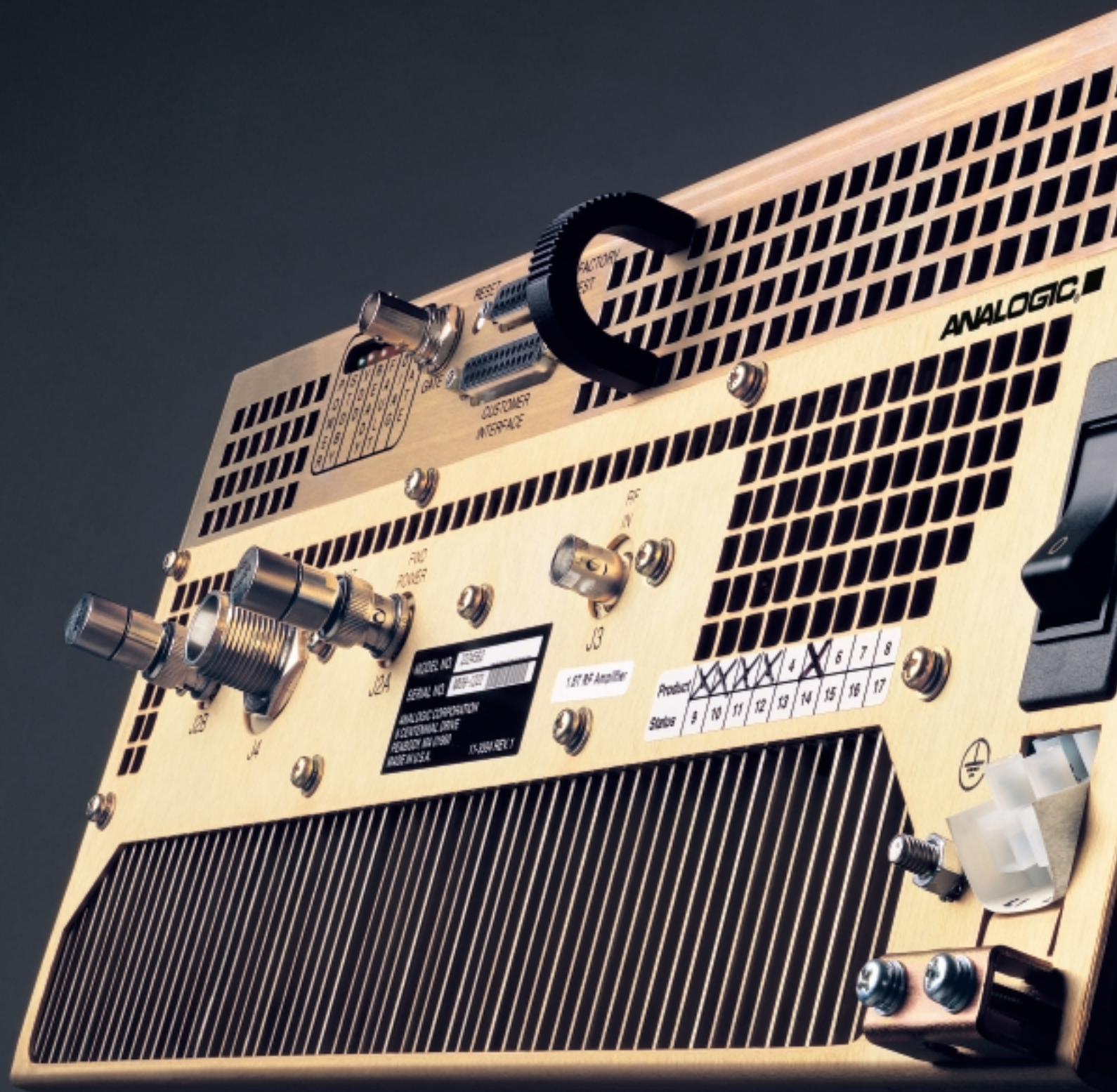
Radiologists continually seek higher magnetic field strengths to achieve higher resolution images for improved diagnoses, and faster data acquisition to increase patient throughput, making MRI affordable for more patients. An innovator in MRI power systems for almost two decades, we have developed an extensive family of standard compact, cost-effective, solid-state Radio Frequency (RF) amplifiers, such as the AN8102 (*shown right*), and Gradient Coil (GC) amplifiers, based on our proprietary designs. Our high-power, solid-state, low-noise RF amplifiers, with patented topology, replace larger, more expensive, less reliable tube amplifiers, and enable new, higher-speed imaging techniques. We also supply custom RF and GC amplifiers, and what we believe to be the world's only Integrated Power System (IPS) for MRI. The IPS combines a GC system, RF power amplifiers and a common power supply in a compact cabinet, reducing space requirements and shipping and installation costs while contributing to faster interface development.

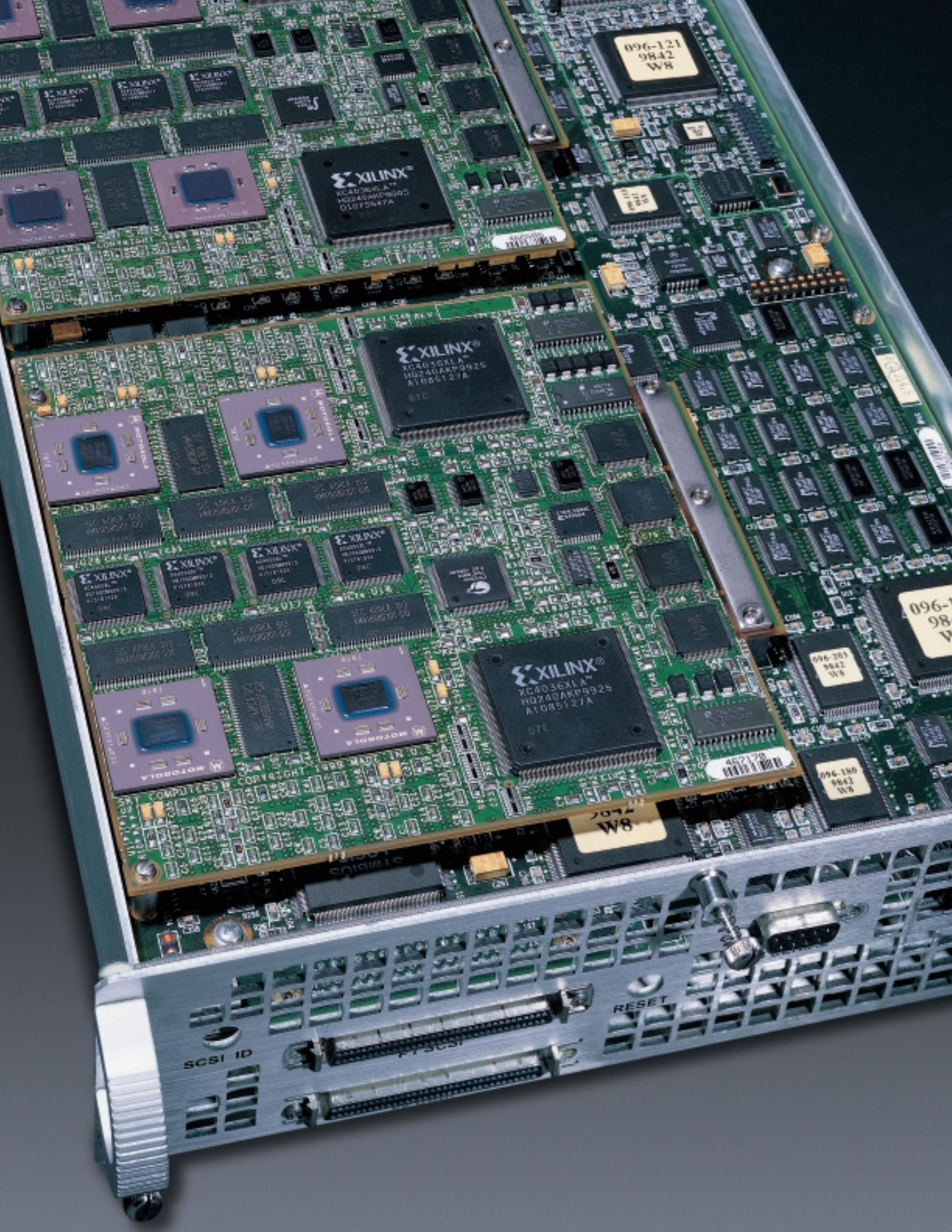


Ultrasound, the second most commonly used medical imaging modality, is relatively inexpensive, free of ionizing radiation, and provides continuous real-time images. We develop advanced ultrasound subsystems, such as digital beamformers, front ends, and video-merge subsystems, that enable OEM customers to bring new systems to market quicker and at less cost, or to address new niche markets that otherwise might not justify the cost of developing an imaging platform.

An exciting new era in medical imaging is beginning with tremendous strides being made in the development of new interventional and therapeutic procedures, many of which require low-cost, real-time imaging. For a number of these applications, ultrasound is the modality of choice.

Analogic has developed the unique concept of the digital ultrasound “engine,” which provides all the hardware and real-time software necessary to acquire, process, and convert ultrasound echo information into a video display. We use industry-standard PC platforms to accelerate system development, integration, and time to market, and enable our customers to take advantage of the continuous increases in PC processing power. Third-party software, such as 3-D processing or DICOM, is easily integrated. A complete “turnkey” system can be created quickly by adding transducers, a unique user interface, ergonomic packaging, clinical software applications, and a display.





High-Performance Multiprocessing – Medical and security imaging and intelligence gathering require the ability to mathematically manipulate enormous data sets to create and display sharp, detailed images in real or near-real time. That is the domain of our SKY Computers subsidiary. They build powerful, scaleable, fully integrated, commercial multiprocessor boards and systems for applications that previously required very expensive supercomputers. This approach keeps hardware costs down and enables their customers to take advantage of continuous advances in hardware processing speed, power, and size.

The AltiVec™ PowerPC™-based Merlin multiprocessor, the foundation of SKY's systems, can perform sixteen billion floating point operations per second. Their multiprocessor architectures include system interconnects that scale bandwidth to the number of processors used, and flexible input/output (I/O) capabilities to deliver the highest possible performance using minimal space and power. Software development tools are provided to optimize performance and accelerate processing.

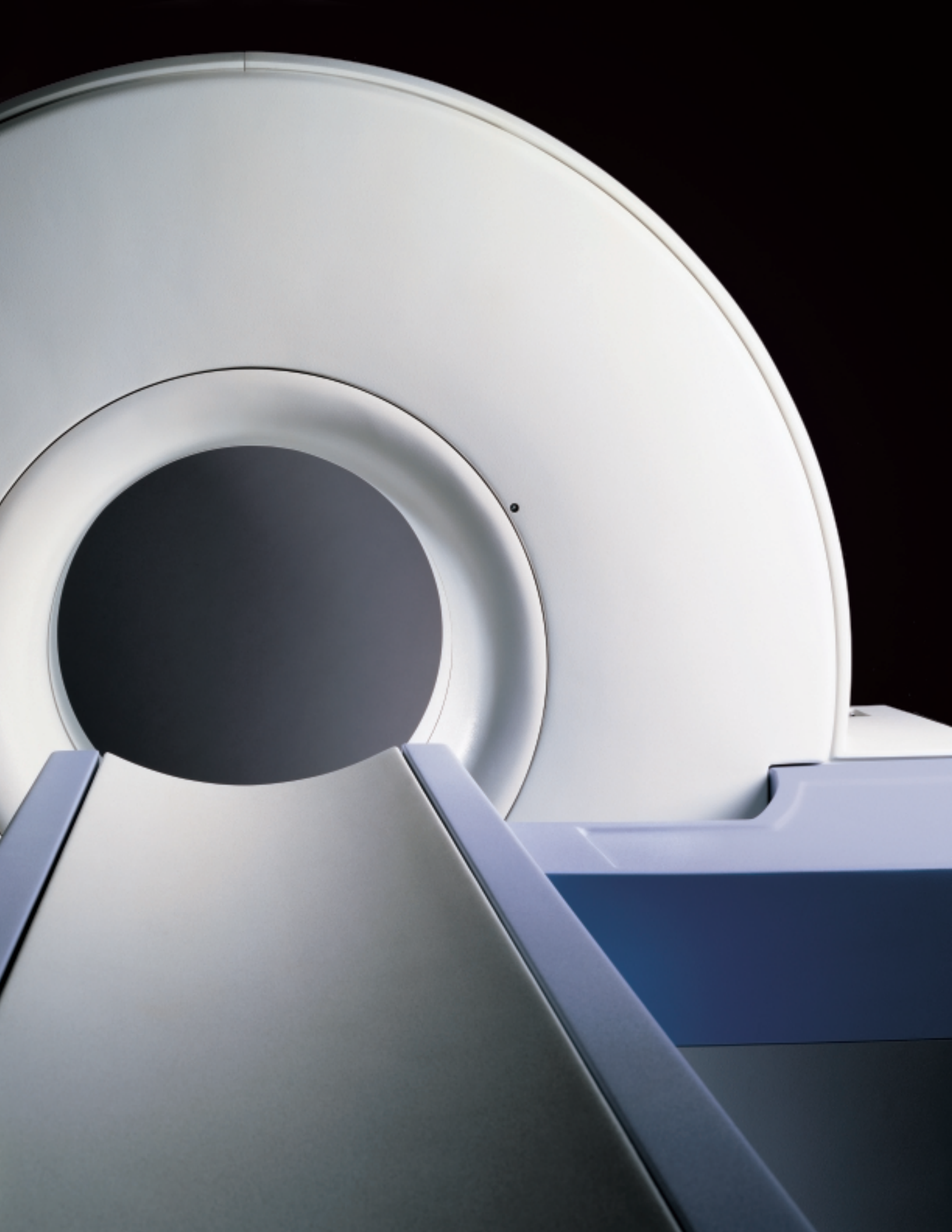
SKY's Flexible Multiprocessor Architecture (FMA) uses the advanced SKYvec® development environment as the standard Application Programming Interface (API), so that software programs do not have to be rewritten each time hardware technology advances. An open architecture ensures both forward and backward compatibility of legacy hardware and software, saving customers both critical time to market and substantial



future reprogramming costs. A series of very affordable, fully configured, plug-and-play development systems are also available. Customers can mix and match processors, memory and I/O to meet their specific requirements.

Multiprocessing subsystems and systems from SKY are integrated into many MRI and CT systems. The SKYpack™ reconstruction computer (*shown left*) is a critical component in the Analogic EXplosives Assessment CT (EXACT™) system. Their embedded multiprocessor systems are also used in extremely data-intense defense imaging applications such as radar and sonar applications, including leading-edge, foliage-penetrating radar capable of identifying camouflaged military equipment.

The first multiprocessor system vendor to offer standard ruggedized systems, SKY recently introduced the Xtreme™ family of rugged multiprocessing systems. These hardened systems can operate in unusually stressful conditions where low temperatures, shock or significant chassis vibration are often encountered, such as in aircraft or missiles. These rugged off-the-shelf multiprocessors can save security and defense programs and integrators considerable money as well as expedite the delivery of systems. For applications in unusually harsh environments, SKY provides specialized reformatting services, custom development and technology licensing options.



Computed Tomography (Medical) – Over the past twenty-five years we have acquired considerable insights into Computed Tomography (CT) system design and integration as we developed advanced data acquisition systems for most of the world's CT systems. This enabled us to design innovative complete CT systems. Our initial CT, the world's first compact, lightweight, mobile scanner, opened new applications for this technology in emergency rooms, trauma centers, intensive care units, and surgical theaters. Its design incorporated new levels of X-ray efficiency and excellent resolution at low levels of contrast. The revolutionary mechanical design and innovative use of new materials make CT affordable for many hospital departments around the world, including developing countries. Today we provide four different types of medical CT systems to OEM customers.

The achievements embodied in the mobile scanner led OEM customers to seek us out to develop systems for them. A low-cost stationary CT, similar to the mobile system, was designed for developing countries. We designed and are supplying a full-featured, mid-range helical CT scanner that provides a clinical utility comparable to scanners many times its price. It provides superb low-contrast resolution, exceptional detector dose



efficiency, unsurpassed volume scan time, and extremely fast image reconstruction. The system incorporates our advanced subsystems, including an extremely high signal-to-noise ratio data acquisition system and solid-state detectors that never require field recalibration.

We recently completed development of a rugged, very-low-cost CT scanner (*shown left*) for developing countries, where system cost and service capabilities are critical considerations. This revolutionary system consists of seven field-replaceable units, each of which can be installed and calibrated in less than two hours.

We've also developed a CT scanner beam line as part of an innovative dual-modality, or hybrid, imaging system that is creating new applications and markets. Placing the beam line on the gantry of a nuclear scanner combines the precise anatomical imaging of the CT with the functional imaging capabilities of the nuclear system, enabling clinicians to precisely locate specific regions of interest on the nuclear scan.

Our inventive CT software engineering team has developed a number of original techniques, including an application-specific "tool-box" for high-quality image reconstruction, modeling software that accurately predicts the image quality before a scanner is constructed, and a hybrid filtered-backprojection method of slice reconstruction for the industry's newest multi-slice scanners.

Computed Tomography (Security) –Our expertise in CT and high-speed signal and image processing enabled us to conceive and develop the world's most innovative CT scanner for security applications. The bombing of PAN AM Flight 103 in 1988 proved that explosives hidden in checked luggage could be used to bring down commercial aircraft. The U.S. Federal Aviation Administration (FAA) determined that CT is the best technology for rapidly identifying explosive materials in checked airline luggage and funded proposals to develop Explosive Detection CT scanners.

Subsequently, Analogic was asked by an OEM customer to design and develop the CT portion of an advanced Explosive Detection System (EDS). Our design team created the world's first multi-slice, dual-energy, helical-cone-beam CT scanner, the EXplosive Assessment CT (*EXACT™; shown right*). This scanner can examine the entire contents of a bag in approximately six seconds, providing the data for true three-dimensional images of any object in the bag in near-real time. The EXACT was incorporated into the eXaminer 3DX™ 6000, the first single-unit, second-generation EDS certified by the FAA. The eXaminer is marketed by L-3 Communications, Inc. which has exclusive rights to the EXACT for screening checked luggage for aircraft.

Large, high-throughput Explosive Detection Systems cost approximately one million dollars and require expensive modifications to airport facilities that might exceed the system's price. Recognizing that such



costs were prohibitive for smaller regional airports, the FAA awarded grants to three companies to develop more affordable CT scanners with the same high level of accuracy but lower throughput. Analogic has designed and developed low-cost CT scanner systems and subsystems for two of those companies. The complete system is a volumetric scanner that provides three-dimensional images of the entire contents of a bag. The CT subsystem incorporates patented Analogic technology. We will manufacture the CT portions of these two systems when they are certified and we are providing critical subsystems to the third company.

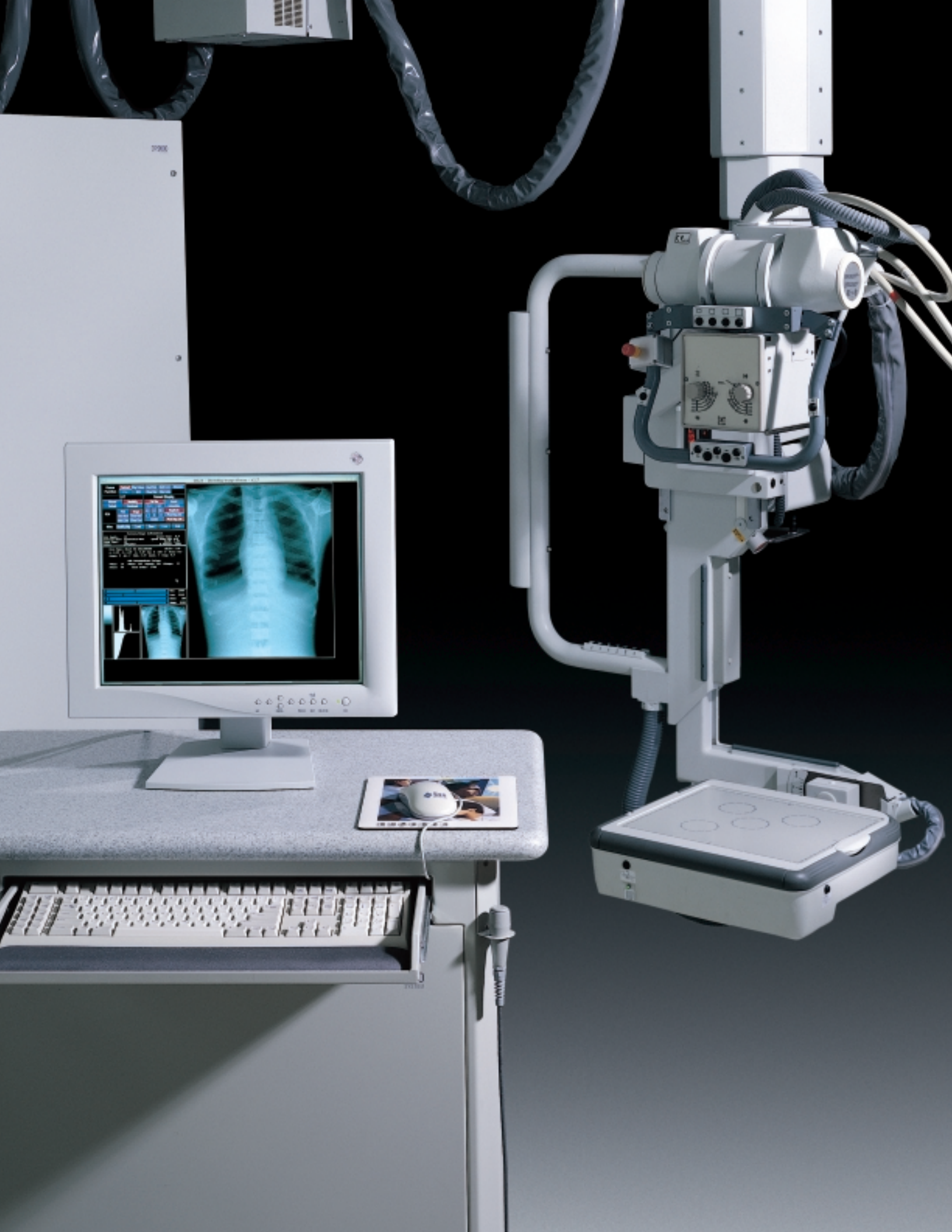
Our International Security Systems (ISS) subsidiary has pioneered the marketing of the EXACT and our core technologies that address other security imaging challenges, such as screening luggage for cruise lines and customs stations, or packages for mail rooms and high-security buildings. We have developed algorithms to detect sheet explosives, weapons, drugs and other contraband, and are currently working on proposals for rugged new low-cost CT scanners to examine carry-on luggage for aircraft. Such equipment could also provide new levels of security for other forms of transportation, buildings, and events.

We believe that, based on recent events, Analogic will be called upon to use its extensive understanding of imaging technology to develop a variety of affordable imaging solutions for safety and security.



EXACT
Exposure to Extreme Temperature

ANALOGIC
The Analogic Group
for High-Speed Technology



Digital Radiography – A majority of all medical X-ray images today are film-based; the film is the X-ray detector. This technology is about a century old, though some incremental improvements in X-ray sources and film resolution/sensitivity have been achieved through the years.

Digital Radiography (DR), due primarily to the special features of the latest generation of digital X-ray detector plates, promises to deliver nearly instantaneous images that are sharper than film, thereby improving patient throughput and reducing clinical operating costs. Our Anrad subsidiary is developing what many believe to be the most advanced DR detector plates.

Digital Radiography employs an X-ray source and a solid-state, flat-panel detector plate that spatially counts the X-rays transmitted through a patient's body. The digital data from the detector plate is then processed by a computer in near-real time to display an X-ray image, which is virtually immediately available for review and diagnosis and can be transmitted almost instantaneously over a hospital network or over the Internet, if necessary.

Using DR, a clinician knows quickly whether or not an X-ray image is suitable for diagnosis. There is no need to wait for film to be developed. A DR image has an inherently wider dynamic range than film. Typically, one DR image can be digitally manipulated using software to give an optimum view of several



different body structures that might otherwise require several shots on a film-based system, thereby reducing costs and the patient's exposure to radiation. DR images can also be archived easily and inexpensively on a hospital network and be available for review and consultation in near-real time. Traditional X-ray films require expensive chemical processing, large amounts of storage space, and labor-intensive delivery systems.

We are using our considerable knowledge of complete medical imaging systems, sophisticated mechanical design, and digital imaging to design, develop, and manufacture, on an exclusive basis for an OEM partner, an expanding family of complete Digital Radiography systems. We are providing a chest unit and a U-arm trauma system (*shown left*) designed to perform a full range of diagnostic procedures, including head, chest, skeletal and extremity exams and are developing several new systems for delivery in the near future.

Digital Radiography's inherent advantages over film are expected to accelerate the healthcare industry's transition to digital imaging. Although the initial expense of DR systems is currently greater than the conventional film-based systems they would replace, the diagnostic value and operational economies of DR strongly suggest that this rapidly evolving modality will replace conventional X-ray systems over the next decade.

Physiological Monitoring –Analogic develops and manufactures physiological monitoring products in partnership with major OEMs and has “semi-direct” distribution into select niche market segments. Historically, healthcare providers have focused much of their attention on the high acuity segment of the market, but this is changing. The demand for high-end monitors is declining, due to the increasing use of minimally invasive surgical procedures, advances in disease management, and pressures to control costs. Recent studies indicate that most “disease states” are treated more effectively and at lower cost in non-acute environments, such as the physician’s office or the patient’s home. These trends are creating a large demand for monitors that are versatile, reliable, affordable, and easy to use, hallmarks of Analogic’s physiological monitors. There is also a dramatic increase in the demand for such monitoring products in developing countries.

We have designed, developed, and are supplying two families of patient monitors – eight different models – to the world’s largest patient monitoring company. Both product lines measure non-invasive parameters, including oxygen perfusion, blood pressure, temperature, heart rate (ECG), and respiration. Some models offer a color display and include an integrated recorder. All offer readouts in up to eighteen different languages, auto-configurable alarms, and battery lives ranging from three to twelve hours. These monitors are ideal for emergency rooms, patient transport, conscious sedation anesthesia, the physician’s office, and some



home environments. Their light weight adds to the versatility of both families of monitors and allows them to be used in healthcare throughout the world.

This year we began shipping a new, very lightweight (five pound) antepartum fetal monitor (*shown right*) to an OEM customer. This flexible, compact system for non-stress testing and routine labor monitoring provides continuous fetal heart rate and uterine activity traces, and includes twins monitoring capabilities. The battery-powered unit is designed specifically for the private obstetrician’s office, antepartum clinics, and home monitoring. This product has also received strong acceptance in the developing world. It and the FETALGARD Lite™, which is sold through semi-direct distribution, have effectively redefined instrumentation for antepartum fetal monitoring.

We offer our OEM customers full turnkey support, including market analysis, product specification, clinical trials, regulatory submittals, service and operating manuals, direct end-customer shipment, and technical support. Capitalizing on our extensive knowledge of fetal monitoring ultrasound transducers and sophisticated Analogic-developed signal processing techniques, we will continue to advance the art of technology in this market to reduce costs and enhance performance.

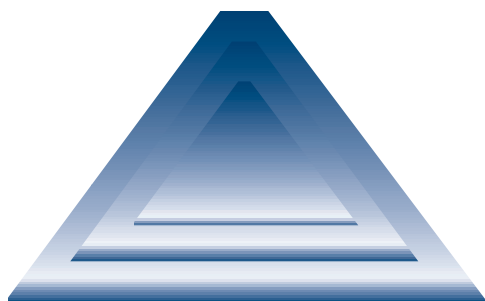




N I C H E S O L U T I O N S

Clinical Ultrasound –Two Analogic subsidiaries offer complete imaging solutions for highly specialized niche application markets. B-K Medical, our Danish subsidiary, is the leading provider of advanced ultrasound solutions for urology and surgery. B-K Medical's leadership is the result of their developing the industry's widest array of high-performance sterilizable ultrasound transducers for those applications. Transducers are the devices that generate and receive the ultrasound signals that provide the data for the image. B-K Medical originally developed and manufactured the first sterilizable ultrasound transducers, which made it practical for surgeons to perform minimally invasive surgery guided by ultrasound images. Such techniques dramatically reduce the risks to the patient, the recovery time required in the hospital, the overall cost of care, and the patient's healing time.

Working with Analogic's ultrasound engineers, B-K Medical recently developed a family of fifth-generation ultrasound systems. These advanced systems feature an innovative, patented, hybrid digital beamformer that facilitates cost-effective, high-frequency imaging, and provide superb image quality over the entire depth of the image. The scanners' images are so sharp they can expedite a more accurate diagnosis or improve guid-



ance of a biopsy needle. B-K Medical is the choice of many clinicians for such critical procedures as colo-rectal imaging, radioactive seed implantation for treating prostate cancer (*Brachytherapy*), and ultrasound-directed breast biopsy.

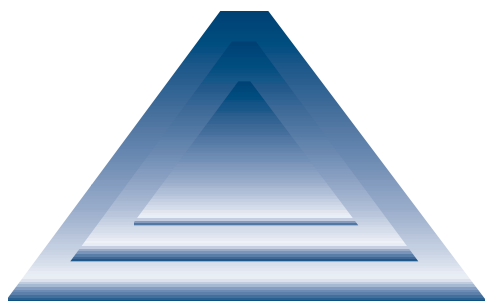
One of the newest members of the B-K Medical family is the high-definition, very-high-frequency Hawk 2102 XDI (*eXtended Diagnostic Imaging, shown left*) which provides the highest resolution in its class. The multipurpose 2102 XDI provides True Echo Harmonics; spectral, Color Flow Mapping and other advanced Doppler techniques; simultaneous triplex imaging, and an optional Palm Control Unit for remote operation. B-K Medical recently introduced the Surgical Hawk XDI, the first mobile ultrasound system with built-in docking capabilities to link with surgical towers in an operating room, enabling clinicians to see surgical and ultrasound images simultaneously on the same screen. Other members of the innovative family include two black-and-white scanners, the Merlin 1101, a portable scanner with superb image quality for the clinician's office and the operating room, and the Falcon 2101, a compact, very affordable system.

A unique combination of affordable high-resolution scanners and application-specific transducers positions B-K Medical to increase its leadership in growing niche ultrasound markets and strengthen its position in general imaging for emerging markets.

Cardiovascular Image & Information Management –Camtronics Medical Systems, our subsidiary based in Wisconsin, is the world's leading supplier of cardiovascular image and information management systems. Camtronics achieved a major technological milestone in 1994 when they pioneered filmless, digital network technology for cardiac catheterization departments. As a result, they now support the largest installed base of network archive systems in the industry. Building on that achievement and fifteen years' experience in cardiac imaging applications, Camtronics developed VERICIS® for Cardiology, an enterprise-wide image and information management system.

VERICIS is an Integrated Cardiovascular Repository that acquires and manages all data related to the diagnosis and treatment of cardiovascular disease, including images from multiple imaging modalities and data sources, clinical reports, and office visit data. VERICIS establishes a comprehensive digital patient folder that is immediately available to authorized clinicians throughout the healthcare enterprise.

Cardiovascular disease can span decades and generate a vast amount of patient data scattered among physicians and institutions. VERICIS eliminates these "islands of information" within diverse cardiovascular modalities, hospitals, clinics, and physicians' offices. This single, digital network also eliminates the significant delays associated with locating and collecting patient files and imaging studies.



Information in the system is organized around the patient, rather than the imaging technique or clinician. Diagnosis and treatment are expedited by making images, patient data, and reports immediately available to cardiologists, vascular surgeons, and other specialists on the network, including those connected via telecardiology at remote clinics and offices. Camtronics' Cardiac Review Station's advanced software enables clinicians to review and compare current and historical images side-by-side, across modalities. Single-session review, reporting and distribution capabilities significantly improve physician productivity.

The world's leading cardiovascular image and information management system, VERICIS is a modular platform that can begin with a single modality, such as the cardiac cath or echocardiography lab, and be expanded to a multi-modality, multi-institution information system. As the network grows, the clinical, operational, and economic benefits increase. Based on computing and healthcare informatics standards, VERICIS' hardware-independent architecture allows customers to exploit the latest advances in network and archive technology.

With our aging population, the number of cardiac patients is expected to increase dramatically over the next decade, but the number of cardiologists is not. With VERICIS, Camtronics is helping to make excellent cardiac care as cost-efficient as possible.



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The Company's annual report on Form-10K filed with the Securities and Exchange Commission, which provides additional information about the Company, is available to shareholders upon written request to the Treasurer of the Company.

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