SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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LECROY CORP

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2002

OR

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

Commission File Number 0-26634

LeCROY CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE (State or Other Jurisdiction of Incorporation or Organization)	13-2507777 (I.R.S. Employer Identification No.)
700 CHESTNUT RIDGE ROAD CHESTNUT RIDGE, NEW YORK (Address of Principal Executive Office)	10977 (Zip Code)

(845) 425-2000
(Registrant's Telephone Number, Including Area Code)

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

YES X NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS	OUTSTANDING AT JANUARY 27, 2003
Common stock, par value $.01 share	10,350,242

LeCROY CORPORATION
FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LeCROY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

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In thousands, except par value and share data	December 31, 2002	June 30, 2002
	(Unaudited)	
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 27,873	$ 27,322
Accounts receivable, net	21,442	24,096
Inventories, net	23,655	28,108
Other current assets	8,322	11,657
Total current assets	81,292	91,183
Property and equipment, net	20,775	21,354
Other assets	19,092	14,454
TOTAL ASSETS	$ 121,159	$ 126,991
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,801	$ 12,971
Accrued expenses and other liabilities	14,414	14,947
Total current liabilities	24,215	27,918
Deferred revenue and other non-current liabilities	4,046	4,302
Total liabilities	28,261	32,220
Redeemable convertible preferred stock, $.01 par value (authorized 5,000,000 shares; 500,000 shares issued and outstanding; liquidation value, $14,892 and $14,049 as of December 31, 2002 and June 30, 2002, respectively)	14,298	13,266
Stockholders' equity:		
Common stock, $.01 par value (authorized 45,000,000 shares; 10,350,242 and 10,323,071 shares issued and outstanding as of December 31, 2002 and June 30, 2002, respectively)	103	103
Additional paid-in capital	80,512	81,279
Warrants to purchase common stock	2,165	2,165
Accumulated other comprehensive loss	(2,782)	(3,695)
Retained earnings (deficit)	(1,398)	1,653
Total stockholders' equity	78,600	81,505

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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 121,159	$ 126,991

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

</TABLE>

LeCROY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
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In thousands, except per share data	Three months ended December 31, 2002	Three months ended December 31, 2001	Six months ended December 31, 2002	Six months ended December 31, 2001
<S>	<C>	<C>	<C>	<C>
Revenues:				
Digital oscilloscopes and related products	$ 24,382	$ 25,884	$ 46,855	$ 53,480
High-energy physics products	-	293	-	1,388
Service and other	2,255	2,196	4,773	4,270
Total revenues	26,637	28,373	51,628	59,138
Cost of sales (included in Q2 of FY`03 is $2,280 of asset impairment charges, and in Q2 of FY`02 is $3,601 of inventory charges; included in the six months of FY`03 is $2,280 of asset impairment charges and $204 of severance, and in the six months of FY`02 is $3,601 of inventory charges)	15,007	18,366	27,511	33,109
Gross profit	11,630	10,007	24,117	26,029
Operating expenses:				
Selling, general and administrative (included in Q2 of FY`02 is $1,928 of severance; included in the six months of FY`03 and FY`02 is $2,450 and $1,928 of severance, respectively)	9,363	11,294	20,461	20,799
Research and development	4,358	3,825	8,348	8,281
Total operating expenses	13,721	15,119	28,809	29,080
Operating loss	(2,091)	(5,112)	(4,692)	(3,051)
Other (expense) income, net	(47)	(19)	(151)	252
Loss before income taxes	(2,138)	(5,131)	(4,843)	(2,799)
Benefit from income taxes	791	1,921	1,792	1,435
Net loss	(1,347)	(3,210)	(3,051)	(1,364)
Charges related to convertible preferred stock	517	468	1,032	935
Net loss applicable to common stockholders	$(1,864)	$ (3,678)	$ (4,083)	$ (2,299)
Loss per common share applicable to common stockholders:				
Basic	$ (0.18)	$ (0.36)	$ (0.40)	$ (0.23)
Diluted	$ (0.18)	$ (0.36)	$ (0.40)	$ (0.23)
Weighted average number of common shares:				
Basic	10,340	10,216	10,332	9,850
Diluted	10,340	10,216	10,332	9,850

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

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LeCROY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

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In thousands	Six Months Ended December 31, 2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(3,051)	$(1,364)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,464	2,893
Deferred income taxes	(1,871)	(910)
Inventory charges and severance costs	-	3,772
Impairment of intangible assets	2,030	-
Change in operating assets and liabilities:		
Accounts receivable	3,327	3,539
Inventories	4,556	(2,199)
Other current and non-current assets	398	(174)
Accounts payable, accrued expenses and other liabilities	(4,392)	(7,752)
Net cash provided by (used in) operating activities	4,461	(2,195)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,482)	(2,307)
Purchase of intangible assets	(2,010)	-
Net cash (used in) investing activities	(3,492)	(2,307)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of borrowings	(45)	(42)
Proceeds from the issuance of common stock	-	23,231
Proceeds from employee stock purchase and option plans	245	575
Net cash provided by financing activities	200	23,764
Effect of exchange rate changes on cash	(618)	135
Net increase in cash and cash equivalents	551	19,397
Cash and cash equivalents at beginning of the period	27,322	11,449
Cash and cash equivalents at end of the period	$ 27,873	$ 30,846

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

</TABLE>

LeCROY CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying interim condensed consolidated financial statements include all the accounts of LeCroy Corporation (the "Company" or "LeCroy") and its wholly-owned subsidiaries. These condensed consolidated financial statements are unaudited and should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2002. The condensed consolidated balance sheet as of June 30, 2002 has been derived from these audited consolidated financial statements. Certain reclassifications have been made to prior-year amounts to conform to the current-year presentation. All material inter-company transactions and balances have been eliminated.

The Company's condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, which require management to make estimates and assumptions that affect the consolidated financial statements and related disclosures. These estimates and assumptions are based on judgment and available information and, consequently, actual results could differ from these estimates. In addition, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted.

These unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, that are, in the opinion of management, necessary for a fair statement of the financial position

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and the results of operations for the interim periods presented. Interim period operating results may not be indicative of the operating results for a full year.

2. RESTRUCTURING

During the first quarter of fiscal 2003, the Company adopted a plan to implement new management operating systems designed to improve processes in sales, order management, customer relationship management and financial performance management. These new systems are projected to improve operating efficiencies and to further reduce the Company's headcount requirements by 38 employees or approximately 9.3% as compared to June 30, 2002. In connection with the adoption of this plan, the Company recorded a charge for severance and other related expenses of $2.6 million; $0.2 million of which was recorded in Cost of sales and $2.4 million recorded in Selling, general and administrative expense in the Condensed Consolidated Statement of Operations for the six months ended December 31, 2002. As of December 31, 2002, $1.1 million of the total $2.6 million has been paid and $1.5 million remains accrued in Accrued expenses and other liabilities in the Condensed Consolidated Balance Sheet. Severance and other related payments under this plan will be completed by the end of fiscal 2004.

The Company took steps during fiscal 2002 to reduce its expenses in response to the continued weakness in the technology sector of the economy. As part of this effort, LeCroy reduced its workforce by 69 employees or approximately 15% as compared to June 30, 2001. In connection with these workforce reductions, the Company recorded a $4.3 million charge ($0.7 million in Cost of sales and $3.6 million in Selling, general and administrative expense) for severance and related expenses, including costs associated with the succession of the Company's Chief Executive Officer during the second quarter of fiscal 2002. Of the $4.3 million total charge, $4.1 million was initially credited to Accrued expenses and other liabilities and $0.2 million, representing a non-cash expense for the amendment of employee stock options, was credited to Additional paid-in capital. As of December 31, 2002, $3.2 million of the total $4.1 million has been paid and $0.9 million remains accrued in Accrued expenses and other liabilities in the Condensed Consolidated Balance Sheet. Severance and other related payments, including costs associated with the succession of the Company's Chief Executive Officer, will be completed by the end of the second quarter of fiscal 2004.

3. DERIVATIVES

The Company enters into foreign exchange forward contracts that are designated as fair value hedges to minimize the risks associated with foreign currency fluctuations on assets or liabilities denominated in other than the functional currency of the Company or its subsidiaries. These foreign exchange forward contracts are highly inversely correlated to the hedged items and are considered effective as hedges of the underlying assets and liabilities. The net gains or (losses) resulting from changes in the fair value of these derivatives and on assets or liabilities denominated in other than their functional currencies were ($0.4) million and $29,000 for the six months ended December 31, 2002 and 2001, respectively, and are included in Other (expense) income, net in the Condensed Consolidated Statements of Operations. At December 31, 2002 and June 30, 2002, the Company had approximately $4.2 million and $12.8 million, respectively, of open foreign exchange forward contracts all with maturities of less than three months.

4. COMPREHENSIVE (LOSS) INCOME

For the three months ended December 31, 2002, the Company's comprehensive loss totaled ($0.2) million, compared to a comprehensive loss of ($4.4) million for the three months ended December 31, 2001. Comprehensive loss for the three months ended December 31, 2002 included foreign currency translation gains of $1.2 million. Comprehensive loss for the three months ended December 31, 2001 included foreign currency translation losses of ($1.0) million and unrealized losses on marketable equity securities classified as available for sale of ($0.1) million.

For the six months ended December 31, 2002 the Company's comprehensive loss was ($2.1) million compared to a comprehensive loss of ($0.9) million for the six months ended December 31, 2001. Comprehensive loss for the six months ended December 31, 2002 included foreign currency translation gains of $0.9 million. Comprehensive loss for the six months ended December 31, 2001, included foreign currency translation gains of $1.2 million and an unrealized loss on marketable equity securities classified as available for sale of ($0.8) million.

During the fourth quarter of fiscal 2002, the Company sold its remaining

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shares of marketable equity securities classified as available for sale. Cumulative foreign currency translation losses were ($2.8) million at December 31, 2002 and ($3.7) million at June 30, 2002.

5. ACCOUNTS RECEIVABLE, NET

During the second quarter of fiscal 2002, the Company entered into an agreement with one of its customers, who is also a vendor, in which it was granted the legal right to offset outstanding accounts receivable balances against outstanding accounts payable balances. At December 31, 2002 and June 30, 2002, the Company netted approximately $2.5 million and $4.8 million, respectively, of accounts receivable against accounts payable on the Condensed Consolidated Balance Sheets.

6. INVENTORIES, NET

Inventories, including demonstration units in finished goods, are stated at the lower of cost (first-in, first-out method) or market.

	December 31, 2002	June 30, 2002
	In thousands	
Raw materials	$ 6,467	$ 7,735
Work in process	5,175	5,571
Finished goods	12,013	14,802
	$ 23,655	$ 28,108

The value of demonstration units included in finished goods was $8.5 million and $7.5 million at December 31, 2002 and June 30, 2002, respectively.

During the second quarter of fiscal 2002, the Company increased its allowance for excess and obsolete inventory by $3.6 million through a charge to Cost of sales. This inventory charge relates to the cost of inventory associated with discontinued product lines and inventory levels that were deemed to be in excess of forecasted requirements.

7. OTHER CURRENT ASSETS

Other current assets consist of the following:

	December 31, 2002	June 30, 2002
	In thousands	
Deferred tax assets, net	$ 4,817	$ 8,700
Other	3,505	2,957
	$ 8,322	$ 11,657

8. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	December 31, 2002	June 30, 2002
	In thousands	
Land and building	$ 13,153	$ 12,814
Furniture, machinery and equipment	32,988	31,556
Computer software	6,074	6,074
	52,215	50,444
Less: Accumulated depreciation and amortization	(31,440)	(29,090)
	$ 20,775	$ 21,354

Depreciation and amortization expense related to property and equipment for the six month periods ended December 31, 2002 and 2001 was $2.3 million and $2.1 million, respectively.

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9. OTHER ASSETS

Other assets consist of the following:

	December 31, 2002	June 30, 2002
	In thousands	
Intangibles, net	$ 5,578	$ 6,707
Deferred tax assets, net	10,514	4,760
Goodwill	1,574	1,574
Other	1,426	1,413
	$ 19,092	$ 14,454

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" effective July 1, 2001. Under SFAS 142, goodwill is no longer amortized but reviewed for impairment annually or more frequently if certain indicators arise. The Company completed the annual impairment test required under SFAS No. 142 during the fourth quarter of fiscal 2002 and determined that there was no impairment to its recorded goodwill balances.

The following table reflects the gross carrying amount and accumulated amortization of the Company's goodwill and intangible assets included in Other assets on the Condensed Consolidated Balance Sheets as of the dates indicated:

	December 31, 2002	June 30, 2002
	In thousands	
Intangible assets:		
Amortized intangible assets:		
Technology, manufacturing and distribution rights	$ 10,251	$ 10,332
Patents and other intangible assets	201	201
Effect of currency translation on intangible assets	178	162
Accumulated amortization	(5,052)	(3,988)
Net carrying amount	$ 5,578	$ 6,707
Non-amortized intangible assets:		
Goodwill	$ 1,574	$ 1,574

During the second quarter of fiscal 2003, the Company recorded a $2.1 million charge for the impairment of technology, manufacturing and distribution rights and a $0.2 million charge for a future royalty payment, both of which are recorded in Cost of sales. The impairment resulted from the Company's strategic decision to exit certain older product lines and to make significant changes to its manufacturing strategy to further improve operating efficiency. This reduction to Other assets for the impairment of technology, manufacturing and distribution rights was substantially offset by the purchase of a new $2.0 million technology license recorded in Other assets in the Condensed Consolidated Balance Sheet.

Amortization expense for those intangible assets with finite lives was $1.1 million and $0.7 million for the six months ended December 31, 2002 and 2001, respectively. The cost of technology, manufacturing and distribution rights acquired is amortized primarily on the basis of the higher of units shipped over the contract periods through June 2008 or on a straight-line basis. The Company estimates amortization expense on a straight-line basis during the years ending in fiscal 2003 through 2008 will approximate $2.0 million, $1.5 million, $1.7 million, $0.4 million, $0.4 million and $0.4 million, respectively.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	December 31, 2002	June 30, 2002
	In thousands	

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Compensation and benefits	$ 4,909	$ 5,348
Income taxes	2,475	2,634
Deferred license fee revenue	1,296	1,296
Warranty	1,235	1,247
Retained liabilities from discontinued operations	1,046	1,474
Other	3,453	2,948
	$ 14,414	$ 14,947

11. COMMON STOCK

On August 15, 2001 (the "Closing"), the Company sold 1,428,572 shares of its Common Stock for gross proceeds of $25.0 million in a private equity placement. The Company intends to use the proceeds for operating needs and to fund growth through acquisitions and other transactions. In connection with the private equity placement, the Company issued to its placement agent a warrant to purchase up to 28,571 shares of Common Stock at an exercise price of $17.50. On the Closing, the Company used the Black-Scholes option-pricing model to assign an aggregate value of $0.3 million to this warrant.

12. REDEEMABLE CONVERTIBLE PREFERRED STOCK

On June 30, 1999 (the "Closing"), the Company completed a private placement of 500,000 shares of convertible redeemable preferred stock (the "Preferred Stock") for proceeds of $10.0 million. The shares of the Preferred Stock are convertible at any time by the holders into 500,000 shares of Common Stock. After the fifth anniversary of the Closing, the holders may redeem their shares at cost plus a 12% compounding annual dividend since the date of issue. The shares of Preferred Stock automatically convert to Common Stock on a one-for-one basis in the event of a firmly underwritten public offering raising at least $20.0 million, provided that the price per share is at least $40 if the offering takes place after the second anniversary of the Closing (an "automatic conversion"). Upon an automatic conversion, the holders of the Preferred Stock will also receive payment of all accrued 12% dividends from the issue date to the conversion date. The holders of the Preferred Stock are also entitled to payment of the 12% compounding annual dividend in the event of a liquidation of the Company or upon a merger or sale of substantially all of the Company's assets. Using the 12% dividend rate, the liquidation value of the Preferred Stock at December 31, 2002 was $14.9 million.

13. REVENUE RECOGNITION

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements," which summarizes certain of the SEC Staff's views in applying accounting principles generally accepted in the United States to revenue recognition in financial statements. Under SAB 101, which the Company adopted in fiscal 2001, certain previously recognized license fee revenue was deferred and recognized in future periods over the terms of the agreements. The adoption of SAB 101 was recorded as of the beginning of fiscal 2001 and resulted in a non-cash charge for the cumulative effect of an accounting change of $4.4 million, net of a tax benefit of $2.7 million. The deferred revenue will be amortized into revenue over 5.5 years, the remaining terms of the license agreements. The Company recognized pre-tax deferred license fee revenue of $0.3 million and $0.6 million for the three and six months ended December 31, 2002 and 2001, respectively. Such license fees were included in Service and other revenue in the Condensed Consolidated Statements of Operations. As of December 31, 2002, the remaining balance of pre-tax deferred license fee revenue was $3.9 million. The Company has not entered into an agreement in which it has recognized license fee revenue since the third quarter of fiscal 1999.

14. RECENTLY ISSUED ACCOUNTING STANDARDS

In July 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, whereas EITF Issue No. 94-3 had recognized the liability at the commitment date to an exit plan. The Company adopted the provisions of SFAS No. 146 effective for exit or disposal activities initiated after December 31, 2002. SFAS No. 146 will change the

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timing of liability and expense recognition related to exit or disposal activities, but not the ultimate amount of such expenses.

In October 2002, the EITF issued EITF Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." This issue addresses revenue recognition accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. This issue is to be effective for the Company's fiscal year 2004. Management believes the adoption of the provisions of this issue will not have a material effect on the Company's consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure". This Statement amends SFAS No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition to SFAS No. 123's fair value method of accounting for stock-based employee compensation. This Statement also amends the disclosure provisions of SFAS No. 123 and APB No. 28, Interim Financial Reporting, to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. Management believes the adoption of SFAS No. 148 will not have a material effect on the Company's financial position or results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

LeCroy currently operates as one business segment in the Test and Measurement Instrument market. Using its core competency of WaveShape Analysis, defined as the capture and analysis of complex electronic signals, the Company develops, manufactures and sells signal acquisition and analysis products. Its principal product line consists of a family of high-performance digital oscilloscopes used primarily by electrical design engineers in various markets, including computer / semi-conductor, data storage, communications and automotive. The Company also produces modular digitizers and various electronic components. In addition, it generates revenue by offering service on all of its products beyond the normal warranty period.

CONSOLIDATED RESULTS OF OPERATIONS

The following table indicates the percentage of total revenues represented by each item in the Company's Condensed Consolidated Statements of Operations for the three and six months ended December 31, 2002 and 2001.

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	Three Months Ended December 31,		Six Months Ended December 31,	
	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>
Revenues:				
Digital oscilloscopes and related products	91.5%	91.2%	90.8%	90.4%
High-energy physics products	-	1.0	-	2.4
Service and other	8.5	7.8	9.2	7.2
Total revenues	100.0	100.0	100.0	100.0
Costof sales (included in Q2 of FY`03 is $2.3 million (8.6% of sales) of asset impairment charges, and in Q2 of FY`02 is $3.6 million (12.7% of sales) of inventory charges; included in the six months of FY`03 is $2.3 million (4.4% of sales) of asset impairment charges and $0.2 million (0.4% of sales) of severance, and in the six months of FY`02 is $3.6 million (6.1% of sales) of inventory charges)	56.3	64.7	53.3	56.0
Gross profit	43.7	35.3	46.7	44.0
Operating expenses:				
Selling, general and administrative (included in Q2 of FY`02 is $1.9 million of severance (6.8% of sales); included in the six months of FY`03 and FY`02 is $2.4 million (4.8% of sales) and $1.9 million (3.3% of sales) of severance, respectively)	35.1	39.8	39.6	35.2
Research and development	16.4	13.5	16.2	14.0

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Total operating expenses	51.5	53.3	55.8	49.2
Operating loss	(7.8)	(18.0)	(9.1)	(5.2)
Other (expense) income, net	(0.2)	(0.1)	(0.3)	0.5
Loss before income taxes	(8.0)	(18.1)	(9.4)	(4.7)
Benefit from income taxes	(2.9)	(6.8)	(3.5)	(2.4)
Net loss	(5.1)%	(11.3)%	(5.9)%	(2.3)%

</TABLE>

COMPARISON OF THE THREE MONTHS ENDED DECEMBER 31, 2002 AND 2001

Total revenues were $26.6 million in the second quarter of fiscal 2003, compared to $28.4 million in the second quarter of fiscal 2002, a decrease of 6.1%, or $1.7 million. This decrease was primarily due to lower sales from discontinued product lines and lower component sales in the second quarter of fiscal 2003 as compared to the same quarter in fiscal 2002 as well as the shipment of a large United States Government order in the second quarter of fiscal 2002. These negative impacts were partially offset by sales of the Company's new high-end WaveMaster(TM) product line of digital oscilloscopes launched in the third quarter of fiscal 2002 and an increase in sales in the Waverunner(TM) product line in the second quarter of fiscal 2003.

Gross margin was 43.7% in the second quarter of fiscal 2003 compared to 35.3% in the same period in fiscal 2002. Included in Cost of sales in the second quarter of fiscal 2003 was a $2.3 million (8.6% of sales) charge for the write-off of impaired assets resulting from the Company's decision to exit certain product lines and to make a significant change

in its manufacturing strategy. In the second quarter of fiscal 2002, the Company increased its allowance for excess and obsolete inventory by $3.6 million (12.7% of sales) through a charge to Cost of sales to write-down inventory associated with discontinued product lines and inventory levels considered to be in excess of forecasted requirements. Excluding these charges, pro forma gross margin was 52.3% in the second quarter of fiscal 2003 compared to 48.0% in the same period in fiscal 2002. The increase resulted from favorable margins on the Company's new high-end WaveMaster product line of digital oscilloscopes launched in the third quarter of fiscal 2002, more favorable product margins on the existing base of products due to increased operational efficiency in the second quarter of fiscal 2003, and a lower-margin shipment of a large United States Government order in the second quarter of fiscal 2002.

Selling, general and administrative expense was $9.4 million in the second quarter of fiscal 2003 compared to $11.3 million in the same period in fiscal 2002. Included in Selling, general and administrative expense in the second quarter of fiscal 2002 was a $1.9 million (6.8% of sales) charge for severance expense, including costs associated with the succession of the Company's Chief Executive Officer. Excluding that charge, pro forma Selling, general and administrative expense in the second quarter of fiscal 2002 was $9.4 million, virtually flat compared to the second quarter of fiscal 2003. As a percentage of sales, pro forma Selling general and administrative expense, excluding $1.9 million (6.8% of sales) in severance charges in the second quarter of fiscal 2002, increased from 33.0% in the second quarter of fiscal 2002 to 35.1% in the second quarter of fiscal 2003. This increase as a percentage of sales was primarily due to the inability to leverage the costs of fixed infrastructure over the lower sales base and an increase in fixed selling costs as a result of the conversion, in the fourth quarter of fiscal 2002, of the U.S. sales force from partial coverage by manufacturers' representatives to full coverage by the Company's direct sales force.

Research and development expense was $4.4 million in the second quarter of fiscal 2003, compared to $3.8 million in the second quarter of fiscal 2002, an increase of 13.9% or $0.5 million. The increase was primarily due to the timing of certain research and development expenses. As a percentage of sales, Research and development expense increased from 13.5% in the second quarter fiscal 2002 to 16.4% in the second quarter of fiscal 2003. This increase as a percentage of sales was primarily due to the inability to fully leverage expenses over the lower sales base. The Company intends to continue to invest a substantial percentage of its revenues in its research and development efforts.

Other (expense) income, net, which consists primarily of net interest income or expense and foreign exchange gains or losses, was an expense of ($47,000) in the second quarter of fiscal 2003, compared to an expense of ($19,000) in the second quarter of fiscal 2002. This increase is primarily due to lower net interest income earned on the Company's cash balances.

The Company's effective tax rate was 37.0% in the second quarter of fiscal 2003, compared to 37.4% in the second quarter of fiscal 2002.

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Charges related to convertible preferred stock, the Preferred Stock dividend and the accretion for the value of fully exercisable warrants granted in connection with the private placement of the Preferred Stock, was $0.5 million in the second quarter of fiscal 2003 and 2002.

COMPARISON OF THE SIX MONTHS ENDED DECEMBER 31, 2002 AND 2001

Total revenues were $51.6 million in the six months ended December 31, 2002, compared to $59.1 million in the six months ended December 31, 2001, a decrease of 12.7%, or $7.5 million. This decrease was primarily due to the continuing impact of the current difficult economic environment, lower sales from discontinued product lines, and lower component sales, as well as the shipment of a large United States Government order in the in the second quarter of fiscal 2002. These negative impacts were partially offset by sales of the Company's new high-end WaveMaster product line of digital oscilloscopes launched in the third quarter of fiscal 2002.

Gross margin was 46.7% in the six months ended December 31, 2002 compared to 44.0% in the same period in fiscal 2002. Included in Cost of sales in the six months ended December 31, 2002 was a $2.3 million (4.4% of sales) charge for the write-off of impaired assets resulting from the Company's decision to exit certain product lines and to make a significant change in its manufacturing strategy and $0.2 million (0.4% of sales) of severance charges. In the second quarter of fiscal 2002, the Company increased its allowance for excess and obsolete inventory by $3.6 million (6.1% of sales) through a charge to Cost of sales to write-down inventory associated with discontinued product lines and inventory levels considered to be in excess of forecasted requirements. Excluding these charges, pro forma gross margin was 51.5% in the six months ended December 31, 2002 compared to 50.1% in the same period in fiscal 2002. The increase resulted from favorable margins on the Company's new high-end WaveMaster product line of digital oscilloscopes launched in the third quarter of fiscal 2002, more favorable product margins on the existing base of products due to increased operational efficiencies in fiscal 2003, and a lower-margin shipment of a large United States Government order in the six months ended December 31, 2001.

Selling, general and administrative expense was $20.5 million for the six months ended December 31, 2002 compared to $20.8 million in the same period in fiscal 2002. Included in Selling, general and administrative expense in the six months ended December 31, 2002 was a $2.4 million (4.8% of sales) charge for severance expense. Included in Selling, general and administrative expense in the six months ended December 31, 2001 was a $1.9 million (3.3% of sales) charge for severance expense, including costs associated with the succession of the Company's Chief Executive Officer. Excluding that charge, pro forma Selling, general and administrative for the six months ended December 31, 2002 was $18.1 million, compared to $18.9 million for the six months ended December 31, 2001, a decrease of 4.2%, or $0.8 million. As a percentage of sales, pro forma Selling general and administrative expense, excluding the severance charges, increased from 31.9% in the six months ended December 31, 2001 to 34.8% in the six months ended December 31, 2002. This increase as a percentage of sales was primarily due to the inability to leverage the costs of fixed infrastructure over the lower sales base and an increase in fixed selling costs as a result of the conversion, in the fourth quarter of fiscal 2002, of the U.S. sales force from partial coverage by manufacturers' representatives to full coverage by the Company's direct sales force.

Research and development expense for the six months ended December 31, 2002 was $8.3 million, virtually flat compared to the same period in fiscal 2002. As a percentage of sales, Research and development expense increased from 14.0% for the six months ended December 31, 2001 to 16.2% for the six months ended December 31, 2002. This increase as a percentage of sales was primarily due to the inability to fully leverage expenses over the lower sales base. The Company intends to continue to invest a substantial percentage of its revenues in its research and development efforts.

Other (expense) income, net, which consists primarily of net interest income or expense and foreign exchange gains or losses, was an expense of ($0.2) million for the six months ended December 31, 2002, compared to income of $0.3 million for the six months ended December 31, 2001. This decrease is primarily due to foreign exchange losses on assets or liabilities denominated in other than the functional currency of the Company or its subsidiaries and lower net interest income earned on the Company's cash balances.

The Company's effective tax rate was 37.0% for the six months ended December 31, 2002, compared to 51.3% for the six months ended December 31, 2001. The effective tax rate for the six months ended December 31, 2001 was based on an estimated annual effective tax rate of approximately 37.0%, increased by the release of a $0.4 million tax reserve related to a favorable audit settlement in the first quarter of fiscal 2002.

Charges related to convertible preferred stock, the Preferred Stock

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dividend and the accretion for the value of fully exercisable warrants granted in connection with the private placement of the Preferred Stock, was $1.0 million in the six months ended December 31, 2002 and 2001.

RESTRUCTURING

During the first quarter of fiscal 2003, the Company adopted a plan to implement new management operating systems designed to improve processes in sales, order management, customer relationship management and financial performance management. These new systems are projected to improve operating efficiencies and to further reduce the Company's headcount requirements by 38 employees or approximately 9.3% as compared to June 30, 2002. In connection with the adoption of this plan, the Company recorded a charge for severance and other related expenses of $2.6 million; $0.2 million of which was recorded in Cost of sales and $2.4 million recorded in Selling, general and administrative expense in the Condensed Consolidated Statement of Operations for the six months ended December 31, 2002. As of December 31, 2002, $1.1 million of the total $2.6 million has been paid and $1.5 million remains accrued in Accrued expenses and other liabilities in the Condensed Consolidated Balance Sheet. Severance and other related payments under this plan will be completed by the end of fiscal 2004.

The Company took steps during fiscal 2002 to reduce its expenses in response to the continued weakness in the technology sector of the economy. As part of this effort, LeCroy reduced its workforce by 69 employees or approximately 15% as compared to June 30, 2001. In connection with these workforce reductions, the Company recorded a $4.3 million charge ($0.7 million in Cost of sales and $3.6 million in Selling, general and administrative expense) for severance and related expenses, including costs associated with the succession of the Company's Chief Executive Officer during the second quarter of fiscal 2002. Of the $4.3 million total charge, $4.1 million was initially credited to Accrued expenses and other liabilities and $0.2 million, representing a non-cash expense for the amendment of employee stock options, was credited to Additional paid-in capital. As of December 31, 2002, $3.2 million of the total $4.1 million has been paid and $0.9 million remains accrued in Accrued expenses and other liabilities in the Condensed Consolidated Balance Sheet. Severance and other related payments, including costs associated with the succession of the Company's Chief Executive Officer, will be completed by the end of the second quarter of fiscal 2004.

LIQUIDITY AND CAPITAL COMMITMENTS

Working capital was $57.1 million at December 31, 2002, which represented a working capital ratio of 3.4 to 1, compared to $63.3 million, or 3.3 to 1 at June 30, 2002.

Net cash provided by (used in) operating activities for the six months ended December 31, 2002 was $4.5 million compared with ($2.2) million for the comparable period in the prior year. The increase in net cash provided by operating activities was primarily due to reductions in inventory of $4.6 million due to increased operating efficiencies and in accounts receivable of $3.3 million resulting partly from enhanced collections activity and partly from lower sales volume. These benefits to operating cash flows during the six months ended December 31, 2002 were partially offset by a $4.4 million reduction in accounts payable, accrued expenses and other liabilities resulting from severance payments of $2.8 million and a $1.0 million payment related to a $4.0 million technology license purchased in the fourth quarter of fiscal 2002. For the corresponding period in the prior year, net cash used in operating activities reflects the reduction in accounts payable, accrued expenses and other liabilities of $7.8 million, which primarily consisted of $2.4 million of payments on retained discontinued operations liabilities, payment of prior year incentive compensation, severance payments and a reduction in accounts payable levels.

Net cash (used in) investing activities for the six months ended December 31, 2002 was ($3.5) million, compared with ($2.3) million for the comparable period for the prior year. This increase in net cash used in investing activities was primarily due to a $2.0 million acquisition of a technology license partially offset by a $0.8 million reduction in capital expenditures.

Net cash provided by financing activities for the six months ended December 31, 2002 was $0.2 million, compared with $23.8 million for the comparable period for the prior year. The decrease in cash provided by financing activities was primarily due to net proceeds of $23.2 million raised from a private equity placement in August 2001.

The Company has a $15.0 million revolving line of credit with a commercial bank expiring on September 30, 2003, which can be used to provide funds for general corporate purposes and acquisitions. Borrowings under this line bear interest at prime plus a margin of between .25% and 1.25%, or LIBOR plus a margin of between 1.5% and 2.5%, depending on the Company's Leverage Ratio. As

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of December 31, 2002, there were no borrowings outstanding under this line of credit.

On June 12, 2000, the Company secured a $2.0 million capital lease line of credit to fund certain capital expenditures. As of December 31, 2002, the Company had $0.3 million outstanding under this line of credit, $0.1 million of which was included in Accrued expenses and other liabilities and the remaining $0.2 million in Other non-current liabilities on the Condensed Consolidated Balance Sheet. The outstanding borrowings under this line bear interest at 12.2%.

In addition to the above U.S.-based credit facilities, the Company maintains certain short-term foreign credit facilities, principally with two Japanese banks totaling 150 million yen ($1.3 million as of December 31, 2002). No amounts were outstanding under such facilities as of December 30, 2002.

The Company has operating leases covering plant, certain office facilities and equipment that expire at various dates through 2012. Future minimum annual lease payments required during the years ending in fiscal 2004 through 2008 and later years, under noncancelable operating leases having an original term of more than one year, are $1.6 million, $1.1 million, $0.9 million, $0.6 million and $1.6 million, respectively. Future minimum lease payments of $1.0 million are required for the second half of fiscal 2003.

As of December 31, 2002, the Company has two technology license agreements, under which it is unconditionally committed to pay $1.3 million, $0.5 million and $0.3 million in fiscal 2003, 2004 and 2005, respectively.

The Company believes that its cash on hand, cash flow generated by its continuing operations and availability under its revolving credit agreement will be sufficient to fund working capital and capital expenditure requirements for at least the next twelve months and provide funds for potential acquisition opportunities.

CRITICAL ACCOUNTING POLICIES

The preparation of these condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. These estimates and assumptions are based on management's judgment and available information and, consequently, actual results could be different from these estimates.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2002 which includes a description of the Company's critical accounting policies involving significant judgment by the Company's management. In particular, judgment is used in areas such as the allowance for doubtful accounts, allowance for excess and obsolete inventory, valuation of long-lived and intangible assets, valuation of deferred tax assets and estimation of warranty. There have been no changes in the Company's critical accounting policies since June 30, 2002.

REVENUE RECOGNITION

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements," which summarizes certain of the SEC Staff's views in applying accounting principles generally accepted in the United States to revenue recognition in financial statements. Under SAB 101, which the Company adopted in fiscal 2001, certain previously recognized license fee revenue was deferred and recognized in future periods over the terms of the agreements. The adoption of SAB 101 was recorded as of the beginning of fiscal 2001 and resulted in a non-cash charge for the cumulative effect of an accounting change of $4.4 million, net of a tax benefit of $2.7 million. The deferred revenue will be amortized into revenue over 5.5 years, the remaining terms of the license agreements. The Company recognized pre-tax deferred license fee revenue of $0.3 million and $0.6 million for the three and six months ended December 31, 2002 and 2001, respectively. Such license fees were included in Service and other revenue in the Condensed Consolidated Statements of Operations. As of December 31, 2002, the remaining balance of pre-tax deferred license fee revenue was $3.9 million. The Company has not entered into an agreement in which it has recognized license fee revenue since the third quarter of fiscal 1999.

RECENTLY ISSUED ACCOUNTING STANDARDS

In July 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3,

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"Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, whereas EITF Issue No. 94-3 had recognized the liability at the commitment date to an exit plan. The Company adopted the provisions of SFAS No. 146 effective for exit or disposal activities initiated after December 31, 2002. SFAS No. 146 will change the timing of liability and expense recognition related to exit or disposal activities, but not the ultimate amount of such expenses.

In October 2002, the EITF issued EITF Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." This issue addresses revenue recognition accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. This issue is to be effective for the Company's fiscal year 2004. Management believes the adoption of the provisions of this issue will not have a material effect on the Company's consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure". This Statement amends SFAS No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition to SFAS No. 123's fair value method of accounting for stock-based employee compensation. This Statement also amends the disclosure provisions of SFAS No. 123 and APB No. 28, Interim Financial Reporting, to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. Management believes the adoption of SFAS No. 148 will not have a material effect on the Company's financial position or results of operations.

FORWARD-LOOKING INFORMATION

This Form 10-Q contains forward-looking statements which involve risks and uncertainties. The Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause the Company's actual results or activities to differ materially from these forward-looking statements include but are not limited to: the effect of economic conditions, including the effect on purchases by the Company's customers; competitive factors, including pricing pressures, technological developments and products offered by competitors; changes in product sales and mix; the Company's ability to deliver a timely flow of competitive new products and market acceptance of these products; inventory risks due to changes in market demand or the Company's business strategies; currency fluctuations; risks due to an interruption in supply or an increase in price for the Company's parts, components and subassemblies; and other risk factors listed from time to time in the Company's reports filed with the Securities and Exchange Commission and press releases, specifically, those discussed in the section entitled "Risk Factors" in the Form S-3 Registration Statement No. 333-64848.

RISK FACTORS THAT MAY IMPACT FUTURE RESULTS

Included in this Form 10-Q are a number of important risk factors and uncertainties that should be considered by stockholders and by potential investors in the Company. Also, readers should carefully review the Company's reports filed with the Securities and Exchange Commission and press releases, specifically, those sections entitled "Risk Factors" in the Form S-3 Registration Statement No. 333-64848.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company purchases materials from suppliers and sells its products around the world and maintains investments in foreign subsidiaries, all denominated in a variety of currencies. As a consequence, it is exposed to risks from fluctuations in foreign currency exchange rates with respect to a number of currencies, changes in government policies and legal and regulatory requirements, political instability, transportation delays and the imposition of tariffs and export controls. Among the more significant potential risks to the Company of relative fluctuations in foreign currency exchange rates is the relationship among and between the United States dollar, the European monetary unit, Swiss franc, British pound, Japanese yen, Korean won and Singapore dollar.

During the third quarter of fiscal 2001, the Company began a program of entering into foreign exchange forward contracts to minimize the risks associated with currency fluctuations on assets or liabilities denominated in other than the functional currency of LeCroy or its subsidiaries. It cannot be assured, however, that this program will effectively offset all of the Company's foreign currency risk related to these assets or liabilities. Other than this program, the Company does not attempt to reduce its foreign currency exchange

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risks by entering into foreign currency management programs and it has no plans to do so in the near term. As a consequence, there can be no assurance that fluctuations in foreign currency exchange rates in the future as a result of mismatches between local currency revenues and expenses, the translation of foreign currencies into the U.S. dollar, the Company's financial reporting currency, or otherwise, will not adversely affect the Company's results of operations. Moreover, fluctuations in exchange rates could affect the demand for our products. During the three months ended December 31, 2002 and 2001, the Company reported foreign currency exchange (losses) gains on assets or liabilities denominated in other than their functional currencies and related foreign exchange forward contracts of ($0.4) million and $29,000, respectively. At December 31, 2002 and June 30, 2002, the Company had approximately $4.2 million and $12.8 million, respectively, of open foreign exchange forward contracts all with maturities of less than three months.

The Company performed a sensitivity analysis assuming a hypothetical 10% adverse change in foreign currency exchange rates on its foreign exchange forward contracts and its assets or liabilities denominated in other than their functional currencies. In management's opinion, a 10% adverse change in foreign currency exchange rates would not have a material effect on these instruments or the Company's results of operations, financial position or cash flows.

The Company is exposed to adverse changes in interest rates primarily in its investment in cash and cash equivalents. Market risk is estimated as the potential change in fair value resulting from a hypothetical ten percent adverse change in interest rates, which would not have been significant to the Company's results of operations during the second quarter of fiscal 2003.

ITEM 4. CONTROLS AND PROCEDURES

Within the 90-day period prior to the filing date of this report, an evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective to ensure that material information relating to the Company and its consolidated subsidiaries is made known to them, particularly during the period when our periodic reports are being prepared. Subsequent to the date of management's evaluation, there were no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

LeCROY CORPORATION

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Stockholders of the Company was held on October 30, 2002. The following matter was voted upon by common and preferred stockholders at the meeting as follows:

<TABLE>
<CAPTION>

Election of three Class I Directors, each for a three-year term	For	Withheld	Broker Non-Votes
Charles A. Dickinson	10,038,249	436,992	*
Lutz P. Henckels	9,921,398	553,843	*
Peter H. Kamin	10,171,252	303,989	*

* Not applicable.

</TABLE>

The Company's proposal to approve the amendment and restatement of the Company's 1993 Stock Incentive Plan (the "Plan"), which would extend the termination date of the Plan from January 4, 2003 to January 4, 2008, was withdrawn from consideration by the Board of Directors and not voted on by the stockholders at the meeting. Accordingly, the Plan expired on January 4, 2003.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Item 6(a) Exhibits

10.42 Separation Agreement, dated January 6, 2003, between the Registrant and Raymond F. Kunzmann.

99.1 Chief Executive Officer certification pursuant to 18 U.S.C.ss.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2 Chief Financial Officer certification pursuant to 18 U.S.C.ss.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Item 6(b) Reports on Form 8-K

The Company filed a Form 8-K, dated November 27, 2002, to report the Board of Directors decision to end the engagement of Ernst & Young LLP as the Company's independent public accountants, and authorized the engagement of KPMG LLP to serve as the Company's independent public accountants for the fiscal year ending June 30, 2003.

The Company filed a Form 8-K, dated January 6, 2003, to report that Scott D. Kantor has been named Vice President, Finance and Chief Financial Officer effective February 1, 2003. Mr. Kantor succeeds Raymond F. Kunzmann, who will remain as a consultant to the Company.

The Company filed a Form 8-K, dated January 16, 2003, reporting under Item 5 "Other Events" and under Item 7 "Financial Statements and Exhibits" the Company's earnings for the three and six months ended December 31, 2002.

SIGNATURE

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

LECROY CORPORATION

Date: February 7, 2003

/s/ Scott D. Kantor

Vice President and Chief Financial Officer,
Secretary and Treasurer

CERTIFICATION PURSUANT TO RULE 13a-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas H. Reslewic, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LeCroy Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

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b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Thomas H. Reslewic

Thomas H. Reslewic
Chief Executive Officer
February 7, 2003

CERTIFICATION PURSUANT TO RULE 13a-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott D. Kantor, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LeCroy Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Scott D. Kantor

Scott D. Kantor
Chief Financial Officer
February 7, 2003

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EXHIBIT 10.42

LECROY CORPORATION
700 CHESTNUT RIDGE ROAD
CHESTNUT RIDGE, NY 10977-6499

January 6, 2003

Mr. Raymond F. Kunzmann
5 Kerry Court
Pearl River, New York 10965

Re: Separation Agreement

Dear Ray:

As we discussed with respect to your departure from LeCroy Corporation ("LeCroy" or the "Company"), your position as Chief Financial Officer will end on January 31, 2003, your employment will end on February 14, 2003 (the "Separation Date"). You and LeCroy have agreed to continued part-time employment on a reduced basis as set forth hereinafter for transitional purposes. By signing this Agreement, you waive all rights to rehire, reemployment or reinstatement to employment with the Company. You further acknowledge that you fully understand the Agreement's terms, contents, conditions and effect, and that no promise or representation of any kind has been made to you by or on behalf of the Company, other than as expressly contained in this Agreement. You and LeCroy agree that the terms of your separation are as follows.

1. General; Payment for Covenants and Release. LeCroy and you will treat your separation as a voluntary resignation. Except as otherwise provided herein, no compensation, benefits or other amounts will accrue or be owing in respect of any period after the Separation Date, and no other liability of LeCroy or its affiliates shall accrue on account of such termination. As severance pay and in consideration for the mutual agreements stated herein, LeCroy has agreed to keep you on the payroll until July 31, 2004 (the period from February 14, 2003 through July 31, 2004 being hereinafter referred to as the "Term"), and during that period to pay you your base salary, at the rate of $220,000 per year, your bonus of $90,000 per year, and your car allowance of $10,800 per year. The salary, bonus and car allowance shall be payable in such regular installments as coincides with the Company's normal bi-weekly payroll. All compensation payable to you by Company shall be reduced by such amounts as are required by law. By accepting these payments and in signing this Agreement, you expressly acknowledge, state and affirm your obligations under Sections 5 and 6 hereof.

2. Services. You hereby agree to make yourself available to the Company to provide miscellaneous services, consistent with the positions you held with the Company and the duties you performed for the Company, as follows: during the period February 15, 2003 and ending March 14, 2003, up to 16 hours

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per week; during the period March 15, 2003 and ending April 14, 2003, up to eight hours per week; during the period April 15, 2003 and ending May 14, 2003, at your convenience with no minimum number of hours per week. You will be paid for these services at an hourly rate based on your base salary.

3. Benefits. During the Term, LeCroy shall provide to you benefits that are consistent with the benefits provided under the benefit plans, practices, programs and policies of the Company (including without limitation any basic life insurance, health insurance, dental insurance) in effect for its most senior employees from time to time, but excluding the grant of additional stock options, accidental death or dismemberment and disability plans. To the extent that participation in such benefit plans is not allowed by law or terms of the related plan (such the Company's 401(k) plan), you will be paid an equivalent amount at the time such benefit would have been paid and at the rate paid or provided to you in your last full year of employment. You may keep your cellular telephone, leather work bag, personal computer (including any non-proprietary software currently installed thereon) and printer and the Company hereby coveys them to you without further consideration. The Company will continue to pay for the cellular telephone usage during the Term up to an amount that is reasonable based on historical usage as an employee. After the Term, the Company will use its best effort to allow you to retain your current cellular telephone number (845-450-5068). In addition, you will also be entitled to receive up to $10,000 of outplacement services through the provider of your choice.

4. Stock Options. During the Term, all stock options and restricted stock currently held by you shall continue to vest in accordance with their respective terms. You understand that the changes being made herein will likely cause any stock options that were intended to be Incentive Stock Options under the Internal Revenue Code of 1986, as amended, to lose that status. Based on the stock options and restricted stock held by you on the date of this Agreement, at the conclusion of the Term, you will have unvested stock options in an aggregate of 21,000 shares. Ninety (90) days after the end of the Term, all of such stock options shall expire to the extent not exercised. During the period commencing on the date hereof and ending at the expiration of the Term, you shall have the right to participate in any Company sponsored offer to purchase any stock options to the same extent as if you were an employee at that time.

5. Confidential Information.

(a) As used in this Agreement, the term "Confidential Information" means all information of the Company, or of a third party that has disclosed or entrusted such information to the Company in confidence, except information that you demonstrate by clear and convincing evidence:

(i) was known to you prior to its disclosure to you by the Company, as evidenced by written documents predating the commencement of your employment relationship with the Company;

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(ii) was public knowledge at the time of its disclosure to you by the Company, or becomes public knowledge after such disclosure, through no action or omission on your part; or

(iii) is lawfully disclosed or made available to you by a third party having no obligation to the Company, or to any third party who disclosed or entrusted such information to the Company in confidence, to maintain the confidentiality of such information.

(b) All Confidential Information will remain the exclusive property of the Company or the disclosing or entrusting third party, as the case may be, and will be used by you exclusively for authorized purposes in connection with your employment relationship with the Company. You will maintain the confidentiality of all Confidential Information and hold it in trust for the exclusive benefit of the Company or such third party, as the case may be. Unless previously authorized in writing by the Company, you will not use or disclose Confidential Information for any other purpose or for the benefit of yourself or others.

(c) You will promptly deliver to the Company, upon request, all business plans and other documents and tangible media that contain or reflect Confidential Information (including all copies, reproductions, digests, abstracts, analyses, and notes) in your custody or control and you will destroy any related computer entries on computer equipment not owned by the Company, including you personal computer after it is conveyed to you by the Company.

6. Certain Covenants. You hereby covenant as follows, which covenants will be in addition to, and not exclusive of, any other, similar obligations to which you may be subject from time to time.

(a) Non-Solicitation, Etc. Through the end of the Term (which period will automatically be extended by a period of time equal to any period in which you are in breach of any obligations under this Section 6; which period, including any such extension, the "Restricted Period"), you will not directly or indirectly recruit, solicit, induce, or attempt to induce any of the employees or consultants of the Company to terminate their employment or consulting relationship with the Company.

(b) Non-Solicitation of Customers, Suppliers, Etc. During the Restricted Period, you will not directly or indirectly solicit, divert, take away, or attempt to divert or take away, from the Company any of the business or patronage of any of its actual or potential customers, clients, accounts, vendors, or suppliers, or induce or attempt to induce any such person or entity to reduce the amount of business it does with the Company.

(c) Non-Competition. During the Restricted Period, you will not engage, directly or indirectly, as a proprietor, equity holder, investor (except as a passive investor holding not more than 1% of the outstanding capital stock of a publicly held company), lender, partner, director, officer, employee, consultant, or representative, or in any other capacity, in the business of

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designing, manufacturing and/or distributing oscilloscopes.

7. Equitable Remedies. You hereby acknowledge that any breach by you of your obligations under this Agreement would cause substantial and irreparable damage to the Company, and that money damages would be an inadequate remedy. Accordingly, you acknowledge and agree that the Company will be entitled to an injunction, specific performance, and/or other equitable relief to prevent the breach of such obligations (in addition to all other rights and remedies to which the Company may be entitled in respect of any such breach).

8. Modification. In the event that a court of competent jurisdiction determines that any of the provisions of this Agreement would be unenforceable as written because they cover too extensive a geographic area, too broad a range of activities, or too long a period of time, or otherwise, then such provisions will automatically be modified to cover the maximum geographic area, range of activities, and period of time as may be enforceable, and in addition, such court is hereby expressly authorized so to modify this Agreement and to enforce it as so modified.

9. Release. In consideration of the payments, benefits and other agreements set forth in this Agreement, you, for yourself and for your heirs, executors, administrators, estates, agents, representatives and assigns (collectively, the "Releasor") hereby, to the extent permitted by law, voluntarily, irrevocably and unconditionally releases and forever discharges the Company, its affiliated entities, its and their predecessor and successor organizations and assigns, and each of its and their present, former and future directors, officers, employees, agents, and legal representatives (collectively, the "Releasees") from all actions, causes of action, suits, debts, sums of money, accounts, covenants, contracts, agreements, promises, damages, judgments, demands and claims whatsoever, whether known or unknown, suspected or unsuspected, in law or equity, whether statutory or common law, whether federal, state, local or otherwise, arising out of or in connection with your hiring or employment at the Company or the termination of that employment, including but not limited to claims arising under the Civil Rights Act of 1866, Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, as amended, the Age Discrimination in Employment Act, the Older Workers Benefits Protection Act, the Americans With Disabilities Act of 1990, as amended, the Family and Medical Leave Act of 1993, the Immigration Reform and Control Act of 1986, the New York Human Rights Law, the common law of New York and all other claims that the Releasor now has, owns, or holds, or claims to have, own or hold, or which at any time heretofore had owned or held, or claimed to have owned or held, or which the Releasor at any time hereafter may have, own or hold, or claim to have owned or held against each or any or all of the Releasees; provided however, that nothing in this Release is intended to or does release any claims or rights the Releasor has or may have arising out of this Agreement or the breach thereof, any workers' compensation statute, or any claim to vested benefits under any 401(k), pension, retirement or other benefit plan protected by the Employee Retirement Income Security Act (ERISA), or any rights

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to contribution or indemnity (whether under any applicable company by-laws, certificate of incorporation, common law, statute or regulation) or which Releasor may have against the Releasees, all of which are expressly excluded from this Release.

10. Release by the Company. In consideration of this Agreement, the Company hereby, to the extent permitted by law, voluntarily, irrevocably and unconditionally releases and forever discharges you (including your heirs, executors, administrators, estates, agents, relatives, representatives and assigns) from all actions, causes of action, suits, debts, sums of money, accounts, covenants, contracts, agreements, promises, damages, judgments, demands and claims whatsoever, whether known or unknown, suspected or unsuspected, in law or equity, whether statutory or common law, whether federal, state, local or otherwise, arising out of or in any way related to your employment at the Company, including all such claims that the Company now has, owns, or holds, or claims to have, own or hold, or which at any time heretofore had owned or held, or claimed to have owned or held, or which the Company at any time hereafter may have, own or hold, or claim to have owned or held against you; provided however, that nothing in this Release is intended to or does release any claims or rights the Company has or may have against you arising out of this Agreement or the breach thereof, which claims are expressly excluded from this Release.

11. Non-Disparagement. The parties agree that they will not make, disseminate or publish false or disparaging remarks about the other. This provision will not be construed to prevent you from describing your duties on behalf of the Company in connection with any effort to obtain employment. The foregoing is further agreed and understood not to limit, or impact in any way, the parties' obligations to testify honestly and accurately in legal proceedings. The Company agrees to provide a favorable reference with respect to you to any prospective employers.

12. Further Assurances and Cooperation. Each party shall execute and deliver all such further documents and instruments and do all acts and things as the other party may after the date hereof reasonably require to carry out or better evidence or perfect the full intent and meaning of this Agreement. Each party hereto agrees to cooperate with the other hereafter with respect to all matters arising during or related to your employment, including but not limited to all matters in connection with any governmental investigation, litigation or regulatory or other proceeding which may have risen or which may arise following the signing of this Agreement. Each party hereto agrees to consult with each other before issuing any press release with respect to your termination and shall not issue any such press release without such prior consultation except as may be required by law or any listing agreement with the Nasdaq National Market. The parties have agreed on the text of a press release which the Company will issue to announce your resignation.

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13. Severability. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

14. Breach. In the event you breach any provision of this Agreement, you shall forfeit from the date of such breach all rights to receive any payments and benefits due to you hereunder and LeCroy shall be released from any obligation it may have to provide you with such payments and benefits.

15. Amendments and Waivers. No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and fully executed by the parties hereto and no waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, shall be limited to the specific breach waived. No delay or omission by either party hereto in exercising any right, power or privilege hereunder shall impair such right, power or privilege, nor shall any single or partial exercise of any such right, power or privilege preclude any further exercise thereof or the exercise of any other right, power or privilege.

16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

17. Successors and Assigns. All terms of this Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective heirs, successors and assigns.

18. Governing Law. This Agreement and the performance hereof shall be interpreted and construed in accordance with the internal laws of the State of New York, without reference to principles of conflicts or choice of law.

19. Effect of Headings. The introduction and paragraph headings in this Separation Agreement are for convenience of reference only and shall not affect the construction hereof.

20. Acknowledgments; Return Date. In signing this Agreement, you give LeCroy assurance that you have had a full and reasonable opportunity to consider its terms; that you have read and understood all of those terms; that your acceptance of this Agreement is freely and voluntarily given.; and that you acknowledge that in exchange for executing this Agreement and releasing any and all claims under the Age Discrimination in Employment Act, as well as the other laws reflected herein, you are receiving consideration which you would not otherwise receive; and that the only consideration for signing this Agreement is set forth herein, and no other promise, agreement, or representation of any kind has been made to him by any person or entity to cause him to sign this Agreement. If the terms of this Agreement are acceptable to you, please sign and return this letter to Janet Marino no later than forty-five (45) days from the date you receive it. If you choose to sign this Agreement prior to the

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expiration of this forty-five (45) day period, you expressly waive your right to the balance of this period for such consideration. The enclosed copy of this Agreement, which you should also sign and date, is for your records. If you decide not to sign this Agreement and return it within the forty-five (45) day time period, you will not be eligible to receive the payments and benefits provided hereunder. This Agreement may be revoked in writing by you at any time during the period of seven (7) calendar days following the date of execution, so long as such revocation is communicated, in writing, to Janet Marino, LeCroy Corporation, 700 Chestnut Ridge Road, Chestnut Ridge, NY 10977, facsimile number (845) 578-4461, with a copy to Roger D. Feldman of Fish & Richardson P.C. 225 Franklin Street, Boston, MA 02110-2804, facsimile number, (6175) 542-8906, so that it is received by Ms. Marino and Mr. Feldman before 5:00 p.m. on the seventh calendar following such execution. If such seven-day revocation period expires without the exercise of these revocation rights, then the obligations of this Agreement will become fully effective.

21. Entire Agreement. This Agreement sets forth the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, whether written or oral. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

Very truly yours,

LECROY CORPORATION

By: /s/ Thomas H. Reslewic

Name: Thomas H. Reslewic

Title: President & CEO

I, the undersigned, having had the time to reflect, and having actually consulted with counsel of my choosing, freely accept the above terms of my separation. I acknowledge and agree that no representative of LeCroy has made any representation to or agreement with me relating to this Agreement which is not contained in the express terms of this Agreement. I acknowledge and agree that my execution and delivery of this Agreement is based upon my independent review of this Agreement, and I hereby expressly waive any and all claims or defenses by me against the enforcement of this Agreement which are based upon allegations or representations, projections, estimates, understandings or agreements by LeCroy or any of its representatives that are not contained in the express terms of this Agreement.

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Accepted and agreed:

By: /s/ Raymond F. Kunzmann

Name: Raymond F. Kunzmann

Date: January 6, 2003

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EXHIBIT 99.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of LeCroy Corporation (the "Company") on Form 10-Q for the period ending December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas H. Reslewic, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Thomas H. Reslewic

Thomas H. Reslewic
Chief Executive Officer

February 7, 2003

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EXHIBIT 99.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of LeCroy Corporation (the "Company") on Form 10-Q for the period ending December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott D. Kantor, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Scott D. Kantor

Scott D. Kantor
Chief Financial Officer
February 7, 2003

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