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EZ EM INC
Form 10-Q
April 16, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 2, 2002

OR

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

For the transition period from _____ to _____

Commission file number 1-11479

E-Z-EM, Inc.

(Exact name of registrant as specified in its charter)

Delaware

11-1999504

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

717 Main Street, Westbury, New York

11590

(Address of principal executive offices)

(Zip Code)

(516) 333-8230

Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 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 ____

As of April 9, 2002, there were 4,001,958 shares of the issuer's Class A Common Stock outstanding and 5,844,809 shares of the issuer's Class B Common Stock outstanding.

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E-Z-EM, Inc. and Subsidiaries

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E-Z-EM, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS (in thousands)

ASSETS	March 2, 2002 ----- (unaudited)	June 2, 2001 ----- (audited)
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,268	\$ 4,391
Debt and equity securities	16,063	13,748
Accounts receivable, principally trade, net	20,257	23,371
Inventories	25,690	22,021
Other current assets	4,221	5,901
	-----	-----

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Total current assets	69,499	69,432
PROPERTY, PLANT AND EQUIPMENT - AT COST, less accumulated depreciation and amortization	18,675	19,750
COST IN EXCESS OF FAIR VALUE OF NET ASSETS ACQUIRED, less accumulated amortization	362	376
INTANGIBLE ASSETS, less accumulated amortization	1,588	1,329
DEBT AND EQUITY SECURITIES	1,472	846
INVESTMENT AT COST	600	
OTHER ASSETS	6,303	5,722
	-----	-----
	\$98,499	\$97,455
	=====	=====

The accompanying notes are an integral part of these statements.

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E-Z-EM, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

LIABILITIES AND STOCKHOLDERS' EQUITY	March 2, 2002 ----- (unaudited)	June 2, 2001 ----- (audited)
CURRENT LIABILITIES		
Notes payable	\$ 862	\$ 854
Current maturities of long-term debt	168	156
Accounts payable	6,838	4,798
Accrued liabilities	7,057	7,329
Accrued income taxes	270	111
	-----	-----
Total current liabilities	15,195	13,248
LONG-TERM DEBT, less current maturities	355	408
OTHER NONCURRENT LIABILITIES	2,725	2,795
	-----	-----
Total liabilities	18,275	16,451
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		

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Preferred stock, par value \$.10 per share - authorized, 1,000,000 shares; issued, none		
Common stock		
Class A (voting), par value \$.10 per share - authorized, 6,000,000 shares; issued and outstanding 4,001,958 shares at March 2, 2002 and 4,011,396 shares at June 2, 2001 (excluding 51,298 and 41,860 shares held in treasury at March 2, 2002 and June 2, 2001, respectively)	400	401
Class B (non-voting), par value \$.10 per share - authorized, 10,000,000 shares; issued and outstanding 5,821,757 shares at March 2, 2002 and 5,843,426 shares at June 2, 2001 (excluding 424,653 and 395,251 shares held in treasury at March 2, 2002 and June 2, 2001, respectively)	582	584
Additional paid-in capital	19,849	20,066
Retained earnings	63,016	63,138
Accumulated other comprehensive loss	(3,623)	(3,185)
	-----	-----
Total stockholders' equity	80,224	81,004
	-----	-----
	\$98,499	\$97,455
	=====	=====

The accompanying notes are an integral part of these statements.

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E-Z-EM, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited) (in thousands, except per share data)

	Thirteen weeks ended		Thirty-nine weeks ended	
	March 2, 2002	March 3, 2001	March 2, 2002	March 3, 2001
Net sales	\$ 30,646	\$ 27,809	\$ 88,916	\$ 82,200
Cost of goods sold	17,791	17,714	52,337	49,322
Gross profit	12,855	10,095	36,579	32,878
Operating expenses				
Selling and administrative	9,665	8,771	29,919	26,210
Loss on sale of subsidiary and related assets				872

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Asset impairment and facility closing costs	(40)		1,492	
Research and development	1,542	1,349	4,682	4,010
	-----	-----	-----	-----
Total operating expenses	11,167	10,120	36,093	31,092
	-----	-----	-----	-----
Operating profit (loss)	1,688	(25)	486	1,786
Other income (expense)				
Interest income	73	215	344	671
Interest expense	(67)	(75)	(202)	(213)
Other, net	87	82	288	107
	-----	-----	-----	-----
Earnings before income taxes	1,781	197	916	2,351
Income tax provision (benefit)	624	91	1,038	(458)
	-----	-----	-----	-----
NET EARNINGS (LOSS)	\$ 1,157	\$ 106	\$ (122)	\$ 2,809
	=====	=====	=====	=====
Earnings (loss) per common share				
Basic	\$.12	\$.01	\$ (.01)	\$.28
	=====	=====	=====	=====
Diluted	\$.11	\$.01	\$ (.01)	\$.28
	=====	=====	=====	=====
Weighted average common shares				
Basic	9,824	9,875	9,831	9,889
	=====	=====	=====	=====
Diluted	10,230	10,119	9,831	10,185
	=====	=====	=====	=====

The accompanying notes are an integral part of these statements.

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E-Z-EM, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS

Thirty-nine weeks ended March 2, 2002

(unaudited)

(in thousands, except share data)

Class A common stock		Class B common stock		Additional paid-in capital	Retained earnings	c i
Shares	Amount	Shares	Amount			
-----	-----	-----	-----			

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Balance at June 2, 2001	4,011,396	\$ 401	5,843,426	\$ 584	\$ 20,066	\$ 63,138
Exercise of stock options			613		3	
Income tax benefits on stock options exercised					1	
Compensation related to stock option plans					4	
Issuance of stock			7,120	1	50	
Purchase of treasury stock	(9,438)	(1)	(29,402)	(3)	(275)	
Net loss						(122)
Unrealized holding gain on debt and equity securities						
Foreign currency translation adjustments						
Comprehensive loss						
Balance at March 2, 2002	4,001,958	\$ 400	5,821,757	\$ 582	\$ 19,849	\$ 63,016

The accompanying notes are an integral part of this statement.

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E-Z-EM, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Thirty-nine weeks ended	
	March 2, 2002	March 3, 2001
Cash flows from operating activities:		
Net earnings (loss)	\$ (122)	\$ 2,809
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities		
Depreciation and amortization	2,143	2,080
Impairment of long-lived assets	1,322	450
Provision for doubtful accounts	29	88
Loss on sale of subsidiary and related assets		872
Deferred income tax provision (benefit)	8	(1,712)
Other non-cash items	50	45
Changes in operating assets and liabilities, net of sale		

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Accounts receivable	3,085	(297)
Inventories	(3,669)	799
Other current assets	1,673	(1,344)
Other assets	(629)	(420)
Accounts payable	2,040	983
Accrued liabilities	(272)	(1,048)
Accrued income taxes	158	(356)
Other noncurrent liabilities	(22)	147
	-----	-----
Net cash provided by operating activities	5,794	3,096
	-----	-----
Cash flows from investing activities:		
Additions to property, plant and equipment, net	(2,540)	(2,117)
Proceeds from sale of subsidiary and related assets		3,250
Purchase of intangible assets	(400)	
Investment at cost	(600)	
Available-for-sale securities		
Purchases	(64,780)	(69,823)
Proceeds from sale	61,965	64,160
	-----	-----
Net cash used in investing activities	(6,355)	(4,530)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of debt	3,430	216
Repayments of debt	(3,322)	(196)
Proceeds from exercise of stock options, including related income tax benefits	4	42
Purchase of treasury stock	(279)	(512)
Proceeds from issuance of stock in connection with the stock purchase plan	5	5
	-----	-----
Net cash used in financing activities	(162)	(445)
	-----	-----

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E-Z-EM, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(unaudited)
(in thousands)

	Thirty-nine weeks ended	
	March 2, 2002	March 3, 2001
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	\$ (400)	\$ (433)

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	-----	-----
DECREASE IN CASH AND CASH EQUIVALENTS	(1,123)	(2,312)
Cash and cash equivalents Beginning of period	4,391	5,583
	-----	-----
End of period	\$ 3,268	\$ 3,271
	=====	=====
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 56	\$ 79
	=====	=====
Income taxes (net of payments of \$599 and refunds of \$7 in 2002 and 2001, respectively)	\$ (346)	\$ 2,395
	=====	=====

The accompanying notes are an integral part of these statements.

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E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 2, 2002 and March 3, 2001
(unaudited)

NOTE A - CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet as of March 2, 2002, the consolidated statement of stockholders' equity and comprehensive loss for the period ended March 2, 2002, and the consolidated statements of operations and cash flows for the periods ended March 2, 2002 and March 3, 2001, have been prepared by the Company without audit. The consolidated balance sheet as of June 2, 2001 was derived from audited consolidated financial statements. In the opinion of management, all adjustments (which include only normally recurring adjustments) necessary to present fairly the financial position, changes in stockholders' equity and comprehensive loss, results of operations and cash flows at March 2, 2002 (and for all periods presented) have been made.

Certain information and footnote disclosures, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the fiscal 2001 Annual Report on Form 10-K filed by the Company on August 30, 2001. The results of operations for the periods ended March 2, 2002 and March 3, 2001 are not necessarily indicative of the operating results for the respective full years.

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The consolidated financial statements include the accounts of E-Z-EM, Inc. and all 100%-owned subsidiaries (the "Company"). All significant intercompany balances and transactions have been eliminated.

NOTE B - EARNINGS PER COMMON SHARE

Basic earnings per share are based on the weighted average number of common shares outstanding without consideration of potential common stock. Diluted earnings per share are based on the weighted average number of common and potential common shares outstanding. The calculation takes into account the shares that may be issued upon exercise of stock options, reduced by the shares that may be repurchased with the funds received from the exercise, based on the average price during the period. Potential common shares were excluded from the diluted calculation for the thirty-nine weeks ended March 2, 2002, as their effects were anti-dilutive.

The following table sets forth the reconciliation of the weighted average number of common shares:

	Thirteen weeks ended		Thirty-nine weeks ended	
	March 2, 2002	March 3, 2001	March 2, 2002	March 3, 2001
	(in thousands)			
Basic	9,824	9,875	9,831	9,889
Effect of dilutive securities (stock options)	406	244	-----	296
Diluted	10,230	10,119	9,831	10,185

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E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 2, 2002 and March 3, 2001
(unaudited)

NOTE B - EARNINGS PER COMMON SHARE (continued)

Excluded from the calculation of earnings per common share, are options to purchase 461,272 and 1,554,935 shares of common stock for the thirteen and thirty-nine weeks ended March 2, 2002, respectively, and options to purchase 474,512 and 444,815 shares of common stock for the thirteen and thirty-nine weeks ended March 3, 2001, respectively, as their inclusion would be anti-dilutive.

NOTE C - EFFECTS OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In August 2001, the Financial Accounting Standards Board issued Statement

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of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement is effective for fiscal years beginning after December 15, 2001. This statement supercedes SFAS No. 121, while retaining many of the requirements of such statement. The Company is currently evaluating the impact this statement may have.

NOTE D - RECLASSIFICATIONS

Pursuant to the Financial Accounting Standards Board Emerging Issues Task Force Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs", which was adopted in the fourth quarter of fiscal 2001, the Company has reclassified freight billed to customers from selling and administrative expenses to net sales, and has reclassified related freight costs from selling and administrative expenses to cost of goods sold. Prior period amounts have been restated to conform to this presentation. This change had no effect on the dollar amount of the Company's operating profit or net earnings.

NOTE E - ACCOUNTING FOR BUSINESS COMBINATIONS, GOODWILL AND INTANGIBLE ASSETS

As of June 3, 2001, the Company adopted SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". These standards require that all business combinations initiated after June 30, 2001 be accounted for under the purchase method. In addition, all intangible assets acquired that are obtained through contractual or legal right, or are capable of being separately sold, transferred, licensed, rented or exchanged shall be recognized as an asset apart from goodwill. Goodwill and intangibles with indefinite lives are no longer subject to amortization, but are subject to at least an annual assessment for impairment by applying a fair value based test. The Company has performed a transitional fair value based impairment test on its goodwill and determined that the fair value exceeded the recorded value at June 3, 2001. Therefore, no impairment loss was recorded during the thirteen weeks ended September 1, 2001. Net earnings for the thirteen and thirty-nine weeks ended March 3, 2001 would have changed by approximately \$3,000 and \$8,000, net of tax, respectively, if the recorded goodwill amortization was added back. Basic and diluted earnings per share in such period would have been unchanged. Annual amortization of intangibles will approximate \$122,000 for each of the next five years.

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E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 2, 2002 and March 3, 2001
(unaudited)

NOTE F - COMPREHENSIVE INCOME (LOSS)

The components of comprehensive income (loss), net of related tax, are as follows:

Thirty-nine weeks ended

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	March 2, 2002	March 3, 2001
	(in thousands)	
Net earnings (loss)	\$ (122)	\$ 2,809
Unrealized holding gain (loss) on debt and equity securities	90	(2,207)
Foreign currency translation adjustments	(528)	370
	-----	-----
Comprehensive income (loss)	\$ (560)	\$ 972
	=====	=====

The components of accumulated other comprehensive loss, net of related tax, are as follows:

	March 2, 2002	June 2, 2001
	(in thousands)	
Unrealized holding gain on debt and equity securities	\$ 288	\$ 198
Cumulative translation adjustments	(3,911)	(3,383)
	-----	-----
Accumulated other comprehensive loss	\$ (3,623)	\$ (3,185)
	=====	=====

NOTE G - INVESTMENT AT COST

In August 2001, the Company acquired 240,000 shares of the Series B Convertible Preferred Stock, or approximately 5%, of PointDx, Inc. ("PointDx") for \$600,000. PointDx, a Delaware corporation based in Winston-Salem, North Carolina, is an emerging medical technology company focused on the development of virtual colonoscopy software and structured reporting solutions for radiology. Virtual colonoscopy is an innovative technology which visualizes the colon using advanced CT imaging and 3-D computer reconstruction of that image data. The Company also acquired a three-year warrant to purchase an additional 120,000 shares of the Series B Convertible Preferred Stock at \$2.50 per share, and the right to designate one nominee for the PointDx board of directors. The Company's investment in PointDx is accounted for by the cost method.

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E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 2, 2002 and March 3, 2001
(unaudited)

NOTE H - SALE OF SUBSIDIARY AND RELATED ASSETS

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On July 27, 2000, AngioDynamics, Inc. sold all the capital stock of AngioDynamics Ltd., a wholly-owned subsidiary, and certain other assets to AngioDynamics Ltd.'s management. AngioDynamics Ltd., located in Ireland, manufactured cardiovascular and interventional radiology products. The aggregate consideration paid was \$3,250,000 in cash. The sale was the culmination of AngioDynamics' strategic decision to exit the cardiovascular market and to focus entirely on the interventional radiology marketplace. As a result of this sale, the Company recognized a pre-tax loss of approximately \$872,000 during the thirteen weeks ended September 2, 2000. The aforementioned pre-tax loss includes the effect of previously unrealized losses on foreign currency translation of approximately \$994,000 and the write-off of approximately \$673,000 in inventory and intangibles related to the cardiovascular product line, both of which were non-cash charges. Further, AngioDynamics entered into a manufacturing agreement, a distribution agreement and a royalty agreement with the buyer. Under the two-year manufacturing agreement, the buyer will be manufacturing certain interventional radiology products sold by AngioDynamics.

NOTE I - ASSET IMPAIRMENT CHARGES AND FACILITY CLOSING

In accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," the Company's Diagnostic operating segment recorded impairment charges of \$50,000 and \$450,000 during the thirteen weeks ended December 1, 2001 and September 2, 2000, respectively, relating to certain acquired patent rights to an oral magnetic resonance imaging contrast agent. The Company determined that the revenue potential of this technology was impaired, since it believed that the market for this technology was significantly less than previously projected. The impairment charges represented the difference between the carrying value of the intangible asset and the fair market value of this asset based on estimated future discounted cash flows. The charges had no impact on the Company's cash flow or its ability to generate cash flow in the future. The impairment charges are included in the consolidated statement of operations under the caption "Selling and administrative".

During the thirteen weeks ended December 1, 2001, the Company adopted a plan, which was approved by the Board of Directors, to close a facility owned by its wholly-owned Japanese subsidiary in December 2001. The facility was principally used to manufacture liquid barium sulfate formulations for sale in the Japanese market. The facility lacked the necessary manufacturing throughput to justify its continued existence. In connection with this plan, the Company recorded a \$1,532,000 charge to operations during the thirteen weeks ended December 1, 2001. During the thirteen weeks ended March 2, 2002, such charge was reduced by \$40,000 to \$1,492,000 as a result of favorable changes in foreign currency translation. The components of this \$1,492,000 charge consist of i) a \$1,272,000 write-down of property, plant and equipment to management's estimate of their fair market value, based upon the anticipated proceeds to be received upon sale, ii) severance costs of \$125,000, iii) refurbishing costs of \$64,000, relating to a leased warehousing facility, and iv) a provision for inventory reserves of \$31,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 2, 2002 and March 3, 2001
(unaudited)

NOTE J - INVENTORIES

Inventories consist of the following:

	March 2, 2002	June 2, 2001
	-----	-----
	(in thousands)	
Finished goods	\$ 12,922	\$ 11,093
Work in process	2,304	1,826
Raw materials	10,464	9,102
	-----	-----
	\$ 25,690	\$ 22,021
	=====	=====

NOTE K - INCOME TAXES

During the thirteen weeks ended September 2, 2000, the Company reduced its valuation allowance primarily to recognize deferred tax assets of approximately \$1,344,000. Continued and projected future profitability of the Company's U.S. operations, including those of AngioDynamics, made it more likely than not that certain deferred tax assets would be realized through future taxable earnings.

NOTE L - COMMON STOCK

Under the 1983 and 1984 Stock Option Plans, options for 21,000 shares were granted at \$4.90 per share, options for 613 shares were exercised at \$5.63 per share, options for 13,959 shares were forfeited at prices ranging from \$5.39 to \$8.58 per share, and options for 1,194 shares expired at \$9.58 per share during the thirty-nine weeks ended March 2, 2002. Under the 1997 AngioDynamics Stock Option Plan, options for 3.18 shares were granted at \$40,000 per share, options for .06 shares were forfeited at \$40,000 per share, and no options were exercised or expired during the thirty-nine weeks ended March 2, 2002.

In January 1999, the Board of Directors authorized the repurchase of up to 500,000 shares of the Company's Class B Common Stock at an aggregate purchase price of up to \$2,000,000. In October 1999, the Board modified the program to include the Company's Class A Common Stock. In February 2000, the Board further modified the program to increase the aggregate purchase price of Class A and Class B Common Stock by an additional \$2,000,000. As of March 2, 2002, the Company had repurchased 51,298 shares of Class A Common Stock and 424,653 shares of Class B Common Stock for approximately \$3,336,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 2, 2002 and March 3, 2001
(unaudited)

NOTE M - OPERATING SEGMENTS

The Company is engaged in the manufacture and distribution of a wide variety of products which are classified into two operating segments: Diagnostic products and AngioDynamics products. Diagnostic products encompass both contrast systems, consisting of barium sulfate formulations and related medical devices used in X-ray, CT-scanning, ultrasound and MRI imaging examinations, and non-contrast systems, including the electromechanical injector line, radiological medical devices, custom contract pharmaceuticals, gastrointestinal cleansing laxatives, and immunoassay tests. AngioDynamics products include angiographic, image-guided vascular access, thrombolytic, angioplasty, stents, and drainage medical devices used in the interventional radiology marketplace.

The Company's chief operating decision maker utilizes operating segment net earnings (loss) information in assessing performance and making overall operating decisions and resource allocations. Information about the Company's segments is as follows:

	Thirteen weeks ended		Thirty-nine weeks ended	
	March 2, 2002	March 3, 2001	March 2, 2002	March 3, 2001
	(in thousands)			
Net sales to external customers				
Diagnostic products				
Contrast systems	\$ 14,035	\$ 14,431	\$ 44,793	\$ 45,711
Non-contrast systems	8,858	7,921	22,407	19,986
	22,893	22,352	67,200	65,697
AngioDynamics products	7,753	5,457	21,716	16,503
	\$ 30,646	\$ 27,809	\$ 88,916	\$ 82,200
	=====	=====	=====	=====
Intersegment net sales				
Diagnostic products				\$ 1
AngioDynamics products	\$ 381	\$ 189	\$ 764	541
	\$ 381	\$ 189	\$ 764	\$ 542
	=====	=====	=====	=====
Operating profit (loss)				
Diagnostic products	\$ 1,071	\$ (57)	\$ (1,113)	\$ 2,057
AngioDynamics products	650	17	1,631	(217)
Eliminations	(33)	15	(32)	(54)
	-----	-----	-----	-----

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Total operating profit (loss)	\$ 1,688	\$ (25)	\$ 486	\$ 1,786
	=====	=====	=====	=====
Net earnings (loss)				
Diagnostic products	\$ 844	\$ 261	\$ (751)	\$ 2,287
AngioDynamics products	346	(170)	661	576
Eliminations	(33)	15	(32)	(54)
	-----	-----	-----	-----
Total net earnings (loss)	\$ 1,157	\$ 106	\$ (122)	\$ 2,809
	=====	=====	=====	=====

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E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 2, 2002 and March 3, 2001
(unaudited)

NOTE M - OPERATING SEGMENTS (continued)

	March 2, 2002	June 2, 2001
	-----	-----
	(in thousands)	
Assets		
Diagnostic products	\$107,364	\$108,463
AngioDynamics products	19,164	16,782
Eliminations	(28,029)	(27,790)
	-----	-----
Total assets	\$ 98,499	\$ 97,455
	=====	=====

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E-Z-EM, Inc. and Subsidiaries

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Quarters ended March 2, 2002 and March 3, 2001

The Company's quarters ended March 2, 2002 and March 3, 2001 both represent thirteen weeks.

Results of Operations

Segment Overview

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The Company operates in two industry segments: Diagnostic products and AngioDynamics products. The Diagnostic products operating segment includes both contrast systems and non-contrast systems. The AngioDynamics products operating segment includes angiographic, image-guided vascular access, thrombolytic, angioplasty, stents, and drainage medical devices used in the interventional radiology marketplace.

	Diagnostic	AngioDynamics	Eliminations	Total
	-----	-----	-----	-----
	(in thousands)			
Quarter ended March 2, 2002				

Unaffiliated customer sales	\$ 22,893	\$ 7,753	--	\$ 30,646
Intersegment sales	--	381	\$ (381)	--
Gross profit (loss)	9,072	3,816	(33)	12,855
Operating profit (loss)	1,071	650	(33)	1,688
Quarter ended March 3, 2001				

Unaffiliated customer sales	\$ 22,352	\$ 5,457	--	\$ 27,809
Intersegment sales	--	189	\$ (189)	--
Gross profit	7,464	2,616	15	10,095
Operating profit (loss)	(57)	17	15	(25)

Diagnostic Products

Diagnostic segment operating results for the current quarter improved by \$1,128,000 due primarily to increased sales and improved gross profit, partially offset by increased operating expenses. Net sales increased 2%, or \$541,000, due to increased sales of non-contrast systems of \$937,000, primarily relating to custom contracts, partially offset by decreased sales of contrast systems of \$396,000. Price increases had little effect on net sales for the current quarter. Gross profit expressed as a percentage of net sales improved to 40% for the current quarter from 33% for the comparable period of the prior year due primarily to changes in product mix, increased production throughput at the Company's Montreal, Canada facility and lower overhead costs at the Company's Westbury, New York facility. The lower overhead costs can be attributed, in large part, to severance costs of \$315,000 incurred in the comparable period of the prior year. Increased operating expenses of \$480,000 resulted from investment in new product introductions and the establishment of a dedicated domestic sales force for the Company's electromechanical injector line.

AngioDynamics Products

AngioDynamics segment operating results for the current quarter improved by \$633,000 due to increased sales and improved gross profit, partially offset by increased operating expenses. Net sales increased 42%, or \$2,296,000, due primarily to increased sales of image-guided vascular access products,

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marketplace. Gross profit expressed as a percentage of net sales improved to 47% for the current quarter from 46% for the comparable quarter of the prior year due primarily to changes in product mix and increased production throughput at the Company's Queensbury, New York facility. Operating expenses increased \$567,000 due, in large part, to an expansion of the domestic sales force during the second half of last fiscal year and increased research and development expenses.

Consolidated Results of Operations

For the quarter ended March 2, 2002, the Company reported net earnings of \$1,157,000, or \$.12 and \$.11 per common share on a basic and diluted basis, respectively, compared to net earnings of \$106,000, or \$.01 per common share on both a basic and diluted basis, for the comparable period of last year. Results for the current quarter were favorably affected by increased sales and improved gross profit in both industry segments, partially offset by increased operating expenses in both industry segments.

Net sales of \$30,646,000 for the quarter ended March 2, 2002 increased 10%, or \$2,837,000, compared to the quarter ended March 3, 2001 due to increased sales of AngioDynamics products of \$2,296,000 and non-contrast systems of \$937,000, partially offset by decreased sales of contrast systems of 396,000, which resulted from the factors previously disclosed in the segment overview. Price increases had little effect on net sales for the current quarter. Net sales in international markets, including direct exports from the U.S., decreased 3%, or \$316,000, for the current quarter from the comparable period of last year due to decreased sales of contrast systems of \$689,000, partially offset by increased sales of non-contrast systems of \$337,000, primarily relating to custom contracts.

Gross profit expressed as a percentage of net sales increased to 42% for the current quarter from 36% for the comparable quarter of the prior year due to improved gross profit in both the AngioDynamics and Diagnostic segments, which resulted from the factors previously disclosed in the segment overview. The Company's third fiscal quarters traditionally have fewer production days than the other fiscal quarters, resulting in somewhat lower gross profit percentages in such quarters.

Selling and administrative ("S&A") expenses were \$9,665,000 for the quarter ended March 2, 2002 compared to \$8,771,000 for the quarter ended March 3, 2001. This increase of \$894,000, or 10%, for the current quarter was due to increased Diagnostic S&A expenses of \$486,000 and increased AngioDynamics S&A expenses of \$408,000. Increased Diagnostic S&A expenses resulted from investment in new product introductions and the establishment of a dedicated domestic sales force for the Company's electromechanical injector line. Increased AngioDynamics S&A expenses was due, in large part, to an expansion of the domestic sales force during the second half of last fiscal year.

Research and development ("R&D") expenditures increased 14% for the current quarter to \$1,542,000, or 5% of net sales, from \$1,349,000, or 5% of net sales, for the comparable quarter of the prior year. This increase was due to increased AngioDynamics project spending of \$159,000, as well as increased clinical trial costs associated with a variety of new products in the field of virtual colonoscopy. Of the R&D expenditures for the current quarter, approximately 35% relate to non-contrast systems, which include the Company's electromechanical injector line, 33% to AngioDynamics projects, 13% to contrast systems, 2% to other projects and 17% to general regulatory costs. R&D expenditures are expected to continue at approximately current levels.

Other income, net of other expenses, totaled \$93,000 of income for the current quarter compared to \$222,000 of income for the quarter ended March 3,

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2001. This decline was due to decreased interest income of \$142,000, resulting, in large part, from lower interest rates.

The Company's effective tax rate of 35% for the quarter ended March 2, 2002 differed from the Federal statutory tax rate of 34% due primarily to the fact that the Company did not provide for the tax benefit on losses in a foreign jurisdiction, since it is more likely than not that such benefits would not be realized, and non-deductible expenses, partially offset by the reversal of an over accrual established in the prior year. For the quarter ended March 3, 2001, the Company's effective tax rate of 46% differed from the Federal statutory tax rate of 34% due primarily to the fact that the Company did not provide for the tax benefit on losses incurred in a foreign jurisdiction, since, at that time, it was more likely than not that such benefits would not be realized, and non-deductible expenses, partially offset by tax-exempt interest and earnings of the Company's Puerto Rican subsidiary, which are subject to favorable U.S. tax treatment.

Nine months ended March 2, 2002 and March 3, 2001

The Company's nine months ended March 2, 2002 and March 3, 2001 both represent thirty-nine weeks.

Results of Operations

Segment Overview

	Diagnostic	AngioDynamics	Eliminations	Total
	-----	-----	-----	-----
	(in thousands)			
Nine months ended March 2, 2002				
Unaffiliated customer sales	\$ 67,200	\$ 21,716	--	\$ 88,916
Intersegment sales	--	764	\$ (764)	--
Gross profit (loss)	25,678	10,933	(32)	36,579
Operating profit (loss)	(1,113)	1,631	(32)	486
Nine months ended March 3, 2001				
Unaffiliated customer sales	\$ 65,697	\$ 16,503	--	\$ 82,200
Intersegment sales	1	541	\$ (542)	--
Gross profit	24,870	8,062	(54)	32,878
Operating profit (loss)	2,057	(217)	(54)	1,786

Diagnostic Products

Diagnostic segment operating results for the current period, which declined by \$3,170,000, were adversely affected by the December 2001 closing of a Japanese facility principally used to manufacture liquid barium sulfate formulations for sale in the Japanese market. The facility lacked the necessary

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manufacturing throughput to justify its continued existence. As a result of this facility closing, the Company recorded a \$1,492,000 charge to operations during the current period consisting of i) a \$1,272,000 write-down of property, plant and equipment to management's estimate of their fair market value, based upon the anticipated proceeds to be received upon sale, ii) severance costs of \$125,000, iii) refurbishing costs of \$64,000, relating to a leased warehousing facility, and iv) a provision for inventory reserves of \$31,000.

Excluding the Japanese facility closing costs, Diagnostic segment operating results declined by \$1,678,000 due primarily to increased operating expenses, slightly offset by increased sales and gross profit. Net sales increased 2%, or \$1,503,000, due to increased sales of non-contrast systems of \$2,421,000, partially offset by decreased sales of contrast systems of \$918,000. Increased sales of non-contrast systems can be attributed entirely to custom contract

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sales. Price increases accounted for less than 1% of net sales for the current period. Gross profit expressed as a percentage of net sales was 38% for both the current period and the comparable period of the prior year. Decreased production throughput at the Company's Westbury and San Lorenzo, Puerto Rico facilities offset the favorable effects of changes in product mix. Excluding the aforementioned facility closing costs, operating expenses increased \$2,486,000 due, in large part, to: i) the establishment of a dedicated domestic sales force for the Company's electromechanical injector line; ii) investment in new product introductions; iii) increased administrative and research and development expenses; and iv) office relocation expenses of a foreign subsidiary. The comparable prior year period included an asset impairment charge of \$450,000 for acquired patent rights to an oral magnetic resonance imaging contrast agent.

AngioDynamics Products

AngioDynamics segment operating results improved by \$1,848,000 in the current period. Of this improvement, \$872,000 resulted from the Company recognizing a loss on sale of AngioDynamics Ltd. and related assets in the comparable period of last year. Excluding the effect of the loss on sale, AngioDynamics segment operating results improved by \$976,000 due to increased sales and improved gross profit, partially offset by increased operating expenses. Net sales increased 32%, or \$5,213,000, due primarily to increased sales of image-guided vascular access products, stents, angiographic catheters and angioplasty products in the domestic marketplace. Gross profit expressed as a percentage of net sales improved to 49% for the current period from 47% for the comparable period of the prior year due primarily to increased production throughput at the Company's Queensbury facility and reduced manufacturing overhead costs resulting from the sale of the Irish facility in the first quarter of the prior year. Excluding the aforementioned loss on sale, operating expenses increased \$1,895,000 due, in large part, to an expansion of the domestic sales force during the second half of last fiscal year.

Consolidated Results of Operations

For the nine months ended March 2, 2002, the Company reported a net loss of \$122,000, or (\$.01) per common share on both a basic and diluted basis, compared to net earnings of \$2,809,000, or \$.28 per common share on both a basic and diluted basis for the comparable period of last year. Results for the current period were adversely affected by the \$1,492,000 charge to close a Japanese facility. Increased operating expenses in both industry segments also adversely affected results for the current period. Results for the current period were

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favorably affected by increased sales and improved gross profit in both industry segments. For the comparable period of the prior year, several factors combined to have a favorable effect on net earnings of \$418,000, or \$.04 per basic share. Last year's results included the Company's reversal of a portion of its valuation allowance against certain domestic income tax benefits totaling \$1,344,000. Continued and projected future profitability of the Company's U.S. operations, including those of AngioDynamics, made it more likely than not that certain deferred tax assets would be realized through future taxable earnings. Partially offsetting this was the loss on sale of AngioDynamics Ltd. and related assets of \$872,000 and the Diagnostic asset impairment charge of \$450,000.

Net sales of \$88,916,000 for the nine months ended March 2, 2002 increased 8%, or \$6,716,000, compared to the nine months ended March 3, 2001 due to increased sales of AngioDynamics products of \$5,213,000 and non-contrast systems of \$2,421,000, partially offset by decreased sales of contrast systems of \$918,000, which resulted from the factors previously disclosed in the segment overview. Price increases accounted for less than 1% of net sales for the current period. Net sales in international markets, including direct exports from the U.S., increased 3%, or \$858,000, for the current period from the comparable period of last year due to increased sales of non-contrast systems of

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\$1,974,000, partially offset by decreased sales of contrast systems of \$676,000 and AngioDynamics products of \$440,000. Increased sales of non-contrast systems can be attributed entirely to custom contract sales.

Gross profit expressed as a percentage of net sales increased to 41% for the current period from 40% for the comparable period of the prior year due to improved gross profit in both the AngioDynamics and Diagnostic segments, which resulted from the factors previously disclosed in the segment overview.

S&A expenses were \$29,919,000 for the nine months ended March 2, 2002 compared to \$26,210,000 for the nine months ended March 3, 2001. This increase of \$3,709,000, or 14%, for the current period was due to increased Diagnostic S&A expenses of \$2,057,000 and increased AngioDynamics S&A expenses of \$1,652,000. Increased Diagnostic S&A expenses resulted, in large part, from: i) the establishment of a dedicated domestic sales force for the Company's electromechanical injector line; ii) investment in new product introductions; iii) increased administrative expenses; and iv) office relocation expenses of a foreign subsidiary. The comparable prior year period included the aforementioned asset impairment charge of \$450,000. Increased AngioDynamics S&A expenses was due, in large part, to an expansion of the domestic sales force during the second half of last fiscal year.

R&D expenditures increased 17% for the current period to \$4,682,000, or 5% of net sales, from \$4,010,000, or 5% of net sales, for the comparable prior year period. This increase was due to expenses associated with the development of new products introduced in the second quarter, including the Company's latest CT injector system, EmpowerCT(TM), as well as a variety of new products in the field of virtual colonoscopy. Of the R&D expenditures for the current period, approximately 42% relate to non-contrast systems, which include the Company's electromechanical injector line, 29% to AngioDynamics projects, 11% to contrast systems, 2% to other projects and 16% to general regulatory costs.

Other income, net of other expenses, totaled \$430,000 of income for the current period compared to \$565,000 of income for the comparable period of last year. This decline was due primarily to decreased interest income of \$327,000, resulting, in large part, from lower interest rates, partially offset by a gain

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on the sale of an equity security of \$83,000 and an improvement in foreign currency exchange gains and losses of \$77,000.

For the nine months ended March 2, 2002, the Company's unusually high effective tax rate of 113% differed from the Federal statutory tax rate of 34% due primarily to the fact that the Company did not provide for the tax benefit on losses incurred in certain foreign jurisdictions, since it is more likely than not that such benefits will not be realized, and non-deductible expenses. For the nine months ended March 3, 2001, the Company reported an income tax benefit of \$458,000 against earnings before taxes of \$2,351,000 due primarily to the fact that the Company reversed a portion of its valuation allowance against certain domestic tax benefits totaling \$1,344,000. Continued and projected future profitability of the Company's U.S. operations, including those of AngioDynamics, made it more likely than not that certain deferred tax assets would be realized through future taxable earnings.

Liquidity and Capital Resources

For the nine months ended March 2, 2002, capital expenditures, the purchase of intangible assets and the purchase of treasury stock were funded by cash provided by operations. The Company's policy has been to fund capital requirements without incurring significant debt. At March 2, 2002, debt (notes payable, current maturities of long-term debt and long-term debt) was \$1,385,000, compared to \$1,418,000 at June 2, 2001. The Company has available \$1,256,000 under a bank line of credit of which \$183,000 was outstanding at March 2, 2002.

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At March 2, 2002, approximately 66% of the Company's assets consisted of inventories, accounts receivable, short-term debt and equity securities, and cash and cash equivalents. The current ratio was 4.57 to 1, with net working capital of \$54,304,000, at March 2, 2002, as compared to a current ratio of 5.24 to 1, with net working capital of \$56,184,000, at June 2, 2001.

In January 1999, the Board of Directors authorized the repurchase of up to 500,000 shares of the Company's Class B Common Stock at an aggregate purchase price of up to \$2,000,000. In October 1999, the Board modified the program to include the Company's Class A Common Stock. In February 2000, the Board further modified the program to increase the aggregate purchase price of Class A and Class B Common Stock by an additional \$2,000,000. As of March 2, 2002, the Company had repurchased 51,298 shares of Class A Common Stock and 424,653 shares of Class B Common Stock for approximately \$3,336,000.

Forward-Looking Statements

This Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are intended to be covered by the safe harbors created thereby. Words such as "expects", "intends", "anticipates", "plans", "believes", "seeks", "estimates", or variations of such words and similar expressions are intended to identify such forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty, including without limitation, the ability of the Company to develop its products, future actions by the U.S. Food and Drug Administration or other regulatory agencies, results of pending or future clinical trials, overall

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economic conditions, general market conditions, foreign currency exchange rate fluctuations, the effects of pricing from group purchasing organizations, and competition, including alternative procedures which continue to replace traditional fluoroscopic procedures. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward-looking statements included in this Form 10-Q will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk from changes in foreign currency exchange rates and, to a much lesser extent, interest rates on investments and financing, which could impact results of operations and financial position. The Company does not currently engage in hedging or other market risk management tools. There have been no material changes with respect to market risk previously disclosed in the fiscal 2001 Annual Report on Form 10-K.

Foreign Currency Exchange Rate Risk

The Company's international subsidiaries are denominated in currencies other than the U.S. dollar. Since the functional currency of the Company's international subsidiaries is the local currency, foreign currency translation adjustments are accumulated as a component of accumulated other comprehensive loss in stockholders' equity. Assuming a hypothetical aggregate change in the foreign currencies versus the U.S. dollar exchange rates of 10% at March 2, 2002, the Company's assets and liabilities would increase or decrease by \$2,274,000 and \$587,000, respectively, and the Company's net sales and net earnings would increase or decrease by \$2,248,000 and \$148,000, respectively, on an annual basis.

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The Company also maintains intercompany balances and loans receivable with subsidiaries with different local currencies. These amounts are at risk of foreign exchange losses if exchange rates fluctuate. Assuming a hypothetical aggregate change in the foreign currencies versus the U.S. dollar exchange rates of 10% at March 2, 2002, results of operations would be favorably or unfavorably impacted by approximately \$675,000 on an annual basis.

Interest Rate Risk

The Company is exposed to interest rate change market risk with respect to its investments in tax-free municipal bonds in the amount of \$15,990,000. The bonds bear interest at a floating rate established weekly. For the nine months ended March 2, 2002, the after-tax interest rate on the bonds approximated 2.0%. Each 100 basis point (1%) fluctuation in interest rates will increase or decrease interest income on the bonds by approximately \$160,000 on an annual basis.

As the Company's principal amount of fixed and variable interest rate financing approximated \$1,202,000 and \$183,000, respectively, at March 2, 2002,

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a change in interest rates would not materially impact results of operations or financial position.

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E-Z-EM, Inc. and Subsidiaries

Part II: Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - None.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended March 2, 2002.

SIGNATURES

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.

E-Z-EM, Inc.

(Registrant)

Date April 16, 2002

/s/ Anthony A. Lombardo

Anthony A. Lombardo, President,
Chief Executive Officer and Director

Date April 16, 2002

/s/ Dennis J. Curtin

Dennis J. Curtin, Senior Vice
President - Chief Financial Officer
(Principal Financial and Chief
Accounting Officer)

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