

Edgar Filing: EZ EM INC - Form 10-K

EZ EM INC
Form 10-K
August 30, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended June 2, 2001

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)

Registrant's telephone number, including area code (516) 333-8230

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, par value \$.10	American Stock Exchange
Class B Common Stock, par value \$.10	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 ☒ No ☐

Edgar Filing: EZ EM INC - Form 10-K

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

-1-

The aggregate market value of the registrant's voting Class A and non-voting Class B Common Stock held by non-affiliates on August 3, 2001 was \$35,572,000.

As of August 3, 2001, there were 4,011,140 shares of the registrant's Class A Common Stock outstanding and 5,842,114 shares of the registrant's Class B Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for registrants 2001 Annual Meeting of Stockholders to be held October 30, 2001 are incorporated by reference in Part III of this Form 10-K Report.

-2-

E-Z-EM, Inc. and Subsidiaries

INDEX

	Page

Part I:	

Item 1. Business	4
Item 2. Properties	15
Item 3. Legal Proceedings	15
Item 4. Submission of Matters to a Vote of Security Holders	15
Part II:	

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters	16
Item 6. Selected Financial Data	17
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	23

Edgar Filing: EZ EM INC - Form 10-K

Item 8. Financial Statements and Supplementary Data	24
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	24
Part III: -----	
Item 10. Directors and Executive Officers of the Registrant	25
Item 11. Executive Compensation	28
Item 12. Security Ownership of Certain Beneficial Owners and Management	32
Item 13. Certain Relationships and Related Transactions	35
Part IV: -----	
Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K	36

-3-

Part I -----

Item 1. Business -----

(a) General Development of Business -----

E-Z-EM, Inc. (the "Company" or "E-Z-EM"), organized in Delaware in 1983, together with its predecessors, has been in business for over 39 years, and has its corporate offices located at 717 Main Street, Westbury, N.Y. 11590. The Company is primarily engaged in developing, manufacturing and marketing diagnostic products used by radiologists and other physicians during image-assisted procedures to detect anatomic abnormalities and diseases. The Company also designs, develops, manufactures and markets, through its wholly-owned subsidiary, AngioDynamics, Inc. ("AngioDynamics"), a variety of therapeutic and diagnostic products, for use principally in the diagnosis and treatment of peripheral vascular disease. Interventional radiologists primarily use these products during minimally invasive diagnostic and therapeutic surgical procedures.

E-Z-EM's products consist of specially developed powdered and liquid barium sulfate formulations and consumable medical devices, which function together as a system ("contrast systems"), for examination of the various parts of the gastrointestinal ("G.I.") tract. Contrast systems are used in X-ray, CT-scanning and other imaging examinations. The G.I. tract is commonly referred to as the digestive system and consists of the pharynx, esophagus, stomach, small intestine (or small bowel) and colon. E-Z-EM manufactures a broad spectrum of barium sulfate products for different uses in G.I. tract examinations. Each E-Z-EM barium sulfate formulation is tailored to that portion of the G.I. tract

Edgar Filing: EZ EM INC - Form 10-K

to be marked or examined, and to the procedures employed by radiologists in each examination. Based upon sales, the Company believes that it is the leading worldwide producer of barium sulfate contrast systems for use in G.I. tract examinations.

The Company also competes in areas related and complementary to its basic contrast systems business, categorized as non-contrast systems. Non-contrast systems include: the electromechanical injector line, radiological medical devices, custom contract pharmaceuticals, gastrointestinal cleansing laxatives, and immunoassay tests. See "Narrative Description of Business".

The Company's sales of contrast and non-contrast systems, collectively the diagnostic ("Diagnostic") products industry segment, net of intersegment eliminations, decreased 3% during 2001 as compared to 2000 due to lower sales of contrast systems, partially offset by increased sales of non-contrast systems. The lower sales of contrast systems were due, in part, to the strength of the U.S. dollar and foreign currency exchange rate fluctuations, which adversely affected the translation of European, Canadian and Japanese sales to U.S. dollars for financial reporting purposes.

The Company manufactures and markets, through AngioDynamics, six differentiated product groups for use during interventional radiology procedures: angiographic products, image-guided vascular access products, thrombolytic products, angioplasty products, stents, and drainage products. Collectively these products are classified as the AngioDynamics products industry segment. See "Narrative Description of Business".

During 2001, AngioDynamics product sales, net of intersegment eliminations, increased 10% due, in large part, to: increased sales of several products introduced in 2000, namely Workhorse(TM) PTA balloon catheters, Abscession(TM) fluid drainage catheters, and VISTAFLEX(TM) platinum biliary stents; and sales of OMNIFLEX(TM)

-4-

stents, introduced in the third quarter of 2001. International sales increased 1% despite the Company's exit from the cardiovascular market.

On July 27, 2000, AngioDynamics 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 the Company's 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 first quarter of 2001. 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.

Unless the context requires otherwise, all references herein to a particular year are references to the Company's fiscal year.

(b) Financial Information About Industry Segments

Edgar Filing: EZ EM INC - Form 10-K

The Company is engaged in the manufacture and distribution of a wide variety of products that are classified into two industry 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 Magnetic Resonance Imaging ("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.

Certain financial information, including net sales, depreciation and amortization, net earnings (loss), assets and capital expenditures attributable to each operating segment are set forth in Note O to the Consolidated Financial Statements included herein.

(c) Narrative Description of Business

Diagnostic Products

Diagnostic products include both contrast systems, consisting of barium sulfate formulations and related medical devices used in X-ray, CT-scanning and other imaging examinations, and non-contrast systems, including the electromechanical injector line, radiological medical devices, custom contract pharmaceuticals, gastrointestinal cleansing laxatives, and immunoassay tests.

Contrast Systems

Contrast systems, using barium sulfate formulations as contrast media together with consumable medical devices, have been E-Z-EM's principal business since the Company's organization over 39 years ago. For over 85 years, barium sulfate has been the contrast medium of choice for virtually all G.I. tract X-ray examinations. It has the longest history of use among all contrast media. Barium sulfate is preferred among G.I. tract contrast media because it has a high

-5-

absorption coefficient for X-rays. In addition, it is biologically inert, insoluble in water and chemically stable. Barium sulfate for suspension is listed in the U.S. Pharmacopeia. The use of properly formulated barium sulfate suspensions permits the visualization of the entire G.I. tract.

The Company's contrast systems are designed for a variety of radiologic procedures. In single contrast procedures, a portion of the G.I. tract is filled with barium sulfate to produce a diagnostic image of the tract's contours. In double contrast procedures, CO₂ or air is used to distend the G.I. tract after coating with a high-density barium sulfate suspension. This produces a significantly clearer diagnostic image of the tract's surface than that obtainable through the use of single contrast procedures. In computed tomography procedures, known as "CT-scanning", a specially formulated low-density barium sulfate product is used to fill and thus identify the G.I. tract.

Contrast systems provide radiologists with a range of effective and

Edgar Filing: EZ EM INC - Form 10-K

convenient powdered and liquid product formulations tailored to single contrast, double contrast or CT-scanning procedures. Many of the Company's products are functionally packaged in disposable dispensing containers. The Company believes that it currently has the broadest barium sulfate product line of any worldwide manufacturer and is continuing to develop additional formulations for modern X-ray techniques. E-Z-EM also sells accessory medical devices for use in contrast system procedures, including empty enema administration kits and components. Sales of contrast systems decreased 7% during 2001 as compared to 2000.

During 2001, the Company introduced the first family of contrast formulations designed specifically for fluoroscopic examination of the swallowing process. These products, trade named Varibar(TM), provide consistent, repeatable radiographic results in modified swallowing studies. The Varibar system provides a range of low-, medium- and high-viscosity barium suspensions needed to evaluate the patient's ability to swallow liquid and solid materials of differing viscosities and volumes. Disorders of the swallowing mechanism can range from minimal difficulty swallowing food and liquids to inability to swallow without a great risk of aspiration. It is estimated that over 10 million Americans have some degree of swallowing disorder and this number is expected to increase substantially with the aging of the U.S. population.

Non-Contrast Systems

The Company also competes in areas related and complementary to its basic contrast systems business, categorized as non-contrast systems. Non-contrast systems include: the electromechanical injector line, radiological medical devices, custom contract pharmaceuticals, gastrointestinal cleansing laxatives, and immunoassay tests. Sales of non-contrast systems increased 7% during 2001 as compared to 2000.

The electromechanical injector line includes the PercuPump Touchscreen(TM) with EDA(TM) injector ("PP with EDA"), which is designed to inject contrast media into the vascular system for visualization purposes during CT procedures. The PP with EDA, introduced in 1998, is the first CT injector designed to aid in the detection of extravasation, an accidental infiltration of contrast media into surrounding tissue. The PP with EDA is comprised of an electromechanical injector, a consumable syringe, and a disposable EDA detector patch.

The Company's line of radiological medical devices include entry and biopsy needles, trays and ancillary devices used during a variety of radiologic and ultrasound procedures, such as mammography, amniocentesis and other specialty procedures.

-6-

Custom contract pharmaceutical and cosmetic products are manufactured on a contract basis by E-Z-EM Canada Inc. ("E-Z-EM Canada"), the Company's wholly-owned Canadian subsidiary. Pharmaceuticals include products for dermatology, cough and cold medicines, liquid vitamins, antacids and sun screen lotions and creams. Cosmetic products include skin care products, namely anti-aging and moisturizers.

During 2001, E-Z-EM Canada entered into two new long-term agreements, one with Bracco Diagnostics Inc. ("Bracco"), of Princeton, New Jersey, and one with Vivier Pharma ("Vivier"), of Vaudreuil, Quebec. The Bracco agreement is for the manufacturing of an oral contrast agent, which Bracco sells throughout North America. Initial sales were made in the fourth quarter of 2001. Vivier has appointed E-Z-EM Canada as its exclusive manufacturer of products owned and sold

Edgar Filing: EZ EM INC - Form 10-K

by Vivier, worldwide, either directly or through its agents. E-Z-EM Canada also has a right of first refusal for the manufacture of all future products, either currently in development or to be developed or acquired by Vivier. Vivier holds a leading position, with exclusive know-how, related to high potency liquid vitamin C products, used in anti-aging cosmeceuticals. Initial sales have been made to Vivier's International and North American customer base during the fourth quarter of 2001.

E-Z-EM Canada has a long-term agreement with O'Dell Engineering Ltd. ("O'Dell") of Cambridge, Ontario, Canada, to commercialize a decontamination lotion for chemical warfare agents. The product line, known as Reactive Skin Decontaminant Lotion ("RSDL"), is currently marketed to the defense sector. Under the terms of the agreement, E-Z-EM Canada is the exclusive manufacturer of the product and is responsible for all phases of product development, including future generation decontaminants.

RSDL is a decontamination lotion that neutralizes and destroys chemical warfare agents. It has been shown to be effective against the G and V families of nerve agents, which include Sarin (used in the Tokyo subway terrorist attack) and VX, and the H and L families of vesicants (blister agents), which include Mustard and Lewisite. Developed by the Defense Research Establishment of the Canadian Department of National Defense, the product patent is held by the Canadian government, which has entered into an exclusive licensing agreement with O'Dell until the year 2010. To date, patents have been issued for RSDL in the U.S., Canada and over a dozen European countries.

The Company offers laxative products specially formulated to cleanse the G.I. tract prior to X-ray and colonoscopic examinations. These products are sold through the same distribution network as the Company's contrast systems.

The Company, through its wholly-owned subsidiary, Enteric Products, Inc. ("EPI"), markets immunoassay tests for use in the detection of *Helicobacter pylori* ("H. pylori"). The tests analyze a patient's serum or whole blood sample using a patented antigen licensed from Baylor College of Medicine. These tests are available for both laboratory use and for use in a physician's office.

H. pylori infection has been identified as the leading cause of duodenal and gastric ulcers and has also been linked to gastritis and gastric cancer. The World Health Organization has categorized H. pylori as a Class 1 carcinogen, a definite cancer causing agent in humans. Gastric cancer is a leading cause of death in Asia, Africa and Eastern Europe.

The Primary Care Diagnostics Division of Beckman Coulter, Inc. ("Beckman"), with whom EPI co-developed the serum and whole blood tests, also markets its version of the product under the name FlexSure(TM) HP in the U.S. and other selected territories. EPI receives revenue from royalties on the sale of product by Beckman to its distributors and end-users, and from the sale of EPI's patented antigen to Beckman for use in both tests. In addition, EPI derives revenue from

-7-

the sale of HM-CAP(TM), the laboratory version of the blood serum test. The Company markets the HM-CAP test direct and through distributors in the U.S. and abroad.

The Company, through its EndoDynamics division, also sells products to the

Edgar Filing: EZ EM INC - Form 10-K

gastroenterology and cardiology markets. These products include the patented Suction Polyp Trap(TM) that is used during colonoscopy and the patented E-Z-Guard(TM) Mouthpiece that is used during esophageal echocardiography procedures. EndoDynamics markets its products direct and through distributors in the U.S. and through specialty distributors outside the U.S.

Significant Customers

Sales to Marconi Medical Systems, Inc. and Diagnostic Imaging Inc., which are distributors of the Company's Diagnostic products, were 17% and 12%, respectively, of total net sales during 2001.

AngioDynamics Products

The Company, through its wholly-owned subsidiary, AngioDynamics, designs, develops, manufactures and markets a variety of differentiated products and systems for the worldwide interventional radiology marketplace, which is the practice of medicine using both traditional and new imaging procedures to perform minimally invasive diagnostic and therapeutic surgical procedures.

The Company believes that the interventional radiology market is growing dramatically. This is due, in large part, to the less invasive aspects of interventional radiology procedures, as compared to open surgical procedures, which result in a reduction in the overall cost of medical care while providing important patient benefits. Interventional radiology procedures are often performed on an out-patient basis, thereby requiring fewer hospital support services. These procedures, even when performed on an in-patient basis, generally require a shorter hospital stay than do more traditional surgical procedures. Interventional radiology procedures also typically can have reduced risk and trauma, are less complex, have fewer and less serious complications, can often be performed earlier in the stage of a disease, and frequently result in less costly and more definitive therapy than do more traditional surgical procedures. The Company expects the number of interventional radiology procedures performed to increase as these procedures gain wider acceptance, as more physicians become trained in less invasive medical specialties, and as these procedures become more widely performed in community hospitals as well as in major medical centers. Improvements in imaging and device technology should further expand the application of interventional radiology procedures.

Angiographic Products

Angiographic products include diagnostic catheters, fluid management products and CO2Ject(TM), a proprietary angiographic system that uses carbon dioxide ("CO2") instead of standard iodinated contrast media. These products are used during procedures known as "angiograms" and "venograms", which provide images of the human peripheral vasculature and blood flow.

The Company manufactures three lines of angiographic catheters, Soft-Vu(TM), Memory-Vu(TM), and ANGIOPTIC(TM), suitable for diagnosing the peripheral human vascular system. These catheters are available in over 500 tip configurations and lengths, either as standard catalogue items or made to order through the Company's customization program. The Company's lines of angiographic catheters are cleared for sale in the U.S., the European community, Japan and elsewhere throughout the world.

Edgar Filing: EZ EM INC - Form 10-K

incorporates a soft, atraumatic tip that is attached to a more rigid shaft. In addition to being soft, the catheter tips are also easily visualized under fluoroscopy. The Company believes this soft tipped catheter technology offers the physician a safe diagnostic catheter with less propensity to perforate or lacerate an artery or vein.

The Company's ANGIOPTIC catheter line is distinguished from other catheters because the entire catheter is highly visible under fluoroscopy. The catheter is constructed using a proprietary triple-layer extrusion technology.

The Company manufactures several lines of products used to administer fluids and contain the blood and other biological wastes produced during an interventional radiology procedure. These products are designed to meet the concern about HIV and hepatitis. The AngioFill(TM) product line controls airborne blood borne pathogens by aspirating a catheter and injecting the blood into an appropriate receptacle. The AngioFill systems also have fluid lines that connect to saline and contrast media bottles. In use, physicians aspirate the catheter with a syringe and release the contents in the AngioFill bag. While the syringe is still connected to the AngioFill, the physician draws fresh saline or contrast media to flush the catheter. The patented Pulse-Vu Needle(TM) controls airborne blood borne pathogens and the spurting blood flow normally encountered in a femoral arterial puncture. The needle has a thin diaphragm to divert the pressurized column of blood into a clear, flexible side arm tube, thus preventing the blood from entering the clinical environment. The special diaphragm has a slit that allows easy passage of a guidewire through the needle hub and needle lumen and into the lumen of the artery. The Company has secured patents on its bloodless needle technology. All of the Company's fluid management products are cleared for sale in the U.S., the European community, Japan and elsewhere throughout the world.

The CO2Ject is comprised of CO2 contrast, an automated injector, a CO2 connection set, a diagnostic catheter and an angioplasty balloon catheter. Since a normal function of the human vasculature and blood flow system is the transfer and expulsion of CO2 through the respiratory system, the Company believes that CO2 provides a higher degree of safety than iodinated contrast media, which can cause severe allergic reactions in certain patients. The Company also believes that CO2 is more cost effective and provides better images than iodinated contrast media. Currently, the CO2Ject is being sold in Europe, South America, Australia and Asia. To date, there is no automated CO2 system that has received U.S. Food and Drug Administration ("FDA") clearance for sale in the U.S. The Company does not intend to apply for FDA clearance for the CO2Ject.

Image-Guided Vascular Access Products

The Company's image-guided vascular access ("IGVA") products are marketed under the AVA(TM) trade name and include the Schon catheter, the Schon XL catheter, peripherally inserted central catheters ("PICC's"), implanted medication ports ("Port's") and central venous catheters.

The AVA(TM) trade name stands for "AngioDynamics Vascular Access" and is the Company's banner for an initiative into the market for IGVA. Precise placement of vascular access devices has become a significant part of the practice of interventional radiology primarily due to the mastery of high quality imaging equipment including fluoroscopy and ultrasound. These devices are used to provide a dialysis conduit, and to deliver nutrition, antibiotics and chemotherapy drugs. Mixing these fluids in a high blood flow near the heart reduces damage to the venous system and more rapidly distributes these drugs through the body. The Company believes IGVA is the most rapidly growing procedure that is performed by interventional radiologists.

Thrombolytic Products

The Company's proprietary thrombolytic product line is marketed under the names Pulse*Spray(R) and UNI*FUSE(TM) which are used to dissolve blood clots in hemodialysis access grafts, arteries and veins. Pulse*Spray and UNI*FUSE Sets include PRO(TM) Infusion Catheters, occluding wires, check valves, and syringes. The Pulse*Spray and UNI*FUSE Sets optimize the delivery of lytic agent (the drug that actually dissolves the clot) by providing a controlled, forceful, uniform dispersion. This improvement has been clinically shown to reduce the amount of lytic agent and the time necessary for the procedure by a factor of three. This represents significant cost savings for the hospital, the patient, and the healthcare system, while reducing the complications associated with the use of larger volumes of lytic agent. The Pulse*Spray and UNI*FUSE Sets are cleared for sale in the U.S., the European community, Japan and elsewhere throughout the world.

The Pulse*Spray Injector is designed to be used in conjunction with AngioDynamics' other thrombolytic products. This automated injector replaces hand pressure as an injection mechanism and improves the consistency and efficiency of the delivery of lytic agents through various Pulse*Spray and UNI*FUSE Sets, as well as PRO Infusion Catheters. It allows the user to deliver a wide range of infusion volumes and times and utilizes state-of-the-art computer technology with a touch screen program to store up to 20 customer-specified programs.

The Pulse*Spray Injector is cleared for sale in the U.S., the European community and elsewhere throughout the world. The Company believes that the Pulse*Spray Injector provides the first viable treatment for dissolving deep vein clots ("DVT's") in a wide patient population. Clinical experience with the Pulse*Spray Injector indicates a significant reduction in the amount of thrombolytic drugs and time required to resolve thrombosed deep veins in the legs.

Angioplasty Products

In 2000, the Company introduced a new percutaneous transluminal angioplasty ("PTA") balloon catheter, the Workhorse(TM). This high-pressure balloon is positioned to perform nearly 80% of all PTA procedures at a very economical price. The product is offered in 54 configurations. The product is cleared for sale in the U.S., the European community and elsewhere throughout the world. The Company continues to pursue sales and marketing efforts.

Stents

Stents are used to hold open passageways in the body that may have closed or become obstructed as a result of aging, disease, or trauma. Stents are increasingly being used as an alternative to or adjunct to surgical and minimally invasive procedures and drug therapies, which reduce procedure time, patient trauma, hospitalization and recovery time.

The Company's patented stents for biliary and peripheral vascular use, the VISTAFLEX(TM) and OMNIFLEX(TM), incorporate a platinum linked-looped design. The VISTAFLEX and OMNIFLEX stents are constructed from a single strand of platinum alloy wire that is precision formed. The Company believes that this design provides more consistent vessel support and radial force than other stent designs, as well as more visibility, flexibility, and easier delivery than competitive stents. The Company believes that its use of platinum imparts better hemocompatibility and long-term biocompatibility than stainless steel stent designs. The stent is also unique in that it can be easily imaged using MRI,

Edgar Filing: EZ EM INC - Form 10-K

thus permitting the use of non-

-10-

invasive MRI to follow patients progress with the stents in place of the more invasive fluoroscopic imaging that other stents require.

The VISTAFLEX and OMNIFLEX stents for the treatment of biliary stricture are cleared for sale in the U.S. Biliary stricture, a condition common among hepatic and pancreatic cancer patients, is a narrowing of the bile duct as a result of tumor ingrowth. The VISTAFLEX and OMNIFLEX are marketed internationally for peripheral vascular and biliary stricture applications. The VISTAFLEX and OMNIFLEX for peripheral vascular applications have not yet been cleared for sale in the U.S. The Company intends to submit a premarket approval ("PMA") application to obtain marketing clearance from the FDA for peripheral vascular applications, but there can be no assurance that such clearance will be obtained.

Drainage Products

The Company markets a line of fluid drainage catheters, trade named Abscession(TM). These catheters are intended to drain abscesses, chest fluid, pancreatitis fluid, and urine percutaneously from the body. This product line features a soft catheter material that is intended to be more comfortable for the patient. The catheter material also recovers its shape if bent or severely deformed; these events are common as patients roll over and kink the catheters during sleep. Drainage procedures are routinely performed by interventional radiologists using fluoroscopy, CT or ultrasound guidance.

Coronary Products

The Company made a strategic decision to exit the market for coronary products in order to focus entirely on the interventional radiology marketplace. This decision culminated in the sale, on July 27, 2000, of AngioDynamics Ltd., the Irish subsidiary that manufactured the Company's coronary products.

Marketing

The Company believes that the success of its barium sulfate products is primarily due to its ability to create contrast systems with specific, sophisticated barium formulations for varying radiologic needs. E-Z-EM continues to develop new barium sulfate products, including products for CT-scanning and MRI procedures.

E-Z-EM's contrast systems, laxatives, syringes and radiological medical devices, such as biopsy needles and trays, are marketed to radiologists and hospitals in the U.S. through approximately 150 distributors, supported by 38 E-Z-EM sales people, many of whom have had technical training as X-ray technicians. The Company also advertises in medical journals and displays at most national and international radiology conventions.

Outside the U.S., the Company's Diagnostic products are also marketed through 152 distributors, including wholly-owned subsidiaries in Canada, the United Kingdom, Japan and Holland. Significant sales are made in Canada, the United Kingdom, Japan, Italy, Holland, Sweden, Germany, Australia and Austria. Foreign distributors are generally granted exclusive distribution rights and some hold governmental product registrations in their names. New registrations are currently being filed in the Company's name where permissible by applicable

Edgar Filing: EZ EM INC - Form 10-K

law.

The Company's AngioDynamics products are marketed to interventional radiologists. Domestic sales are supported by 27 direct sales employees, while the international marketing effort is conducted through 51 distributors, including three wholly-owned subsidiaries. Foreign distributors are generally granted exclusive distribution rights on a country-by-country basis.

-11-

Competition

Based upon sales, E-Z-EM contrast systems are the most widely used diagnostic imaging products of their kind in the U.S., Canada and certain European countries. The Company faces competition domestically from Mallinckrodt Inc., a wholly-owned subsidiary of Tyco International Ltd., as well as from small U.S. competitors, and it also faces competition outside of the U.S. The Company competes primarily on the basis of product quality, customer service, the availability of a full line of barium sulfate formulations tailored to user needs, and price.

Radiologic procedures for which the Company supplies products complement, as well as compete with, endoscopic procedures such as colonoscopy and endoscopy. Such examinations involve visual inspection of the G.I. tract through the use of a flexible fiber optic instrument inserted into the patient by a gastroenterologist. The use of gastroenterology procedures has been growing in both upper and lower G.I. examinations as patients have been increasingly referred to gastroenterologists rather than radiologists. Also, the availability of drugs which successfully treat ulcers and other gastrointestinal disorders has tended to reduce the need for upper G.I. tract examinations. In January 1998, Medicare began reimbursing for colorectal cancer screening utilizing G.I. examinations, as well as other procedures.

The major non-contrast systems market that the Company competes in is the medical device radiology market, which is highly competitive. No single company, domestic or foreign, competes with the Company across all of its non-contrast system product lines. In electromechanical injectors and syringes, the Company's main competitors are Schering AG and Mallinckrodt Inc. In needles and trays, the Company competes with C.R. Bard, Inc., Baxter Healthcare Corporation, Sherwood Medical Co. and various other competitors. The Company also encounters competition in the marketing of its other non-contrast systems products.

The Company competes in the AngioDynamics products segment on the basis of product quality, product innovation, sales, marketing and service effectiveness, and price. There are many large companies, with significantly greater financial, manufacturing, marketing, distribution and technical resources than the Company, focusing on these markets. Those Company products that the FDA has already cleared and those Company products that in the future receive FDA clearance will have to compete vigorously for market acceptance and market share.

Cook, Inc., Boston Scientific Corporation, Johnson & Johnson Interventional System, Co., C.R. Bard, Inc., Medtronic, Inc. and Guidant Corporation, among others, currently compete against the Company in the development, production and marketing of stents and stent technology.

The Company's stent technology also competes against more traditional treatments. For example, the medical indications that can be treated by stents can also be treated by surgery, drugs, or other medical devices, many of which

Edgar Filing: EZ EM INC - Form 10-K

are widely accepted in the medical community.

Within the contrast media market, the Company's CO2Ject system competes with a product offered by Daum GmbH. The Company also competes with companies marketing iodinated contrast agents. These companies include Nycomed Inc., Bracco s.p.a., Schering AG and Mallinckrodt Inc.

In the market for angiographic catheters, the Company's major competitors are Cook, Inc. and Johnson & Johnson Interventional System, Co.

The competitive situation in the market for thrombolytic products is complex. The first level of competition is the medical profession, where each physician can decide if an artery or graft will be cleared surgically or by

-12-

thrombolysis. If thrombolysis is used, the second level of competition is for the specific type of catheter or wire that will be used. The Company's primary competitors in this market are Boston Scientific Corporation, Micro Therapeutics, Inc., Cook, Inc. and Arrow International.

The Company believes that it is perceived as a market leader in the market for blood containment products, where its primary competition comes from Arrow International and Becton-Dickinson. The market for fluid management systems is extremely competitive, with the Company's products being similar to products from Boston Scientific Corporation, Merit, Burrone Medical, DeRoyal, Biocore, Advanced Medical Design, and Furon, Inc. These products are non-patient contact and, therefore, the barriers to entry, such as regulatory clearance, potential liability, and the need for technical sophistication, are not significant.

Research and Development

In addition to its technical staff, which consists of a Medical Director and 40 employees, the Company has consulting arrangements with various physicians who assist through their independent research and product development. Research and development expenditures totaled \$5,391,000, or 5% of net sales, in 2001, as compared to \$4,880,000, or 4% of net sales, in 2000 and \$4,847,000, or 4% of net sales, in 1999. The Company is committed to expansion of its product lines through research and development.

Raw Materials and Supplies

Most of the barium sulfate for contrast systems is supplied by a number of European and U.S. manufacturers, with a minor portion being supplied by E-Z-EM Canada, which operates a barium sulfate mine and processing facility in Nova Scotia and whose reserves are anticipated to last a minimum of five years at current usage rates. The Company believes that these sources should be adequate for its foreseeable needs.

The Company has generally been able to obtain adequate supplies of all components for its AngioDynamics business in a timely manner from existing sources. However, the inability to develop alternative sources, if required, or a reduction or interruption in supply, or a significant increase in the price of components, could adversely affect operations.

Patents and Trademarks

Edgar Filing: EZ EM INC - Form 10-K

Although several products and processes are patented and the Company considers its trademarks to be a valuable marketing tool, the Company does not consider any single patent, group of patents, or trademarks to be materially important to its Diagnostic business segment. E-Z-EM and AngioDynamics are examples of the Company's registered trademarks in the U.S.

The Company believes that success in the AngioDynamics products segment is dependent, to a large extent, on patent protection and the proprietary nature of its technology. The Company intends to file and prosecute patent applications for technology for which it believes patent protection is effective and advisable. The Company believes that issued patents covering Soft-Vu angiographic catheters, thrombolytic products and VISTAFLEX are significant to its AngioDynamics business.

Because patent applications, in general, are secret until eighteen months after filing in the U.S. or corresponding applications are published in foreign countries, and because publication of discoveries in the scientific or patent literature often lags behind actual discoveries, the Company cannot be certain that it was the first to make the inventions covered by each of its pending patent applications, or that it was the first to file patent applications for

-13-

such inventions. The Company also relies on trade secret protection and confidentiality agreements for certain unpatented aspects of its proprietary technology.

Regulation -----

The Company's products are registered with the FDA and with similar regulatory agencies in foreign countries where they are sold. The Company believes it is in compliance, in all material respects, with applicable regulations of these agencies.

Certain of the Company's products are subject to FDA regulation as medical devices and certain other products, such as various contrast systems products and CO2Ject, are regulated as pharmaceuticals. Outside of the U.S., the regulatory process and categorization of products vary on a country-by-country basis.

The Company's products are covered by Medicare, Medicaid and private healthcare insurers, subject to patient eligibility. Changes in the reimbursement policies and procedures of such insurers may affect the frequency with which such procedures are performed.

The Company operates several facilities within a broad industrial area located in Nassau County, New York, which has been designated by New York State as a Superfund site. This industrial area has been listed as an inactive hazardous waste site, due to ground water investigations conducted on Long Island during the 1980's. Due to the broad area of the designated site, the potential number of responsible parties, and the lack of information concerning the degree of contamination and potential clean-up costs, it is not possible to estimate what, if any, liability exists with respect to the Company. Further, it has not been alleged that the Company contributed to the contamination, and it is the Company's belief that it has not done so.

Employees

Edgar Filing: EZ EM INC - Form 10-K

The Company employs 896 persons, 190 of whom are covered by various collective bargaining agreements. Collective bargaining agreements covering 80 and 106 employees expire in December 2002 and December 2004, respectively. The Company considers employee relations to be satisfactory.

(d) Financial Information Regarding Foreign and Domestic Operations and Export

Sales

The Company derived about 31% of its sales from customers outside the U.S. during 2001. Operating profit margins on export sales are somewhat lower than domestic sales margins. The Company's domestic operations bill third party export sales in U.S. dollars and, therefore, do not incur foreign currency transaction gains or losses. Third party sales to Canadian customers, which are made by E-Z-EM Canada, are billed in local currency. Third party sales to Japanese customers, which are made by the Company's Japanese subsidiary, are also billed in local currency.

The Company employs 318 persons involved in the developing, manufacturing and marketing of products internationally. The Company's product lines are marketed through approximately 184 foreign distributors to 82 countries outside of the U.S.

The net sales of each geographic area and the long-lived assets attributable to each geographic area are set forth in Note O to the Consolidated Financial Statements included herein.

-14-

Item 2. Properties

The Company's principal manufacturing facilities and executive offices are located in Westbury, New York. They consist of three buildings, one of which is owned by the Company, containing an aggregate of 183,800 square feet used for manufacturing Diagnostic products, warehousing and administration. One of the Westbury facilities is leased to the Company by various lessors, including certain related parties. See "Certain Relationships and Related Transactions". AngioDynamics occupies manufacturing and warehousing facilities located in Queensbury, New York consisting of two buildings, one of which is owned by the Company, containing an aggregate of 29,312 square feet. E-Z-EM Caribe owns a 38,600 square-foot plant in San Lorenzo, Puerto Rico which fabricates enema tips and heat-sealed products. E-Z-EM Canada occupies manufacturing and warehousing facilities located in Montreal, Canada consisting of two buildings, one of which is owned by the Company, containing an aggregate of 109,950 square feet. E-Z-EM Canada also leases a 29,120 square-foot building in Debert, Nova Scotia and both owns and leases land encompassing its barium sulfate mining operation.

Item 3. Legal Proceedings

The Company is presently involved in various claims, legal actions and complaints arising in the ordinary course of business. The Company believes such matters are either without merit, or involve such amounts that unfavorable disposition would not have a material adverse effect on the Company's financial

Edgar Filing: EZ EM INC - Form 10-K

position and results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

None.

-15-

Part II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

E-Z-EM, Inc. Class A and Class B Common Stock is traded on the American Stock Exchange ("AMEX") under the symbols "EZM.A" and "EZM.B", respectively. The following table sets forth, for the periods indicated, the high and low sale prices for the Class A and Class B Common Stock as reported by the AMEX.

	Class A		Class B	
	High	Low	High	Low
Fifty-two weeks ended June 2, 2001				
First Quarter.....	\$8.00	\$6.00	\$7.38	\$5.75
Second Quarter.....	8.13	6.13	7.88	6.25
Third Quarter.....	6.25	5.25	6.25	4.75
Fourth Quarter.....	5.69	5.10	5.70	4.00
Fifty-three weeks ended June 3, 2000				
First Quarter.....	\$ 6.13	\$5.19	\$ 6.25	\$4.88
Second Quarter.....	5.75	4.13	5.50	4.38
Third Quarter.....	10.63	5.75	10.88	5.50
Fourth Quarter.....	10.13	6.63	10.00	6.50

As of August 3, 2001 there were 166 and 304 record holders of the Company's Class A and Class B Common Stock, respectively.

During fiscal 2001, 2000 and 1999, no dividends were declared. The Company will continue to evaluate its dividend policy on an ongoing basis. Any future dividends are subject to the Board of Directors' review of operations and financial and other conditions then prevailing.

On November 1, 2000, the Company issued 1,000 shares of non-voting Class B Common Stock to each of the following directors of the Company in consideration for services rendered as directors: Michael A. Davis, Paul S. Echenberg, James L. Katz, Donald A. Meyer, David P. Meyers and Robert M. Topol. All such shares were issued pursuant to Section 4(2) of the Securities Act of 1933. The basis upon which the exemption is claimed is that the issued shares were made only to directors of the Company.

Edgar Filing: EZ EM INC - Form 10-K

-16-

Item 6. Selected Financial Data

	Fifty-two weeks ended	Fifty-three weeks ended	Fifty-two weeks ended		
	June 2, 2001	June 3, 2000	May 29, 1999	May 30, 1998#	May 31, 1997
	-----	-----	-----	-----	-----
	(in thousands, except per share data)				
Income statement data:					
Net sales (1).....	\$113,286	\$113,868	\$109,054	\$104,652	\$98,770
Gross profit (1).....	45,692	47,805	42,677	35,042	34,257
Operating profit (loss).....	3,525	8,599	7,242	(5,351)	(4,911)
Earnings (loss) before income taxes.....	3,637	9,234	6,671	(5,534)	(4,530)
Net earnings (loss).....	3,286	5,965	4,797	(5,967)	(3,208)
Earnings (loss) per common share					
Basic (2).....	.33	.60	.48	(.60)	(.33)
Diluted (2).....	.32	.58	.47	(.60)	(.33)
Weighted average common shares					
Basic (2).....	9,881	10,013	10,077	9,952	9,871
Diluted (2).....	10,145	10,314	10,314	9,952	9,871
	June 2, 2001	June 3, 2000	May 29, 1999	May 30, 1998	May 31, 1997
	-----	-----	-----	-----	-----
	(in thousands)				
Balance sheet data:					
Working capital.....	\$56,184	\$51,434	\$48,430	\$41,597	\$43,115
Cash, certificates of deposit and short- term debt and equity securities.....	18,139	13,634	13,289	8,129	15,475
Total assets.....	97,455	99,085	96,059	90,706	100,720
Long-term debt, less current maturities....	408	453	477	606	842
Stockholders' equity....	81,004	80,034	75,291	71,223	77,244

Includes the impairment charge of \$4,121,000 relating to certain long-lived assets pertaining to the acquisition of Leocor, Inc., a wholly-owned subsidiary of AngioDynamics, Inc.

Edgar Filing: EZ EM INC - Form 10-K

- (1) Retroactively restated to reflect the reclassifications of freight billed to customers and related freight costs described in Note A.
- (2) Retroactively restated to reflect the total shares issued after the 3% stock dividends declared in 1998 and 1997.

-17-

Item 7. Management's Discussion and Analysis of Financial Condition and Results ----- of Operations -----

The Company's fiscal year ended June 2, 2001 represents fifty-two weeks, the fiscal year ended June 3, 2000 represents fifty-three weeks and the fiscal year ended May 29, 1999 represents fifty-two weeks.

Results of Operations -----

Segment Overview -----

The Company operates in two industry segments: Diagnostic products and AngioDynamics products. The Diagnostic products operating segment encompasses 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. Contrast systems, which constitute the Company's core business and the majority of the Diagnostic products segment, accounted for 54% of net sales for 2001, as compared to 58% for 2000 and 56% for 1999. Non-contrast system sales accounted for 26% of net sales for 2001, as compared to 24% for 2000 and 25% for 1999. The AngioDynamics products operating segment, which includes angiographic products, image-guided vascular access products, thrombolytic products, angioplasty products, stents, and drainage products used in the interventional radiology marketplace, accounted for 20% of net sales for 2001, as compared to 18% for 2000 and 19% for 1999.

	Diagnostic	AngioDynamics	Eliminations	Total
	-----	-----	-----	-----
	(in thousands)			
Fifty-two weeks ended June 2, 2001				

Unaffiliated customer sales	\$90,610	\$22,676	-	\$113,286
Intersegment sales	1	714	(\$715)	-
Gross profit (loss)	34,770	10,972	(50)	45,692
Operating profit (loss)	3,865	(290)	(50)	3,525
Fifty-three weeks ended June 3, 2000				

Unaffiliated customer sales	\$93,162	\$20,706	-	\$113,868

Edgar Filing: EZ EM INC - Form 10-K

Intersegment sales	2	1,063	(\$1,065)	-
Gross profit	37,896	9,858	51	47,805
Operating profit (loss)	9,285	(739)	53	8,599

Fifty-two weeks ended May 29, 1999

Unaffiliated customer sales	\$88,086	\$20,968	-	\$109,054
Intersegment sales	36	503	(\$539)	-
Gross profit (loss)	33,656	9,046	(25)	42,677
Operating profit (loss)	8,237	(990)	(5)	7,242

Diagnostic Products

Diagnostic segment operating results for 2001 declined by \$5,420,000 due to decreased sales and gross profit and increased operating expenses. Net sales decreased 3%, or \$2,552,000, due to lower sales of contrast systems of \$4,543,000, partially offset by increased sales of non-contrast systems of \$1,991,000. The lower sales of contrast systems were due, in part, to the strength of the U.S. dollar and foreign currency exchange rate fluctuations, which adversely affected the translation of European, Canadian and Japanese sales to U.S. dollars for financial reporting purposes. Price increases accounted for approximately 1% of net sales for 2001. Gross profit expressed as a percentage of net sales declined to 38% for 2001, from 41% for 2000 due primarily to

-18-

decreased production throughput and severance costs of \$332,000, resulting from operational reorganizations. Increased operating expenses of \$2,294,000 were attributable to: i) the reorganization of operations which resulted in severance and facility relocation expenses of \$554,000; ii) an impairment charge of \$450,000 relating to acquired patent rights to an oral magnetic resonance imaging contrast agent; iii) the expansion of the domestic sales force; and iv) increased administrative and research & development ("R&D") expenses.

Diagnostic segment operating results for 2000 improved by \$1,048,000 due to increased sales and improved gross profit, partially offset by increased operating expenses. Net sales increased 6%, or \$5,076,000, due to price increases and increased demand for contrast systems. Price increases accounted for approximately 4% of net sales for 2000. Gross profit expressed as a percentage of net sales improved to 41% for 2000, from 38% for 1999 due primarily to sales price increases. Increased operating expenses of \$3,192,000 can be attributed to increased S&A expenses, resulting, in part, from investment in new product introductions and selling and marketing initiatives.

AngioDynamics Products

AngioDynamics segment operating results for 2001, which improved by \$449,000, were adversely affected by the sale of AngioDynamics Ltd., a wholly-owned subsidiary, and certain other assets. AngioDynamics Ltd., located in Ireland, manufactured cardiovascular and interventional radiology products. The sale was the culmination of the Company's 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 2001. The aforementioned pre-tax loss includes the

Edgar Filing: EZ EM INC - Form 10-K

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.

Excluding the loss on sale, AngioDynamics segment operating results improved by \$1,321,000 due to increased sales and improved gross profit. Net sales increased 10%, or \$1,970,000, due, in large part, to: increased sales of several products introduced in 2000, namely Workhorse(TM) PTA balloon catheters, Abscession(TM) fluid drainage catheters, and VISTAFLEX(TM) platinum biliary stents; and sales of OMNIFLEX(TM) stents, introduced in the third quarter of 2001. International sales increased 1% despite the Company's exit from the cardiovascular market. Gross profit expressed as a percentage of net sales improved to 47% for 2001, as compared to 45% for 2000 due primarily to reduced unabsorbed overhead costs, resulting from the sale of the Irish facility, and increased production throughput at the Queensbury facility.

AngioDynamics segment operating results for 2000 improved by \$251,000 due to improved gross profit, partially offset by increased operating expenses. Net sales decreased 1%, or \$262,000, due primarily to reduced international sales of \$1,225,000, partially offset by increased domestic sales of \$963,000. The international sales decline resulted, in large part, from a decline in stent sales. The domestic sales improvement resulted from sales of several new products, namely Abscession fluid drainage catheters, VISTAFLEX platinum biliary stents, and Workhorse PTA balloon catheters, introduced in the second quarter of 2000. Gross profit expressed as a percentage of net sales improved to 45% for 2000, as compared to 42% for 1999 due primarily to decreased provision for inventory reserves of \$727,000. Increased operating expenses of \$561,000 were primarily due to an expansion of the domestic sales force.

Certain financial information, including net sales, depreciation and amortization, net earnings (loss), assets and capital expenditures attributable

-19-

to each operating segment are set forth in Note O to the Consolidated Financial Statements included herein.

Consolidated Results of Operations

The Company reported net earnings of \$3,286,000, or \$.33 and \$.32 per common share on a basic and diluted basis, respectively, for 2001, as compared to net earnings of \$5,965,000, or \$.60 and \$.58 per common share on a basic and diluted basis, respectively, for 2000, and net earnings of \$4,797,000, or \$.48 and \$.47 per common share on a basic and diluted basis, respectively, for 1999. Results for 2001 were adversely affected by decreased sales and gross profit in the Diagnostic segment and several events, totaling pre-tax charges aggregating \$2,774,000. These events consisted of: i) the reorganization of operations which resulted in severance and facility relocation expenses of \$886,000; ii) the loss on sale of AngioDynamics Ltd. and related assets of \$872,000; iii) an impairment charge of \$566,000 relating to the Company's investment in Cedara Software Corporation; and iv) the Diagnostic asset impairment charge of \$450,000. Results for 2001 were favorably affected by the Company's reversal of a portion of its income tax valuation allowance against certain domestic tax benefits totaling \$1,344,000, since it is now more likely than not that such benefits will be realized.

Results for 2000 were favorably affected by increased Diagnostic sales and

Edgar Filing: EZ EM INC - Form 10-K

improved gross profit in both operating segments, partially offset by increased operating expenses in both operating segments.

Net sales decreased 1%, or \$582,000, to \$113,286,000 for 2001, and increased 4%, or \$4,814,000, to \$113,868,000 for 2000. Net sales for 2001 were adversely affected by lower sales of contrast systems of \$4,543,000, partially offset by increased sales of non-contrast systems of \$1,991,000 and AngioDynamics products of \$1,970,000. The lower sales of contrast systems were due, in part, to the strength of the U.S. dollar and foreign currency exchange rate fluctuations, which adversely affected the translation of European, Canadian and Japanese sales to U.S. dollars for financial reporting purposes. Price increases accounted for approximately 1% of net sales for 2001. Net sales for 2000 were favorably affected by increased sales of contrast systems of \$4,535,000, resulting from price increases and increased demand. Price increases accounted for approximately 3% of net sales for 2000.

Net sales in international markets, including direct exports from the U.S., decreased 5%, or \$1,866,000, to \$35,619,000 for 2001 and increased less than 1%, or \$56,000, to \$37,485,000 for 2000. The decline for 2001 was due to decreased sales of contrast systems of \$2,778,000, partially offset by increased sales of non-contrast systems of \$872,000 and AngioDynamics products of \$40,000. Sales of contrast systems were adversely impacted by: the strength of the U.S. dollar; foreign currency exchange rate fluctuations, which adversely affected the translation of European, Canadian and Japanese sales to U.S. dollars for financial reporting purposes; and increased competitive pressures in Japan. The improvement for 2000 was due to increased sales of contrast systems of \$1,638,000, mostly offset by decreased sales of AngioDynamics products of \$1,225,000 and non-contrast systems of \$357,000. The decrease in sales of AngioDynamics products was due to a decline in stent sales. The decline in sales of non-contrast systems was attributable to decreased custom contract sales.

Gross profit expressed as a percentage of net sales was 40% for 2001, as compared to 42% for 2000 and 39% for 1999. The decline in gross profit, expressed as a percentage of net sales, for 2001 was due to reduced gross profit in the Diagnostic segment, partially offset by improved gross profit in the AngioDynamics segment. The decline in Diagnostic gross profit was due primarily to decreased production throughput and severance costs of \$332,000, resulting from operational reorganizations. The improved AngioDynamics gross profit was

-20-

due primarily to reduced unabsorbed overhead costs, resulting from the sale of the Irish facility, and increased production throughput at the Queensbury facility. The improvement in gross profit, expressed as a percentage of net sales, for 2000 was due to increased gross profit in the Diagnostic segment, resulting from sales price increases, and increased gross profit in the AngioDynamics segment, resulting from decreased provision for inventory reserves of \$727,000.

Selling and administrative ("S&A") expenses were \$35,904,000 for 2001, \$34,326,000 for 2000 and \$30,588,000 for 1999. The increase for 2001 compared to 2000 of \$1,578,000, or 5%, was due to increased Diagnostic S&A expenses, resulting from: i) the reorganization of operations which resulted in severance and facility relocation expenses of \$459,000; ii) the asset impairment charge of \$450,000; iii) the expansion of the domestic sales force; and iv) increased administrative expenses. The increase for 2000 compared to 1999 of \$3,738,000, or 12%, was due to increased Diagnostic S&A expenses of \$3,194,000, resulting, in part, from investment in new product introductions and selling and marketing initiatives, and increased AngioDynamics S&A expenses of \$544,000, resulting

Edgar Filing: EZ EM INC - Form 10-K

from an expansion of its domestic sales force.

R&D expenditures for 2001 totaled \$5,391,000, or 5% of net sales, as compared to \$4,880,000, or 4% of net sales, for 2000 and \$4,847,000, or 4% of net sales, for 1999. The increase for 2001 compared to 2000 of \$511,000 was due primarily to redeployment of staff from other departments within the Company, increased spending relating to contrast systems of \$351,000, and severance costs of \$95,000, resulting from operational reorganizations. There were no materially significant factors affecting the comparison of R&D expenditures between 2000 and 1999. Of the R&D expenditures for 2001, approximately 46% relate to contrast systems, 26% to AngioDynamics projects, 18% to general regulatory costs, 4% to immunological projects, and 6% to other projects. R&D expenditures are expected to continue at or exceed current levels. In addition to its in-house technical staff, the Company is presently sponsoring various independent R&D projects and is committed to continued expansion of its product lines through R&D.

Other income, net of other expenses, totaled \$112,000 of income for 2001, compared to \$635,000 of income for 2000 and \$571,000 of expense for 1999. The decline in other income for 2001 compared to 2000 was primarily due to an impairment charge of \$566,000, relating to the Company's investment in Cedara Software Corporation, and increased foreign currency exchange losses of \$128,000, partially offset by increased interest income of \$189,000, resulting from the investment of AngioDynamics Ltd. sale proceeds. The improvement for 2000 compared to 1999 was primarily due to the write-down of the Company's investment in ITI Medical Technologies, Inc. of \$1,121,000 in 1999.

Note H to the Consolidated Financial Statements included herein details the major elements affecting income taxes for 2001, 2000 and 1999. For 2001, the Company's effective tax rate of 10% differed from the Federal statutory tax rate of 34% due primarily to the fact that the Company reversed a portion of its valuation allowance against certain domestic tax benefits, since it is more likely than not that such benefits will be realized, partially offset by 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. For 2000, the Company's effective tax rate was 35% as compared to the Federal statutory tax rate of 34%. Losses incurred in a foreign jurisdiction subject to lower tax rates and the fact that the Company did not provide for the tax benefit on losses incurred in certain foreign jurisdictions, since, at that time, it was more likely than not that such benefits would not be realized, were virtually offset by earnings of the Puerto Rican subsidiary, which are subject to favorable U.S. tax treatment. For 1999, the Company's effective tax rate of 28% differed from the Federal statutory tax rate of 34% due primarily to the fact that the Company reversed a portion of its

-21-

valuation allowance against certain domestic tax benefits since, at that time, it was more likely than not that such benefits would be realized. The utilization of previously unrecorded carryforward benefits and earnings of the Puerto Rican subsidiary, which are subject to favorable U.S. tax treatment, also favorably affected the Company's effective tax rate for 1999, but were offset by the fact that the Company did not provide for the tax benefit on losses incurred in certain foreign jurisdictions, since, at that time, it was more likely than not that such benefits would not be realized.

Liquidity and Capital Resources

For 2001, capital expenditures and the purchase of treasury stock were

Edgar Filing: EZ EM INC - Form 10-K

funded by cash provided by operations. For 2000, capital expenditures, the purchase of treasury stock and debt repayments were funded by cash provided by operations. For 1999, capital expenditures and debt repayments were funded by cash provided by operations. The Company's policy has been to fund capital requirements without incurring significant debt. At June 2, 2001, debt (notes payable, current maturities of long-term debt and long-term debt) was \$1,418,000 as compared to \$1,636,000 at June 3, 2000. The Company has available \$1,303,000 under a bank line of credit of which no amounts were outstanding at June 2, 2001.

At June 2, 2001, approximately 65% of the Company's assets consist of accounts receivable, inventories, short-term debt and equity securities, and cash and cash equivalents. The current ratio was 5.24 to 1, with net working capital of \$56,184,000, at June 2, 2001, compared to the current ratio of 4.25 to 1, with net working capital of \$51,434,000, at June 3, 2000.

Net capital expenditures, primarily for machinery and equipment, were \$2,743,000 for 2001, compared to \$3,206,000 for 2000 and \$2,207,000 for 1999. Of the 2001 and 2000 expenditures, approximately \$833,000 and \$703,000, respectively, relates to the upgrading of the Company's information systems at its Canadian subsidiary. No material increase in the aggregate level of capital expenditures is currently contemplated for 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 June 2, 2001, the Company had repurchased 41,860 shares of Class A Common Stock and 395,251 shares of Class B Common Stock for approximately \$3,057,000.

Forward-Looking Statements

This Form 10-K 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 FDA or other regulatory agencies, results of pending or future clinical trials, as well as general market conditions, competition and pricing. 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-K will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included

-22-

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.

Edgar Filing: EZ EM INC - Form 10-K

Effects of Recently Issued Accounting Pronouncements

During the fourth quarter of 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", which amended SFAS No. 133. These standards require entities to recognize all derivatives in their financial statements as either assets or liabilities measured at fair value. These standards also specify new methods of accounting for hedging transactions, prescribes the items and transactions that may be hedged and specifies detailed criteria to be met to qualify for hedge accounting. Since the Company does not use derivative instruments as defined by SFAS No. 133, the adoption of this pronouncement had no effect on the Company's results of operations or financial position.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". The new standards require that all business combinations initiated after June 30, 2001 must 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 will no longer be subject to amortization, but will be subject to at least an annual assessment for impairment by applying a fair value based test. The Company will continue to amortize goodwill and any intangibles with indefinite lives existing at June 2, 2001 under its current method until June 2, 2002, the first day of the SFAS No. 142 implementation year, or will discontinue amortization in the first quarter of fiscal 2002, if early adopted. Once adopted, annual and quarterly goodwill and affected intangible amortization will no longer be recognized. The adoption of these statements is not expected to have a material impact on the Company's results of operations or financial position.

Item 7A. 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 2000 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 income (loss) in stockholders' equity. Assuming a hypothetical aggregate change in the foreign currencies versus the U.S. dollar exchange rates of 10% at June 2, 2001, the Company's assets and liabilities would increase or decrease by \$2,097,000 and \$548,000, respectively, and the Company's net sales and net earnings would increase or decrease by \$2,234,000 and \$274,000, respectively, on an annual basis.

The Company also maintains intercompany balances and loans receivable with subsidiaries with different local currencies. These amounts are at risk of

-23-

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 June 2, 2001, results of operations would be favorably or unfavorably impacted by approximately \$515,000 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 \$13,700,000. The bonds bear interest at a floating rate established weekly. For 2001, the after-tax interest rate on the bonds approximated 4.1%. Each 100 basis point (1%) fluctuation in interest rates will increase or decrease interest income on the bonds by approximately \$137,000 on an annual basis.

As the Company's principal amount of fixed interest rate financing approximated \$1,418,000 at June 2, 2001, a change in interest rates would not materially impact results of operations or financial position. At June 2, 2001, the Company did not maintain any variable interest rate financing.

Item 8. Financial Statements and Supplementary Data

Financial statements and supplementary data required by Part II, Item 8 are included in Part IV of this form as indexed at Item 14 (a) 1.

Item 9. Changes in and Disagreements with Accountants on Accounting and

Financial Disclosure

None.

-24-

Part III

Certain information required by Part III is omitted from this Annual Report on Form 10-K because the Company will file a definitive proxy statement within 120 days after the end of its fiscal year pursuant to Regulation 14A (the "Proxy Statement") for its Annual Meeting of Stockholders, currently scheduled for October 30, 2001. The information included in the Proxy Statement under the respective headings noted below is incorporated herein by reference.

Item 10. Directors and Executive Officers of the Registrant

The following table sets forth certain information with respect to the Company's officers and directors.

Edgar Filing: EZ EM INC - Form 10-K

Name ----	Age ---	Positions -----
Howard S. Stern (1) (3)...	70	Chairman of the Board, Director
Anthony A. Lombardo (3) ..	54	President, Chief Executive Officer, Director
Dennis J. Curtin.....	54	Senior Vice President - Chief Financial Officer
Joseph J. Palma.....	59	Senior Vice President - Sales and Marketing
Arthur L. Zimmet.....	65	Senior Vice President - Special Projects
Sandra D. Baron.....	49	Vice President - Human Resources
Robert M. Bloomfield.....	60	Vice President - Market Research
Craig A. Burk.....	48	Vice President - Manufacturing
Joseph A. Cacchioli.....	45	Vice President - Controller
Agustin V. Gago.....	42	Vice President - International
Eamonn P. Hobbs.....	48	Vice President - AngioDynamics Division
Judith K. Meritz.....	49	Vice President - Regulatory Affairs
Jeffrey S. Peacock.....	44	Vice President - Scientific and Technical Operations
Archie B. Williams.....	50	Vice President - Clinical Affairs and Medical Community Liaison
Michael A. Davis, M.D....	60	Medical Director, Director
Paul S. Echenberg (1) (2) .	57	Chairman of the Board of E-Z-EM Canada, Director
James L. Katz CPA, JD.... (1) (2) (4) (5)	65	Director
Donald A. Meyer (3) (4) ...	67	Director
David P. Meyers (3) (5) ...	37	Director
Robert M. Topol (1) (2) (5)	76	Director

-
- (1) Member of Executive Committee
 - (2) Member of Audit Committee
 - (3) Member of Nominating Committee
 - (4) Member of Compensation Committee
 - (5) Member of Finance Committee

Directors are elected for a three year term and each holds office until his successor is elected and qualified. Officers are elected annually and serve at the pleasure of the Board of Directors.

Mr. Stern is a co-founder of the Company and has served as Chairman of the Board and Director of the Company since its formation in 1962. Mr. Stern has also served as President and Chief Executive Officer of the Company from 1997 to 2000. From 1990 to 1994, Mr. Stern served as Chief Executive Officer, and from

-25-

the formation of the Company until 1990, he served as President and Chief Executive Officer. Mr. Stern is also a director of ITI Medical Technologies, Inc. The Company has an investment in ITI Medical Technologies, Inc.

Mr. Lombardo has served as President, Chief Executive Officer and Director of the Company since 2000. Prior to joining the Company, he served as President of ALI Imaging Systems, Inc. (radiology information management) from 1998 to 2000. From 1996 to 1998, Mr. Lombardo served as Global Manager of the Integrated

Edgar Filing: EZ EM INC - Form 10-K

Imaging Systems business of General Electric Medical Systems. Mr. Lombardo is also a director of PointDx, Inc. The Company has an investment in PointDx, Inc.

Mr. Curtin has served as Senior Vice President - Chief Financial Officer since 1999, and previously served as Vice President - Chief Financial Officer from 1985 to 1999. Mr. Curtin has been an employee of the Company since 1983.

Mr. Palma has served as Senior Vice President - Sales and Marketing since 1999, and previously served as Vice President - Sales and Marketing from 1996 to 1999, and Vice President - Sales from 1995 to 1996. Mr. Palma has been an employee of the Company since 1994.

Mr. Zimmet has served as Senior Vice President - Special Projects since 1988, and has been an employee of the Company since 1982.

Ms. Baron has served as Vice President - Human Resources since 1995, and has been an employee of the Company since 1985.

Mr. Bloomfield has served as Vice President - Market Research since August 2000, and has been an employee of the Company since 1985.

Mr. Burk has served as Vice President - Manufacturing since 1987.

Mr. Cacchioli has served as Vice President - Controller since 1988, and has been an employee of the Company since 1984.

Mr. Gago has served as Vice President - International since 1997, and has been an employee of the Company since 1979.

Mr. Hobbs has served as Vice President - AngioDynamics Division since 1991, and has been an employee of the Company since 1988.

Ms. Meritz has served as Vice President - Regulatory Affairs since March 2001. Prior to joining the Company, she served as Director of Regulatory Affairs and Regulatory Counsel for Henry Schein, Inc. (distributor of healthcare supplies to office-based practitioners) from 1993 until March 2001.

Mr. Peacock has served as Vice President - Scientific and Technical Operations since August 2000, and has been an employee of the Company since 1986.

Mr. Williams has served as Vice President - Clinical Affairs and Medical Community Liaison since August 2000, and previously served as Vice President - Imaging Products Management from 1993 to August 2000. Mr. Williams has been an employee of the Company since 1980.

Dr. Davis has served as Medical Director and Director of the Company since August 2000. Previously, he served as Medical Director/Technical Director and Director of the Company from 1997 to August 2000, as Medical Director and Director of the Company from 1995 to 1996, and as Medical Director from 1994 to 1995. He has been Professor of Radiology and Nuclear Medicine and Director of the Division of Radiologic Research, University of Massachusetts Medical Center since 1980. He also served as the President and Chief Executive Officer of Amerimmune Pharmaceuticals, Inc. and its wholly-owned subsidiary, Amerimmune,

-26-

Inc., from February 1999 to November 1999. He is also a director of MacroChem Corp. and Amerimmune Pharmaceuticals, Inc.

Edgar Filing: EZ EM INC - Form 10-K

Mr. Echenberg has been a director of the Company since 1987 and has served as Chairman of the Board of E-Z-EM Canada since 1994. He has been the President, Chief Executive Officer and Director of Schroders & Associates Canada Inc. (investment buy-out advisory services) and Director of Schroders Ventures Ltd. since 1997. He is also a founder and has been a general partner and director of Eckvest Equity Inc. (personal investment and consulting services) since 1989. He is also a director of Lallemand Inc., Cedara Software Corp., Benvest Capital Inc., Colliers MacAuley Nicholl, Huntington Mills (Canada) Ltd., ITI Medical Technologies, Inc., Flexia Corp., Fib-Pak Industries Inc., Shirmax Fashions Ltd., Med-Eng Systems Inc., MacroChem Corp., Matra Plast Industries Inc. and A.P. Plasman Corp. The Company has investments in Cedara Software Corp. and ITI Medical Technologies, Inc.

Mr. Katz has been a director of the Company since 1983. He is a founder of Lakeshore Medical Fitness, LLC (owns and manages medical fitness facilities), and has served as its Chief Executive Officer since 2000. Previously, he had been a founder and managing director from its organization in 1995 until 2000 of Chapman Partners LLC (investment banking). From its acquisition in 1985 until its sale in 1994, he was the co-owner and President of Ever Ready Thermometer Co., Inc. From 1971 until 1980 and from 1983 until 1985, he held various executive positions with Baxter International and subsidiaries of Baxter International, principally that of Chief Financial Officer of Baxter International. He is also a director of Intec, Inc., Lakeshore Management Group, LLC and Lifestart Wellness Network, LLC, as well as a member of the Board of Advisors of Jerusalem Global and The Patterson Group.

Mr. Meyer has been a director of the Company since 1968. Since 1995, he has acted as an independent consultant in legal matters to arts and business organizations, specializing in technical assistance. He had been the Executive Director of the Western States Arts Federation, Santa Fe, New Mexico, which provides and develops regional arts programs, from 1990 to 1995. From 1958 through 1990, he was an attorney practicing in New Orleans, Louisiana.

Mr. Meyers has been a director of the Company since 1996. He is a founder of SmartScan, LLC, an Atlanta, Georgia based provider of CT screening services offered directly to the public, and has served as its Chief Operating Officer since August 2001. He is also the founder of MedTest Express, Inc., an Atlanta, Georgia based provider of contracted laboratory services for home health agencies, and has served as its President, Chief Executive Officer and Director since 1994.

Mr. Topol has been a director of the Company since 1982. Prior to his retirement in 1994, he served as an Executive Vice President of Smith Barney, Inc. (financial services). He is also a director of Fund for the Aging, City Meals on Wheels, American Health Foundation, State University of New York - Purchase and Redstone Resources Inc.

-27-

Item 11. Executive Compensation

Summary Compensation Table

The following table sets forth information concerning the compensation for services, in all capacities for 2001, 2000 and 1999, of (i) those persons who were, during 2001, Chief Executive Officer ("CEO") (Anthony A. Lombardo), (ii) those persons who were, at the end of 2001, each of the four most highly

Edgar Filing: EZ EM INC - Form 10-K

compensated executive officers of the Company other than the CEO, and (iii) the President of E-Z-EM Canada, who is not an executive officer of the Company, but who is included in this table due to the level of his annual compensation during 2001 (collectively, the "Named Executive Officers"):

Name and Principal Position -----	Fiscal Year -----	Annual Compensation -----			Long Term Compensation -----			LT Pay (-----
		Salary (\$) -----	Bonus (\$) -----	Other Annual Compensa- tion (1) (\$) -----	Awards -----		Pay (-----	
					Restricted Stock Awards (\$) -----	Securities Underlying Options -----		
						# (2) -----		
Howard S. Stern,..... Chairman of the Board	2001	\$262,500	\$11,813	None	None	None	.2273	N
	2000	261,458	89,105	None	None	None	.2273	N
	1999	250,000	83,250	None	None	None	.2273	N
Anthony A. Lombardo,.... President and Chief Executive Officer (effective April 2000)	2001	\$261,667	\$38,125	None	None	None	None	N
	2000	41,667	None	None	None	300,000	None	N
Eamonn P. Hobbs,..... Vice President	2001	\$210,000	\$23,625	None	None	None	.2273	N
	2000	209,166	None	None	None	None	.2273	N
	1999	200,000	17,481	None	None	None	.2273	N
Dennis J. Curtin,..... Senior Vice President	2001	\$170,917	\$11,424	None	None	None	None	N
	2000	167,333	42,308	None	None	None	None	N
	1999	160,000	39,996	None	None	None	None	N
Arthur L. Zimmet,..... Senior Vice President	2001	\$173,250	\$ 7,796	None	None	None	None	N
	2000	172,563	58,809	None	None	None	None	N
	1999	165,000	54,945	None	None	None	None	N
Pierre A. Ouimet,..... President of E-Z-EM Canada	2001	\$175,550	\$39,624	None	None	None	None	N
	2000	223,844	45,344	None	None	None	None	N
	1999	181,441	47,963	None	None	10,000	None	N

(1) The Company has concluded that the aggregate amount of perquisites and other personal benefits paid to each of the Named Executive Officers for 2001, 2000 and 1999 did not exceed the lesser of 10% of such officer's total annual salary and bonus for 2001, 2000 or 1999 or \$50,000; such amounts are, therefore, not reflected in the table.

(2) Options are exercisable in Class B Common Stock of the Company.

(3) Options are exercisable in Class B Common Stock of AngioDynamics, Inc., a wholly-owned subsidiary of the Company.

(4) For each of the Named Executive Officers other than Mr. Ouimet, the amounts reported include amounts contributed by the Company under its Profit-Sharing Plan and, as matching contributions, under the companion 401(k) Plan. For 2001, 2000 and 1999, such amounts contributed were: \$7,460, \$6,975 and \$9,404, respectively, for Mr. Stern; \$1,333, \$0 and \$0, respectively, for Mr. Lombardo; \$8,479, \$8,208 and \$8,083, respectively,

Edgar Filing: EZ EM INC - Form 10-K

for Mr. Hobbs; \$8,015, \$7,107 and \$8,956, respectively, for Mr. Curtin; and \$7,643, \$6,838 and \$9,264, respectively, for Mr. Zimmet. For Mr. Ouimet, the amounts reported include amounts contributed by E-Z-EM Canada under a defined contribution plan. For 2001, 2000 and 1999, such amounts contributed were \$8,778, \$6,554 and \$6,395, respectively.

-28-

For each of the Named Executive Officers, the amounts reported include term life insurance premiums paid by the Company. For 2001, 2000 and 1999, such amounts paid were: \$780, \$643 and \$823, respectively, for Mr. Stern; \$780, \$105 and \$0, respectively, for Mr. Lombardo; \$655, \$515 and \$613, respectively, for Mr. Hobbs; \$524, \$412 and \$491, respectively, for Mr. Curtin; \$541, \$424 and \$516, respectively, for Mr. Zimmet; and \$247, \$254 and \$258, respectively, for Mr. Ouimet.

For each of the Named Executive Officers, the amounts reported include premiums paid by the Company under split dollar life insurance arrangements ("arrangements"). With respect to one such arrangement with Mr. Stern, such amounts paid were \$100,000 for each of 2001, 2000 and 1999. Under a collateral assignment agreement, the proceeds from this policy will first be used to repay all advances made by the Company. If the policy is terminated prior to the death of Mr. Stern, the Company will be entitled to the cash surrender value of the policy at that time, and any shortfall between that amount and the amount of the advances made by the Company will be repaid to the Company by Mr. Stern. With respect to a second such arrangement with Mr. Stern, such amounts paid were \$7,136 for each of 2001, 2000 and 1999. Under a collateral assignment agreement, the proceeds from this policy will first be used to repay all advances made by the Company. With respect to arrangements with each of the Named Executive Officers other than Mr. Stern, such amounts paid for each of 2001 and 2000 were: \$23,354 for Mr. Lombardo; \$13,250 for Mr. Hobbs; \$16,628 for Mr. Curtin; \$22,676 for Mr. Zimmet; and \$15,487 for Mr. Ouimet. Under collateral assignment agreements, the Company will be entitled to the lesser of the cash surrender value of the policies or the advances it made, upon termination of these policies.

For Mr. Stern, the amounts reported include fees of \$6,000 relating to attendance at AngioDynamics directors' meetings for 1999.

-29-

Option/SAR Grants Table

The following table sets forth certain information concerning stock option grants made during 2001 to the Named Executive Officers. These grants are also reflected in the Summary Compensation Table. In accordance with SEC disclosure rules, the hypothetical gains or "option spreads" for each option grant are shown based on compound annual rates of stock price appreciation of 5% and 10% from the grant date to the expiration date. The assumed rates of growth are prescribed by the SEC and are for illustrative purposes only; they are not intended to predict future stock prices, which will depend upon market conditions and the Company's future performance. The Company did not grant any stock appreciation rights during 2001.

Potential Realiza

Edgar Filing: EZ EM INC - Form 10-K

Name	Individual Grants				Assumed Annual Rate of Price Appreciation	
	Number of Securities Underlying Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year 2001	Exercise Price (\$/Sh)	Expiration Date	5% Stock Price (\$/Sh)	Potential Value \$
Howard S. Stern.....	.2273 (1)	44.44 (2)	\$40,000 (3)	6/01/11	\$65,156	\$5,717
Anthony A. Lombardo...	None					
Eamonn P. Hobbs.....	.2273 (1)	44.44 (2)	\$40,000 (3)	6/01/11	\$65,156	\$5,717
Dennis J. Curtin.....	None					
Arthur L. Zimmet.....	None					
Pierre A. Ouimet.....	None					

- (1) Options are exercisable in Class B Common Stock of AngioDynamics, Inc., a wholly-owned subsidiary of the Company. Options are exercisable 20% per year over five years from the date of grant, provided a threshold event occurs or 100% on the ninth anniversary of the grant, if no threshold event occurs. A threshold event is the earlier of (i) fourteen months after either an initial public offering ("IPO") or the spin off of all AngioDynamics stock to the Company's shareholders, or (ii) two months after the occurrence of both an IPO and the spin off of all AngioDynamics stock to the Company's shareholders.
- (2) Represents the percentage of total options granted to employees during 2001 and exercisable in Class B Common Stock of AngioDynamics, Inc.
- (3) The options granted during 2001 have an exercise price not less than the fair market value of the Class B Common Stock of AngioDynamics, Inc. on the date of grant, and expire in ten years. A total of 136.36 shares of AngioDynamics Class B Common Stock may be issued under this plan.

-30-

Aggregated Option Exercises and Fiscal Year-End Option Value Table

The following table sets forth certain information concerning all exercises of stock options during 2001 by the Named Executive Officers and the fiscal year-end value of unexercised stock options on an aggregated basis:

Number of Securities Underlying Unexercised Options at June 2, 2001 (#)	Value of Unexercised In-the-Money Options at June 2, 2001 (\$)
(1)	(1)

Edgar Filing: EZ EM INC - Form 10-K

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Exercisable/ Unexercisable (2)	Exercisable/ Unexercisable (2)
Howard S. Stern.....	None	None	78,786/ None	\$77,185/ None
Anthony A. Lombardo.	None	None	75,000/ 225,000	None/ None
Eamonn P. Hobbs.....	None	None	39,595/ None	\$31,977/ None
Dennis J. Curtin....	None	None	50,556/ None	\$47,696/ None
Arthur L. Zimmet....	None	None	50,884/ None	\$41,901/ None
Pierre A. Ouimet....	None	None	38,240 None	\$24,214/ None

(1) Options are "in-the-money" if on June 2, 2001, the market price of the stock exceeded the exercise price of such options. At June 2, 2001, the closing price of the Company's Class A and Class B Common Stock was \$5.30 and \$5.20, respectively. The value of such options is calculated by determining the difference between the aggregate market price of the stock covered by the options on June 2, 2001 and the aggregate exercise price of such options.

(2) Options granted prior to the Company's recapitalization on October 26, 1992 are exercisable one-half in Class A Common Stock and one-half in Class B Common Stock. Options granted after the recapitalization are exercisable in Class B Common Stock.

Compensation of Directors

On an annual basis, directors, who are not employees of the Company, are entitled to the following compensation: a retainer of \$15,000; a fee of \$1,000 for each board meeting attended; a fee of \$250 for each telephonic board meeting attended; 1,000 shares of the Company's Class B Common Stock; and stock options for 1,000 shares of Class B Common Stock, which vest one year from date of grant. Directors, who serve on committees of the Company and who are not employees of the Company, are entitled to a fee of \$500 for each committee meeting attended,

-31-

except that the chairman of a committee is entitled to a fee of \$1,000 for each committee meeting attended.

Employment Contracts

During 1994, the Company entered into an employment contract with Howard S. Stern in his capacity as Chairman of the Board. This employment contract is for a term of eight years at an annual compensation currently of \$262,500.

Edgar Filing: EZ EM INC - Form 10-K

During 2000, the Company entered into an employment contract with Anthony A. Lombardo in his capacity as President and Chief Executive Officer. This employment contract provides for annual base salary currently at \$275,000. The contract is cancellable at any time by either the Company or Mr. Lombardo, but provides for severance pay of one years base salary in the event of termination by the Company without cause, as defined in the contract.

Severance Arrangements

The information required by this caption is incorporated by reference to the Company's Proxy Statement under the heading "Severance Arrangements."

Compensation and Stock Option Committee Report on Executive Compensation

The information required by this caption is incorporated by reference to the Company's Proxy Statement under the heading "Compensation and Stock Option Committee Report on Executive Compensation."

Common Stock Performance

The information required by this caption is incorporated by reference to the Company's Proxy Statement under the heading "Common Stock Performance."

Item 12. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information, as of August 3, 2001, as to the beneficial ownership of the Company's voting Class A Common Stock by each person known by the Company to own beneficially more than 5% of the Company's voting Class A Common Stock:

Name and Address of Beneficial Owner -----	Shares Beneficially Owned -----	Percent of Class -----
Howard S. Stern,..... Chairman of the Board, Director 717 Main Street Westbury, NY 11590	956,412	23.8
Betty S. Meyers,..... 401 Emerald Street New Orleans, LA 70124	820,806	20.5
David P. Meyers,..... Director 813 Springdale Road Atlanta, GA 30306	311,551 (1)	7.8

-32-

Name and Address of Beneficial Owner -----	Shares Beneficially Owned -----	Percent of Class -----
Jonas I. Meyers,..... 904 Oakland Avenue Ann Arbor, MI 48104	311,551 (2)	7.8

Edgar Filing: EZ EM INC - Form 10-K

Stuart J. Meyers,..... 434 Bellaire Drive New Orleans, LA 70124	311,551 (3)	7.8
Dimensional Fund Advisors, Inc.,... 1299 Ocean Avenue Santa Monica, CA 90401	232,075 (4)	5.8
Wellington Management Company,.... 75 State Street Boston, MA 02109	219,258 (4)	5.5

-
- (1) Includes 154,801 shares in which David P. Meyers has only a remainder interest. Betty S. Meyers holds a life estate in such shares.
- (2) Includes 154,801 shares in which Jonas I. Meyers has only a remainder interest. Betty S. Meyers holds a life estate in such shares.
- (3) Includes 154,801 shares in which Stuart J. Meyers has only a remainder interest. Betty S. Meyers holds a life estate in such shares.
- (4) Information was derived from a Schedule 13G dated December 31, 2000.

The following table sets forth information, as of August 3, 2001, as to the beneficial ownership of the Company's voting Class A and non-voting Class B Common Stock, by (i) each of the Company's directors, (ii) each of the Company's Named Executive Officers, and (iii) all directors and executive officers of the Company as a group:

Name of Beneficial Owner -----	Class A -----		Class B -----	
	Shares Beneficially Owned (1) -----	Percent of Class -----	Shares Beneficially Owned (2) -----	Pe C
Howard S. Stern,..... Chairman of the Board, Director	956,412	23.8	1,187,468	2
David P. Meyers,..... Director	311,551 (3)	7.8	606,442 (4)	1
Arthur L. Zimmet,..... Senior Vice President	28,750	*	90,784	
Robert M. Topol,..... Director	24,097	*	69,739	
Paul S. Echenberg,..... Chairman of the Board of E-Z-EM Canada, Director	1,097	*	89,303	

Edgar Filing: EZ EM INC - Form 10-K

Name of Beneficial Owner -----	Class A -----		Class B -----	
	Shares Beneficially Owned (1) -----	Percent of Class -----	Shares Beneficially Owned (2) -----	Pe C
Anthony A. Lombardo,..... President, Chief Executive Officer, Director	None	*	75,000	1
Donald A. Meyer,..... Director	18,276	*	45,267	
James L. Katz,..... Director	1,122	*	58,569	1
Dennis J. Curtin,..... Senior Vice President	1,944	*	53,236	
Michael A. Davis, M.D.,.... Medical Director, Director	None	*	41,786	
Eamonn P. Hobbs,..... Vice President	50	*	39,604	
Pierre A. Ouimet,..... President of E-Z-EM Canada	500	*	38,270	
All directors and executive officers as a group (20 persons).....	1,343,299 (3)	33.5	2,586,091 (4)	39

* Does not exceed 1%.

- (1) Includes Class A Common Stock shares issuable upon exercise of options currently exercisable or exercisable within 60 days from August 3, 2001 as follows: Robert M. Topol (597), Paul S. Echenberg (597), Donald A. Meyer (597), James L. Katz (597) and all directors and executive officers as a group (2,388).
- (2) Includes Class B Common Stock shares issuable upon exercise of options currently exercisable or exercisable within 60 days from August 3, 2001 as follows: Howard S. Stern (78,786), David P. Meyers (3,000), Arthur L. Zimmet (50,884), Robert M. Topol (31,847), Paul S. Echenberg (75,613), Anthony A. Lombardo (75,000), Donald A. Meyer (19,674), James L. Katz (53,758), Dennis J. Curtin (50,556), Michael A. Davis, M.D. (40,091), Eamonn P. Hobbs (39,595), Pierre A. Ouimet (38,240) and all directors and executive officers as a group (747,697).
- (3) Includes 154,801 shares in which Mr. Meyers has only a remainder interest. Betty S. Meyers, a principal shareholder, holds a life estate in such shares.
- (4) Includes 201,014 shares in which Mr. Meyers has only a remainder interest. Betty S. Meyers, a principal shareholder, holds a life estate in such shares. Also includes 190,035 shares owned by a partnership in which Mr. Meyers has an interest.

-34-

Item 13. Certain Relationships and Related Transactions

A facility of the Company located in Westbury, New York is owned 33% by Howard S. Stern, 31% by Betty S. Meyers, a principal shareholder, 2% by other employees of the Company and 34% by unrelated parties, which includes a 31% owner who manages the property. Aggregate rentals, including real estate tax payments, were \$163,000 during 2001. The lease term expires in 2004.

The Company has split dollar life insurance arrangements ("arrangements") with Howard S. Stern (including his spouse) and Betty S. Meyers (the "insureds"). On an annual basis, the Company makes advances of approximately \$100,000 per insured toward the cost of such life insurance policies. Through August 2000, such advances were interest bearing and payable to the Company annually by the insureds. In August 2000, the arrangements were modified, to conform to the Company's other split dollar life insurance arrangements, making future advances non-interest bearing. Under collateral assignment agreements, the proceeds from the policies will first be used to repay all advances made by the Company. If the policies are terminated prior to the death of the insured, the Company will be entitled to the cash surrender value of the policies at that time, and any shortfall between that amount and the amount of the advances made by the Company will be repaid to the Company by the insureds. At June 2, 2001, the cash surrender value of such policies aggregated \$741,000, and the aggregate amount of advances made by the Company totaled \$800,000.

The Company had an unsecured, two-year interest bearing note receivable from Eamonn P. Hobbs, an executive officer of the Company, in the principal amount of \$320,000. Approximately \$297,000 of this note receivable was satisfied in October 1999, while the remaining portion was satisfied during June 2000.

The Company has engaged Michael A. Davis, M.D., a director of the Company, for consulting services. Fees for such services, including fees relating to attendance at directors' meetings, were approximately \$161,000 during 2001.

-35-

Part IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

Page

(a) 1. Financial Statements

The following consolidated financial statements and supplementary data of Registrant and its subsidiaries required by Part II, Item 8, are included in Part IV of this report:

Report of Independent Certified Public Accountants	39
Consolidated balance sheets - June 2, 2001 and June 3, 2000	40

Edgar Filing: EZ EM INC - Form 10-K

Consolidated statements of earnings - fifty-two weeks ended June 2, 2001, fifty-three weeks ended June 3, 2000 and fifty-two weeks ended May 29, 1999	42
Consolidated statement of stockholders' equity and comprehensive income - fifty-two weeks ended June 2, 2001, fifty-three weeks ended June 3, 2000 and fifty-two weeks ended May 29, 1999	43
Consolidated statements of cash flows - fifty-two weeks ended June 2, 2001, fifty-three weeks ended June 3, 2000 and fifty-two weeks ended May 29, 1999	44
Notes to consolidated financial statements	46
(a) 2. Financial Statement Schedules -----	
The following consolidated financial statement schedule is included in Part IV of this report:	
Schedule II - Valuation and qualifying accounts	71
All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the consolidated financial statements or notes thereto.	
(a) 3. Exhibits -----	
3(i) Certificate of Incorporation	(a)
3(ii) Amended Bylaws	(b)
10.1 1983 Stock Option Plan	(c)
10.2 1984 Directors and Consultants Stock Option Plan	(d)
10.3 Employment Agreement dated April 3, 2000 between E-Z-EM, Inc. and Anthony A. Lombardo	(e)
10.4 Income Deferral Program	(f)
13 Annual report to security holders	(g)

-36-

	Page ----
(a) 3. Exhibits (continued) -----	
21 Subsidiaries of the Registrant	72
22 Proxy statement to security holders	(h)
23 Consent of Independent Certified Public Accountants	73

Edgar Filing: EZ EM INC - Form 10-K

99 Report of Independent Certified Public Accountants
Other than Principal Accountants

74

- (a) Incorporated by reference to Exhibit 3(i) of the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1997
- (b) Incorporated by reference to Exhibit 3(ii) of the Company's Annual Report on Form 10-K for the fiscal year ended May 28, 1994 (file No. 1-11479)
- (c) Incorporated by reference to Exhibit 10 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended February 26, 2000
- (d) Incorporated by reference to Exhibit 10(b) of the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 2, 1995 (file No. 1-11479)
- (e) Incorporated by reference to Exhibit 10(e) of the Company's Annual Report on Form 10-K for the fiscal year ended June 3, 2000
- (f) Incorporated by reference to Exhibit 10(c) of the Company's Annual Report on Form 10-K for the fiscal year ended May 29, 1993 (file No. 1-11479)
- (g) The Company intends to mail a copy of its Annual Report on Form 10-K to its security holders. The Company's shareholders letter will be filed on a subsequent date together with its proxy statement to security holders.
- (h) To be filed on a subsequent date

(b) 1. Reports on Form 8-K

No reports on Form 8-K were filed for the quarter ended June 2, 2001.

Schedules other than those shown above are not submitted as the subject matter thereof is either not required or is not present in amounts sufficient to require submission in accordance with the instructions in Regulation S-X or the information required is included in the Notes to Consolidated Financial Statements.

-37-

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)

Edgar Filing: EZ EM INC - Form 10-K

Date August 31, 2001

/s/ Howard S. Stern

Howard S. Stern, Chairman of the
Board, Director

Pursuant to the requirements of the Securities Exchange Act of 1934,
this report has been signed below by the following persons on behalf of the
registrant and in the capacities and on the dates indicated.

Date August 31, 2001

/s/ Howard S. Stern

Howard S. Stern, Chairman of the
Board, Director

Date August 31, 2001

/s/ Anthony A. Lombardo

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

Date August 31, 2001

/s/ Dennis J. Curtin

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

Date August 31, 2001

/s/ Michael A. Davis

Michael A. Davis, Director

Date August 31, 2001

/s/ Paul S. Echenberg

Paul S. Echenberg, Director

Date August 31, 2001

/s/ James L. Katz

James L. Katz, Director

Date August 31, 2001

/s/ Donald A. Meyer

Donald A. Meyer, Director

Date August 31, 2001

/s/ David P. Meyers

David P. Meyers, Director

Date August 31, 2001

/s/ Robert M. Topol

Robert M. Topol, Director

Edgar Filing: EZ EM INC - Form 10-K

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
E-Z-EM, Inc.

We have audited the accompanying consolidated balance sheets of E-Z-EM, Inc. and Subsidiaries as of June 2, 2001 and June 3, 2000, and the related consolidated statements of earnings, stockholders' equity and comprehensive income, and cash flows for the fifty-two weeks ended June 2, 2001, fifty-three weeks ended June 3, 2000 and the fifty-two weeks ended May 29, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of a certain subsidiary, which statements reflect total assets constituting approximately 17% in 2001 and 2000 and net sales constituting approximately 12% in 2001, 12% in 2000 and 11% in 1999 of the related consolidated totals. Those statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this subsidiary, is based solely upon the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of E-Z-EM, Inc. and Subsidiaries as of June 2, 2001 and June 3, 2000, and the consolidated results of their operations and their consolidated cash flows for the fifty-two weeks ended June 2, 2001, fifty-three weeks ended June 3, 2000 and the fifty-two weeks ended May 29, 1999 in conformity with accounting principles generally accepted in the United States of America.

We have also audited the financial statement schedule listed in the Index at Item 14(a)(2). In our opinion, this schedule presents fairly, in all material respects, the information required to be set forth therein.

GRANT THORNTON LLP
Certified Public Accountants

Melville, New York
July 27, 2001

-39-

E-Z-EM, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

Edgar Filing: EZ EM INC - Form 10-K

(in thousands)

ASSETS	June 2, 2001 -----	June 3, 2000 -----
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,391	\$ 5,583
Debt and equity securities	13,748	8,051
Accounts receivable, principally trade, net of allowance for doubtful accounts of \$661 in 2001 and \$853 in 2000	23,371	22,256
Inventories	22,021	26,856
Other current assets	5,901	4,530
	-----	-----
Total current assets	69,432	67,276
PROPERTY, PLANT AND EQUIPMENT - AT COST, less accumulated depreciation and amortization	19,750	21,721
COST IN EXCESS OF FAIR VALUE OF NET ASSETS ACQUIRED, less accumulated amortization of \$257 in 2001 and \$251 in 2000	376	407
INTANGIBLE ASSETS, less accumulated amortization of \$546 in 2001 and \$959 in 2000	1,329	2,151
DEBT AND EQUITY SECURITIES	846	4,067
OTHER ASSETS	5,722	3,463
	-----	-----
	\$97,455	\$99,085
	=====	=====

The accompanying notes are an integral part of these statements.

-40-

E-Z-EM, Inc. and Subsidiaries

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

LIABILITIES AND STOCKHOLDERS' EQUITY	June 2, 2001 -----	June 3, 2000 -----
CURRENT LIABILITIES		
Notes payable	\$ 854	\$ 1,080
Current maturities of long-term debt	156	103
Accounts payable	4,798	6,384
Accrued liabilities	7,329	7,798
Accrued income taxes	111	477

Edgar Filing: EZ EM INC - Form 10-K

	-----	-----
Total current liabilities	13,248	15,842
LONG-TERM DEBT, less current maturities	408	453
OTHER NONCURRENT LIABILITIES	2,795	2,756
	-----	-----
Total liabilities	16,451	19,051
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
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 4,011,396 shares in 2001 and 4,015,111 shares in 2000 (excluding 41,860 and 38,145 shares held in treasury in 2001 and 2000, respectively)	401	401
Class B (non-voting), par value \$.10 per share - authorized, 10,000,000 shares; issued and outstanding 5,843,426 shares in 2001 and 5,909,277 shares in 2000 (excluding 395,251 and 313,748 shares held in treasury in 2001 and 2000, respectively)	584	591
Additional paid-in capital	20,066	20,521
Retained earnings	63,138	59,852
Accumulated other comprehensive income (loss)	(3,185)	(1,331)
	-----	-----
Total stockholders' equity	81,004	80,034
	-----	-----
	\$ 97,455	\$ 99,085
	=====	=====

The accompanying notes are an integral part of these statements.

-41-

E-Z-EM, Inc. and Subsidiaries

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

	Fifty-two weeks ended June 2, 2001 -----	Fifty-three weeks ended June 3, 2000 -----	Fifty-two weeks ended May 29, 1999 -----
Net sales	\$ 113,286	\$ 113,868	\$ 109,054

Edgar Filing: EZ EM INC - Form 10-K

Cost of goods sold	67,594	66,063	66,377
	-----	-----	-----
Gross profit	45,692	47,805	42,677
	-----	-----	-----
Operating expenses			
Selling and administrative	35,904	34,326	30,588
Loss on sale of subsidiary			
and related assets	872		
Research and development	5,391	4,880	4,847
	-----	-----	-----
Total operating expenses	42,167	39,206	35,435
	-----	-----	-----
Operating profit	3,525	8,599	7,242
Other income (expense)			
Interest income	905	716	505
Interest expense	(290)	(253)	(263)
Write-down of investment in affiliate			(1,121)
Other, net	(503)	172	308
	-----	-----	-----
Earnings before income taxes	3,637	9,234	6,671
Income tax provision	351	3,269	1,874
	-----	-----	-----
NET EARNINGS	\$ 3,286	\$ 5,965	\$ 4,797
	=====	=====	=====
Earnings per common share			
Basic	\$.33	\$.60	\$.48
	=====	=====	=====
Diluted	\$.32	\$.58	\$.47
	=====	=====	=====

The accompanying notes are an integral part of these statements.

-42-

E-Z-EM, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

Fifty-two weeks ended June 2, 2001, fifty-three weeks ended
June 3, 2000 and fifty-two weeks ended May 29, 1999
(in thousands, except share data)

Class A common stock		Class B common stock		Additional paid-in capital	Retained earnings	Accu o compr incom
Shares	Amount	Shares	Amount			
-----	-----	-----	-----	-----	-----	-----

Edgar Filing: EZ EM INC - Form 10-K

Balance at May 30, 1998	4,035,346	\$403	5,999,073	\$600	\$21,643	\$49,090	\$
Exercise of stock options			64,704	6	267		
Income tax benefits on stock options exercised					38		
Compensation related to stock option plans					5		
Issuance of stock			6,600	1	31		
Purchase of treasury stock			(12,100)	(1)	(67)		
Net earnings						4,797	
Unrealized holding loss on debt and equity securities							
Foreign currency translation adjustments							
	-----	---	-----	---	-----	-----	---
Comprehensive income							
Balance at May 29, 1999	4,035,346	403	6,058,277	606	21,917	53,887	(1
Exercise of stock options	17,910	2	137,373	13	807		
Income tax benefits on stock options exercised					119		
Compensation related to stock option plans					5		
Issuance of stock			15,275	2	74		
Purchase of treasury stock	(38,145)	(4)	(301,648)	(30)	(2,401)		
Net earnings						5,965	
Unrealized holding gain on debt and equity securities							
Foreign currency translation adjustments							
	-----	---	-----	---	-----	-----	---
Comprehensive income							
Balance at June 3, 2000	4,015,111	401	5,909,277	591	20,521	59,852	(1
Exercise of stock options			8,711	1	38		
Income tax benefits on stock options exercised					3		
Compensation related to stock option plans					5		
Issuance of stock			6,941	1	45		
Purchase of treasury stock	(3,715)		(81,503)	(9)	(546)		
Net earnings						3,286	
Unrealized holding losses on debt and equity securities:							
Arising during the year							(2
Reclassification adjustment for losses included in net earnings							
Foreign currency translation adjustments							
Arising during the year							
Reclassification adjustment for sale of investment in a foreign entity							
	-----	---	-----	---	-----	-----	---
Comprehensive income							

Edgar Filing: EZ EM INC - Form 10-K

Balance at June 2, 2001	4,011,396	\$401	5,843,426	\$584	\$20,066	\$63,138	\$ (3
	=====	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of this statement.

-43-

E-Z-EM, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	Fifty-two weeks ended June 2, 2001 -----	Fifty-three weeks ended June 3, 2000 -----	Fifty-two weeks ended May 29, 1999 -----
Cash flows from operating activities:			
Net earnings	\$ 3,286	\$ 5,965	\$ 4,797
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization	2,797	2,803	2,829
Impairment of long-lived assets	450		
Impairment of equity securities	566		
Provision for doubtful accounts	88	37	250
Loss on sale of subsidiary and related assets	872		
Write-down of investment in affiliate			1,121
Loss on sale of assets	5		39
Deferred tax benefit	(1,269)	(40)	(735)
Other non-cash items	46	75	30
Changes in operating assets and liabilities, net of sale			
Accounts receivable	(1,428)	(389)	(806)
Inventories	3,555	118	(210)
Other current assets	(1,422)	(334)	(251)
Other assets	(701)	(814)	(35)
Accounts payable	(1,227)	(936)	1,055
Accrued liabilities	(421)	62	778
Accrued income taxes	(377)	(360)	183
Other noncurrent liabilities	155	162	146
	-----	-----	-----
Net cash provided by operating activities	4,975	6,349	9,191
	-----	-----	-----
Cash flows from investing activities:			
Additions to property, plant and equipment	(2,743)	(3,206)	(2,207)
Proceeds from sale of subsidiary and related assets	3,250		

Edgar Filing: EZ EM INC - Form 10-K

Proceeds from sale of assets	7	33	8
Available-for-sale securities			
Purchases	(97,415)	(36,845)	(34,061)
Proceeds from sale	91,718	34,010	32,320
	-----	-----	-----
Net cash used in investing activities	(5,183)	(6,008)	(3,940)
	-----	-----	-----

The accompanying notes are an integral part of these statements.

-44-

E-Z-EM, Inc. and Subsidiaries

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

	Fifty-two weeks ended June 2, 2001	Fifty-three weeks ended June 3, 2000	Fifty-two weeks ended May 29, 1999
	-----	-----	-----
Cash flows from financing activities:			
Repayments of debt	\$ (3,878)	\$ (1,100)	\$ (2,670)
Proceeds from issuance of debt	3,807	26	1,072
Proceeds from exercise of stock options, including related income tax benefits	42	941	311
Purchase of treasury stock	(555)	(2,435)	(68)
Proceeds from issuance of stock in connection with the stock purchase plan	5	6	7
	-----	-----	-----
Net cash used in financing activities	(579)	(2,562)	(1,348)
	-----	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(405)	(269)	(484)
	-----	-----	-----
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,192)	(2,490)	3,419
Cash and cash equivalents			
Beginning of year	5,583	8,073	4,654
	-----	-----	-----
End of year	\$ 4,391	\$ 5,583	\$ 8,073
	=====	=====	=====

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Edgar Filing: EZ EM INC - Form 10-K

Interest	\$ 184 =====	\$ 95 =====	\$ 154 =====
Income taxes (net of \$7, \$16 and \$218 in refunds in 2001, 2000 and 1999, respectively)	\$ 2,618 =====	\$ 3,577 =====	\$ 2,153 =====

The accompanying notes are an integral part of these statements.

-45-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies is presented to assist the reader in understanding and evaluating the consolidated financial statements. These policies are in conformity with accounting principles generally accepted in the United States of America, and have been applied consistently in all material respects.

Nature of Business

The Company is primarily engaged in developing, manufacturing and marketing diagnostic products used by radiologists and other physicians during image-assisted procedures to detect anatomic abnormalities and diseases. The Company also designs, develops, manufactures and markets, through its wholly-owned subsidiary, AngioDynamics, Inc. ("AngioDynamics"), a variety of therapeutic and diagnostic products, for use principally in the diagnosis and treatment of peripheral vascular disease (see Note O).

Basis of Consolidation

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. Through 1999, the Company's approximate 23% interest in an affiliate was accounted for by the equity method. Pursuant to this method, such investment was recorded at cost and adjusted by the Company's share of undistributed earnings (or losses) (see Note D).

Operations outside the U.S. are included in the consolidated financial statements and consist of: a subsidiary operating a mining and chemical processing operation in Nova Scotia, Canada and a manufacturing and marketing facility in Montreal, Canada; a subsidiary manufacturing products located in Puerto Rico; a subsidiary manufacturing and marketing products located in Japan; a subsidiary promoting and distributing products located in Holland; a subsidiary promoting and distributing products located in the United Kingdom.

Fiscal Year

Edgar Filing: EZ EM INC - Form 10-K

The Company reports on a fiscal year which concludes on the Saturday nearest to May 31. Fiscal year 2001 ended on June 2, 2001 for a reporting period of fifty-two weeks, fiscal year 2000 ended on June 3, 2000 for a reporting period of fifty-three weeks and fiscal year 1999 ended on May 29, 1999 for a reporting period of fifty-two weeks.

-46-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Company considers all unrestricted highly liquid investments purchased with a maturity of less than three months to be cash equivalents. Included in cash equivalents are Eurodollar investments and certificates of deposit of \$3,281,000 and \$4,575,000 at June 2, 2001 and June 3, 2000, respectively. The carrying amount of these financial instruments reasonably approximates fair value because of their short maturity. Foreign-denominated cash and cash equivalents aggregated \$1,123,000 and \$1,960,000 at June 2, 2001 and June 3, 2000, respectively.

Debt and Equity Securities

Debt and equity securities are classified as "available-for-sale securities" and reported at fair value, with unrealized gains and losses excluded from operations and reported as a component of accumulated other comprehensive income (loss), net of the related tax effects, in stockholders' equity. Cost is determined using the specific identification method.

Inventories

Inventories are stated at the lower of cost (on the first-in, first-out method) or market. Appropriate consideration is given to deterioration, obsolescence and other factors in evaluating net realizable value.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed principally using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the terms of the related leases or the useful life of the improvements, whichever is shorter. Expenditures for repairs and maintenance are charged to expense as incurred. Renewals and betterments are capitalized. Depreciation expense was \$2,653,000, \$2,610,000 and \$2,595,000 in 2001, 2000 and 1999, respectively.

Cost in Excess of Fair Value of Net Assets Acquired

Edgar Filing: EZ EM INC - Form 10-K

The cost in excess of fair value of net assets acquired ("goodwill") is being amortized on a straight-line basis over 40 years. Amortization of goodwill was \$16,000 in 2001, 2000 and 1999, respectively.

-47-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets

Intangible assets are being amortized on a straight-line basis over the estimated useful lives of the respective assets of approximately fifteen years. Amortization of intangible assets was \$128,000, \$177,000 and \$218,000 in 2001, 2000 and 1999, respectively.

On an ongoing basis, management reviews the valuation and amortization of goodwill and intangible assets to determine possible impairment by considering current operating results and comparing the carrying values to the anticipated undiscounted future cash flows of the related assets (see Note D).

Revenue Recognition

The Company recognizes revenues as products are shipped to customers.

Advertising

All costs associated with advertising are expensed when incurred. Advertising expense, included in selling and administrative expenses, was \$989,000, \$1,103,000 and \$1,074,000 in 2001, 2000 and 1999, respectively.

Income Taxes

Deferred income taxes are recognized for temporary differences between financial statement and income tax bases of assets and liabilities and loss carryforwards and tax credit carryforwards for which income tax benefits are expected to be realized in future years. A valuation allowance has been established to reduce deferred tax assets as it is more likely than not that all, or some portion, of such deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Foreign Currency Translation

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation," the Company has determined that the functional currency for its foreign subsidiaries is the local currency. This

Edgar Filing: EZ EM INC - Form 10-K

assessment considers that the day-to-day operations are not dependent upon the economic environment of the parent's functional currency, financing is effected through their own operations, and the foreign operations primarily generate and expend foreign currency. Foreign currency translation adjustments are accumulated as a component of accumulated other comprehensive income (loss) in stockholders' equity.

-48-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

	2001	2000	1999
	-----	-----	-----
Basic	9,881,299	10,012,973	10,077,445
Effect of dilutive securities (stock options)	264,105	301,198	236,644
	-----	-----	-----
Diluted	10,145,404	10,314,171	10,314,089
	=====	=====	=====

Excluded from the calculation of earnings per common share, are options to purchase 468,915, 507,557 and 323,301 shares of common stock at June 2, 2001, June 3, 2000 and May 29, 1999, respectively, as their inclusion would be anti-dilutive.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at year-end and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Effects of Recently Issued Accounting Pronouncements

During the fourth quarter of 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", which amended SFAS No. 133. These standards require entities to recognize all derivatives in their financial statements as either assets or liabilities measured at fair value. These standards also specify new methods of accounting for hedging transactions, prescribes the items and transactions that may be hedged and specifies detailed criteria to be met to qualify for hedge accounting. Since the Company does not use derivative instruments as defined by SFAS No. 133, the adoption of this pronouncement had no effect on the Company's results of operations or financial position.

-49-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". The new standards require that all business combinations initiated after June 30, 2001 must 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 will no longer be subject to amortization, but will be subject to at least an annual assessment for impairment by applying a fair value based test. The Company will continue to amortize goodwill and any intangibles with indefinite lives existing at June 2, 2001 under its current method until June 2, 2002, the first day of the SFAS No. 142 implementation year, or will discontinue amortization in the first quarter of fiscal 2002, if early adopted. Once adopted, annual and quarterly goodwill and affected intangible amortization will no longer be recognized. The adoption of these statements is not expected to have a material impact on the Company's results of operations or financial position.

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 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. All prior periods 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.

-50-

Edgar Filing: EZ EM INC - Form 10-K

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE B - COMPREHENSIVE INCOME

During 1999, the Company adopted SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 established new rules for the reporting and display of comprehensive income and its components; however, the adoption of SFAS No. 130 had no impact on the Company's net earnings or stockholders' equity. SFAS No. 130 requires unrealized holding gains or losses on debt and equity securities available-for-sale and cumulative translation adjustments, which prior to adoption were reported separately in stockholders' equity, to be included in accumulated other comprehensive income (loss).

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

	2001	2000	1999
	-----	-----	-----
	(in thousands)		
Net earnings	\$ 3,286	\$ 5,965	\$ 4,797
Unrealized holding (loss) gain on debt and equity securities:			
Arising during the year, net of income tax (benefit) provision of \$(560), \$183 and \$1,118 in 2001, 2000 and 1999, respectively	(2,215)	871	(151)
Reclassification adjustment for losses included in net earnings, net of income tax benefit of \$217 in 2001	349		
Foreign currency translation adjustments:			
Arising during the year	(982)	(680)	(858)
Reclassification adjustment for sale of investment in a foreign entity	994		
	-----	-----	-----
Comprehensive income	\$ 1,432	\$ 6,156	\$ 3,788
	=====	=====	=====

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

	June 2, 2001	June 3, 2000
	-----	-----
	(in thousands)	
Unrealized holding gain on debt and equity securities, net of income tax liability of \$43 and \$387 at June 2, 2001 and June 3, 2000, respectively	\$ 198	\$ 2,064
Cumulative translation adjustments	(3,383)	(3,395)
	-----	-----

Edgar Filing: EZ EM INC - Form 10-K

Accumulated other comprehensive income		
(loss)	\$(3,185)	\$(1,331)
	=====	=====

-51-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE C - SALE OF SUBSIDIARY AND RELATED ASSETS

On July 27, 2000, AngioDynamics 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 the Company's 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 first quarter of 2001. 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 D - ASSET IMPAIRMENT CHARGES

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 an impairment charge during the first quarter of 2001 of \$450,000 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 now believes that the market for this technology is significantly less than previously projected. The impairment charge represents 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 charge had no impact on the Company's cash flow or its ability to generate cash flow in the future. For 2001, the impairment charge is included in the consolidated statement of earnings under the caption "Selling and administrative".

In accordance with SFAS No. 121, the Company recorded an impairment charge in the fourth quarter of 1999, with no associated tax benefit, of \$896,000, relating to its investment in ITI Medical Technologies, Inc. ("ITI"), as it was determined that the fair value of such investment was zero, with no future cash flows anticipated due to ITI's inability to generate income from operations or raise additional capital. ITI is a California corporation, based in Livermore, California, which develops and manufactures MRI diagnostic and therapeutic medical devices. The Company's investment in ITI was accounted for by the equity method. Prior to the impairment charge, the

Edgar Filing: EZ EM INC - Form 10-K

Company's investment in ITI had been reduced by its proportionate share of losses in 1999 of approximately \$225,000. For 1999, the impairment charge and the Company's proportionate share of losses are included in the consolidated statement of earnings under the caption "Write-down of investment in affiliate".

-52-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE E - DEBT AND EQUITY SECURITIES

Debt and equity securities at June 2, 2001 and June 3, 2000 consist of the following:

	Amortized cost	Fair value	Unrealized holding gain
	-----	-----	-----
	(in thousands)		
At June 2, 2001			

Current			

Available-for-sale securities			
(carried on the balance sheet			
at fair value)			
Debt securities with maturities			
Due in 1 through 10 years	\$ 2,645	\$ 2,645	
Due after 10 years and through			
20 years	1,055	1,055	
Due after 20 years	10,000	10,000	
Other	48	48	
	-----	-----	
	\$13,748	\$13,748	
	=====	=====	
Noncurrent			

Available-for-sale securities			
(carried on the balance sheet			
at fair value)			
Equity securities	\$ 604	\$ 845	\$ 241
Other	1	1	
	-----	-----	-----
	\$ 605	\$ 846	\$ 241
	=====	=====	=====
At June 3, 2000			

Current			

Available-for-sale securities			

Edgar Filing: EZ EM INC - Form 10-K

(carried on the balance sheet
at fair value)

Debt securities with maturities		
Due in 1 through 10 years	\$ 90	\$ 90
Due after 10 years and through		
20 years	3,875	3,875
Due after 20 years	4,015	4,015
Other	71	71
	-----	-----
	\$ 8,051	\$ 8,051
	=====	=====

Noncurrent

Available-for-sale securities
(carried on the balance sheet
at fair value)

Equity securities	\$ 1,615	\$ 4,066	\$ 2,451
Other	1	1	
	-----	-----	-----
	\$ 1,616	\$ 4,067	\$ 2,451
	=====	=====	=====

-53-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE E - DEBT AND EQUITY SECURITIES (continued)

The Company recorded an impairment charge in the fourth quarter of 2001, with no associated tax benefit, of \$566,000, relating to its investment in Cedara Software Corporation ("Cedara"), as it was determined that the decline in market value of Cedara, which is classified as a noncurrent "available for sale" equity security, was deemed to be other than temporary. For 2001, the impairment charge is included in the consolidated statement of earnings under the caption "Other, net".

NOTE F - INVENTORIES

Inventories consist of the following:

	June 2, 2001	June 3, 2000
	-----	-----
	(in thousands)	
Finished goods	\$11,093	\$13,246
Work in process	1,826	2,813
Raw materials	9,102	10,797
	-----	-----
	\$22,021	\$26,856
	=====	=====

Edgar Filing: EZ EM INC - Form 10-K

NOTE G - PROPERTY, PLANT AND EQUIPMENT, AT COST

Property, plant and equipment are summarized as follows:

	Estimated useful lives -----	June 2, 2001 -----	June 3, 2000 -----
		(in thousands)	
Building and building improvements	10 to 39 years	\$12,064	\$13,613
Machinery and equipment	2 to 10 years	32,578	31,306
Leasehold improvements	Term of lease	1,736	1,619
		-----	-----
		46,378	46,538
Less accumulated depreciation and amortization		30,050	28,309
		-----	-----
		16,328	18,229
Land		3,422	3,492
		-----	-----
		\$19,750	\$21,721
		=====	=====

-54-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE H - INCOME TAXES

Income tax expense analyzed by category and by income statement classification is summarized as follows:

	2001 -----	2000 -----	1999 -----
	(in thousands)		
Current			
Federal	\$ 952	\$ 2,304	\$ 1,592
State and local	123	199	204
Foreign	545	806	813
	-----	-----	-----
Subtotal	1,620	3,309	2,609
Deferred	(1,269)	(40)	(735)
	-----	-----	-----

Edgar Filing: EZ EM INC - Form 10-K

Total	\$ 351	\$ 3,269	\$ 1,874
	=====	=====	=====

Temporary differences which give rise to deferred tax assets and liabilities are summarized as follows:

	June 2, 2001	June 3, 2000
	-----	-----
	(in thousands)	
Deferred tax assets		
Capital loss carryforward	\$ 1,313	
Tax operating loss carryforwards	1,297	\$ 1,219
Difference between book and tax basis in investment sold to Canadian subsidiary		1,137
Tax credit carryforwards	131	224
Alternative minimum tax ("AMT") credit carryforward	4	4
Impairment of long-lived assets	2,603	1,256
Expenses incurred not currently deductible	1,133	1,184
Deferred compensation costs	693	663
Inventories	646	793
Write-down of investment in affiliate	496	496
Other	103	82
	-----	-----
Gross deferred tax asset	8,419	7,058
	-----	-----
Deferred tax liabilities		
Excess tax over book depreciation	1,108	1,061
Unrealized investment gains		387
Tax on unremitted profits of Puerto Rican subsidiary	72	124
Other	23	16
	-----	-----
Gross deferred tax liability	1,203	1,588
Valuation allowance	(4,842)	(4,791)
	-----	-----
Net deferred tax asset	\$ 2,374	\$ 679
	=====	=====

-55-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE H - INCOME TAXES (continued)

In 1994, the Company sold to its Canadian subsidiary warrants to purchase 396,396 shares of stock in Cedara. This transaction generated a capital gain for tax purposes of approximately \$3,344,000, utilizing a portion of the

Edgar Filing: EZ EM INC - Form 10-K

Company's capital loss carryforward and giving rise to a temporary difference pertaining to the difference between the financial statement and tax basis in this asset. In 2001, as a result of recording an impairment on the aforementioned asset (see Note E), the temporary difference was eliminated and a deferred tax asset, relating to the future tax benefit from the impairment loss, with a full valuation allowance was recorded.

During the first quarter of 2001, 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.

During the fourth quarter of 1999, the Company reduced its valuation allowance primarily to recognize deferred tax assets of approximately \$832,000 that management believes is more likely than not to be realized through future taxable earnings from U.S. operations.

If not utilized, the tax operating and capital loss carryforwards will expire in various amounts over the years 2002 through 2006. The tax credit carryforwards will expire in various amounts over the years 2002 through 2011.

Deferred income taxes are provided for the expected Tollgate tax on the undistributed earnings of the Company's Puerto Rican subsidiary, which are expected to be distributed at some time in the future.

At June 2, 2001, undistributed earnings of certain foreign subsidiaries aggregated \$14,840,000 which will not be subject to U.S. tax until distributed as dividends. Any taxes paid to foreign governments on these earnings may be used, in whole or in part, as credits against the U.S. tax on any dividends distributed from such earnings. On remittance, certain foreign countries impose withholding taxes that are then available for use as credits against a U.S. tax liability, if any, subject to certain limitations. The amount of withholding tax that would be payable on remittance of the entire amount of undistributed earnings would approximate \$742,000.

Deferred tax assets and liabilities are included in the consolidated balance sheets as follows:

	June 2, 2001 -----	June 3, 2000 -----
	(in thousands)	
Current - Other current assets	\$1,446	\$1,446
Current - Accrued income taxes	(72)	(124)
Noncurrent - Other assets	1,559	
Noncurrent - Other noncurrent liabilities	(559)	(643)
	-----	-----
Net deferred tax asset	\$2,374 =====	\$ 679 =====

Edgar Filing: EZ EM INC - Form 10-K

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE H - INCOME TAXES (continued)

Earnings before income taxes for U.S. and international operations consist of the following:

	2001 -----	2000 -----	1999 -----
	(in thousands)		
U.S.	\$2,395	\$7,789	\$5,371
International	1,242	1,445	1,300
	-----	-----	-----
	\$3,637	\$9,234	\$6,671
	=====	=====	=====

The Company's consolidated income tax provision has differed from the amount which would be provided by applying the U.S. Federal statutory income tax rate to the Company's earnings before income taxes for the following reasons:

	2001 -----	2000 -----	1999 -----
	(in thousands)		
Income tax provision	\$ 351	\$ 3,269	\$ 1,874
Effect of:			
State income taxes, net of Federal tax benefit	(94)	(128)	(108)
Research and development credit	52	22	27
Earnings of the Puerto Rican subsidiary, net of Puerto Rico Corporate tax and Tollgate tax	85	223	242
Earnings of the Foreign Sales Corporation	11	22	22
Tax-exempt portion of investment income	182	111	27
Change in valuation allowance	1,089	94	770
Losses of foreign entities generating no current tax benefit	(353)	(445)	(553)
Nondeductible expenses	(254)	(187)	(148)
Other	168	159	115
	-----	-----	-----
Income tax provision at statutory tax rate of 34%	\$ 1,237	\$ 3,140	\$ 2,268
	=====	=====	=====

The Company has an agreement with the Commonwealth of Puerto Rico pursuant to which its operations in Puerto Rico are subject to a partial tax exemption which expires January 23, 2007. Commonwealth taxes are currently being provided on earnings of the subsidiary.

The U.S. Federal income tax returns of the Company through May 31, 1997 have been closed by the Internal Revenue Service.

-57-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE I - DEBT

Notes payable consist of the following:

	June 2, 2001	June 3, 2000
	-----	-----
	(in thousands)	
Japanese bank		
2.875% note (1)	\$854	
2.68% note (1)	-----	\$1,080

	\$854	\$1,080
	=====	=====

Long-term debt consists of the following:

	June 2, 2001	June 3, 2000
	-----	-----
	(in thousands)	
Japanese bank loan, due November 2007, 2.875% (1)	\$233	\$238
Japanese bank loan, due November 2004, 1.80% (1)	167	298
Japanese bank loan, due December 2003, 2.375% (1)	153	
Other	11	20
	-----	-----
	564	556
Less current maturities	156	103
	-----	-----
	\$408	\$453
	=====	=====

(1) Guaranteed by the Company and collateralized by property, plant and equipment having a net carrying value of \$1,887,000 at June 2, 2001.

(2) The Company's Canadian subsidiary has available \$1,303,000 (Canadian \$2,000,000) under this line of credit with a bank, which is collateralized by accounts receivable and inventory and expires on October 31, 2001.

The Company believes that the carrying amount of its debt approximates the

Edgar Filing: EZ EM INC - Form 10-K

fair value as the interest rates approximate current prevailing interest rates.

During 2001, 2000 and 1999, the weighted average interest rates on short-term debt were 3.14%, 2.71% and 3.54%, respectively.

-58-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE J - ACCRUED LIABILITIES AND OTHER NONCURRENT LIABILITIES

Accrued liabilities consist of the following:

	June 2, 2001 -----	June 3, 2000 -----
	(in thousands)	
Payroll and related expenses	\$3,922	\$4,565
Accrued sales rebates	1,472	1,498
Other	1,935	1,735
	-----	-----
	\$7,329	\$7,798
	=====	=====

Other noncurrent liabilities consist of the following:

	June 2, 2001 -----	June 3, 2000 -----
	(in thousands)	
Deferred compensation	\$1,873	\$1,792
Deferred taxes	559	643
Other	363	321
	-----	-----
	\$2,795	\$2,756
	=====	=====

NOTE K - RETIREMENT PLANS

E-Z-EM, Inc. and its domestic subsidiaries ("E-Z-EM") provide pension benefits through three Profit-Sharing Plans, under which E-Z-EM makes discretionary contributions to eligible employees, and three companion 401(k) Plans, under which eligible employees can defer a portion of their annual compensation, part of which is matched by E-Z-EM. These plans cover all E-Z-EM employees not otherwise covered by collective bargaining agreements. In 2001, 2000 and 1999, profit-sharing contributions were \$624,000, \$589,000 and \$581,000, respectively, and 401(k) matching contributions were \$377,000, \$355,000 and \$359,000, respectively.

Edgar Filing: EZ EM INC - Form 10-K

E-Z-EM also contributed \$36,000, \$34,000 and \$36,000 in 2001, 2000 and 1999, respectively, to a multiemployer pension plan for employees covered by a collective bargaining agreement. This plan is not administered by E-Z-EM and contributions are determined in accordance with provisions of negotiated labor contracts.

E-Z-EM Canada Inc., a wholly-owned subsidiary of the Company, also provides pension benefits to eligible employees through two Defined Contribution Plans. In 2001, 2000 and 1999, contributions were \$100,000, \$85,000 and \$71,000, respectively.

-59-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE L - COMMITMENTS AND CONTINGENCIES

The Company is committed under non-cancellable operating leases for facilities, automobiles and equipment, including certain facility leases with related parties. During 2001, 2000 and 1999, aggregate rental costs under all operating leases were approximately \$1,896,000, \$1,713,000 and \$1,743,000, respectively, of which approximately \$209,000, \$212,000 and \$196,000, respectively, were paid to related parties. Future annual operating lease payments in the aggregate, which include escalation clauses and real estate taxes, with initial remaining terms of more than one year at June 2, 2001, are summarized as follows:

	Total leases ----- (in thousands)	Related party leases -----
2002	\$1,069	\$189
2003	805	133
2004	697	102
2005	595	
2006	616	
Thereafter	1,253	
	-----	-----
	\$5,035	\$424
	=====	=====

The Company has employment contracts with two executive officers. One such contract expires November 30, 2001 and one contract is cancellable at any time, but provides for severance pay in the event such executive is terminated by the Company without cause, as defined in the contract. Aggregate minimum compensation commitments under these contracts at June 2, 2001, and relating to fiscal 2002, is \$406.

-60-

Edgar Filing: EZ EM INC - Form 10-K

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE M - COMMON STOCK

In 1983, the Company adopted a Stock Option Plan (the "1983 Plan"). The 1983 Plan provides for the grant to key employees of both nonqualified stock options and incentive stock options. A total of 2,617,974 shares of the Company's Common Stock may be issued under the 1983 Plan pursuant to the exercise of options. All stock options must have an exercise price of not less than the market value of the shares on the date of grant. Options will be exercisable over a period of time to be designated by the administrators of the 1983 Plan (but not more than 10 years from the date of grant) and will be subject to such other terms and conditions as the administrators may determine. The 1983 Plan terminates in December 2005.

In 1984, the Company adopted a second Stock Option Plan (the "1984 Plan"). The 1984 Plan provides for the grant to members of the Board of Directors and consultants of nonqualified stock options. A total of 459,490 shares of the Company's Common Stock may be issued under the 1984 Plan pursuant to the exercise of options. All stock options must have an exercise price of not less than the market value of the shares on the date of grant. Options will be exercisable over a period of time to be designated by the administrators of the 1984 Plan (but not more than 10 years from the date of grant) and will be subject to such other terms and conditions as the administrators may determine. The 1984 Plan terminates in December 2005.

In 1997, the Company's AngioDynamics subsidiary adopted a Stock Option Plan (the "1997 Plan"). The 1997 Plan provides for the grant to key employees of both nonqualified stock options and incentive stock options and to members of the Board of Directors and consultants of nonqualified stock options. A total of 136.36 shares of AngioDynamics' Class B Common Stock may be issued under the 1997 Plan pursuant to the exercise of options. All stock options must have an exercise price of not less than the market value of the shares on the date of grant. Options will be exercisable over a period of time to be designated by the administrators of the 1997 Plan (but not more than 10 years from the date of grant) and will be subject to such other terms and conditions as the administrators may determine. The 1997 Plan terminates in March 2007. As a result of the 1997 Plan, the Company's equity interest in AngioDynamics may become diluted by as much as 12%.

In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," the Company elected to continue to account for stock-based compensation using the "intrinsic value" method under the guidelines of APB Opinion No. 25, "Accounting for Stock Issued to Employees" as opposed to the "fair value" method contained in SFAS 123. Accordingly, no compensation expense has been recognized under these plans concerning options granted to key employees and to members of the Board of Directors, as such options were granted to Board members in their capacity as Directors. Compensation expense of \$5,000 in each of 2001, 2000 and 1999 was recognized under these plans for options granted to consultants.

Edgar Filing: EZ EM INC - Form 10-K

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE M - COMMON STOCK (continued)

If the Company had elected to recognize compensation expense based upon the fair value at the grant date for options granted under these plans to key employees and to members of the Board of Directors, consistent with the methodology prescribed by SFAS 123, the Company's pro forma net earnings and earnings per common share would be as follows:

	2001 -----	2000 -----	1999 -----
	(in thousands, except per share data)		
Net earnings			
As reported	\$3,286	\$5,965	\$4,797
Pro forma	2,336	5,317	4,345
Basic earnings per common share			
As reported	\$.33	\$.60	\$.48
Pro forma	.24	.53	.43
Diluted earnings per common share			
As reported	\$.32	\$.58	\$.47
Pro forma	.23	.52	.42

The fair value of options was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for 2001, 2000 and 1999, respectively: dividend yields of zero for all years; expected volatility ranging from 43.87% to 48.47% in 2001, from 44.59% to 48.65% in 2000 and from 41.32% to 48.90% in 1999; risk-free interest rates ranging from 5.10% to 6.06% in 2001, from 5.99% to 6.89% in 2000 and from 4.78% to 5.98% in 1999; and expected terms ranging from 5 to 9 1/2 years for all years.

-62-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE M - COMMON STOCK (continued)

A summary of the status of the Company's stock option plans as of June 2, 2001, June 3, 2000 and May 29, 1999, and changes for the three years then ended, is presented below:

2001 -----	2000 -----	-----
Weighted	Weighted	

Edgar Filing: EZ EM INC - Form 10-K

	Shares (000) -----	-Average Exercise Price -----	Shares (000) -----	-Average Exercise Price -----	Shares (000) -----
1983 Plan -----					
Outstanding at beginning of year	1,289	\$ 5.84	973	\$ 4.99	1,002
Granted	25	\$ 5.10	472	\$ 7.45	33
Exercised	(9)	\$ 4.50	(144)	\$ 5.42	(56)
Forfeited	(36)	\$ 5.82	(12)	\$ 4.75	(3)
Expired					(3)
	-----		-----		-----
Outstanding at end of year	1,269 =====	\$ 5.84	1,289 =====	\$ 5.84	973 =====
Options exercisable at year-end	906	\$ 5.22	796	\$ 4.89	940
Weighted-average fair value of options granted during the year		\$ 2.32		\$ 3.66	
1984 Plan -----					
Outstanding at beginning of year	281	\$ 5.44	301	\$ 5.54	304
Granted	6	\$ 5.20	6	\$ 6.50	6
Exercised			(12)	\$ 3.75	(9)
Forfeited			(2)	\$ 8.58	
Expired	(6)	\$ 6.86	(12)	\$ 9.55	
	---		---		---
Outstanding at end of year	281 ===	\$ 5.41	281 ===	\$ 5.44	301 ===
Options exercisable at year-end	269	\$ 5.39	275	\$ 5.42	289
Weighted-average fair value of options granted during the year		\$ 2.41		\$ 3.24	

-63-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE M - COMMON STOCK (continued)

Edgar Filing: EZ EM INC - Form 10-K

	2001		2000		
	Shares (000)	Weighted -Average Exercise Price	Shares (000)	Weighted -Average Exercise Price	Shares (000)
1997 Plan					
Outstanding at beginning of year	136.14	\$40,000	129.15	\$40,000	130.00
Granted	1.65	\$40,000	8.18	\$40,000	1.93
Forfeited	(5.12)	\$40,000	(1.19)	\$40,000	(2.78)
Outstanding at end of year	132.67	\$40,000	136.14	\$40,000	129.15
Options exercisable at year-end	None		None		None
Weighted-average fair value of options granted during the year		\$25,315		\$26,427	

The following information applies to options outstanding and exercisable at June 2, 2001:

	Outstanding			Exercisable
Range of Exercise Prices	Number Out- standing (000)	Weighted- Average Remaining Life in Years	Weighted- Average Exercise Price	Number Exer- cisable (000)
1983 Plan				
\$3.66 to \$5.39	706	3.20	\$4.43	681
\$5.63 to \$6.00	186	7.99	\$5.66	73
\$8.50 to \$10.13	377	7.99	\$8.56	152
	1,269			906
1984 Plan				
\$3.66 to \$5.49	205	3.72	\$4.23	199
\$5.88 to \$8.58	58	5.01	\$7.83	52
\$9.58 to \$12.49	18	5.12	\$10.99	18
	281			269

Edgar Filing: EZ EM INC - Form 10-K

===

===

On June 2, 2001, there remained 542,933, 115,355 and 3.69 shares available for granting of options under the 1983, 1984 and 1997 Plans, respectively.

Options granted prior to the Company's recapitalization on October 26, 1992 are exercisable one-half in Class A Common Stock and one-half in Class B Common Stock. Options granted after the recapitalization are exercisable in Class B Common Stock.

-64-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE M - COMMON STOCK (continued)

In 1985, the Company adopted an Employee Stock Purchase Plan (the "Employee Plan"). The Employee Plan provides for the purchase by employees of the Company's Class B Common Stock at a discounted price of 85% of the market value of the shares on the date of purchase. A total of 150,000 shares of the Company's Class B Stock may be purchased under the Employee Plan which terminates on September 30, 2002. During 2001, employees purchased 941 shares, at \$5.31 per share. Total proceeds received by the Company approximated \$5,000.

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 June 2, 2001, the Company had repurchased 41,860 shares of Class A Common Stock and 395,251 shares of Class B Common Stock for approximately \$3,057,000.

NOTE N - RELATED PARTIES

During 1998, the Company entered into split dollar life insurance arrangements with a key executive (including his spouse) and a principal shareholder (the "insureds"). On an annual basis, the Company makes advances of approximately \$100,000 per insured toward the cost of such life insurance policies. Through August 2000, such advances were interest bearing and payable to the Company annually by the insureds. In August 2000, the arrangements were modified, to conform to the Company's other split dollar life insurance arrangements, making future advances non-interest bearing. Under collateral assignment agreements, the proceeds from the policies will first be used to repay all advances made by the Company. If the policies are terminated prior to the death of the insured, the Company will be entitled to the cash surrender value of the policies at that time, and any shortfall between that amount and the amount of the advances made by the Company will be repaid to the Company by the insureds. At June 2, 2001 and June 3, 2000, the cash surrender value of such policies aggregated \$741,000 and \$474,000, respectively. At June 2, 2001 and June 3,

Edgar Filing: EZ EM INC - Form 10-K

2000, advances of \$800,000 and \$600,000, respectively, are recorded in the consolidated balance sheets under the caption "Other Assets".

The Company had an unsecured, two-year interest bearing note receivable from an executive officer in the principal amount of \$320,000. Approximately \$297,000 of this note receivable was satisfied in October 1999, while the remaining portion was satisfied during June 2000.

Several directors provided consulting services to the Company during 2001, 2000 and 1999. Fees for such services, including fees relating to attendance at directors' meetings, were approximately \$314,000, \$446,000 and \$258,000 during 2001, 2000 and 1999, respectively.

-65-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE O - OPERATING SEGMENT, GEOGRAPHIC AREA OPERATIONS AND CONCENTRATION OF CREDIT RISK

In 1999, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". The statement redefines how operating segments are determined and requires disclosure of certain financial and descriptive information about a company's 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 primary business activity is conducted with radiologists and hospitals, located throughout the U.S. and abroad, through numerous distributors. The Company's exposure to credit risk is dependent, to a certain extent, on the healthcare industry. The Company performs ongoing credit evaluations of its customers and does not generally require collateral; however, in certain circumstances, the Company may require letters of credit from its customers.

In 2001, there were two customers to whom sales of Diagnostic products represented 17% and 12% of total sales, respectively. In 2000, there were two customers to whom sales of Diagnostic products represented 18% and 12% of total sales, respectively. In 1999, there was one customer to whom sales of Diagnostic products represented 17% of total sales. Approximately 19% and 14% of accounts receivable pertained to these customers at June 2, 2001 and approximately 21% and 14% of accounts receivable pertained to these customers at June 3, 2000.

The Company's chief operating decision maker utilizes operating segment net earnings (loss) information in assessing performance and making overall

Edgar Filing: EZ EM INC - Form 10-K

operating decisions and resource allocations. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Information about the Company's segments is as follows:

-66-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE O - OPERATING SEGMENT, GEOGRAPHIC AREA OPERATIONS AND CONCENTRATION OF CREDIT RISK (continued)

Operating Segments -----	2001 -----	2000 -----	1999 -----
	(in thousands)		
Net sales to external customers			
Diagnostic products (1)			
Contrast systems	\$ 61,438	\$ 65,981	\$ 61,446
Non-contrast systems	29,172	27,181	26,640
	-----	-----	-----
Total Diagnostic products	90,610	93,162	88,086
AngioDynamics products	22,676	20,706	20,968
	-----	-----	-----
Total net sales to external customers	\$ 113,286	\$ 113,868	\$ 109,054
	=====	=====	=====
Intersegment net sales			
Diagnostic products	\$ 1	\$ 2	\$ 36
AngioDynamics products	714	1,063	503
	-----	-----	-----
Total intersegment net sales	\$ 715	\$ 1,065	\$ 539
	=====	=====	=====
Interest income			
Diagnostic products	\$ 1,787	\$ 1,708	\$ 1,475
AngioDynamics products	70	12	16
Eliminations	(952)	(1,004)	(986)
	-----	-----	-----
Total interest income	\$ 905	\$ 716	\$ 505
	=====	=====	=====
Interest expense			
Diagnostic products	\$ 290	\$ 252	\$ 263
AngioDynamics products	952	1,005	986
Eliminations	(952)	(1,004)	(986)
	-----	-----	-----
Total interest expense	\$ 290	\$ 253	\$ 263
	=====	=====	=====

Edgar Filing: EZ EM INC - Form 10-K

Depreciation and amortization			
Diagnostic products	\$ 2,231	\$ 2,124	\$ 2,125
AngioDynamics products	566	679	704
	-----	-----	-----
Total depreciation and amortization	\$ 2,797	\$ 2,803	\$ 2,829
	=====	=====	=====
Equity in losses of affiliate			
Diagnostic products	\$ --	\$ --	\$ 225
	-----	-----	-----
Total equity in losses of affiliate	\$ --	\$ --	\$ 225
	=====	=====	=====
Income tax provision (benefit)			
Diagnostic products	\$ 1,864	\$ 3,566	\$ 2,419
AngioDynamics products	(1,513)	(297)	(545)
	-----	-----	-----
Total income tax provision	\$ 351	\$ 3,269	\$ 1,874
	=====	=====	=====

-67-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE O - OPERATING SEGMENT, GEOGRAPHIC AREA OPERATIONS AND CONCENTRATION OF CREDIT RISK (continued)

Operating Segments (continued)	2001	2000	1999
-----	-----	-----	-----
	(in thousands)		
Operating profit (loss)			
Diagnostic products	\$ 3,865	\$ 9,285	\$ 8,237
AngioDynamics products	(290)	(739)	(990)
Eliminations	(50)	53	(5)
	-----	-----	-----
Total operating profit	\$ 3,525	\$ 8,599	\$ 7,242
	=====	=====	=====
Net earnings (loss)			
Diagnostic products	\$ 2,993	\$ 7,328	\$ 5,960
AngioDynamics products	343	(1,416)	(1,158)
Eliminations	(50)	53	(5)
	-----	-----	-----
Total net earnings	\$ 3,286	\$ 5,965	\$ 4,797
	=====	=====	=====
Other significant non-cash items			
Diagnostic products			

Edgar Filing: EZ EM INC - Form 10-K

Impairment of long-lived assets	\$ 1,016	\$ --	\$ --
Impairment of investment in affiliate	--	--	896
AngioDynamics products			
Loss on sale of subsidiary and related assets	872	--	--
	-----	-----	-----
Total other significant non-cash items	\$ 1,888	\$ --	\$ 896
	=====	=====	=====
Assets			
Diagnostic products	\$ 108,463	\$ 111,046	\$ 107,027
AngioDynamics products	16,782	17,573	17,922
Eliminations	(27,790)	(29,534)	(28,890)
	-----	-----	-----
Total assets	\$ 97,455	\$ 99,085	\$ 96,059
	=====	=====	=====
Capital expenditures			
Diagnostic products	\$ 2,277	\$ 2,813	\$ 1,831
AngioDynamics products	466	393	376
	-----	-----	-----
Total capital expenditures	\$ 2,743	\$ 3,206	\$ 2,207
	=====	=====	=====

- (1) Net sales have been retroactively restated to reflect the reclassifications of freight billed to customers and related freight costs described in Note A.

-68-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE O - OPERATING SEGMENT, GEOGRAPHIC AREA OPERATIONS AND CONCENTRATION OF CREDIT RISK (continued)

Geographic Areas

The following geographic area data includes net sales generated by and long-lived assets employed in operations located in each area:

	2001	2000	1999
	-----	-----	-----
	(in thousands)		
Net sales (1)			
U.S. operations	\$ 96,284	\$ 95,877	\$ 90,763
International operations:			
Canada	24,195	23,825	23,022
Other	9,907	12,712	12,251

Edgar Filing: EZ EM INC - Form 10-K

Eliminations	(17,100)	(18,546)	(16,982)
	-----	-----	-----
Total net sales	\$ 113,286	\$ 113,868	\$ 109,054
	=====	=====	=====
Long-lived assets			
U.S. operations	\$ 12,580	\$ 13,727	\$ 14,154
International operations:			
Canada	6,627	6,526	5,672
Other	2,248	4,026	4,251
	-----	-----	-----
Total long-lived assets	\$ 21,455	\$ 24,279	\$ 24,077
	=====	=====	=====

(1) Net sales have been retroactively restated to reflect the reclassifications of freight billed to customers and related freight costs described in Note A.

NOTE P - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Quarterly results of operations during 2001 and 2000 were as follows:

	2001			
	First quarter	Second quarter	Third quarter	Fourth quarter
	-----	-----	-----	-----
	(in thousands, except per share data)			
Net sales (1)	\$27,733	\$26,658	\$27,809	\$31,086
Gross profit (1)	11,469	11,314	10,095	12,814
Net earnings	1,842	861	106	477
Earnings per common share				
Basic (2)	.19	.09	.01	.05
Diluted	.18	.08	.01	.05

-69-

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 2, 2001, June 3, 2000 and May 29, 1999

NOTE P - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED) (continued)

	2000			
	First quarter	Second quarter	Third quarter	Fourth quarter
	-----	-----	-----	-----
	(in thousands, except per share data)			
Net sales (1)	\$27,619	\$28,394	\$26,209	\$31,646
Gross profit (1)	11,503	12,543	10,482	13,277
Net earnings	1,798	1,817	516	1,834

Edgar Filing: EZ EM INC - Form 10-K

Earnings per common share

Basic (2)	.18	.18	.05	.18
Diluted (2)	.18	.18	.05	.18

- (1) Net sales and gross profit have been retroactively restated to reflect the reclassifications of freight billed to customers and related freight costs described in Note A.
- (2) The sum of the quarters does not equal the fiscal year due to rounding and changes in the calculation of weighted average shares.

-70-

E-Z-EM, Inc. and Subsidiaries

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS (in thousands)

Column A -----	Column B -----	Column C ----- Additions		Column D -----
Description -----	Balance at beginning of period -----	(1) Charged to costs and expenses -----	(2) Charged to other accounts- describe -----	Deduction descri -----
Fifty-two weeks ended May 29, 1999				
Allowance for doubtful accounts....	\$1,148 =====	\$250 ===		\$370 () ===
Fifty-three weeks ended June 3, 2000				
Allowance for doubtful accounts....	\$1,028 =====	\$ 37 ===		\$212 () ===
Fifty-two weeks ended June 2, 2001				
Allowance for doubtful accounts....	\$ 853 =====	\$ 88 ===		\$280 () ===

(a) Amounts written off as uncollectible.

-71-

Subsidiaries of the Registrant

The Registrant, E-Z-EM, Inc., is a Delaware corporation. The subsidiaries of the Registrant included in the consolidated financial statements are as follows:

	Incorporated

AngioDynamics, Inc.	Delaware
E-Z-EM Belgium B.V.B.A.	Belgium
E-Z-EM Canada Inc.	Canada
E-Z-EM Caribe, Inc.	Delaware
E-Z-EM International, Inc.	Barbados
E-Z-EM Ltd.	England
E-Z-EM Nederland B.V.	Holland
Enteric Products, Inc.	Delaware
Leocor, Inc.	Delaware
Toho Kagaku Kenkyusho Co., Ltd.	Japan
All subsidiaries of the Registrant are wholly-owned.	

-72-

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in Registration Statements No. 2-9458, No. 33-00184, No. 33-43168, No. 33-85010, No. 333-11325 and No. 333-46600 of E-Z-EM, Inc. on Form S-8 of our report dated July 27, 2001, appearing in the Annual Report on Form 10-K of E-Z-EM, Inc. and Subsidiaries for the fifty-two weeks ended June 2, 2001.

GRANT THORNTON LLP

Melville, New York
August 27, 2001

-73-

AUDITORS' REPORT

To the shareholder of
E-Z-EM Canada Inc.

We have audited the consolidated balance sheets of E-Z-EM CANADA INC. as of May 31, 2001 and 2000 and the consolidated statements of income, retained earnings and cash flows for the years ended May 31, 2001, 2000 and 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as of May 31, 2001 and 2000 and the results of its operations and its cash flows for the years ended May 31, 2001, 2000 and 1999 in accordance with generally accepted accounting principles.

Jacques Davis Lefaivre
Chartered Accountants

Montreal, July 6, 2001