EZ EM INC
Form 10-Q
January 14, 2003

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended November 30, 2002

OR

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

For the transition period from______to______

Commission file number 1-11479

E-Z-EM, Inc.
(Exact name of registrant as specified in its charter)

Delaware	11-1999504
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1111 Marcus Avenue, Lake Success, New York	11042
(Address of principal executive offices)	(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes |X| No |_|

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes |_| No |X|

As of January 9, 2003, there were 10,081,260 shares of the issuer's common stock outstanding.

E-Z-EM, Inc. and Subsidiaries

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E-Z-EM, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS
(in thousands)

	November 30,	June 1,

ASSETS	2002 (unaudited)	2002 (audited)
CURRENT ASSETS		
Cash and cash equivalents	$ 5,347	$ 8,019
Restricted cash	2,447	
Debt and equity securities	11,332	16,045
Accounts receivable, principally trade, net	21,720	17,721
Inventories	27,928	26,251
Other current assets	4,542	4,218
Total current assets	73,316	72,254
PROPERTY, PLANT AND EQUIPMENT - AT COST, less accumulated depreciation and amortization	20,588	19,187
GOODWILL, less accumulated amortization	368	377
INTANGIBLE ASSETS, less accumulated amortization	1,430	1,557
DEBT AND EQUITY SECURITIES	1,197	1,984
INVESTMENTS AT COST	900	600
OTHER ASSETS	6,803	6,322
	$104,602	$102,281

The accompanying notes are an integral part of these statements.

E-Z-EM, Inc. and Subsidiaries

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

LIABILITIES AND STOCKHOLDERS' EQUITY	November 30, 2002 (unaudited)	June 1, 2002 (audited)
CURRENT LIABILITIES		
Notes payable	$ 657	$ 698
Current maturities of long-term debt	337	179
Accounts payable	6,681	6,841
Accrued liabilities	7,316	7,292
Accrued income taxes	272	498
Total current liabilities	15,263	15,508
LONG-TERM DEBT, less current maturities	3,591	327
OTHER NONCURRENT LIABILITIES	3,013	2,924

Total liabilities	21,867	18,759
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, par value $.10 per share - authorized, 1,000,000 shares; issued, none		
Common stock, par value $.10 per share - authorized, 16,000,000 shares; issued and outstanding 10,068,917 shares at November 30, 2002 and 9,985,705 shares at June 1, 2002 (excluding 483,648 shares held in treasury at June 1, 2002)	1,007	998
Additional paid-in capital	21,461	21,062
Retained earnings	63,970	63,723
Accumulated other comprehensive loss	(3,703)	(2,261)
Total stockholders' equity	82,735	83,522
	$ 104,602	$ 102,281

The accompanying notes are an integral part of these statements.

E-Z-EM, Inc. and Subsidiaries

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

	Thirteen weeks ended		Twenty-six weeks ended	
	November 30, 2002	December 1, 2001	November 30, 2002	December 1, 2001
Net sales	$ 32,900	$ 30,629	$ 63,180	$ 58,270
Cost of goods sold	17,828	17,575	35,611	34,546
Gross profit	15,072	13,054	27,569	23,724
Operating expenses				
Selling and administrative	11,789	10,789	23,816	20,254
Asset impairment and facility closing costs	116	1,532	116	1,532
Research and development	1,658	1,659	3,247	3,140
Total operating expenses	13,563	13,980	27,179	24,926

Operating profit (loss)	1,509	(926)	390	(1,202)
Other income (expense)				
Interest income	65	119	135	271
Interest expense	(118)	(65)	(187)	(135)
Other, net	150	81	466	201
Earnings (loss) before income taxes	1,606	(791)	804	(865)
Income tax provision	618	376	557	414
NET EARNINGS (LOSS)	$ 988	$ (1,167)	$ 247	$ (1,279)
Earnings (loss) per common share				
Basic	$ .10	$ (.12)	$ .02	$ (.13)
Diluted	$ .09	$ (.12)	$ .02	$ (.13)
Weighted average common shares				
Basic	10,017	9,839	10,005	9,846
Diluted	10,406	9,839	10,403	9,846

The accompanying notes are an integral part of these statements.

E-Z-EM, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS

Twenty-six weeks ended November 30, 2002
(unaudited)
(in thousands, except share data)

	Class A and Class B common stock		Common stock		Additional paid-in capital	Retained earnings	A co
	Shares	Amount	Shares	Amount			
Balance at June 1, 2002	9,985,705	$998			$21,062	$63,723	
Exercise of stock options	22,962	2	68,602	7	386		
Income tax benefits on stock options exercised					87		
Compensation related to stock option plans					3		
Issuance of stock			8,000	1	61		

Purchase of treasury stock	(16,352)	(1)			(138)	
Common stock recapitalization	(9,992,315)	(999)	9,992,315	999		
Net earnings						247
Unrealized holding loss on debt and equity securities						
Decrease in fair market value on interest rate swap						
Foreign currency translation adjustments						
Comprehensive loss						
Balance at November 30, 2002	--	$ --	10,068,917	$1,007	$21,461	$63,970

The accompanying notes are an integral part of this statement.

E-Z-EM, Inc. and Subsidiaries

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

	Twenty-six weeks ended November 30, 2002	Twenty-six weeks ended December 1, 2001
Cash flows from operating activities:		
Net earnings (loss)	$ 247	$ (1,279)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	1,599	1,420
Impairment of long-lived assets	116	1,356
Provision for (reduction in) doubtful accounts	164	(2)
Deferred income tax provision	3	1
Other non-cash items	65	49
Changes in operating assets and liabilities		
Accounts receivable	(4,163)	2,684
Inventories	(1,677)	(2,391)
Other current assets	(223)	2,154
Other assets	(480)	(289)
Accounts payable	(160)	2,350
Accrued liabilities	(249)	(910)
Accrued income taxes	(142)	(11)
Other noncurrent liabilities	119	100
Net cash provided by (used in) operating activities	(4,781)	5,232
Cash flows from investing activities:		

Additions to property, plant and equipment, net	(3,110)	(1,365)
Restricted cash for use in investing activities	(2,447)	
Purchase of intangible assets		(300)
Investments at cost	(300)	(600)
Available-for-sale securities		
Purchases	(62,247)	(47,458)
Proceeds from sale	66,960	44,696
Net cash used in investing activities	(1,144)	(5,027)
Cash flows from financing activities:		
Proceeds from issuance of debt	3,531	147
Repayments of debt	(167)	(153)
Proceeds from exercise of stock options	395	4
Purchase of treasury stock	(139)	(266)
Net cash provided by (used in) financing activities	3,620	(268)

E-Z-EM, Inc. and Subsidiaries

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

	Twenty-six weeks ended	
	November 30, 2002	December 1, 2001
Effect of exchange rate changes on cash and cash equivalents	$ (367)	$ (243)
DECREASE IN CASH AND CASH EQUIVALENTS	(2,672)	(306)
Cash and cash equivalents		
Beginning of period	8,019	4,391
End of period	$ 5,347	$ 4,085
Supplemental disclosures of cash flow information:		
Cash paid (refunded) during the period for:		
Interest	$ 81	$ 40
Income taxes paid (refunded) (net of payments of $404 in 2001)	$ 943	$ (411)

The accompanying notes are an integral part of these statements.

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2002 and December 1, 2001
(unaudited)

NOTE A - CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet as of November 30, 2002, the consolidated statement of stockholders' equity and comprehensive loss for the period ended November 30, 2002, and the consolidated statements of operations and cash flows for the periods ended November 30, 2002 and December 1, 2001, have been prepared by the Company without audit. The consolidated balance sheet as of June 1, 2002 was derived from audited consolidated financial statements. In the opinion of management, all adjustments (which include only normally recurring adjustments) necessary to present fairly the financial position, changes in stockholders' equity and comprehensive loss, results of operations and cash flows at November 30, 2002 (and for all periods presented) have been made.

Certain information and footnote disclosures, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the fiscal 2002 Annual Report on Form 10-K filed by the Company on August 29, 2002. The results of operations for the periods ended November 30, 2002 and December 1, 2001 are not necessarily indicative of the operating results for the respective full years.

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

NOTE B - EARNINGS PER COMMON SHARE

Basic earnings per share are based on the weighted average number of common shares outstanding without consideration of potential common stock. Diluted earnings per share are based on the weighted average number of common and potential common shares outstanding. The calculation takes into account the shares that may be issued upon exercise of stock options, reduced by the shares that may be repurchased with the funds received from the exercise, based on the average price during the period. Potential common shares were excluded from the diluted calculation for the thirteen and twenty-six weeks ended December 1, 2001, as their effects were anti-dilutive.

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

	Thirteen weeks ended		Twenty-six weeks ended	
	November 30, 2002	December 1, 2001	November 30, 2002	December 1, 2001
	(in thousands)			

Basic	10,017	9,839	10,005	9,846
Effect of dilutive securities (stock options)	389		398	
Diluted	10,406	9,839	10,403	9,846

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

November 30, 2002 and December 1, 2001
(unaudited)

NOTE B - EARNINGS PER COMMON SHARE (continued)

Excluded from the calculation of earnings per common share, are options to purchase 452,155 shares of common stock for the thirteen and twenty-six weeks ended November 30, 2002 and options to purchase 1,556,935 shares of common stock for the thirteen and twenty-six weeks ended December 1, 2001, as their inclusion would be anti-dilutive. The range of exercise prices on the excluded options was $8.50 to $12.49 per share at November 30, 2002 and $3.66 to $12.49 per share at December 1, 2001.

NOTE C - EFFECTS OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

As of June 2, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", while retaining many of the requirements of such statement. The adoption of this statement has had no effect on the Company's results of operations or financial position.

In June 2002, the Financial Accounting Standards Board issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value when the liability is incurred. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The adoption of this statement is not expected to have a material impact on the Company's results of operations or financial position.

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2002 and December 1, 2001
(unaudited)

NOTE D - COMPREHENSIVE LOSS

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

	Twenty-six weeks ended November 30, 2002	Twenty-six weeks ended December 1, 2001
	(in thousands)	
Net earnings (loss)	$ 247	$ (1,279)
Unrealized holding gain (loss) on debt and equity securities	(758)	170
Decrease in fair market value on interest rate swap	(172)	
Foreign currency translation adjustments	(512)	(298)
Comprehensive loss	$ (1,195)	$ (1,407)

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

	November 30, 2002	June 1, 2002
	(in thousands)	
Unrealized holding gain on debt and equity securities	$ 60	$ 818
Decrease in fair market value on interest rate swap	(172)	
Cumulative translation adjustments	(3,591)	(3,079)
Accumulated other comprehensive loss	$ (3,703)	$ (2,261)

NOTE E - INVESTMENT AT COST

In August 2001, the Company acquired 240,000 shares of the Series B Convertible Preferred Stock, or approximately 5%, of PointDx, Inc. ("PointDx") for $600,000. PointDx, a Delaware corporation based in Winston-Salem, North Carolina, is an emerging medical technology company focused on the development of virtual colonoscopy software and structured reporting solutions for radiology. Virtual colonoscopy is an innovative technology which visualizes the colon using advanced CT imaging and 3-D computer reconstruction of that image data. The Company also acquired a three-year warrant to purchase an additional 120,000 shares of the Series B Convertible Preferred Stock at $2.50 per share, and the right to designate one nominee for the PointDx board of directors. The Company's investment in PointDx is accounted for by the cost method. During December 2002, the Company entered into an agreement with PointDx, and agreed to reduce the shares that can be purchased under the aforementioned warrant by 36,000.

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2002 and December 1, 2001
(unaudited)

NOTE F - ASSET IMPAIRMENT CHARGES

During the twenty-six weeks ended December 1, 2001, the Company adopted a plan, which was approved by the Board of Directors, to close a facility owned by its wholly-owned Japanese subsidiary in December 2001. The facility was principally used to manufacture liquid barium sulfate formulations for sale in the Japanese market. The facility lacked the necessary manufacturing throughput to justify its continued existence. In connection with this plan, the Company recorded a $1,532,000 charge to operations during the thirteen weeks ended December 1, 2001, within the E-Z-EM operating segment, consisting of i) a $1,306,000 write-down of property, plant and equipment to management's estimate of their fair market value, based upon the anticipated proceeds to be received upon sale, ii) severance costs of $128,000, iii) refurbishing costs of $66,000, relating to a leased warehousing facility, and iv) a provision for inventory reserves of $32,000. During the thirteen weeks ended November 30, 2002, the Company recorded an additional write-down of property of $116,000 to management's current estimate of its fair market value, based upon the anticipated proceeds to be received upon sale.

NOTE G - INVENTORIES

Inventories consist of the following:

	November 30, 2002	June 1, 2002
	(in thousands)	
Finished goods	$ 14,722	$ 13,939
Work in process	1,689	2,237
Raw materials	11,517	10,075
	$ 27,928	$ 26,251

NOTE H - LONG-TERM DEBT

In September 2002, the Company closed on the financing for the expansion of the AngioDynamics headquarters and manufacturing facility in Queensbury, New York. The expansion will be principally financed with Industrial Revenue Bonds (the "Bonds") issued by the Warren and Washington Counties Industrial Development Agency (the "Agency") aggregating $3,500,000. The Bonds are issued under a Trust Agreement by and between the Agency and a bank, as trustee (the "Trustee"). The proceeds of the Bonds will be advanced, as construction occurs, pursuant to a Building Loan Agreement by and among the Agency, the Trustee, a second bank (the "Bank") and the Company. As of November 30, 2002, the advances aggregated $1,053,000 with the remaining proceeds of $2,447,000 classified as restricted cash. The Bonds, which bear interest at a variable rate (1.45% per annum at November 30, 2002), require quarterly interest payments and quarterly principal payments ranging from $25,000 to $65,000 through May 2022. In connection with the issuance of the Bonds, the Company entered into a Letter of Credit and Reimbursement

Agreement with the Bank for approximately $3,575,000 to support principal and interest

NOTE H - LONG-TERM DEBT (continued)

payments of the Bonds and requires payment of an annual fee on the remaining balance ranging from 1% to 1.9%, depending on financial results achieved. The Company also entered into a Remarketing Agreement, pursuant to which the Remarketing Agent will use its best efforts to arrange for a sale in the secondary market of such Bonds. The Remarketing Agreement provides for the payment of an annual fee of .1% of the remaining balance.

The Reimbursement Agreement contains certain financial covenants, relating to fixed charge coverage and interest coverage, as defined. Amounts borrowed under the Agreement are collateralized by substantially all of the assets of AngioDynamics.

In accordance with SFAS No. 133, "Accounting for Derivatives and Hedging Activities", as amended, the Company recognized its interest rate swap agreement in the consolidated financial statements at fair value. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in stockholders' equity as a component of accumulated other comprehensive income (loss) depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value or cash flow hedge. Generally, the changes in the fair value of derivatives accounted for as fair value hedges are recorded in income along with the portions of the changes in the fair value of hedged items that relate to the hedged risks. Changes in the fair value of derivatives accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in accumulated other comprehensive income (loss). Changes in the fair values for derivatives not qualifying as hedges are reported in income.

The Company entered into an interest rate swap agreement with the Bank, effective September 2002, with an initial notional amount of $3,500,000 to limit the effect of increases in the interest rates on its variable rate debt. The swap agreement, which qualifies as an effective hedge under SFAS No. 133, is a contract to exchange floating interest rate payments for fixed interest payments periodically over the life of the agreement without the exchange of the underlying notional amounts. The effect of this swap agreement is to limit the interest rate exposure to 4.45% of the Company's debt under its agreement with the Agency. Since the swap agreement is classified as a cash flow hedge, the fair value of $273,000 has been recorded as a component of accrued liabilities, and accumulated other comprehensive loss has been increased by $172,000, net of tax benefit, with no impact on earnings. Amounts to be paid or received under the swap agreement are accrued as interest rates change and are recognized over the life of the swap agreement as an adjustment to interest expense.

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

November 30, 2002 and December 1, 2001
(unaudited)

NOTE I - COMMON STOCK

Under the 1983 and 1984 Stock Option Plans, options for 91,564 shares were exercised at prices ranges from $3.66 to $6.50 per share, options for 25,097 shares were forfeited at prices ranging from $4.22 to $12.49 per share, and no options were granted or expired during the twenty-six weeks ended November 30, 2002. Under the 1997 AngioDynamics Stock Option Plan, options for 1.14 shares were forfeited at $40,000 per share, and no options were granted, exercised or expired during the twenty-six weeks ended November 30, 2002.

During July 2002, the Company concluded a program to repurchase 500,000 shares of its Class A and Class B common stock. In aggregate, the Company repurchased 53,706 shares of Class A common stock and 446,294 shares of Class B common stock for approximately $3,548,000, of which 847 shares of Class A common stock and 15,505 shares of Class B common stock for approximately $139,000 were repurchased during the first quarter of fiscal 2003. Effective August 15, 2002, the Company retired all treasury shares.

On October 22, 2002, the Company completed the previously announced plan to combine its two former classes of common stock (Class A and Class B) into a single, newly created class of common stock. The transaction was effected by merging a newly formed subsidiary into E-Z-EM, with E-Z-EM continuing as the surviving corporation in the merger. As a result of this merger: each outstanding Class A share and each outstanding Class B share was converted into one share of a newly created class of common stock of the Company; the super-majority voting requirements contained in the Company's certificate of incorporation, relating to the former Class A shares, were eliminated and are not applicable to the Company's new class of common stock; each holder of common stock now has one vote per share; and all matters brought before the stockholders of the Company, other than the removal of directors, are now determined by a majority vote.

At June 1, 2002, the outstanding shares of Class A and Class B common stock were 4,002,188 and 5,983,517, respectively (excluding 52,859 shares of Class A common stock and 430,789 shares of Class B common stock held in treasury at June 1, 2002).

NOTE J - OPERATING SEGMENTS

The Company is engaged in the manufacture and distribution of a wide variety of products which are classified into two operating segments: E-Z-EM products, formerly called the Diagnostic products operating segment, and AngioDynamics products. E-Z-EM products include X-ray fluoroscopy products, CT imaging products, virtual colonoscopy products, specialty diagnostic tests, and accessory medical products and devices. The E-Z-EM segment also includes third-party contract manufacturing of diagnostic contrast agents, pharmaceuticals, non-prescription healthcare products and defense decontaminants. AngioDynamics products include angiographic products and accessories, image-guided vascular access products, dialysis products, thrombolytic products, PTA dilation catheters, biliary stents, and drainage products used in the interventional radiology marketplace.

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

November 30, 2002 and December 1, 2001
(unaudited)

NOTE J - OPERATING SEGMENTS (continued)

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

	Thirteen weeks ended		Twenty-six weeks ended	
	November 30, 2002	December 1, 2001	November 30, 2002	December 1, 2001
	(in thousands)			
Net sales to external customers				
E-Z-EM products	$24,328	$ 23,240	$ 46,511	$ 44,307
AngioDynamics products	8,572	7,389	16,669	13,963
Total net sales to external customers	$32,900	$ 30,629	$ 63,180	$ 58,270
Intersegment net sales				
AngioDynamics products	$ 196	$ 214	$ 427	$ 383
Total intersegment net sales	$ 196	$ 214	$ 427	$ 383
Operating profit (loss)				
E-Z-EM products	$ 671	$ (1,706)	$ (1,004)	$ (2,184)
AngioDynamics products	794	776	1,354	981
Eliminations	44	4	40	1
Total operating profit (loss)	$ 1,509	$ (926)	$ 390	$ (1,202)
Net earnings (loss)(1)				
E-Z-EM products	$ 494	$ (1,513)	$ (575)	$ (1,595)
AngioDynamics products	450	342	782	315
Eliminations	44	4	40	1
Total net earnings (loss)	$ 988	$ (1,167)	$ 247	$ (1,279)

	November 30, 2001	June 1, 2002
	(in thousands)	
Assets		
E-Z-EM products	$ 107,806	$ 110,421
AngioDynamics products	24,945	20,046
Eliminations	(28,149)	(28,186)
Total assets	$ 104,602	$ 102,281

(1) Effective June 2, 2002 and for fiscal 2003, E-Z-EM's loans to AngioDynamics are non-interest bearing. For the thirteen and twenty-six weeks ended December 1, 2001, interest charges on such loans were $216,000 and $432,000, respectively.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Quarters ended November 30, 2002 and December 1, 2001

The Company's quarters ended November 30, 2002 and December 1, 2001 both represent thirteen weeks.

Results of Operations

Segment Overview

The Company operates in two industry segments: E-Z-EM products and AngioDynamics products. The E-Z-EM operating segment includes X-ray fluoroscopy products, CT imaging products, virtual colonoscopy products, specialty diagnostic tests, and accessory medical products and devices. The E-Z-EM segment also includes third-party contract manufacturing of diagnostic contrast agents, pharmaceuticals, non-prescription healthcare products and defense decontaminants. The AngioDynamics operating segment includes angiographic products and accessories, image-guided vascular access products, dialysis products, thrombolytic products, PTA dilation catheters, biliary stents, and drainage products used in the interventional radiology marketplace.

	E-Z-EM	AngioDynamics	Eliminations	Total
		(in thousands)		
Quarter ended November 30, 2002				
Unaffiliated customer sales	$ 24,328	$ 8,572	--	$ 32,900
Intersegment sales	--	196	($196)	--

Gross profit	10,235	4,793	44	15,072
Operating profit	671	794	44	1,509

Quarter ended December 1, 2001

Unaffiliated customer sales	$ 23,240	$ 7,389	--	$ 30,629
Intersegment sales	--	214	($214)	--
Gross profit	9,114	3,936	4	13,054
Operating profit (loss)	(1,706)	776	4	(926)

E-Z-EM Products

E-Z-EM segment operating results for the current quarter improved by $2,377,000. The operating results for the comparable quarter of the prior year were adversely affected by a $1,532,000 charge to operations resulting from the December 2001 closing of a Japanese facility principally used to manufacture liquid barium sulfate formulations for sale in the Japanese market. During the current quarter, the Company recorded an additional charge to operations of $116,000 relating to the closing of this facility. Excluding the effect of the Japanese facility closing, E-Z-EM segment operating results improved by $961,000 due primarily to increased sales and improved gross profit, slightly offset by increased operating expenses. Net sales increased 5%, or $1,088,000, due to increased sales of CT imaging contrast and injector systems of $1,015,000. Price increases had minimal effect on net sales for the current quarter. Gross profit expressed as a percentage of net sales improved to 42% for the current quarter from 39% for the comparable period of the prior year due primarily to commission revenue of $295,000 earned in the current quarter, decreased provision for inventory reserves of $196,000 and lower freight costs. Excluding the aforementioned facility closing costs, operating expenses increased $160,000 due

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to increased selling and marketing infrastructure and promotional activities to support the Company's CT injector and virtual colonoscopy businesses.

AngioDynamics Products

AngioDynamics segment operating profit for the current quarter improved by $18,000. Increased sales and improved gross profit were virtually offset by increased operating expenses. Net sales increased 16%, or $1,183,000, due primarily to increased sales of dialysis products of $551,000, image-guided vascular access products of $248,000 and angiographic products of $171,000. Sales of the ELVS(TM) endovascular laser venous system, used in the treatment of varicose veins and introduced in the current quarter, also contributed to the increase in sales. Price increases had minimal effect on net sales for the current quarter. Gross profit expressed as a percentage of net sales improved to 55% for the current quarter from 52% for the comparable quarter of the prior year due primarily to improved manufacturing efficiencies at the Company's Queensbury, New York facility, resulting, in large part, from increased automation in the manufacture of angiographic catheters, and lower freight costs. Operating expenses increased $839,000 due, in large part, to the continued expansion of the domestic sales force, investment in new product introductions and increased administrative and research and development expenses.

Consolidated Results of Operations

For the quarter ended November 30, 2002, the Company reported net earnings of $988,000, or $.10 and $.09 per common share on a basic and diluted basis, respectively, compared to a net loss of $1,167,000, or ($.12) per common share on both a basic and diluted basis, for the comparable period of last year. Results for the current quarter were favorably affected by increased sales and improved gross profit in both industry segments, partially offset by increased operating expenses in the AngioDynamics segment. Results for the current quarter were adversely affected by an additional charge of $116,000, or $.01 per basic share, to close a Japanese facility. Results for the comparable quarter of the prior year were adversely affected by a charge of $1,532,000, or $.16 per basic share, to close the Japanese facility. Excluding the effect of the Japanese facility closing, net earnings improved by $739,000, or $.07 per basic share.

Net sales for the quarter ended November 30, 2002 increased 7%, or $2,271,000, compared to the quarter ended December 1, 2001 due to increased sales of AngioDynamics products of $1,183,000 and E-Z-EM products of $1,088,000, which resulted from the factors previously disclosed in the segment overview. Price increases had minimal effect on net sales for the current quarter. Net sales in international markets, including direct exports from the U.S., decreased 6%, or $551,000, for the current quarter from the comparable period of last year due, in large part, to decreased sales of contract manufacturing products of $303,000 and decreased sales of X-ray fluoroscopy products of $240,000.

Gross profit expressed as a percentage of net sales increased to 46% for the current quarter from 43% for the comparable quarter of the prior year due to improved gross profit in both the E-Z-EM and AngioDynamics segments, which resulted from the factors previously disclosed in the segment overview.

Selling and administrative ("S&A") expenses were $11,789,000 for the quarter ended November 30, 2002 compared to $10,789,000 for the quarter ended December 1, 2001. This increase of $1,000,000, or 9%, for the current quarter was due to increased AngioDynamics S&A expenses of $712,000 and increased E-Z-EM S&A expenses of $288,000, which resulted from the factors previously disclosed in the segment overview.

Research and development ("R&D") expenditures for the current quarter were $1,658,000, or 5% of net sales, compared to $1,659,000, or 5% of net sales, for the quarter ended December 1, 2001. Increased spending relating to X-ray

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fluoroscopy and CT imaging projects of $202,000 and AngioDynamics projects of $127,000, offset decreased spending relating to virtual colonoscopy projects of $275,000 and all other projects of $55,000. Of the R&D expenditures for the current quarter, approximately 47% relate to X-ray fluoroscopy and CT imaging projects, 36% to AngioDynamics projects, 16% to general regulatory costs and 1% to specialty diagnostic projects. R&D expenditures are expected to continue at approximately current levels.

Other income, net of other expenses, totaled $97,000 of income for the current quarter compared to $135,000 of income for the quarter ended December 1, 2001. This decline was due to decreased interest income of $54,000, resulting, in large part, from lower interest rates, and increased interest expense of $53,000, resulting, in large part, from the financing of the AngioDynamics facility expansion, partially offset by an increase in foreign currency exchange gains of $65,000.

For the quarter ended November 30, 2002, the Company's effective tax rate of 39%

differed from the Federal statutory tax rate of 34% due to non-deductible expenses. For the quarter ended December 1, 2001, the Company reported an income tax provision of $376,000 against a loss before income taxes of $791,000 due primarily to 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, and non-deductible expenses.

Six months ended November 30, 2002 and December 1, 2001

The Company's six months ended November 30, 2002 and December 1, 2001 both represent twenty-six weeks.

Results of Operations

Segment Overview

	E-Z-EM	AngioDynamics	Eliminations	Total
		(in thousands)		
Six months ended November 30, 2002				
Unaffiliated customer sales	$ 46,511	$ 16,669	--	$ 63,180
Intersegment sales	--	427	($427)	--
Gross profit	18,568	8,961	40	27,569
Operating profit (loss)	(1,004)	1,354	40	390
Six months ended December 1, 2001				
Unaffiliated customer sales	$ 44,307	$ 13,963	--	$ 58,270
Intersegment sales	--	383	($383)	--
Gross profit (loss)	16,606	7,117	1	23,724
Operating profit (loss)	(2,184)	981	1	(1,202)

E-Z-EM Products

E-Z-EM segment operating losses for the current period improved by $1,180,000. The operating results for the comparable period of the prior year were adversely affected by a $1,532,000 charge to operations resulting from the December 2001 closing of a Japanese facility. During the current period, the Company recorded an additional charge to operations of $116,000 relating to the closing of this facility. Excluding the effect of the Japanese facility closing, E-Z-EM segment operating losses increased by $236,000 due to increased operating expenses, partially offset by increased sales and improved gross profit. Net sales increased 5%, or $2,204,000, due to increased sales of CT imaging contrast and injector systems of $2,237,000. Price increases had minimal effect on net sales

for the current period. Gross profit expressed as a percentage of net sales improved to 40% for the current period from 37% for the comparable period of the prior year due primarily to increased production throughput at the Company's Westbury facility and lower freight costs. Excluding the aforementioned facility closing costs, operating expenses increased $2,198,000 due to: i) increased selling and marketing infrastructure and promotional activities to support the Company's CT injector and virtual colonoscopy businesses; ii) costs associated with the Company's common stock recapitalization of $688,000; and iii) increased severance costs of $287,000.

AngioDynamics Products

AngioDynamics segment operating results improved by $373,000 in the current period due to increased sales and improved gross profit, partially offset by increased operating expenses. Net sales increased 19%, or $2,706,000, due primarily to increased sales of dialysis products of $1,386,000, image-guided vascular access products of $446,000, PTA dilation catheters of $352,000 and angiographic products of $286,000. Price increases had minimal effect on net sales for the current period. Gross profit expressed as a percentage of net sales improved to 52% for the current period from 50% for the comparable period of the prior year due primarily to improved manufacturing efficiencies at the Company's Queensbury facility, resulting, in large part, from increased automation in the manufacture of angiographic catheters, lower freight costs and favorable changes in sales product mix. Operating expenses increased $1,471,000 due, in large part, to the continued expansion of the domestic sales force, investment in new product introductions and increased administrative and research and development expenses.

Consolidated Results of Operations

For the six months ended November 30, 2002, the Company reported net earnings of $247,000, or $.02 per common share on both a basic and diluted basis, compared to a net loss of $1,279,000, or ($.13) per common share on both a basic and diluted basis, for the comparable period of last year. Results for the current period were favorably affected by increased sales and improved gross profit in both industry segments, partially offset by increased operating expenses in both industry segments. Results for the current period were adversely affected by an additional charge of $116,000, or $.01 per basic share, to close a Japanese facility. Results for the comparable period of the prior year were adversely affected by a charge of $1,532,000, or $.16 per basic share, to close the Japanese facility. Excluding the effect of the Japanese facility closing, net earnings improved by $110,000, or $.01 per basic share.

Net sales for the six months ended November 30, 2002 increased 8%, or $4,910,000, compared to the six months ended December 1, 2001 due to increased sales of AngioDynamics products of $2,706,000 and E-Z-EM products of $2,204,000, which resulted from the factors previously disclosed in the segment overview. Price increases had minimal effect on net sales for the current period. Net sales in international markets, including direct exports from the U.S., increased 4%, or $713,000, for the current period from the comparable period of last year due primarily to increased sales of CT imaging contrast and injector systems of $405,000 and contract manufacturing products of $258,000.

Gross profit expressed as a percentage of net sales increased to 44% for the current period from 41% for the comparable period of the prior year due to improved gross profit in both the E-Z-EM and AngioDynamics segments, which resulted from the factors previously disclosed in the segment overview.

S&A expenses were $23,816,000 for the six months ended November 30, 2002 compared to $20,254,000 for the six months ended December 1, 2001. This increase of $3,562,000, or 18%, for the current period was due to increased E-Z-EM S&A

expenses of $2,441,000 and increased AngioDynamics S&A expenses of $1,121,000, which resulted from the factors previously disclosed in the segment overview.

R&D expenditures increased 3% for the current period to $3,247,000, or 5% of net sales, from $3,140,000, or 5% of net sales, for the comparable prior year period due to increased spending relating to AngioDynamics projects of $350,000, partially offset by decreased spending relating to virtual colonoscopy projects of $172,000 and all other projects of $71,000. Of the R&D expenditures for the current period, approximately 42% relate to X-ray fluoroscopy and CT imaging projects, 36% to AngioDynamics projects, 16% to general regulatory costs, 5% to virtual colonoscopy projects and 1% to specialty diagnostic projects.

Other income, net of other expenses, totaled $414,000 of income for the current period compared to $337,000 of income for the comparable period of last year. This increase was due primarily to increased foreign currency exchange gains of $259,000, partially offset by decreased interest income of $136,000, resulting, in large part, from lower interest rates, and increased interest expense of $52,000, resulting, in large part, from the financing of the AngioDynamics facility expansion.

For the six months ended November 30, 2002, the Company's unusually high effective tax rate of 69% differed from the Federal statutory tax rate of 34% due to non-deductible expenses, primarily related to the Company's common stock recapitalization. For the six months ended December 1, 2001, the Company reported an income tax provision of $414,000 against a loss before income taxes of $865,000 due primarily to 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, and non-deductible expenses.

Liquidity and Capital Resources

For the six months ended November 30, 2002, capital expenditures (excluding the AngioDynamics facility expansion discussed below), an equity investment at cost and the purchase of treasury stock were funded by cash reserves. The Company's policy has been to fund capital requirements without incurring significant debt. However, the Company did elect to externally finance the AngioDynamics facility expansion. At November 30, 2002, debt (notes payable, current maturities of long-term debt and long-term debt) was $4,585,000 (including $3,465,000 relating to the financing of the AngioDynamics facility expansion), as compared to $1,204,000 at June 1, 2002. The Company has available $2,078,000 under two bank lines of credit of which no amounts were outstanding at November 30, 2002.

At November 30, 2002, approximately $16,679,000, or 16%, of the Company's assets consisted of short-term debt and equity securities and cash and cash equivalents. The current ratio was 4.80 to 1, with net working capital of $58,053,000, at November 30, 2002, as compared to a current ratio of 4.66 to 1, with net working capital of $56,746,000, at June 1, 2002. The Company believes that its cash reserves as of November 30, 2002, cash generated from operations and existing lines of credit will provide sufficient liquidity to meet its currently foreseeable short-term operating requirements.

During fiscal 2003, the Company began the expansion of the AngioDynamics headquarters and manufacturing facility in Queensbury, New York, and, as of November 30, 2002, has expended approximately $1,194,000 on this project. The Company expects this expansion to cost approximately $3,500,000, most of which will be expended in fiscal 2003. This expansion is being financed principally with Industrial Revenue Bonds (the "Bonds") issued by the Warren and Washington Counties Industrial Development Agency (the "Agency") aggregating $3,500,000. The proceeds of the Bonds will be advanced, as construction occurs, pursuant to a Building Loan Agreement by and among the Agency, the Trustee, a second bank (the "Bank") and the Company. As of November 30, 2002, the advances aggregated $1,053,000 with the remaining proceeds of $2,447,000 classified as restricted cash. The Bonds, which bear interest at a variable rate,

require quarterly interest payments and quarterly principal payments ranging from $25,000 to $65,000 through May 2022. The Company entered into an interest rate swap with the Bank to convert the variable rate to a fixed interest rate of 4.45% per annum. The principal payments on the Bonds are secured by a letter of credit with the Bank.

During July 2002, the Company concluded a program to repurchase 500,000 shares of its Class A and Class B common stock. In aggregate, the Company repurchased 53,706 shares of Class A common stock and 446,294 shares of Class B common stock for approximately $3,548,000, of which 847 shares of Class A common stock and 15,505 shares of Class B common stock for approximately $139,000 were repurchased during the six months ended November 30, 2002. Effective August 15, 2002, the Company retired all treasury shares.

Forward-Looking Statements

This Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are intended to be covered by the safe harbors created thereby. Words such as "expects", "intends", "anticipates", "plans", "believes", "seeks", "estimates", or variations of such words and similar expressions are intended to identify such forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty, including without limitation, the ability of the Company to develop its products, market acceptance of virtual colonoscopy as a new imaging procedure, future actions by the U.S. Food and Drug Administration or other regulatory agencies, results of pending or future clinical trials, overall economic conditions, general market conditions, foreign currency exchange rate fluctuations, the effects on pricing from group purchasing organizations, and competition, including alternative procedures which continue to replace traditional fluoroscopic procedures. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward-looking statements included in this Form 10-Q will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved.

Critical Accounting Policies

The Company's significant accounting policies are summarized in Note A to the Consolidated Financial Statements included in the Company's fiscal 2002 Annual Report on Form 10-K. While all these significant accounting policies impact its financial condition and results of operations, the Company views certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on the Company's financial statements and require management to use greater degree of judgment and/or estimates. Actual results may differ from those estimates.

The Company believes that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause a material effect on the Company's consolidated results of operations, financial position or liquidity for the periods presented in this report. The accounting policies identified as critical are as follows:

Revenue Recognition - The Company recognizes revenues in accordance with generally accepted accounting principles as outlined in Staff Accounting Bulletin No. 101, which requires that four basic criteria be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) product delivery, including customer acceptance, has occurred or services have been

rendered; (3) the price is fixed or determinable; and (4) collectibility is reasonably assured. Decisions relative to criteria (4) regarding collectibility are based upon management judgments and should conditions change in the future and cause management to determine this criteria is not met, the Company's recognized results may be affected. The Company recognizes revenues as products are shipped, which is when title passes to customers.

Allowance for Doubtful Accounts - The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current credit worthiness, as determined by a review of their current credit information. The Company continuously monitors agings, collections and payments from customers and a provision for estimated credit losses is maintained based upon its historical experience and any specific customer collection issues that have been identified. While such credit losses have historically been within the Company's expectations and the provisions established, the Company cannot guarantee that the same credit loss rates will be experienced in the future. Concentration risk exists relative to the Company's accounts receivable, as 30% of the Company's total accounts receivable balance at November 30, 2002 is concentrated in one distributor. While the accounts receivable related to this distributor may be significant, the Company does not believe the credit loss risk to be significant given the consistent payment history of this distributor.

Income Taxes - In preparing the Company's financial statements, income tax expense is calculated for each of the jurisdictions in which the Company operates. This process involves estimating actual current taxes due plus assessing temporary differences arising from differing treatment for tax and accounting purposes that are recorded as deferred tax assets and liabilities. Deferred tax assets are periodically evaluated to determine their recoverability (based primarily on the Company's ability to generate future taxable income), and where recovery is unlikely, a valuation allowance is established and a corresponding additional tax expense is recorded in the Company's statement of earnings. In the event that actual results differ from the Company's estimates given changes in assumptions, the provision for income taxes could be materially impacted.

Inventories - The Company values its inventory at the lower of the actual cost to purchase and/or manufacture (on the first-in, first-out method) or the current estimated market value of the inventory. On an ongoing basis, inventory quantities on hand are reviewed and an analysis of the provision for excess and obsolete inventory is performed based primarily on product expiration dating and the Company's estimated sales forecast of product demand, which is based on sales history and anticipated future demand. The Company's estimates of future product demand may prove to be inaccurate, in which case the Company may have understated or overstated the provision required for excess and obsolete inventory. Therefore, although every effort is made to ensure the accuracy of the Company's forecasts of future product demand, any significant unanticipated changes in demand could have a significant impact on the value of the Company's inventory and reported operating results.

Property, Plant and Equipment - Property, plant and equipment are depreciated principally using the straight-line method over the estimated useful lives of the assets. Useful lives are based on management's estimates of the period over which the asset will generate revenue. Any change in conditions that would cause management to change its estimate as to the useful lives of a group or class of assets may significantly impact the Company's depreciation expense on a prospective basis.

Effects of Recently Issued Accounting Pronouncements

As of June 2, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-

Lived Assets". This statement supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", while retaining many of the requirements of such statement. The adoption of this statement has had no effect on the Company's results of operations or financial position.

In June 2002, the Financial Accounting Standards Board issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value when the liability is incurred. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The adoption of this statement is not expected to have a material impact on the Company's results of operations or financial position.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk from changes in foreign currency exchange rates and, to a much lesser extent, interest rates on investments and financing, which could impact results of operations and financial position. The Company does not currently engage in hedging or other market risk management tools. There have been no material changes with respect to market risk previously disclosed in the fiscal 2002 Annual Report on Form 10-K.

Foreign Currency Exchange Rate Risk

The financial reporting of the Company's international subsidiaries is denominated in currencies other than the U.S. dollar. Since the functional currency of the Company's international subsidiaries is the local currency, foreign currency translation adjustments are accumulated as a component of accumulated other comprehensive loss in stockholders' equity. Assuming a hypothetical aggregate change in the exchange rates of foreign currencies versus the U.S. dollar of 10% at November 30, 2002, the Company's assets and liabilities would increase or decrease by $2,362,000 and $575,000, respectively, and the Company's net sales and net earnings would increase or decrease by $2,212,000 and $88,000, 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 foreign exchange losses if exchange rates fluctuate. Assuming a hypothetical aggregate change in the exchange rates of foreign currencies versus the U.S. dollar of 10% at November 30, 2002, net earnings would be favorably or unfavorably impacted by approximately $460,000 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 $11,325,000. The bonds bear interest at a floating rate established weekly. For the six months ended November 30, 2002, the after-tax interest rate on the bonds approximated 1.4%. Each 100 basis point (1%) fluctuation in interest rates will increase or decrease interest income on the bonds by approximately $113,000 on an annual basis.

As the Company's principal amount of fixed interest rate financing approximated $1,120,000 at November 30, 2002, a change in interest rates would not materially impact results of operations or financial position. At November 30, 2002, the

Company maintained variable interest rate financing in connection with the AngioDynamics facility expansion of approximately $3,465,000, and has limited its exposure to interest rate change market risk by entering into an interest rate swap agreement.

Item 4. Controls and Procedures

Within the 90 days prior to the filing date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic Securities and Exchange Commission filings. No significant changes were made in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Disclosure controls and procedures are those controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the

Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

E-Z-EM, Inc. and Subsidiaries

Part II: Other Information

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities and Use of Proceeds

In connection with a recapitalization merger completed on October 22, 2002, in which a wholly-owned subsidiary of the Company merged with and into the Company, Article 4 of the Company's Certificate of Incorporation was deleted in its entirety and replaced with a new Article 4. As a result, the following changes were made to the Company's authorized and outstanding shares:

1. The Company's Class A common stock, par value $0.10 per share ("Class A Stock") and Class B common stock, par value, $0.10 per share ("Class B Stock"), were replaced by a single, new class of common stock, par value $0.10 per share ("New Common Stock"). In the merger, each outstanding share of Class A Stock and Class B Stock was converted into one share of New Common Stock.

2. Each share of New Common Stock entitles the holder to one vote per share on all matters submitted to a stockholders vote. Previously, only the Class A Stock carried voting rights.

3. All super-majority voting provisions were eliminated, and all matters submitted to a stockholder vote will be determined by majority vote, except for votes regarding removal of directors.

4. All other distinctions previously existing between the Class A Stock and Class B Stock, including dividend preferences, conversion rights, and mandatory tender offer provisions, were eliminated.

On November 1, 2002, the Company issued 2,000 shares of common stock to its Chairman of the Board, Howard S. Stern, and 1,000 shares of common stock to each of the following directors of the Company: Robert J. Beckman, Michael A. Davis, Paul S. Echenberg, James L. Katz, Donald A. Meyer and David P. Meyers. All such shares were issued in consideration for services rendered as directors and 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.

Item 3. Defaults Upon Senior Securities

None.

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

At the Annual Meeting of Shareholders held October 15, 2002, the following persons were elected as Directors of the Company:

Class II Director: (until the 2004 Annual Meeting)

Robert J. Beckman

Class III Directors: (until the 2005 Annual Meeting)

Howard S. Stern
David P. Meyers
George P. Ward

In this election, 3,633,867, 3,627,530, 3,638,730 and 3,633,867 votes were cast for Mr. Beckman, Mr. Stern, Mr. Meyers and Mr. Ward, respectively, and 206,529, 212,866, 201,666 and 206,529 shares were withheld from voting for Mr. Beckman, Mr. Stern, Mr. Meyers and Mr. Ward, respectively.

The following Directors continue in office for the duration of their terms:

Class I Directors: (until the 2003 Annual Meeting)

Michael A. Davis, M.D.
James L. Katz, CPA, JD
Anthony A. Lombardo

Class II Directors: (until the 2004 Annual Meeting)

Paul S. Echenberg
Donald A. Meyer

In addition, the Agreement of Merger and Recapitalization dated as of July 25, 2002, by and between E-Z-EM, Inc. and E-Z-EM Merger Sub, Inc., a wholly-owned subsidiary of E-Z-EM, Inc., which provides, among other things, for the merger of E-Z-EM Merger Sub, Inc. with and into E-Z-EM, Inc., which will have the effect of combining the Company's two currently outstanding classes of common stock into a single, newly created class of common stock, was approved by a vote of 2,810,460 in favor, 2,627 against and 1,027,309 broker non-votes.

The action of the Board of Directors in appointing Grant Thornton LLP as the Company's independent auditors for fiscal year 2003 was approved by a vote of 3,639,417 in favor, 200,779 against and 200 shares abstaining.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

No.	Description	Page
2	Agreement and Plan of Merger and Recapitalization dated as of July 25, 2002	(a)
3(i)	Restated Certificate of Incorporation of the Registrant	(b)
3(i)	Amendment to Restated Certificate of Incorporation of the Registrant	(c)
99.1	Certification Pursuant to Title 18, United States Code, Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Anthony A. Lombardo)	31

(a) Exhibits (continued)

No.	Description	Page
99.2	Certification Pursuant to Title 18, United States Code, Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Dennis J. Curtin)	32

(a) Incorporated by reference to Annex B to the Registrant's Definitive Proxy Statement, filed with the Commission on September 13, 2002.

(b) Incorporated by reference to Exhibit 3(i) to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 1997 (file No. 1-11479).

(c) Incorporated by reference to Exhibit 1 to the Registrant's Registration Statement on Form 8-A, filed with the Commission on October 22, 2002.

(b) Reports on Form 8-K

The following reports on Form 8-K were filed during the quarter ended November 30, 2002:

On October 15, 2002, the Company filed a Form 8-K reporting information under "Item 5. Other Events" and "Item 7. Financial Statements and Exhibits" announcing that the Company's stockholders had approved a previously announced plan of merger between the Company and a wholly-owned subsidiary of the Company under which each outstanding share of Class A common stock and Class B common stock will be converted into one share of a single, newly created class of common stock.

On October 22, 2002, the Company filed a Form 8-K reporting information under "Item 5. Other Events" and "Item 7. Financial Statements and Exhibits" announcing that the Company had completed a previously announced recapitalization merger of a wholly-owned subsidiary of the Company with and into the Company under which each outstanding share of Class A common stock and each outstanding share of Class B common stock was converted into one share of a single, newly created class of common stock.

SIGNATURES

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

E-Z-EM, Inc.

(Registrant)

Date January 14, 2003 /s/ Anthony A. Lombardo

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

Date January 14, 2003 /s/ Dennis J. Curtin

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

CERTIFICATIONS

I, Anthony A. Lombardo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of E-Z-EM, Inc.;

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

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

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

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

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

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

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

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

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

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

Date January 14, 2003

/s/ Anthony A. Lombardo

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

CERTIFICATIONS

I, Dennis J. Curtin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of E-Z-EM, Inc.;

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

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

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

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

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

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

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

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

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

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

Date January 14, 2003

/s/ Dennis J. Curtin

Dennis J. Curtin, Senior Vice
President - Chief Financial Officer