SYNCOR INTERNATIONAL CORP /DE/
Form 10-K/A
October 11, 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A-1

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2001

Commission File Number 0-8640

SYNCOR INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**85-0229124**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6464 Canoga Avenue, Woodland Hills, California	**91367-2407**
(Address of principal executive offices)	(Zip Code)

(818) 737-4000
(Registrant's telephone number, including area code)

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

COMMON STOCK $.05 PAR VALUE
(Title of Class)

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_ Ö_ No__

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (§ 229.405 of this chapter) 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.__

The aggregate market value of the voting stock held by non-affiliates of the Registrant, computed by reference to the average closing bid and asked prices of such stock on March 25, 2002, was $613,263,495. For purposes of the foregoing calculation, each executive officer and director of Registrant was deemed an "affiliate" of Registrant. The number of shares outstanding (excluding treasury shares) of the Registrant's $0.05 par value common stock as of March 25, 2002 was 24,756,517 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Registrant's definitive Proxy Statement for Registrant's Annual Meeting of Stockholders on June 17, 2002, are incorporated by reference into Part III of this report.

SYNCOR INTERNATIONAL CORPORATION

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FORM 10-K ANNUAL REPORT

December 31, 2001

EXPLANATORY NOTE

On June 14, 2002, Syncor International Corporation entered into an agreement and plan of merger with Cardinal Health, Inc. and its wholly-owned subsidiary, Mudhen Merger Corp., pursuant to which Mudhen Merger Corp. will merge into Syncor and we will become a wholly-owned subsidiary of Cardinal Health upon the satisfaction of various conditions, including approval of the merger agreement by our stockholders. Also, on June 14, 2002, we announced our decision to discontinue certain of our operations, including: our U.S. medical imaging business operated under our subsidiary, Comprehensive Medical Imaging, Inc. (previously a separate segment for reporting purposes); certain overseas locations; and our brachytherapy seeds manufacturing operations. The merger agreement requires the filing of a proxy statement, which will incorporate by reference our Form 10-K for the year ended December 31, 2001. Since the Form 10-Q for the quarter ended June 30, 2002 reflected the discontinued operations, the Form 10-K as originally filed by us on April 1, 2002 needs to be restated to reflect discontinued operations. Accordingly, we are filing this Form 10-K/A-1 to reflect discontinued operations for all periods presented.

This Form 10-K/A-1 also includes certain additional disclosures required by the Staff of the Securities and Exchange Commission. We are also filing with this Form 10-K/A-1, as Exhibit 99.1, the Certification of CEO and CFO required by Section 906 of the Sarbanes-Oxley Act of 2002.

PART I

Item 1. BUSINESS.

Overview

We are a provider of specialty services and products used in the diagnosis, treatment and management of heart disease, cancer and other disorders. We are the nation's leading provider of radiopharmacy services.

Our 130 domestic radiopharmacies serve hospitals, medical clinics and medical imaging centers in 48 states and supply more than 50% of the U.S. market for these specialized services. We also own or operate 15 radiopharmacies in 10 foreign countries and in Puerto Rico. Our radiopharmacies compound, dispense and distribute patient-specific radiopharmaceutical prescriptions, or unit doses, used in nuclear diagnostic imaging procedures. We also distribute radiopharmaceuticals in bulk for manufacturers.

A radiopharmaceutical is a radioactive compound formed by combining precise amounts of radioactive materials with targeting compounds that concentrate in specific human organs or tissues. Radiopharmaceuticals, like other pharmaceuticals, are prescribed by physicians based on their patients' specific needs. When administered to the patient, the radiopharmaceutical can be detected with the use of specialized medical imaging equipment. Radiopharmaceutical nuclear imaging procedures are used by physicians primarily to detect irregularities in organ tissue or function in order to diagnose heart disease, cancer and other disorders. Radiopharmaceuticals are also used in some cases to treat, manage and monitor disease.

The most common use of nuclear imaging procedures is for the diagnosis of heart disease. We distribute Cardiolite®, made by Bristol-Myers Squibb, through a long-standing agreement that we originally had with DuPont Pharmaceuticals until it was acquired by Bristol-Myers. We have been instrumental in making Cardiolite® the best-selling cardiology imaging agent in the U.S. We distribute Cardiolite® on an exclusive basis within specified geographic areas under our agreement with Bristol-Myers.

In addition, we have recently undertaken new initiatives to produce and distribute other complex pharmaceuticals and products used in diagnosing and treating disease and other health problems. Complex pharmaceuticals are products that have challenging storage or handling requirements, may require patient specific compounding or ultra-precise dispensing accuracy, may require rapid response to critical conditions or, due to its cost or limited availability, may require a stockless approach to inventory management. These products include F-18 Fluorodeoxyglucose, or FDG, and Xigris™, which is manufactured by Eli Lilly and Company. We produce and distribute FDG, the most commonly used radiopharmaceutical in positron emission tomography (PET), a highly sensitive imaging technology used to diagnose cancer and manage cancer therapies. We have a strategic partnership with Eli Lilly to be their exclusive rapid response provider of Xigris, a biotechnology compound used to treat severe sepsis, a life-threatening condition if not treated immediately.

Radiopharmacy Services Industry

Radiopharmaceuticals have a short shelf-life, because they utilize radioactive materials that continuously decay. Through the late 1970s, hospitals typically operated their own on-site radiopharmacies that compounded radiopharmaceuticals as needed for each hospital's imaging needs, which was believed to be the only viable means of having these time-sensitive products available for procedures when needed. In 1974, we pioneered the concept of outsourcing unit-dose radiopharmacy services. Our outsourcing approach has been widely adopted because it lowers hospital inventory and other costs and expenses and enhances physician service and support. Today, nearly 90% of radiopharmaceutical unit doses are compounded off-site.

As the U.S. population has increased and life expectancies have continued to increase, the demand for radiopharmacy services also has increased, particularly in the areas of cardiology and oncology. Although used for many imaging procedures, the most common use for radiopharmaceuticals is for cardiology imaging procedures. These procedures are very effective in revealing the size, shape and other structural characteristics of the heart and other human tissues and have gained widespread clinical acceptance as important tools in detecting and diagnosing certain heart problems. As the benefits of preventative medicine are becoming more widespread, we believe that cancer-related radiopharmaceutical imaging procedures and therapies also are gaining wider acceptance.

Approximately 12 million radiopharmaceutical imaging procedures were performed in the U.S. in 2001, including more than 150,000 PET imaging procedures. In 2001, the U.S. market for all radiopharmacy services was approximately $1.12 billion, of which about 66% related to heart imaging procedures and 11.5% related to cancer imaging procedures. From 1994 through 2001, radiopharmacy services expenditures have grown at an estimated compounded annual growth rate of 10%, and we anticipate that the U.S. market for radiopharmacy services will continue to grow due, in part, to aging population demographics and demand for less invasive methods of diagnosis and treatment.

We believe that advances in medical imaging technology and new applications for nuclear imaging procedures also will contribute to increased demand for radiopharmacy services. For example, PET imaging can reveal function, or metabolism, at the cellular level, which differentiates it from other imaging procedures such as MRI and CT imaging, which primarily demonstrate structure, or anatomy. PET is a clinically proven, safe method for the imaging of an increasing number of diseases and disorders, including colon cancer, lung cancer, breast cancer, lymphoma, brain cancer, heart disease and neurological disorders such as Alzheimer’s Disease. PET imaging can be used to visualize rapidly growing tumors, to determine tumor response to radiation or chemotherapy, to diagnose recurrence of tumor growth after surgical removal, to decide the best location for a biopsy of a suspected tumor and to differentiate harmless scarring, or radiation necrosis, from new tumor growth. PET imaging also is a useful tool for determining whether exploratory surgery, radiation therapy, organ transplantation or other procedures may be necessary.

Competitive Strengths

We believe the competitive strengths of our business include:

Market Leadership

We own and operate 130 radiopharmacies nationwide, or more radiopharmacies than our three largest competitors combined. Our radiopharmacies can deliver radiopharmaceuticals within 90 minutes to hospitals, medical clinics and medical imaging centers that perform more than 90% of all radiopharmaceutical imaging procedures performed in the U.S. in 2002. Radiopharmaceuticals are time-sensitive, with half-lives ranging from 110 minutes to eight days, with the majority of the radiopharmaceuticals we dispense having a half life of six hours. Accordingly, our proximity to our customers is one of our principal strengths.

Our established national distribution channels have enabled us to establish exclusive relationships with leading companies who seek a national distribution channel. We are the exclusive distributor of Bristol-Myers' Cardiolite® in specified geographic areas surrounding most of our U.S. radiopharmacies. Cardiolite® has become the best-selling cardiac imaging agent in the U.S. since we began distributing it. We also recently entered into an exclusive arrangement with Eli Lilly to distribute its Xigris product on an emergency basis nationwide. Xigris is a complex biotechnology compound for treating severe sepsis, a life-threatening condition if not treated immediately. We offer Eli Lilly the unique ability to distribute Xigris within three hours to most hospitals nationwide.

Superior Service

Our radiopharmacies operate under a single set of business processes and information systems that enable us to provide prompt, reliable service, rapidly implement new services and products and provide valuable information on product usage to manufacturers and other suppliers. We can receive and process customer orders and deliver patient-specific unit doses 24 hours a day, 7 days a week. This enables our customers to obtain the correct doses at the right time in order to effectively schedule radiopharmaceutical imaging procedures. In 2001, we compounded and dispensed more than approximately 7 million unit doses with a reported dispensing error rate of approximately 1/100,000. We also remove and dispose of the contaminated syringes containing radioactive materials from our customer sites. Our tracking systems allow our customers to meet governmental reporting requirements.

Broad Range of Services and Products

We offer more than 50 brand name and generic radiopharmaceuticals. We are applying our strengths developed in the marketing and distribution of Cardiolite® to position ourselves to become a major provider of PET radiopharmaceuticals, brachytherapy seeds and other time-sensitive, complex pharmaceutical products, such as Xigris, where we believe there are other marketing opportunities. In February 2002, we entered into an agreement with IDEC Pharmaceuticals Corporation to distribute Zevalin, a novel radioimmunotherapy recently approved by the US Food and Drug Administration for the treatment of certain Non-Hodgkin's Lymphomas. We believe that our leading market share and proven ability to enhance product brands will help to assure our access to new radiopharmaceuticals and other products suitable for rapid distribution through our nationwide radiopharmacy network.

Innovation and Product Safety

We have a long history of providing innovative solutions to our customers' needs with services and products that enhance the safety and performance of the products we distribute. We pioneered the concept of outsourcing radiopharmacy services in 1974. Our radiopharmacy innovations also include our patented tungsten radiopharmaceutical delivery systems, commonly known as "Pigs," and our SECURE® Safety Insert Systems, which set new standards for the safe handling and delivery of radiopharmaceuticals and ease of use in compliance with rigorous regulations governing our industry.

Integrated Information Technology and Customer Support

We have developed a number of proprietary information system technologies, including SYNtrac™, Unit Dose Manager™ and NucLink™, to assist our customers in the management of their nuclear medicine departments and radiopharmaceutical inventories, to make the calculation of patient-specific radiopharmaceutical prescriptions easier, and to facilitate electronic communication with our local radiopharmacies. These systems are used by more than 1,600 of our radiopharmacy customers to meet the extensive record-keeping and other regulatory requirements applicable to their businesses. We believe that gaining access to SYNtrac and other systems and our logistics management skills is an important factor in many customers' decisions to enter into multi-year primary supplier agreements with us.

Radiopharmacy Business

Our radiopharmacies primarily compound, dispense and distribute patient-specific radiopharmaceutical prescriptions, or unit doses, used in nuclear diagnostic imaging procedures. Our radiopharmacy customers typically order individual patient prescriptions for radiopharmaceutical unit doses by telephone or via a direct computer link-up with our radiopharmacies. As we receive prescriptions, we schedule them for compounding, dispensing and delivery to the customer. Compounding of unit doses involves mixing a radioactive isotope, which is constantly decaying, with the appropriate pharmaceutical. Our radiopharmacists calculate the precise amount of radioisotope that will deliver the correct dosage at the scheduled time of use, taking into account the rate of decay. Unit doses are typically drawn from a vial into a syringe for transportation and administration. Because the radioisotopes used in radiopharmaceuticals emit radiation, they must be stored and delivered in specialized containers. We have developed proprietary, OSHA-compliant, radiopharmaceutical delivery systems, including our SECURE® Safety Insert Systems and our line of tungsten containers, commonly known as "Pigs," that allow for the safe transport and handling of radioactive substances and reduced radiation exposure to our radiopharmacy personnel and customers.

Once the radiopharmaceutical unit dose is prepared, we coordinate the delivery of the unit dose directly to the customer's point of use through our staff of 862 customer service assistants and fleet of more than 800 delivery vehicles nationwide. Most deliveries are made next-day, within one to six hours before the scheduled imaging procedure. Because the radioisotope is constantly decaying, reliable and timely delivery is essential. Our 130 radiopharmacies nationwide can deliver radiopharmaceuticals within 90 minutes to hospitals, medical centers and medical imaging centers that performed more than 90% of all radiopharmaceutical imaging procedures performed in the U.S. in 2001. This enables us to process prescription orders for scheduled radiopharmaceutical patient imaging procedures in a timely and cost effective manner and to provide unscheduled emergency services.

After the radiopharmaceutical has been administered to the patient, the syringe is placed back into the same container in which we delivered it to be picked up and returned to our radiopharmacy by our customer service assistants. We take responsibility for disposing of the used syringe and maintaining appropriate records that the product was compounded, delivered and disposed of in accordance with the myriad of regulations covering the use, handling and disposal of radioactive materials.

Services and Products

We compound, dispense and distribute unit-dose radiopharmaceuticals made by a number of manufacturers. We also distribute radiopharmaceuticals in bulk to hospitals and other customers that compound and dispense the product themselves.

Our primary products are cardiology imaging agents used in diagnosing heart problems. In 2001, sales of Cardiolite® represented an estimated 58% of sales of all cardiac imaging agents in the U.S. and 53.4% of our total sales from continuing operations.

We act as the primary distributor of Cardiolite, as well as a distributor of Bristol-Myers' other radiopharmaceutical products, under the terms of a supply and distribution agreement with Bristol-Myers. Under the terms of the agreement, we have exclusive rights to distribute Cardiolite within specified geographic areas surrounding most of our existing U.S. radiopharmacies. Our exclusive rights to distribute Cardiolite also extend to new radiopharmacies that we may develop or acquire in local markets where Bristol-Myers has no preexisting distribution arrangement. In other markets, and in areas outside of the specified areas surrounding our radiopharmacies, our rights to distribute Cardiolite are nonexclusive. Our rights to distribute other Bristol-Myers products, including Thallium, also are nonexclusive.

Our other principal radiopharmacy products include Thallium, a generic cardiac imaging agent, which accounted for 8.2% of our net sales in 2001 from continuing operations. No other product constitutes more than 1.8% of our net sales from continuing operations.

We also produce FDG, which we distribute through our network of radiopharmacies. FDG is the most commonly used radioisotope in PET radiopharmaceuticals. When administered intravenously, FDG can reveal how certain organs and tissues are functioning by measuring glucose metabolism. It is widely used to study organ and tissue functions in neurology, cardiology and oncology. FDG is produced in cyclotrons and has a half-life of only 110 minutes. In order to effectively provide PET radiopharmaceuticals, it is essential to have adequate supplies of FDG in proximity to the radiopharmacy where the PET radiopharmaceutical is to be compounded and dispensed. To ensure an adequate supply of FDG, we have built or acquired 8 cyclotron facilities in key markets and have entered into arrangements with several local universities and other cyclotron owners and operators to supply us with this critical component of PET radiopharmaceuticals in other markets.

We also produce and distribute Iodine-123 capsules. Iodine-123 is a radiopharmaceutical used to diagnose and treat thyroid disorders. We manufacture Iodine-123 capsules at our Golden, Colorado facility.

We have other businesses that complement our radiopharmacy services business. We provide radiology technical staff on a temporary or full-time basis to hospitals, radiology clinics, nuclear cardiology clinics and physician offices in over thirty markets nationwide. On August 1, 2001, we acquired Inovision Radiation Measurements, LLC and its affiliate, Victoreen, LLC, both of which now operate as Syncor Radiation Management, LLC. As a result of the acquisition, we now manufacture and supply radiation measurement equipment and related accessories used by nuclear medicine departments, radiopharmacies and other businesses that handle radioactive materials. On August 31, 2001, we acquired InteCardia, Inc., a provider of cardiovascular services through the operation of a state-of-the-art cardiac diagnostic facility that offers outpatient cardiac catheterization, nuclear cardiology and echocardiography. InteCardia also offers nuclear cardiology groups with full turnkey services, including the provision of imaging and cardiac stress equipment and nuclear medicine technologists. Overseas, we also own or operate 18 medical imaging centers in four foreign countries. Our foreign medical imaging centers include two catheterization labs.

Proprietary Systems and Technologies

In 1994, we introduced the SECURE® Safety Insert System, which is designed to eliminate the potential for contamination of lead-lined or tungsten radiopharmaceutical containers with radioactive material or the blood from used radiopharmaceutical syringes. With our system, the risk of needle sticks also is reduced significantly. We believe that our patented SECURE® Safety Insert System is the only system currently available that meets new, more stringent OSHA industry standards that went into effect in July 2001. We also have patent rights to a family of tungsten radiopharmaceutical delivery systems that we refer to as the “Pigs.” The Pigs are radiopharmaceutical containers that are smaller and weigh considerably less than traditional containers used to transport radiopharmaceuticals and set new industry standards for the safe transport and handling of radiopharmaceuticals, including FDG. Our tungsten containers also provide enhanced radiation shielding compared to lead-lined delivery systems typically used by our competitors, resulting in a reduction in radiation exposure to our pharmacy personnel and customers.

We also license to our customers our proprietary Windows-based SYNtrac, Unit Dose Manager and NucLink integrated software and hardware systems to assist them in the management of their nuclear medicine departments and to facilitate electronic communication with our radiopharmacies. As of December 31, 2001, we licensed our software systems to more than 1,600 of our radiopharmacy customers.

Customers

We provide radiopharmacy services and products to hospitals, medical centers and medical imaging clinics in 48 states in the U.S., Puerto Rico and 10 foreign countries. Our principal radiopharmacy service customers are:

* corporate account customers such as group purchasing organizations, or GPOs;
* local independent hospitals and medical clinics; and
* community-based, multiple-facility integrated healthcare networks, or IHNs.

Corporate account customers, either GPOs or proprietary multi-hospital groups, negotiate contracts on behalf of IHNs, independent hospitals, and clinics. These contracts are multi-year contracts, although certain contracts have clauses that permit the GPO or multi-hospital group to cancel the contract if certain conditions occur. We estimated that we have 1,165 customers committed under a national or regional contract. Sales to members or affiliates of our corporate account customers were approximately $225 million in 2001, representing nearly 38% of our net sales from continuing operations, compared to approximately $187 million, or nearly 36% of our net sales in 2000 from continuing operations. Our largest corporate account customers include AmeriNet Inc. and Health Trust Purchasing Group (formerly Columbia/HCA). In 2001, sales to AmeriNet and Health Trust represented 13% and 8%, respectively, of our net sales from continuing operations. No other corporate account customer accounts for as much as 5% of our net sales from continuing operations.

We also have customers that are affiliated with GPOs that do not have contracts with us. Sales to these customers were approximately $191 million in 2001, representing nearly 32% of our net sales from continuing operations, compared to approximately $168 million, or 32.5% of our net sales in 2000 from continuing operations. No customers in this sales category accounted for as much as 5% of our net sales.

Despite the fact that the majority of IHNs and hospitals hold membership or are affiliated with a GPO or proprietary multi-hospital group, some IHNs and local independent hospitals choose not to participate in a national agreement. Our sales to these customers were approximately $133 million in 2001, representing nearly 22.2% of our net sales from continuing operations. This compares to $104 million, representing 20.1% of our net sales in 2000 from continuing operations. No local independent hospital or clinic accounted for as much as 5% of our net sales from continuing operations.

Sales and Marketing

We market and sell our radiopharmacy services and products and services in the U.S. directly through a dedicated sales force of more than 100 national and regional sales and marketing personnel. Our sales and marketing personnel are responsible for developing and managing customer relationships and for communicating the benefits of working with Syncor. To maintain a highly effective local presence, our field sales force works closely with local radiopharmacy managers to ensure that our customers' expectations are met on a daily basis. We also have individuals dedicated to targeting and managing contracts with multi-hospital groups, including GPOs, proprietary hospital systems, and multi-hospital alliances. In addition, we have a specialty sales team designed to increase our sales in new areas separate from traditional nuclear medicine, such as PET.

We also rely indirectly on the sales and marketing efforts by manufacturers of the radiopharmaceuticals we distribute. For example, our sales and marketing force works closely with Bristol-Myers' sales and marketing personnel to make joint sales calls, prepare marketing and sales materials and educate customers regarding the Bristol-Myers products we distribute.

Distribution

We have a nationwide distribution network consisting of a national distribution center in Toledo, Ohio, and three regional distribution centers. Our national distribution center maintains a central warehouse of critical supplies in order to facilitate bulk-purchasing and minimize warehousing and inventory requirements at our radiopharmacies.

Competition

Our radiopharmacies in the U.S. compete for both unit-dose sales, which account for 90% of the U.S. market, and sales of bulk products, which account for the remaining 10%. We compete on a national level with radiopharmaceutical manufacturers that operate their own radiopharmacies, including Amersham, PLC and Mallinckrodt Inc. We also compete with Central Pharmacy Services, Inc., a nationwide owner and operator of radiopharmacies. We also compete in local markets across the U.S. with independent radiopharmacies and universities that own and operate their own radiopharmacies.

The key competitive factors affecting our radiopharmacy services business are:

* speed and reliability of radiopharmacy services;
* safety of radiopharmaceutical delivery systems;
* geographic scope of operations;

* range of radiopharmaceuticals and other products offered;
* integration of order and delivery functions with customers' operations; and
* record keeping and regulatory compliance.

Our PET radiopharmaceuticals compete with PET radiopharmaceuticals produced and distributed by PETNet Radiopharmaceutical Services, Inc., Mobile P.E.T. Systems, Inc. and Eastern Isotopes.

Government Regulation

Each of our radiopharmacies in the U.S. is licensed by and must comply with the regulations of the U.S. Nuclear Regulatory Commission, or NRC, or corresponding state agencies. In addition, each radiopharmacy is licensed and regulated by the Board of Pharmacy in the state where it is located. Our manufacturing facility in Colorado and our FDG production facilities in Florida, California, Massachusetts, Missouri, Ohio, Pennsylvania, Texas and Washington, are licensed by the respective states to handle radioactive materials and are registered with the Food and Drug Administration, or FDA, as manufacturing facilities. As FDA-registered manufacturing facilities, they must comply with the FDA's "current good manufacturing practices" standards.

Periodic inspections of our radiopharmacies and manufacturing facilities are conducted by the NRC, FDA and various other Federal and state agencies. Unsatisfactory inspection results could lead to escalated enforcement action, the imposition of fines or the suspension, revocation or denial of renewal of the licenses for the location inspected. We devote substantial human and financial resources to ensure continued regulatory compliance by our radiopharmacies and manufacturing facilities.

We are subject to various Federal, state and local regulations relating to occupational safety and health and the use and disposal of bio-hazardous materials. In addition, the products we dispense and distribute through our U.S. radiopharmacies are subject to Federal, state and local regulations relating to drugs and medical devices.

Our transport of radioactive materials is regulated by the U.S. Department of Transportation, or DOT. We audit our own radiopharmacies for DOT compliance. The DOT, and corresponding state regulators, also conduct periodic and unannounced inspections of our radiopharmacies for compliance with applicable regulations. Although we believe that our safety practices and procedures for storing, handling, transporting, and disposing of radioactive, bio-hazardous, and other hazardous and non-hazardous materials comply with applicable laws, regulations, and standards, we cannot eliminate completely the risk of accidental contamination or injury from such materials. In the event of a spill or release, we could be held liable for damages that result, and any liability could exceed the limits or fall outside our insurance coverage. We also could incur business interruption or other loss of business as a result of such an event. Furthermore, there can be no assurance that there will not be future changes to the regulatory programs applicable to us, and those changes could force us to make significant changes to our processes, procedures, or materials or to make investments in capital improvements to our facilities.

The need to comply with applicable environmental laws and regulations, such as those regulating the use and disposal of radioactive materials, is inherent in our industry and the normal operations of our radiopharmacies and our manufacturing facilities. Historically, compliance with such laws and regulations has not had a material adverse effect on our capital expenditures, earnings or competitive position.

The Centers for Medicare and Medicaid Services, or CMS (formerly the Health Care Financing Administrations, or HCFA), the U.S. agency that establishes Medicare reimbursement policies, regularly re-evaluates reimbursement rates for all health care provider services and has reduced such rates in the past. Starting August 1, 2000, CMS began using prices submitted by manufacturers to set reimbursements for many hospital outpatient drugs, including radiopharmaceuticals, instead of reimbursing these products as a direct cost pass-through. Since our sales of radiopharmaceuticals are made to hospitals and clinics, we get paid by them, not reimbursed by CMS. The introduction of set reimbursement rates nevertheless could have an impact on the prices that customers will be willing to pay for the radiopharmaceuticals that they purchase from us, and that impact, in turn, could affect our revenues. We are not able to predict the long-term impact of this change in the reimbursement system upon our business.

We are also subject to the Federal fraud and abuse laws governing provider and supplier relationships with Federal healthcare programs, including Medicare and Medicaid. One such law, the Federal Anti-Kickback Statute, prohibits payments made in exchange for referral of items or services covered by Federal health care programs, including Medicare and Medicaid. This law is extremely broad. It prohibits fraudulent claims, kickbacks, rebates and bribes, as well as payment of any form of remuneration, in cash or in kind, in return for referrals of business paid for by Federal health care programs. Also prohibited are any payments made to those in a position to recommend purchasing, leasing, or ordering any goods, services, or items for which payment may be made under Federal health care programs. Failure to comply with the Anti-Kickback Statute can result in a felony conviction, imprisonment, significant fines, and exclusion from the Medicare and Medicaid programs.

Recognizing that the law is broad and may technically prohibit beneficial arrangements, the Office of the Inspector General ("OIG") of the Department of Health and Human Services developed regulations addressing those types of business arrangements that will not be subject to scrutiny under the law. These "Safe Harbors" describe activities that may technically violate the act, but which are not to be considered illegal when carried on in conformance with the regulations. For example, the Safe Harbors cover activities such as offering discounts to health care providers and contracting with physicians or other individuals that have the potential to refer business to us that would ultimately be billed to Medicare or Medicaid.

The OIG periodically issues Fraud Alerts identifying practices it believes may violate Federal fraud and abuse laws. One Fraud Alert addressed joint venture and contractual arrangements between healthcare providers. Another concerns prescription-drug marketing practices. Drug marketing activities may implicate the Federal fraud and abuse laws because the cost of drugs is often reimbursed by Medicare and Medicaid. According to the Fraud Alert, questionable practices may include payments to pharmacists to recommend a particular drug or product. We try to structure our business arrangements to comply with Federal fraud and abuse laws. However, if we are found to have violated any of these laws, we could suffer penalties, fines or possible exclusion from Medicare, Medicaid or other governmental programs. For example, our business arrangements may not fully meet the stringent criteria specified in the Safe Harbors. Failure to qualify for Safe Harbor protection does not mean that an arrangement is illegal. Rather, the arrangement must be analyzed under the Anti-Kickback Statute to determine whether there is an intent to pay or receive remuneration in return for referrals. Even though we continuously strive to comply with the requirements of the Anti-Kickback Statute, liability under the Anti-Kickback Statute may still arise because of the intentions of the parties with whom we do business. Conduct and business arrangements that do not fully satisfy one of the Safe Harbors may result in increased scrutiny by government enforcement authorities such as the OIG.

Many states have adopted laws similar to the Federal Anti-Kickback Statute. Some of these state prohibitions apply to referral of patients for health care services reimbursed by any source, not just government health care programs. Although we believe that we comply with both Federal and state anti-kickback statutes, any finding of a violation of these laws could subject us to criminal and civil penalties or possible exclusion from Federal or state health care programs. Such penalties would adversely affect our financial performance and our ability to operate our business.

The Federal False Claims Act and similar state statutes prohibit presenting, or causing to be presented, a claim for payment under Medicare, Medicaid, and other Federally funded programs containing false or misleading information. Although our radiopharmacy services segment for the most part does not submit claims for payment directly to Federally funded programs, the costs of our products are included in the claims submitted by our customers to Federally funded programs. Thus, liability could accrue to us if a finding were made that we “caused” a false claim to be presented to the government. Violations of the False Claims Act can result in significant penalties and exclusion from participation in the Medicare and Medicaid programs. Liability under the False Claims Act arises primarily when an entity knowingly submits a false claim for reimbursement to the Federal government. Simple negligence should not give rise to liability, but submitting a claim with reckless disregard of its truth or falsity could result in substantial civil liability. In addition to the civil provisions of the False Claims Act, the Federal government can use several other criminal statutes to prosecute persons who submit false or fraudulent claims for payment to the Federal government. The costs of defending claims under the False Claims Act, and, if a violation is found, the cost of sanctions imposed under the Act, would adversely affect our financial performance.

Our foreign radiopharmacies are subject to the regulations of the countries in which they operate.

Patents, Trademarks, and Licenses

We own a number of trademarks and patents, including patent rights to our SECURE® Safety Insert System and our family of radiopharmaceutical delivery systems known as “Pigs.” SECURE® Safety Inserts is a registered trademark of ours, and NeRD™, NucLink™, PETPig™, Piglet™, Piglet2™, PharmaSeed™, SYNtrac™ and UDM™ are trademarks of ours.

We license our SYNtrac™, UDM™ and NucLink™ systems to our customers to assist in the management of their nuclear medicine departments and to facilitate electronic communication between our radiopharmacies and customers.

We believe that our trademarks, patents and licenses are important contributors to our ability to differentiate our radiopharmacy services from those of our competitors and build mutually beneficial long-term customer relationships.

Medical Imaging Business

During the second quarter of 2002, we announced that we are discontinuing our medical imaging business operated by our subsidiary, Comprehensive Medical Imaging, Inc. (CMI), which we had historically presented as a separate segment for reporting purposes. The purpose of this section is to provide our investors with information relating to this discontinued operation as of December 31, 2001.

We own or operate 65 free-standing outpatient medical imaging centers organized in clusters located primarily in Arizona, California, Florida and Texas. Each cluster offers a full complement of medical imaging services, including MRI, CT imaging, X-ray, ultrasound, mammography, and fluoroscopy.

Thirty-four of our centers offer only MRI services, and the remaining 31 centers offer one or more of the different types of imaging services, including 4 centers that offer PET imaging. At each of our centers, we schedule patient imaging procedures specified by the referring physician and record all patient insurance and billing information. The scheduled imaging procedures are performed by our medical technologists under the supervision of licensed radiologists who perform their services on an independent contractor basis. The radiologists consult with referring physicians regarding the nature of the medical imaging procedures that are performed by our medical technologists and interpret the medical images.

Customers, Contracts and Payors

We depend primarily on physician referrals for patients at our medical imaging centers. We focus on developing a strong physician referral network and relationships with leading radiologists. We believe that our regional differentiation, combined with our full complement of medical imaging services, makes us attractive to managed care organizations and other payors, who increasingly prefer to work with fewer healthcare services providers, including medical imaging services providers.

Our medical imaging net sales depend to a large extent upon the acceptance of outpatient diagnostic imaging procedures as covered benefits under various third-party payor programs. In order to be reimbursed for these services, payment must be approved by private insurers or Medicare and Medicaid programs. In 2001, Medicare and Medicaid accounted for approximately 15.5% of our total net sales from both continuing and discontinued operations, while managed care organizations accounted for approximately 65.8%, and conventional indemnity insurance companies and workers' compensation each accounted for approximately 8.0%. Other plans, including self-pay, account for the remainder.

Imaging Systems Equipment

We operate a variety of medical imaging systems. As of December 31, 2001, we operated 69 MRI systems, 22 CT systems, 6 PET systems (including 2 systems in sites we managed but did not own) and 60 other systems, substantially all of which are owned by us. We have made significant investments in purchasing, updating and maintaining our systems in an effort to offer the latest, most advanced imaging systems available. As of December 31, 2001, approximately 44% of our systems were less than three years old. We have the ability to upgrade most of our current MRI and CT systems, which we believe reduces the potential for technological obsolescence.

Government Regulation

The Federal government and all states in which we operate medical imaging centers regulate various aspects of our medical imaging services business.

Reimbursement for medical imaging services is undergoing change as third-party payors, such as Medicare and Medicaid, health maintenance organizations and other health insurance carriers, increase efforts to control the cost, utilization and delivery of healthcare services. Legislation has been proposed or enacted at both the Federal and state levels to regulate healthcare delivery in general and medical imaging services in particular. CMS, the U.S. agency that establishes Medicare reimbursement policies, regularly re-evaluates reimbursement rates for all health care provider services, including medical imaging services, and has reduced such rates in the past. CMS' latest published figures applicable to reimbursement for medical imaging services reflect reductions in rates of up to 4 percent for 2002. We are not able to predict the long-term impact of changes in the reimbursement system upon the medical imaging business.

The medical imaging services business also is subject to state insurance laws governing the presentation and payment of insurance claims for medical imaging services to patients with health insurance, and to Federal and state regulations relating to testing standards, personnel accreditation and compliance with government reimbursement programs.

Our centers are also subject to the Federal fraud and abuse laws described above for the radiopharmacy business. Among the types of relationships covered by the Safe Harbors developed by the OIG are personal service arrangements, such as the arrangements between radiologists and our medical imaging centers. In addition to the Safe Harbors, the OIG has issued Advisory Opinions, indicating whether the OIG would be likely to view a particular arrangement as violative of the Federal Anti-Kickback Statute. With respect to payments for marketing services, the OIG has indicated that if an arrangement contains certain characteristics, the arrangement may be more likely to be investigated by the OIG or found to violate the Federal Anti-Kickback Statute. Among the characteristics listed by the OIG are compensation arrangements based on a percentage of sales and the use of sales agents who are health professionals to exert undue influence on purchasers or patients. Our arrangements with physicians and other persons or entities who may be in a position to refer patients may not fully meet the stringent criteria specified in the Safe Harbors. Failure to qualify for Safe Harbor protection does not mean that an arrangement is illegal. Rather, the arrangement must be analyzed under the Anti-Kickback Statute to determine whether there is an intent to pay or receive remuneration in return for referrals. Even though we continuously strive to comply with the requirements of the Anti-Kickback Statute, liability under the Anti-Kickback Statute may still arise because of the intentions of the parties with whom we do business. Conduct and business arrangements that do not fully satisfy one of the Safe Harbors may result in increased scrutiny by government enforcement authorities such as the OIG. Our centers are also subject to the Federal False Claims Act described above for the radiopharmacy business.

The “Stark II” statute, enacted under the Omnibus Budget Reconciliation Act of 1993, prohibits a physician from making a referral to an entity for the furnishing of designated health services (including diagnostic imaging services) for which payment may be made under a Federal health care program, if the physician has a financial relationship with that entity. The term financial relationship includes both ownership interests and compensation arrangements. Any person who presents or causes to be presented a claim to the Medicare or Medicaid programs pursuant to a prohibited referral is also subject to significant penalties and possible exclusion from participation in Federal health care programs. In addition, a number of states (including California and Florida) have enacted their own versions of self-referral laws which may require physicians to disclose any financial interest they may have with a healthcare provider to their patients when referring patients to that provider. Any sanctions imposed on us under Stark or companion state laws could adversely affect our financial results and our business. Our medical imaging services business also may be subject to state laws that prohibit the practice of medicine by non-physicians or the splitting of fees between physicians and non-physicians.

The Federal Health Insurance Portability and Accountability Act of 1996 provides that it is a felony to knowingly and willfully execute any scheme to defraud any healthcare benefit program. This Act also imposes new requirements relating to the privacy of medical information. The government published regulations to implement these requirements in December 2000, with which health care providers are expected to comply by April 2003. A violation of these provisions may result in criminal or civil penalties, which would adversely affect our financial performance or our ability to operate our business.

We are also subject to licensing and regulation under Federal, state and local laws relating to the handling and disposal of medical specimens, infectious and hazardous waste and radioactive materials as well as to the safety and health of laboratory employees. The sanctions for failure to comply with these regulations may include denial of the right to conduct business, significant fines and criminal penalties.

Employees

As of December 31, 2001, we employed approximately 4,600 people, of whom approximately 3,000 were full-time employees. Of our full-time employees, approximately 1,580 are employed in our U.S. radiopharmacy business, 800 are employed in our U.S. medical imaging business, 400 are employed in our international operations, and the rest are in our corporate headquarters. Four hundred twenty of our U.S. radiopharmacy business employees are licensed nuclear pharmacists. With limited exceptions in foreign countries, none of our employees is covered by a collective bargaining agreement. We consider our employee relations to be good.

Environmental Matters

In operating our facilities, historically we have not encountered any major difficulties in effecting compliance with applicable pollution control laws. No material capital expenditures for environmental control facilities are expected. While we cannot predict the effect which any future legislation, regulations, or interpretations may have upon our operations, we do not anticipate any changes that would have a material adverse impact on our operations.

Risk Factors

Except for the historical information and discussions, statements contained in this Form 10-K/A-1 may constitute "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those expressed in or implied by such statements due to a number of factors, including the risk factors below.

Sales of Cardiolite® account for a significant portion of our net sales and net income, and a reduction in our Cardiolite sales as a result of the expiration of our current exclusive distribution rights in December 2003 and the expiration of the key patents for Cardiolite, could have a material adverse impact on our business and operating results.

Sales of Cardiolite accounted for 53.4% of our net sales in 2001 from continuing operations. Under the terms of our supply and distribution agreement with Bristol-Myers, we have the exclusive right to distribute Cardiolite within specified geographic areas surrounding most of our U.S. radiopharmacies. These rights expire December 31, 2003, and we cannot assure you that they will be renewed or extended on similar terms, or at all.

Bristol-Myers' key U.S. patents for Cardiolite expire between 2005 and 2008. Once the patents expire, other manufacturers may begin producing and distributing generic versions of Cardiolite which could compete with Cardiolite. It is also possible that new cardiology imaging agents may be developed in the future that are superior to Cardiolite. Our Cardiolite sales could decline significantly in the future if our current distribution rights are not renewed or extended after the end of 2003, and thereafter when generic versions of Cardiolite become available after Bristol-Myers' key U.S. patents expire or the introduction of new cardiology imaging agents. If we are unable to respond appropriately to the occurrence of any of these events, they could have a material adverse impact on our business, operating results and financial condition.

We depend on Bristol-Myers for our principal products and raw materials, and any loss or interruption in the supply of Bristol-Myers' products or raw materials would have a material adverse impact on our business and operating results.

Our radiopharmacies dispense more than 50 different radiopharmaceutical products with more than 100 medical indications, which we obtain primarily from six suppliers. Our principal supplier in the U.S. is Bristol-Myers, from which we obtain Cardiolite, as well as Thallium, a generic cardiology imaging agent that accounted for 8.2% of our net sales in 2001 from continuing operations. In the aggregate, products supplied by Bristol-Myers, including Cardiolite and Thallium, accounted for 69.3% of our net sales in 2001 from continuing operations. Our business, results of operations and financial condition would be materially adversely affected if our supply of products from Bristol-Myers is interrupted for any reason. In addition, our business, results of operations and financial condition would be materially adversely affected if we encounter delays in obtaining alternative products from other suppliers, or if alternate products available to us are inferior in quality to Bristol-Myers' products and are not readily accepted by our customers.

Technetium is a radioactive isotope used to compound radiopharmaceuticals, which are then dispensed to our customers, generally in unit-dose form. Sales of technetium-based products (such as Cardiolite) accounted for 65.9% of our net sales in 2001 from continuing operations. We obtain most of our U.S. supply of technetium from technetium generators supplied by Bristol-Myers. We do not have a long-term contract with Bristol-Myers for the supply of technetium generators. Although we believe technetium generators are available in sufficient quantity from other suppliers, we have periodically experienced minor disruptions in our supply. Any significant disruption in our supply of technetium generators could have a material adverse effect on our business, results of operations and financial condition, unless and until we obtain alternative sources of supply.

We depend on a few large customers for sales of our radiopharmaceutical services and products, and the loss of one or more of these customers could have a material adverse impact on our operating results.

Corporate account customers representing multiple-facility integrated healthcare networks, or IHNs, or local independent hospitals, and that purchase exclusively through a GPO, accounted for 38% of our net sales in 2001 from continuing operations. Sales to AmeriNet Inc.and Health Trust Purchasing Group (formerly Columbia/HCA) constituted 21% of our net sales in 2001 from continuing operations. Although most of these contracts are multi-year contracts, certain contracts permit the customers to cancel their contracts on 30 to 90 days notice. In addition, all of our contracts may be cancelled for a variety of reasons, including our inability to provide the level of quality of service and products required by the contract. Although the loss of any particular corporate account does not necessarily result in our losing each of the individual hospitals or clinics within a purchasing group as customers because they may continue to purchase from us outside of the corporate account contracts, often we do lose customers following the termination of corporate contracts. The trend toward further consolidation of hospital and clinic groups and the use of large purchasing groups may put further pressure on our future profit margins, and the loss of any significant corporate account customers or a material part of such customers' business (whether as a result of a cancellation of our contract, an acquisition of our customer by another company that is served by another provider, a material deterioration in the financial condition of our customer or otherwise) may have an adverse short-term or long-term impact on our radiopharmacy net sales, which could have a material adverse impact on our business, operating results or financial condition.

We depend on reimbursements from third-party payors, and therefore changes in the mix of payors or in their reimbursement policies could have a material adverse impact on our business and operating results.

We depend in significant part on reimbursements from governmental and non-governmental third-party payors. This reimbursement indirectly affects our radiopharmacy services net sales (and directly affects our net sales from medical imaging, a discontinued operation) because we receive direct payments from third-party payors for services we provide, and also, because it affects the amounts our customers are reimbursed for payments they make to us for our radiopharmaceuticals and the amount of these reimbursements impacts the amount our customers are willing to pay us. Third-party payors are implementing a variety of approaches to reduce costs, which could have a material adverse effect on us. The increasing prevalence of managed care, centralized purchasing decisions by hospitals, consolidation among and integration of healthcare providers and competition for patients is continuing to affect pricing, purchasing, usage patterns and particular drug treatment decisions based on cost considerations. The level of reimbursement we are able to obtain for our services increasingly will depend on our ability to properly itemize and bill for these items. Cost-reduction measures implemented by third-party payors, decisions by third parties limiting the use of diagnostic tests or drug treatments we provide, the inability of any third-party payors to satisfy their payment obligations to us, or a shift in the mix of our private payors to managed care organizations which tends to reduce the amount reimbursed for tests and treatments, could have a material adverse impact on our business, operating results or financial condition.

The Centers for Medicare and Medicaid Services, or CMS, the Federal agency that establishes Medicare reimbursement policies, has considered making significant reductions in reimbursement rates for medical imaging services and radiopharmaceuticals in the past and has indicated that it is continuing to evaluate these rates. We believe new initiatives by CMS to lower these reimbursement rates can be expected in the future. For example, on August 1, 2000, CMS began setting reimbursement rates for radiopharmaceuticals based on the prices submitted by manufacturers, which tend to be lower than the previous prices based on the pass-through rate. Further, CMS recently approved reductions in reimbursement rates for PET studies for hospital outpatients effective April 1, 2002. We are not able to predict the effects of this change in Medicare reimbursement policies, but these developments could adversely affect our radiopharmacy net sales, which could have a material adverse impact on our business, operating results or financial condition.

We depend upon highly trained personnel in the operation of our radiopharmaceutical business, and our inability to recruit and/or retain a sufficient number of these personnel could restrict our ability to meet the needs of our customers and could have a material adverse impact on our business, operating results and financial condition.

Each of our radiopharmacies employs one or more nuclear pharmacists who require highly specialized training and must be specially licensed. There is a shortage nationwide of nuclear pharmacists, and we may not be able to attract or retain sufficient qualified pharmacists in some geographic areas we serve. Our loss of our pharmacists, or our inability to attract a significant number of new pharmacists could have a material adverse impact on our business, operating results or financial condition.

Changes in radiopharmaceutical and medical imaging technologies or the introduction of new services and products in the markets we serve could have an adverse impact on our radiopharmacy business.

Radiopharmaceutical and medical imaging technologies are subject to constant and often rapid changes. New and more effective radiopharmaceutical services and products may be developed for the diagnosis or treatment of diseases, particularly in the cardiovascular or oncology areas, and we may be unable to obtain marketing rights to these products or have to pay substantial amounts to acquire them. In addition, new diagnostic or treatment modalities that are not based on nuclear medicine may be developed for diseases currently addressed by our products. These developments could adversely affect our radiopharmacy net sales, which could have a material adverse impact on our business, operating results or financial condition.

Our business and our industry are highly regulated, and if government laws or regulations are enforced in a manner adverse to us we may be subject to significant penalties and sanctions.

The healthcare services industry is extensively regulated by Federal, state and local governmental agencies. We are subject to regulation by the Food and Drug Administration, the Nuclear Regulatory Commission, the Department of Transportation, state nuclear regulatory agencies, state boards of pharmacy, state health departments and various other Federal and state agencies, and similar governmental agencies in other countries in which we operate. If we do not comply with the laws and regulations applicable to us we may be subject to a variety of penalties and sanctions, including substantial civil and criminal penalties, damages and fines and the curtailment of our operations. Any penalties, damages, fines or curtailment of our operations, individually or in the aggregate, could have a material adverse impact on our business, operating results or financial condition. The risk of our being found in violation of applicable laws and regulations is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Any action against us for violation of these laws or regulations, even if ultimately we are successful in defending against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our businesses.

We are subject to economic, political and other risks and uncertainties inherent in doing business internationally.

Our international operations accounted for 5.6% of our net sales in 2001 from continuing operations. Our international operations are subject to various risks and uncertainties of doing business in foreign markets, and these risks and uncertainties may be heightened as a result of our strategy of targeting emerging market countries. The risks and uncertainties relating to our international operations include:

* fluctuations in currency rates, which may affect our reported earnings;
* compliance with foreign regulatory requirements which often are subject to frequent change and not as well defined and developed as in the U.S.;
* operations through joint ventures with local partners over whom we have limited control;
* political and economic instability in the countries where we operate; and
* restrictions on remittances of cash from our international operations.

If we become subject to product liability and malpractice claims that are not adequately covered by our insurance, we may have to pay significant damages and other expenses.

Our businesses are subject to the risks of various claims from customers and patients, including claims arising from the distribution and manufacture of radiopharmaceuticals and medical devices and malpractice claims arising from the provision of medical services. We may not be able to maintain product liability or malpractice insurance in the future on acceptable terms or with adequate coverage against potential liabilities. A successful claim not covered by our insurance, or in excess of our insurance coverage, could have a material adverse impact on our business, operating results or financial condition.

Our business depends in part upon our ability to protect our intellectual property and avoid violating the intellectual property of others.

We rely to a significant extent on various intellectual property rights, including patents, tradenames, trademarks and trade secrets. We own U.S. patents covering our proprietary radiopharmaceuticals delivery system, including our SECURE® Safety Insert System and our family of tungsten radiopharmaceutical delivery systems more commonly known as "Pigs." We also license our proprietary SYNtrac and Unit Dose Manager software systems to many of our customers for the management of their nuclear medicine departments and to facilitate electronic communication with our radiopharmacies. In addition, we rely on certain other trade secrets and other proprietary know-how that are either not patentable or that we choose not to patent. If any of our competitors successfully challenges or circumvents our patents or trade secrets, our business, operating results or financial condition could be materially and adversely impacted. If we violate the intellectual property rights of others, we could be subjected to costly litigation and be required to pay significant damages to these parties and to discontinue or substantially modify our business activities that are in violation of these rights, any of which could also have a material adverse impact on our business, operating results or financial condition.

Our stock price may be volatile.

During 2001, the closing price of our Common Stock ranged from $26.03 to $42.29 per share. The market price can be affected by many factors, including reports dealing with our suppliers and customers, our operating results, announcements by our competitors, changes in government regulations that affect our businesses, general market conditions, volume of shares traded on any given day, and statements by analysts. We also have 7,646,654 stock option shares outstanding as of March 8, 2002, of which 3,027,606 are vested. Of the unvested option shares, 2,691,957 option shares granted under our Universal Performance Equity Participation Plan with exercise prices ranging from $8.34 to $36.38 could vest at any time on or after June 30, 2002 if certain stock price targets are met. If a significant number of employees exercise and sell their vested stock options at any one time, this could have an adverse impact on our stock price.

Unsuccessful system implementation could have an adverse financial impact on our Company.

We have made significant investments in information systems technology to help us efficiently conduct our business on a day-to-day basis, and the failure of these systems could have a material adverse impact on our business and our financial condition.

We are highly automated and dependent upon the use of sophisticated hardware and software to conduct day-to-day business transactions. While we believe that we have adequate technical support in-house as well as from external resources and that we have sufficient backup and recovery plans, there can be no assurance that prolonged interruptions in the functioning of our information systems technology would not have an adverse impact on our ability to conduct day-to-day business. In addition, we have invested substantial resources in the development and implementation of proprietary software for our pharmacy services business. This system is complex, and despite extensive testing and quality control, will require successful integration with third-party software, as well as continuing updates to correct errors or defects, to keep current with advances in technology, or to make enhancements requested by users. There can be no assurance that this system will be successfully integrated and produce the expected benefits during the next several years. If the integrations on this system are not successful or if the system cannot be properly maintained or upgraded during the next several years, we will need to re-evaluate our investments in this system. This re-evaluation could mean additional financial investment to correct deficiencies or upgrade the system, or result in a decision to abandon it, any of which could result in an adverse financial impact, especially if the system needs to be abandoned prior to the system being fully depreciated.

Item 2. PROPERTIES.

Our corporate headquarters is located in Woodland Hills, California. We lease approximately 61,000 square feet at that location. Our current lease is for a term of ten years, which commenced on March 1, 1997, with one five-year renewal option. In October 2000, we entered into an agreement to lease an additional 36,000 square feet of office space in a building adjacent to our corporate headquarters. The lease is for a term of six years, with one five-year renewal option. We also lease approximately 24,530 square feet of administrative office space in Duluth, Georgia. The lease, which commenced in June 2001, is for a term of 10 years. In connection with our acquisition of InteCardia, Inc., we assumed an agreement to lease 29,943 square feet of space that will house a cardiac diagnostic facility that will offer outpatient cardiac catheterization and nuclear cardiology services. The lease begins on November 1, 2002 and has a term of 15 years. We lease all of our 130 radiopharmacy sites in the U.S. The lease terms range from less than one year to approximately ten years.

Outside of the U.S., we operate our radiopharmacies, medical imaging centers, and other businesses from 13 owned sites and 20 leased sites.

We believe our facilities are sufficient for our current needs and that additional facilities will be available as needed to accommodate our future growth.

Item 3. LEGAL PROCEEDINGS.

We are party to a number of lawsuits and legal proceedings involving claims arising in the normal course of our business. We believe that these claims, in the aggregate, will not have a material adverse effect on our business, financial condition or results of operations.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Common Stock of the Company is traded on the Nasdaq National Market under the symbol "SCOR." The following table sets forth the range of high and low sales prices on the National Market of the Common Stock for the periods indicated, as reported by Nasdaq. Such quotations represent inter-dealer prices without retail market, markdown or commission and may not necessarily represent actual transactions.

	HIGH ($)	LOW ($)
2000		
First Quarter	16.50	11.02
Second Quarter	36.00	13.00
Third Quarter	43.94	32.75
Fourth Quarter	39.06	23.75
2001		
First Quarter	38.81	27.25

Second Quarter	42.29	26.64
Third Quarter	38.74	26.63
Fourth Quarter	33.31	26.03

As of December 31, 2001, there were 689 holders of record of the Common Stock. On December 31, 2001, the last sale price reported on the Nasdaq National Market for the Common Stock was $28.64 per share. The Company has never paid cash dividends on its Common Stock and has no present intention to do so.

On July 11, 2000, the Company's Board of Directors declared a two-for-one stock split of the Company's Common Stock in the form of a stock dividend. The stock dividend was distributed on August 9, 2000 to stockholders of record on July 26, 2000.

All references to per share amounts have been restated to reflect this stock split.

Item 6. SELECTED FINANCIAL DATA.

The following balance sheet data and income statement data for the five years ended December 31, 2001 has been derived from the Company's audited consolidated financial statements. Consolidated balance sheets at December 31, 2001 and 2000 and the related consolidated statements of income and of cash flows for each of the three years in the period ended December 31, 2001 and notes thereto appear elsewhere herein. The data should be read in conjunction with the annual consolidated financial statements, related notes and other financial information appearing elsewhere herein.

The following data has been restated to allow for comparability due to the announcement on June 14, 2002 of the discontinuation of certain operations, including our U.S. medical imaging business operated by Comprehensive Medical Imaging, Inc. (previously a separate segment for reporting purposes), certain overseas locations, and our brachytherapy seeds manufacturing operations.

SELECTED FINANCIAL DATA

(IN THOUSANDS, EXCEPT PER SHARE DATA)	2001	2000	1999	1998	1997
Net sales	$598,136	$517,552	$457,156	$410,469	$379,857
Gross profit	180,391	149,682	124,068	103,794	90,029
Income (loss):					
Continuing operations	34,512	28,040	18,172	13,894	10,356
Discontinued operations, net of taxes	3,357	1,498	1,049	37	739
Net income	$ 37,869	$ 29,538	$ 19,221	$ 13,931	$ 11,095
Earnings (loss) per basic share:					
Continuing operations	$ 1.40	$ 1.17	$ 0.78	$ 0.65	$ 0.51
Discontinued operations, net of taxes	0.14	0.06	0.04	0.00	0.04
Net income	$ 1.54	$ 1.23	$ 0.82	$ 0.65	$ 0.55
Earnings (loss) per diluted share:					
Continuing operations	$ 1.28	$ 1.05	$ 0.71	$ 0.61	$ 0.50
Discontinued operations, net of taxes	0.12	0.06	0.04	0.00	0.04

Net income	$ 1.40	$ 1.11	$ 0.75	$ 0.61	$ 0.54
Cash, cash equivalents and marketable securities	$ 28,855	$ 29,037	$ 18,680	$ 18,192	$ 29,301
Working capital – continuing operations	$ 72,919	$ 62,137	$ 39,767	$ 50,190	$ 34,519
Total assets – continuing operations	$304,687	$260,060	$180,822	$161,700	$163,653
Total assets – discontinued operations	$283,154	$210,649	$131,820	$ 94,867	$ 910
Long-term debt – continuing operations	$ 35,118	$ 18,399	$ —	$ 6,490	$ 17,332
Long-term debt – discontinued operations	$175,564	$119,487	$ 76,326	$ 63,832	$ —
Stockholders' equity	$234,828	$185,880	$140,337	$111,373	$ 87,367
Weighted average shares outstanding:					
Basic	24,570	23,948	23,340	21,452	19,996
Diluted	27,029	26,657	25,478	22,678	20,564
Current ratio – continuing operations	1.73	1.54	1.52	2.01	1.60
Number of domestic radiopharmacies	130	125	123	120	119

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Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

FORWARD LOOKING STATEMENTS

Except for the historical information and discussions contained herein, statements contained in this Annual Report on Form 10-K/A-1 may constitute "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, including: changes in the regulation of the healthcare industry at either or both of the Federal and state levels; changes or delays in the Company's reimbursement for services by governmental or private payers; the Company's failure to continue to develop and market new products and services and to keep pace with technological change; competitive pressures; failure to obtain or protect intellectual property rights; quarterly fluctuations in revenues and volatility of the Company's stock price; the Company's ability to attract and retain key personnel; currency risks; dependence on certain suppliers; the Company's ability to successfully manage acquisitions and alliances; legal, political and economic changes; and other risks, uncertainties and factors discussed in the "Risk Factors" section above and elsewhere herein, in the Company's other filings with the SEC or in materials incorporated by reference. Given these uncertainties, undue reliance should not be placed on such forward looking statements.

2001 VS. 2000

The following data has been restated to allow for comparability due to the announcement on June 14, 2002 of the discontinuation of certain operations, including our U.S. medical imaging business-CMI (previously a separate segment for reporting purposes), certain overseas locations and our brachytherapy seeds manufacturing operations included in our Pharmacy Services Business.

After these changes, management has identified two business segments for separate reporting: our U.S. Pharmacy Services business and our International business. Our U.S. Pharmacy Services business primarily compounds, dispenses and distributes radiopharmeceuticals and distributes complex pharmaceuticals in the United States. This segment depends heavily on one product, Cardiolite, for a high percentage of its sales. We are currently in discussions with Bristol-Myers Squibb, our supplier of Cardiolite, to extend our supply agreement beyond 2003 upon mutually agreeable terms. To lessen our dependence on Cardiolite, we have undertaken several strategic initiatives, such as the production and distribution of FDG and the distribution of new complex pharmaceuticals. Also, this segment made several acquisitions in 2001 and anticipates further acquisitions in 2002. From a financial reporting standpoint, this segment has had to integrate these new entities into its organization. Our International business provides both pharmacy and imaging services outside of the United States. This segment has also made several acquisitions in 2001, but is not expected to make significant acquisitions in 2002. Financial reporting and integration of acquisitions are challenging given the geographic locations and the fact that reliance is placed heavily on local management.

SUMMARY OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our critical accounting estimates and critical accounting policies are as follows:

Revenue Recognition. We recognize our revenue primarily from two sources: (i) product revenue, which includes sales from our radiopharmacies, and (ii) service revenue, primarily from our international imaging businesses and our cardiology management services. Management makes few estimates or judgments in the recording of revenues and as such few if any changes are expected in the recording of revenues. Revenues are booked based upon delivery of product to our customers. Since most of our products are compounded with radioactive materials, most have a very short useful life of approximately six hours. Due to this short life and the fact that most items are ordered for specific patients based on a doctor's prescription, we receive very few returns of product. These returns are generally handled in the same month so future revenues are not impacted and no significant allowances for returns are necessary. Service revenues are booked at the time of service. Allowances are made for contracts and bad debts in the same month as the service revenue is booked. Service revenues constitute less than 3% of our overall net revenues.

Estimating Valuation Allowances for Doubtful Accounts.The preparation of financial statements requires our management to make estimates and assumptions on the collectibility of our accounts receivable. Management specifically analyzes historical bad debts, customer concentrations, customer credit-worthiness, current economic trends, aging of accounts and changes in payment terms when evaluating the adequacy of the allowance for doubtful accounts. Any changes in these estimates or assumptions could cause material differences in recorded allowances.

Valuation of Long-Lived Assets and Goodwill. We assess the impairment of identifiable intangibles, long-lived assets and related goodwill and enterprise level goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business;
- significant negative industry or economic trends;
- our market capitalization relative to net book value.

When we determine that the carrying value of intangibles, long-lived assets and related goodwill and enterprise level goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on a projected undiscounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model. Net intangible assets, long-lived assets, and goodwill amounted to $130.7 million as of December 31, 2001.

Through December 31, 2001, the cost in excess of net assets of acquired businesses is being amortized on a straight-line basis over periods of 15 to 40 years.

In the first quarter of 2002, Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" was effective and as a result, we ceased amortizing approximately $30.5 million of goodwill. We had recorded approximately $1.2 million, $1.0 million, and $1.9 million of goodwill amortization during 2001, 2000 and 1999, respectively. We would have recorded approximately $0.9 million of goodwill amortization during 2002. Under the provisions of the Statement, we did not record amortization related to any post-June 30, 2001 acquisitions. Such amortization would have amounted to $0.2 million. In lieu of amortization, we are required to perform an initial impairment review of our recorded intangibles and goodwill in 2002 and an annual impairment review thereafter. We completed our initial review during the first and second quarter of 2002, and there was no adjustment to intangible assets recorded balances or estimated useful lives, and no adjustments to goodwill.

NET SALES

Net sales increased 15.6%, or $80.6 million, to $598.1 million. U.S. pharmacy services revenue increase was primarily from organic growth and growth in our overseas business was primarily from acquisitions. Cardiolite® sales represented 53.4% or approximately $320 million of our total sales from continuing operationsin 2001.

	Revenues	
	2001	**2000**

U.S. Pharmacy Services Business	$564,697	$489,247
International Operations	33,439	28,305
Total	$598,136	$517,552

U.S. Pharmacy Business

Net sales increased 15.4%, or $75.5 million, to $564.7 million driven primarily by increased sales of cardiology imaging agents. This business realized both volume and price increases during the year in its cardiology imaging agents. The price increases ranged between 3.0% and 3.5% for 2000 and 2001. Sales of cardiology imaging agents increased 11.5%, or $40.1 million, compared to the prior year and represented 70.6% of our U.S. radiopharmacy business net sales in 2001. Sales of oncology products which includes FDG increased by 24.2% or $12.7 million as compared to the prior year. Of the remaining sales increase, acquisitions made during 2001 accounted for $15.5 million of the increase. For 2002, we anticipate sales growth to continue in the 10-12% range for our cardiology products. We anticipate higher sales growth in oncology, primarily as the result of our continued expansion of our FDG business that we started in mid 2000. We are growing our FDG business by adding cyclotrons and signing new FDG distribution agreements. Finally, we expect to realize sales growth in 2002 due to the delivery of complex pharmaceuticals, such as Xigris and Zevalin.

International Operations

Net sales increased 18.1%, or $5.1 million, to $33.4 million due to start-up businesses and acquisitions. Net sales at our existing centers or facilities were flat during the year primarily as a result of a slowdown in healthcare spending in Taiwan. Radiopharmacy services continue to represent the greatest percentage of our international net sales at 45.2%. We continued our expansion into the radiology product and service areas, which include the operation of nuclear medicine departments and equipment, as well as the ownership and operation of freestanding outpatient imaging centers. Net sales of radiology products and services represented 17.4% of our 2001 international net sales. Service and distribution businesses represented 26.5% of our international sales in 2001, primarily as a result of an acquisition made in late 2001. We anticipate that our Overseas segment will have improved sales in 2002 due to improved economic conditions and expanded healthcare spending in Taiwan. Taiwan accounts for 32.7% of this segment's business. On an overall segment basis, we anticipate that sales growth will be 15%-20% for 2002 due to the improvements in Taiwan and contributions from start-ups and acquisitions that contributed sales for a partial year in 2001 but will be contributing sales for all twelve months in 2002.

GROSS PROFIT

Gross profit increased 20.5%, or $30.7 million, to $180.4 million. Our consolidated gross profit margin as a percentage of sales improved to 30.2% in 2001 as compared to 29.0% in 2000 driven by continued improvement in product mix, price increases, and operating efficiencies at our radiopharmacies. Additionally, our margin as a percentage of sales improved in 2001 due to increased net sales from our international operations, which has a higher gross profit margin than our U.S. radiopharmacy business.

	Gross Profit	
	2001	**2000**
U.S. Pharmacy Services Business	$167,330	$138,778
International Operations	13,061	10,904
Total	$180,391	$149,682

U.S. Pharmacy Business

Gross profit increased 20.6%, or $28.6 million, to $167.3 million. Gross profit margin as a percentage of sales improved to 29.6% in 2001 as compared to 28.4% in 2000. This increase was due primarily to growth in sales of cardiology imaging agents resulting from higher volumes combined with price increases. Our gross profit increased as a result of continued leveraging of our existing radiopharmacy infrastructure which increased volumes without comparable increases in material, labor and delivery costs. Going forward, we plan to leverage our radiopharmacy distribution network and deliver complex pharmaceutical products. We expect the gross profit margin growth that we have experienced the last several years will slow because complex pharmaceuticals traditionally have lower margins than our traditional nuclear imaging products.

International Operations

Gross profit increased 19.8%, or $2.2 million, to $13.1 million. Gross profit increased primarily due to acquisitions and new businesses. Our gross profit margin as a percentage of sales increased in 2001 to 39.1% compared to 38.5% in 2000. Margin growth at our existing radiopharmacy sites and imaging centers was flat in 2001 compared to the prior year. Our business was impacted by a slowdown in healthcare reimbursement in Taiwan, which is our largest sales volume location overseas.

OPERATING, SELLING AND ADMINISTRATIVE EXPENSES

Operating, selling and administrative expenses increased 14.5% or $13.6 million, to $107.2 million. The ratio of these expenses to net sales for the year ended December 31, 2001 was 17.9% compared to 18.1% for the same period in 2000.

	Operating, Selling and Administrative Expenses	
	2001	**2000**
U.S. Pharmacy Services Business	$ 86,660	$76,560
International Operations	9,580	7,721
Unallocated Corporate	10,981	9,328
Total	$107,221	$93,609

U.S. Pharmacy Business

Operating, selling and administrative costs increased 13.2%, or $10.1 million, to $86.7 million. This increase was due primarily to increased costs associated with acquired businesses, which accounted for $6.1 million of this increase. Start up costs associated with opening six new cyclotrons, used in the production of FDG, accounted for an additional $2.2 million. As a percentage of sales, operating, selling and administrative expenses decreased from 15.6% in 2000 to 15.3% in 2001.

International Operations

Operating, selling and administrative expenses increased 24.1%, or $1.9 million, to $9.6 million. Of this amount, $1.5 million was the costs incurred due to new businesses and starting new centers during 2001. The remaining $0.4 million of the increase was attributable to the expansion of services and products offered at our existing facilities and the addition of new management resources to support the expanded operations. As a percentage of sales, these expenses increased from 27.3% in 2000 to 28.6% in 2001.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased 37.1%, or $4.6 million, to $16.9 million. The increase was attributable to expansions in: our international operations, with an increase of $1.9 million; our pharmacy services business, primarily in new FDG production facilities, with an increase of $1.9 million; and our corporate operations, with an increase of $0.8 million.

	Depreciation and Amortization	
	2001	**2000**
U.S. Pharmacy Services Business	$ 7,323	$ 5,475
International Operations	3,856	1,953
Unallocated Corporate	5,733	4,906
Total	$16,912	$12,334

2000 VS. 1999

NET SALES

Net sales increased 13.2%, or $60.4 million, to $517.6 million. Net sales increased in each of the business segments due to high growth in the cardiology sector of our Pharmacy Services business and primarily through acquisitions in our International business.

	Revenues	
	2000	**1999**
U.S. Pharmacy Services Business	$489,247	$440,384
International Operations	28,305	16,772
Total	$517,552	$457,156

U.S. Pharmacy Business

Net sales increased 11.1%, or $48.9 million, to $489.2 million. This business realized both volume and price increases during the year from its cardiology imaging agents. The price increases ranged between 3.0% and 3.5% for 2000 and 1999. Sales of cardiology imaging agents increased 12.0%, compared to the prior year and represented 71.0% of our U.S. Pharmacy business net sales in 2000 compared to 70.4% in 1999.

International Operations

Net sales increased 68.8%, or $11.5 million, to $28.3 million. This increase in net sales was due to a combination of acquisitions, start-ups, higher net sales at our existing facilities and expansion of the services and products we offered. Net sales at our existing facilities increased 31.0%. Radiopharmacy services continue to represent the greatest portion of our international net sales, at 47.7%. We continued our expansion into the radiology product and service areas, which include the operation of nuclear medicine departments and equipment, as well as the ownership and operation of free-standing outpatient imaging centers. Net sales of radiology services and products constituted 17.1% of our 2000 international net sales.

GROSS PROFIT

Gross profit increased 20.6%, or $25.6 million, to $149.7 million. Our consolidated gross profit margin as a percentage of sales improved to 29.0% in 2000 as compared to 27.1% in 1999. This increase was due primarily to continued improvement in product mix (primarily increased sales of Cardiolite®), and price increases for Cardiolite® and other cardiology imaging agents. We also increased net sales from our international operation, which has a higher gross profit margins than our U.S. Pharmacy business.

	Gross Profit	
	2000	**1999**
U.S. Pharmacy Services Business	$138,778	$118,776
International Operations	10,904	5,292
Total	$149,682	$124,068

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U.S. Pharmacy Business

Gross profit increased 16.8%, or $20.0 million, to $138.8 million. Gross profit margin as a percentage of sales improved to 28.4% in 2000 as compared to 27.0% in 1999. This increase was due primarily to growth in sales of cardiology imaging agents combined with price increases. We incurred start-up costs of $2.1 million in 2000 associated with the start-up of two cyclotron facilities that produce PET radioisotopes.

International Operations

Gross profit increased 106.0%, or $5.6 million, to $10.9 million. This increase was due primarily to acquisitions and new businesses and products, which contributed $4.0 million of the increase; increased sales at our existing radiopharmacies contributed $1.1 million of the increase. The remaining $0.5 million of the increase was attributable to increased net sales of medical imaging services. Our gross profit margin as a percentage of sales increased in 2000 to 38.5% compared to 31.6% in 1999. This margin increased at a higher rate than our net sales as a result of more efficient utilization of raw materials and labor.

OPERATING, SELLING AND ADMINISTRATIVE EXPENSES

Operating, selling and administrative expenses increased 17.2%, or $13.8 million, to $93.6 million. The ratio of these expenses to net sales for the year ended December 31, 2000 was 18.1% compared to 17.5% over the same period in 1999. The increase was due primarily to the start-up and acquisition of certain businesses in 2000, the expansion of services and products we offer, increased corporate staffing to support our expansion and general corporate infrastructure costs.

	Operating, Selling and Administrative Expenses	
	2000	**1999**
U.S. Pharmacy Services Business	$76,560	$66,555
International Operations	7,721	5,048
Unallocated Corporate	9,328	8,236
Total	$93,609	$79,839

U.S. Pharmacy Business

Operating, selling and administrative costs increased 15.0%, or $10.0 million, to $76.6 million. This increase was due primarily to increased costs of our expanded sales force and increased labor-related expenses, including merit increases and bonuses.

International Operations

Operating, selling and administrative expenses increased 53.0% or $2.7 million, to $7.7 million. Of this amount, $1.6 million was attributable to the start ups and acquisitions during 2000. The remaining $1.1 million of the increase was attributable to the expansion of services and products offered at our existing facilities and the addition of new management resources to support the expanded operations.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased 8.5%, or $1.0 million, to $12.3 million. The increase was attributable to the expansion of our international operations and for corporate information systems.

	Depreciation and Amortization	
	2000	**1999**
U.S. Pharmacy Services Business	$ 5,475	$ 5,033
International Operations	1,953	1,775
Unallocated Corporate	4,906	4,558
Total	$12,334	$11,366

LIQUIDITY

The Company believes that sufficient resources are available through a combination of internal and external sources to fund all of its 2002 operating and business expansion needs. Cash flow from operations improved to $57.6 million in 2001 from $36.2 million in 2000. The improvements continue to be due to increased profitability and management of our working capital accounts.

Trade receivables, which relate to our U.S. Pharmacy and International businesses, have increased due to overall sales increases and from receivables acquired through acquisitions.

The Company increased its line of credit from $150 million in 2000 to $200 million as of December 31, 2001. The Company has traditionally used its cash provided from operations to fund its capital asset purchases. The Company's credit line has been utilized to fund significant acquisitions.

In 2001, the Company acquired additional businesses for approximately $28 million utilizing its line of credit. The Company also assumed approximately $0.3 million in debt in these acquisition transactions. The results of these acquisitions are partly reflected in the change in the categories of "Property and Equipment", "Goodwill", and "Accounts Receivable" assets. The Company had $28.5 million available but unused for borrowing under the line of credit at December 31, 2001.

On January 17, 2002, the Company completed an asset securitization agreement using the trade receivables as collateral. This securitization program allows the Company to borrow up to $65 million at rates generally more favorable than the credit line agreement. Upon execution of the securitization agreement, our credit line had a provision that required a 50% reduction of the securitization amount, or $32.5 million. Therefore, the credit line has a current borrowing limit of $167.5 million. At January 17, 2002, the Company had $52.6 million combined credit available but unused from its credit line and asset securitization line.

The Company plans to slow the pace of acquisitions during 2002 in the International business segments so that the focus can be on improving the profitability and cash flows of these lines of business. As mentioned above, the Company believes it has sufficient resources available to fund its 2002 acquisition needs and purchases of capital assets.

STOCK REPURCHASE PROGRAM

On June 23, 1999, our board of directors authorized the repurchase of up to 1,075,600 shares of our common stock. Through December 31, 2001, we had repurchased 761,662 shares of our common stock leaving 313,938 shares remaining for repurchase under the program. The timing and size of any future stock repurchases are subject to market conditions, stock prices and cash availability. A portion of such repurchases are expected to cover future issuances in our Employees' Savings and Stock Ownership Plan (ESSOP).

CAPITAL SPENDING

The Company's medical imaging operations and FDG production facilities are capital intensive. The Company may, from time to time, purchase new equipment or upgrade existing equipment. The cost of these capital purchases or upgrades can vary from several thousand dollars to amounts well over $1 million per piece of equipment. The Company, on an on-going basis, evaluates its needs for acquiring new equipment or upgrading existing equipment. We have made significant investments during the last three years in new equipment and upgrades of existing equipment. The Company expects that capital investments during 2002 will be less than historical levels.

RECENT DEVELOPMENTS IN MEDICARE REIMBURSEMENT

On August 1, 2000, CMS began setting reimbursement rates for radiopharmaceuticals based on the prices submitted by manufacturers, which tend to be lower than the previous prices based on the pass-through rate. Since our sales of radiopharmaceuticals are made to hospitals and clinics, we get paid by them, not reimbursed by CMS. The introduction of set reimbursement rates nevertheless could have an impact on the prices that customers will be willing to pay for the radiopharmaceuticals that they purchase from us, and that impact, in turn, could affect our revenues. We cannot predict at this time what impact those changes will have on our radiopharmacy business.

Further, CMS recently approved reductions in reimbursement rates for PET studies for hospital outpatients effective April 1, 2002. We are not able to predict the effects of this change in Medicare reimbursement policies.

SAFE HARBOR STATEMENT

Statements which are not historical facts, including statements about our confidence, strategies and expectations, opportunities, industry and market growth, demand and acceptance of new and existing products, and return on investments are forward-looking statements that involve risks and uncertainties, including without limitation, the effect of general economic and market conditions, supply and demand for our products, competitor pricing, maintenance of our current market position and other risk factors documented in the section entitled "Risk Factors" in Part I of the Form 10-K. Given these uncertainties, undue reliance should not be placed on such forward-looking statements.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest income earned on the Company's investment portfolio is affected by changes in the general level of U.S. interest rates. The Company's line of credit borrowings effectively bear interest at variable rates and therefore, changes in U.S. interest rates affect interest expense incurred thereon. Changes in interest rates do not affect interest expense incurred on the Company's fixed rate debt. The following table provides information about the Company's financial debt instruments that are sensitive to changes in interest rates. The table presents principal cash flows and related weighted-average interest rates by expected maturity dates. The Company did engage in an interest rate swap during 2001, but the dollar amount of the swap was not significant. The gain or loss on this transaction did not materially affect the financial results. The fair value of the financial instruments approximates the carrying value.

DECEMBER 31, 2001 (IN THOUSANDS)	2002	2003	2004	2005	2006	Thereafter	Total
Long-term debt							
Fixed rate	$1,770	$6,909	$921	$849	$ 318	$ 0	$10,767
Average interest rate	6.45%	6.25%	6.05%	6.25%	7.43%	0%	
Variable rate	$4,575	$ —	$ —	$ —	$26,121	$ —	$30,696
Average interest rate	3.74%	3.88%	3.88%	3.88%	3.88%		

Based upon the Company's variable rate borrowing levels, a 1% change in interest rates would have resulted in a pre-tax fluctuation of approximately $1.4 million and $0.9 million, in 2001 and 2000 respectively.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Company's consolidated financial statements at December 31, 2001 and 2000 and the Report of KPMG LLP, Independent Auditors, are included in this Annual Report on Form 10-K/A-1 on pages 34 through 57.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information called for by this Item 10 is incorporated by reference from our definitive Proxy Statement for our Annual Meeting of Stockholders on June 17, 2002, which was filed with the Commission pursuant to Regulation 14A of the Securities and Exchange Commission ("Regulation 14A") within 120 days from December 31, 2001.

Based solely upon our review of Forms 3, 4 and 5 furnished to us, we believe that all reports required to be filed during 2001 pursuant to Section 16(b) of the Securities Exchange Act of 1934 were timely filed, except that Robert Funari was 25 days late in filing his Form 4 to report a zero cost collar transaction in December 2001.

Item 11. EXECUTIVE COMPENSATION.

The information called for by this Item 11 is hereby incorporated by reference from our definitive Proxy Statement for our Annual Meeting of Stockholders on June 17, 2002.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information called for by this Item 12 is hereby incorporated by reference from our definitive Proxy Statement for our Annual Meeting of Stockholders on June 17, 2002.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information called for by this Item 13 is hereby incorporated by reference from our definitive Proxy Statement for our Annual Meeting of Stockholders on June 17, 2002.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

The following documents are filed as part of this report:

(a) 1. Consolidated Financial Statements.

2. Financial Statement Schedules.

The following schedule supporting the financial statements of the Company is included herein:

All other schedules and financial statements of the Company 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.

(b) Reports on Form 8-K filed in the Quarter Ended December 31, 2001.

None.

(c) Exhibits.

Exhibit No.	Description
3.	Certificate of Incorporation and By-Laws
3.1	Restated Certificate of Incorporation of the Company filed as Exhibit 3.1 to the Form 10-Q for the quarter ended June 30, 1999, and incorporated herein by reference.
3.2	

Restated By-Laws of the Company, filed as Exhibit 3.2 to the Form 10-K for the year ended December 31, 1995, and incorporated herein by reference.

4. Instruments Defining the Rights of Security Holders

4.1 Stock Certificate for Common Stock of the Company filed as Exhibit 4.1 to the Form 10-K for the year ended May 31, 1986, and incorporated herein by reference.

4.2 Rights Agreement dated as of September 28, 1999 between the Company and American Stock Transfer & Trust Company filed as Exhibit 4 to the Form 8-K dated September 28, 1999 and filed on October 12, 1999, and incorporated herein by reference.

10. Material Contracts

10.1 Form of Indemnity Agreement substantially as entered into between the Company and each Director and Officer, filed as Exhibit 3.2 Appendix A to the Form 10-K for the year ended December 31, 1995, and incorporated herein by reference.*

10.2 Form of Benefits Agreement substantially as entered into between the Company and each Director, filed as Exhibit 10.8 to the Form 10-K for the year ended December 31, 1995, and incorporated herein by reference.*

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* Management contract or compensatory plan

10.3 Form of Benefits Agreement substantially as entered into between the Company and certain employees, filed as Exhibit 10.8 to the Form 10-K for the year ended December 31, 1995, and incorporated herein by reference.*

10.4 Syncor International Corporation 1990 Master Stock Incentive Plan, as amended and restated as of June 18, 1997, filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended June 30, 1997, and incorporated herein by reference.*

10.5 First Amendment to the Syncor International Corporation 1990 Master Stock Incentive Plan, as amended and restated as of June 23, 1999, filed as Exhibit 10.4 to the Form 10-Q for the quarter ended June 30, 1999, and incorporated herein by reference.*

10.6 Form of Stock Option Agreement substantially as entered into between the Company and certain employee Directors and employees filed as Exhibit 10.15 to the Form 10-K for year ended December 31, 1993, and incorporated herein by reference.*

10.7 Form of Stock Option Agreement substantially as entered into between the Company and certain non-employee Directors filed as Exhibit 10.16 to the Form 10-K for the year ended December 31, 1993, and incorporated herein by reference.*

10.8 Non-Employee Director 1995 Stock Incentive Award Agreement dated January 24, 1995 entered into between the Company and Arnold E. Spangler, filed as Exhibit 10.17 to the Form 10-K for the year ended December 31, 1995, and incorporated herein by reference.*

10.9 Non-Employee Director 1995 Stock Incentive Award Agreement dated January 24, 1995 entered into between the Company and George S. Oki, filed as Exhibit 10.18 to the Form 10-K for the year ended December 31, 1995, and incorporated herein by reference.*

10.10 Non-Employee Director 1995 Stock Incentive Award Agreement dated April 29, 1996, entered into between the Company and Gail Wilensky, filed as Exhibit 4.3(b) to the Registration Statement on Form S-8 filed on December 20, 1996 to register the shares underlying said Award Agreement, and incorporated herein by reference.*

10.11 Non-Employee Director 1995 Stock Incentive Award Agreement dated April 29, 1996, entered into between the Company and Steven Gerber, filed as Exhibit 4.3(a) to the Registration Statement on Form S-8 filed on December 20, 1996 to register the shares underlying said Award Agreement, and incorporated herein by reference.*

10.12 Subscription Agreement, dated July 15, 1996, executed by Syncor Management Corporation in favor of American Tax Credit Corporate Fund III, L.P., together with a Promissory Note, dated July 15, 1996, executed by Syncor Management Corporation in favor of John Hancock Mutual Life Insurance Company, as assignee of Corporate Credit, Inc., and the Guarantee of Parent Corporation, dated July 15, 1996, executed by the Company in favor of John Hancock Mutual Life Insurance Company, as assignee of Corporate Credit, Inc. These agreements were filed as Exhibit 10.15 to the Form 10-K for the year ended December 31, 1996, and are incorporated herein by reference.

10.13 The Office Lease, dated as of September 30, 1996, between Massachusetts Life Insurance Company and the Company, relating to the office lease for the Company's corporate headquarters in Woodland Hills, California, filed as Exhibit 10.19 to the Form 10-K for the year ended December 31, 1996, and incorporated herein by reference.

10.14 Office Lease, dated October 19, 2000, between the Company and Nomura-Warner Center Associates, L.P., filed as Exhibit 10.16 to the Form 10-K for the year ended December 31, 2000, and incorporated herein by reference.

10.15 Non-Employee Director Stock Compensation Plan, dated August 27, 1996, filed as Exhibit 4.3 to the Form S-8 Registration Statement filed by the Company with the SEC on December 20, 1996, and incorporated herein by reference.*

10.16 Loan Agreement, dated March 31, 1997, among Syncor Pharmaceuticals, Inc., as borrower, the Company, as guarantor, and Bank One, NA (formerly The First National Bank of Chicago), as lender, filed as Exhibit 10.1 to the Form 10-Q for the quarter ended March 31, 1997, and incorporated herein by reference.

10.17 Syncor International Corporation Deferred Compensation Plan effective January 1, 1998, filed as Exhibit 10.24 to the Form 10-K for the year ended December 31, 1997, and incorporated herein by reference.*

10.18 Amendment No. 1 to Syncor International Corporation Deferred Compensation Plan, dated November 21, 2000, filed as Exhibit 10.21 to the Form 10-K for the year ended December 31, 2000, and incorporated herein by reference.*

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* Management contract or compensatory plan

10.19 Amendment No. 2 to Syncor International Corporation Deferred Compensation Plan, dated November 1, 2001, filed as Exhibit 10.19 to the Form 10-K for the year ended December 31, 2001, and incorporated herein by reference.*

10.20 Executive Long-Term Performance Equity Plan, effective as of January 1, 1998, filed as Exhibit 10.1 to the Form 10-Q for the quarter ended March 31, 1998, and incorporated herein by reference.*

10.21 First Amendment to Executive Long-Term Performance Equity Plan, dated as of November 17, 1998, filed as Exhibit 10.25 to the Form 10-K for the year ended December 31, 1998, and incorporated herein by reference.*

10.22 Second Amendment to Executive Long-Term Performance Equity Plan, dated as of June 23, 1999, filed as Exhibit 10.1 to the Form 10-Q for the quarter ended June 30, 1999, and incorporated herein by reference.*

10.23 Third Amendment to Executive Long-Term Performance Equity Plan, dated as of June 20, 2000, filed as Exhibit 10.1 to the Form 10-Q for the quarter ended June 30, 2000, and incorporated herein by reference.*

10.24 Fourth Amendment to Executive Long-Term Performance Equity Plan, dated as of June 20, 2000, filed as Exhibit 10.2 to the Form 10-Q for the quarter ended June 30, 2000, and incorporated herein by reference.*

10.25 Fifth Amendment to Executive Long-Term Performance Equity Plan, dated August 22, 2000, filed as Exhibit 10.1 to the Form 10-Q for the quarter ended September 30, 2000, and incorporated herein by reference.*

10.26 1998 Senior Management Stock Purchase Plan, effective as of June 16, 1998, filed as Exhibit 10.1 to the Form 10-Q for the quarter ended June 30, 1998, and incorporated herein by reference.*

10.27 Universal Performance Equity Participation Plan, effective as of June 16, 1998, filed as Exhibit 10.2 to the Form 10-Q for the quarter ended June 30, 1998, and incorporated herein by reference.*

10.28

First Amendment to the Universal Performance Equity Participation Plan, dated as of June 16, 1998, filed together with the Universal Performance Equity Plan that was filed as Exhibit 10.2 to the Form 10-Q for the quarter ended June 30, 1998, and incorporated herein by reference.*

10.29	Second Amendment to the Universal Performance Equity Participation Plan, dated as of June 23, 1999, filed as Exhibit 10.2 to the Form 10-Q for the quarter ended June 30, 1999, and incorporated herein by reference.*
10.30	Third Amendment to the Universal Performance Equity Participation Plan, dated as of June 23, 1999, filed as Exhibit 10.3 to the Form 10-Q for the quarter ended June 30, 1999, and incorporated herein by reference.*
10.31	New Employee Stock Option Plan, dated as of June 1, 1998, filed as Exhibit 10.1 to the Form 10-Q for the quarter ended September 30, 1998, and incorporated herein by reference.*
10.32	First Amendment to the Syncor International Corporation New Employee Stock Option Plan, dated December 5, 2000, filed as Exhibit 10.34 to the Form 10-K for the year ended December 31, 2000, and incorporated herein by reference.*
10.33	Form of Stock Option Agreement under the New Employee Stock Option Plan as entered into between the Company and certain employees, filed as Exhibit 10.31 to the Form 10-K for the year ended December 31, 1998, and incorporated herein by reference.*
10.34	Non-Qualified Stock Option Award Agreement, dated February 24, 1999, between the Company and Robert G. Funari, filed as Exhibit 10.1 to the Form 10-Q for the quarter ended March 31, 1999, and incorporated herein by reference.*
10.35	Non-Employee Director 1999 Stock Incentive Plan, dated November 11, 1999, filed as Exhibit 10.35 to the Form 10-K for the year ended December 31, 1999, and incorporated herein by reference.*
10.36	Form of Non-Employee Director 1999 Stock Incentive Award Agreement, dated November 11, 1999, entered into between the Company and each of the non-employee directors (excluding Ronald Williams), filed as Exhibit 10.36 to the Form 10-K for the year ended December 31, 1999, and incorporated herein by reference.*
10.37	Split Dollar Agreement between the Company and the Monty and Wendy Fu 1998 Irrevocable Trust, dated January 8, 1999, filed as Exhibit 10.37 to the Form 10-K for the year ended December 31, 1999, and incorporated herein by reference.*

* Management contract or compensatory plan

10.38	Employment Agreement of Robert G. Funari, dated as of January 1, 2000, filed as Exhibit 10.1 to the Form 10-Q for the quarter ended March 31, 2000, and incorporated herein by reference.*
10.39	Employment Agreement of Monty Fu, dated as of January 1, 2000, filed as Exhibit 10.2 to the Form 10-Q for the quarter ended March 31, 2000, and incorporated herein by reference.*
10.40	Severance Agreement dated August 24, 2001 between Haig Bagerdjian and the Company, filed as Exhibit 10.2 to the Form 10-Q for the quarter ended September 30, 2001, and incorporated herein by reference.*
10.41	Severance Agreement dated August 24, 2001 between John S. Baumann and the Company, filed as Exhibit 10.3 to the Form 10-Q for the quarter ended September 30, 2001, and incorporated herein by reference.*
10.42	Severance Agreement dated August 24, 2001 between Rodney Boone and the Company, filed as Exhibit 10.4 to the Form 10-Q for the quarter ended September 30, 2001, and incorporated herein by reference.*
10.43	Severance Agreement dated August 24, 2001 between Jack Coffey and the Company, filed as Exhibit 10.5 to the Form 10-Q for the quarter ended September 30, 2001, and incorporated herein by reference.*
10.44	Severance Agreement dated August 24, 2001 between Sheila Coop and the Company, filed as Exhibit 10.6 to the Form 10-Q for the quarter ended September 30, 2001, and incorporated herein by reference.*

10.45	Severance Agreement dated August 24, 2001 between William Forster and the Company, filed as Exhibit 10.7 to the Form 10-Q for the quarter ended September 30, 2001, and incorporated herein by reference.*
10.46	Severance Agreement dated August 24, 2001 between Monty Fu and the Company, filed as Exhibit 10.8 to the Form 10-Q for the quarter ended September 30, 2001, and incorporated herein by reference.*
10.47	Severance Agreement dated August 24, 2001 between Robert Funari and the Company, filed as Exhibit 10.9 to the Form 10-Q for the quarter ended September 30, 2001, and incorporated herein by reference.*
10.48	Severance Agreement dated August 24, 2001 between Lewis William Terry, Jr. and the Company, filed as Exhibit 10.10 to the Form 10-Q for the quarter ended September 30, 2001, and incorporated herein by reference.*
10.49	Severance Agreement dated August 24, 2001 between David Ward and the Company, filed as Exhibit 10.11 to the Form 10-Q for the quarter ended September 30, 2001, and incorporated herein by reference.*
10.50	Syncor International Corporation Special Severance Plan, filed as Exhibit 10.12 to the Form 10-Q for the quarter ended September 30, 2001, and incorporated herein by reference.*
10.51	Term Loan Credit Agreement, dated as of May 5, 2000, between Bank One, N.A. and Syncor Management Corporation, filed as Exhibit 10.7 to the Form 10-Q for the quarter ended June 30, 2000, and incorporated herein by reference.
10.52	Credit Agreement, dated as of October 17, 2000, among the Company, Bank One, N.A., as Administrative Agent, Bank One Capital Markets, Inc., as Lead Arranger, The Bank of Nova Scotia, as Documentation Agent, and other lenders signatories thereto, filed as Exhibit 10.43 to the Form 10-K for the year ended December 31, 2000, and incorporated herein by reference.
10.53	Letter Amendment to Credit Agreement, dated February 5, 2001, between the Company and Bank One, N.A., filed as Exhibit 10.44 to the Form 10-K for the year ended December 31, 2000, and incorporated herein by reference.
10.54	First Amended and Restated Credit Agreement, dated as of May 10, 2001 with Bank One, N.A. as Lender and the Bank of Nova Scotia as Document Agent, filed as Exhibit 10.1 to the Form 10-Q for the quarter ended June 30, 2001, and incorporated herein by reference.
10.55	First Amendment to First Amended and Restated Credit Agreement dated as of September 13, 2001, among Bank One, N.A. as Lender, The Bank of Nova Scotia as Document Agent, the Company and Syncor Management Corporation, filed as Exhibit 10.1 to the Form 10-Q for the quarter ended September 30, 2001, and incorporated herein by reference.

* Management contract or compensatory plan

10.56	Second Amendment to First Amended and Restated Credit Agreement dated as of December 21, 2001, among Bank One, N.A. as Lender, The Bank of Nova Scotia as Document Agent, the Company and Syncor Management Corporation, filed as Exhibit 10.56 to the Form 10-K for the year ended December 31, 2001, and incorporated herein by reference.
10.57	Receivables Financing Agreement dated January 4, 2002 among Syncor Financing Corporation, as Seller, Syncor Management Corporation, as Servicer, Jupiter Securitization Corporation, the Financial Institutions listed therein and Bank One, N.A., as Agent, filed as Exhibit 10.57 to the Form 10-K for the year ended December 31, 2001, and incorporated herein by reference.
21.	Subsidiaries of the Registrant
23.	Independent Auditors' Consent
99.1	Certification of CEO and CFO Regarding Annual Report on Form 10-K/A-1

* Management contract or compensatory plan

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: October 11, 2002

SYNCOR INTERNATIONAL CORPORATION

By /s/Robert G. Funari
Robert G. Funari
President and Chief Executive Officer

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CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Robert G. Funari, certify that:

1. I have reviewed this annual report on Form 10-K/A-1 of Syncor International Corporation;

2. Based on my knowledge, this annual 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 annual report; and

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report.

Date: October 11, 2002

By /s/Robert G. Funari
Robert G. Funari
President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, William P. Forster, certify that:

1. I have reviewed this annual report on Form 10-K/A-1 of Syncor International Corporation;

2. Based on my knowledge, this annual 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 annual report; and

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report.

Date: October 11, 2002

By /s/William P. Forster

William P. Forster
Sr. Vice President and Chief Executive Officer

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders, Syncor International Corporation

We have audited the accompanying consolidated balance sheets of Syncor International Corporation and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity and comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Syncor International Corporation and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, effective July 1, 2001, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and certain provisions of SFAS No. 142, "Goodwill and Other Intangible Assets," as required for goodwill and intangible assets, resulting from business combinations consummated after June 30, 2001.

/s/ KPMG LLP

Los Angeles, California
February 15, 2002, except as to Note 1, which is as of June 14, 2002, and Note 14, which is as of September 30, 2002.

MANAGEMENT'S REPORT

The Management of Syncor International Corporation is responsible for the consolidated financial statements and all other information presented in this report. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances and, therefore, included in the consolidated financial statements are certain amounts based on management's informed estimates and judgments. Management is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The concept of reasonable assurance is based on the recognition that there are inherent limitations in all systems of internal control, and that the cost of such systems should not exceed the benefits to be derived there from. Other financial information in this report is consistent with that in the consolidated financial statements. The consolidated financial statements have been audited by Syncor International Corporation's independent certified public accountants and have been reviewed by the Audit Committee of the Board of Directors.

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS EXCEPT PER SHARE DATA)	DECEMBER 31, 2001	DECEMBER 31, 2000
ASSETS		
Current Assets:		
Cash and cash equivalents	$17,634	$24,330
Short-term investments	10,215	3,517
Trade receivables, less allowance for doubtful accounts of $3,749 and $2,485, respectively	97,003	77,751
Inventory	28,879	58,995
Prepaids and other current assets	19,215	11,860
Total assets – discontinued operations (note 1)	283,154	210,649
Total current assets	456,100	387,102
Marketable investment securities	1,006	1,190
Property and equipment, net	86,812	51,211
Excess of purchase price over net assets acquired, net of accumulated amortization of $8,248 and $7,216, respectively	30,498	14,093
Other assets	13,425	17,113
	$587,841	$470,709
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$62,021	$78,887
Accrued liabilities	13,982	10,187
Accrued wages and related costs	13,149	16,471
Federal and state taxes payable	4,530	4,488
Current maturities of long-term debt	6,345	4,283
Total liabilities – discontinued operations (note 1)	215,635	152,114
Total current liabilities	315,662	266,430
Long-term debt, net of current maturities	35,118	18,399
Deferred taxes	2,233	—
Stockholders' Equity:		
Common stock $.05 par value; authorized 200,000 shares; issued 24,831 and 24,425 shares at December 31, 2001 and 2000, respectively	1,420	1,376
Additional paid-in capital	124,909	107,268
Notes receivables from related parties	(6,197)	(16,796)
Accumulated other comprehensive loss	(3,653)	(1,245)
Employee savings and stock ownership loan guarantee	—	(1,685)
Retained earnings	151,888	114,019
Treasury stock, at cost, 3,575 and 3,072 shares at December 31, 2001 and 2000, respectively	(33,539)	(17,057)
Total stockholders' equity	234,828	185,880
	$587,841	$470,709

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE DATA)	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999
Net sales	$598,136	$517,552	$457,156
Cost of sales	417,745	367,870	333,088
Gross profit	180,391	149,682	124,068
Operating, selling and administrative expenses	107,221	93,609	79,839
Depreciation and amortization	16,912	12,334	11,366
Operating income	56,258	43,739	32,863
Other income (expense):			
Interest income	1,972	2,054	1,945
Interest expense	(1,750)	(1,447)	(1,299)
Other, net	(1,322)	975	(1,982)
Other income (expense), net	(1,100)	1,582	(1,336)
Income from continuing operations before taxes	55,158	45,321	31,527
Provision for income taxes	20,646	17,281	13,355
Income from continuing operations	$34,512	$28,040	$18,172
Income from discontinued operations, net of taxes (Note 1)	$3,357	$1,498	$1,049
Net income	$37,869	$29,538	$19,221
Net income per share – basic:			
Continuing operations	$1.40	$1.17	$0.78
Discontinued operations	$0.14	$0.06	$0.04
Net income per share	$1.54	$1.23	$0.82
Weighted average shares outstanding	24,570	23,948	23,340
Net income per share – diluted:			
Continuing operations	$1.28	$1.05	$0.71
Discontinued operations	$0.12	$0.06	$0.04
Net income per share	$1.40	$1.11	$0.75
Weighted average shares outstanding	27,029	26,657	25,478

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(IN THOUSANDS)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Employee Savings & Stock Ownership Loan Guarantee	Accumulated Other Comprehensive Incomes: Unrealized Gain or (Loss) on Investments	Accumulated Other Comprehensive Incomes: Foreign Currency Translation Adjustment	Retained Earnings	Treasury Stock	Notes Receivable From Related Parties	Total Stockholders' Equity
Balance at December 31, 1998	22,322	$1,252	$71,996	$(5,056)	$(317)	$(210)	$65,260	$(12,524)	$(9,028)	$111,373
Issuance of common stock	1,578	78	15,865						(9,664)	6,279
Tax benefit from the exercise of stock options			2,743							2,743
Reacquisition of common stock for treasury	(74)							(1,082)		(1,082)
Amortization of loan guarantee				1,686						1,686
Comprehensive Income:										
Unrealized gain on investments					172					
Foreign currency translation adjustment						(55)				
Net income							19,221			
Total Comprehensive Income:										19,338
Balance at December 31, 1999	23,826	$1,330	$90,604	$(3,370)	$(145)	$(265)	$84,481	$(13,606)	$(18,692)	$140,337
Issuance of common stock	885	46	10,400							10,446
Tax benefit from the exercise of stock options			6,264							6,264
Reacquisition of common stock for treasury	(286)							(3,451)		(3,451)
Amortization of loan guarantee				1,685						1,685
Payment from related parties									1,896	1,896
Comprehensive Income:										
Unrealized gain on investments					138					
Foreign currency translation adjustment						(973)				
Net income							29,538			
Total Comprehensive Income:										28,703
Balance at December 31, 2000	24,425	$1,376	$107,268	$(1,685)	$(7)	$(1,238)	$114,019	$(17,057)	$(16,796)	$185,880
Issuance of common stock	908	44	12,770							12,814
Tax benefit from the exercise of stock options			4,871							4,871
Reacquisition of common stock for treasury	(502)							(16,482)		(16,482)
Payment from related parties									10,599	10,599
Amortization of loan guarantee				1,685						1,685
Comprehensive Income:										

Unrealized gain on investments					20					
Foreign currency translation adjustment						(2,428)				
Net income							37,869			
Total Comprehensive Income:										35,461
Balance at December 31, 2001	24,831	$1,420	$124,909	$0	$13	$(3,666)	$151,888	$(33,539)	$(6,197)	$234,828

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999
Cash flows from operating activities:			
Net income	$37,869	$29,538	$19,221
Adjustments to reconcile net income to net cash provided by operating activities:			
Income from discontinued operations	(3,357)	(1,498)	(1,049)
Depreciation and amortization	16,912	12,334	11,366
Provision for losses on receivables	863	1,568	(1,512)
Amortization of loan guarantee	1,685	1,685	1,686
Changes in operating assets and liabilities, net of acquisitions			
Accounts receivable – trade	(13,518)	(8,260)	(4,792)
Inventory	36,496	(37,470)	(10,048)
Prepaids and other current assets	(6,498)	(5,878)	1,011
Other assets	1,383	(178)	677
Accounts payable	(19,180)	28,809	7,972
Accrued liabilities	1,023	7,080	10,187
Accrued wages and related costs	(3,417)	(487)	4,431
Deferred items	827	—	(312)
Federal and state tax payable	6,470	8,968	3,442
Net cash provided by operating activities	57,558	36,211	42,280
Cash flows from investing activities:			
Purchase of property and equipment, net	(45,134)	(19,375)	(15,468)
Payments for acquisitions, net of cash	(28,180)	(4,250)	—
Net (decrease) increase in short-term investments	(6,672)	614	(960)
Net decrease (increase) in long-term investments	260	(5)	6
Unrealized gain on investments	20	138	171
Net cash used in investing activities	(79,706)	(22,878)	(16,251)
Cash flows from financing activities:			
Issuance of common stock	12,814	10,445	6,279
Reacquisition of common stock	(16,482)	(3,451)	(1,082)
Proceeds from long-term debt	19,457	15,133	2,330
Repayment of long-term debt	(4,383)	(2,530)	(8,388)
Note receivable related parties	10,599	1,896	—

Loans to discontinued operations (Note 1)	(7,037)	(26,308)	(25,244)
Net cash provided by (used in) financing activities	14,968	(4,815)	(26,105)
Net change in cash and cash equivalents	(7,180)	8,518	(76)
Effect of exchange rate on cash	(424)	(390)	95
Net cash provided by (used in) discontinued operations	908	2,850	(491)
Cash and cash equivalents at beginning of period	24,330	13,352	13,824
Cash and cash equivalents at end of period	$17,634	$24,330	$13,352

See accompanying Notes to Consolidated Financial Statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. MERGER AGREEMENT AND DISCONTINUED OPERATIONS

On June 14, 2002 we entered into an agreement and plan of merger with Cardinal Health Inc. (Cardinal Health) and its wholly owned subsidiary, Mudhen Merger Corp. Under the terms and subject to the conditions of the agreement, we will become a wholly owned subsidiary of Cardinal Health. The merger agreement provides for Syncor stockholders to receive 0.52 Cardinal Health shares for each Syncor share they own. Pursuant to certain terms and conditions in the merger agreement, if the agreement is terminated we could be required to pay Cardinal Health termination fees ranging from $4,000,000 to $24,125,000. The obligation to pay, and the amount of such fees are based upon the circumstances relating to the termination. The transaction is expected to be completed by the end of 2002, subject to the satisfaction of customary conditions, including Syncor stockholder approval. Syncor's stockholder meeting is expected to take place in the fall of 2002.

We also announced on June 14, 2002 our decision to discontinue certain operations including our medical imaging business - CMI (a separate segment for reporting purposes), certain overseas locations and the brachytherapy seeds manufacturing operations of the Radiopharmacy Services Business. On June 14, 2002, we recorded net after-tax charges in discontinued operations for severance, impairment of assets held for sale and other charges totaling $24.9 million or $0.93 per fully diluted share. Included in discontinued operations was a net after-tax charge of $11.2 million or $0.42 per fully diluted share for CMI. Of this total, $1.5 million related to our change in estimates for contractual allowances, $4.2 million related to the change in estimated reserves for bad debt, $1.1 million related to a write-down of existing costs of a billing system that would no longer be utilized and $4.4 million related to severance expenses. The adjustments to contractual allowances and bad debt reserves were made after extensive reviews of our billing and collection processes completed in June 2002. Included in these reviews were recommendations from outside consultants for enhancements to our reporting systems and methodology for estimating and recording our contractual allowances and bad debt reserves. Based upon these refinements and improvements we identified the need for an adjustment to contractual allowances and bad debt reserves. The timing of the changes to these estimates for contractual allowances and bad debt reserves was not related to the decision to discontinue the operations of CMI. The charges relating to our overseas business totaled $13.2 million, net after taxes. Of this amount, $1.0 million related to severance charges with the remaining $12.2 million related to asset impairment charges. The $0.5 million of charges related to the seeds manufacturing facilities was for the discontinuance of seeds production.

We are marketing each of the discontinued operations for sale with the exception of the seeds business, which has been closed, and an investment in Brazil, which has been terminated. We are considering offers for the sale of our imaging business in the U.S. and Puerto Rico (see Subsequent Events information in note 14). We are also in various stages of discussions with U.S. and local foreign buyers for the sale of our discontinued overseas operations. We expect to complete these transactions within one year from our June 14, 2002 announcement to discontinue these operations as prescribed by the Financial Accounting Standards Board (FASB), in SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. We recorded severance related accruals both in our overseas business and CMI in accordance with the provisions of the FASB, Emerging Issues Task Force (EITF) No. 94-3 *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. We will disclose the changes in the severance related accruals in accordance with EITF No. 94-3 in future filings.

Our June 14, 2002 announcement also included a special charge to earnings of $5.0 million ($3.1 million net of tax or $0.11 per fully diluted share). Of this amount $2.5 million related to severance and information technology reorganization costs and $0.6 million related to expenses arising from the transaction with Cardinal Health.

The merger agreement for the Cardinal Health transaction requires the filing of a proxy statement which will incorporate by reference the Forms 10-Q for the quarters ended June 30, 2002 and March 31, 2002 and the Form 10-K for the year ended December 31, 2001,in each case as amended on Form 10-K/A-1 or Form 10-Q/A-1, as applicable. Since the Form 10-Q for the quarter ended June 30, 2002 reflected the discontinued operations announced by us on June 14, 2002, the Form 10-K as originally filed by us on April 1, 2002 needs to be restated for the discontinued operations. Accordingly, we have filed this Form 10-K/A-1 for the year ended December 31, 2001, to reflect discontinued operations for all periods presented.

The following represents income statement data for the discontinued operations:

Income statement data:

	For The Years Ended December 31,		
	2001	2000	1999
Revenues	$176,582	$111,842	$63,153
Costs and expenses	169,659	107,935	60,764
Operating income	6,923	3,907	2,389
Income tax expense	3,566	2,409	1,340
Income from discontinued operations	$ 3,357	$ 1,498	$ 1,049

The following table summarizes the major assets and liabilities for discontinued operations. The inter-company payables and stockholders' equity (deficit) are eliminated in consolidation and therefore do not appear on the face of the balance sheet. The discontinued balance sheet is as follows:

	December 31, 2001	December 31, 2000
Current assets	$ 74,450	$ 47,384
Property and equipment	90,552	63,075
Intangibles and goodwill	118,152	100,190
Total assets	$283,154	$210,649
Current liabilities	$ 30,088	$ 28,109
Long-term debt	175,531	119,487
Other liabilities	8,463	3,459
Deferred taxes	1,553	1,059
Inter-company payables	68,381	61,344
Stockholders' deficit	(862)	(2,809)
Total liabilities and stockholders' deficit	$283,154	$210,649

Included in the December 31, 2001 long-term debt are borrowings from bank financings of $143.3 million with the remainder primarily capital leases generally with five-year terms. The bank borrowings are unsecured and payable in a lump sum on May 1, 2006 with a floating interest rate of Libor plus 1.625% or prime rate.

Of the $7.0 million, $26.3 million and $25.2 million of loans to discontinued operations included in the statement of cash flows for the years ended December 31, 2001, 2000 and 1999, respectively, approximately $0 million, $23.2 million and $19.1 million represent loans to CMI (our medical imaging business) for operating cash purposes for each respective period. In addition, approximately $6.4 million, $2.2 million and $5.7 million represent loans made to our discontinued overseas business for operating cash and acquisition purposes during the years ended December 31, 2001, 2000 and 1999, respectively. Approximately $0.6 million, $0.9 million and $0.4 million represent loans to our discontinued seeds manufacturing business for operating cash purposes during the years ended December 31, 2001, 2000 and, 1999, respectively. These loans are comprised of short-term inter-company loans. These inter-company loans are eliminated in consolidation, except for the statement of cash flows, which reflects the lending activities between the continuing and discontinued operations in order to provide disclosure of such activity.

The remaining notes to the consolidated financial statements have been restated (except for Note 3 relating to acquisitions) to only address/disclose information relevant to the continuing operations.

Note 2. SUMMARY OF CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT ACCOUNTING POLICIES

Our critical accounting estimates and critical accounting policies are as follows:

Revenue Recognition. We recognize our revenue primarily from two sources: (i) product revenue, which includes sales from our radiopharmacies, and (ii) service revenue, primarily from our international imaging businesses and our cardiology management services. Management makes few estimates or judgments in the recording of revenues and as such few if any changes are expected in the recording of revenues. Revenues are booked based upon delivery of product to our customers. Since most of our products are compounded with radioactive materials, most have a very short useful life of approximately six hours. Due to this short life and the fact that most items are ordered for specific patients based on a doctor's prescription, we receive very few returns of product. These returns are generally handled in the same month so future revenues are not impacted and no significant allowances for returns are necessary. Service revenues are booked at the time of service. Allowances are made for contracts and bad debts in the same month as the service revenue is booked. Service revenues constitute less than 3% of our overall net revenues.

Included in our sales for the year ended December 31, 2001 and 2000, was Cardiolite sales of approximately $319.1 million and $282.0 million, respectively. Cardiolite sales represented approximately 53.4% and 54.5% of our total sales from continuing operations during each respective annual period.

Estimating Valuation Allowances for Doubtful Accounts. The preparation of financial statements requires our management to make estimates and assumptions on the collectibility of our accounts receivable. Management specifically analyzes historical bad debts, customer concentrations, customer credit-worthiness, current economic trends, aging of accounts and changes in payment terms when evaluating the adequacy of the allowance for doubtful accounts. Any changes in these estimates or assumptions could cause material differences in recorded allowances.

Valuation of Long-Lived Assets and Goodwill. We assess the impairment of identifiable intangibles, long-lived assets and related goodwill and enterprise level goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business;
- significant negative industry or economic trends;
- our market capitalization relative to net book value.

When we determine that the carrying value of intangibles, long-lived assets and related goodwill and enterprise level goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on a projected undiscounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model. Net intangible assets, long-lived assets, and goodwill amounted to $130.7 million as of December 31, 2001.

Through December 31, 2001, the cost in excess of net assets of acquired businesses is being amortized on a straight-line basis over periods of 15 to 40 years.

In the first quarter of 2002, Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" was effective and as a result, we ceased amortizing approximately $30.5 million of goodwill. We had recorded approximately $1.2 million, $1.0 million, and $1.9 million of goodwill amortization during 2001, 2000 and 1999, respectively. We would have recorded approximately $0.9 million of goodwill amortization during 2002. Under the provisions of the Statement, we did not record amortization related to any post-June 30, 2001 acquisitions. Such amortization would have amounted to $0.2 million. In lieu of amortization, we are required to perform an initial impairment review of our recorded intangibles and goodwill in 2002 and an annual impairment review thereafter. We completed our initial review during the first and second quarter of 2002, there was no adjustment to intangible assets recorded balances or estimated useful lives, and no adjustments to goodwill.

Summary of Significant Accounting Policies:

Principles of Consolidation: The consolidated financial statements include the assets, liabilities and operations of the Company and its subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation, except for borrowings between the continuing and discontinued operations for purposes of the statements of cash flows only.

Cash and Cash Equivalents and Short-Term Investments: The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Short-term investments consist principally of time deposits and tax-exempt municipal securities and are carried at cost, which approximates market value.

Financial Instruments: The carrying value of financial instruments such as cash and cash equivalents, trade receivables, payables and floating rate short and long-term debt, approximate fair value.

Inventory: Inventories, primarily consisting of purchased products, are stated at the lower of cost (first-in, first-out) or market.

Property and Equipment: Property and equipment are stated at cost and depreciated or amortized on a straight-line basis over estimated useful lives ranging from two to fifteen years.

Self Insurance: The Company historically has purchased insurance in excess of self-insured retentions or deductibles for losses and liabilities related to vehicle claims, medical claims and general product liability claims. Losses accrued under self-insured and deductible plans are based upon the Company's estimates of aggregated liability claims incurred using certain actuarial assumptions followed in the insurance industry and the Company's own experience.

Marketable Investment Securities: Marketable investment securities consist primarily of corporate debt and United States government obligations. The Company classifies debt and marketable equity securities in one of three categories: trading, available-for-sale or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities that the Company has the ability and intent to hold until maturity. All other securities not included in trading or held-to-maturity are classified as available-for-sale.

Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a component of accumulated other comprehensive income until realized.

Foreign Currency Translation: Assets and liabilities of foreign operations are translated into U.S. dollars based upon the prevailing exchange rates in effect at the balance sheet date. Foreign exchange gains and losses resulting from these translations are included as a component of accumulated other comprehensive income. Actual gains or losses incurred on currency transactions in other than the country's functional currency are included in net income currently. During 2001, the Company's fixed assets decreased by $2.1 million due to currency translation adjustments when we corrected our policy of using historical exchange rates to current exchanges rates. This change did not have an earnings impact but impacted the valuation of fixed assets of our International business and accumulated other comprehensive income on the balance sheet.

Stock Options: The Company measures stock-based compensation using the intrinsic value method, which assumes that options granted at market price at the date of grant have no intrinsic value. Proforma net income and earnings per share are presented in Note 10 as if the fair value method had been applied.

Income Taxes: Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Use of Estimates: The Company's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the reporting of sales and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Reclassifications: Certain items in the prior years' consolidated financial statements have been reclassified to conform to the current year's presentation.

New Accounting Standards: In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Accounting Standards SFAS No. 141, *Business Combinations* and SFAS No. 142 *Goodwill and Other Intangible Assets*. SFAS requires that the purchase method of accounting be used for all business combinations completed after June 30, 2001, clarifies the recognition of intangible assets separately from goodwill and requires that unallocated negative goodwill be written off immediately as an extraordinary gain. SFAS No. 142, which was effective for fiscal years beginning after December 15, 2001, requires that ratable amortization of goodwill be replaced with periodic tests of goodwill impairment and that intangible assets, other than goodwill, which have determinable useful lives, be amortized over their useful lives. The Company has adopted these accounting standards effective January 1, 2002 and has determined in the transitional impairment analysis, that based upon the value of the proposed merger agreement and anticipated sales values of discontinued business assets, that there has been no impairment of recorded goodwill. There were no adjustments to identifiable intangible assets' useful lives or recorded balances as a result of the adoption of SFAS No.142. We will perform an annual impairment analysis of goodwill as required by SFAS No. 142.

In August 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144), which supersedes both FASB Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of* (SFAS No. 121) and the accounting and reporting provisions of APB Opinion No. 30, *Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions* (Opinion 30), for the disposal of a segment of a business (as previously defined in that Opinion). SFAS No. 144 retains the fundamental provisions in SFAS No. 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while also resolving significant implementation issues associated with SFAS No. 121. SFAS No. 144 retains the basic provisions of Opinion 30 on how to present discontinued operations in the income statement but broadens that presentation to include a component of an entity (rather than a segment of a business). Unlike SFAS No. 121, an impairment assessment under SFAS No. 144 will never result in a write-down of goodwill. Rather, goodwill is evaluated for impairment under SFAS No. 142, *Goodwill and Other Intangible Assets.*

The Company is required to adopt SFAS No. 144 no later than the year beginning after December 15, 2001. Accordingly, the Company adopted SFAS No. 144 in the first quarter of 2002. Management does not expect the adoption of SFAS No. 144 for long-lived assets held for use to have a material impact on the Company's financial statements because the impairment assessment under SFAS No. 144 is largely unchanged from SFAS No. 121. The provisions of SFAS No. 144 for assets held for sale or other disposal generally are required to be applied prospectively after the adoption date to newly initiated disposal activities. The adoption of SFAS No. 144 impacted us as certain disposal groups qualified as discontinued operations and are presented accordingly in the accompanying condensed consolidated financial statements (Note 1).

On August 16, 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations*. The statement requires entities to record the fair value of a liability for legal obligations associated with the retirement obligations of tangible long-lived assets in the period in which it is incurred. When the liability is initially recorded, the entity increases the carrying amount of the related long-lived asset. Over time, accretion of the liability is recognized each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The standard is effective for fiscal years beginning after June 15, 2002, with earlier application encouraged. We do not expect that the adoption of SFAS No. 143 will have a material impact on the Company's results from operations.

In April 2002, the FASB issued SFAS No. 145 *Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections* which requires that the extinguishment of debt not be considered an extraordinary item under Opinion 30 *Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions* unless the debt extinguishment meets the unusual in nature and infrequency of occurrence criteria in Opinion 30. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002 and upon adoption, companies must reclassify prior period items that do not meet the extraordinary item classification criteria in Opinion 30. The adoption of SFAS No. 145 is not expected to have a material impact on our financial position and results of operations.

On July 30, 2002, FASB issued Statement of Financial Accounting Standards ("SFAS") No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 nullifies EITF Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. It requires that a liability be recognized for those costs only when the liability is incurred, that is, when it meets the definition of a liability in the FASB's conceptual framework. SFAS No. 146 also establishes fair value as the objective for initial measurement of liabilities related to exit or disposal activities. SFAS No.146 is effective for exit or disposal activities that are initiated after December 31, 2002, with earlier adoption encouraged. We do not expect that the adoption of SFAS No. 146 will have a material impact on our financial position or results from operations.

Note 3. ACQUISITIONS

The summary below of acquisitions that we made in 2001 and 2000 and the tables that follow reflect acquisitions made by our continuing operations and discontinued operations. We have not made any amendments to this note to reflect the discontinuation of our CMI operations and certain overseas locations announced on June 14, 2002.

During 2000 and 2001, the Company made several acquisitions. Our 2000 acquisitions were made primarily by CMI, our U.S. medical imaging subsidiary. During 2001, significant acquisitions were made by Syncor Overseas Ltd., our International subsidiary, by our US Pharmacy business, and by CMI.

2001 Acquisitions:

During January 2001, we acquired three imaging center sites in California for a purchase price of $13.4 million.

In March 2001, we acquired a Gamma knife venture in Brazil for a purchase price of $2.0 million and a distributor of radiopharmaceuticals in New Zealand for a purchase price of $0.3 million plus the assumption of $0.2 million of debt.

During May 2001, we entered into a management service agreement with an oncology clinic in Brazil for an investment of $1.8 million.

During June 2001, we acquired a distributor and manufacturer of diagnostic radiopharmaceuticals in Australia for an acquisition price of $0.7 million.

During July 2001, we acquired a manufacturer of radiation detection and measurement equipment in Ohio for an acquisition price of $10.8 million. We also acquired two imaging centers in Texas for $4.3 million plus the assumption of $3.6 million of debt. In addition, we acquired an imaging center in Florida for a purchase price of $5.1 million plus the assumption of $2.0 million of debt.

During September 2001, we acquired a cardiovascular service company in North Carolina for an acquisition price of $13.7 million plus the assumption of $0.2 million of debt. In addition, we acquired a radiology and cardiology distribution company in Belgium for an acquisition price of $2.0 million.

During October 2001, we acquired a nuclear services company for an acquisition price of $0.8 million.

2000 Acquisitions:

During March 2000, we acquired four imaging center sites. The first was the acquisition of three sites previously managed by CMI for a price of $2.1 million plus the assumption of $2.7 million in debt. The second was a site acquisition in Boynton Beach, FL for a purchase price of $0.2 million plus the assumption of $1.3 million in debt.

During April 2000, we acquired the remaining interest in seven managed imaging center sites for a total acquisition price of $8.7 million plus the assumption of $1.0 million of debt.

During September 2000, we acquired thirteen imaging centers located in California and Florida for a total acquisition price of $31 million plus the assumption of $1.3 million in debt. In addition, the Company acquired certain PET production facilities for an acquisition price of $0.9 million plus the assumption of $5.8 million in debt.

During November 2000, we acquired an imaging center and a catheterization laboratory in Trinidad and Tobago for an acquisition price of $2.0 million. In addition, we acquired a nuclear medicine business in Puerto Rico for $0.75 million. In December 2000, we acquired an imaging center in Phoenix, AZ for an acquisition price of $4.7 million plus the assumption of $4.2 million in debt.

The following table represents the allocation of purchase price for acquisitions in 2001 and 2000:

	Allocation of Acquisitions Purchase Price 2001	2000
Accounts Receivable	$8,510	$6,822
Goodwill	37,762	35,608
Inventory	6,374	-
Property & Equipment	10,854	32,354
Other Liabilities	(2,823)	(7,280)
Sub-Total	60,677	67,504
Less Assumption of Debt	(5,898)	(16,006)
Total	$54,779	$51,498

The Company accounted for these transactions as purchases and the purchase prices were allocated as indicated above. Goodwill for these acquisitions is being amortized from 15 to 20 years period. The results of operations related to the above 2001 and 2000 transactions are included in the Company's consolidated financial statements from the effective acquisition dates.

The following unaudited pro forma information presents a summary of our consolidated results of operations for 2001 and 2000 for continuing operations and for operations that we announced on June 14, 2002 that we are discontinuing, as if the acquisitions had occurred at the beginning of those years:

(IN THOUSANDS, EXCEPT PER SHARE)	YEAR END DECEMBER 31, 2001	YEAR END DECEMBER 31, 2000
Sales	$810,543	$679,093
Net earnings	$ 39,428	$ 30,755
Net earnings per diluted share	$ 1.46	$ 1.15

These unaudited proforma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations that would have occurred or the future results of operations of the consolidated entities.

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Note 4. PROPERTY AND EQUIPMENT, NET

The major classes of property were as follows:

(IN THOUSANDS)	DECEMBER 31, 2001	DECEMBER 31, 2000
Land and buildings	$ 6,206	$ 3,333
Furniture and equipment	107,485	77,341
Leasehold improvements	28,118	16,409
Construction in progress	8,740	5,204
	150,549	102,287
Less accumulated depreciation and amortization	(63,737)	(51,076)

	$86,812	$51,211

Note 5. MARKETABLE INVESTMENT SECURITIES

Marketable investment securities consist of:

(IN THOUSANDS)	DECEMBER 31, 2001	DECEMBER 31, 2000
Available-for-sale, at fair value, net of tax effect	$ 506	$ 690
Held-to-maturity, at amortized cost	$ 500	$ 500
	$1,006	$1,190

The amortized cost, gross unrealized holding gains and losses and fair value for available-for-sale and held-to-maturity securities by major security type at December 31, 2001 and 2000 were as follows:

(IN THOUSANDS)	AMORTIZED COST	2001 UNREALIZED GAINS (LOSSES) HOLDING GAINS	HOLDING LOSSES	FAIR VALUE
Available-for-sale:				
Corporate debt securities	$ 493	$13	$—	$ 506
Held-to-maturity:				
U.S. Treasury securities	500	—	—	500
	$ 993	$13	$—	$1,006

(IN THOUSANDS)	AMORTIZED COST	2000 UNREALIZED GAINS (LOSSES) HOLDING GAINS	HOLDING LOSSES	FAIR VALUE
Available-for-sale:				
Corporate debt securities	$ 697	$—	$ (7)	$ 690
Held-to-maturity:				
U.S. Treasury securities	500	—	—	500
	$1,197	—	$ (7)	$1,190

The unrealized holding losses on held-to-maturity securities have not been recognized in the accompanying consolidated financial statements.

Maturities of investment securities classified as available-for-sale and held-to-maturity at December 31, 2001 and 2000 were as follows:

	2001		2000	
(IN THOUSANDS)	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE

Available-for-sale:				
Due after one year through five years	$493	$506	$499	$499
Due after five years through ten years	$ 0	$ 0	$198	$191
Held-to-maturity:				
Due within one year	$500	$500	$500	$500

Note 6. LINE OF CREDIT

At December 31, 2001, the Company had an unsecured revolving line of credit for short-term borrowings aggregating $200,000,000. The line of credit was increased from $150,000,000 to $200,000,000 effective May 10, 2001. The terms of this revolving credit line include two interest rate borrowing options, the Eurodollar rate plus an applicable margin or the bank's Prime rate (4.75 percent at December 31, 2001). At December 31, 2001, the availability of the line of credit was reduced by $2.0 million as a result of outstanding standby letters of credit resulting in available credit of $28.5 million. To maintain this line of credit, the Company is required to pay a quarterly commitment fee of 1/4 of one percent per annum on the unused portion.

The line of credit agreement specifies that certain covenants be maintained, including limitations on investments and acquisitions, new borrowings and issuance of new stock. Certain financial ratios also need to be maintained under this agreement, including minimum Net Worth, EBITDA ratio and Fixed Charge Coverage ratio. At December 31, 2001, the Company was in compliance with all debt covenants under the credit line agreement.

Note 7. LONG-TERM DEBT

The Company's long-term debt was as follows:

(IN THOUSANDS)	DECEMBER 31, 2001	DECEMBER 31, 2000
Notes payable, unsecured, payable in installments through 2015, with effective interest rates ranging from 2.15% to 9%	$ 2,482	$ 162
Note payable, unsecured, payable in installments through 2001, with a floating interest rate of either the lower of prime rate or LIBOR plus .75%, 6.57% at December 31, 2000	0	1,685
Notes payable, secured, payable in installments through 2003, with a non-interest bearing rate, net of unamortized discount at 8.38% to 9.58% of $11 and $47 at December 31, 2001 and 2000, respectively	2,017	2,519
Note payable, unsecured, payable in installments through 2002, with a floating interest rate of LIBOR plus .95%, 2.85% and 7.39% at December 31, 2001 and 2000, respectively	4,575	5,275
Note payable, unsecured, payable in lump sum on May 1, 2006		

with a floating interest rate of LIBOR plus 1.625% or prime rate, with interest rates ranging from 3.56% to 3.88% at December 31, 2001 and with average interest rate for 2001 of 6.37%, and 7.82% for 2000	26,121	9,576
Capital Lease obligations, payable in installments through 2006, with effective interest rates from 5.50% to 11.25%	6,268	3,465
Total debt	41,463	22,682
Less current maturities of long-term debt	(6,345)	(4,283)
Long-term debt, net of current maturities	$35,118	$18,399

At December 31, 2001, long-term debt maturing over the next five years is as follows: 2002, $6,345; 2003, $6,909; 2004, $921; 2005, $849; 2006, $26,439; and $0 thereafter.

Interest paid was $1,522, $1,361, and $1,241 for the years ended December 31, 2001, 2000 and 1999, respectively.

Note 8. INCOME TAXES

Total income tax expense for the years ended December 31, 2001, 2000 and 1999 was allocated as follows:

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999
Domestic income	$20,357	$16,686	$13,113
Foreign income	289	595	242
Total income from continuing operations	20,646	17,281	13,355
Stockholders' equity for compensation expense for tax purposes in excess of amounts recognized for financial reporting	(4,205)	(5,854)	(2,743)
	$16,441	$11,427	$10,612

Income tax expense (benefit) attributable to income from continuing operations consisted of:

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999
Current:			
Federal	$15,452	$15,146	$10,411
Foreign	289	595	242
State	3,108	3,398	2,502
	18,849	19,139	13,155
Deferred:			

Federal	1,327	(1,603)	378
Foreign	0	0	0
State	470	(255)	(178)
	1,797	(1,858)	200
	$20,646	$17,281	$13,355

The amounts differed from the amounts computed by applying the federal income tax rate of 35 percent to pretax income from continuing operations as a result of the following:

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999
Federal income taxes at “expected” rate	$19,305	$15,862	$11,034
Increase (reduction) in income taxes resulting from:			
Meals and entertainment	258	235	202
Tax exempt interest	(44)	(53)	(50)
Non-deductible amortization of intangible assets	101	189	147
Foreign losses and foreign tax rate differential	41	315	858
State taxes, net of Federal benefit	2,325	2,043	1,511
Utilization of general business credits	(1,483)	(1,340)	(631)
Other	143	30	284
	$20,646	$17,281	$13,355

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2001 and 2000, are presented below:

(IN THOUSANDS)	DECEMBER 31, 2001	DECEMBER 31, 2000
Deferred tax assets:		
Net operating loss and credit carryforwards	$ 0	$ 123
Compensated absences, principally due to accrual for financial reporting purposes	2,331	1,950
Accounts receivable, due to allowance for doubtful accounts	968	707
Accrued liabilities, primarily due to self-insurance and other contingency accruals for financial reporting purposes	2,446	3,431
Deferred compensation, due to accrual for financial reporting purposes	3,328	3,262
Covenant not to compete due to difference in amortization	466	542
Other	687	754
Total gross deferred tax asset	$10,226	$10,769

(IN THOUSANDS)	DECEMBER 31, 2001	DECEMBER 31, 2000

Deferred tax liabilities:		
Plant, equipment and internal software, due to differences in depreciation & amortization	$ 2,481	$ 1,372
Partnership basis, due to book to tax differences at partnership level	874	672
Deferred expenses	101	126
Goodwill	204	130
Other	139	245
Total gross deferred tax liabilities	$ 3,799	$ 2,545
Net deferred tax asset	$ 6,427	$ 8,224

Management has reviewed the recoverability of deferred income tax assets and has determined that it is more likely than not that the deferred tax assets will be fully realized through future taxable earnings. The gross deferred tax asset is recorded on the balance sheet in Prepaid and other current assets. Income tax payments amounted to $13,267, $9,027, and $7,625 for the years ended December 31, 2001, 2000, and 1999 respectively.

Deferred income taxes have not been provided on the undistributed earnings of foreign subsidiaries and other foreign investments carried at equity. The amount of such earnings included in consolidated retained earnings amounted to $4,509 and $3,034, at December 31, 2001 and 2000 respectively. These earnings have been substantially reinvested, and we do not plan to initiate any action that would precipitate the payment of income taxes thereon.

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Note 9. COMMITMENTS

The Company leases facilities, vehicles and equipment with terms ranging from three years to fifteen years. The majority of property leases contain renewal options and some have escalation clauses for increases in property taxes, Consumer Price Index and other items.

The Company leases certain items of equipment under capital leases which had a cost of $9,886, $4,904, and $0, at December 31, 2001, 2000 and 1999 respectively, and accumulated depreciation of $964, $291, and $0, respectively. The increase in equipment leases in 2001 was due primarily to continued increase in the number of FDG (fluorodeoxyglucose) production equipment as a result of the expansion of our FDG production business.

Future minimum lease payments under capital leases and non-cancelable operating leases with terms greater than one year and related sublease income at December 31, 2001 were as follows:

YEAR ENDING DECEMBER 31, (IN THOUSANDS)	CAPITAL LEASES	OPERATING LEASES	SUBLEASE INCOME
2002	$1,270	$ 6,820	$ 5
2003	3,659	4,463	—
2004	982	3,456	—
2005	850	2,646	—
2006	45	1,934	—
Thereafter	—	4,963	—
	$6,806	$24,282	$ 5
Less amount representing interest	$ (538)		
Present value of net minimum lease payments	$6,268		

Rental expense under operating leases was $9,482, $7,458, and $7,652 for the years ended December 31, 2001, 2000 and 1999, respectively.

Note 10. STOCK OPTIONS AND RIGHTS

Options to purchase common stock have been granted under various plans to officers, directors and other employees at prices equal to the market prices at date of grant. An aggregate of 10,267,000 shares have been authorized for issuance under the various plans as of December 31, 2001. Options are generally exercisable at a rate of 25 percent per year beginning one year from the date of grant and expire ten years after the date of grant. At December 31, 2001, 2,516,000 shares were reserved for issuance under the various plans.

The per share weighted-average fair value of stock options granted during 2001, 2000 and 1999 was $19.91, $20.14, and $21.47, respectively, on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions: 2001 expected dividend yield of 0%, risk-free interest rate of 4.72%, expected volatility of 61.66% and an expected life of 5.32 years; 2000 expected dividend yield of 0%; risk-free interest rate of 6.33%; expected volatility of 63.25% and an expected life of 5.63 years; 1999 expected dividend yield of 0%; risk-free interest rate of 5.62%; expected volatility of 58.7% and an expected life of 5.21 years.

The Company applies APB Opinion No. 25 in accounting for its plans and, accordingly, no compensation cost has been recognized for its stock options in the Consolidated Statements of Operations. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's net income would have been reduced to the pro forma amounts indicated in the following table:

(IN THOUSANDS, EXCEPT PER SHARE DATA)	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999
Net income			
As reported	$37,869	$29,538	$19,221
Pro-forma	$33,441	$11,307	$15,545
Earnings per share			
Basic:			
As reported	$ 1.54	$ 1.23	$ 0.82
Pro-forma	$ 1.36	$ 0.47	$ 0.66
Diluted:			
As reported	$ 1.40	$ 1.11	$ 0.75
Pro-forma	$ 1.24	$ 0.42	$ 0.61

A summary of employee stock options is as follows:

(IN THOUSANDS, EXCEPT SHARE PRICE)	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at December 31, 1998	5,698	$ 6.88
Granted	2,144	$15.60
Exercised	(806)	$ 4.63
Cancelled	(482)	$ 8.68
Outstanding at December 31, 1999	6,554	$ 9.47
Granted	2,818	$29.71
Exercised	(865)	$ 6.87
Cancelled	(630)	$10.46
Outstanding at December 31, 2000	7,877	$16.70

Granted	1,072	$31.88
Exercised	(815)	$13.19
Cancelled	(383)	$21.28
Outstanding at December 31, 2001	7,751	$18.55

At December 31, 2001, the range of exercise prices and weighted average remaining contractual life of outstanding options was $4.25 to $38.59 and 6.97 years, respectively. The following table represents the price ranges for outstanding options at December 31, 2001.

Option Price Ranges	Number of Options Outstanding
$ 4.25 - $10.00	3,112,000
$10.01 - $15.00	998,000
$15.01 - $20.00	873,000
$20.01 - $25.00	0
$25.01 - $30.00	293,000
$30.01 - $35.00	1,877,000
$35.01 - $38.59	598,000
Total	7,751,000

At December 31, 2001, 2000, and 1999, the number of options exercisable was approximately 3,071,000, 3,269,000, and 1,976,000, respectively, and the weighted average price of those options was $15.18, $14.86, and $6.40, respectively.

The Company derives a tax benefit from the options exercised and sold by employees and the benefit is credited to additional paid-in capital.

In September 1999, the Company adopted a new Rights Plan and declared a dividend distribution of one right for each outstanding share of the Company’s common stock. The new Rights Plan replaced the Company’s original rights plan, which was set to expire in September 1999. The rights under the new Rights Plan are set to expire in September 2009, unless redeemed earlier by the Board. At least once every three years, an independent committee of the Board will review the Rights Plan and, if the committee deems it appropriate, recommend to the entire Board that the Rights Plan be modified or terminated. Each right represents the right to purchase, if and when the right becomes exercisable, a unit consisting of one share of Syncor common stock at a per unit price of $90 (the “Purchase Price”). The rights generally will be exercisable only if a person or group (an “Acquiring Person”) acquires beneficial ownership of 15% or more of Syncor’s common stock or commences a tender or exchange offer upon consummation of which such person or group would beneficially own 15% or more of Syncor’s common stock (other than as a result of repurchases of stock by Syncor, or certain purchases by institutional or similar stockholders so long as they do not own 20% or more). In the event any person becomes an Acquiring Person (other than pursuant to an offer for all shares that the majority of the independent directors not associated or affiliated with the Acquiring Person determines to be adequate and otherwise in the best interest of the Company and its stockholders), each of the rights becomes a discount right entitling the holder (other than the Acquiring Person) upon payment of the Purchase Price, to common stock having a value equal to twice the Purchase Price (i.e., $180 worth of Syncor stock for a purchase price of $90). If following someone becoming an Acquiring Person, the Company engages in a merger or other business combination in which the Company does not survive or the common stock is changed or exchanged, or transfers more than 50% of its assets, cash flow or earning power in one transaction or a series of related transactions, each right becomes a right (except for the Acquiring Person) to acquire common shares of the other party to the transaction having a value equal to twice the Purchase Price.

Note 11. EMPLOYEE BENEFIT PLANS

The Company’s 401(k) plan is open to all employees who are at least 18 years of age and have a minimum of three consecutive months of service. In 1989, the Company's Board of Directors amended the plan to an Employees’ Savings and Stock Ownership Plan (ESSOP) to allow the plan to acquire one million of the Company's shares through a leveraged employee stock ownership plan transaction. In June 1995, September 1996, and August 1997, an additional 1,500,000 shares, in total, which were purchased in the open market, were contributed to the plan. These shares were originally classified as “treasury stock.” The contributions totaled $8,657,000 and reflected the fair market value at the time of contribution. In connection with these transactions, the Company made a loan to the ESSOP. The ESSOP loan was paid off as of December 31, 2001.

Under the ESSOP, participants may contribute one percent to fourteen percent of their compensation to 401(k) investment options and an additional two percent of their compensation to purchase Company stock. The Company makes matching contributions to 50 percent of the employees’ 401(k) investment contributions up to a maximum of four percent of the employee’s compensation and to 100 percent of the employees’ Company stock purchases up to two percent of the employee’s compensation. The Company’s matching contribution is made in Company stock. If an ESSOP loan payment is outstanding, the number of shares available to match employee contributions is directly related to the amount of principal payments made on the ESSOP loan. Once the number of available shares is determined, the Company matches the employees' contributions based on the fair market value of the shares and the remainder of any shares not allocated after all matching is complete is allocated to all eligible employees based on relative compensation.

Participants are fully and immediately vested in their contributions and vest in employer contributions over a five-year period of continuous employment. After five years of continuous employment, any further employer contributions are fully and immediately vested. The Company's contributions for the years ended December 31, 2001, 2000 and 1999 amounted to $1,735,000, $1,895,000, and $1,957,000, respectively, of which $1,685,000, $1,685,000, and $1,686,000, respectively, were used to pay down principal on the ESSOP loan and $50,000, $210,000, and $271,000 respectively, to pay interest.

Note 12. NET INCOME PER SHARE

The following table presents the computation of basic earnings per share (EPS):

(IN THOUSANDS EXCEPT PER SHARE DATA)	FOR THE YEAR ENDED DECEMBER 31, 2001			FOR THE YEAR ENDED DECEMBER 31, 2000			FOR THE YEAR ENDED DECEMBER 31, 1999		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Shares Amount
Basic EPS-continuing operations	$34,512	24,570	$1.40	$28,040	23,948	$1.17	$18,172	23,340	$0.78
Basic EPS – discontinued operations	$ 3,357	24,570	$0.14	$ 1,498	23,948	$0.06	$ 1,049	23,340	$0.04
Total	$37,869	24,570	$1.54	$29,538	23,948	$1.23	$19,221	23,340	$0.82
Effect of dilutive stock options		2,459			2,709			2,138	
Diluted EPS-continuing operations	$34,512	27,029	$1.28	$28,040	26,657	$1.05	$18,172	25,478	$0.71
Diluted EPS-discontinued operations	$ 3,357	27,029	$0.12	$ 1,498	26,657	$0.06	$ 1,049	25,478	$0.04
Total	$37,869	27,029	$1.40	$29,538	26,657	$1.11	$19,221	25,478	$0.75

Note 13. LITIGATION AND CONTINGENCIES

There are various litigation proceedings in which the Company and its subsidiaries are involved. Many of the claims asserted against the Company in these proceedings are covered by insurance. The results of litigation proceedings cannot be predicted with certainty. However, in the opinion of the Company's general counsel, such proceedings either are without merit or do not have a potential liability which would materially affect the financial condition of the Company and its subsidiaries on a consolidated basis.

Note 14. SUBSEQUENT EVENTS

On January 17, 2002, the Company completed an asset securitization agreement with one of our banks using the U.S. pharmacy business segment's trade receivables as collateral. Under this facility, we sell our receivables generated from our U.S. radiopharmacy operation to a wholly-owned subsidiary, Syncor Financing Corporation, which in turn sells the receivables to a third party. This securitization program will allow the Company to borrow up to $65 million at rates generally more favorable than under the credit line agreement. Upon execution of the securitization agreement, our credit line had a provision that required a 50% reduction of the securitization amount, or $32.5 million. Therefore, the credit line has a current borrowing limit of $167.5 million.

On June 14, 2002, we entered into an agreement and plan of merger with Cardinal Health and its wholly owned subsidiary, Mudhen Merger Corp. Under the terms and subject to the conditions of the agreement, we will become a wholly owned subsidiary of Cardinal Health. The merger agreement provides for Syncor stockholders to receive 0.52 Cardinal Health shares for each Syncor share they own. See note 1 for more information about the merger.

On June 14, 2002, we also announced our decision to discontinue certain operations including our medical imaging business-CMI (a separate segment for reporting purposes), certain overseas locations and the brachytherapy seeds manufacturing operations of the Radiopharmacy Services Business. On the date of our announcement, we recorded net after-tax charges in discontinued operations for severance, impairment of assets held for sale and other charges totaling $24.9 million or $0.93 per fully diluted share. We also announced a special charge to earnings of $5.0 million ($3.1 million net after tax or $0.11 per fully diluted share). See note 1 for more information about these charges.

In our June 14, 2002 announcement regarding the discontinuation of CMI operations, we indicated that we were entertaining bids for the sale of CMI. Since that announcement, numerous potential buyers have conducted due diligence on the CMI business. During the quarter ended September 30, 2002, we received various offers from potential buyers, and based on these offers, we believe that it is probable that the sale of CMI will result in a loss on disposal to Syncor in the range of $28 million to $35 million net after tax. Based on this information, we intend to recognize an asset impairment charge relative to CMI in the range of $28 million to $35 million net after tax in the quarter ended September 30, 2002.

Note 15. BUSINESS SEGMENTS

The Company is currently in two different business segments: The first segment is the compounding, dispensing, and distribution of complex pharmaceuticals in the United States. The second segment is the compounding, dispensing, and distribution of complex pharmaceuticals and the provision of radiology services outside of the United States.

(IN THOUSANDS)

U.S. PHARMACY SERVICES BUSINESS	**2001**	**2000**
Revenues	$564,697	$489,247
Operating Income	$ 73,347	$ 56,743
Total Assets	$189,274	$159,657
Capital Expenditures	$ 25,603	$ 4,398
Depreciation/Amortization	$ 7,323	$ 5,475

INTERNATIONAL OPERATIONS	**2001**	**2000**
Revenues	$ 33,439	$ 28,305
Operating (Loss) Income	$ (375)	$ 1,230
Total Assets	$ 53,411	$ 52,052
Capital Expenditures	$ 7,071	$ 7,410
Depreciation/Amortization	$ 3,856	$ 1,953

UNALLOCATED CORPORATE	**2001**	**2000**
Operating Loss	$(16,714)	$(14,234)
Total Assets	$ 62,002	$ 48,213
Capital Expenditures	$ 12,460	$ 7,567
Depreciation/Amortization	$ 5,733	$ 4,906

GEOGRAPHIC SEGMENTS	**REVENUES**	**OPERATING INCOME**	**TOTAL ASSETS**
United States			
2001	$564,697	$55,231	$251,276
2000	$489,247	$41,819	$207,870
Rest of World			
2001	$ 33,439	$ 1,027	$ 53,411
2000	$ 28,305	$ 1,920	$ 52,052

SELECTED QUARTERLY RESULTS OF OPERATIONS

The unaudited quarterly operating results in the Selected Quarterly Results of Operations have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, include all adjustments necessary for a fair presentation for the periods presented.

Unaudited calendar quarterly information is summarized below:

(IN THOUSANDS, EXCEPT PER SHARE DATA)	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,	2001
Net sales	$140,093	$144,377	$149,818	$163,848	$598,136
Gross profit	$ 42,219	$ 44,057	$ 44,809	$ 49,306	$180,391
Income:					
Continuing operation	9,466	10,202	7,075	7,769	34,512
Discontinued operations	741	780	759	1,077	3,357
Net Income	10,207	10,982	7,834	8,846	37,869
Earnings per basic share:					
Continuing operations	0.39	0.42	0.29	0.31	1.40
Discontinued operations	0.03	0.03	0.03	0.05	0.14
Net Income	0.42	0.45	0.32	0.36	1.54
Earnings per diluted share:					
Continuing operations	0.35	0.38	0.26	0.29	1.28
Discontinued operations	0.03	0.03	0.03	0.04	0.12
Net Income	0.38	0.41	0.29	0.33	1.40
Weighted average shares outstanding:					
Basic	24,473	24,405	24,603	24,798	24,570
Diluted	27,101	26,936	27,024	26,985	27,029
Market price per share:					
High	$ 38.81	$ 42.29	$ 38.74	$ 33.31	$ 42.29
Low	$ 27.25	$ 26.64	$ 26.63	$ 26.03	$ 26.03

(IN THOUSANDS, EXCEPT PER SHARE DATA)	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,	2000
Net sales	$129,555	$129,663	$126,768	$131,566	$517,552
Gross profit	$ 37,616	$ 38,014	$ 36,365	$ 37,687	$149,682
Income:					
Continuing operation	7,377	8,698	6,017	5,948	28,040
Discontinued operations	103	380	241	774	1,498
Net Income	7,480	9,078	6,258	6,722	29,538
Earnings per basic share:					
Continuing operations	0.31	0.37	0.25	0.25	1.17
Discontinued operations	0.01	0.01	0.01	0.03	0.06
Net Income	0.32	0.38	0.26	0.28	1.23

Earnings per diluted share:					
Continuing operations	0.29	0.33	0.22	0.22	1.05
Discontinued operations	0.01	0.01	0.01	0.03	0.06
Net Income	0.30	0.34	0.23	0.25	1.11
Weighted average shares outstanding:					
Basic	23,726	23,772	24,091	24,201	23,948
Diluted	25,190	26,328	27,374	26,936	26,657
Market price per share					
High	$ 16.50	$ 36.00	$ 43.94	$ 39.06	$ 43.94
Low	$ 11.02	$ 13.00	$ 32.75	$ 23.75	$ 11.02

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SYNCOR INTERNATIONAL CORPORATION AND SUBSIDIARIES

Schedule II. Valuation and Qualifying Accounts-Continuing Operations

(In thousands)

Description	Balance At Beginning Of Period	Costs And Expenses (A)	Deductions (B)	Balance At End Of Period
Year Ended December 31, 2001 Allowance for doubtful accounts	$2,485	$1,078	$(186)	$3,749
Year Ended December 31, 2000 Allowance for doubtful accounts	$1,449	$1,857	$ 821	$2,485
Year Ended December 31, 1999 Allowance for doubtful accounts	$ 765	$ 491	$(193)	$1,449

(A) Estimated bad debt.

(B) Uncollectible accounts written-off, net of recoveries and change in reserve.

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Exhibit 99.1

Certification of CEO and CFO
Regarding Annual Report on Form 10-K/A-1
For the Year Ended December 31, 2001

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350, as adopted), Robert G. Funari, Chief Executive Officer of Syncor International Corporation (the "Company"), and William P. Forster, Chief Financial Officer of the Company, hereby certify that, to the best of their knowledge,

1. The Company's Annual Report on Form 10-K/A-1 for the period ended December 31, 2001 (the "Covered Report"), which this Certification accompanies, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Covered Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Covered Report and results of operations of the Company for the period covered by the Covered Report.

Dated: October 11, 2002

/s/ Robert G. Funari
Robert G. Funari
President and Chief Executive Officer

/s/ William P. Forster
William P. Forster
Sr. Vice President and Chief Financial Officer