

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Mark one

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

For the quarterly period ended October 31, 1999

or

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

For the transition period from _____ to _____

Commission File Number 1-9974

ENZO BIOCHEM, INC.

(Exact name of registrant as specified in its charter)

NEW YORK

13-286620

(State or Other Jurisdiction of Incorporation or Organization)

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

60 EXECUTIVE BLVD., FARMINGDALE, NEW YORK

11735

(Address of Principal Executive office)

(Zip Code)

(516-755-5500)

(Registrant's telephone number, including area code)

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

COMMON STOCK, \$0.01 PAR VALUE

THE AMERICAN STOCK EXCHANGE

(Title of Class)

(Name of Each Exchange on which Registered)

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

NONE

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

Yes X No

As of December 8, 1999 the Registrant had 25,100,300 shares of Common Stock outstanding.

ENZO BIOCHEM, INC.

FORM 10-Q

October 31, 1999

INDEX

<TABLE>
<CAPTION>

PAGE
NUMBER

PART I - FINANCIAL INFORMATION

<S>
Item 1. Financial Statements

<C>

Consolidated Statement of Operations For the three months ended October 31, 1999 and 1998	4
Consolidated Statement of Cash Flows For the three months ended October 31, 1999 and 1998	5
Notes to Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	9

2

ENZO BIOCHEM, INC.
PART 1 - FINANCIAL INFORMATION

<TABLE>
<CAPTION>
Item 1. Financial Statements

CONSOLIDATED BALANCE SHEET

	October 31, 1999 (unaudited)	July 31, 1999
	----- (in Thousands)	
ASSETS		
Current assets:		
<S>	<C>	<C>
Cash and cash equivalents	\$ 44,277	\$ 43,218
Accounts receivable, less allowance for doubtful accounts	17,062	15,007
Inventories	1,472	1,427
Deferred taxes	1,186	1,186
Other	622	847
	-----	-----
Total current assets	64,619	61,685
Property and equipment, at cost, less accumulated depreciation and amortization	2,983	2,824
Cost in excess of fair value of net tangible assets acquired, less accumulated amortization	8,471	8,563
Deferred patent costs, less accumulated amortization	4,249	4,312
Deferred taxes	1,389	1,389
Other	127	127
	-----	-----
	\$ 81,838	\$ 78,900
	-----	-----
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 1,778	\$ 1,196
Income taxes payable	--	300
Other accrued expenses	862	866
	-----	-----
Total current liabilities	2,640	2,362
Deferred liabilities	860	890
Stockholders' equity:		
Preferred Stock, \$.01 par value; authorized 25,000,000 shares; no shares issued or outstanding		
Common Stock, \$.01 par value; authorized 75,000,000 shares; shares issued and outstanding; 25,081,000 shares at October 31, 1999 and 24,957,700, shares at July 31, 1999	251	250
Additional paid-in capital	93,624	92,452
Accumulated deficit	(15,537)	(17,054)
	-----	-----
Total stockholders' equity	78,338	75,648
	-----	-----
	\$ 81,838	\$ 78,900
	-----	-----
	-----	-----

</TABLE>

See accompanying notes

3

ENZO BIOCHEM, INC.
CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

<TABLE>
<CAPTION>

	Three Months Ended October 31,	
	1999	1998

	(In thousands, except per share data)	
<S>	<C>	<C>
Revenues:		
Research product revenues	\$4,332	\$3,498
Clinical laboratory services	7,280	7,026
	-----	-----
Total operating revenues	11,612	10,524
Costs and expenses:		
Cost of research product revenues	1,921	2,017
Cost of clinical laboratory services	2,057	2,117
Research and development expense	1,253	1,070
Selling expense	699	657
Provision for uncollectable accounts receivable	2,486	2,438
General and administrative expenses	2,146	1,972
	-----	-----
Total costs and expenses	10,562	10,271
Income before interest income and provision for taxes on income	1,050	253
Interest income - net	564	510
	-----	-----
Income before provision for taxes on income	1,614	763
Provision for taxes on income	(97)	(58)
	-----	-----
Net income	\$1,517	\$705
	=====	=====
Net income per common share:		
Basic	\$.06	\$.03
	=====	=====
Diluted	\$.06	\$.03
	=====	=====
Denominator for per share calculation:		
Basic	25,079	24,891
	=====	=====
Diluted	26,679	25,704
	=====	=====

</TABLE>

See accompanying notes

4

ENZO BIOCHEM, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

<TABLE>
<CAPTION>

	Three Months Ended October 31,	
	1999	1998

	(In Thousands)	
<S>	<C>	<C>
Cash flows from operating activities:		

Net income	\$ 1,517	\$ 705
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	198	207
Amortization of costs in excess of fair value of tangible assets acquired	93	93
Amortization of deferred patent costs	171	165
Issuance of stock warrants as compensation for services performed	30	37
Provision for uncollectable accounts receivable	2,486	2,438
Accretion of interest on note receivable	--	(58)
Deferred liabilities	(30)	--
Change in assets and liabilities:		
Note receivable - J & J settlement	--	5,000
Accounts receivable before provision for uncollectable amounts	(4,540)	(2,256)
Inventories	(45)	55
Other	227	(49)
Trade accounts payable and other accrued expenses	257	(78)
Accrued legal fees	--	(149)
	-----	-----
	(1,153)	5,405
	-----	-----
Net cash provided by operating activities	364	6,110
	---	-----
Cash flows from investing activities:		
Capital expenditures	(339)	(313)
Patent costs deferred	(108)	(101)
Security deposits	--	(2)
	-----	-----
Net cash used in investing activities	(447)	(416)
	-----	-----
Cash flows from financing activities:		
Payments of obligations under capital lease and long term debt	--	(9)
Proceeds from exercise of stock options	1,142	21
	-----	-----
Net cash provided by financing activities	1,142	12
	-----	-----
Net increase in cash and cash equivalents	1,059	5,706
Cash and cash equivalents at the beginning of the year	43,218	33,543
	-----	-----
Cash and cash equivalents at the end of the period	\$ 44,277	\$ 39,249
	-----	-----
	-----	-----

</TABLE>

ENZO BIOCHEM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
October 31, 1999
(Unaudited)

1. The consolidated balance sheet as of October 31, 1999, the consolidated statements of operations for three months ended October 31, 1999 ("2000 Period") and 1998 ("1999 Period") and the consolidated statement of cash flows for the three months ended October 31, 1999 and 1998 have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at October 31, 1999 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 1999 Annual Report on Form 10-K. The results of operations for the three months ended October 31, 1999 are not necessarily indicative of the results that may be expected for the full year.

In fiscal 1998, the Company adopted the provisions of SFAS No. 128, "Earnings Per Share", which was effective for both interim and annual financial statements for periods ending after December 15, 1997. SFAS 128 replaced the previously reported primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options and warrants. Diluted

earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where necessary, restated to conform to SFAS 128 requirements.

The following table sets forth the computation of basic and diluted earnings per share pursuant to SFAS 128.

	Three Months Ended October 31,	
	1999	1998

	(In Thousands, except per share	
	<C>	<C>
data)		
<S>		
Numerator:		
Net income for numerator for basic and diluted earnings per common share	\$1,517	\$705
	-----	----
Denominator:		
Denominator for basic earnings per common equivalent share during the period	25,079	24,891
Effect of dilutive securities		
Employee and director stock options and warrants	1,600	813
	-----	---
Denominator for diluted earnings per common equivalent share and assumed conversions	26,679	25,704
	-----	-----
Basic earnings per share	\$.06	\$.03
	-----	-----
Diluted earnings per share	\$.06	\$.03
	-----	-----

</TABLE>

6

ENZO BIOCHEM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
October 31, 1999
(Unaudited)

Note 2 - SEGMENT INFORMATION

In fiscal 1999, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131") and retroactively applied it to fiscal 1998. The adoption of SFAS No. 131 had no impact on the Company's reported net income or shareholders' equity. The Company has two reportable segments: research and development and clinical reference laboratories. The Company's research and development segment conducts research and development activities as well as selling products derived from these activities. The clinical reference laboratories provide diagnostic services to the health care community. The Company evaluates performance based on income before provision for taxes on income. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Costs excluded from income before provision for taxes on income and reported as other consist of corporate general and administrative costs which are not allocable to the two reportable segments. Management of the Company assesses assets on a consolidated basis only and therefore, assets by reportable segment has not been included in the reportable segments below.

The following financial information (in thousands) represents the reportable segments of the Company:

	Research and Development		Clinical Reference Laboratories	
	Three Months Ended October 31,	Three Months Ended October 31,	Three Months Ended October 31,	Three Months Ended October 31,
	1999	1998	1999	1998

	<C>	<C>	<C>	<C>
Operating revenues:				
<S>				
Research product revenues	\$4,332	\$3,498	--	--
Clinical laboratory services	--	--	\$7,280	\$7,026

Cost and expenses:

Cost of research product revenues	1,921	2,017	--	--
Cost of clinical laboratory services	--	--	2,057	2,117
Research and development expense	1,253	1,070	--	--
Interest income	--	--	1	--
Income before provision for taxes on income	\$ 851	\$ 136	\$ 702	\$ 571
	-----	-----	-----	-----
	-----	-----	-----	-----

</TABLE>

<TABLE>
<CAPTION>

	Other		Consolidated	
	Three Months Ended October 31, 1999	October 31, 1998	Three Months Ended October 31, 1999	October 31, 1998
	-----	-----	-----	-----
	<C>	<C>	<C>	<C>
Operating revenues:				
Research product revenues	---	---	\$4,332	\$3,498
Clinical laboratory services	---	---	7,280	7,026
Cost and expenses:				
Cost of research product revenues	---	---	1,921	2,017
Cost of clinical laboratory services	---	---	2,057	2,117
Research and development expense	---	---	1,253	1,070
Interest income	\$563	\$510	564	510
Income before provision for taxes on	\$61	\$57	\$1,614	\$763
	---	---	-----	----
	---	---	-----	----

</TABLE>

ENZO BIOCHEM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
October 31, 1999
(Unaudited)

Item 3. LEGAL PROCEEDINGS

In March 1993, the Company filed suit in the United States District Court for the District of Delaware charging patent infringement and acts of unfair competition against Calgene, Inc. and seeking a declaratory judgment of invalidity concerning Calgene's plant antisense patent. On February 9, 1994, the Company filed a second suit in the United States District Court for the District of Delaware charging Calgene with infringement of a second antisense patent owned by the Company. Calgene filed a counterclaim in the second Delaware action seeking a declaration that a third patent belonging to the Company is invalid. The two Delaware actions have been consolidated and were tried to the Court in April 1995. In addition, the Company filed suit on March 22, 1994 in the United States District Court for the Western District of Washington against Calgene and the Fred Hutchinson Cancer Research Center, alleging that the defendants had conspired to issue a false and misleading press release regarding a supposed "patent license" from Hutchinson to Calgene, and conspired to damage the Company's antisense patents by improperly using confidential information to challenge them in the Patent Office. The Complaint further charges that Hutchinson is infringing and inducing Calgene to infringe the Company's antisense patents. On February 2, 1996, the Delaware Court issued an opinion ruling against Enzo and in favor of Calgene, finding certain Enzo claims infringed, but the patent, as a whole not infringed, and finding the claims at issue invalid for lack of enablement. Calgene's patent was found valid (non-obvious) over the prior art. On February 29, 1996, the Delaware Court issued an Order withdrawing its February 2, 1996 Opinion. On April 3, 1997, the European Patent Office rejected Calgene's opposition that had been lodged against the Company's related European antisense patent, thereby upholding the patent's validity. On May 23, 1997, the Japanese Patent Office issued a related antisense patent owned by the Company.

On June 1, 1998, the U.S. District Court for the District of Delaware issued its final decision in the case. In its decision the District Court held

two of the Company's three antisense patents invalid and not infringed. The District Court declined to act on Calgene's claim that the Company's third antisense patent was invalid, citing lack of evidence. The District Court further held that the Calgene antisense patent was not invalid. Enzo appealed the District Court's judgment to the U.S. Court of Appeals for the Federal Circuit and Calgene cross-appealed. On September 24, 1999, the Court of Appeals issued its decision, rejecting Calgene's effort to invalidate Enzo's patent in genetic antisense technology, U.S. Patent No. 5,272,065, thus leaving it valid and standing. The Court of Appeals also clarified the District Court's judgment regarding two other of Enzo's genetic antisense patents (5,190,931 and 5,208,149), limiting judgment of invalidity only to the claims of the two patents which had been asserted against Calgene. The Court of Appeals remanded the case to the District Court for determination of whether the case was exceptional, which related to Calgene's claim for attorney fees. On October 7, 1999, Calgene filed a petition for rehearing directed to the Court of Appeal's disposition of Calgene's cross-appeal as to Enzo's '065 patent. The petition was denied on December 1, 1999. Calgene may file a petition for the case to be heard by the U.S. Supreme Court. There can be no assurance that the Company will be successful in connection with Calgene's petition for rehearing and Calgene's claim that the case is exceptional, the latter to be their subject of further proceedings in the District Court. However, even if the Company is not successful, management does not believe there will be a significant monetary impact.

8

In June 1999, the Company filed suit in the United States District Court for the Southern District of New York against Gen-Probe Incorporated, Chugai Pharma U.S.A., Inc., Chugai Pharmaceutical Co., Ltd., bioMerieux, Inc., bioMerieux SA, and Becton Dickinson and Company, charging them with infringing the Company's U.S. Patent 4,900,659, which concerns probes for the detection of the bacteria that causes gonorrhoea. The case remains at an early stage. There can be no assurance that the Company will be successful in these proceedings. However, even if the Company is not successful, management does not believe that there will be a significant monetary impact.

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

LIQUIDITY AND CAPITAL RESOURCES

The Company at October 31, 1999, had cash and cash equivalents of \$44,277,000 an increase of \$1,059,000 from July 31,1999. The Company had working capital of \$61,979,000 at October 31, 1999 compared to \$59,323,000 at July 31,1999.

The Company's net income before taxes for the three months ended October 31,1999 was \$1,614,000 which includes depreciation and amortization aggregating approximately \$462,000. The Company's positive cash flow from operations was sufficient to meet its current cash needs for the research and development programs and other investing activities.

Net cash provided by operating activities for the three month period ended October 31, 1999 was approximately \$364,000 and as compared to net cash provided by operating activities of \$6,110,000 for the 1999 period which included \$ 5.0 million of cash received in connection with the litigation settlement with Johnson & Johnson, Inc. The decrease in net cash provided by operating activities from the 1999 period to the 2000 period was primarily due to the payment in full of the Johnson & Johnson litigation settlement during the 1999 period.

Net cash used in investing activities increased by \$31,000 from the 1999 period primarily as a result of an increase in capital expenditures.

Net cash provided by financing activities increased by \$1,130,000 from the 1999 period primarily as a result of the increase in proceeds from the exercise of stock options.

RESULTS OF OPERATIONS

THREE MONTHS ENDED OCTOBER 31,1999 COMPARED WITH THREE MONTHS ENDED OCTOBER 31,

1998

Revenues from operations for the three month period ended October 31,1999 increased by \$1,088,000 compared to revenues from operations for the three month period ended October 31, 1998. This increase was due to an increase of \$254,000 in revenue from the clinical reference laboratory operation and by the increase of \$834,000 of research product sales. The increase in research product sales resulted primarily from an increase in the sales from the Company's non-exclusive distribution agreements. The increase in revenues from

the clinical reference laboratory operations resulted primarily from an increase in esoteric testing revenue.

9

Cost of sales decreased by approximately \$156,000 as a result of a decrease in the cost of clinical laboratory services of \$60,000 and an decrease of \$96,000 in the cost of sales of research products from the Company's distribution agreements activities.

Research and development expenses increased by approximately \$183,000 as a result of an increase in expenses associated with the research programs.

General and Administrative expenses increased approximately by \$174,000, primarily due to an increase in legal fees.

The provision for income taxes for the three months ended October 31, 1999 and 1998 are based on the alternative minimum tax method and current state and local income taxes provided relate primarily to taxes computed based upon capital.

10

SIGNATURES

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

ENZO BIOCHEM, INC.

(registrant)

Date: December 16, 1999

by: /S/SHAHRAM K. RABBANI

Chief Operating Officer,
Secretary and Treasurer

11

<TABLE> <S> <C>

<ARTICLE> 5
<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	JUL-31-2000
<PERIOD-START>	AUG-01-1999
<PERIOD-END>	OCT-31-1999
<CASH>	44,277
<SECURITIES>	0
<RECEIVABLES>	35,603
<ALLOWANCES>	(18,541)
<INVENTORY>	1,472
<CURRENT-ASSETS>	64,619
<PP&E>	10,685
<DEPRECIATION>	(7,702)
<TOTAL-ASSETS>	81,838
<CURRENT-LIABILITIES>	2,640
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	251
<OTHER-SE>	93,624
<TOTAL-LIABILITY-AND-EQUITY>	81,838
<SALES>	11,612
<TOTAL-REVENUES>	11,612
<CGS>	3,978
<TOTAL-COSTS>	10,562
<OTHER-EXPENSES>	4,098
<LOSS-PROVISION>	2,486
<INTEREST-EXPENSE>	(564)
<INCOME-PRETAX>	1,614
<INCOME-TAX>	97
<INCOME-CONTINUING>	1,517
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	1,517
<EPS-BASIC>	06
<EPS-DILUTED>	06

</TABLE>