Enzo Biochem, Inc. *Annual Report 2002*

Enzo Biochem, Inc. *is a leading biotechnology company engaged in the research, development, marketing and manufacture of innovative health care products. In business since 1976, Enzo's products and services are sold to and used by scientists and the medical community worldwide. The Company has proprietary technologies and expertise in manipulating and modifying genetic material and other biological molecules. Through three wholly-owned subsidiaries, the Company targets its technology toward satisfying specific market needs.* ***Enzo Therapeutics, Inc.*** *is leading the development of medicines based on genetic and immune regulation to combat infectious diseases, autoimmune diseases and cancers.* ***Enzo Life Sciences, Inc.*** *develops and markets proprietary DNA probe-based products to clinicians and researchers.* ***Enzo Clinical Labs, Inc.*** *provides diagnostic testing services to the New York medical community.*

Contents

To Our Shareholders:

Fiscal 2002 was another year of solid, exciting progress for Enzo Biochem. Our Company achieved significant growth. We continued to make important strides in new product and research opportunities. Enzo Life Sciences achieved record revenues and operating profits, amidst increasing demand for its products, particularly from the burgeoning genomics and sequencing industries. Noteworthy accomplishments were achieved by Enzo Therapeutics' development, preclinical and clinical programs involving our Company's proprietary gene and immune regulation therapies. And our financial position has never been stronger. Unlike other companies in a capital-constrained industry, Enzo Biochem enjoys more than ample liquidity to continue and expand its many programs.

Major Milestone

Fiscal 2002 was a major financial milestone for the Company. Operating revenues totaled $54.0 million, a record high, having risen successively in each of the past five years. Net income reached a peak of $6.9 million, equal to $0.24 per share on a fully diluted basis.

Research product sales increased 52% last year, benefiting from an expanding product line and widening genomics and sequencing programs among researchers worldwide. Enzo Clinical Labs registered a 20% decline in revenues, the result partially due to the cancellation in January 2002 of an unprofitable contract with a managed care organization, and also reflecting reduced reimbursement and collection rates from third party payors, as well as an increase of a $2.2 million provision for uncollectible receivables. Enzo Clinical Labs nonetheless remained cash flow positive and ended the year strongly positioned to resume its profitable growth in fiscal 2003.

Internally generated cash flow increased by $9.6 million last year. Year-end cash and cash equivalents at year-end totaled $67.1 million, $8.5 million greater than 12 months earlier and continued to rise as the new fiscal year got underway. Working capital on July 31, 2002, totaled $93 million. Shareholders' equity stood at $104.7 million, the first time it exceeded $100 million.

Rapid Growth at Enzo Life Sciences

Equally notable are the achievements in operations and on the product development and research fronts of our Company. Enzo Life Sciences had an especially productive year. Operating profits increased by over 100% from last year. This performance is the result of both increasing efficiency and the attractive margins we are realizing from our proprietary products.

Focusing on the areas of labeling and modification of DNA, Enzo Life Sciences today markets over 300 products worldwide. These products support activities at many academic, institutional and corporate laboratories around the world, and increasingly with those involved in researching human genomics. Life sciences is a market of major growth opportunity for Enzo. Our Company's pioneering research and development activities in genomics, which we began in the late 1970s when few had even heard of this field, position Enzo to capitalize on this rapidly growing market.

Our reagents are being widely utilized in diverse technologies – microarray analyses, sequencing, SNP analyses and DNA fingerprinting. Our patent protected ***BioArray***™ labeling kits were augmented this past year with new products aimed at increasing utilization within the research market. These products are targeted towards systems used for more rapid and accurate identification of gene expression, while enhancing productivity by enabling researchers to observe genes more effectively. Moreover, this technology lends itself to the development of platforms involving the use of molecular genetics for the clinical diagnostic market that has vast potential for speedily identifying infectious agents that today require days of culture development or cumbersome technology to identify.

The quick, easy and precise identification of a pathogenic organism by isolating its DNA opens broad applications for our technology, which we are developing into systems that would serve small stat laboratories requiring immediate decisions, pathology laboratories, physicians' offices and large reference laboratories similar to Enzo Clinical Labs. The systems that would serve these markets and importantly facilitate their application are under development in our Farmingdale laboratories, where they are now being utilized on a trial basis. Our intention is to partner further market development of these products with other parties who would market and distribute the necessary equipment, with Enzo supplying the essential diagnostic tools that would be required to drive these systems.

Enzo Therapeutics Advances Clinical Models

Enzo Therapeutics similarly continues to make important progress. Today, we have four major potential therapeutic products at various stages of human clinical trials, in addition to another three that are in preclinical research, which in itself would represent a formidable undertaking for most companies. At a recent meeting of the American Association for the Study of Liver Diseases we reported on significant laboratory results that could have a strong positive impact on future therapeutic strategies. The first study detailed the elimination of human cancer cells in mice using our novel immune cell therapy. The second study, in animals with experimental colitis, identified certain immune cells that were able to alleviate symptoms of the disease in these animals and could provide the platform for a new therapeutic approach for treating Crohn's Disease.

During the year, among other patents, we were granted patent No. 6,358,685 B1 that further extends our still early stage development of Enzo's proprietary technology for correcting, via gene editing, inborn errors of metabolism, which may offer promising treatment for such hard to treat diseases as sickle cell anemia.

The Phase 1 trial of our oral immune regulation therapy for the management of Crohn's Disease, is nearing completion. Crohn's Disease is a chronic, serious inflammatory disease of the gastrointestinal tract that affects an estimated one million Americans and is usually triggered by an immune response by "T cells" that ultimately can cause extensive intestinal damage. Current treatments for treating Crohn's Disease are based on a generalized suppression of the immune response and are non-specific. As such, these drugs have considerable side effects. Enzo's proprietary treatment is an antigen-specific treatment and therefore is expected to have few, if any side effects. This is the first time that a treatment for Crohn's Disease is based on treating the pathogenesis of the disease, and not only the symptoms. Analysis of the data is underway, but preliminary indications are the trial has met all end points with regard to safety and toxicity and the therapy has the potential to provide a treatment for individuals suffering from Crohn's Disease.

The double blind Phase 2 trial of our EHT899 medicine for treatment of chronic active hepatitis associated with hepatitis B infection is also taking form. This next phase of the study is in the development process. Enzo is bringing the manufacturing of the medicine in house, a step taken in part because results of the first part of the Phase 2 study were highly encouraging. In that effort, approximately 75% of the HBV-infected subjects treated with oral administration Enzo's EHT899 in the Phase 2 trial experienced improvement in one or more of the key end point parameters, including biopsy results, HBV viral load, liver enzymes and histology. Decreases in HBV viral load and improvement in liver function tests were observed in 46% of the trial subjects. Also, biopsy scores improved in 58% of the subjects, and histological improvement in liver necroinflammatory score was registered in 30%.

While data is still being collected and analyzed, indications are that the Phase 1 study of ECH18, Enzo's medicine for management of hepatitic C-associated chronic active hepatitis has met its design endpoint. Plans for further study are being developed.

Enzo's therapeutic strategies for managing Crohn's Disease and both hepatitis B- and hepatitis C- associated chronic active hepatitis are based on our proprietary immune regulation platform. This platform is targeted towards adjusting the body's immune response to specific antigens and can form the foundation for a simple protocol to treat a variety of autoimmune and infectious diseases.

The Phase 1-2 trial of ***HGTV43***™, our proprietary gene medicine for HIV- infected individuals, is moving towards start-up. Ongoing studies to date show that the five patients continuing in the follow-up phase of the Phase 1 clinical trial all showed continued anti-HIV-1 antisense RNA expression following treatment with the ***HGTV43***™ transducing vector. The treatment has been designed to interfere with virus replication and thus render the cell resistant to the HIV. The Phase 1-2 trial has been designed to increase the number of engineered cells that contain the gene coding for anti-HIV-1 antisense RNA, with the goal of raising the number of such cells to a level at which the viral load might be reduced. Given the fact that more people suffering from AIDS are becoming resistant to their anti-retroviral cocktails, our approach appears highly encouraging.

At Enzo Therapeutics, we are continuing to expand our research and development efforts in order to fully develop the product potential of our core technologies and apply these innovative approaches to a spectrum of diseases currently without effective treatment.

Enzo Clinical Labs Strongly Positioned

Enzo Clinical Labs has completed a challenging year, impacted by an unprofitable contract that we took steps to correct. That issue is now behind us, and it is noteworthy that during this period Enzo Clinical Labs suffered no deterioration in either its market share among physicians in the New York metropolitan area or in its ability to add additional customers in what is a tightly competitive market. We have also continued to expand the laboratory's in-house testing capabilities looking to the area of genomics assay, among others. We continue to work to better serve our core market with faster results and turnaround time, and seeking to expand the percentage of our high margin tests. Having taken aggressive actions this past year, including reducing overhead substantially at the Labs, the outlook for improved results and enhanced cash flow is very favorable.

Patent Protection

Our patent estate is a very valuable asset of the Company built with foresight and insight over many years and representing pioneering concepts that only recently have begun to attract attention. Hence, Enzo, committed to protecting our intellectual property, instituted several legal actions to enforce our rights. Our Company's patent estate represents a very real source of opportunity, especially given the direction of medicine today. Modern medicine is leaning towards more genomic analyses and gene treatments, fields in which Enzo regards itself as a leader.

This year the U.S. Court of Appeals for the Federal Circuit issued a ruling that reversed a summary judgment issued earlier by a Federal District Court invalidating an Enzo gonorrhea detection patent and reinstated Enzo's suit alleging patent infringement against Gen-Probe, Inc. and four other defendants, returning the case to the trial court. This was a key decision for Enzo as well as having broad implications throughout the entire biotechnology industry.

New Directors

This past year, we also added two new members to our Company's Board of Directors – Stanford S. Warshawsky, a highly experienced attorney and investment banker, who is co-President of the investment banking firm of Arnhold and S. Bleichroeder Holdings Inc., and Melvin F. Lazar, CPA, an expert in business valuations, merger and acquisitions and a forensic accountant who was managing and founding partner of the accounting firm of Lazar, Levine & Felix (LLF). This increases our Board to eight people, five of whom are independent non-employee directors. Their advice and experience, together with the other directors, we expect will prove highly valuable as we continue to grow Enzo.

Future Outlook Bright

Fiscal 2002 has been an exciting and productive year for our Company, which we believe is built upon one of the soundest foundations in the biotechnology industry. Our programs in life sciences and therapeutics show immense promise and a future for Enzo that beckons with opportunity. We have worked very hard to achieve an end goal and a vision. It is encouraging that we are now beginning to see the tangible products of that effort. We are pleased with the technological developments and with the financial performance of the Company to date and we hope that these will be a harbinger of the future. Our accomplishments of the past year could not have been achieved without the support of our loyal employees, the members of the Board and our shareholders, for which we are deeply appreciative.

Your support, as always, is greatly appreciated.

Barry W. Weiner
President

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

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and related notes. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements. See "Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995". Because of the foregoing factors, you should not rely on past financial results as an indication of future performance. We believe that period-to-period comparisons of our financial results to date are not necessarily meaningful and expect that our results of operations might fluctuate from period to period in the future.

Liquidity and Capital Resources

At July 31, 2002, our cash and cash equivalents totaled $67.1 million, an increase of $8.5 million from July 31, 2001. We had working capital of $93.0 million at July 31, 2002 compared to $85.1 million at July 31, 2001.

Net cash provided by operating activities for the year ended July 31, 2002 was approximately $9.6 million as compared to net cash provided by operating activities of $8.0 million for the year ended July 31, 2001. The increase in net cash provided by operating activities from fiscal 2001 to fiscal 2002 was due to the net change in operating assets and liabilities compared to the prior year primarily inventory, accounts receivable and prepaid taxes.

Net cash used in investing activities decreased approximately $.5 million from fiscal 2001, primarily as a result of an decrease in capital expenditures and patent costs deferred.

Net cash provided by financing activities decreased by $1.2 million from fiscal 2001 primarily as a result of the decrease in proceeds from the exercise of stock options.

Net accounts receivable of $20.3 million and $24.6 million represented 137 days and 172 days of operating revenues at July 31, 2002 and 2001, respectively. The change in net accounts receivable is due to a decrease in accounts receivable at the clinical reference laboratory of approximately $6.3 million and an increase of research products accounts receivable of approximately $2.0 million. The decrease is primarily due to the decrease in revenue from the clinical laboratory and the effect of the health maintenance organization contract that were cancelled in fiscal 2002.

The Company has entered into various real estate operating leases with both related and unrelated parties. See Note 5 to the Consolidated Financial Statements for a further description of these various leases.

The total future payments under these contractual obligations as of July 31, 2002 is as follows:

	Payments Due by Period			
	Total	Less than 1 year	1-3 years	4-5 years
Operating Leases	$3,097,000	$1,504,000	$1,576,000	$17,000
Total Contractual Cash Obligations	$3,097,000	$1,504,000	$1,576,000	$17,000

We believe that our current cash position is sufficient for our foreseeable liquidity and capital resource needs, although there can be no assurance those future events will not alter such view.

Management is not aware of any material claims, disputes or settled matters concerning third-party reimbursements that would have a material effect on our financial statements.

Critical Accounting Policies

General

The Company's discussion and analysis of its financial condition and results of operations are based upon Enzo Biochem, Inc. consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the

reported amounts of assets, liabilities, revenues and expenses; these estimates and judgments also affect related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to contractual allowance, allowance for uncollectible accounts, intangible assets and income taxes. The Company bases its estimates on experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe that of our significant accounting policies (see Note 1 the of consolidated financial statements), the following may involve a higher degree of judgment and complexity than other accounting policies:

Revenue Recognition

Revenues from services from the clinical reference laboratory are recognized when services are provided. The Company's revenue is based on amounts billed or billable for services rendered, net of contractual adjustments and other arrangements made with third-party payors to provide services at less than established billing rates. Revenues from research product sales are recognized when the products are shipped.

Contractual Allowances

The percentage of the Company's revenues derived from Medicare, third party payers, commercial insurers and managed care patients continue to increase. The Medicare regulations and various managed care contracts are often complex and may include multiple reimbursement mechanisms for different types of services provided in our clinical laboratory. We estimate the allowance for contractual allowances on a payer-specific basis given our interpretation of the applicable regulations and historical calculations. However, the services authorized and provided and related reimbursement are often subject to interpretation that could result in payments that differ from our estimates. Additionally, updated regulations occur frequently necessitating continual review and assessment of the estimation process by management.

Allowance for Doubtful Accounts

The Company's ability to collect outstanding receivables from third party payers is critical to its operating performance and cash flows. The primary collection risk lies with uninsured patients or patients for which primary insurance has paid but a patient portion remains outstanding. The Company estimates the allowance for doubtful accounts primarily based upon the age of the accounts since invoice date. The Company continually monitors its accounts receivable balances and utilizes cash collections data to support the basis for its estimates of the provision for doubtful accounts. Significant changes in payer mix or regulations could have a significant impact on the Company's results of operations and cash flows.

Income Taxes

The Company accounts for income taxes under the liability method of accounting for income taxes. Under the 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. The liability method requires that any tax benefits recognized for net operating loss carry forwards and other items be reduced by a valuation allowance where it is more likely than not the benefits may not be realized. 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. Under the liability method, 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.

Impairment of Long-Lived Assets

The Company evaluates the requirement to recognize impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Company management believes that no impairment to its long-lived assets has occurred.

Results of Operations

Fiscal 2002 Compared to Fiscal 2001

Revenues from operations for the fiscal year ended July 31, 2002 were $54.0 million an increase of $1.8 million over revenues from operations for the fiscal year ended July 31, 2001. This increase was due to an increase of $8.9 million in revenues from our research product sales operations offset by a decrease of $7.1 million in revenues from clinical reference laboratory operation over revenues for such activities in fiscal 2001. The decline of clinical laboratory services revenue was due primarily to reduced

reimbursement rates which have been experienced from various managed care agreements and the negative results of an unprofitable contract which was cancelled in fiscal 2002. Clinical laboratory services are provided to patients covered by various third party payor programs, including Medicare and health maintenance organizations ("HMO's"). Billings for services are included in revenue net of allowances for contractual discounts and allowances paid for differences between the amounts billed and the estimated amount to be paid. Recent trends had indicated a decrease in the collection rates from the Medicare Program, certain third party payors and HMO's. The effect of such reduced collection rates have been reflected in fiscal 2002. The increase in research product sales resulted primarily from an increase in direct sales of research products of labeling and detection reagents for the genomics and sequencing markets. The Company has certain non-exclusive distribution agreements, which provide for consideration to be paid to the distributors for the manufacture of certain products. Such consideration was previously included in cost of research product revenues. In accordance with recently issued accounting pronouncements, the Company has reclassified consideration provided to distributors under these non-exclusive distribution agreements as a reduction to research product revenues. The prior years comparative amounts have been reclassified to be consistent with the current year presentation. This change reflects a new reporting presentation only and did not affect the Company's gross profit or net income as previously reported.

The cost of clinical laboratory services decreased by $.4 million primarily due to a decrease in direct operating expenses based on decreased volume of testing in fiscal 2002. The cost of sales for research products decreased as a result of improved efficiency in the manufacturing of the direct sales of research products.

Research and development expenses increased by approximately $.1 million as a result of an increase in the clinical trial studies.

Selling expenses increased by approximately $.5 million primarily due to an increase in costs associated with the increase in revenue. General and Administrative expenses decreased by .3 million due to a decrease in personnel costs.

Our provision for uncollectible accounts receivable increased by $2.2 million, primarily due to the recent trends that indicated a decrease in the collection rates from the certain third party payors and HMO's. The effect of such reduced collection rates have been reflected in fiscal 2002.

Interest income, decreased by $1.7 million as a result of a decrease in interest rates in fiscal 2002 as compared to fiscal 2001.

In fiscal 2002 and 2001, we recorded a provision for income taxes of $3.4 and $5.4 million, respectively, which was based on the combined effective federal, state and local income tax rates. In fiscal 2002, we realized the benefit of certain tax credits and certain extraterritorial income is excludable from taxes that resulted in a lower effective tax rate in fiscal 2002 as compared to fiscal 2001.

Net accounts receivable from our clinical laboratory operations of $13.8 million and $20.1 million represented an average of 180 days and 208 days of operating revenues at July 31, 2002 and 2001, respectively.

Income before provision for taxes on income from research and development activities and related costs was $16.6 million in fiscal 2002, as compared to income before provision for taxes on income of $8.3 million in fiscal 2001. The increase in the profit resulted primarily from an increase in direct sales of research products of labeling and detection reagents for the genomics and sequencing markets. Income (loss) before provision for taxes on income from the clinical reference laboratories activities amounted to a $3.8 million loss for fiscal 2002, as compared to $3.8 million of income for fiscal 2001. The loss is primarily due to the recent trends that indicated a decrease in the collection rates from the Medicare Program, certain third party payors and HMO's.

Fiscal 2001 Compared to Fiscal 2000

Revenues from operations for the fiscal year ended July 31, 2001 were $52.3 million an increase of $9.4 million over revenues from operations for the fiscal year ended July 31, 2000. This increase was due to an increase of $3.7 million in revenues from our clinical reference laboratory operations and an increase of $5.7 million in revenues from research product sales over revenues for such activities in fiscal 2000. The increase in revenues from the clinical laboratory operations resulted primarily from an increase in volume of esoteric testing and from an increase in doctor accounts being serviced. The increase in research product sales resulted primarily from and an increase in direct sales of research products of labeling and detection reagents for the genomics and sequencing markets.

The cost of clinical laboratory services increased by $2.0 million primarily due to an increase in direct operating expenses based on the increased sales volume of testing in fiscal 2001. In addition, the cost of sales for research products decreased as a result of a change in the revenue mix.

Research and development expenses increased by approximately $.6 million as a result of an increase in the clinical trial studies and the expansion of certain research activities.

Selling expenses increased by approximately $.6 million primarily due to an increase in costs associated with the increase in revenue. General and Administrative expenses increased by approximately $.9 million as a result of an increase in facility overhead costs associated with the increase in testing volume at the clinical laboratory facilities.

Our provision for uncollectible accounts receivable increased by $.7 million, primarily due to increased revenues from our clinical reference laboratory.

Interest income, increased by $.4 million as a result of an increase in cash and cash equivalents investments in fiscal 2001 as compared to fiscal 2000.

In fiscal 2001, we recorded a provision for income taxes of $5.4 million, which was based on the combined effective federal, state and local income tax rates. In fiscal 2000 we recorded a provision for income taxes of $1.0 million which included a deferred benefit from the change in the deferred tax asset valuation reserve and benefits recognized from net operating losses.

Net accounts receivable from our clinical laboratory operations of $20.1 million and $16.6 million represented an average of 190 and 193 days of operating revenues at July 31, 2001 and 2000, respectively.

Income before (provision) benefit for taxes on income from research and development activities and related costs was $8.3 million in fiscal 2001, as compared to income before (provision) benefit for taxes on income of $3.8 million in fiscal 2000. The increase in the profit is principally related to the increase in sales of research products. Income before (provision) benefit for taxes on income from the clinical reference laboratories activities amounted to $3.8 million for fiscal 2001, as compared to $3.7 million for fiscal 2000.

Report of Independent Auditors

Board of Directors and Stockholders
Enzo Biochem, Inc.

We have audited the accompanying consolidated balance sheets of Enzo Biochem, Inc. (the "Company") as of July 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended July 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 consolidated financial position of Enzo Biochem, Inc. at July 31, 2002 and 2001 and the consolidated results of its operations and its cash flows for each of the three years in the period ended July 31, 2002, in conformity with accounting principles generally accepted in the United States.

Melville, New York
October 4, 2002

Ernst + Young LLP

ENZO BIOCHEM, INC
CONSOLIDATED BALANCE SHEETS

JULY 31, 2002 and 2001

ASSETS	**2002**	**2001**
Current assets:		
Cash and cash equivalents	$67,135,000	$58,671,000
Accounts receivable, less allowance for doubtful accounts of $4,445,000 in 2002 and $6,526,000 in 2001	20,267,500	24,559,000
Inventories	4,190,200	2,019,800
Deferred taxes	777,500	1,708,500
Prepaid taxes	1,968,600	350,200
Other	1,491,000	1,132,300
Total current assets	95,829,800	88,440,800
Property and equipment, at cost less accumulated depreciation and amortization	2,301,100	2,670,600
Cost in excess of fair value of net tangible assets acquired, less accumulated amortization of $5,351,200 in 2002 and $4,980,600 in 2001	7,452,000	7,822,700
Deferred patent costs, less accumulated amortization of $6,347,100 in 2002 and $5,553,400 in 2001	3,562,300	3,865,200
Other	146,200	131,800
	$109,291,400	$102,931,100
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$1,512,300	$2,039,500
Accrued legal fees	140,000	251,000
Accrued payroll	475,900	322,300
Other accrued expenses	734,400	734,400
Total current liabilities	2,862,600	3,347,200
Deferred taxes	1,180,900	1,391,900
Deferred rent	514,700	675,000
Commitments and contingencies (Notes 5,6 and 9)		
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: 28,459,800 in 2002 and 27,080,100 in 2001	284,600	270,700
Additional paid-in capital	160,499,800	133,136,100
Accumulated deficit	(56,051,200)	(35,889,800)
Total stockholders' equity	104,733,200	97,517,000
	$109,291,400	$102,931,100

See accompanying notes.

ENZO BIOCHEM, INC.
CONSOLIDATED STATEMENT OF OPERATIONS

Years ended July 31, 2002, 2001 and 2000

	2002	2001	2000
Revenues:			
Research product revenues	$25,963,400	$17,055,800	$11,371,500
Clinical laboratory services	28,051,700	35,210,100	31,475,100
	54,015,100	52,265,900	42,846,600
Costs and expenses:			
Cost of research product revenues	737,100	785,200	339,700
Cost of clinical laboratory services	10,109,500	10,498,400	8,505,700
Research and development expense	6,178,600	6,080,800	5,430,900
Selling expense	4,342,800	3,856,300	3,240,800
Provision for uncollectible accounts receivable	14,188,400	11,999,200	11,294,000
General and administrative expense	9,469,200	9,817,800	8,951,700
	45,025,600	43,037,700	37,762,800
Income before interest income and provision for taxes on income	8,989,500	9,228,200	5,083,800
Interest income	1,350,400	3,003,000	2,584,600
Income before provision for taxes on income	10,339,900	12,231,200	7,668,400
Provision for taxes on income	(3,417,100)	(5,418,400)	(1,043,700)
Net income	$6,922,800	$6,812,800	$6,624,700
Net income per common share:			
Basic	$0.24	$0.24	$0.24
Diluted	$0.24	$0.23	$0.22
Denominator for per share calculation:			
Basic	28,444,000	28,349,000	27,927,000
Diluted	29,322,000	29,532,000	29,752,000

See accompanying notes

ENZO BIOCHEM, INC
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended July 31, 2002, 2001 and 2000

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance at July 31, 1999	24,957,700	$249,600	$92,452,200	($17,053,800)	$75,648,000
Net income for the year ended July 31, 2000	---	---	---	6,624,700	6,624,700
Increase in common stock and paid-in capital due to exercise of stock options and warrants	621,600	6,100	4,120,100	---	4,126,200
Issuance of stock for employee 401(k) plan	4,400	100	201,500	---	201,600
Increase in paid-in capital due to issuance of warrants as compensation for services performed	---	---	100,000	---	100,000
Tax benefit from stock options exercised	---	---	418,400	---	418,400
Increase in paid-in capital due to stock issued for services performed	---	---	57,400	---	57,400
Balance at July 31, 2000	25,583,700	255,800	97,349,600	(10,429,100)	87,176,300
Net income for the year ended July 31, 2001	---	---	---	6,812,800	6,812,800
5% stock dividend (fair value on date declared)	1,284,500	12,800	32,260,700	(32,273,500)	---
Increase in common stock and paid-in capital due to exercise of stock options	202,200	2,000	1,231,900	---	1,233,900
Issuance of stock for employee 401(k) plan	9,700	100	230,700	---	230,800
Tax benefit from stock options exercised	---	---	1,780,000	---	1,780,000
Increase in paid-in capital due to stock issued for services performed	---	---	283,200	---	283,200
Balance at July 31, 2001	27,080,100	270,700	133,136,100	(35,889,800)	97,517,000
Net income for the year ended July 31, 2002	---	---	---	6,922,800	6,922,800
5% stock dividend (fair value on date declared)	1,353,500	13,600	26,974,000	(26,987,600)	---
Payment of cash for fractional shares for the 5% stock dividend	---	---	---	(96,600)	(96,600)
Increase in common stock and paid-in capital due to exercise of stock options	15,200	200	127,800	---	128,000
Tax benefit from stock options exercised	---	---	15,000	---	15,000
Issuance of stock for employee 401(k) plan	11,000	100	246,900	---	247,000
Balance at July 31, 2002	28,459,800	$284,600	$160,499,800	($56,051,200)	$104,733,200

See accompanying notes

ENZO BIOCHEM, INC
CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended July 31, 2002, 2001 and 2000

	2002	2001	2000
Cash flows from operating activities:			
Net income	$6,922,800	$6,812,800	$6,624,700
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	989,900	1,131,200	832,100
Amortization of costs in excess of fair value of net tangible assets acquired	370,700	370,500	370,500
Amortization of deferred patent costs	793,600	750,600	722,400
Provision for uncollectible accounts receivable	14,188,400	11,999,200	11,294,000
Deferred income tax provision	720,000	2,003,000	255,400
Issuance of warrants as compensation for services performed	---	---	100,000
Issuance of stock as compensation for services performed	---	283,200	57,400
Issuance of stock for employee 401(k) plan	247,000	230,800	201,600
Tax benefit from stock options exercised	15,000	1,780,000	418,400
Deferred rent	(160,300)	(120,700)	(94,800)
Changes in operating assets and liabilities:			
Accounts receivable before provision for uncollectible amounts	(9,896,900)	(16,347,000)	(16,497,500)
Inventories	(2,170,400)	(220,900)	(372,200)
Prepaid taxes	(1,618,400)	(350,200)	---
Other current assets	(358,700)	(61,200)	160,600
Trade accounts payable and accrued expenses	(527,200)	504,000	246,200
Income taxes payable	---	(375,700)	75,700
Accrued legal fees	(111,000)	(413,600)	599,600
Accrued payroll	153,600	20,900	(62,600)
Total adjustments	2,635,300	1,184,100	(1,693,200)
Net cash provided by operating activities	9,558,100	7,996,900	4,931,500
Cash flows from investing activities:			
Capital expenditures	(620,400)	(1,013,900)	(790,500)
Patent costs deferred	(490,700)	(567,900)	(458,400)
Security deposits	(14,400)	(5,000)	200
Net cash used by investing activities	(1,125,500)	(1,586,800)	(1,248,700)
Cash flows from financing activities:			
Payment for fractional shares of stock dividend	(96,600)	---	---
Proceeds from the exercise of stock options and warrants	128,000	1,233,900	4,126,200
Net cash provided by financing activities	31,400	1,233,900	4,126,200
Net increase in cash and cash equivalents	8,464,000	7,644,000	7,809,000
Cash and cash equivalents at the beginning of the year	58,671,000	51,027,000	43,218,000
Cash and cash equivalents at the end of the year	$67,135,000	$58,671,000	$51,027,000

See accompanying notes

ENZO BIOCHEM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2002, 2001 and 2000

Note 1—Business and summary of significant accounting policies

Business

Enzo Biochem, Inc. (the "Company") is engaged in research, development, manufacturing and marketing of diagnostic and research products based on genetic engineering, biotechnology and molecular biology. These products are designed for the diagnosis of and/or screening for infectious diseases, cancers, genetic defects and other medically pertinent diagnostic information. The Company is conducting research and development activities in the development of therapeutic products based on the Company's technology platform of genetic modulation and immune modulation. The Company also operates a clinical reference laboratory that offers and provides diagnostic medical testing services to the health care community.

Summary of significant accounting policies

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

Cash and cash equivalents

The Company considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.

Cash equivalents consist of short-term debt securities of domestic companies that the Company intends to hold to maturity that ranges from August 2002 to October 2002. The market values of these securities, as determined by quoted sources, aggregated $64,089,300 and $57,954,300 at July 31, 2002 and 2001, respectively, and approximated cost at the respective dates.

Concentration of credit risk

Approximately 69% and 82% at July 31, 2002 and 2001, respectively, of the Company's net accounts receivable relates to its clinical reference laboratory business, which operates in the New York Metropolitan area. The Company believes that the concentration of credit risk with respect to accounts receivable is limited due to the diversity of the Company's client base. However, the Company provides services to certain patients covered by various third-party payors, including the Federal Medicare program. Revenue, net of contractual allowances, from direct billings under the Federal Medicare program during the year ended July 31, 2001 was approximately 15% of the Company's total revenue. For the years ended July 31, 2002 and 2001 there were no payors with revenue, net of contractual allowances from direct billings, accounting for more than 10% of the Company's total revenues.

Research product revenue from one major distributor represented approximately 23% and 12% of the consolidated revenues in fiscal 2002 and 2001, respectively, under a non-exclusive distribution and supply agreement. At July 31, 2002 and 2001, 18% and 5% respectively, of the Company's net accounts receivable relate to amounts due from the one major distributor.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Property and equipment

Property and equipment is stated at cost, and depreciated on the straight-line and accelerated methods over the estimated useful lives of the assets. Leasehold improvements are amortized over the term of the related leases or estimated useful lives of the assets, whichever is shorter.

Note 1—Business and summary of significant accounting policies – (Continued)

Amortization of intangible assets

The cost in excess of fair value of net tangible assets acquired is being amortized on the straight-line method over periods of fifteen to forty years.

Patent costs

The Company has filed applications for United States and foreign patents covering certain aspects of its technology. The costs incurred in filing such applications have been deferred and are amortized over the estimated useful lives of the patents beginning upon issue. Costs related to unsuccessful patent applications are expensed.

Revenue Recognition

Revenues from services from the clinical reference laboratory are recognized when services are provided. The Company's revenue is based on amounts billed or billable for services rendered, net of contractual adjustments and other arrangements made with third-party payors to provide services at less than established billing rates. Revenues from research product sales are recognized when the products are shipped.

Reimbursement Contingencies

Laws and regulations governing Medicare are complex and subject to interpretation for which action for noncompliance includes fines, penalties and exclusion from the Medicare programs. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

Shipping and Handling Costs

Research product revenue shipping and handling costs included in selling expense amounted to approximately $325,000, $279,000 and $179,000 for fiscal years ended July 31, 2002, 2001 and 2000, respectively.

Use of Estimates

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

Income Taxes

The Company accounts for income taxes under the liability method of accounting for income taxes. Under the 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. The liability method requires that any tax benefits recognized for net operating loss carryforwards and other items be reduced by a valuation allowance where it is more likely than not that the benefits may not be realized. 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. Under the liability method, 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.

Note 1—Business and summary of significant accounting policies – *(Continued)*

Impairment of Long-Lived Assets

The Company evaluates the requirement to recognize impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Company management believes that no impairment to its long-lived assets has occurred.

Recently Issued Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board Emerging Issues Task Force ("EITF") reached final consensus on EITF No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products" ("EITF 00-25"), EITF 00-25 generally requires that consideration, including equity instruments, given to a customer be classified in a vendor's financial statements not as an expense, but as a reduction to revenue up to the amount of cumulative revenue recognized or to be recognized. In November 2001, the EITF reached consensus on EITF No. 01-09, "Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products" ("EITF 01-09"). EITF 01-09 clarifies and modifies certain items discussed in EITF 00-25. We adopted these new standards in the quarter ended April 30, 2002.

The Company has certain non-exclusive distribution agreements, which provide for consideration to be paid to the distributors for the manufacture of certain products. Such consideration was previously included in cost of research product revenues. In accordance with EITF 00-25 and EITF 01-09, the Company has reclassified consideration provided to distributors under these non-exclusive distribution agreements as a reduction to research product revenues. The prior year and prior quarter comparative amounts have been reclassified to be consistent with the current year presentation. This change reflects a new reporting presentation only and did not affect the Company's gross profit or net income as previously reported.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets". Statement 141 requires business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting, and broadens the criteria for recording intangible assets separate from goodwill. SFAS No. 142 requires the discontinuance of amortization of goodwill and intangible assets with indefinite useful lives, subject to an annual review for impairment. Other intangible assets will continue to be amortized over their estimated useful lives. The Company will adopt the provisions of the statement on August 1, 2002. Although the Company is in the process of assessing the impact of adopting Statement No. 142, based upon its current level of goodwill and qualifying intangible assets, management expects the adoption to reduce its fiscal 2003 annualized amortization expense by approximately $370,000.

In October 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, that is applicable to financial statements issued for fiscal years beginning after December 15, 2001, with transition provisions for certain matters. FASB's new rules on asset impairment supersede SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of, and provide a single accounting model for long-lived assets to be disposed of. Although retaining many of the fundamental recognition and measurement provisions of SFAS No. 121, the new rules significantly change the criteria that would have to be met to classify an asset as held-for-sale. The new rules supersede the provisions of Accounting Principals Board Opinion No. 30 ("APB No. 30") with regard to reporting the effects of a disposal of a segment of a business and require expected future operating losses from discontinued operations to be displayed in discontinued operations in the period in which the losses are incurred rather than as of the measurement date as presently required by APB No. 30. In addition, more dispositions will qualify for discontinued operations treatment in the income statement. The Company does not believe that the implementation of SFAS No. 144 will have any impact on its financial statements as of and for the year ending July 31, 2003.

Note 1—Business and summary of significant accounting policies – *(Continued)*

Stock Dividend

The Company declared a 5% stock dividend on January 23, 2002 payable February 27, 2002 to shareholders of record as of February 2, 2002. The Company declared a 5% stock dividend on January 16, 2001 payable March 20, 2001 to shareholders of record as of February 27, 2001. The shares and per share data have been adjusted to retroactively reflect this stock dividend. The Company recorded a charge to accumulated deficit and a credit to common stock and additional paid-in capital in the amount of approximately $26,988,000 in fiscal 2002 and $32,274,000 in fiscal 2001, which reflects the fair value of the dividend on the date of declaration.

Net income per share

The Company reported basic and diluted earnings per share in accordance with SFAS No. 128, "Earnings Per Share" ("SFAS No. 128"). Basic earnings per share exclude any dilutive effects of options and warrants. Diluted earnings includes the dilutive effects of common stock equivalents such as stock options and warrants.

The following table sets forth the computation of basic and diluted net income per share pursuant to SFAS No. 128.

	2002	2001	2000
Numerator:			
Net income for numerator for basic and diluted net income per common share……..	$6,922,800	$6,812,800	$6,624,700
Denominator:			
Denominator for basic net income per common share-weighted-average shares…….	28,444,000	28,349,000	27,927,000
Effect of dilutive employee and director stock options and warrants……..	878,000	1,183,000	1,825,000
Denominator for diluted net income per share-adjusted weighted average shares…….	29,322,000	29,532,000	29,752,000
Basic net income per share…….	$.24	$.24	$.24
Diluted net income per share……..	$.24	$.23	$.22

Note 2—Supplemental disclosure for statement of cash flows

In the years ended July 31, 2002, 2001 and 2000, the Company paid cash for income taxes of approximately $4,300,000, $2,267,000 and $294,000 respectively.

Note 3—Inventories

At July 31, 2002 and 2001 inventories consist of:

	2002	2001
Raw materials……...	$ 119,500	$1,085,700
Work in process……...	2,635,700	1,035,300
Finished products…….……	1,435,000	898,800
	$4,190,200	$2,019,800

Note 4—Property and equipment

At July 31, 2002 and 2001 property and equipment consist of:

	2002	2001
Laboratory machinery and equipment…….	$1,702,600	$1,471,200
Leasehold improvements…….	2,257,400	2,223,400
Office furniture and equipment……	4,313,800	4,152,300
	8,273,800	7,846,900
Accumulated depreciation and amortization……...	5,972,700	5,176,300
	$2,301,100	$2,670,600

Note 5—Lease obligations

Enzo Clinical Labs, Inc. ("Enzo Clinical Labs"), a wholly owned subsidiary of the Company, leases its office and laboratory space under several leases that expire between August 31, 2002 and November 30, 2004. Certain officers / directors of the Company own the building that Enzo Clinical Labs uses as its main facility. In addition to the minimum annual rentals of space, this lease is subject to an escalation clause. Rent expense under this lease approximated $1,077,000, $1,055,000 and $1,017,000 in fiscal 2002, 2001 and 2000, respectively.

The Company has various other operating leases for office and laboratory space, which expire through fiscal 2006.

Total consolidated rent expense incurred by the Company during fiscal 2002, 2001 and 2000 was approximately $1,710,000, $1,631,000 and $1,547,000 respectively. Minimum annual rentals under operating lease commitments for fiscal years ending July 31 are as follows:

2003……..	$1,504,000
2004……..	1,204,000
2005……..	372,000
2006……..	17,000
	$3,097,000

Note 6—Litigation

Patent Infringement

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 gonorrhea. On January 26, 2001, the court granted the defendants' motion for summary judgment that the Company's patent is invalid. On July 15, 2002, the Court of Appeals for the Federal Circuit reversed the judgment of invalidity and remanded the case to the district court for further proceedings. The proceedings on remand are 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 adverse monetary impact.

On March 6, 2002, the Company was named, along with certain of its officers and directors among others, in a complaint entitled Lawrence F. Glaser and Maureen Glaser, individually and on behalf of Kimberly, Erin, Hannah, and Benjamin Glaser v. Hyman Gross, Barry Weiner, Enzo Biochemical Inc., Elazar Rabbani, Shahram Rabbani, John Delucca, Dena Engelhardt, Richard Keating, Doug Yeats, and Docs I-50, in the U.S. District Court for the Eastern District of Virginia. The complaint was filed by an investor in the Company who has filed for bankruptcy protection and his family. The complaint alleges securities and common law fraud and breach of fiduciary duty and seeks in excess of $150 million in damages. On August 22, 2002, the complaint was voluntarily dismissed, however a new substantially similar complaint was filed at the same time. On October 21, 2002, the Company and the other defendants filed a motion to dismiss the compliant, this motion is pending before the Court.

In March 2002, Enzo Life Sciences, a subsidiary of the Company, filed suit in the United States District Court for the District of Delaware against Digene Corp., charging it with infringing the Company's U.S. Patent No. 6,221,581 B1, which concerns a novel process for detecting nucleic acids of interest. On May 31, 2002, Digene filed counterclaims in that suit against Enzo Life Sciences and the Company, including business tort counterclaims relating to the '581 patent. The case is at an early stage. There can be no assurance that the Company and Enzo Life Sciences will be successful in these proceedings. However, even if Enzo Life Sciences is not successful in its patent infringement suit, management does not believe that there will be a significant adverse monetary impact. With respect to Digene's counterclaims, the Company and Enzo Life Sciences believe them to be without merit and intend to defend themselves vigorously.

In October 2002, the Company filed suit in the United States District Court of the Southern District of New York against Amersham plc, Amersham Biosciences, Perkin Elmer, Inc., Perkin Elmer Life Sciences, Inc., Sigma-Aldrich Corporation, Sigma Chemical Company, Inc., Molecular Probes, Inc. and Orchid Biosciences, Inc. The counts set forth in the suit are for breach of contract; patent infringement; unfair competition under state law; unfair competition under federal law; tortuous interference with business relations; and fraud in the inducement of contract. The complaint alleges that these counts arise out of the defendants' breach of distributorship agreements with the Company concerning labeled nucleotide products and technology, and the defendants' infringement of patents covering the same. There can be no assurance that the Company will be successful in this litigation. However, even if the Company is not successful, management does not believe that there will be a significant adverse monetary impact.

Current Federal income taxes provided for in fiscal 2002 and 2001 are based on regular tax, and in fiscal 2000 are based on the alternative minimum tax method.

Note 7—Income taxes

The tax provision is calculated under the provisions of SFAS No. 109.

	2002	2001	2000
Current			
Federal……..	$2,211,600	$2,783,400	$616,300
State and local……..	485,500	632,000	172,000
Deferred…….……...	720,000	2,003,000	255,400
Provision for income taxes……...	$3,417,100	$5,418,400	$1,043,700

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. The components of deferred income taxes are as follows:

	2002	2001
Deferred tax assets:		
Provision for uncollectible accounts Receivable…….	$787,400	$1,612,900
Alternative minimum tax credits……...	---	105,800
Other……..	198,400	293,200
	985,800	2,011,900
Deferred tax liability:		
Deferred patent costs…….	(1,389,200)	(1,695,300)
Net deferred tax (liability) asset…….	$(403,400)	$316,600

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax asset will be realized. The ultimate realization of the deferred tax asset is dependent upon the generation of future taxable income. Management considers scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategies that can be implemented by the Company in making this assessment.

The provision for income taxes were at rates different from U.S. federal statutory rates for the following reasons:

	2002	2001	2000
Federal statutory rate…….	34%	34%	34%
Expenses not deductible for income tax return purposes…….	2%	1%	4%
State income taxes, net of federal tax deduction ……..	5%	9%	9%
Benefit of extraterritorial income exclusion……..	(4%)	---	---
Benefit of tax credits…….	(4%)	---	---
Change in deferred tax asset valuation reserve and benefits recognized from net operating losses……...	---	---	(33%)
	33%	44%	14%

Note 8—Stock options

The Company follows the disclosure provisions of SFAS No. 123. SFAS No. 123 defines a fair value method of accounting for the issuance of stock options and other equity instruments. Under the fair value method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period. Pursuant to SFAS No. 123, companies are encouraged, but are not required, to adopt the fair value method of accounting for employee stock-based transactions. Companies are also permitted to continue to account for such transactions under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), but are required to disclose in a note to the consolidated financial statements proforma net income and per share amounts as if the Company had applied the

Note 8—Stock options – ***(Continued)***

new method of accounting. SFAS No. 123 also requires increased disclosures for stock-based compensation arrangements.

The Company has elected to comply with APB 25, in accounting for its stock options because, as discussed below, the alternative fair value accounting provided for under SFAS No. 123, requires use of option valuation models, which were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals or exceeds the market price of the underlying stock on the date of grant, no compensation expense is recognized.

The Company has an incentive stock option plan and a restricted stock incentive plan, as described below.

Incentive stock option plan

The Company has an incentive stock option plan ("1983 plan") under which the Company may grant options for up to 1,148,654 shares of common stock. No additional options may be granted under the 1983 plan. The exercise price of options granted under such plan is equal to or greater than fair market value of the common stock on the date of grant. The Company has stock option plans ("1993 plan" and "1994 plan") under which the Company may grant options for up to 1,914,422 shares (1993 plan) and for up to 1,212,467 shares (1994 plan) of common stock. No additional options may be granted under the 1993 plan or the 1994 plan. In fiscal 1999, the Company set up a new incentive stock option plan ("1999 plan") under which the Company may grant up to 2,097,375 shares of common stock. The options granted pursuant to the plans may be either incentive stock options or nonstatutory options. To date, the Company has only granted incentive stock options under these plans.

A summary of the information pursuant to the Company's stock options plans for the years ended July 31, 2002, 2001 and 2000 under SFAS No. 123 is as follows:

	2002		2001		2000	
	Options	Weighted - Average Exercise Price	Options	Weighted - Average Exercise Price	Options	Weighted - Average Exercise Price
Outstanding at beginning of year	2,598,272	$9.75	2,420,346	$9.14	2,977,785	$8.14
Granted	23,625	22.27	400,312	14.25	92,610	23.02
Exercised	(15,990)	8.08	(218,258)	5.40	(630,244)	6.38
Terminated	(28,673)	11.78	(4,128)	14.23	(19,805)	10.82
Outstanding at end of year	2,577,234	$10.34	2,598,272	$10.23	2,420,346	$9.14
Exercisable at end of year	2,084,270	$9.71	1,786,467	$9.28	1,713,797	$8.54
Weighted average fair value of options granted during year	$22.27		$14.25		$17.68	

Note 8—Stock options – *(Continued)*

The following table summarizes information for stock options outstanding at July 31, 2002:

	Options Outstanding			Options Exercisable	
Range of Exercise prices	Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
$3.53 – 5.29	6,382	.19 years	$3.53	6,382	$3.53
$5.98 – 8.96	1,213,785	3.22 years	7.32	1,143,620	7.39
$9.18 – 13.78	1,170,781	6.32 years	11.75	826,816	11.47
$14.25 – 21.38	113,836	6.03 years	17.67	78,708	16.89
$22.27 – 33.41	55,912	4.99 years	23.62	12,206	23.86
$39.74	16,538	7.46 years	39.74	16,538	39.74
	2,577,234			2,084,270	

Incentive stock options generally become exercisable at 25% per year after one year and expire ten years after the date of grant.

Pro-forma information regarding net income and net income per share is required by SFAS No. 123, and has been determined as if the Company had accounted for its stock options under the fair value method of that statement. The fair value for these options was estimated at the date of grant using a Black-Sholes option pricing model with the following assumptions: risk free interest rate ranging from 3.45% to 6.88%; no dividend yield; volatility factor of the expected market price of the Company's common stock of .78, .80 and .80 for grants during fiscal year ended July 31, 2002, 2001 and 2000, respectively and a weighted-average expected life of the options of 7 years at July 31, 2002, 2001 and 2000.

The Black-Sholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information is as follows:

	2002	2001	2000
Pro forma net income:……..	$4,325,000	$4,398,000	$4,278,000
Pro forma net income per share:			
Basic…….	$.15	$.16	$.15
Diluted……..	$.15	$.15	$.14

The SFAS No. 123 method of accounting has not been applied to options granted prior to August 1, 1995. As a result, the pro forma compensation cost may not be representative of that to be expected in future years.

Restricted stock incentive plan

The Company has a restricted stock incentive plan whereby the Company may award up to 255,256 shares of its common stock. Under the terms of the plan, any shares issued are restricted in regard to sales and transfers for a period of five years after award. Such restrictions begin to expire at 25% per year after the second year of ownership. As of July 31, 2002, the Company has not awarded any shares of common stock under this plan.

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As of July 31, 2002, the Company has reserved 5,563,238 shares under the arrangements described above.

Note 9—Commitments

The company has an exclusive licensing agreement to an invention covered by licensed patents. Under this agreement, the Company is required to make certain minimum royalty payments of $200,000 per year through the life of the patents.

Note 10—Employee benefit plan

The Company has a qualified Salary Reduction Profit Sharing Plan (the "Plan") for eligible employees under Section 401(k) of the Internal Revenue Code. The Plan provides for voluntary employee contributions through salary reduction and voluntary employer contributions at the discretion of the Company. For the years ended July 31, 2002, 2001 and 2000, the Company has authorized employer contributions of 50% of the employees' contribution up to 10% of the employees' compensation in Enzo Biochem, Inc. common stock. The 401(k) employer contributions expense was $247,000, $230,800 and $201,600 in fiscal years 2002, 2001 and 2000, respectively.

Note 11—Quarterly financial data (unaudited)

Unaudited quarterly financial data (in thousands, except per share amounts) for fiscal 2002 and 2001 is summarized as follows:

	Three Months Ended			
	October 31, 2001	January 31, 2002	April 30, 2002	July 31, 2002
Revenues……	$13,386	$11,827	$15,021	$13,781
Gross profit…….	10,543	8,650	12,616	11,360
Income before provision for taxes on income……	3,143	1,307	4,291	1,599
Net income…….	$1,825	$822	$2,551	$1,725
Basic income per common share……	$.06	$.03	$.09	$.06
Diluted income per common share…….	$.06	$.03	$.09	$.06

	Three Months Ended			
	October 31, 2000	January 31, 2001	April 30, 2001	July 31, 2001
Revenues……	$12,243	$12,386	$13,937	$13,700
Gross profit……	9,941	9,839	10,899	10,303
Income before provision for taxes on income ……..	2,987	2,801	3,335	3,108
Net income…….	$1,673	$1,565	$1,861	$1,714
Basic income per common share……	$0.05	$0.06	$0.07	$0.06
Diluted income per common share…….	$0.05	$0.06	$0.06	$0.06

Note 12--Segment Information

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 Fiscal Year Ended July 31,			Clinical Reference Laboratories Fiscal Year Ended July 31,			Other Fiscal Year Ended July 31,			Consolidated Fiscal Year Ended July 31,		
	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000
Operating revenues:												
Research product revenues……	$25,963	$17,056	$11,372	---	---	---	---	---	---	$25,963	$17,056	$11,372
Clinical laboratory services……..	---	---	---	$28,052	$35,210	$31,475	---	---	---	$28,052	35,210	31,475
Cost and expenses:												
Cost of research product revenues……	737	785	340	---	---	---	---	---	---	737	785	340
Cost of clinical laboratory services……..	---	---	---	10,110	10,498	8,506	---	---	---	10,110	10,498	8,506
Research and development expense……..	6,179	6,081	5,431	---	---	---	---	---	---	6,179	6,081	5,431
Depreciation and amortization……..	923	856	814	1,231	1,397	1,111	---	---	---	2,154	2,253	1,925
Other costs and expenses……	1,520	1,044	947	20,467	19,520	18,138	3,858	2,857	2,477	25,845	23,421	21,562
Interest income……...	---	---	---	---	---	---	$1,350	$3,003	$2,585	1,350	3,003	2,585
Income (loss) before provision for taxes on income……	$16,604	$8,290	$3,840	$(3,756)	$3,795	$3,720	($2,508)	$146	$108	$10,340	$12,231	$7,668

The Company's reportable segments are determined based on the services they performed and the products they sell, not on the geographic area in which they operate. The Company's clinical reference laboratories segment operates 100% in the United States with all revenue derived from this country. The research and development segment earns revenue both in the United States and foreign countries. The following is a summary of research and development revenues attributable to customers located in the United States and foreign countries:

	2002	2001	2000
United States……	$21,431	$14,257	$8,076
Foreign Countries……	4,532	2,799	3,296
	$25,963	$17,056	$11,372

Corporate Information

Board of Directors

John J. Delucca
Former Chief Financial Officer
and Executive Vice President
Coty, Inc.

Irwin C. Gerson
Chairman Emeritus the Lowe
McAdams Healthcare division
Of the Interpublic Group

Melvin F. Lazar, CPA
Founding Partner
Lazar, Levine & Felix, LLP

Elazar Rabbani, Ph.D.
Chairman of the Board
Chief Executive Officer

Shahram K. Rabbani
Chief Operating Officer,
Treasurer and Secretary

John B. Sias
Former President and
Chief Executive Officer
Chronicle Publishing Co.

Stanford S. Warshawsky
Co-President
Arnhold and S. Bleichroeder
Holdings

Barry W. Weiner
President

Officers and Management

Elazar Rabbani, Ph.D.
Chairman of the Board
Chief Executive Officer

Shahram K. Rabbani
Chief Operating Officer,
Treasurer and Secretary

Barry W. Weiner
President

Dean L. Engelhardt, Ph.D.
Executive Vice President

Norman E. Kelker, Ph.D.
Senior Vice President

Herbert B. Bass
Vice President, Finance

Barbara E. Thalenfeld, Ph.D.
Vice President,
Corporate Development

David C. Goldberg
Vice President,
Business Development

Enzo Biochem, Inc.

60 Executive Boulevard
Farmingdale, NY 11735
(631) 755-5500

Corporate Offices

527 Madison Avenue
New York, NY 10022
(212) 583-0100

Corporate Subsidiaries

Enzo Therapeutics, Inc.
60 Executive Boulevard
Farmingdale, NY 11735
(631) 755-5500

Enzo Life Sciences, Inc.
60 Executive Boulevard
Farmingdale, NY 11735
(631) 694-7070

Enzo Clinical Labs, Inc.
60 Executive Boulevard
Farmingdale, NY 11735
(631) 755-5500

General Counsel

Morrison Cohen Singer &
Weinstein, LLP
750 Lexington Avenue
New York, NY 10022

Independent Auditors

Ernst & Young, LLP
395 North Service Road
Melville, NY 11747

Transfer Agent and Registrar

Continental Stock Transfer &
Trust Company
2 Broadway
New York, NY 10004

Common Stock

Listed on NYSE
(Symbol:ENZ)

A copy of the Company's annual report on Form 10-K, as filed with the Securities and Exchange Commission, will be furnished without charge to any shareholder upon written request to: Enzo Biochem, Inc.
Attention: Investor Relations
527 Madison Avenue,
New York, NY 10022

Market for Registrant's Common Equity And Related Stockholder Matters

The common stock of the Company is traded on the New York Stock Exchange (Symbol:ENZ). The following table set forth the high and low sale price of the Company's Common Stock for the periods indicated as reported on the New York Stock Exchange

	High	Low
2001 Fiscal Year (August 1, 2000 to July 31, 2001):		
1st Quarter	$ 58.81	$ 34.29
2nd Quarter	$ 42.06	$ 17.96
3rd Quarter	$ 23.18	$ 13.95
4th Quarter	$ 34.98	$ 22.87
2002 Fiscal Year (August 1, 2001 to July 31, 2002):		
1st Quarter	$ 28.88	$ 13.58
2nd Quarter	$ 26.13	$ 19.02
3rd Quarter	$ 21.99	$ 17.30
4th Quarter	$ 19.45	$ 11.09

On October 8, 2002, the last sale price of the Common Stock of the Company as reported on the New York Stock Exchange was $14.88.

As of October 8, 2002, the Company had approximately 1,233 record holders of its Common Stock.

The Company has not paid a cash dividend on its Common Stock and intends to continue to follow a policy of retaining Future earnings to finance operations. Accordingly, the Company does not anticipate the payment of cash dividends to Holders of Common Stock in the foreseeable future.

The Company declared a 5% stock dividend on January 23, 2002 payable February 27, 2002 to shareholders of record as of February 2, 2002. The Company declared a 5% stock dividend on January 16, 2001 payable March 20, 2001 to shareholders of record as of February 27, 2001. The shares and per share data have been adjusted to retroactively reflect these stock dividends. The Company recorded a charge to accumulated deficit and a credit to common stock and additional paid-in capital in the amount of approximately $26,988,000 in fiscal 2002 and $32,274,000 in fiscal 2001, which reflects the fair value of the dividend on the date of declaration.

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