UNITED STATES

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, 1996

/ / 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	13-2866202
(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, $.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 13, 1996 the Registrant had 23,085,016 shares of Common Stock outstanding.

ENZO BIOCHEM, INC.

FORM 10-Q

October 31, 1996

INDEX

ENZO BIOCHEM, INC.
PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEET

	October 31, 1996 (unaudited)	July 31, 1996
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 23,518	$ 17,793
Accounts receivable, less allowance for doubtful accounts	9,901	10,488
Current portion of note receivable - litigation settlement	5,000	5,000
Inventories	1,736	1,810
Other	2,204	823
Total current assets	42,359	35,914
Property and equipment, at cost, less accumulated depreciation and amortization	2,983	3,107
Long term portion of note receivable - litigation settlement	4,364	9,114
Cost in excess of fair value of net tangible assets acquired, less accumulated amortization	9,582	9,675
Deferred patent costs, less accumulated amortization	4,778	4,878
Other	144	150
	$ 64,210	$ 62,838

ENZO BIOCHEM, INC.
LIABILITIES AND STOCKHOLDERS' EQUITY

October 31, 1996 (unaudited)	July 31, 1996
(in thousands)	

Current liabilities:		
Trade accounts payable	$ 1,010	$ 1,281
Accrued legal fees	1,064	1,392
Accrued leasehold costs	--	2,950
Other accrued expenses	569	776
Current portion of long-term debt	35	35
Current portion of obligations under capital leases	27	29
Total current liabilities	2,705	6,463
Long-term debt	38	47
Obligations under capital leases	60	67
Other deferred liabilities	1,009	1,008
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; 23,076,000 shares at October 31,1996 and 21,624,900 shares at July 31,1996	231	216
Additional paid-in capital	88,458	83,450
Accumulated deficit	(28,291)	(28,413)
Total stockholders' equity	60,398	55,253
	$ 64,210	$ 62,838

See accompanying notes

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

	Three Months Ended October 31,	
	1996	1995
	(In thousands, except per share data)	
Revenues:		
Research product sales	$ 3,173	$ 3,037
Clinical laboratory services	4,832	5,519
Total operating revenues	8,005	8,556
Costs and expenses:		
Cost of research product sales	1,924	1,814
Cost of clinical laboratory services	1,695	1,867
Research and development expenses	908	585
Selling expenses	599	605
Provision for uncollectable accounts receivable	1,536	770
General and administrative expenses	1,682	1,971
Total costs and expenses	8,344	7,612
Income (loss) before interest and provision for income taxes	(339)	944
Interest income (expense) net	478	377
Income before provision for income taxes	139	1,321
Provision for taxes on income	(17)	(417)
Net income	$ 122	$ 904

Net income per share	$ 0.01	$ 0.04
Weighted average common shares	23,809	23,647

See accompanying notes

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

	Three Months Ended October 31, 1996	1995
	(In thousands, except per share data)	
Cash flows from operating activities:		
Net income	$ 122	$ 904
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	212	217
Amortization of costs in excess of fair value of tangible assets acquired	93	92
Amortization of deferred patent costs	150	120
Provision for uncollectable accounts receivable	1,536	770
Accretion of interest on note receivable	(250)	(225)
Other	8	108
Change in assets and liabilities:		
Note receivable - J & J settlement	5,000	5,000
Accounts receivable before provision for uncollectable amounts	(949)	(1,705)
Inventories	74	(34)
Prepaid expense	228	242
Trade accounts payable and other accrued expenses	(427)	(377)
Accrued legal fees	(18)	(66)
Income taxes payable	--	(802)
Deferred liabilities	--	42
	5,657	3,382
Net cash provided by operating activities	$ 5,779	$ 4,286

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

	Three Months Ended October 31, 1996	1995
	(In Thousands)	
Cash flows from investing activities:		
Capital expenditures	(88)	(62)
Patent costs deferred	(50)	(48)
Security deposits	6	--
Net cash used in investing activities	(132)	(110)

Cash flows from financing activities:

Payments of obligations under capital lease	(16)	(25)
Proceeds from exercise of stock options	94	246
Net cash provided by used in financing activities	78	221
Net increase in cash and cash equivalents	5,725	4,397
Cash and cash equivalents at the beginning of the year	17,793	11,068
Cash and cash equivalents at the end of the period	$ 23,518	$ 15,465

1. The consolidated balance sheet as of October 31, 1996, the consolidated statement of operations for three months ended October 31, 1996 ("1997 Period") and 1995 ("1996 Period") and the consolidated statement of cash flows for the three months ended October 31, 1996 and 1995 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, 1996 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 1996 Annual Report on Form 10-K. The results of operations for the three months ended October 31, 1996 are not necessarily indicative of the results that maybe expected for the full year.

In March 1995, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". This standard is effective for the Company's financial statements beginning in the first quarter of fiscal 1997. SFAS No. 121 establishes the accounting for the impairment of long-lived assets, certain identifiable intangibles and the excess of cost over net assets acquired, related to those assets to be held and used in operations, whereby impairment losses are required to be recorded 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. SFAS No. 121 also addresses the accounting for long-lived assets and certain identifiable intangibles that are expected to be disposed of. In the opinion of the Company's management, the adoption of SFAS No. 121 did not have a material effect on the consolidation results of operations or financial condition of the Company.

2. On October 19, 1994 the Company executed a settlement agreement with Johnson & Johnson, Inc. in the aggregate amount of $35.0 million pursuant to which the Company received $15.0 million, and a promissory note requiring Johnson & Johnson and its subsidiary, Ortho Diagnostics, Inc., to pay $5.0 million a year for each of the four successive anniversaries of said date. These future payments are recorded at net present value discounted using an interest rate of 5.25%. Pursuant to the terms of the settlement, all of the Company's

grants, licenses and intellectual property have been returned to the Company in totality.

3. 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, Inc.'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 were 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 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. Enzo intends to appeal from any adverse judgment. There can be no assurance that the Company will be successful in any of the foregoing matters or that Calgene, Inc. and/or Hutchinson will not be successful. However, even if the Company is not successful, management does not believe there will be a significant monetary impact.

4. On December 1, 1985, the Company entered into an Agreement with the City of New York to lease, over a fifty-year term, a six-story building located in New York City. In the fourth quarter of fiscal 1996, the Company negotiated a settlement with the City of New York to relieve the Company from any further obligations related to the lease and to return the building to the City and the Company agreed to pay the City $2,950,000 in full settlement of all of the City's claims for unpaid taxes and rent. The Company issued to the City 213,623

shares of the Company's common stock in August 1996 in consideration of the settlement amount. If the City has not received the net proceeds of $2,950,000 upon the sale of such stock by March 17, 1997, the City shall return the remaining shares not sold, if any, and the Company shall pay the difference in cash. As a result of this settlement with the City, the Company incurred a charge against earnings in the amount of approximately $ 7.6 million in the fourth quarter of fiscal 1996.

5. In April, 1994, the Company signed a non-exclusive worldwide distribution and supply agreement with Boehringer Mannheim Biochemicals. During fiscal 1995 similar agreements were signed with Amersham International and with Dako A/S. In September 1995, a fourth agreement was concluded with VWR Scientific Products (acquired from Baxter Healthcare). Under the terms of these agreements, the distributor companies sell to the global medical research market, a broad range of biochemical products and reagents manufactured and supplied by Enzo. The agreements include products based on nonradioactive DNA probe technology and include products that were developed and marketed by these companies prior to the agreement, as well as products developed by Enzo, all of which are covered by Enzo patents. The agreements extend for the life of the last patent to expire for products involved.

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

LIQUIDITY AND CAPITAL RESOURCES

The Company at October 31,1996, had cash and cash equivalents of $ 23.5 million, an increase of $ 5.7 million from July 31,1996. The Company had net working capital of $ 39.7 million at October 31,1996 compared to $ 29.5 million at July 31,1996.

The Company's income before taxes was $ 139,000 which includes depreciation and amortization aggregating approximately $ 455,000. 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 October 31, 1996 quarter was approximately $ 5.8 million and includes $ 5.0 million of cash received in connection with the litigation settlement with Johnson & Johnson, Inc. as compared to net cash provided by operating activities of $ 4.3 million for the prior period. The increase in net cash provided by operating activities from the 1996 period to the 1997 period was primarily due to the Company's decrease in net income from October 31, 1996 and an increase provision for uncollectable accounts receivable of $ 766,000, offset by the decrease in accounts receivable and the decrease in income taxes payable.

Net cash used by investing activities increased by $ 22,000 from the 1996 period primarily as a result of an increase in capital expenditures.

Net cash provided by financing activities decreased by $ 143,000 from the 1996 period primarily as a result of the decrease in proceeds from the exercise of stock options.

RESULTS OF OPERATIONS

THREE MONTHS ENDED OCTOBER 31, 1996 COMPARED WITH THREE MONTHS ENDED OCTOBER 31, 1995

Revenues from operations for the period ended October 31,1996 decreased by $ 551,000 over revenues from operations for the period ended October 31,1995. This decrease was due to an increase of $ 136,000 in revenues from research product sales resulting primarily from the Company's non-exclusive distribution agreements for the Company's products offset by a decrease of $ 687,000 in revenue for the clinical reference laboratory operation. The decrease in revenues from the clinical laboratory operations resulted primarily from a reduction in reimbursements rates from the Medicare program and to a lesser extent, a decrease in volume from unprofitable diagnostic screening tests.

Cost of sales decreased by approximately $ 62,000 as a result of an increase of 110,000 in the cost of sales of research products from the Company's distribution agreements activities offset by a decrease in the cost of clinical laboratory services of $ 172,000. This decrease is primarily due to the improved efficiencies of performing certain diagnostics screening tests.

Research and development expenses increased by approximately $ 323,000 as a result of an increase in research programs and to a lesser extent the increase in amortization of patent costs.

The provision for uncollectable accounts receivable increased by $ 766,000 primarily due to the fact that additional reserves were needed primarily to cover lower collection rates under the Federal Medicare programs and other third-party insurance carriers. The health care industry is undergoing significant change as third-party payors, such as Medicare and insurers, increase their efforts to control the cost, utilization and delivery of health care services. In particular, the Company believes that reductions in reimbursement for Medicare services will continue to be implemented from time to time. Reductions in the reimbursement rates of other third-party payors are likely to occur as well. Furthermore, the Company cannot predict the effect health care reform, if enacted, would have on its business, and there can be no assurance that such reforms, if enacted, would not have a material adverse effect on the Company's business and operations.

Selling and general and administration expenses decreased by $ 295,000 primarily due to a decrease in legal fees and the overall improved efficiencies at the clinical reference laboratory.

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 13, 1996

by:/s/ Shahram K. Rabbani

Chief Operating Officer,
Secretary and Treasurer

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IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENT.
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