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 January 31, 1998

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, $0.01 par value	The American Stock Exchange
(Title of Class)	(Name of each Exchange on which Registered)

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

NONE

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

Yes |X| No |_|

As of March 9, 1998 the Registrant had 24,512,625 shares of Common Stock outstanding.

ENZO BIOCHEM, INC.

FORM 10-Q

January 31, 1998

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ENZO BIOCHEM, INC.
PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEET

	January 31, 1998 (unaudited)	July 31, 1997
	(in Thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$31,010	$25,250
Accounts receivable, less allowance for doubtful accounts	13,292	11,986
Current portion of note receivable - litigation settlement	4,809	5,000
Inventories	1,659	1,559
Other	1,367	1,811
Total current assets	52,137	45,606
Property and equipment, at cost, less accumulated depreciation and amortization	2,647	2,910
Long term portion of note receivable - litigation settlement	--	4,689
Cost in excess of fair value of net tangible assets acquired, less accumulated amortization	9,119	9,305
Deferred patent costs, less accumulated amortization	4,581	4,757
Other	144	152
	$68,628	$67,419

ENZO BIOCHEM, INC.
LIABILITIES AND STOCKHOLDERS' EQUITY

	January 31, 1998 (unaudited)	July 31, 1997
	(in Thousands)	
Current liabilities:		
Trade accounts payable	$ 1,500	$ 1,089
Accrued legal fees	6	56
Other accrued expenses	796	1,162
Current portion of long-term debt	28	37
Current portion of obligations under capital leases	--	31
Total current liabilities	2,330	2,375
Long-term debt	--	9
Obligations under capital leases	--	37
Other deferred liabilities	990	990
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; 24,512,600 shares at January 31, 1998 and 23,329,900 shares at July 31,1997	246	233
Additional paid-in capital	90,942	90,736
Accumulated deficit	(25,880)	(26,961)
Total stockholders' equity	65,308	64,008
	$68,628	$67,419

See accompanying notes

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

	Six Months Ended January 31, 1998	1997
	(In thousands, except per share data)	
Revenues:		
Research product revenues	$ 6,016	$ 6,116
Clinical laboratory services	13,624	9,618
Total operating revenues	19,640	15,734
Costs and expenses:		
Cost of research product revenues	3,360	3,710
Cost of clinical laboratory services	3,962	3,383
Research and development expense	2,122	1,857
Selling expense	1,354	1,267
Provision for uncollectable accounts receivable	4,983	2,566
General and administrative expenses	3,625	3,651
Total costs and expenses	19,406	16,434
Income (loss) before interest income and provision for taxes on income	234	(700)
Interest income - net	895	1,038
Income before provision for taxes on income	1,129	338
Provision for taxes on income	(48)	(18)
Net income	$ 1,081	$ 320
Net income per common equivalent share-Basic & diluted	$ .04	$ .01
Weighted average common shares-Basic	24,422	24,326
Weighted average common equivalent shares-Diluted	25,476	25,122

See accompanying notes

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

	Three Months Ended January 31, 1998	1997
	(In thousands, except per share data)	
Revenues:		
Research product revenues	$ 3,196	$ 2,943
Clinical laboratory services	7,130	4,786

Total operating revenues	10,326	7,729
Costs and expenses:		
Cost of research product revenues	1,752	1,786
Cost of clinical laboratory services	2,092	1,688
Research and development expense	1,040	949
Selling expense	718	668
Provision for uncollectible accounts receivable	2,667	1,030
General and administrative expenses	1,952	1,969
Total costs and expenses	10,221	8,090
Income (loss) before interest income and provision for taxes on income	105	(361)
Interest income - net	456	560
Income before provision for taxes on income	561	199
Provision for taxes on income	(3)	(1)
Net income	$ 558	$ 198
Net income per common equivalent share-Basic & diluted	$ .02	$ .01
Weighted average common shares-Basic	24,438	24,318
Weighted average common shares-Diluted	25,521	25,097

See accompanying notes

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

	Six Months Ended January 31, 1998	1997
	(In thousands, except per share data)	
Cash flows from operating activities:		
Net income	$ 1,081	$ 320
Adjustments to reconcile net income to net Cash provided by operating activities:		
Depreciation and amortization of property and equipment	433	433
Amortization of costs in excess of fair value of tangible assets acquired	185	185
Amortization of deferred patent costs	360	300
Provision for uncollectable accounts receivable	4,983	2,566
Accretion of interest on note receivable	(120)	(450)
Other	82	142
Change in operating assets and liabilities:		
Note receivable - J & J settlement	5,000	5,000
Accounts receivable before provision for uncollectable amounts	(6,289)	(2,492)
Inventories	(100)	20
Other	444	220
Trade accounts payable and other accrued expenses	44	(615)
Accrued legal fees	(50)	(40)
Total adjustments	4,972	5,269
Net cash provided by operating activities	$ 6,053	$ 5,589

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

	Six Months Ended January 31, 1998	1997
	(In Thousands)	
Cash flows from investing activities:		
Capital expenditures	(235)	(272)
Patent costs deferred	(183)	(175)
Security deposits	9	(1)
Net cash provided used in investing activities	(409)	(448)
Cash flows from financing activities:		
Payments of obligations under capital lease and long term debt	(27)	(32)
Proceeds from exercise of stock options	143	307
Net cash provided by in financing activities	116	275
Net increase in cash and cash equivalents	5,760	5,416
Cash and cash equivalents at the beginning of the year	25,250	17,793
Cash and cash equivalents at the end of the period	$31,010	$23,209

ENZO BIOCHEM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
January 31, 1998
(Unaudited)

1. The consolidated balance sheet as of January 31, 1998 the consolidated statement of operations for the six months ended January 31,1998 ("1998 Period") and 1997 ("1997 Period") and the consolidated statement of cash flows for the three and six months ended January 31, 1998 and 1997 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 January 31, 1998 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 1997 Annual Report on Form 10-K. The results of operations for the three and six months ended January 31, 1998 are not necessarily indicative of the results that may be expected for the full year.

In June 1997, the Financial Accounting Standards Board issued SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" which will be required to be adopted for fiscal year 1999. Under the statements' "management approach", public companies will report financial and descriptive information about their operating segments. Management does not expect that adoption of SFAS No. 131 will have any impact on the company's determination of its operating segments.

In February 1997, the Financial Accounting Standards Board issued a statement of Financial Accounting standards ("SFAS") No. 128, "Earnings Per Share" which is effective for both interim and annual financial statements for periods ending after December 15, 1997. The Company is required to change the method previously used to compute earnings per share and restate all periods. Under the new requirements for calculating basic earnings per share, the dilutive effect of stock options and warrants will be excluded. The Company adopted the provisions of SFAS No.128 in this quarterly report.

ENZO BIOCHEM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
January 31, 1998
(Unaudited)

The following table sets forth the computation of basic and diluted earnings per share.

	Six Months Ended January 31, 1998	1997	Three Months Ended January 31, 1998	1997

(In thousands, except per share data)

Numerator:				
Net income for numerator for basic and diluted earnings per common equivalent share	$ 1,081	$ 320	$ 558	$ 198
Denominator:				
Denominator for basic earnings per common equivalent share during the period	24,422	24,326	24,438	24,318
Effect of dilutive securities				
Employee and director stock options and warrants	1,054	796	1,083	779
Denominator for diluted earnings per common equivalent share and assumed conversions	25,476	25,122	25,521	25,097
Basic earnings per share	$ .04	$ .01	$ .02	$ .01
Diluted earnings per share	$ .04	$ .01	$ .02	$ .01

The Company declared a 5% stock dividend on December 12, 1997 payable January 23, 1998 to shareholders of record as of January 9, 1998. The shares and per share data have been adjusted to retro actively reflect this stock dividend.

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 of Delaware charging patent infringement and acts of unfair competition against Calgene, Inc. and seeking a declaratory judgment of invalidity concerning Calgene's plant antisense patent. On February 9, 1994, the Company filed a second suit in the United States District Court for the District of Delaware charging Calgene with infringement of a second antisense patent belonging to the Company. Calgene filed a counterclaim in the second Delaware action seeking a declaration of invalid on a third patent belonging to the Company. 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, asserting 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 U.S. Patent Office. The complaint further charged Hutchinson with infringing and inducing Calgene to infringe the Company's antisense patents.

On February 2, 1996 the Delaware Court issued an opinion ruling against the Company and in favor of Calgene, finding certain claims infringed, but the 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 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.

On April 3, 1997, the European Patent Office rejected Calgene's opposition that had been lodged against the Company's related European antisense patent, thereby upholding the patent's validity. On May 23, 1997 the Japanese Patent Office issued a related antisense patent owned by the Company.

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

Liquidity and Capital Resources

The Company at January 31, 1998, had cash and cash equivalents of $31,010,000 an increase of $5,760,000 from July 31,1997. The Company had working capital of $49,807,000 at January 31, 1998 compared to $43,231,000 at July 31,1997.

The Company's income before taxes for the six months ended January 31,1998 was $1,129,000 which includes depreciation and amortization aggregating approximately $ 978,000. 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 six month period ended January 31,1998 was approximately $6,053,000 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 $5,589,000 for the 1997 period which also includes $ 5.0 million of cash received in connection with the litigation settlement with Johnson & Johnson, Inc. The increase in net cash provided by operating activities from the 1997 period to the 1998 period was primarily due to the Company's increase in net income offset by a net increase in the accounts receivable.

Net cash used in investing activities decreased by $39,000 from the 1997 period primarily as a result of an decrease in capital expenditures and deferred patent costs.

Net cash provided by financing activities decreased by $159,000 from the 1997 period primarily as a result of the decrease in proceeds from the exercise of stock options.

Results of Operations

Six months ended January 31,1998 compared with six months ended January 31, 1997

Revenues from operations for the period ended January 31, 1998 increased by $3,906,000 compared to revenues from operations for the six month period ended January 31, 1998. This increase was due to an increase of $4,006,000 in revenue from the clinical reference laboratory operation offset by the decrease of $100,000 in research products revenues resulting primarily from the Company's non-exclusive distribution agreements for the Company's products. The increase in revenues from the clinical reference laboratory

operations resulted primarily from an increase in volume of higher priced screening tests.

Cost of sales increased by approximately $229,000 as a result of a decrease of $350,000 in the cost of sales of research products from the Company's distribution agreements activities offset by an increase in the cost of clinical laboratory services of $579,000, due to the increased volume of esoteric tests.

Research and development expenses increased by approximately $265,000 as a result of an increase in research programs and to a lesser extent the increase in the amortization of patent costs.

The provision for uncollectable accounts receivable increased by $2,417,000 primarily due to the increased revenues at the clinical reference laboratory and that additional reserves were needed during the six months ended January 31, 1998 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 other 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 expenses increased approximately by $87,000, primarily due to an increase in the marketing programs at the clinical reference laboratory.

Results of Operations

Three months ended January 31,1998 compared with three months ended January 31, 1997

Revenues from operations for the period ended January 31,1998 increased by $2,597,000 compared to revenues from operations for the three month period ended January 31, 1998. This increase was due to an increase of $2,344,000 in revenue from the clinical reference laboratory operation and by an increase of $253,000 in research products revenues resulting primarily from the Company's non-exclusive distribution agreements for the Company's products. The increase in revenues from the clinical reference laboratory operations resulted primarily from an increase in the volume of higher priced screening tests.

Cost of sales increased by approximately $370,000 as a result of a decrease of $34,000 in the cost of sales of research products from the Company's distribution agreements activities offset by an increase in the cost of clinical laboratory services of $404,000, due to the increased volume of esoteric tests.

Research and development expenses increased by approximately 91,000 as a result of an increase in research programs and to a lesser extent the increase in amortization of patent costs.

The provision for uncollectible accounts receivable increased by $1,637,000 primarily due to the increased revenues at the clinical reference laboratory and that additional reserves were needed during the three months ended January 31, 1998 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 other 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 expenses increased approximately by $50,000, primarily due to an increase in the marketing programs 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: March 9, 1998

by: /s/ Shahram K. Rabbani
Chief Operating Officer,
Secretary and Treasurer

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