

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Mark one

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

For the quarterly period ended October 31, 1997

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 No
--- ---

As of December 10, 1997 the Registrant had 23,348,830 shares of Common Stock outstanding.

ENZO BIOCHEM, INC.

FORM 10-Q

October 31, 1997

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ENZO BIOCHEM, INC.
PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEET

<TABLE>
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	October 31, 1997 (unaudited)	July 31, 1997
	----- (in Thousands)	
ASSETS		
Current assets:		
<S>	<C>	<C>
Cash and cash equivalents	\$30,024	\$25,250
Accounts receivable, less allowance for doubtful accounts	12,794	11,986
Current portion of note receivable - litigation settlement	4,769	5,000
Inventories	1,593	1,559
Other	1,261	1,811
	-----	-----
Total current assets	50,441	45,606
Property and equipment, at cost, less accumulated depreciation and amortization	2,864	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	9,212	9,305
Deferred patent costs, less accumulated amortization	4,645	4,757
Other	152	152
	-----	-----
	\$67,314	\$67,419
	=====	=====

</TABLE>

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ENZO BIOCHEM, INC.
LIABILITIES AND STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	October 31, 1997 (unaudited)	July 31, 1997
	----- (in Thousands)	
Current liabilities:		
<S>	<C>	<C>
Trade accounts payable	\$826	\$ 1,089

Accrued legal fees	-----	56
Other accrued expenses	750	1,162
Current portion of long-term debt	37	37
Current portion of obligations under capital lease	29	31
	---	--
Total current liabilities	1,642	2,375
Long-term debt	---	9
Obligations under capital leases	32	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; 23,333,300 shares at October 31,1997 and 23,329,900 shares at July 31,1997	233	233
Additional paid-in capital	90,854	90,736
Accumulated deficit	(26,437)	(26,961)
	-----	-----
Total stockholders' equity	64,650	64,008
	-----	-----
	\$67,314	\$ 67,419
	=====	=====

</TABLE>

See accompanying notes

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

<TABLE>
<CAPTION>

	Three Months Ended October 31,	
	1997	1996

	(In thousands, except per share data)	
Revenues:		
<S>	<C>	<C>
Research product revenues	\$2,820	\$3,173
Clinical laboratory services	6,494	4,832
	-----	-----
Total operating revenues	9,314	8,005
Costs and expenses:		
Cost of research product revenues	1,608	1,924
Cost of clinical laboratory services	1,870	1,695
Research and development expense	1,082	908
Selling expense	636	599
Provision for uncollectable accounts receivable	2,316	1,536
General and administrative expenses	1,673	1,682
	-----	-----
Total costs and expenses	9,185	8,344
Income (loss) before interest income and provision for taxes on income	129	(339)
Interest income - net	439	478
	---	---
Income before provision for taxes on income	568	139
Provision for taxes on income	(45)	(17)
	---	---
Net income	\$523	\$122
	----	----
Net income per common and common equivalent share	\$.02	\$.00
	=====	=====

Weighted average common shares	25,507	24,949
	=====	=====

</TABLE>

See accompanying notes

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

<TABLE>
<CAPTION>

	Three Months Ended October 31,	
	1997	1996

	(In Thousands)	
Cash flows from operating activities:		
<S>	<C>	<C>
Net income	\$523	\$122
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	214	212
Amortization of costs in excess of fair value of tangible assets acquired	93	93
Amortization of deferred patent costs	180	150
Provision for uncollectable accounts receivable	2,316	1,536
Accretion of interest on note receivable	(80)	(250)
Other	38	8
Change in assets and liabilities:		
Note receivable - J & J settlement	5,000	5,000
Accounts receivable before provision for uncollectable amounts	(3,124)	(949)
Inventories	(34)	74
Prepaid expense	550	228
Trade accounts payable and other accrued expenses	(675)	(427)
Accrued legal fees	(56)	(18)
	-----	-----
	4,422	5,657
	-----	-----
Net cash provided by operating activities	\$4,945	\$5,779
	-----	-----

</TABLE>

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

<TABLE>
<CAPTION>

	Three Months Ended October 31,	
	1997	1996

	(In Thousands)	
Cash flows from investing activities:		
<S>	<C>	<C>
Capital expenditures	(168)	(88)
Patent costs deferred	(67)	(50)
Security deposits		6
	-----	-----
Net cash provided from investing activities	(235)	(132)
Cash flows from financing activities:		
Payments of obligations under capital lease and long term debt	(16)	(16)
Proceeds from exercise of stock options	80	94
	-----	-----

Net cash provided by used in financing activities	64	78
	----	-----
Net increase in cash and cash equivalents	4,774	5,725
Cash and cash equivalents at the beginning of the year	25,250	17,793
	-----	-----
Cash and cash equivalents at the end of the period	\$30,024	\$23,518
	=====	=====

</TABLE>

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ENZO BIOCHEM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
October 31, 1997
(Unaudited)

1. The consolidated balance sheet as of October 31, 1997 the consolidated statement of operations for three months ended October 31, 1997 ("1998 Period") and 1996 ("1997 Period") and the consolidated statement of cash flows for the three months ended October 31, 1997 and 1996 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, 1997 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 months ended October 31, 1997 are not necessarily indicative of the results that may be expected for the full year.

In February 1997, SFAS No. 128, "Earnings Per Share" was issued and it is effective for both interim and annual financial statements for periods ending after December 15, 1997. At that time, the Company will be required to change the method currently 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 impact of adopting SFAS No. 128 is not expected to be material.

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 companies determination of its operating segments.

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

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ENZO BIOCHEM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
October 31, 1997
(Unaudited)

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

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.

The company declared a 5% stock dividend on December 12, 1997 payable January 23, 1998 to shareholders of record as of January 9, 1998.

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

LIQUIDITY AND CAPITAL RESOURCES

The Company at October 31, 1997, had cash and cash equivalents of \$30,024,000 an increase of \$4,774,000 from July 31, 1997. The Company had working capital of \$ 48,799,000 at October 31, 1997 compared to \$43,231,000 at July 31, 1997.

The Company's income before taxes for the three months ended October 31, 1997 was \$568,000 which includes depreciation and amortization aggregating approximately \$487,000. The Company's positive cash flow from operations was sufficient to meet its current cash needs for the research and development programs and other investing activities.

Net cash provided by operating activities for the three month period ended October 31, 1997 was approximately \$ 4,945,000 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 \$5,779,000 for the 1996 period which also includes \$ 5.0 million of cash received in connection with the litigation settlement with Johnson & Johnson, Inc. The decrease in net cash provided by operating activities from the 1996 period to the 1997 period was primarily due to the Company's decrease in trade account payable and other accrued expenses, and a increase in the accounts receivable offset by a decrease in the prepaid expenses and a increase in net income.

Net cash used in investing activities increased by \$102,000 from the 1996 period primarily as a result of an increase in capital expenditures and patent costs.

Net cash provided by financing activities decreased by \$14,000 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, 1997 COMPARED WITH THREE MONTHS ENDED OCTOBER 31, 1996

Revenues from operations for the period ended October 31, 1997 increased by \$ 1,309,000 compared to revenues from operations for the three month period ended October 31, 1996. This increase was due to an increase of \$1,662,000 in revenue from the clinical reference laboratory operation offset by the decrease of \$353,000 in the mix of research products sales resulting primarily from the Company's non-exclusive distribution agreements for the

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Company's products. The increase in revenues from the clinical reference laboratory operations resulted primarily from a an increase in higher priced

screening tests.

Cost of sales decreased by approximately \$141,000 as a result of a decrease of \$ 316,000 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 \$ 175,000 .

Research and development expenses increased by approximately \$174,000 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 \$780,000 primarily due to the increased revenues at the clinical reference laboratory and that additional reserves were needed during the three months ended October 31, 1997 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 \$37,000, primarily due to an increase in the marketing programs at the clinical reference laboratory.

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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 11, 1997

by: /s/ Shahram K. Rabbani

Chief Operating Officer,
Secretary and Treasurer

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE QUALIFIED PERIOD ENDED OCTOBER 31, 1997 AND IS QUALIFIED BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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