

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, 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 No

As of December 10, 1998 the Registrant had 24,897,200 shares of Common Stock outstanding.

ENZO BIOCHEM, INC.

FORM 10-Q

October 31, 1998

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and July 31, 1998

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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, 1998 (unaudited)	July 31, 1998

	(in Thousands)	
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$39,249	\$33,543
Accounts receivable, less allowance for doubtful accounts	14,014	14,195
Current portion of note receivable - litigation settlement	---	4,942
Inventories	1,338	1,393
Deferred taxes	471	471
Other	892	844
	-----	-----
Total current assets	55,964	55,388
Property and equipment, at cost, less accumulated depreciation and amortization	2,676	2,570
Cost in excess of fair value of net tangible assets acquired, less accumulated amortization	8,841	8,934
Deferred patent costs, less accumulated amortization	4,495	4,559
Deferred taxes	554	554
Other	150	148
	-----	-----
	\$72,680	\$72,153
	=====	=====

</TABLE>

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ENZO BIOCHEM, INC.
LIABILITIES AND STOCKHOLDERS' EQUITY

<TABLE>
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	October 31, 1998 (unaudited)	July 31, 1998

	(in Thousands)	
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Current liabilities:		
Trade accounts payable	\$ 1,574	\$ 1,439
Income taxes payable	15	164
Other accrued expenses	590	803
Current portion of long-term debt	---	9
	-----	-----
Total current liabilities	2,179	2,415

Other deferred liabilities	955	955
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; 24,917,000 shares at October 31,1998 and 24,905,300 shares at July 31,1998	249	249
Additional paid-in capital	92,161	92,103
Accumulated deficit	(22,864)	(23,569)
	-----	-----
Total stockholders' equity	69,546	68,783
	-----	-----
	\$ 72,680	\$ 72,153
	=====	=====

See accompanying notes

</TABLE>

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ENZO BIOCHEM, INC.

CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

<TABLE>
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	Three Months Ended October 31,	
	1998	1997

	(In thousands, except per share data)	
	<C>	<C>
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Revenues:		
Research product revenues	\$ 3,498	\$ 2,820
Clinical laboratory services	7,026	6,494
	-----	-----
Total operating revenues	10,524	9,314
Costs and expenses:		
Cost of research product revenues	2,017	1,608
Cost of clinical laboratory services	2,117	1,870
Research and development expense	1,070	1,082
Selling expense	657	636
Provision for uncollectable accounts Receivable	2,438	2,316
General and administrative expenses	1,972	1,673
	-----	-----
Total costs and expenses	10,271	9,185
Income before interest income and provision for taxes on income	253	129
Interest income - net	510	439
	-----	-----
Income before provision for taxes on income	763	568
Provision for taxes on income	(58)	(45)
	-----	-----
Net income	\$ 705	\$ 523
	=====	=====
Net income per common share:		
Basic	\$.03	\$.02
	=====	=====
Diluted	\$.03	\$.02
	=====	=====
Denominator for per share calculation:		
Basic	24,891	24,516
	=====	=====
Diluted	25,704	25,507
	=====	=====

See accompanying notes

</TABLE>

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

<TABLE>
<CAPTION>

	Three Months Ended October 31,	
	1998	1997
	(In Thousands)	
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 705	\$ 523
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	207	214
Amortization of costs in excess of fair value of tangible assets acquired	93	93
Amortization of deferred patent costs	165	180
Issuance of warrants as compensation for services performed	37	38
Provision for uncollectable accounts receivable	2,438	2,316
Accretion of interest on note receivable	(58)	(80)
Change in assets and liabilities:		
Note receivable - J & J settlement	5,000	5,000
Accounts receivable before provision for uncollectable amounts	(2,256)	(3,124)
Inventories	55	(34)
Prepaid expense	(49)	550
Trade accounts payable and other accrued expenses	(78)	(675)
Accrued legal fees	(149)	(56)
	5,405	4,422
Net cash provided by operating activities	\$ 6,110	\$ 4,945

</TABLE>

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

<TABLE>
<CAPTION>

	Three Months Ended October 31,	
	1998	1997
	(In Thousands)	
<S>	<C>	<C>
Cash flows from investing activities:		
Capital expenditures	(313)	(168)
Patent costs deferred	(101)	(67)
Security deposits	(2)	---
Net cash provided from investing activities	(416)	(235)
Cash flows from financing activities:		
Payments of obligations under capital lease and long term debt	(9)	(16)
Proceeds from exercise of stock options	21	80
Net cash provided by used in financing activities	12	64
Net increase in cash and cash equivalents	5,706	4,774
Cash and cash equivalents at the beginning of the year	33,543	25,250
Cash and cash equivalents at the end of the period	\$39,249	\$30,024

</TABLE>

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

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

In fiscal 1997, the Financial Accounting Standards Board issued SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" which is effective for years beginning after December 15, 1997. SFAS No. 131 established standards for the way the public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. It also establishes standards for related disclosures about products and services, geographical areas, and major customers. Since SFAS No. 131 is not required to be applied to interim financial statements in the initial year of adoption, the Company is not required to disclose segment information in accordance with SFAS No. 131 until the fiscal year ended July 31, 1999, if applicable. In the Company's first quarter of fiscal 2000 report, and in subsequent quarters, it would present the interim disclosures required by SFAS No. 131 for both fiscal 2000 and 1999, if applicable. Management does not expect that adoption of SFAS No. 131 will have a significant impact on the Company's determination of its operating segments.

In fiscal 1997, the Company adopted 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". 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

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

than the assets carrying amount. SFAS No. 121 also addresses the accounting of long-lived assets and certain identifiable intangibles that are expected to be disposed of. The adoption of SFAS No. 121 did not have a material effect on the consolidated results of operations or financial condition of the Company.

In fiscal 1998, the Company adopted the provisions of SFAS No. 128, "Earnings Per Share", which was effective for both interim and annual financial statements for periods ending after December 15, 1997. SFAS 128 replaced the previously reported primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options and warrants. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where necessary, restated to conform to SFAS 128 requirements.

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

<TABLE>
<CAPTION>

<S>
Numerator:

	Three Months Ended October 31,	
	1998	1997

	In Thousands, except per share data)	
<C>		<C>

Net income for numerator for basic and diluted earnings per common equivalent share	\$ 705 =====	\$ 523 =====
Denominator:		
Denominator for basic earnings per common equivalent share during the period	24,891	24,516
Effect of dilutive securities employee and director stock options and warrants	813 -----	991 -----
Denominator for diluted earnings per common equivalent share and assumed conversions	25,704 =====	25,507 =====
Basic earnings per share	\$.03 =====	\$.02 =====
Diluted earnings per share	\$.03 =====	\$.02 =====

</TABLE>

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ENZO BIOCHEM, INC.
NOTES TO CONSOLIDATED FINICAL STATEMENTS
October 31, 1998
(Unaudited)

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. As of October 31, 1998 all four payments have been received. 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.

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.

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

On June 1, 1998, the U.S. District Court for the District of Delaware issued its final decision in the case. In its decision the court held two of the Company's three antisense patents were invalid, and not infringed. The court declined to act on Calgene's claim that the Company's third antisense patent

was invalid citing lack of evidence. The court further held that the Calgene antisense patent was not invalid. Enzo has appealed the district court's judgement to the U.S. court of appeals for the Federal Circuit. There can be no assurance that the Company will be successful in its appeal. If the Company is successful in its appeal, it expects that the case would be remanded for further proceedings before the district court, and there can be no assurance that the Company will be successful in such further proceedings. However, even if the Company is not successful, management does not believe there will be a significant monetary impact.

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

LIQUIDITY AND CAPITAL RESOURCES

The Company at October 31, 1998, had cash and cash equivalents of \$39,249,000 an increase of \$5,706,000 from July 31, 1998. The Company had working capital of \$53,785,000 at October 31, 1998 compared to \$52,973,000 at July 31, 1998.

The Company's net income before taxes for the three months ended October 31, 1998 was \$705,000 which includes depreciation and amortization aggregating approximately \$465,000. 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, 1998 was approximately \$6,110,000 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 \$4,945,000 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 1998 period to the 1999 period was primarily due to the Company's decrease in the change in trade account payable and change in accounts receivable, offset by an increase in the prepaid expenses and an increase in net income.

Net cash used in investing activities increased by \$181,000 from the 1998 period primarily as a result of an increase in capital expenditures and patent costs.

Net cash provided by financing activities decreased by \$52,000 from the 1998 period primarily as a result of the decrease in proceeds from the exercise of stock options.

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RESULTS OF OPERATIONS

THREE MONTHS ENDED OCTOBER 31, 1998 COMPARED WITH THREE MONTHS ENDED OCTOBER 31, 1997

Revenues from operations for the period ended October 31, 1998 increased by \$1,210,000 compared to revenues from operations for the three month period ended October 31, 1997. This increase was due to an increase of \$532,000 in revenue from the clinical reference laboratory operation and by the increase of \$678,000 of research products sales. The increase in research product sales resulted primarily from an increase in the mix of higher priced sales from the Company's non-exclusive distribution agreements. The increase in revenues from the clinical reference laboratory operations resulted primarily from an increase in higher priced screening tests and an increase in esoteric testing revenue.

Cost of sales increased by approximately \$656,000 as a result of a increase in the cost of clinical laboratory services of \$247,000 and an increase of \$409,000 in the cost of sales of research products from the Company's distribution agreements activities.

The provision for uncollectable accounts receivable increased by \$122,000 primarily due to the increased revenues at the clinical reference laboratory and that additional reserves were needed during the three months ended October 31, 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.

General and Administrative expenses increased approximately by

\$299,000, primarily due to an increase in the legal fees.

The provision for Federal income taxes for the three months ended October 31, 1998 and 1997 are based on the alternative minimum tax method and current State and local income taxes provided relate primarily to taxes computed based upon capital.

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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, 1998

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, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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