UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A
(AMENDMENT NO. 1)

(Mark One)

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

For the quarterly period ended March 31, 2005

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 0-12957

Enzon Pharmaceuticals, Inc.

Exact name of registrant as specified in its charter

DELAWARE	22-2372868
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
685 Route 202/206, Bridgewater, New Jersey (Address of principal executive offices)	08807 (Zip Code)

(908) 541-8600
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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 was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). |X| No |_|

Shares of Common Stock outstanding as of May 4, 2005: 43,858,705.

EXPLANATORY NOTE

This quarterly report on Form 10-Q/A amends and restates our original quarterly report on Form 10-Q for the period ended March 31, 2005 as of the date of filing the original Form 10-Q on May 10, 2005. We are amending and restating our original quarterly report on Form 10-Q in its entirety with respect to our accounting for the application of hedge accounting for a zero cost protective

collar arrangement under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended (SFAS No. 133) and certain changes identified in the Accounting for technology license agreements. The protective collar arrangement was entered into during August 2003 to reduce the exposure associated with changes in the fair value of the 1.5 million shares of common stock of NPS Pharmaceuticals, Inc. ("NPS") we received in connection with a June 2003 merger termination agreement.

This amended quarterly report on Form 10-Q/A for the period ended March 31, 2005 reflects corrections and restatements of the following financial statements: (a) condensed consolidated balance sheet as of March 31, 2005 (b) condensed consolidated statements of operations for the period ended March 31, 2005 and (c) condensed consolidated statements of cash flows for the fiscal period ended March 31, 2005.

We are also filing under separate documents amended quarterly reports on Form 10-Q/A for the quarter and fiscal year-to-date periods ended September 30, 2004 and December 31, 2004. For a more detailed description of corrections and restatements made to the financial statements, see Note 2, "Restatement and Reclassifications of Condensed Consolidated Financial Statements", to the accompanying notes to the condensed consolidated financial statements.

In addition to the changes discussed above, we have also made other changes, including but not limited to the following to reflect the changes discussed herein: (a) other income for the fiscal period ended March 31, 2005 under "Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations" to reflect the changes discussed herein; (b) unrealized loss on securities that arose during the fiscal period and our total comprehensive loss for the fiscal period ended March 31, 2005 in Note 4, "Comprehensive Income", to the accompanying notes to the condensed consolidated financial statements; (c) unrealized gain previously recognized in other income and recorded in accumulated other comprehensive income for the fiscal period ended March 31, 2005 with respect to the sale and repurchase of shares of NPS in Note 13, "Derivative Instruments", to the accompanying notes to the condensed consolidated financial statements (d) total gross deferred tax assets as of March 31, 2005 and income tax provision for the fiscal period ended March 31, 2005 in Note 11, "Income Taxes", to the accompanying notes to the condensed consolidated financial statements; (e) net loss and net loss per common share for the fiscal period ended March 31, 2005 in Note 5, 11, "Earnings Per Common Share", to the accompanying notes to the condensed consolidated financial statements; and (f) pro forma net loss and net loss per common share for the fiscal periods ended March 31, 2005 in Note 6, "Stock-Based Compensation", to the accompanying notes to the condensed consolidated financial statements.

This amended and restated quarterly report on Form 10-Q/A is as of the end of our fiscal period March 31, 2005 as required by Form 10-Q or as of the date of filing the original Form 10-Q. It does not update any of the statements contained therein for subsequent events or forward looking statements. This quarterly report on Form 10-Q/A contains forward looking statements, which were made at the time the original quarterly report on Form 10-Q was filed on May 10, 2005 and must be considered in light of any subsequent events and subsequent statements including forward looking statements in any written statement subsequent to the filing of the original quarterly report on Form 10-Q, including statements made in filings on current reports on Form 8-K.

PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)
(UNAUDITED)

	MARCH 31, 2005 (Restated) (Note 2)	JUNE 30, 2004
ASSETS		

Current assets:		
Cash and cash equivalents	$ 41,158	$ 77,532
Short-term investments	102,986	27,119
Investment in equity securities	9,465	23,625
Accounts receivable, net	21,304	25,977
Inventories	16,651	11,215
Deferred tax and other current assets	17,760	11,994
Total current assets	209,324	177,462
Other assets:		
Property and equipment, net	33,518	34,859
Marketable securities	65,893	81,582
Investments in equity securities	6,383	14,281
Amortizable intangible assets, net	180,617	194,067
Goodwill	150,985	150,985
Deferred tax and other assets	69,908	69,174
	507,304	544,948
Total assets	$ 716,628	$ 722,410
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,821	$ 8,663
Accrued expenses	18,206	23,001
Total current liabilities	29,027	31,664
Other liabilities	899	1,655
Notes payable	400,000	400,000
	400,899	401,655
Commitments and contingencies		
Stockholders' equity:		
Preferred stock-$.01 par value, authorized 3,000,000 shares; no shares issued and outstanding at March 31, 2005 and at June 30, 2004	--	--
Common stock-$.01 par value, authorized 90,000,000 shares; issued and outstanding 43,858,705 shares at March 31, 2005 and 43,750,934 shares at June 30, 2004	439	438
Additional paid-in capital	323,354	322,486
Accumulated other comprehensive loss	(6,281)	(7,330)
Deferred compensation	(3,804)	(3,571)
Accumulated deficit	(27,006)	(22,932)
Total stockholders' equity	286,702	289,091
Total liabilities and stockholders' equity	$ 716,628	$ 722,410

* Condensed from audited consolidated financial statements.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	2005	2004	2005	2004
	(Restated) (Note 2)		(Restated) (Note 2)	
Revenues:				
Product sales, net	$21,224	$27,993	$75,712	$80,665
Manufacturing revenue	4,359	5,035	12,335	8,826
Royalties	13,179	11,103	33,373	36,461
Contract revenue	451	248	1,163	769
Total revenues	39,213	44,379	122,583	126,721
Costs and expenses:				
Cost of product sales and manufacturing revenue	9,024	12,458	32,306	35,195
Research and development	12,665	10,772	31,390	24,711
Selling, general and administrative	13,658	12,500	39,630	35,187
Amortization of acquired intangible assets	3,339	3,358	10,091	10,074

Acquired in-process research and development	-	12,000	-	12,000
Total costs and expenses	38,686	51,088	113,417	117,167
Operating (loss) income	527	(6,709)	9,166	9,554
Other income (expense):				
Investment income, net	1,116	11,564	2,859	12,744
Interest expense	(4,957)	(4,957)	(14,871)	(14,871)
Other, net	(1,572)	4,797	(3,523)	(2,048)
	(5,413)	11,404	(15,535)	(4,175)
(Loss) income before tax benefit	(4,886)	4,695	(6,369)	5,379
Income tax benefit	(1,761)	(3,408)	(2,295)	(3,557)
Net (loss) income	($3,125)	$8,103	($4,074)	$8,936
Basic (loss) earnings per common share	($0.07)	$0.19	($0.09)	$0.21
Diluted (loss) earnings per common share	($0.07)	$0.18	($0.09)	$0.20
Weighted average number of common shares outstanding - basic	43,490	43,368	43,481	43,322
Weighted average number of common shares and dilutive potential common shares outstanding	43,490	43,817	43,481	43,657

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	NINE MONTHS ENDED MARCH 31,	
	2005	2004
	(Restated) (Note 2)	
Cash flows from operating activities:		
Net (loss) income	($4,074)	$ 8,936
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	17,007	16,487
Non-cash expense for restricted stock grants	429	1,132
Loss (gain) on sale of investments	3,541	(10,977)
Non-cash loss (gain) related to equity collar arrangement	804	2,275
Amortization of debt issue costs	1,371	1,371
Amortization of bond premium/discount	2,049	409
Deferred income taxes	(2,689)	(5,722)
Changes in operating assets and liabilities	(5,619)	(5,453)
Net cash provided by operating activities	12,819	8,458
Cash flows from investing activities:		
Purchase of property and equipment	(2,210)	(4,640)
Proceeds from sale of equity investment	15,335	17,375
Proceeds from sale of marketable securities	74,000	49,744
Purchase of marketable securities	(136,525)	(44,450)
Net cash (used in) provided by investing activities	(49,400)	18,029
Cash flows from financing activities:		

Proceeds from exercise of common stock options	207	431
Net cash provided by financing activities	207	431
Net (decrease) increase in cash and cash equivalents	(36,374)	26,918
Cash and cash equivalents at beginning of period	77,532	44,452
Cash and cash equivalents at end of period	$41,158	$71,370

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(1) ORGANIZATION AND BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements have been prepared from the books and records of Enzon Pharmaceuticals, Inc. and its subsidiaries ("Enzon" or the "Company") in accordance with United States generally accepted accounting principles ("GAAP") for interim financial information and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete annual financial statements. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In the opinion of management, all adjustments (consisting only of normal and recurring adjustments) considered necessary for a fair presentation have been included. See Note 2 for discussion of restatement. Certain prior year balances have been reclassified to conform to the current period presentation. Interim results are not necessarily indicative of the results that may be expected for the year. The interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's latest annual report on Form 10-K/A (Amendment No. 2).

(2) RESTATEMENT AND RECLASSIFICATIONS OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In August and September 2005, the Company concluded that its previously issued financial statements and other financial information for the quarter and fiscal year-to-date periods ended September 30, 2004, December 31, 2004 and March 31, 2005, required restatement with respect to its accounting for a derivative hedging instrument and certain third party agreements. The Company has restated the comparable fiscal periods in a previously filed amendment to the respective Form 10-Q or 10-K due to computational changes in the valuation of and for the application of hedge accounting for a zero cost protective collar arrangement under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Securities," as amended. The comparable fiscal periods included in the quarterly report on Form 10-Q/A, reflects the restated amounts.

The restatement is primarily due to the accounting for the application of hedge accounting for a zero cost protective collar arrangement under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended (SFAS No. 133).

As described in Note 13 "Derivative Instruments", the Company entered into a zero cost protective collar ("Collar") arrangement in August 2003 to reduce its exposure to changes in fair value associated with 1.5 million common shares of NPS Pharmaceutical, Inc. ("NPS"), which the Company received in connection with the termination of a proposed merger. Pursuant to the terms of

the Merger Termination Agreement, the Company was restricted as to the number of shares it could sell on a quarterly basis. Under the collar arrangement, the Company was required to deliver unrestricted freely trading shares of NPS common stock upon the maturity date of the Collar, as well as maintain 1.5 million of shares of NPS common stock on account with the financial institution as collateral during the term of the collar agreement. Therefore, during the period of November 2003 to October 2004, the Company sold and simultaneously repurchased 375,000 shares of NPS common stock quarterly in order to remove the restriction while maintaining the collateralized shares. In August 2005, the Company determined that the initial sale of NPS common stock in November 2003 resulted in the termination of the existing hedging relationship and that the Company was unable to meet certain fair value hedging criteria pursuant to SFAS No. 133 at that time to re-designate the hedging relationship. Accordingly, the Company terminated its hedge accounting treatment in November 2003, which resulted in the changes in unrealized gains and losses on the NPS common stock underlying the derivative hedging instrument previously included in other income (expense) being recorded in accumulated other comprehensive income (loss) on the condensed consolidated balance sheet. The accounting change corrects a misallocation between other income (expense) and accumulated other comprehensive income (loss) for the quarters and fiscal year-to-date periods ended September 30, 2004, December 31, 2004 and March 31, 2005.

The Company has also made certain reclassifications between non-current and current assets and liabilities of a portion of the balance associated with the Collar and NPS common stock to reflect the timeing of the maturity of the Collar instrument and related sale of NPS common stock.

Additionally, the Company determined that certain third party related agreements were not accounted for correctly during the fiscal quarters ended September 30, 2004, December 31, 2004 and March 31, 2005. The resulting changes are a reduction of research and development expense during the fiscal quarters ended September 30, 2004, December 31, 2004 and March 31, 2005 and an increase to royalties during the fiscal quarter ended March 31, 2005.

The following tables show the impact of the restatement on the relevant captions from the Company's condensed consolidated financial statements as of and for the periods indicated. These tables contain only the changed balances and do not represent the complete condensed consolidated balance sheet as of such period or condensed consolidated statements of operations for the periods then ended (in thousands, except per share amounts).

CHANGES TO CONDENSED CONSOLIDATED BALANCE SHEET

MARCH 31, 2005

	Previously Reported	Adjustments	Restated
Investment in equity securities	$ -	$ 9,465	$ 9,465
Accounts receivable, net	20,831	473	21,304
Deferred tax and other current assets	17,276	484	17,760
Total current assets	198,902	10,422	209,324
Investments in equity securities	15,848	(9,465)	6,383
Non-current deferred tax and other assets	70,262	(354)	69,908
Total non-current assets	517,123	(9,819)	507,304
Total assets	716,025	603	716,628
Accumulated other comprehensive loss	(3,010)	(3,271)	(6,281)
Accumulated deficit	(30,880)	3,874	(27,006)
Total stockholders' equity	286,099	603	286,702
Total liabilities and stockholders' equity	716,025	603	716,628

CHANGES TO CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months ended March 31, 2005			Nine Months ended March 31, 2005		
	Previously Reported	Adjustments	Restated	Previously Reported	Adjustments	Restated
Royalties	$ 12,705	$ 474	$ 13,179	$ 32,899	$ 474	$ 33,373
Total revenues	38,739	474	39,213	122,109	474	122,583
Research and development	12,942	(277)	12,665	31,874	(484)	31,390
Total costs and expenses	38,963	(277)	38,686	113,901	(484)	113,417
Operating income (expense)	(224)	751	527	8,208	958	9,166
Other, net	(3,230)	1,658	(1,572)	(5,173)	1,650	(3,523)
Total other income (expense)	(7,071)	1,658	(5,413)	(17,185)	1,650	(15,535)
Income before tax provision (benefit)	(7,295)	2,409	(4,886)	(8,977)	2,608	(6,369)
Income tax benefit	(2,718)	957	(1,761)	(3,324)	1,029	(2,295)
Net (loss) income	(4,577)	1,452	(3,125)	(5,653)	1,579	(4,074)
Basic (loss) earnings per common share	(0.11)	0.04	(0.07)	(0.13)	0.04	(0.09)
Diluted (loss) earnings per common share	(0.11)	0.04	(0.07)	(0.13)	0.04	(0.09)

The restatement did not result in any changes to cash and cash equivalents as of March 31, 2005 or any changes to the net cash flows from operations, investing or financing activities in the condensed consolidated statement of cash flows for the period ended March 31, 2005 although it did result in certain reclassifications among certain components of net cash flow from operations.

As a result of the adjustments discussed above, modifications were required to previously filed footnotes as follows: Note 4 "Comprehensive Income", Note 5, "Earnings Per Common Share", Note 6, "Stock-Based Compensation", Note 11, "Income Taxes" and Note 13, "Derivative Instruments".

(3) MARKETABLE SECURITIES

The Company classifies its investments in debt and marketable equity securities, including auction rate securities, as available-for-sale. The Company classified those investments available for current operations with maturities of one year or less as current assets. Debt and marketable equity securities are carried at fair value, with the unrealized gains and losses (which are deemed to be temporary), net of related tax effect, included in the determination of other comprehensive income and reported in stockholders' equity. The fair value of substantially all securities is determined by quoted market prices.

At March 31, 2005 and June 30, 2004 the Company held auction rate securities for which interest or dividend rates are generally re-set for periods of up to 90 days. The auction rate securities outstanding at March 31, 2005 and June 30, 2004 were investments in state government bonds and corporate securities. In the third quarter of 2005, the Company reclassified its auction rate securities from cash and cash equivalents to either short-term investments or marketable securities, depending upon the instrument's maturity date. At March 31, 2005, the Company held auction rate securities with contractual maturities between 2005 and 2009.

The cost of the debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. The amortization, along with realized gains and losses, is included in investment income. The cost of securities is based on the specific identification method.

A decline in the market value of any security below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. Dividend and interest income are recognized when earned.

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The amortized cost, gross unrealized holding gains or losses, and fair value for the Company's available-for-sale securities by major security type as of March 31, 2005 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value*
U.S. Government Agency Debt	$ 91,357	$ -	($689)	$ 90,668
U.S. Corporate Debt	70,942	12	(768)	70,186
Auction Rate Securities	8,025	-	-	8,025
	$170,324	$12	($1,457)	$168,879

* $102,986 is included in short-term investments and $65,893 is included in marketable securities.

The amortized cost, gross unrealized holding gains or losses, and fair value for the Company's available-for-sale securities by major security type at June 30, 2004 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value*
U.S. Government Agency Debt	$ 24,017	$ 5	($351)	$ 23,671
U.S. Corporate Debt	71,832	6	(808)	71,030
Auction Rate Securities	14,000	-	-	14,000
	$109,849	$11	($1,159)	$108,701

* $27,119 is included in short-term investments and $81,582 is included in marketable securities.

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(4) COMPREHENSIVE INCOME

Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income", requires unrealized gains and losses on the Company's available-for-sale securities to be included in other comprehensive income.

The following table reconciles net (loss) income to comprehensive (loss) income (in thousands):

	THREE MONTHS ENDED MARCH 31,	NINE MONTHS ENDED MARCH 31,

	2005	2004	2005	2004
	(Restated) (Note 2)		(Restated) (Note 2)	
Net (loss) income	($3,125)	$ 8,103	($4,074)	$ 8,936
Other comprehensive income:				
Unrealized (loss) gain on securities that arose during the period, net of tax	(2,998)	(1,687)	(4,831)	2,815
Reclassification adjustment for loss (gain) included in net (loss) income, net of tax	3,550	(1,200)	5,880	(1,555)
Total other comprehensive income (loss)	552	(2,887)	1,049	1,260
Comprehensive (loss) income	($2,573)	$ 5,216	($3,025)	$ 10,196

(5) EARNINGS PER COMMON SHARE

Basic earnings per share is computed by dividing the net (loss) income by the weighted average number of shares of Common Stock issued and outstanding during the periods. For purposes of calculating diluted earnings per share for the three and nine months ended March 31, 2005 and 2004, the denominator includes both the weighted average number of shares of Common Stock outstanding and the number of potentially dilutive Common Stock equivalents if the inclusion of such Common Stock equivalents is not anti-dilutive. As of March 31, 2005 and 2004, the Company had 10.1 million and 10.8 million, respectively, of potentially dilutive Common Stock equivalents that are excluded from the dilutive earnings per share calculations, as the effect of the inclusion would be anti-dilutive.

The following table reconciles the basic and diluted earnings (loss) per share calculations (in thousands):

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	2005 (Restated)	2004	2005 (Restated)	2004
Net (loss) income	($3,125)	$8,103	($4,074)	$8,936
Weighted average number of common shares outstanding - basic	43,490	43,368	43,481	43,322
Effect of dilutive common stock equivalents: Stock options	--	449	--	335
Weighted average number of common shares and dilutive potential common shares outstanding	43,490	43,817	43,481	43,657

(6) STOCK-BASED COMPENSATION

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation", the Company accounts for stock-based compensation arrangements in accordance with the provisions of Accounting Principals Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Compensation expense for stock options issued to employees is based on the difference between the fair value of the Company's stock and the exercise price of the option on the date of grant. Stock-based compensation reflected in net (loss) income is attributed to restricted stock. No stock-based employee compensation cost is reflected in net (loss) income with respect to stock options granted to employees as options are granted at exercise prices equal to the market value of the underlying Common Stock at the date of grant.

The following table illustrates the effect on net (loss) income and net

(loss) earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation (in thousands, except per share data):

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	2005	2004	2005	2004
	(Restated)		(Restated)	
Net (loss) income:				
As reported	($3,125)	$ 8,103	($4,074)	$ 8,936
Add: Stock-based employee compensation expense included in reported net (loss) income, net of tax (1)	35	277	270	718
Deduct: Total stock-based employee compensation expense determined under fair-value-based method for all awards, net of tax (1)	(2,303)	(3,040)	(9,073)	(8,588)
Pro forma net (loss) income	($5,393)	$ 5,340	($12,877)	$ 1,066
Earnings per common share - basic:				
As reported	($0.07)	$ 0.19	($0.09)	$ 0.21
Pro forma	($0.12)	$ 0.12	($0.30)	$ 0.02
Earnings per common share - diluted:				
As reported	($0.07)	$ 0.18	($0.09)	$ 0.20
Pro forma	($0.12)	$ 0.12	($0.30)	$ 0.02

(1) Information for 2005 and 2004 has been adjusted for income taxes using estimated tax rates of 37% and 29%, respectively.

(7) INVENTORIES

As of March 31, 2005 and June 30, 2004 inventories consisted of the following (in thousands):

	MARCH 31, 2005	JUNE 30, 2004
Raw materials	$ 4,802	$ 3,143
Work in process	2,928	3,716
Finished goods	8,921	4,356
	$16,651	$11,215

(8) INTANGIBLE ASSETS

As of March 31, 2005 and June 30, 2004 intangible assets consisted of the following (in thousands):

	MARCH 31, 2005	JUNE 30, 2004	ESTIMATED USEFUL LIVES
Product Patented Technology	$ 64,400	$ 64,400	12 years
Manufacturing Patent	18,300	18,300	12 years
NDA Approval	31,100	31,100	12 years
Trade name and Other Product Rights	80,000	80,000	15 years

Manufacturing Contract	2,200	2,200	3 years
Patent	1,906	2,092	1-5 years
Product Acquisition Costs	26,194	26,194	10-14 years
	224,100	224,286	
Less: Accumulated Amortization	43,483	30,219	
	$180,617	$194,067	

Amortization charged to operations relating to intangible assets totaled $4.5 million of which $1.1 million is classified in cost of product sales and manufacturing revenue for each of the three months ended March 31, 2005 and 2004. For each of the nine month periods ended March 31, 2005 and 2004 amortization charged to operations relating to intangible assets totaled $13.4 million, of which $3.4 million is classified in cost of product sales and manufacturing revenue. Amortization expense for these intangibles for the next five fiscal years is expected to be approximately $17.9 million per year.

(9) GOODWILL

On November 22, 2002, the Company acquired the North American rights and operational assets associated with the development, manufacture, sales and marketing of ABELCET(R) (amphotericin B lipid complex injection) (the "North American ABELCET business") from Elan Corporation, plc ("Elan") for $360.0 million plus acquisition costs of approximately $9.3 million. The acquisition is being accounted for by the purchase method of accounting in accordance with SFAS No. 141 "Business Combinations". The amount assigned to goodwill in connection with the acquisition of the North American ABELCET business was recorded at $151.0 million. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," the Company does not amortize goodwill but rather reviews it at least annually for impairment. For income tax purposes, the entire amount of goodwill is deductible and is being amortized over a 15 year period.

(10) CASH FLOW INFORMATION

The Company considers all highly liquid securities with original maturities of three months or less to be cash equivalents. For each of the nine month periods ended March 31, 2005 and 2004, cash payments for interest were $18.0 million. Income tax payments for the nine months ended March 31, 2005 and 2004, were $590,000 and $3.6 million, respectively.

(11) INCOME TAXES

The Company recognized a tax benefit for the nine months ended March 31, 2005 at an estimated annual effective tax rate of 37%, which is based on the projected income tax benefit and taxable loss for the fiscal year ending June 30, 2005. During the three and nine months ended March 31, 2005 the Company recorded a valuation allowance of $701,000 and $1.4 million, respectively, related to capital loss carryforwards generated during the periods related to the sale of a portion of its equity investment in NPS Pharmaceuticals, Inc. ("NPS") and certain investments in debt and equity securities.

At March 31, 2005, the Company has approximately $71.0 million in net deferred tax assets because management concluded that it is more likely than not that the net deferred tax assets will be realized, including the net operating losses from operating activities and stock option exercises, based on future operations. As of March 31, 2005, the Company carries a valuation allowance of $17.9 million with respect to certain capital loss carryforwards, deductible temporary differences that would result in a capital loss carryforward when realized, and federal research and development tax credits, as the ultimate utilization of such losses and credits is not deemed likely. Events, such as a sustained decline in the Company's product revenues and/or increased expenses, could result in a revision to the Company's projected future taxable income, and accordingly, the need for a valuation allowance based upon the ultimate

realizability of its net operating loss carryforwards, research and development tax credits, and other deferred tax assets. The Company's federal and state operating loss carryforwards will begin to expire in 2009 and 2006, respectively, and the federal and state research and development credits will begin to expire in 2006 and 2021, respectively. The Company will continue to assess the need for such valuation allowance based on analyses of operating results and projections of future operating performance of the Company.

During the three months ended March 31, 2004, the Company recorded a net tax benefit of approximately $3.4 million related primarily to the reversal of a deferred tax asset valuation allowance for the write-down in a prior year of Enzon's investment in Nektar Therapeutics, which was sold during the quarter ended March 31, 2004. The sale resulted in a gain of approximately $11.0 million. The benefit was also due to the reduction of Enzon's estimated taxable income and effective tax rate to 29% as compared to 35% used in previous quarters and a payment during the three months ended March 31, 2004 of $12.0 million to INEX Pharmaceuticals related to acquired in-process research and development. The tax provision recognized for the nine months ended March 31, 2004 is based on the estimated annual effective tax rate of 29%. In addition, the tax effect of the gain on the sale of Nektar Convertible Preferred Stock and the acquired in process research and development charge was recognized during the three months ended March 31, 2004, the period in which the items occurred. In addition, during the three and nine months ended March 31, 2004 the Company recorded $2.0 million tax expense and $832,000 tax benefit, respectively, relating to the derivative instrument as described in Note 13.

During the three and nine month period ended March 31, 2004, the Company received $254,000 for the sale of certain New Jersey state net operating loss carryforwards and also purchased certain New Jersey state net operating loss carryforwards for $1.5 million, which were recorded as deferred tax assets.

(12) BUSINESS SEGMENTS

A single management team that reports to the Chief Executive Officer comprehensively manages the Company's operations. The Company does not operate separate lines of business or separate business entities with respect to any of its approved products or product candidates or contract manufacturing. In addition, the Company does not conduct any operations outside of the United States and Canada. The Company does not prepare discrete financial statements with respect to separate product or contract manufacturing areas. Accordingly, the Company does not have separately reportable segments as defined by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information".

(13) DERIVATIVE INSTRUMENTS

On February 19, 2003, the Company entered into an agreement and plan of merger with NPS Pharmaceuticals, Inc. ("NPS"). On June 4, 2003, the merger agreement was terminated. In accordance with the mutual termination agreement between the two companies, the Company received 1.5 million shares of NPS common stock. The termination agreement imposes certain restrictions with respect to the transferability of the underlying shares including limiting the maximum number of shares that can be transferred each month after the registration statement relating to the shares is declared effective to 125,000 shares per month. Considering such restrictions, 1.1 million shares were valued at $26.7 million, which was the fair value of NPS common stock on June 4, 2003 and in accordance with SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115") and the balance of 375,000 shares were considered as restricted stock as defined under the scope exception provisions of SFAS No. 115. The restricted stock was valued at $7.8 million by applying a 12% discount on the related fair value based on a valuation performed by an independent third-party consulting firm. Total consideration received aggregated $34.6 million. The Company also recorded $7.7 million in costs incurred related to the proposed merger with NPS (primarily investment banking, legal and accounting fees). The net gain of approximately $26.9 million was recorded as other income in the condensed consolidated statement of operations for the year ended June 30, 2003.

In August 2003, the Company entered into a Zero Cost Protective Collar arrangement with a financial institution to reduce the exposure associated with the 1.5 million shares of common stock of NPS received as part of the merger termination agreement with NPS. By entering into this equity collar arrangement

and taking into consideration the underlying put and call option strike prices, the terms are structured so that the Company's investment in NPS stock, when combined with the value of the Collar, should secure ultimate cash proceeds in the range of 85%-108% of the negotiated fair value per share of $23.47 (representing a 4.85% discount off of the closing price of NPS common stock on the day before the collar was executed). The Collar will mature in four separate three-month intervals from November 2004 through August 2005, at which time the Company receives proceeds from the sale of the securities. The amount due at each maturity date is determined based on the market value of NPS' common stock on such maturity date, as well as the value of the Collar. The contract requires the Company to maintain a minimum cash balance of $30.0 million and additional collateral up to $10.0 million (as defined) under certain circumstances with the financial institution. The strike prices of the put and call options are subject to certain adjustments in the event the Company receives a dividend from NPS. At the time of inception, the Collar was designated a derivative hedging instrument in accordance with SFAS 133 and as such, the Company periodically measures its fair value and recognizes the derivative as an asset or a liability. The change in fair value is recorded in other income in the condensed consolidated statements of operations. At March 31, 2005, the Company had a receivable from the financial institution of $5.4 million. During the three and nine months ended March 31, 2005, the Company recorded an unrealized gains of $2.4 million and $3.7 million, respectively, as a component of other income (expense) representing the change in fair value of the Collar. During the three and nine months ended March 31, 2004, the Company recorded an unrealized gain of $2.8 million and unrealized loss of $7.5 million, respectively, as a component of other income (expense) representing the change in fair value of the Collar instrument. During the three and nine months ended March 31, 2005, a total of 375,000 shares and 750,000 shares of the Collar matured resulting in a realized loss of $4.0 million and $7.1 million, respectively, and net cash proceeds to the Company totaling $7.5 million and $15.0 million. At March 31, 2005, 750,000 shares of the Collar remain active and will mature in to two equal intervals in May 2005 and August 2005.

The Company began selling and buying back the underlying NPS common stock in November 2003, which resulted in the termination of the hedging relationship. During the period from August 2003 through the date the hedging relationship was terminated, the NPS common stock had appreciated $5.7 million in value, of which $2.3 million was recorded in other income in the condensed consolidated statements of operations and $2.1 million, net of tax, was recorded as a component of accumulated other comprehensive income in the statement of stockholders equity. The $2.1 million gain, net of tax, recognized in other comprehensive income at the point the hedging relationship was terminated was recognized in operations proportionate to the sale of the underlying NPS common stock.

During the nine months ended March 31, 2005, the Company sold and repurchased 375,000 shares, respectively, of NPS common stock to remove the transferability restrictions on such shares, resulting in a net realized loss of $578,000 which is included in other income (expense) in the condensed consolidated statements of operations. There were no sales and repurchases during the three months ended March 31, 2005.

During the three and nine months ended March 31, 2004, the Company sold and repurchased 375,000 and 750,000 shares, respectively, of NPS common stock to remove the transferability restrictions on such shares, resulting in a net realized gain of $2.0 million and $3.2 million, respectively, which is included in other income (expense) in the condensed consolidated statements of operations.

As of March 31, 2005 and June 30, 2004, the Company held 750,000 shares and 1.5 million shares of NPS common stock are valued, at $9.5 million, and $31.5 million, respectively, and are included in investments in equity securities on the accompanying condensed consolidated balance sheet.

(14) NEW ACCOUNTING PRONOUNCEMENTS

In response to the enactment of the American Job Creation Act of 2004 (the "Jobs Act") on October 22, 2004 the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) 109-1, Application of FASB Statement No. 109, Accounting for Income Taxes, for the Tax Deduction Provided to U.S. Based Manufacturers by the American Job Creation Act of 2004.

FSP No. 109-1 clarifies how to apply SFAS No. 109 to the new law's tax deduction for income attributable to "domestic production activities." The fully phased-in deduction is up to nine percent of the lesser of taxable income or

"qualified production activities income." The staff position requires that the deduction be accounted for as a special deduction in the period earned, not as a tax-rate reduction. As a result, the Company will recognize a reduction in its provision for income taxes for domestic production activities in the quarterly periods in which the Company is eligible for the deduction.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs--An Amendment of ARB No. 43, Chapter 4" ("SFAS No. 151"). SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Among other provisions, the new rule requires that items such as idle facility expense, excessive spoilage, double freight, and rehandling costs be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. Additionally, SFAS No. 151 requires that the allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 is effective for fiscal years beginning after June 15, 2005 and is required to be adopted by the Company in the first quarter of fiscal 2006, beginning on July 1, 2005. The Company is currently evaluating the effect that the adoption of SFAS No. 151 will have on its consolidated results of operations and financial condition and does not expect SFAS No. 151 to have a material impact.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation," ("SFAS No. 123") and supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the first annual reporting period that begins after June 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS No. 123 no longer will be an alternative to financial statement recognition. The Company is required to adopt SFAS No. 123R no later than July 1, 2005. Under SFAS No. 123R, Enzon must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The transition methods include prospective and retroactive adoption options. Under the retroactive option, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock at the beginning of the first quarter of adoption of SFAS No. 123R, while the retroactive methods would record compensation expense for all unvested stock options and restricted stock beginning with the first period restated. The Company is evaluating the requirements of SFAS No. 123R and expects that the adoption of SFAS No. 123R will have a material impact on its consolidated results of operations and earnings per share. The Company has not yet determined the method of adoption or the effect of adopting SFAS No. 123R, and has not determined whether the adoption will result in amounts that are similar to the current pro forma disclosures under SFAS No. 123.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets--An Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions" ("SFAS No. 153"). SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, "Accounting for Nonmonetary Transactions," and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for the fiscal periods beginning after June 15, 2005 and is required to be adopted by us beginning on July 1, 2005. The Company is currently evaluating the effect that the adoption of No. 153 will have on its consolidated results of operations and financial condition but does not expect it to have a material impact.

In March 2004, the Financial Accounting Standards Board's (FASB) Emerging Issues Task Force (EITF) released Issue 03-01, "Meaning of Other Than Temporary Impairment", which addressed other-than-temporary impairment for certain debt and equity investments. Various disclosure requirements of Issue 03-01 had been finalized previous to issuance and were required as of June 30, 2004. The recognition and measurement requirements of Issue 03-01, and other disclosure requirements not already implemented, were effective for periods beginning after June 15, 2004. In September 2004, the FASB staff issued FASB Staff Position (FSP) EITF 03-1-1, which delayed the effective date for certain measurement and recognition guidance contained in Issue 03-1. The FSP requires the application of pre-existing "other-than-temporary" guidance during the period of delay until a final consensus is reached. The disclosure requirements set forth in Issue 03-01 were not delayed as a result of the issued FSP. The Company's management does not anticipate the issuance of the final consensus will have a material impact on financial condition, the results of operations, or liquidity.

(15) INEX AGREEMENT

In March 2005, the Company terminated the agreements entered into with Inex Pharmaceuticals, Inc. in January 2004 regarding the development and commercialization of Inex's proprietary oncology product MARQIBO(R) (vincristine sulfate liposomes injection). Under the terminated MARQIBO Agreements, the Company shared the costs of clinical development with Inex and received the exclusive commercialization rights for MARQIBO for all indications in the United States, Canada and Mexico. In January 2005, the United States Food and Drug Administration (the "FDA") provided an action letter detailing MARQIBO as "not approvable" under the FDA's accelerated approval regulations for relapsed aggressive non-Hodgkin's lymphoma. The FDA's response also recommended that additional randomized controlled studies would need to be conducted prior to re-applying for approval. After a strategic analysis of the FDA's recommendation, required investment, development timeframe, and associated development risks, the Company concluded it would be in Enzon's best interest to redirect this investment to pursue other opportunities. In connection with the termination, Enzon paid Inex a final payment of $5.0 million in satisfaction of all of the Company's financial obligations under the MARQIBO Agreements, including development expenses and milestone payments. The payment was charged to research and development in the Company's Condensed Consolidated Statement of Operations.

(16) SUBSEQUENT EVENTS

Effective April 21, 2005, the Company's executive vice president, finance and chief financial officer (the "CFO") resigned, for personal reasons. In connection with the CFO's resignation, the Company entered into a Separation Agreement effective as of April 21, 2005.

Pursuant to the Separation Agreement, the CFO will receive a cash payment equal to his annual base salary, the pro rata amount of his annual target bonus (which is 50% of his base salary) for fiscal year 2005, and his annual target bonus for fiscal year 2006. In addition, the period of time he has to exercise certain of his options is extended to 18 months; the vesting of some of his options and restricted stock was accelerated; and he will be reimbursed for his medical insurance premiums for up to 36 months. The Company will record a severance charge in the quarter ending June 30, 2005.

Based upon increasingly competitive conditions in the intravenous antifungal market and the recent discontinuance of certain development projects in the Company's research and development pipeline, Enzon is realigning its cost structure through a restructuring. The Company expects to incur charges of $1.5 million to $2.5 million during the quarter ending June 30, 2005. These costs, all of which involve future cash expenditures, are comprised primarily of employee termination benefits.

ITEM 2. MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

LIQUIDITY AND CAPITAL RESOURCES

Total cash reserves, which include cash, cash equivalents, short-term investments and marketable securities, were $210.0 million as of March 31, 2005, as compared to $186.2 million as of June 30, 2004. The increase is primarily due to net cash provided by operating activities and proceeds from the liquidation of a portion of the shares of NPS Pharmaceuticals, Inc. common stock that we own. We invest our excess cash primarily in United States government-backed securities and investment-grade corporate debt securities and auction rate securities.

During the nine months ended March 31, 2005, net cash provided by operating activities was $12.8 million, compared to $8.5 million for the nine months ended March 31, 2004. Net cash provided by operations was principally due to non-cash charges included in our net loss of $4.0 million for the nine months ended March 31, 2005. Non-cash charges totaled $25.2 million and were primarily attributable to depreciation and amortization of $17.0 million, losses on sales of investments of $3.5 million, $429,000 for restricted stock grants, amortization of bond premium/discount of $2.0 million, a loss on our equity collar arrangement related to our investment in NPS common stock of $0.8 million, and amortization of debt issue costs of $1.4 million. Non-cash charges were partially offset by $8.3 million in changes in deferred income taxes and operating assets and liabilities.

Cash used in investing activities totaled $49.4 million for the nine months ended March 31, 2005 compared to cash provided by investing activities of $18.0 million for the nine months ended March 31, 2004. Cash used in investing activities during the nine months ended March 31, 2005, consisted of $2.2 of capital expenditures and investments in marketable securities of $136.5 million, offset by $74.0 million in proceeds from the sale of marketable securities and $15.3 million in proceeds from the liquidation of a portion of our investment in NPS common stock.

As of March 31, 2005, we had $400.0 million of convertible subordinated notes outstanding. The notes bear interest at an annual rate of 4.5%. Interest is payable on January 1 and July 1 of each year. Accrued interest on the notes was $4.5 million as of March 31, 2005. The holders may convert all or a portion of the notes into common stock at any time on or before July 1, 2008. The notes are convertible into our common stock at a conversion price of $70.98 per share, subject to adjustment in certain events. The notes are subordinated to all existing and future senior indebtedness. We may redeem any or all of the notes at specified redemption prices, plus accrued and unpaid interest to the day preceding the redemption date. As of March 31, 2005 the redemption price of the notes is 102.571% of the principal amount. The notes will mature on July 1, 2008 unless converted earlier, redeemed at our option or redeemed at the option of the note holder upon a fundamental change, as described in the indenture for the notes. Neither we nor any of our subsidiaries are subject to any financial covenants under the indenture. In addition, neither we nor any of our subsidiaries are restricted under the indenture from paying dividends, incurring debt, or issuing or repurchasing our securities.

In August 2003, we entered into a zero cost protective collar arrangement with a financial institution to reduce the exposure associated with 1.5 million shares of NPS common stock, which we received as part of a merger termination agreement with NPS. During the nine months ended March 31, 2005 we received proceeds of $15.0 million related to the maturation of two portions of the derivative. The remainder of the collar will mature on two separate maturity dates in May 2005 and August 2005, at which time we will receive the proceeds from the sale of the securities which we estimate after taking into account the effect of the collar will be in the range of $15.0 million to $19.0 million. The amount due at each maturity date will be determined based on the market value of NPS common stock on such maturity date. The contract requires us to maintain a minimum cash balance of $30.0 million and additional collateral of up to $10.0 million, as defined under certain circumstances with the financial institution. The derivative is subject to certain adjustments in the event we receive a dividend from NPS.

Our current sources of liquidity are our cash and cash equivalents, interest earned on such cash and cash equivalents, short-term investments,

marketable securities, sales of ADAGEN(R), ONCASPAR(R), DEPOCYT(R) and ABELCET(R), royalties earned, which are primarily related to sales of PEG-INTRON(R), and contract manufacturing revenue. In addition, we intend to sell our remaining position in NPS as discussed above. Based upon our currently planned research and development activities and related costs and our current sources of liquidity, we anticipate our current cash reserves and expected cash flow from operations will be sufficient to meet our capital, debt service and operational requirements for the foreseeable future.

While we believe that our cash, cash equivalents and investments will be adequate to satisfy our capital needs for the foreseeable future, we may seek additional financing, such as through future offerings of equity or debt securities or agreements with collaborators with respect to the development and commercialization of products, to fund future operations and potential acquisitions. We cannot assure you, however, that we will be able to obtain additional funds on acceptable terms, if at all.

OFF-BALANCE SHEET ARRANGEMENTS

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities ("SPE"), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow limited purposes. As of March 31, 2005, we were not involved in any SPE transactions.

CONTRACTUAL OBLIGATIONS

Our major outstanding contractual obligations relate to our operating leases, inventory purchase commitments, convertible debt, and license agreements with collaborative partners.

In March 2005, we terminated the agreements we entered into with Inex Pharmaceuticals, Inc. in January 2004 regarding the development and commercialization of Inex's proprietary oncology product MARQIBO(R) (vincristine sulfate liposomes injection). Under the terminated MARQIBO Agreements, we shared the costs of clinical development with Inex and received the exclusive commercialization rights for MARQIBO for all indications in the United States, Canada and Mexico. In January 2005, the United States Food and Drug Administration (the "FDA") provided an action letter detailing MARQIBO as "not approvable" under the FDA's accelerated approval regulations for relapsed aggressive non-Hodgkin's lymphoma. The FDA's response also recommended that additional randomized controlled studies would need to be conducted prior to re-applying for approval. After a strategic analysis of the FDA's recommendation, required investment, development timeframe, and associated development risks, we concluded it would be in the Company's best interest to redirect this investment to pursue other opportunities. In connection with the termination, we paid Inex a final payment of $5.0 million in satisfaction of all of our financial obligations under the MARQIBO Agreements, including development expenses and milestone payments. The payment was charged to research and development in our Condensed Consolidated Statement of Operations.

Since June 30, 2004, there have been no other material changes with respect to our contractual obligations as disclosed under Management's Discussion and Analysis of Financial Condition and Results of Operations - Contractual Obligations in our annual report on Form 10-K/A, (Amendment No. 2) for the year ended June 30, 2004.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2005 AND 2004

Revenues. Total revenues for the three months ended March 31, 2005 were $39.2 million, as compared to $44.4 million for the three months ended March 31, 2004. The components of revenues are product sales, manufacturing revenue, royalties we earn on the sale of our products by others and contract revenue.

Net product sales decreased by 24% to $21.2 million for the three months ended March 31, 2005, as compared to $28.0 million for the three months ended March 31, 2004. The decrease in sales was due to decreased sales of

ABELCET. Sales of ABELCET in North America decreased by $8.5 million to $9.1 million for the three months ended March 31, 2005, as compared to $17.6 million for the three months ended March 31, 2004 due to increased competition in the intravenous antifungal market. Sales of DEPOCYT increased by $483,000 to $1.8 million for the three months ended March 31, 2005 as compared to $1.4 million for the three months ended March 31, 2004. DEPOCYT's growth over the prior year was primarily attributable to increased sales and marketing efforts, as well as a higher weighted average price. Sales of ONCASPAR increased by $652,000 to $5.5 million for the three months ended March 31, 2005 from $4.9 million for the three months ended March 31, 2004. The increase in sales of ONCASPAR over the prior year was primarily driven by a higher weighted average price. Sales of ADAGEN increased by $644,000 for the three months ended March 31, 2005 to $4.8 million as compared to $4.1 million for the three months ended March 31, 2004 due to the timing of shipments. Historically, quarterly sales of ADAGEN experience volatility because of the small number of patients on therapy.

Manufacturing revenue for the three months ended March 31, 2005 decreased by $676,000 to $4.4 million, as compared to $5.0 million for the comparable period of the prior year, due to reduced orders from our contract manufacturing customers. Manufacturing revenue is related to the manufacture and sale of ABELCET for the international market and other manufacturing revenue.

Royalties for the three months ended March 31, 2005, increased by $2.1 million to $13.2 million as compared to $11.1 million for the three months ended March 31, 2004. Royalties are principally comprised of royalties from sales of PEG-INTRON, which is marketed by Schering-Plough Corporation. The increase in royalties over the prior year was primarily due to the launch of PEG-INTRON combination therapy in Japan in December 2004. Currently, PEG-INTRON combination therapy is the only pegylated interferon-based combination therapy approved in Japan.

Due to the December 2004 launch of PEG-INTRON in Japan, we believe royalties from sales of PEG-INTRON may continue to increase over prior year levels in the near term. In markets outside of Japan, PEG-INTRON combination therapy competes directly with another pegylated interferon-based combination therapy in a highly competitive market. Further, Schering-Plough has reported that the overall hepatitis C market has been contracting. We cannot assure you that these contracting and competitive market conditions will not offset the positive impact of PEG-INTRON in Japan or that any particular sales levels of PEG-INTRON will be achieved or maintained.

We expect North American sales of ABELCET may continue to be negatively impacted by the increasingly competitive conditions in the intravenous antifungal market, namely from the introduction of newer agents from Pfizer, Merck, and Fujisawa, as well as increased pricing pressure in the market for lipid formulations of amphotericin B. We cannot assure you that any particular sales levels of ABELCET, ADAGEN, DEPOCYT, and ONCASPAR will be achieved or maintained.

Contract revenues for the three months ended March 31, 2005 were $451,000 as compared to $248,000 for the three months ended March 31, 2004. The increase was principally due to revenue related to an agreement with Pharmagene plc to apply our PEGylation technology to engineer a long-acting version of Pharmagene's drug candidate, PGN0052.

During the three months ended March 31, 2005, we had export sales and royalties on export sales of $12.4 million, of which $8.9 million were in Europe. Export sales and royalties recognized on export sales for the three months ended March 31, 2004 were $9.2 million, of which $7.5 million were in Europe.

Cost of product sales and manufacturing revenue. Cost of product sales and manufacturing revenue, as a percentage of net product sales and manufacturing revenue, improved to 35% for the three months ended March 31, 2005 as compared to 38% for the same period last year. The decrease was due to reduced ABELCET costs, as well as improved margins for ADAGEN, ONCASPAR, and DEPOCYT. For each of the three month periods ended March 31, 2005 and March 31, 2004, we have included $1.1 million in cost of product sales and manufacturing revenue, which related to the amortization of intangible assets acquired in connection with the ABELCET acquisition during November 2002.

Research and development. Research and development expenses consist primarily of salaries and benefits; patent filing fees; contractor and consulting fees, principally related to clinical and regulatory projects; costs related to research and development partnerships or licenses; drug supplies for clinical and preclinical activities; as well as other research supplies and allocated facilities charges.

For the three months ended March 31, 2005, research and development expenses increased by $1.9 million to $12.7 million as compared to $10.8 million for the three months ended March 31, 2004. The increase in research and development expenses was primarily due to increased costs related to MARQIBO of $3.3 million, which included the impact of a $5.0 million payment made to Inex Pharmaceuticals Corporation in March 2005 related to the termination of our partnership for the development and commercialization of MARQIBO. The increased research and development costs related to MARQIBO were partially offset by reduced expenditures of approximately $1.4 million, which were primarily due to the discontinuation of certain research and development programs, including our clinical development program for Pegamotecan, which was discontinued in February 2005.

Selling, general and administrative. Selling expenses consist primarily of salaries and benefits for our sales and marketing personnel, as well as other commercial expenses and marketing programs to support our sales force. General and administrative expenses consist primarily of salaries and benefits; outside professional services for accounting, audit, tax, legal, and investor activities; and allocations of facilities costs.

For the three months ended March 31, 2005 selling, general and administrative expenses increased by $1.2 million to $13.7 million, as compared to $12.5 million for the three months ended March 31, 2004. The increase was primarily attributable to increased sales and marketing costs of approximately $792,000 and increased general and administrative costs of approximately $366,000. The increase in sales and marketing costs was comprised of a $1.2 million increase in costs related to our oncology sales operations, a $441,000 increase in costs related to MARQIBO, and an $808,000 decrease in costs related to our hospital-based sales operations. The increase in general and administrative costs was primarily attributable to an increase of $242,000 in legal and accounting fees and a net increase of $124,000 in other costs.

Based on the increasingly competitive conditions in the intravenous antifungal market, as previously discussed, as well as the discontinuation of certain research and development projects, in April 2005 we reported that we are realigning our cost structure through a restructuring. As a result of the restructuring, we expect to incur charges of $1.5 million to $2.5 million during the quarter ending June 30, 2005. These costs all involve cash expenditures and are comprised primarily of employee termination benefits.

Amortization. Amortization expense is related to intangible assets acquired in connection with the ABELCET acquisition in November 2002. Amortization expense remained unchanged at $3.4 million for each of the three month periods ended March 31, 2005 and 2004. A portion of amortization expense is classified in cost of product sales and manufacturing revenue, as discussed above. Amortization of intangible assets is calculated on a straight-line basis over the estimated lives of the assets, which range from 3 to 15 years.

Acquired in-process research and development. Acquired in-process research and development for the three months ended March 31, 2004 of $12.0 million was due to an up-front payment to Inex related to the execution of a strategic partnership and related agreements entered into with Inex related to MARQIBO (a development-stage product). As previously discussed, this partnership was terminated in March 2005.

Other income (expense) for the three months ended March 31, 2005 was an expense of $5.4 million, as compared to income of $11.4 million for the three months ended March 31, 2004. Other income (expense) includes: net investment income, interest expense, and other, net.

Net investment income decreased by $10.5 million to $1.1 million for the three months ended March 31, 2005 compared with $11.6 million for the three months ended March 31, 2004. The decrease was principally due to the prior year's sale of 880,075 shares of Nektar Therapeutics common stock, which

resulted in a net gain of approximately $11.0 million in the three months ended March 31, 2004.

Interest expense was $5.0 million for each of the three months ended March 31, 2005 and 2004. Interest expense is related to $400.0 million in 4.5% convertible subordinated notes, which were outstanding for each of the three month periods ended March 31, 2005 and 2004.

Other, net is primarily related to the 1.5 million shares of NPS common stock we received under a June 2003 merger termination agreement and a financial instrument we formed to reduce our exposure to the change in fair value associated with such shares, specifically a zero cost protective collar arrangement (the "Collar.") For the three months ended March 31, 2005, other, net was an expense of $1.6 million, as compared to income of $4.8 million for the three months ended March 31, 2004. During the three months ended March 31, 2005, we recognized (i)a realized loss of $4.0 million related to the maturation of a portion of the Collar and the sale of the underlying share (ii) an unrealized gain of $2.4 million related to change in the fair value of the Collar. For a more detailed description of our Merger Termination Agreement with NPS and the Collar see Note 13 to the Notes to the accompanying Consolidated Financial Statements - Derivative Instruments.

Other income (expense) was $4.8 million for the three months ended March 31, 2003. During the three months ended March 31, 2004, we recognized (i) a realized gain of $2.0 million related to the sale and repurchase of 375,000 shares of NPS common stock, and (ii) an unrealized gain of $2.8 million related to change in the fair value of the Collar.

Income taxes. During the three months ended March 31, 2005, we recognized a tax benefit of approximately $1.8 million, as compared to a tax benefit of $3.4 million for the three months ended March 31, 2004. We recognized a tax benefit for the three months ended March 31, 2005 at an estimated annual effective tax rate of 37%, which is based on the projected income tax benefit and taxable loss for the fiscal year ending June 30, 2005.

During the three months ended March 31, 2004, the Company recorded a net tax benefit of approximately $3.4 million related primarily to the reversal of a deferred tax asset valuation allowance for the write-down in a prior year of Enzon's equity investment in Nektar Therapeutics, which was sold during the quarter ended March 31, 2004. The sale resulted in a gain of approximately $11.0 million. The benefit was also due to the reduction of Enzon's estimated taxable income and effective tax rate to 29% as compared to 35% used in previous quarters and a payment during the three months ended March 31, 2004 of $12.0 million to Inex Pharmaceuticals related to acquired in-process research and development.

NINE MONTHS ENDED MARCH 31, 2005 AND 2004

Revenues. Total revenues for the nine months ended March 31, 2005 were $122.6 million, as compared to $126.7 million for the nine months ended March 31, 2004. The components of revenues are product sales, manufacturing revenue, royalties we earn on the sale of our products by others and contract revenues.

Net product sales decreased by 6% to $75.7 million for the nine months ended March 31, 2005, as compared to $80.7 million for the nine months ended March 31, 2004. The decrease in sales was due to decreased sales of ABELCET(R). Sales of ABELCET in North America decreased by $10.7 million to $39.9 million for the nine months ended March 31, 2005, as compared to $50.6 million for the nine months ended March 31, 2004 due to weaker demand for the product as a result of increased competition in the intravenous antifungal market. Sales of DEPOCYT increased by $1.8 million to $5.8 million for the nine months ended March 31, 2005 as compared to $4.0 million for the nine months ended March 31, 2004. DEPOCYT'S growth over the prior year was primarily attributable to increased sales and marketing efforts and to a lesser extent a higher weighted average price. Sales of ONCASPAR increased by $2.0 million to $15.3 million for the nine months ended March 31, 2005, as compared to $13.3 million for the nine months ended March 31, 2004. The increase in sales of ONCASPAR over the prior year was due to a higher weighted average price as well as increased sales and marketing efforts. Sales of ADAGEN increased by $1.9 million to $14.7 million for the nine months ended March 31, 2005 as compared to $12.8 million for the nine months ended March 31, 2004 due to an increase in the number of patients

receiving ADAGEN therapy and the timing of shipments.

Manufacturing revenue for the nine months ended March 31, 2005 increased by $3.5 million to $12.3 million, as compared to $8.8 million for the comparable period of the prior year due to the timing of orders from our contract manufacturing customers. Manufacturing revenue is related to the manufacture and sale of ABELCET for the international market and other manufacturing revenue.

Royalties for the nine months ended March 31, 2005, decreased to $33.4 million as compared to $36.5 million for the nine months ended March 31, 2004. The decrease was primarily due to decreased sales of PEG-INTRON by Schering-Plough, our marketing partner, due to competitive pressure from another pegylated alpha interferon product and contracting market conditions. The competitive and contracting market conditions were partially offset by the launch of PEG-INTRON combination therapy in Japan in December 2004.

Contract revenues for the nine months ended March 31, 2005 increased by $394,000 to $1.2 million as compared to $769,000 for the nine months ended March 31, 2004 principally due to revenue related to an agreement we entered into with Pharmagene to apply our PEGylation technology to engineer a long-acting version of Pharmagene's drug candidate, PGN0052.

During the nine months ended March 31, 2005, we had export sales and royalties on export sales of $34.9 million, of which $26.0 million were in Europe. Export sales and royalties recognized on export sales for the prior year were $28.0 million, of which $23.4 million were in Europe.

Cost of product sales and manufacturing revenue. Cost of product sales and manufacturing revenue, as a percentage of net sales and manufacturing revenue, decreased to 37% for the nine months ended March 31, 2005 compared to 39% for the nine months ended March 31, 2004 due to lower ABELCET costs. For each of the nine month periods ended March 31, 2005 and March 31, 2004, we have included $3.4 million in cost of product sales and manufacturing revenue, which related to the amortization of intangible assets acquired in connection with the ABELCET acquisition during November 2002.

Research and development. Research and development expenses increased by $6.7 million to $31.4 million for the nine months ended March 31, 2005, as compared to $24.7 million for the nine months ended March 31, 2004. The increase in research and development expenses was primarily due to $6.2 million in costs related to MARQIBO, which included the impact of a $5.0 million payment made to Inex in March 2005 related to the termination of our partnership, and an increase of $2.0 million in employee compensation expenses. These increases were partially offset by a $1.0 million decrease in costs due to the discontinuation of research and development programs, including our clinical development program for Pegamotecan, which was discontinued in February 2005.

Selling, general and administrative. Selling, general and administrative expenses increased by $4.4 million to $39.6 million for the nine months ended March 31, 2005, as compared to $35.2 million for the nine months ended March 31, 2004. The increase was primarily attributable to a $4.5 million increase in sales and marketing costs, which was comprised of a $3.4 million increase in costs related to our oncology sales operations, a $1.3 million increase in costs related to MARQIBO, and a $300,000 decrease in costs related to our hospital-based sales operations.

Amortization. Amortization expense remained unchanged at $10.1 million for the nine months ended March 31, 2005 and 2004. Amortization expense for both periods relates to intangible assets acquired in connection with the ABELCET acquisition during November 2002. A portion of amortization is classified in cost of product sales and manufacturing revenue. Amortization of intangible assets is calculated on a straight-line basis over the estimated lives of the assets, which range from 3 to 15 years.

Acquired in-process research and development. Acquired in-process research and development was $12.0 million for the nine months ended March 31, 2004 due to an up-front payment, which we made in January 2004 for the execution of an agreement with Inex for the development and commercialization of MARQIBO. As previously discussed, this partnership was terminated in March 2005.

Other income (expense). Other income (expense) for the nine months ended March 31, 2005 was an expense of $15.5 million, as compared to an expense of $4.2 million for the nine months ended March 31, 2004. Other income (expense) includes: net investment income, interest expense, and other, net.

Net investment income for the nine months ended March 31, 2005 decreased to $2.9 million from $12.7 million for the nine months ended March 31, 2004. The decrease was principally due to the prior year's sale of 880,075 shares of Nektar Therapeutics common stock, which resulted in a net gain of approximately $11.0 million recorded in the nine months ended March 31, 2004. This decrease was offset in part by a $1.2 million increase in interest income for the nine months ended March 31, 2005, as compared to the nine months ended March 31, 2004.

Interest expense was $14.9 million for each of the nine months ended March 31, 2005 and 2004. Interest expense is related to $400.0 million in 4.5% convertible subordinated notes, which were outstanding for both periods.

Other, net is primarily related to the 1.5 million shares of NPS common stock we received under a June 2003 merger termination agreement and a financial instrument we formed to reduce our exposure to the change in fair value associated with such shares, specifically a zero cost protective collar arrangement (the "Collar.") For the nine months ended March 31, 2005, other, net was an expense of $3.5 million, as compared to other income of $2.0 million for the nine months ended March 31, 2004. During the nine months ended March 31, 2005, we recognized (i) a realized loss of $578,000 related to the sale and repurchase of 375,000 shares of NPS common stock and (ii) an unrealized gain of $3.7 million related to change in the fair value of the Collar and (iii) a realized loss of $7.1 million related to the maturation of a portion of the Collar and the sale of the underlying shares. There was $0.5 million of other miscellaneous non-operating income for the nine months ended March 31, 2005. For a more detailed description of our Merger Termination Agreement with NPS and the Collar see Note 13 to the Notes to the accompanying condensed consolidated financial statements - Derivative Instruments.

During the nine months ended March 31, 2004, we recognized (i) a realized gain of $3.2 million related to the sale and repurchase of 375,000 shares of NPS common stock, (ii) an unrealized loss of $7.5 million related to change in the fair value of the Collar, and (iii) a realized gain of $2.3 million related to the maturation of a portion of the Collar and the sale of the underlying shares.

Income taxes. During the nine months ended March 31, 2005 we recognized a tax benefit of $2.3 million compared to a tax benefit of $3.6 million, for the nine months ended March 31, 2004. We recognized a tax benefit for the nine months ended March 31, 2005 at an estimated annual effective tax rate of 37%, which is based on the projected income tax benefit and taxable loss for the fiscal year ending June 30, 2005.

During the nine months ended March 31, 2004, the Company recorded a net tax benefit of approximately $3.6 million related primarily to the reversal of a deferred tax asset valuation allowance for the write-down in a prior year of Enzon's equity investment in Nektar Therapeutics, which was sold during the nine months ended March 31, 2004. The sale resulted in a gain of approximately $11.0 million. In addition, during the nine months ended March 31, 2004 the Company recorded $832,000 tax benefit relating to the derivative instrument as described in note 13. The benefit was also due to the reduction of Enzon's estimated taxable income and effective tax rate to 29% as compared to 35% used in previous quarters and a payment during the three months ended March 31, 2004 of $12.0 million to INEX Pharmaceuticals related to acquired in-process research and development.

CRITICAL ACCOUNTING POLICIES

In December 2001, the U.S. Securities and Exchange Commission ("SEC") requested that all registrants discuss their most "critical accounting policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations. The SEC indicated that a "critical accounting policy" is one which is both important to the portrayal of a company's financial condition and results of operations and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Our consolidated financial statements are presented in accordance with accounting principles that are generally accepted in the United States. All professional accounting standards effective as of March 31, 2005 have been taken into consideration in preparing the consolidated financial statements. The preparation of the consolidated financial statements requires estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures including those related to contingent assets and liabilities. Some of those estimates are subjective and complex, and, consequently, actual results could differ from those estimates. The following accounting policies have been highlighted as significant because changes to certain judgments and assumptions inherent in these policies could affect our consolidated financial statements.

Revenue from product sales and manufacturing revenue is recognized upon passage of title and risk of loss to customers. This is generally at the time products are shipped to customers. Provisions for discounts or chargebacks, rebates and sales incentives to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales.

The majority of our net product sales are to wholesale distributors who resell the products to the end customers. We provide chargeback payments to these distributors based on their sales to members of buying groups at prices determined under a contract between Enzon and the member. Administrative fees are paid to buying groups based on the total amount of purchases by their members. Chargeback amounts are based upon the volume of purchases multiplied by the difference between the wholesaler acquisition cost and the contract price for a product. We estimate the amount of the chargeback that will be paid using historical trends, adjusted for current changes, and record the amounts as a reduction to accounts receivable and a reduction of gross sales when we record the sale of the product. The settlement of the chargebacks generally occurs within three months after the sale to the wholesaler. We regularly analyze the historical chargeback trends and make adjustments to recorded reserves for changes in trends.

In addition, state agencies, which administer various programs, such as the U.S. Medicaid and Medicare program, also receive rebates. Medicaid rebates and administrative fees are recorded as a liability and a reduction of gross sales when we record the sale of the product. Medicaid rebates are typically paid within six to nine months after sale. In determining the appropriate accrual amount we consider our historical Medicaid rebate and administration fee payments by product as a percentage of our historical sales as well as any significant changes in sales trend. Current Medicaid rebate laws and interpretations, and the percentage of our products that are sold to Medicaid patients are also evaluated. Factors that complicate the rebate calculations are the timing of the average manufacturer pricing computation, the estimated lag time between sale and payment of a rebate and the level of reimbursement by state agencies.

The following is a summary of reductions of gross sales accrued as of March 31, 2005 and June 30, 2004 (the end of our last fiscal year):

	March 31, 2005	June 30, 2004
Accounts Receivable Reductions		
Chargebacks	$6,812	$7,802
Cash Discounts	183	414
Other (including returns)	1,407	1,323
Total	$8,402	$9,539
Accrued Liabilities		
Medicaid Rebates	$2,299	$2,011
Administrative Fees	425	640
Total	$2,724	$2,651

There were no revisions to the estimates for gross to net sales adjustments that would be material to income from operations for the three and nine months ended March 31, 2005 and 2004.

Royalties under our license agreements with third parties are recognized when earned through the sale of the product by the licensee net of any estimated future credits, chargebacks, sales discount rebates and refunds.

Contract revenues are recorded as the earnings process is completed. Non-refundable milestone payments that represent the completion of a separate earnings process are recognized as revenue when earned, upon the occurrence of contract-specified events and when the milestone has substance. Non-refundable payments received upon entering into licenses and other collaborative agreements where we have continuing involvement are recorded as deferred revenue and recognized ratably over the estimated service period.

Under the asset and liability method of Statement of Financial Accounting Standards ("SFAS") No. 109 "Accounting for Income Taxes", deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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. A valuation allowance on net deferred tax assets is provided for when it is more likely than not that some portion or all of the deferred tax assets will not be realized. We have significant net deferred tax assets, primarily related to net operating loss and other carryforwards. Events, such as a sustained decline in the Company's product revenues and/or increased expenses could result in a revision to the Company's projected future taxable income, and accordingly, the need for a valuation allowance based upon the ultimate realizability of its net operating loss carryforwards, research and development tax credits and other deferred tax assets. The Company's federal and state operating loss carryforwards will begin to expire in 2009 and 2006, respectively, and the federal and state research and development credits will begin to expire in 2006 and 2021, respectively. The Company will continue to assess the need for such valuation allowance based on analyses of operating results and projections of future operating performance of the Company.

We assess the carrying value of our cost method investments in accordance with SFAS No. 115 "Accounting for Certain Investments in Debt and Equity" and SEC Staff Accounting Bulletin ("SAB") No. 59 "Accounting for Non-current Marketable Equity Securities". An impairment write-down is recorded when a decline in the value of an investment is determined to be other-than-temporary. These determinations involve a significant degree of judgment and are subject to change as facts and circumstances change.

In accordance with the provisions of SFAS No. 142 "Goodwill and other Intangible Assets", goodwill and intangible assets determined to have an indefinite useful life acquired in a purchase business combination are not subject to amortization, are tested at least annually for impairment, and are tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. We completed our annual goodwill impairment test on May 31, 2004, which indicated that goodwill was not impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. Because the Company is in one reporting unit, this determination is made at the Company level and consists of two steps. First, we determine the fair value of our reporting unit and compare it to its carrying amount. Second, if the carrying amount of its reporting unit exceeds our fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with SFAS No. 141, "Business Combinations". The residual fair value after this allocation is the implied fair value of our goodwill. Recoverability of amortizable intangible assets is determined by comparing the carrying amount of the asset to the future undiscounted net cash flow to be generated by the asset. The evaluations involve amounts that are based on management's best estimate and judgment. Actual results may differ from these estimates. If recorded values are less than the fair values, no impairment is indicated. SFAS No. 142 also requires that intangible assets with estimated useful lives be amortized over their respective

estimated useful lives.

We apply the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations, in accounting for our fixed plan stock options. As such, compensation expense would be recorded on the date of grant of options to employees and members of the Board of Directors only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123, "Accounting for Stock-Based Compensation", established accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, we have elected to continue to apply the intrinsic value-based method of accounting described above, and have adopted the disclosure requirements of SFAS No. 123, as amended in December 2004.

When the exercise price of employee or director stock options is less than the fair value of the underlying stock on the grant date, we record deferred compensation for the difference and amortize this amount to expense over the vesting period of the options. Options or stock awards issued to non-employees and consultants are recorded at their fair value as determined in accordance with SFAS No. 123 and EITF No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services", and recognized over the related vesting period.

CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS (CAUTIONARY STATEMENTS UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995)

Management's Discussion and Analysis of Financial Condition and Results of Operations contains "forward-looking statements" within the meaning of the Securities Litigation Reform Act of 1995. Forward-looking statements relate to expectations or forecasts of future events. These statements use words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "project," "intend," "plan," "potential," "will," and other words and terms of similar meaning in connection with a discussion of potential future events or circumstances or future operating or financial performance. You can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts.

Specific examples of such forward looking statements include statements in this report relating to the potential impact on our revenues of Schering-Plough's launch of PEG-INTRON in Japan, the potential impact on our ability to sustain or grow our ABELCET revenues in light of continuing competitive and pricing pressure in the intravenous antifungal market, the future sales performance of our other products, the potential impact of the manufacturing and stability problems with ONCASPAR we continue to experience, the performance of our protective collar arrangement relating to the shares of NPS common stock we hold, the continued sufficiency of our capital resources and our ability to access the capital markets in the future. This is not necessarily inclusive of all examples of forward looking statements that are or may be contained in this report.

Any or all forward-looking statements contained in this discussion may turn out to be wrong. Actual results may vary materially, and there are no guarantees about our financial and operating performance or the performance of our stock. All statements are made as of the date of signing of this report and we do not assume any obligation to update any forward-looking statement.

Many factors could cause actual results to differ from the results or developments discussed or predicted in the forward looking statements made in this report. These factors include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. Although it is not possible to predict or identify all such factors, many of them are described under the caption "Risk Factors" in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our Annual Report on Form 10-K/A for the fiscal year ended June 30, 2004, which we filed with the SEC and which is incorporated herein by reference.

Readers of this report are advised to read such Risk Factors in connection with this report. The following information supplements and updates such Risk Factors:

- Although Schering-Plough has received approval for PEG-INTRON in Japan in combination with REBETOL for the treatment of hepatitis C, there can be no assurance that Schering-Plough will successfully market PEG-INTRON in Japan. It is anticipated that a competing pegylated interferon-based combination therapy will receive marketing approval in Japan for hepatitis C in the next one to two years. Even if Schering-Plough is successful in launching PEG-INTRON in Japan, it is likely that the future launch of a competing pegylated interferon-based combination therapy will have a negative impact on PEG-INTRON's Japanese market share and sales.

- We have been experiencing pricing pressure with respect to ABELCET. In particular, Fujisawa Healthcare Inc. and Gilead Sciences, Inc., which jointly market a competing liposomal amphotericin B product have aggressively lowered the price of their product in certain regions and for certain customers in the U.S. This has resulted in the shrinkage or loss of certain of our customer accounts. Further, ABELCET sales may also continue to be negatively impacted by newer agents from Pfizer, Merck and Fujisawa. We are developing strategies to address these competitive threats, but there can be no assurance as to when or whether we will be successful in stopping or reversing this trend.

- We have received a notice from Bristol-Myers Squibb Company ("BMS") terminating our amphotericin B supply agreement with BMS effective March 1, 2006. We currently have an alternative source of supply of amphotericin B and are seeking to qualify at least one additional source of supply. The termination by BMS may give rise to future increased costs for the acquisition of amphotericin B as well as increased capital expenditures related to readying a new supplier's facilities for cGMP production and regulatory approval of ABELCET incorporating the alternative amphotericin B. Although there can be no assurance as to the timing of these increased costs and additional capital expenditures, we anticipate that these may be incurred beginning in calendar 2007.

- Manufacturing and stability problems required us to implement a voluntary recall for one ONCASPAR batch in March 2005. To date, we have been unable to identify the cause of the manufacturing and stability problems related to the batches of ONCASPAR that we voluntarily recalled in March 2005, September 2004, and July 2004 and preliminary indicators do not rule out that an additional batch of ONCASPAR may also be affected by manufacturing and stability problems, which we may also voluntarily recall in the near term. We cannot assure you that future product recalls will not materially adversely affect our business, our financial conditions, results of operations or our reputation and relationships with our customers.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion about our exposure to market risk of financial instruments contains forward-looking statements. Actual results may differ materially from those described.

Our holdings of financial instruments are comprised of debt securities and time deposits. All such instruments are classified as securities available-for-sale. In August 2003, we entered into a Zero Cost Protective Collar arrangement with a financial institution to reduce the exposure associated with the 1.5 million shares of common stock of NPS we received as part of the merger termination agreement with NPS. The terms of the collar arrangement are structured so that our investment in NPS stock, when combined with the value of the collar, should secure ultimate cash proceeds in the range

of 85% - 108% of the negotiated fair value per share of $23.47 (representing a 4.85% discount off the closing price of NPS common stock on the day before the collar was executed) (See Note 12 to our unaudited condensed consolidated financial statements). We do not invest in portfolio equity securities or commodities or use financial derivatives for trading purposes. Our debt security portfolio represents funds held temporarily pending use in our business and operations. We manage these funds accordingly. We seek reasonable assuredness of the safety of principal and market liquidity by investing in rated fixed income securities while at the same time seeking to achieve a favorable rate of return. Our market risk exposure consists principally of exposure to changes in interest rates. Our holdings are also exposed to the risks of changes in the credit quality of issuers. We typically invest the majority of our investments in the shorter-end of the maturity spectrum, and at March 31, 2005 all of our holdings were in instruments maturing in four years or less.

The table below presents the principal amounts and related weighted average interest rates by year of maturity for our investment portfolio as of March 31, 2005 (in thousands):

	2006	2007	2008	2009	TOTAL	FAIR VALUE
Fixed Rate	$103,454	$37,259	$18,586	$11,025	$170,324	$168,879
Average Inte Rate	92%	2.14%	2.54%	2.82%	1.49%	-
Variable Rate	-	-	-	-	-	-
Average Interest Rate	-	-	-	-	-	-
	$103,454	$37,259	$18,586	$11,025	$170,324	$168,879

Our 4.5% convertible subordinated notes in the principal amount of $400.0 million due July 1, 2008 have fixed interest rates. The fair value of the notes was approximately $360.0 million at March 31, 2005. The fair value of fixed interest rate convertible notes is affected by changes in interest rates and by changes in the price of our common stock.

As discussed in Liquidity and Capital Resources, in August 2003, we entered into a zero cost protective collar arrangement (the "Collar") with a financial institution to reduce the exposure to the changes in the fair value associated with the 1.5 million shares of common stock of NPS we received as part of the merger termination agreement with NPS. The Collar is considered a derivative instrument and as such, we carry the Collar at fair value as an asset or liability on the consolidated balance sheet and changes in fair value are recorded as a charge or credit to operations in the period of change. The value of the Collar instrument is subject to market conditions that cause variability associated with its intrinsic value and time valves. The fair value of the Collar at March 31, 2005 was an asset of $5.4 million.

ITEM 4. CONTROLS AND PROCEDURES

The following has been amended to reflect the restatement of the Company's financial statements as discussed in (i) the Explanatory Note to this Quarterly Report on Form 10-Q/A and (ii) Note 2 to the Condensed Consolidated Financial Statements for the quarterly period ended March 31, 2005, which appear under Item 1 of this Quarterly Report on Form 10-Q/A.

In connection with the preparation of our previously filed Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2005, our management, including our Chief Executive Officer and Controller (Acting Principal Accounting Officer), evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended ("the Exchange Act")). Based on that evaluation, our Chief Executive Officer and Controller (Acting Principal Accounting Officer) concluded that, as of March 31, 2005, our disclosure controls and procedures were effective in timely alerting them to the material information relating to us required to be included in our periodic filings with the U.S. Securities and Exchange Commission ("SEC").

Subsequent to the period covered by this report, we reevaluated our use of hedge accounting for a derivative hedging instrument under Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended (SFAS No. 133). We identified certain computational changes in the valuation of the Collar and, therefore did not properly account for the Collar. In conjunction with our reevaluation, we determined that we would need to amend and restate certain previously issued financial statements, including those pertaining to the quarterly period ended March 31, 2005, with respect to our accounting for the derivative hedging instrument. Accordingly, on August 16, 2005 and September 1, 2005 we filed a current report on Form 8-K with the SEC detailing our determination. Due to our need to amend and restate our financial statements for the quarterly period ended March 31, 2005, our management, including our Chief Executive Officer and Chief Financial Officer, now believe that our disclosure controls and procedures were not effective as of March 31, 2005.

There have been no changes in our internal control over financial reporting during the quarterly period covered by this report that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. However, since March 31, 2005, in conjunction with the audit of our consolidated financial statements for the year ended June 30, 2005 three material weaknesses in our disclosure controls and procedures were identified as of June 30, 2005 and are summarized as follows:

- Our policies and procedures did not provide for adequate management oversight and review of the accounting implications of the terms and conditions of certain third-party agreements. This internal control deficiency would have resulted in a material understatement of revenue and overstatement of research and development expense within our consolidated statement of operations for the year ended June 30, 2005.

- Our policies and procedures failed to ensure the correct application of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as it pertains to the valuation of a derivative instrument and the application of hedge accounting for that instrument. This internal control deficiency resulted in a material misstatement of certain balance sheet accounts, including other comprehensive income, and statement of operations amounts, including other income (expense) and income taxes and was associated with our decision to restate certain historical periods as discussed above and reported in our current reports on Form 8-K filed with the SEC on August 16, 2005 and September 1, 2005.

We are currently finalizing our remediation plan to enhance our accounting department and policies and procedures to address the material weaknesses in our internal control over financial reporting that existed as of June 30, 2005. Our remedial action plan will include:

- revising our policies and procedures to provide for an increased level of management oversight and review with respect to accounting for agreements with third-parties;

- improving training, education, accounting reviews, and if necessary, hiring of additional accounting and financial personnel to ensure that all relevant financial personnel have the appropriate level of technical expertise to effectively interpret and apply accounting standards.

PART II OTHER INFORMATION

ITEM 6. EXHIBITS

(a) Exhibits required by Item 601 of Regulation S-K.

EXHIBIT NUMBER	DESCRIPTION
3.1	Certificate of Incorporation, as amended (previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended June 30, 2002 and incorporated herein by reference thereto)
3.2	Amendment to Certificate of Incorporation (previously filed as an exhibit to the Company's Current Report on Form 8-K filed on December 10, 2002 and incorporated herein by reference thereto)
3.3	By laws, as amended (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on May 22, 2002 and incorporated herein by reference thereto)
4.1	Indenture dated as of June 26, 2001, between the Company and Wilmington Trust Company, as trustee, including the form of 4 1/2% Convertible Subordinated Notes due 2008 attached as exhibit A thereto (previously filed as an exhibit to the Company's Registration Statement on Form S-3 (File No. 333-67509) filed with the Commission and incorporated herein by reference thereto)
4.2	Rights Agreement dated May 17, 2002 between the Company and Continental Stock Transfer Trust Company, as rights agent (previously filed as an exhibit to the Company's Form 8-A (File No. 000-12957) filed with the Commission on May 22, 2002 and incorporated herein by reference thereto)
4.3	First Amendment to Rights Agreement, dated as of February 19, 2003 (previously filed as an exhibit to the Company's Form 8-A12 G/A (File No. 000-12957) filed with the Commission on February 20, 2003 and incorporated herein by reference thereto)
10.2	Employment Agreement with Craig A. Tooman dated January 5, 2005 (previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2004 and incorporated herein by reference thereto)
10.6	Form of Restricted Stock Unit Award Agreement for Executive Officers
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
31.2	Certification of Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act.*
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *
32.2	Certification of Principal Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act.*

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENZON PHARMACEUTICALS, INC.
(Registrant)

September 28, 2005

By: /s/Jeffrey H. Buchalter

Jeffrey H. Buchalter
Chairman, President and
Chief Executive Officer
(Principal Executive Officer)

September 28, 2005

By: /s/Craig A. Tooman

Craig A. Tooman
Executive Vice President Finance and
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey H. Buchalter, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2005 of Enzon Pharmaceuticals, Inc. ("Enzon");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 28, 2005

By: /s/Jeffrey H. Buchalter

Jeffrey H. Buchalter
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Craig A. Tooman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2005 of Enzon Pharmaceuticals, Inc. ("Enzon");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 28, 2005

By: /s/Craig A. Tooman

Craig A. Tooman
Executive Vice President Finance and
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 906,
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q/A of Enzon Pharmaceuticals, Inc. (the "Company") for the period ended March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey H. Buchalter, Chairman, President and Chief Executive Officer of the Company, certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

September 28, 2005

By: /s/Jeffrey H. Buchalter

Jeffrey H. Buchalter
Chairman, President and
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 906,
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q/A of Enzon Pharmaceuticals, Inc. (the "Company") for the period ended March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Craig A. Tooman, Executive Vice President Finance and Chief Financial Officer of the Company, certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

September 28, 2005

By: /s/Craig A. Tooman

Craig A. Tooman
Executive Vice President Finance and
Chief Financial Officer
Corporate Secretary
(Principal Financial Officer)