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

FORM 10-Q

(Mark One)

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

For the quarterly period ended 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

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	08807
(Address of principal executive offices)	(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). Yes X No__

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

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	JUNE 30, 2004 *
ASSETS		
Current assets:		
Cash and cash equivalents	$ 41,158	$ 77,532
Short-term investments	102,986	27,119
Accounts receivable, net	20,831	25,977
Inventories	16,651	11,215
Deferred tax and other current assets	17,276	12,382
Total current assets	198,902	154,225
Other assets:		
Property and equipment, net	33,518	34,859
Marketable securities	65,893	81,582
Investments in equity securities	15,848	37,906
Amortizable intangible assets, net	180,617	194,067
Goodwill	150,985	150,985
Deferred tax and other assets	70,262	68,786
	517,123	568,185
Total assets	$ 716,025	$ 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:		
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	(3,010)	(5,035)
Deferred compensation	(3,804)	(3,571)
Accumulated deficit	(30,880)	(25,227)
Total stockholders' equity	286,099	289,091
Total liabilities and stockholders' equity	$ 716,025	$ 722,410

* Condensed from audited 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
Revenues:				
Product sales, net	$ 21,224	$ 27,993	$ 75,712	$ 80,665
Manufacturing revenue	4,359	5,035	12,335	8,826
Royalties	12,705	11,103	32,899	36,461
Contract revenue	451	248	1,163	769
Total revenues	38,739	44,379	122,109	126,721
Costs and expenses:				
Cost of product sales and manufacturing revenue	9,024	12,458	32,306	35,195
Research and development	12,942	10,772	31,874	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	38,963	51,088	113,901	117,167
Operating (loss) income	(224)	(6,709)	8,208	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	(3,230)	(337)	(5,173)	71
	(7,071)	6,270	(17,185)	(2,056)
(Loss) income before tax benefit	(7,295)	(439)	(8,977)	7,498
Income tax benefit	(2,718)	(5,505)	(3,324)	(2,691)
Net (loss) income	(4,577)	$ 5,066	(5,653)	$ 10,189
Basic (loss) earnings per common share	$ (0.11)	$ 0.12	$ (0.13)	$ 0.24
Diluted (loss) earnings per common share	$ (0.11)	$ 0.12	$ (0.13)	$ 0.23
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
Cash flows from operating activities:		
Net (loss) income	($ 5,653)	$ 10,189
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	(10,997)
Non-cash loss (gain) related to equity collar arrangement	1,781	(82)
Amortization of debt issue costs	1,371	1,371
Amortization of bond premium/discount	2,049	409
Deferred income taxes	(3,043)	(4,618)
Changes in operating assets and liabilities	(4,663)	(5,433)
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. 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 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.

(2) 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 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 interest 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.

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.

(3) 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
Net (loss) income	($4,577)	$5,066	($5,653)	$10,189
Other comprehensive income:				
Unrealized (loss) gain on securities that arose during the period	(488)	324	(297)	3
Unrealized (loss) gain on NPS investment arising during the period	-	-	(1,014)	1,824
Foreign currency translation	3	-	16	-
Reclassification adjustment for loss (gain) included in net (loss) income	2,020	227	3,320	(222)
Total other comprehensive income	1,535	551	2,025	1,605
Comprehensive (loss) income	($3,042)	$5,617	($3,628)	$11,794

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

(4) 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 was 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 per share calculations (in thousands):

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	2005	2004	2005	2004
Net (loss) income	($4,577)	$5,066	($5,653)	$10,189
Weighted average number of common shares issued and outstanding - basic	43,490	43,368	43,481	43,322
Effect of dilutive common stock equivalents:				
Stock options	--	449	--	335
	43,490	43,817	43,481	43,657

(5) 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
Net (loss) income:				
As reported	($4,577)	$5,066	($5,653)	$10,189
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	($6,845)	$2,303	($14,456)	$2,319
Earnings per common share - basic:				
As reported	($0.11)	$0.12	($0.13)	$0.24
Pro forma	($0.16)	$0.05	($0.33)	$0.05
Earnings per common share - diluted:				
As reported	($0.11)	$0.12	($0.13)	$0.23
Pro forma	($0.16)	$0.05	($0.33)	$0.05

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

(6) 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

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

(7) 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	15 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.

(8) 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.

(9) 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.

(10) 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 $71.2 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 $5.5 million related primarily to the reversal of a $3.8 million 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. 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.

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.

(11) 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".

(12) DERIVATIVE INSTRUMENTS

In August 2003, the Company 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 the Company received as part of a merger termination agreement with NPS. The termination agreement imposed a limit on the maximum number of shares that can be transferred each month. The terms of the collar arrangement 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 is considered a derivative fair value hedging instrument (the "Derivative") under SFAS No. 133, "Accounting For Derivative Instruments and Hedging Activities" and as such, the Company periodically measures its fair value and recognizes the Derivative as an asset or a liability. Changes in the fair value of NPS stock are recorded in other comprehensive income (See Note 3) when the value of the NPS stock is within the range of the collar. Changes in the fair value of NPS stock outside the range of the collar and changes in the fair value of the Derivative are charged or credited to the consolidated statement of operations when the Derivative is designated and effective as a fair value hedge.

As of March 31, 2005, the market value of NPS common stock was $12.63 per share, which is below the bottom of the collar. When the underlying shares become unrestricted and freely tradable the Company is required to deliver a corresponding number of underlying shares to the financial institution as posted collateral. In order to deliver such shares, during the nine months ended March 31, 2005, the Company sold and re-purchased 375,000 shares of NPS common stock. The unrealized gain previously included in other comprehensive income prior to the sale and re-purchase with respect to these shares aggregating $38,000 for the nine months ended March 31, 2005, was recognized in the Condensed Consolidated Statements of Operations and is included in other income (expense). There were no sales and repurchases of stock for the three months ended March 31, 2005. During the three and nine month periods ended March 31, 2004, the Company sold and re-purchased 315,000 shares and 690,100 shares of NPS common stock, respectively. The unrealized gain previously recognized under other comprehensive income with respect to these shares aggregating $504,000 and $1.1 million was recognized in the Condensed Consolidated Statements of Operations for the three and nine months ended March 31, 2004, respectively.

During February 2005, the second portion of the Derivative matured resulting in net proceeds of $7.5 million, which represented the floor of the collar or $19.95 per share. The closing price of NPS common stock was $14.46 on the day the second portion of the collar matured. The unrealized loss of approximately $2.0 million and $3.4 million previously included in other comprehensive income (loss) was recognized in the Consolidated Statement of Operations and included in other income (expense) for the three and nine months ended March 31, 2005, respectively.

The changes during the periods in the time value component of the collar are a loss of $1.2 million and a loss of $1.8 million for the three and nine months ended March 31, 2005 and a loss of $318,000 and gain of $83,000 for the three and nine months ended March 31, 2004, respectively. These changes are recorded in other income (expense) in the Condensed Consolidated Statement of Operations. The remainder of the collar will mature on two separate maturity dates in May 2005 and August 2005, at which time the Company will receive the proceeds from the sale of the securities. 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 the Company 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 the Company receives a dividend from NPS.

(13) 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 151"). SFAS 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 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 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 151 will have on its consolidated results of operations and financial condition and does not expect SFAS 151 to have a material impact.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation," ("SFAS 123") and supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS 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 123 no longer will be an alternative to financial statement recognition. The Company is required to adopt SFAS 123R no later than July 1, 2005. Under SFAS 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 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 123R and expects that the adoption of SFAS 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 123R, and has not determined whether the adoption will result in amounts that are similar to the current pro forma disclosures under SFAS 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 153"). SFAS 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 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 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 SFAS 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.

(14) 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.

(15) 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 ended 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 $5.7 million for the nine months ended March 31, 2005. Non-cash charges totaled $26.2 million and were primarily attributable to depreciation and amortization of $17.0 million, losses on sales of investments of $3.5 million, amortization of bond premium/discount of $2.0, a loss on our equity collar arrangement related to our investment in NPS common stock of $1.8 million, and amortization of debt issue costs of $1.4 million. Non-cash charges were partially offset by $7.7 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, the Company 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 the Company 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 the Company

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 the Company 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 the Company receives 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 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 $38.7 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 $1.6 million to $12.7 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 $452,000 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 $2.2 million to $12.9 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 $1.1 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). Other income (expense) for the three months ended March 31, 2005 was an expense of $7.1 million, as compared to income of $6.3 million for the three months ended March 31, 2004. Other income (expense) includes: net investment income, interest expense, and other expense.

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 expense increased to $3.2 million for the three months ended March 31, 2005, as compared to $337,000 for the three months ended March 31, 2004. The increase in the expense was related to a realized loss on the liquidation of 375,000 shares of our investment in NPS common stock during the quarter ended March 31, 2005, as well as an increase in the unrealized loss associated with a derivative instrument we formed as a protective collar arrangement to reduce our investment risk associated with our investment in these shares.

INCOME TAXES. During the three months ended March 31, 2005, we recognized a tax benefit of approximately $2.7 million, as compared to a tax benefit of $5.5 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 $5.5 million related primarily to the reversal of a $3.8 million 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 $122.1 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 $32.9 million as compared to $36.4 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 $7.2 million to $31.9 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 $17.2 million, as compared to an expense of $2.1 million for the nine months ended March 31, 2004. Other income (expense) includes: net investment income, interest expense, and other income (expense).

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 $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 expense amounted to $5.2 million for the nine months ended March 31, 2005, as compared to other income of $71,000 for the nine months ended March 31, 2004. The increase in the expense was related to a realized loss on the liquidation of 750,000 shares of our investment in NPS common stock during the nine months ended March 31, 2005, which was offset in part by an increase in the unrealized loss associated with a derivative instrument we formed as a protective collar arrangement to reduce our risk associated with our investment in these shares.

INCOME TAXES. During the nine months ended March 31, 2005 we recognized a tax benefit of $3.3 million compared to a tax benefit of $2.7 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 $2.7 million related primarily to the reversal of a $3.8 million 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. 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 increasing 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 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 Interest Rate	0.92%	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.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES.

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Controller (Acting Principal Accounting Officer), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of March 31, 2005, the end of the period covered by this report (the "Evaluation Date"). Based upon that evaluation, the Chief Executive Officer and Controller concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective in timely alerting them to the material information required to be included in our periodic SEC filings.

CHANGES IN INTERNAL CONTROLS

There were no changes in our internal controls over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

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)

By: /S/JEFFREY H. BUCHALTER

President and Chief Executive Officer
(Principal Executive Officer)

Date: May 10, 2005

By: /S/TONI L. KLICH

Controller
(Acting Principal Accounting Officer)

ENZON

685 Route 202/206, Bridgewater, NJ 08807
(908) 541-8600 o FAX: (908) 575-9457
HTTP://WWW.ENZON.COM

Exhibit 10.6

RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS AGREEMENT, dated as of _____ __, 2005, is between Enzon Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and _____, an individual resident of the State of _____ ("Employee").

RECITALS

A. The Company wishes to grant to Employee, effective as of the date of this Agreement, an award of restricted stock units of the Company's common stock, par value $.01 per share (the "Common Stock"), on the terms and subject to the conditions set forth in this Agreement and the Company's 2001 Stock Incentive Plan.

B. Employee desires to accept such grant.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto hereby agree as follows:

1. DEFINITIONS. As used in this Agreement, the following terms have the meanings set forth below:

"Acquiring Person" shall mean any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) who or which, together with all Affiliates and Associates of such person, is the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities, but shall not include the Company, or any subsidiary of the Company.

"Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

"Award" has the meaning ascribed to such term in Section 2 hereof.

"Board" means the Board of Directors of the Company.

A "Change in Control" shall mean:

(a) the public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that any person, entity or "group", within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, other than the Company or any of its subsidiaries, has become the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of the combined voting power of the Company's then outstanding voting securities in a transaction or series of transactions; or

(b) the "Continuing Directors" (as defined below) cease to constitute a majority of the Company's Board of Directors; or

(c) the shareholders of the Company approve:

(i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation; or

(ii) any consolidation or merger of the Company following which either the Company or a corporation that, prior to the merger or consolidation, was a subsidiary of the Company, shall be the surviving entity and a majority of the then outstanding voting securities of the Company (the "Outstanding Company Voting Securities") is owned by a Person or Persons (as defined in Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended) who were not "beneficial owners" of a majority of the Outstanding Company Voting Securities immediately prior to such merger or consolidation;

other than a merger of the Company in which shareholders of the Company immediately prior to the merger have the same proportionate ownership of stock of the surviving corporation immediately after the

merger; or

(d) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company; or

(e) any plan of liquidation or dissolution of the Company; or

(f) the majority of the Continuing Directors determine in their sole and absolute discretion that there has been a change in control of the Company.

"Code" means the Internal Revenue Code of 1986, as amended.

"Common Stock" has the meaning specified in Recital A hereof.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"Continuing Director" shall mean any person who is a member of the Board of Directors of the Company, who, while such a person is a member of the Board of Directors, is not an Acquiring Person (as hereinafter defined) or an Affiliate or Associate (as hereinafter defined) of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate or Associate, and who (A) was a member of the Board of Directors on the date of this Agreement or (B) subsequently becomes a member of the Board of Directors, if such person's initial nomination for election or initial election to the Board of Directors is recommended or approved by a majority of the Continuing Directors.

"Plan" means the Company's 2001 Stock Incentive Plan, as amended from time to time.

"Restricted Stock Units" means the right to receive Vested Shares upon their vesting in accordance with Section 3 below.

"Shares" means, collectively, the shares of Common Stock subject to the Award, whether or not such shares are Vested Shares.

"Vested Shares" means the Shares with respect to which the Restricted Stock Units have vested at any particular time.

2. AWARD. The Company, effective as of the date of this Agreement, hereby grants to Employee _____ Restricted Stock Units (the "Award") representing the right to receive _____ Vested Shares, subject to the terms and conditions set forth herein and in the Plan.

3. VESTING.

(a) Subject to the terms and conditions of this Agreement, the Restricted Stock Units awarded hereunder to Employee shall vest and become the right to receive Vested Shares in accordance with the following schedule:

On Each of the Following Dates	Percentage or Number of Shares that Vest
_____ __, 200_	__%
_____ __, 200_	__%
_____ __, 200_	__%
_____ __, 200_	__%

(b) Notwithstanding the vesting provisions contained in Section 3(a) above, but subject to the other terms and conditions set forth herein, if Employee has been continuously employed by the Company until the date of a Change In Control of the Company, all of the Restricted Stock Units shall immediately vest on the date of such Change In Control.

(c) In the event of the disability (within the meaning of Section 22(e)(3) of the Code) or death of Employee, if Employee has been continuously employed by the Company until the date of such disability or death, Employee or

his estate shall become immediately vested, as of the date of such disability or death, in all of the Restricted Stock Units subject to the Award.

(d) Except as provided in Section 3(c) and any effective employment agreements that Employee might have with the Company, if Employee ceases to be an employee for any reason prior to the vesting of the Restricted Stock Units pursuant to Sections 3(a) or 3(b) hereof, Employee's rights to all of the Restricted Stock Units (and the Shares subject to the Award) not vested on the date that Employee ceases to be an employee shall be immediately and irrevocably forfeited and the Employee will retain no rights with respect to the forfeited units.

4. ADDITIONAL RESTRICTION ON TRANSFER OF RESTRICTED STOCK UNITS.

The Restricted Stock Units cannot be sold, assigned, transferred, gifted, pledged, hypothecated, or in any manner encumbered or disposed of at any time prior to delivery of the Shares underlying the Restricted Stock Units after the Restricted Stock Units have vested pursuant to Section 3 above.

5. ISSUANCE AND CUSTODY OF CERTIFICATE; REPRESENTATIONS OF EMPLOYEE.

(a) Subject to the restrictions in this Section 5, upon vesting of the Restricted Stock Units and following payment of any applicable withholding taxes pursuant to section 8 of this Agreement, the Company shall promptly cause to be issued and delivered to Employee a certificate or certificates evidencing such Vested Shares, free of any restrictive legends and registered in the name of Employee or in the name of Employee's legal representatives, beneficiaries or heirs, as the case may be, and shall cause such certificate or certificates to be delivered to Employee or Employee's legal representatives, beneficiaries or heirs.

(b) The issuance of any Common Stock in accordance with this Award shall only be effective at such time that the sale or issuance of Common Stock pursuant to this Agreement will not violate any state or federal securities or other laws.

(c) At any time after the vesting of the Restricted Stock Units and prior to the issuance of the Vested Shares, if the issuance of the Vested Shares to the Employee is prohibited due to limitations under this Section 5, the Company shall use its reasonable best efforts to remove such limitations, unless such limitations relate solely to Employee's personal situation. If such limitations relate solely to Employee's personal situation, the Company will use its reasonable best efforts to cooperate with the Employee in resolving such limitation.

6. RIGHTS AS SHAREHOLDER. Prior to the Restricted Stock Units vesting and Employee receiving his shares of Common Stock underlying the Restricted Stock Units pursuant to Section 5 above, Employee shall not have ownership or rights of ownership of any Common Stock underlying the Restricted Stock Units awarded hereunder. Employee shall not be entitled to receive dividend equivalents on the Restricted Stock Units awarded.

7. DISTRIBUTIONS AND ADJUSTMENTS. In accordance with Section 4(C) of the Plan, the Award shall be subject to adjustment in the event that any distribution, recapitalization, reorganization, merger or other event covered by Section 4(C) of the Plan shall occur.

8. TAXES. In order to provide the Company with the opportunity to claim the benefit of any income tax deduction which may be available to it in connection with this restricted stock unit award, and in order to comply with all applicable federal or state tax laws or regulations, the Company may take such action as it deems appropriate to insure that, if necessary, all applicable federal or state income and social security taxes are withheld or collected from Employee.

9. EMPLOYEE'S EMPLOYMENT. Nothing in this Agreement shall confer upon Employee any right to continue in the employ of the Company or any of its subsidiaries or interfere with the right of the Company or its subsidiaries, as the case may be, to terminate Employee's employment or to increase or decrease Employee's compensation at any time.

10. NOTICES. All notices, claims, certificates, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have

been duly given and delivered if personally delivered or if sent by nationally recognized overnight courier, by facsimile or by registered or certified mail, return receipt requested and postage prepaid, addressed as follows:

(a) If to the Company, to it at:

Enzon Pharmaceuticals, Inc.
685 Route 202/206
Bridgewater, New Jersey 08807
Attn: General Counsel

(b) If to Employee, to him at such Employee's address as most recently supplied to the Company and set forth in the Company's records; or

(c) to such other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith.

Any such notice or communication shall be deemed to have been received (i) in the case of personal delivery, on the date of such delivery (or if such date is not a business day, on the next business day), (ii) in the case of nationally-recognized overnight courier, on the next business day after the date sent, (iii) in the case of facsimile transmission, when received (or if not sent on a business day, on the next business day after the date sent), and (iv) in the case of mailing, on the third business day following the date on which the piece of mail containing such communication is posted.

11. WAIVER OF BREACH. The waiver by either party of a breach of any provision of this Agreement must be in writing and shall not operate or be construed as a waiver of any other or subsequent breach.

12. UNDERTAKING. Both parties hereby agree to take whatever additional actions and execute whatever additional documents either party may in their reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the other party under the provisions of this Agreement.

13. PLAN PROVISIONS CONTROL. The Award is made subject to the terms and provisions of the Plan. In the event that any provision of the Agreement conflicts with or is inconsistent in any respect with the terms of the Plan, the terms of the Plan shall control.

14. GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware (without giving effect to principles of conflicts of laws).

15. COUNTERPARTS. This Agreement may be executed in one or more counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts together shall constitute but one agreement.

16. ENTIRE AGREEMENT. This Agreement (and the other writings incorporated by reference herein, including the Plan) constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior or contemporaneous written or oral negotiations, commitments, representations, and agreements with respect thereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year first above written.

ENZON PHARMACEUTICALS, INC.

By:

Name:
Title:

EMPLOYEE

Name:

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 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.

May 10, 2005

By: /s/ JEFFREY H. BUCHALTER

President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Toni L. Klich, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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.

May 10, 2005

By: /s/ TONI L. KLICH

Controller
(Acting Principal Accounting 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 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, 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.

May 10, 2005 By: /s/ JEFFREY H. BUCHALTER

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 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, Toni L. Klich, Controller 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.

May 10, 2005 By: /s/ TONI L. KLICH

Controller
(Acting Principal Accounting Officer)