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

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

(Mark One)

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

For the quarterly period ended December 31, 2004

or

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

For the Transition Period from ___ to ___

Commission file number 0-12957

Enzon Pharmaceuticals, Inc.
Exact name of registrant as specified in its charter

DELAWARE	22-2372868
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
685 Route 202/206, Bridgewater, New Jersey	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 February 2, 2005: 43,876,159.

EXPLANATORY NOTE

This quarterly report on Form 10-Q/A amends and restates our original quarterly report on Form 10-Q for the period ended December 31, 2004 as of the date of filing the original Form 10-Q on February 9, 2005. We are amending and restating our original quarterly report on Form 10-Q in its entirety with respect to our accounting for the application of hedge accounting for a zero cost protective collar arrangement under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended (SFAS No. 133) and certain changes identified in the accounting for technology license agreements. The protective collar arrangement was entered into during August 2003 to reduce the exposure associated with changes in the fair value of the 1.5 million shares of common stock of NPS Pharmaceuticals, Inc. ("NPS") we received in connection with a June 2003 merger

termination agreement.

This amended quarterly report on Form 10-Q/A for the period ended December 31, 2004 reflects corrections and restatements of the following financial statements: (a) condensed consolidated balance sheet as of December 31, 2004; (b) condensed consolidated statements of operations for the period ended December 31, 2004; (c) and condensed consolidated statement of cash flows for the fiscal period ended December 31, 2004.

We are also filing under separate documents amended quarterly reports on Form 10-Q/A for the quarter and fiscal year-to-date period ended September 30, 2004 and March 31, 2005. For a more detailed description of corrections and restatements made to the financial statements, see Note 2 "Restatement and Reclassification of Condensed Consolidated Financial Statements" to the accompanying notes and reclassifications to the condensed consolidated financial statements.

In addition to the changes discussed above, we have also made other changes, including but not limited to the following to reflect the changes discussed herein: (a) other income for the fiscal period ended December 31, 2004 under "Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations"; (b) unrealized loss on securities that arose during the fiscal period and our total comprehensive income for the periods ended December 31, 2004 in Note 4, "Comprehensive Income", to the accompanying notes to the condensed consolidated financial statements; (c) unrealized gain previously recognized in other income and recorded in accumulated other comprehensive income for the fiscal period ended December 31, 2004 with respect to the sale and repurchase of shares of NPS in Note 13, "Derivative Instruments", to the accompanying notes to the condensed consolidated financial statements (d) total gross deferred tax assets and income tax provisions for the fiscal period ended December 31, 2004 in Note 11, "Income Taxes", to the accompanying notes to the condensed consolidated financial statements; (e) net loss and net loss per common share for the fiscal period ended December 31, 2004 in Note 5, "Earnings Common Per Share", to the accompanying notes to the condensed consolidated financial statements; and (f) pro forma net loss and net loss per common share for the fiscal periods ended December 31, 2004 in Note 6,"Stock-Based Compensation", to the accompanying notes to the condensed consolidated financial statements.

This amended and restated quarterly report on Form 10-Q/A is as of the end of our fiscal period December 31, 2004 as required by Form 10-Q or as of the date of filing the original Form 10-Q. It does not update any of the statements contained therein for subsequent events or forward looking statements. This quarterly report on Form 10-Q/A contains forward looking statements, which were made at the time the original quarterly report on Form 10-Q was filed on February 9, 2005 and must be considered in light of any subsequent events and subsequent statements including forward looking statements in any written statement subsequent to the filing of the original quarterly report on Form 10-Q, including statements made in filings on current reports on Form 8-K.

PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	DECEMBER 31, 2004 (Restated) (Note 2)	JUNE 30, 2004 (*)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 69,473	$ 91,532
Short-term investments	76,228	27,119

Investment in equity securities	20,565	23,625
Accounts receivable, net	18,322	25,977
Inventories	14,440	11,215
Deferred tax and other current assets	17,485	11,994
Total current assets	216,513	191,462
Other assets:		
Property and equipment, net	34,152	34,859
Marketable securities	63,389	67,582
Investments in equity securities	6,377	14,281
Amortizable intangible assets, net	185,076	194,067
Goodwill	150,985	150,985
Deferred tax and other assets	66,092	69,174
	506,071	530,948
Total assets	$ 722,584	$ 722,410
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 8,614	$ 8,663
Accrued expenses	23,641	23,001
Total current liabilities	32,255	31,664
Other liabilities	1,153	1,655
Notes payable	400,000	400,000
	401,153	401,655
Commitments and contingencies		
Stockholders' equity:		
Preferred stock-$.01 par value, authorized 3,000,000 shares; no shares issued and outstanding at December 31, 2004 and at June 30, 2004	--	--
Common stock-$.01 par value, authorized 90,000,000 shares; issued and outstanding 43,876,159 shares at December 31, 2004 and 43,750,934 shares at June 30, 2004	439	438
Additional paid-in capital	323,656	322,486
Accumulated other comprehensive loss	(6,833)	(7,330)
Deferred compensation	(4,205)	(3,571)
Accumulated deficit	(23,881)	(22,932)
Total stockholders' equity	289,176	289,091
Total liabilities and stockholders' equity	$ 722,584	$ 722,410

(*) Condensed from audited consolidated financial statements.

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

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

	THREE MONTHS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	
	2004 (Restated) (Note 2)	2003	2004 (Restated) (Note 2)	2003
Revenues:				
Product sales, net	$ 26,962	$ 27,711	$ 54,489	$ 52,672
Manufacturing revenue	5,463	2,187	7,976	3,791
Royalties	10,079	11,547	20,194	25,358

Contract revenue	412	253	711	521
Total revenues	42,916	41,698	83,370	82,342
Costs and expenses:				
Cost of sales and manufacturing revenue	12,381	11,825	23,282	22,737
Research and development	8,752	7,388	18,726	13,939
Selling, general and administrative	13,772	11,478	25,971	22,687
Amortization of acquired intangible assets	3,394	3,358	6,752	6,716
Total costs and expenses	38,299	34,049	74,731	66,079
Operating income	4,617	7,649	8,639	16,263
Other income (expense):				
Investment income, net	973	706	1,743	1,180
Interest expense	(4,957)	(4,957)	(9,914)	(9,914)
Other, net	(540)	(4,332)	(1,951)	(6,845)
	(4,524)	(8,583)	(10,122)	(15,579)
(Loss) income before tax (benefit) provision	93	(934)	(1,483)	684
Income tax (benefit) provision	103	(631)	(534)	(149)
Net (loss) income	($ 10)	($ 303)	($ 949)	$ 833
Basic (loss) earnings per common share	$ (0.00)	($ 0.01)	$ (0.02)	$ 0.02
Diluted (loss) earnings per common share	$ (0.00)	($ 0.01)	$ (0.02)	$ 0.02
Weighted average number of common shares outstanding - basic	43,483	43,307	43,476	43,298
Weighted average number of common shares and dilutive potential common shares outstanding	43,483	43,307	43,476	43,591

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)

	SIX MONTHS ENDED DECEMBER 31,	
	2004	2003
	(Restated) (Note 2)	
Cash flows from operating activities:		
Net (loss) income	($ 949)	$ 833
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	11,359	10,958
Non-cash expense for issuance of common stock	373	1,622
Loss on sale of investment	1,863	--
Non-cash income related to equity collar arrangement	224	4,717
Amortization of debt issue costs	914	--
Amortization of bond premium/discount	1,275	(107)
Deferred income taxes	(251)	170
Changes in operating assets and liabilities	3,119	679
Net cash provided by operating activities	17,927	18,872
Cash flows from investing activities:		

Purchase of property and equipment	(1,661)	(2,726)
Proceeds from sale of equity investment	7,510	--
Proceeds from sale of marketable securities	18,330	27,944
Purchase of marketable securities	(64,330)	(21,950)
Net cash (used in) provided by investing activities	(40,151)	3,268
Cash flows from financing activities:		
Proceeds from issuance of common stock	165	272
Net cash provided by financing activities	165	272
Net (decrease) increase in cash and cash equivalents	(22,059)	22,412
Cash and cash equivalents at beginning of period	91,532	66,752
Cash and cash equivalents at end of period	$ 69,473	$ 89,164

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 (the "Company") in accordance with United States generally accepted accounting principles for interim financial information and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete annual financial statements. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In the opinion of management, all adjustments (consisting only of normal and recurring adjustments) considered necessary for a fair presentation have been included. See Note 2 for discussion of restatement. 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 condensed consolidated financial statements and the notes thereto included in the Company's latest annual report on Form 10-K/A (Amendment No. 2).

(2) RESTATEMENT AND RECLASSIFICATIONS OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

As described in Note 13, "Derivative Instruments", the Company entered into a zero cost protective collar ("Collar") arrangement in August 2003 to reduce its exposure to changes in fair value associated with 1.5 million common shares of NPS Pharmaceutical, Inc. ("NPS"), which the Company received in connection with the termination of a proposed merger. Pursuant to the terms of the Merger Termination Agreement, the Company was restricted as to the number of shares it could sell on a quarterly basis. Under the collar arrangement, the Company was required to deliver unrestricted freely trading shares of NPS common stock upon the maturity date of the Collar, as well as maintain 1.5 million of shares of NPS common stock on account with the financial institution as collateral during the term of the Collar agreement. Therefore, during the period of November 2003 to October 2004, the Company sold and simultaneously repurchased 375,000 shares of NPS common stock quarterly in order to remove the restriction while maintaining the collateralized shares. In August 2005, the Company determined that the initial sale of NPS common stock in November 2003 resulted in the termination of the existing hedging relationship and that the Company was unable to meet certain fair value hedging criteria pursuant to SFAS No. 133 at that time to re-designate the hedging relationship. Accordingly, the Company terminated its hedge accounting treatment in November 2003, which resulted in the change in unrealized gains and losses on the NPS common stock underlying the derivative hedging instrument previously included in other income (expense) being recorded in accumulated other comprehensive income expense on the condensed consolidated balance sheet. The accounting change corrects a misallocation between other income (expense) and accumulated other comprehensive income (loss) for the quarters and fiscal year-to-date periods ended September 30, 2004, December 31, 2004, and March 31, 2005.

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

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

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

CHANGES TO CONDENSED CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2004

	Previously Reported	Adjustments	Restated
Investment in equity securities	$ --	$ 20,565	$ 20,565
Deferred tax and other current assets	17,279	206	17,485
Total current assets	195,742	20,771	216,513
Investments in equity securities	26,942	(20,565)	6,377
Deferred tax and other assets	66,166	(74)	66,092
Total non-current assets	526,710	(20,639)	506,071
Total assets	722,452	132	722,584
Accumulated other comprehensive loss	(4,543)	(2,290)	(6,833)
Accumulated deficit	(26,303)	2,422	(23,881)
Total stockholders' equity	289,044	132	289,176
Total liabilities and stockholders' equity	722,452	132	722,584

CHANGES TO CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31, 2004			Six Months Ended December 31, 2004		
	Previously Reported	Adjustments	Restated	Previously Reported	Adjustments	Restated
Research and development	$ 8,887	$ (135)	$ 8,752	$ 18,933	$ (207)	$ 18,726
Total costs and expenses	38,434	(135)	38,299	74,938	(207)	74,731
Operating income	4,482	135	4,617	8,432	207	8,639
Other, net	(1,273)	733	(540)	(1,943)	(8)	(1,951)
Total other income (expense)	(5,257)	733	(4,524)	(10,114)	(8)	(10,122)
Income before tax provision (benefit)	(775)	868	93	(1,682)	199	(1,483)
Income tax (benefit) provision	(243)	346	103	(606)	72	(534)
Net (loss) income	(532)	522	(10)	(1,076)	127	(949)
Basic (loss) earnings per common share	(0.01)	0.01	(0.00)	(0.02)	--	(0.02)
Diluted (loss) earnings per common share	(0.01)	0.01	(0.00)	(0.02)	--	(0.02)

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

The restatement did not result in any changes to cash and cash equivalents as of December 31, 2004 or any changes to the net cash flows from operations, investing or financing activities in the condensed consolidated statement of cash flows for the period ended December 31, 2004 although it did impact certain components of net cash flow from operations.

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

(3) MARKETABLE SECURITIES

The Company classifies its investments in debt and marketable equity securities as available-for-sale since the Company does not have the intent to hold them to maturity. Debt and marketable equity securities are carried at fair market 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.

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

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

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 December 31, 2004 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value*
U.S. Government agency debt	$ 68,981	$ 3	($ 304)	$ 68,680
U.S. corporate debt	71,592	7	(662)	70,937

	$ 140,573	$ 10	($ 966)	$ 139,617

* Included in short-term investments $76,228 and marketable securities $63,389.

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

The amortized cost, gross unrealized holding gains or losses, and fair value for the companies 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

* Included in short-term investments $27,119 and marketable securities $67,582.

(4) COMPREHENSIVE INCOME

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

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

	THREE MONTHS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	
	2004	2003	2004	2003
	(Restated)		(Restated)	
Net (loss) income	($ 10)	($ 303)	($ 949)	$ 833
Other comprehensive income (loss):				
Unrealized (loss) gain on securities that arose during the period, net of tax	(3,531)	2,874	(1,834)	4,502
Reclassification adjustment for loss (gain) included in net income, net of tax	2,027	(355)	2,331	(355)
Total other comprehensive income (loss)	(1,504)	2,519	497	4,147
Comprehensive income (loss)	($1,514)	$ 2,216	$ 452	$ 4,980

(5) EARNINGS PER COMMON SHARE

Basic earnings per share is computed by dividing the net (loss) income by the weighted average number of shares of Common Stock issued and outstanding during the periods. For purposes of calculating diluted earnings per share for

the three and six months ended December 31, 2003, the denominator includes both the weighted average number of shares of Common Stock outstanding and the number of dilutive Common Stock equivalents if the inclusion of common stock is not anti-dilutive. As of December 31, 2004 and 2003, the Company had 10.1 million and 9.3 million, respectively, dilutive potential common shares outstanding that are excluded from the dilutive earnings per share calculations as they are antidilutive.

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

	THREE MONTHS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	
	2004	2003	2004	2003
	(Restated)		(Restated)	
Net (loss) income	($ 10)	($ 303)	($ 949)	$ 833
Weighted average number of common shares issued and outstanding - basic	43,483	43,307	43,476	43,298
Effect of dilutive common stock equivalents:				
Exercise of stock options	--	--	--	293
	43,483	43,307	43,476	43,591

(6) STOCK-BASED COMPENSATION

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation", the Company accounts for stock-based compensation arrangements in accordance with the provisions of Accounting Principals Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Compensation expense for stock options issued to employees is based on the difference on the date of grant between the fair value of the Company's stock and the exercise price of the option. 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 all options granted to employees have 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 earnings (loss) 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 DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	
	2004	2003	2004	2003

	(Restated)		(Restated)	
Net (loss) income:				
As reported	($ 10)	($ 303)	($ 949)	$ 833
Add stock-based employee compensation expense included in reported net income, net of tax (1)	132	237	239	423
Deduct total stock-based employee compensation expense determined under fair-value-based method for all awards, net of tax (1)	(3,484)	(2,999)	(6,879)	(5,284)
Pro forma net loss	($ 3,362)	($ 3,065)	($ 7,589)	($ 4,028)
Earnings (loss) per common share - basic:				
As reported	($ 0.00)	($ 0.01)	($ 0.02)	$ 0.02
Pro forma	($ 0.08)	($ 0.07)	($ 0.17)	($ 0.09)
Earnings (loss) per common share - diluted:				
As reported	($ 0.00)	($ 0.01)	($ 0.02)	$ 0.02
Pro forma	($ 0.08)	($ 0.07)	($ 0.17)	($ 0.09)

(1) Information for 2004 and 2003 has been adjusted for income taxes using estimated tax rates of 36% and 35%, respectively.

(7) INVENTORIES

Inventories consisted of the following (in thousands):

	DECEMBER 31, 2004	JUNE 30, 2004
Raw materials	$5,283	$3,143
Work in process	4,119	3,716
Finished goods	5,038	4,356
	$14,440	$11,215

(8) INTANGIBLE ASSETS

Intangible assets consisted of the following (in thousands):

	DECEMBER 31, 2004	ESTIMATED USEFUL LIVES
Product Patented Technology	$ 64,400	12 years
Manufacturing Patent	18,300	12 years
NDA Approval	31,100	12 years
Trade name and other product rights	80,000	15 years
Manufacturing Contract	2,200	3 years
Patent	1,906	1-5 years
Product Acquisition Costs	26,194	10-14 years
	224,100	

Less: Accumulated amortization	39,024
	$185,076

Amortization charged to operations relating to intangible assets totaled $4.5 million including $1.1 million which is classified in cost of sales and manufacturing revenue for both the three months ended December 31, 2004 and 2003. For the six months ended December 31, 2004 and 2003 amortization charged to operations relating to intangible assets totaled $9.0 million including $2.2 million which is classified in cost of sales and manufacturing revenue. Amortization expense for these intangibles and certain other product acquisition costs for the next five fiscal years is expected to be approximately $15.5 million per year.

(9) GOODWILL

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

(10) CASH FLOW INFORMATION

The Company considers all highly liquid securities with original maturities of three months or less to be cash equivalents. Cash payments for interest were approximately $9.0 million for the six months ended December 31, 2004 and 2003. Income tax payments for the six months ended December 31, 2004 and 2003, respectively were $366,000 and $3.2 million.

(11) INCOME TAXES

The Company recognized a tax benefit for the six months ended December 31, 2004 at an estimated annual effective tax rate of 36%, which is based on the projected income tax benefit and taxable loss for the fiscal year ending June 30, 2005. During the three and six months ended December 31, 2004 the Company recorded a valuation allowance of $1.3 million and $696,000, respectively, related to capital loss carryforwards generated during the period 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 December 31, 2004, the Company recognized approximately $68.4 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 December 31, 2004, the Company carries a valuation allowance of $17.2 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 more likely than not. The Company will continue to reassess the need for such valuation allowance based on the future operating performance of the Company.

The tax benefit for the three and six months ended December 31, 2003 was based on the Company's then projected income tax benefit and taxable loss for the fiscal year ended June 30, 2004. In addition, during the three and six months ended December 31, 2004 the Company recorded $1.8 million and $2.8 million tax benefit, respectively, relating to the derivative instrument as described in Note 13.

(12) BUSINESS SEGMENTS

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

(13) DERIVATIVE INSTRUMENTS

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

In August 2003, the Company entered into a Zero Cost Protective Collar arrangement with a financial institution to reduce the exposure associated with the 1.5 million shares of common stock of NPS received as part of the merger termination agreement with NPS. By entering into this equity collar arrangement and taking into consideration the underlying put and call option strike prices, the terms are structured so that the Company's investment in NPS stock, when combined with the value of the Collar, should secure ultimate cash proceeds in the range of 85%-108% of the negotiated fair value per share of $23.47 (representing a 4.85% discount off of the closing price of NPS common stock on the day before the collar was executed). The Collar will mature in four separate three-month intervals from November 2004 through August 2005, at which time the Company receives the proceeds from the sale of the securities. The amount due at each maturity date is determined based on the market value of NPS' common stock on such maturity date, as well as the value of the Collar. The contract requires the Company to maintain a minimum cash balance of $30.0 million and additional collateral up to $10.0 million (as defined) under certain circumstances with the financial institution. The strike prices of the put and call options are subject to certain adjustments in the event the Company receives a dividend from NPS. At the time of inception, the Collar was designated a derivative hedging instrument in accordance with SFAS 133 and as such, the Company periodically measures its fair value and recognizes the derivative as an asset or a liability. The change in fair value is recorded in other income in the condensed consolidated statements of operations. At December 31, 2004, the Company had a receivable to the financial institution of $3.0 million. During the three and six months ended December 31, 2004, the Company recorded unrealized gains of $2.2 million and $1.3 million, respectively, as a component of other income (expense) representing the change in fair value of the Collar. During the three and six months ended December 31, 2003, the Company recorded unrealized losses of $4.0 million and $10.3 million, respectively, as a component of other income (expense) representing the change in fair value of the Collar instrument. During the three and six months ended December 31, 2004, a total of 375,000 shares of the Collar matured resulting in a realized loss of $3.2 million, and net cash proceeds to the Company totaling $7.5 million. At December 31, 2004, 1.1 million shares of the Collar remain active and will mature in three separate intervals February 2005, May 2005 and August 2005.

The Company began selling and buying back the underlying NPS common stock in November 2003, which resulted in the termination of the hedging relationship. During the period from August 2003 through the date the hedging relationship was terminated, the NPS common stock had appreciated $5.7 million in value, of which $2.3 million was recorded in other income during the six months ended December 31, 2003 in the condensed consolidated statements of operations and $2.1 million, net of tax, was recorded as a component of accumulated other comprehensive income in the condensed consolidated statement of stockholders' equity. The $2.1 million gain, net of tax, recognized in accumulated other comprehensive income at the point the hedging relationship was terminated was recognized in operations proportionate to the sale of the underlying NPS common stock.

During the six months ended December 31, 2004, the Company sold and repurchased 375,000 shares of NPS common stock to remove the transferability restrictions on such shares, resulting in a net realized loss of $578,000 which is included in other income (expense) in the condensed consolidated statements of operations. There were no shares sold and repurchased during the three months ended December 31, 2004.

During the three and six months ended December 31, 2003, the Company sold and repurchased 375,000 shares of NPS common stock to remove the transferability restrictions on such shares, resulting in a net realized gain of $1.2 million, included in other income (expense) in the condensed consolidated statements of operations.

As of December 31, 2004 and June 30, 2004, the Company held 1.1 million shares and 1.5 million shares of NPS common stock are valued at $20.6 million and $31.5 million, respectively, and are included in investments in equity securities on the accompanying condensed consolidated balance sheets.

(14) NEW ACCOUNTING PRONOUNCEMENTS

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

FSP No. 109-1 clarifies how to apply SFAS No. 109 to the new law's tax deduction for income attributable to "domestic production activities." The fully phased-in deduction is up to nine percent of the lesser of taxable income or "qualified production activities income." The staff position requires that the deduction be accounted for as a special deduction in the period earned, not as a tax-rate reduction. As a result, the Company will recognize a reduction in its provision for income taxes for domestic production activities in the quarterly periods in which the Company is eligible for the deduction.

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

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

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets--An Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions" ("SFAS No. 153"). SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, "Accounting for Nonmonetary Transactions," and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for the fiscal periods beginning after June 15, 2005 and is required to be adopted by us in the first quarter of fiscal 2006, beginning on July 1, 2005. The Company is currently evaluating the effect that the adoption of SFAS No. 153 will have on our consolidated results of operations and financial condition but does not expect it to have a material impact.

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 and marketable securities, were $209.1 million as of December 31, 2004, 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 Common Stock that we own. We invest our excess cash primarily in United States government-backed securities and investment-grade corporate debt securities.

During the six months ended December 31, 2004, net cash provided by operating activities was $18.0 million, compared to $18.9 million for the six months ended December 31, 2003. Net cash provided by operations was principally due to non-cash charges included in the net loss of $949,000 for the six months ended December 31, 2004. The non-cash charges were depreciation and amortization of $11.4 million, $244,000 on the Company's equity collar arrangement, non-cash activity of totaling $4.2 million and $3.1 million in operating assets and liabilities.

Cash used in investing activities totaled $40.2 million for the six months ended December 31, 2004 compared to cash provided by investing activities

of $3.3 million for the six months ended December 31, 2003. Cash used in investing activities during the six months ended December 31, 2004, consisted of $1.7 of capital expenditures and net purchases of marketable securities of $46.0 million, offset by $7.5 million in proceeds from the liquidation of a portion of our shares of NPS Common Stock.

As of December 31, 2004, we had $400.0 million of 4.5% 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 $9.0 million as of December 31, 2004. 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. The notes will mature on July 1, 2008 unless earlier converted, redeemed at our option or redeemed at the option of the note-holder upon a fundamental change, as described in the indenture for the notes. Neither we nor any of our subsidiaries are subject to any financial covenants under the indenture. In addition, neither we nor any of our subsidiaries are restricted under the indenture from paying dividends, incurring debt, or issuing or repurchasing our securities.

In August 2003, we entered into a zero cost protective collar arrangement with a financial institution to reduce the exposure associated with the 1.5 million shares of common stock of NPS Pharmaceuticals, Inc. ("NPS") we received as part of a merger termination agreement with NPS. The first interval of four intervals matured during the three months ended December 31, 2004 and we liquidated that portion of the investment and received proceeds of $7.5 million. The remainder of the Collar will mature in three separate three-month intervals from February 2005 through August 2005, at which time we will receive the proceeds from the sale of the securities which we estimate with consideration to the Collar to be $22.4 million to $28.5 million. The amount due at each maturity date will be determined based on the market value of NPS common stock on such maturity date. The contract requires us to maintain a minimum cash balance of $30.0 million and additional collateral up to $10.0 million (as defined) under certain circumstances with the financial institution. The strike prices of the put and call options are subject to certain adjustments in the event we receive a dividend from NPS.

Our current sources of liquidity are our cash and cash equivalents, interest earned on such cash and cash equivalents, short-term investments, marketable securities, sales of ADAGEN(R), ONCASPAR(R), DEPOCYT(R) and ABELCET(R), royalties earned, which are primarily related to sales of PEG-INTRON(R) and contract manufacturing revenue. In addition, we intend to sell our positions in NPS and reinvest in marketable securities. 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 December 31, 2004 we are 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. Since June 30, 2004, there has been no 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 DECEMBER 31, 2004 AND 2003

Revenues. Total revenues for the three months ended December 31, 2004 were $42.9 million, as compared to $41.7 million for the three months ended December 31, 2003. The components of revenues are product sales, contract manufacturing revenue, royalties we earn on the sale of our products by others and contract revenue.

Net product sales decreased by 3% to $27.0 million for the three months ended December 31, 2004, as compared to $27.7 million for the three months ended December 31, 2003. The decrease in sales was due to decreased sales of ABELCET. Sales of ABELCET in North America decreased by 21% to $14.3 million for the three months ended December 31, 2004, as compared to $18.0 million for the three months ended December 31, 2003 as a result of weaker demand for the product due to increased competition in the intravenous antifungal market. Sales of DEPOCYT increased by 23% to $1.6 million for the three months ended December 31, 2004 as compared to $1.3 million for the three months ended December 31, 2003. DEPOCYT'S growth over the prior year was primarily attributable to the Company's sales and marketing efforts to support the product. Sales of ONCASPAR increased by 25% to $5.5 million for the three months ended December 31, 2004 from $4.4 million in the corresponding period in the prior year. The increase in sales of ONCASPAR over the prior year was primarily driven by our focused marketing effort during the quarter ended September 30, 2004. Sales of ADAGEN increased by 40% for the three months ended December 31, 2004 to $5.6 million as compared to $4.0 million for the three months ended December 31, 2003 due to an increase in the number of patients receiving ADAGEN therapy and the timing of shipments.

Contract manufacturing revenue for the three months ended December 31, 2004 increased to $5.5 million, as compared to $2.2 million for the comparable period of the prior year, due to the timing of orders from our contract manufacturing customers. Contract manufacturing revenue is related to the manufacture and sale of ABELCET for the international market and other contract manufacturing revenue.

Royalties for the three months ended December 31, 2004, decreased to $10.1 million as compared to $11.5 million in the same period in the prior year. The decrease was primarily due to decreased sales of PEG-INTRON by Schering-Plough, our marketing partner, due to competitive pressure from the competing pegylated alpha interferon product, PEGASYS(R), which Hoffmann-La Roche launched in December 2002.

Due to the competitive pressure and contracting market conditions, we believe royalties from sales of PEG-INTRON in the United States and Europe may continue to decrease in the near term. This decrease may be offset by the ongoing launch of PEG-INTRON in combination with REBETOL(R) in Japan. Schering-Plough began selling PEG-INTRON in Japan during December 2004. Since its launch in the United States and Europe, the competing product has taken market share away from PEG-INTRON and the overall market for pegylated alpha interferon in the treatment of hepatitis C has not increased enough to offset the effect. This competition has had on sales of PEG-INTRON. As a result, quarterly sales of PEG-INTRON and the royalties we receive on those sales have declined in recent quarters. We cannot assure you that the competing product will not continue to gain market share at the expense of PEG-INTRON, which could result in lower PEG-INTRON sales and royalties to us.

Based on competitive pressure from the introduction of new products in the antifungal market, namely Pfizer's VFEND(R) and Merck's CANCIDAS(R) and more recent pricing pressure in the market for lipid formulations of amphotericin B, we believe ABELCET may continue to be negatively impacted over the next year.

We expect ADAGEN sales to grow over the next year at similar levels to

those achieved for the year ended June 30, 2004. Assuming we are able to successfully address certain manufacturing and product stability problems we have experienced with ONCASPAR, which have resulted in the recent recalls mentioned above, we expect ONCASPAR sales to continue to grow, but at a pace slower then the growth achieved in fiscal 2004. ONCASPAR sales may decline, however, if we are unable to correct these manufacturing and product stability problems. We expect DEPOCYT sales to gain modestly from the current sales levels. However, we cannot assure you that any particular sales levels of ABELCET, ADAGEN, ONCASPAR, DEPOCYT or PEG-INTRON will be achieved or maintained.

Contract revenues for the three months ended December 31, 2004 were $412,000 as compared to $253,000 for the three months ended December 31, 2003. The increase was due to revenue related to a development agreement we entered into with Pharmagene plc.

During the three months ended December 31, 2004, we had export sales and royalties on export sales of $11.7 million, of which $9.3 million were in Europe. Export sales and royalties recognized on export sales for the prior year quarter were $9.1 million, of which $7.7 million were in Europe.

Cost of Sales and Manufacturing Revenue. Cost of sales and manufacturing revenue, as a percentage of net sales and manufacturing revenue, decreased to 38% for the three months ended December 31, 2004 as compared to 40% for the same period last year. The decrease was principally due to lower manufacturing cost for ABELCET. Included with cost of sales is $1.1 million for the three months ended December 31, 2004 and 2003 related to amortization of intangible assets acquired in connection with the ABELCET acquisition during November 2002.

Research and Development. Research and development expenses increased by 20% to $8.8 million for the three months ended December 31, 2004 from $7.4 million for the same period last year. The increase was primarily due to spending of approximately $1.5 million related to our strategic partnership with Inex Pharmaceuticals Corporation on Inex's proprietary oncology product MARQIBO. In January 2005, the United States Food and Drug Administration (FDA) provided an action letter to the Company's partner, Inex, detailing that MARQIBO is "not approvable" under the FDA's accelerated approval regulations based on the Phase 2b clinical-trial data submitted.

Selling, General and Administrative. Selling, general and administrative expenses for the three months ended December 31, 2004 increased by 20% to $13.8 million, as compared to $11.5 million for the same period last year. The increase was primarily due to increased sales and marketing expense of approximately $2.0 million and increased accounting and auditing fees of approximately $300,000.

Amortization. Amortization expense remained unchanged at $3.4 million for the three months ended December 31, 2004 and 2003. Amortization expense for both periods related to intangible assets acquired in connection with the ABELCET acquisition during November 2002. In addition, a portion of amortization is classified in cost of 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.

Other income (expense). Other income (expense) for the three months ended December 31, 2004 was an expense of $4.5 million, as compared to an expense of $8.6 million for the three months ended December 31, 2003. Other income (expense) includes: net investment income, interest expense, and other, net.

Net investment income for the three months ended December 31, 2004 increased to $973,000 from $706,000 for the three months ended December 31, 2003 due to an increase in our interest bearing investments and higher interest rates.

Interest expense was $5.0 million for each of the three months ended December 31, 2004 and 2003. Interest expense is related to $400.0 million in 4.5% convertible subordinated notes, which were outstanding for each of the periods.

Other, net is primarily related to the 1.5 million shares of NPS common stock we received under a June 2003 merger termination agreement and a financial

instrument we formed to reduce our exposure to the change in fair value associated with such shares, specifically a zero cost protective collar arrangement (the "Collar.") For the three months ended December 31, 2004, other, net was an expense of $540,000, as compared to an expense of $4.3 million for the three months ended December 31, 2003. During the three months ended December 31, 2004, we recognized (i) an unrealized gain of $2.2 million related to change in the fair value of the Collar (ii) a realized loss of $3.2 million related to the maturation of a portion of the Collar and the sale of the underlying shares. For a more detailed description of our Merger Termination Agreement with NPS and the Collar see Note 13 to the Notes to the accompanying condensed consolidated financial statements - Derivative Instruments.

During the three months ended December 31, 2003, we recognized (i) a realized gain of $1.2 million related to the sale and repurchase of 375,000 shares of NPS common stock, (ii) an unrealized loss of $4.0 million related to change in the fair value of the Collar, and (iii) an unrealized loss of $1.5 million on the NPS common stock.

Income Taxes. During the three months ended December 31, 2004 we recognized a tax expense of approximately $103,000 compared to tax benefit of $631,000, for the three months ended December 31, 2003. We recognized a tax expense for the three months ended December 31, 2004 which is based on the projected income tax expense and taxable income for the fiscal year ending June 30, 2005. The tax provision for the three months ended December 31, 2003 was based on the Company's projected income tax benefit and taxable loss for the fiscal year ended June 30, 2004.

SIX MONTHS ENDED DECEMBER 31, 2004 AND 2003

Revenues. Total revenues for the six months ended December 31, 2004 were $83.4 million, as compared to $82.3 million for the six months ended December 31, 2003. The components of revenues are product sales, contract manufacturing revenue, royalties we earn on the sale of our products by others and contract revenues.

Net product sales increased by 3% to $54.5 million for the six months ended December 31, 2004, as compared to $52.7 million for the six months ended December 31, 2003. The increase in sales was due to increased sales of three of our internally marketed products: ADAGEN(R), DEPOCYT(R), and ONCASPAR(R). Sales of ABELCET in North America decreased by 7% to $30.8 million for the six months ended December 31, 2004, as compared to $33.0 million for the six months ended December 31, 2003 as a result of weaker demand for the product due to increased competition in the intravenous antifungal market. Sales of DEPOCYT increased by 54% to $4.0 million for the six months ended December 31, 2004 as compared to $2.6 million for the six months ended December 31, 2003. Sales of ONCASPAR increased by 17% to $9.8 million for the six months ended December 31, 2004, as compared to $8.4 million in the corresponding period in the prior year. These increased product sales resulted in large part from our focused sales and marketing efforts to support ONCASPAR and DEPOCYT. Sales of ADAGEN increased by 14% for the six months ended December 31, 2004 to $9.9 million as compared to $8.7 million for the six months ended December 31, 2003 due to an increase in the number of patients receiving ADAGEN therapy and the timing of shipments.

Contract manufacturing revenue for the six months ended December 31, 2004 increased to $8.0 million, as compared to $3.8 million for the comparable period of the prior year due to the timing of orders from our contract manufacturing customers. Contract manufacturing revenue is related to the manufacture and sale of ABELCET for the international market and other contract manufacturing revenue.

Royalties for the six months ended December 31, 2004, decreased to $20.2 million as compared to $25.3 million in the same period in the prior year. The decrease was primarily due to decreased sales of PEG-INTRON by Schering-Plough, our marketing partner, due to competitive pressure from the competing pegylated alpha interferon product, PEGASYS(R), which Hoffmann-La Roche launched in December 2002.

Contract revenues for the six months ended December 31, 2004 increased to $711,000 as compared to $521,000 in the previous year, due to revenue related to the co-development agreement we entered into with Pharmagene plc.

During the six months ended December 31, 2004, we had export sales and royalties on export sales of $22.5 million, of which $17.2 million were in Europe. Export sales and royalties recognized on export sales for the prior year were $19.1 million, of which $16.2 million were in Europe.

Cost of Sales and Manufacturing Revenue. Cost of sales and manufacturing revenue, as a percentage of net sales and manufacturing revenue, decreased to 37% for the six months ended December 31, 2004 compared to 40% for the six months ended December 31, 2003 due to lower manufacturing cost for ABELCET. Included with cost of sales is $2.2 million for the six months ended December 31, 2004 and 2003 related to amortization of intangible assets acquired in connection with the ABELCET acquisition during November 2002.

Research and Development. Research and development expenses increased by 34% to $18.7 million for the six months ended December 31, 2004 from $13.9 million for the same period last year. The increase was primarily due to increased spending of approximately $2.7 million related to our strategic partnership with Inex on Inex's proprietary oncology product, MARQIBO, and increased personnel-related expenses of approximately $2.1 million. In January 2005, the FDA provided an action letter to the Company's partner, Inex, detailing that MARQIBO is "not approvable" under the FDA's accelerated approval regulations based on the Phase 2b clinical-trial data submitted.

Selling, General and Administrative. Selling, general and administrative expenses for the six months ended December 31, 2004 increased by 15% to $26.0 million, as compared to $22.7 million in the same period last year. The increase was primarily due to increased sales and marketing expense of approximately $3.7 million which includes expenses associated with the potential launch of MARQIBO. This increase was offset in part by a decrease in general and administrative personnel and other related costs of approximately $414,000.

Amortization. Amortization expense remained unchanged at $6.7 million for the six months ended December 31, 2004 and 2003. Amortization expense for both periods relates to intangible assets acquired in connection with the ABELCET acquisition during November 2002. In addition, a portion of amortization is classified in cost of 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 5 years.

Other income (expense). Other income (expense) for the six months ended December 31, 2004 was an expense of $10.1 million, as compared to an expense of $15.6 million for the six months ended December 31, 2003. Other income (expense) includes: net investment income, interest expense, and other, net.

Net investment income for the six months ended December 31, 2004 increased to $1.7 million from $1.2 million for the six months ended December 31, 2003, due to an increase in our interest bearing investments, along with higher interest rates.

Interest expense was $9.9 million for each of the six months ended December 31, 2004 and 2003. Interest expense is related to $400.0 million in 4.5% convertible subordinated notes, which were outstanding for each of the periods.

Other, net is primarily related to the 1.5 million shares of NPS common stock we received under a June 2003 merger termination agreement and a financial instrument we formed to reduce our exposure to the change in fair value associated with such shares, specifically a zero cost protective collar arrangement (the "Collar.") For the six months ended December 31, 2004, other, net was an expense of $2.0 million compared to an expense of $6.8 million for the six months ended December 31, 2003. During the six months ended December 31, 2004, we recognized (i) a realized gain of $578,000 related to the sale and repurchase of 375,000 shares of NPS common stock, (ii) an unrealized gain of $1.3 million related to change in the fair value of the Collar, and (iii) a realized loss of $3.2 million related to the maturation of a portion of the Collar and the sale of the underlying shares. For a more detailed description of our Merger Termination Agreement with NPS and the Collar see Note 14 to the Notes to the accompanying Consolidated Financial Statements - Derivative Instruments.

For the six months ended December 31, 2003, other, net was an expense of $6.8 million. During the six months ended December 31, 2003, we recognized (i) a realized gain of $1.2 million related to the sale and repurchase of 375,000 shares of NPS common stock, (ii) an unrealized loss of $10.3 million related to change in the fair value of the Collar, and (iii) an unrealized gain of $2.3 million on NPS common stock.

Income Taxes. During the six months ended December 31, 2004 we recognized a tax benefit of approximately $534,000 compared to $149,000, for the six months ended December 31, 2003. We recognized a tax benefit for the six months ended December 31, 2004 which is based on the projected income tax benefit and taxable loss for the fiscal year ending June 30, 2005. The tax provision for the six months ended December 31, 2003 was recorded based on an estimated annual effective tax rate of 35% which represented our anticipated Alternative Minimum Tax Liability based on the anticipated taxable income for the full fiscal year. In addition, during six months ended December 31, 2004 the Company recorded $2.8 million tax benefit relating to the derivative instrument as described in Note 13.

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 December 31, 2004 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. 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 products sales are to distributors who resell the products to the end customers. We provide rebates or chargebacks to members of buying groups who purchase from our distributors that sell to their customers at prices determined under a contract between Enzon and the customer. In addition, state agencies, which administer various programs such as the U.S. Medicaid and Medicare program also receive rebates or Medicaid rebates and administrative fees. Chargeback amounts are usually based upon the volume of purchases or by reference to a specific price for a product. Factors that complicate the rebate calculations are which customer or government price terms apply, and the estimated lag time between sale and payment of a rebate. Using historical trends, adjusted for current changes, we estimate the amount of the chargeback that will be paid, and record the amounts as a reduction to accounts receivable and a reduction of gross sales when we record the sale of the product. Settlement of the chargebacks generally occur from three to nine months after sale. We regularly analyze the historical chargebacks trends and makes adjustments to recorded reserves for changes in trends.

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 up to six months later. 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, an evaluation of the current Medicaid rebate laws and interpretations and the percentage of our products that are sold to Medicaid patients.

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

	December 31, 2004	June 30, 2004
Accounts Receivable Reductions		
Chargebacks	$9,479	$7,802
Cash Discounts	318	414
Other (including returns)	1,241	1,323
Total	$11,038	$9,539
Accrued Liabilities		
Medicaid Rebates	$2,354	$2,011
Administrative Fees	605	640
Total	$2,959	$2,651

There were no revisions to the estimates for gross to net sales adjustment that would be material to income from operations for the three and six months ended December 31, 2004 and 2003.

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 license 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, and continue to analyze what level of the valuation allowance is needed taking into consideration the expected future 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. This determination is made at the Company level because the Company is in one reporting unit 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 Hoffmann-La Roche will obtain marketing approval in Japan for a competing pegylated interferon-based combination therapy for hepatitis C in the next one or two years. Hoffmann-La Roche's subsidiary (Chugai Pharmaceutical Co. LTD) currently markets other pharmaceutical products in Japan. Even if Schering-Plough is successful in launching PEG-INTRON in Japan, it is likely that the future launch in Japan of Hoffmann-La Roche's competing pegylated interferon-based combination therapy will have a negative impact on PEG-INTRON's Japanese market share and sales.

- We have begun to experience 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. We are developing strategies to address this competitive threat, 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.

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). 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 December 31, 2004 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 December 31, 2004 (in thousands):

	2005	2006	2007	2008	TOTAL	FAIR VALUE
Fixed Rate	$ 76,521	$ 38,425	$ 20,627	$ 5,000	$140,573	$139,617
Average Interest Rate	0.89%	2.32%	2.69%	2.73%	1.61%	--
Variable Rate	--	--	--	--	--	--
Average Interest Rate	--	--	--	--	--	--
	$ 76,521	$ 38,425	$ 20,627	$ 5,000	$140,573	$139,617

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 $377.0 million at December 31, 2004. The fair value of fixed interest rate convertible notes is affected by changes in interest rates and by changes in the price of our common stock.

As discussed in Liquidity and Capital Resources, in August 2003, we entered into a zero cost protective collar arrangement (the "Collar") with a financial institution to reduce the exposure to the changes in the fair value associated with the 1.5 million shares of common stock of NPS we received as part of the merger termination agreement with NPS. The Collar is considered a derivative instrument and as such, we carry the Collar at fair value as an asset or liability on the consolidated balance sheet and changes in fair value are recorded as a charge or credit to operations in the period of change. The value of the Collar instrument is subject to market conditions that cause variability associated with its intrinsic and time values. The fair value of the Collar at December 31, 2004 was a receivable of $3.0 million.

ITEM 4. CONTROLS AND PROCEDURES

The following has been amended to reflect the restatement of the Company's condensed consolidated financial statements as discussed in (i) the Explanatory Note to this Quarterly Report on Form 10-Q/A and (ii) Note 2 to the condensed consolidated financial statements for the quarter ended December 31, 2004, which appear under Item 1 of this quarterly report on Form 10-Q/A.

In connection with the preparation of our previously filed quarterly report on Form 10-Q for the quarterly period ended December 31, 2004, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended ("the Exchange Act")). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2004, our internal control and procedures were effective in timely alerting them to the material information relating to us required to be included in our periodic filings with the U.S. Securities and Exchange Commission ("SEC").

Subsequent to the period covered by this report, in connection with the audit of our consolidated financial statements for the year ended June 30, 2005, we reevaluated our use of hedge accounting for a derivative hedging instrument under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended (SFAS No. 133). We identified certain computational changes in the valuation of the Collar and, therefore did not properly account for the Collar. In conjunction with our reevaluation, we determined that we would need to amend and restate certain previously issued financial statements, including those pertaining to the quarter and year-to-date period ended December 31, 2004, with respect to our accounting for the derivative hedging instrument. Accordingly, on August 16,

2005 and September 1, 2005 we filed a current report on Form 8-K with the SEC detailing our determination. Due to our need to amend and restate our financial statements for the quarter ended December 31, 2004, our management, including our Chief Executive Officer and Chief Financial Officer, now believe that our disclosure controls and procedures were not effective as of December 31, 2004.

There have been no other changes in our internal control over financial reporting during the quarter covered by this report that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. However, since December 31, 2004, we are designing a remediation plan to address a material weakness in our internal control and procedures pertaining to our application of SFAS No. 133, the accounting for derivative instruments and the related restatements of certain previously issued financial statements as reported in our current reports on Form 8-K filed with the SEC on August 16, 2005 and September 1, 2005. Our remediation plan will include improving training, education, and accounting reviews to ensure that all relevant financial personnel have the appropriate level of technical expertise to effectively interpret and apply accounting standards.

PART II OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) An annual meeting of stockholders was held on December 7, 2004.

(b) The directors elected at the annual meeting were Rolf A. Classon and Robert LeBuhn, Jr. The term of office as a director for each of Dr. Goran Ando, Jeffrey H. Buchalter, Dr. Rosina Dixon and Victor P. Micati continued after the annual meeting.

(c) The matters voted upon at the annual meeting and the results of the voting, including broker non-votes where applicable, are set forth below:

(i) The stockholders voted 35,210,091 shares in favor and 2,081,559 shares withheld with respect to the election of Rolf A. Classon as a Class II director of the Company, and 35,203,652 shares in favor and 2,087,998 shares withheld with respect to the election of Robert LeBuhn as a Class II director of the Company. Broker non-votes were not applicable.

(ii) The stockholders voted 35,915,099 shares in favor and 1,372,561 shares against and 3,990 shares abstained with respect to a proposal to ratify the selection of KPMG LLP to audit our consolidated financial statements for the fiscal year ending June 30, 2005. Broker non-votes were not applicable.

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

	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)
10.1	Employment Agreement with Jeffrey H. Buchalter dated December 22, 2004
10.2	Employment Agreement with Craig A. Tooman dated January 5, 2005
10.3	Form of Non-Qualified Stock Option Agreement for Executive Officers
10.4	Form of Restricted Stock Award Agreement for Executive Officers
10.5	Separation Agreement with Dr. Ulrich Grau dated November 24, 2004
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)

Date: September 28, 2005

By: /s/Jeffrey H. Buchalter

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

Date: September 28, 2005

By: /s/Craig A. Tooman

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

[ENZON PHARMACEUTICALS, INC. LOGO]

685 Route 202/206, Bridgewater, NJ 08807
(908) 541-8600 o FAX: (908) 575-9457
http://www.enzon.com

Exhibit 31.1

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

I, Jeffrey H. Buchalter, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A for the quarter ended December 31, 2004 of Enzon Pharmaceuticals, Inc. ("Enzon");

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

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

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

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

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

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

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

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

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

September 28, 2005

By: /s/Jeffrey H. Buchalter

Jeffrey H. Buchalter

Chairman, President and
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Craig A. Tooman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A for the quarter ended December 31, 2004 of Enzon Pharmaceuticals, Inc. ("Enzon");

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

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

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

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

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

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

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

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

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

September 28, 2005

By: /s/Craig A. Tooman

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

(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q/A of Enzon Pharmaceuticals, Inc. (the "Company") for the period ended December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey H. Buchalter, Chairman, President and Chief Executive Officer of the Company, certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

September 28, 2005 By: /s/Jeffrey H. Buchalter

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

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q/A of Enzon Pharmaceuticals, Inc. (the "Company") for the period ended December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Craig A. Tooman, Executive Vice President Finance and Chief Financial Officer of the Company, certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

September 28, 2005

By: /s/Craig A. Tooman

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