

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

FORM 10-Q
QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended September 30, 2002 Commission File No. 0-12957

ENZON INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

22-2372868
(IRS Employer
Identification No.)

685 Route 202/206, Bridgewater, New Jersey
(Address of principal executive offices)

08807
(Zip Code)

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

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 No

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

As of November 11, 2002, there were 43,001,323 shares of Common Stock, par value \$.01 per share, outstanding.

PART I FINANCIAL INFORMATION
Item 1. Financial Statements

ENZON, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
September 30, 2002 and June 30, 2002
(Unaudited)

	September 30, 2002 (Unaudited)	June 30, 2002 *
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 155,713,399	\$ 113,857,998
Short-term investments	68,027,900	75,165,094
Accounts receivable	25,040,804	26,050,415
Inventories	2,896,052	2,213,667
Other current assets	5,105,578	4,174,652
	-----	-----
Total current assets	256,783,733	221,461,826
	-----	-----
Property and equipment	19,995,419	19,230,456

Less accumulated depreciation and amortization	9,443,253	9,128,545
	-----	-----
	10,552,166	10,101,911
	-----	-----
Other assets:		
Marketable securities	270,291,595	295,990,601
Cost method equity investments	48,381,782	48,381,782
Debt issue costs, net	10,489,237	10,946,380
Patents and other assets, net	23,876,430	23,865,383
	-----	-----
	353,039,044	379,184,146
	-----	-----
Total assets	\$ 620,374,943	\$ 610,747,883
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,836,742	\$ 4,526,180
Accrued expenses	4,803,500	6,174,304
Accrued interest	4,500,000	9,000,000
	-----	-----
Total current liabilities	14,140,242	19,700,484
	-----	-----
Accrued rent	526,337	552,256
Notes payable	400,000,000	400,000,000
	-----	-----
	400,526,337	400,552,256
	-----	-----
Stockholders' equity:		
Preferred stock-\$.01 par value, authorized 3,000,000 shares; issued and outstanding 7,000 shares at September 30, 2002 and June 30, 2002 (liquidation preference aggregating \$350,000 at September 30, 2002 and \$347,000 at June 30, 2002)	70	70
Common stock-\$.01 par value, authorized 90,000,000 shares issued and outstanding 43,001,323 shares at September 30, 2002 and 42,999,823 shares at June 30, 2002	430,013	429,999
Additional paid-in capital	263,126,335	262,854,210
Accumulated other comprehensive income	3,176,528	1,095,739
Deferred compensation	(1,125,483)	(1,202,221)
Accumulated deficit	(59,899,099)	(72,682,654)
	-----	-----
Total stockholders' equity	205,708,365	190,495,143
	-----	-----
Total liabilities and stockholders' equity	\$ 620,374,943	\$ 610,747,883
	=====	=====

*Condensed from audited financial statements.

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

ENZON, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
Three Months Ended September 30, 2002 and 2001
(Unaudited)

	Three months ended	
	September 30, 2002	September 30, 2001
	-----	-----
Revenues:		
Net Sales	\$ 6,657,630	\$ 5,081,490
Royalties	18,325,838	6,987,313
Contract revenue	83,600	74,899
	-----	-----

Total revenues	25,067,068	12,143,702
	-----	-----
Costs and expenses:		
Cost of sales	2,514,414	1,390,861
Research and development expenses	4,061,898	3,497,157
Selling, general and administrative expenses	3,942,515	4,122,111
	-----	-----
Total costs and expenses:	10,518,827	9,010,129
	-----	-----
Operating income	14,548,241	3,133,573
	-----	-----
Other income (expense):		
Interest and dividend income	3,452,960	6,178,299
Interest expense	(4,957,165)	(4,994,129)
Other	408	(1,192)
	-----	-----
	(1,503,797)	1,182,978
	-----	-----
Income before taxes	13,044,444	4,316,551
Tax expense	260,889	86,331
	-----	-----
Net income	\$ 12,783,555	\$ 4,230,220
	=====	=====
Basic earnings per common share	\$ 0.30	\$ 0.10
	=====	=====
Diluted earnings per common share	\$ 0.29	\$ 0.10
	=====	=====
Weighted average number of common shares outstanding - basic	42,980,073	42,122,284
	=====	=====
Weighted average number of common shares and dilutive potential common shares outstanding	43,680,756	43,922,829
	=====	=====

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

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ENZON, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
Three Months Ended September 30, 2002 and 2001
(Unaudited)

	Three Months Ended	
	September 30, 2002	September 30, 2001
	-----	-----
Cash flows from operating activities:		
Net income	\$ 12,783,555	\$ 4,230,220
Depreciation and amortization	601,295	659,959
Amortization of bond premium/discount	(273,105)	(3,345,705)
(Gain) loss on retirement of assets	(410)	3,798
Non-cash expense for issuance of common stock, warrants and options	76,738	76,738
Changes in assets and liabilities	(6,028,842)	1,893,499
	-----	-----
Net cash provided by operating activities	7,159,231	3,518,509
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment	(767,896)	(1,256,041)
Proceeds from sale of equipment	1,832	--
Proceeds from sale of marketable securities	91,180,094	170,938,000
Purchase of marketable securities	(60,990,000)	(208,554,956)
Maturities of marketable securities	5,000,000	87,060,000

Net cash provided by investing activities	34,424,030	48,187,003
Cash flows from financing activities:		
Proceeds from issuance of common stock	272,140	1,000,843
Net increase in cash and cash equivalents	41,855,401	52,706,355
Cash and cash equivalents at beginning of period	113,857,998	310,223,837
Cash and cash equivalents at end of period	\$ 155,713,399	\$ 362,930,192

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

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ENZON, INC. AND SUBSIDIARIES
Notes To Consolidated Condensed Financial Statements
(Unaudited)

(1) Organization and Basis of Presentation

The unaudited consolidated condensed financial statements have been prepared from the books and records of Enzon, Inc. and its subsidiaries in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required for complete annual financial statements. In the opinion of management, all adjustments (consisting only of normal and recurring adjustments) considered necessary for a fair presentation have been included. Certain prior year balances were reclassified to conform to the 2002 presentation. Interim results are not necessarily indicative of the results that may be expected for the year.

(2) Comprehensive Income

The following table reconciles net income to comprehensive income:

	Three months ended September 30, 2002	Three months ended September 30, 2001
	-----	-----
Net income	\$12,784,000	\$ 4,230,000
Other comprehensive income (loss):		
Unrealized holding gain (loss) arising during the period	2,081,000	64,000
Less: reclassification adjustment		
for net gain realized in net income	--	885,000
Total other comprehensive income (loss)	2,081,000	(821,000)
Total comprehensive income	\$14,865,000	\$ 3,409,000
	=====	=====

(3) Earnings Per Common Share

Basic earnings per share is computed by dividing the net income available to common shareholders adjusted for cumulative undeclared preferred stock dividends for the relevant period, 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 months ended September 30, 2002 and 2001, the denominator includes both the weighted average number of

shares of Common Stock outstanding and the number of dilutive Common Stock equivalents. The number of dilutive Common Stock equivalents includes the effect of non-qualified stock options calculated using the treasury stock method and the number of shares issuable upon conversion of the outstanding Series A Preferred Stock. The number of shares issuable upon conversion of the Company's 4.5% Convertible Subordinated Notes due 2008 (the "Notes") have not been included as the effect of their inclusion would be antidilutive. As of September 30, 2002, the Company had 6,571,000 dilutive potential common shares outstanding that could potentially dilute future earnings per share calculations.

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ENZON, INC. AND SUBSIDIARIES
Notes To Consolidated Condensed Financial Statements
(Unaudited)

The following table reconciles the basic and diluted earnings per share calculations:

	Three months ended September 30, 2002	Three months ended September 30, 2001
	-----	-----
Net income	\$12,784,000	\$ 4,230,000
Less: Preferred stock dividends	4,000	4,000
	-----	-----
Net income available to common stockholders	\$12,780,000	\$ 4,226,000
	=====	=====
Weighted average number of common shares issued and outstanding - basic	42,980,073	42,122,284
Effect of dilutive common stock equivalents:		
Conversion of preferred stock	16,000	16,000
Assumed Exercise of non-qualified stock options and restricted stock	684,683	1,784,545
	-----	-----
Weighted average number of common shares issued and outstanding - diluted	43,680,756	43,922,829
	=====	=====

(4) Inventories

The composition of inventories at September 30, 2002 and June 30, 2002 is as follows:

	September 30, 2002	June 30, 2002
	-----	-----
Raw materials	\$1,023,000	\$ 827,000
Work in process	1,302,000	1,043,000
Finished goods	571,000	344,000
	-----	-----
	\$2,896,000	\$2,214,000
	=====	=====

(5) 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 \$4,500,000 for the three months ended September 30, 2002. There were no cash payments for interest for the three months ended September 30, 2001. There were no income tax payments made for the three months ended September 30, 2002 and 2001.

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ENZON, INC. AND SUBSIDIARIES
Notes To Consolidated Condensed Financial Statements
(Unaudited)

(6) Income Taxes

The Company recognized a tax provision for the three months ended September 30, 2002 and 2001 which represents the Company's anticipated Alternative Minimum Tax liability based on the anticipated taxable income for the full fiscal year.

(7) 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. In addition, the Company does not conduct any operations outside of the United States. The Company does not prepare discrete financial statements with respect to separate product areas. Accordingly, the Company does not have separately reportable segments as defined by Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information".

(8) Subsequent Event

In October 2002, the Company and Elan Corporation entered into an Asset Purchase Agreement pursuant to which, and subject to the terms and conditions of which, Enzon has agreed to acquire the United States and Canadian rights to ABELCET(R) (Amphotericin B Lipid Complex Injection), an FDA-approved, injectable, antifungal pharmaceutical product, along with any line extension, new indications, new formulations and new dosage forms of ABELCET, for an aggregate purchase price of \$370 million payable in cash, subject to certain adjustments described in the Asset Purchase Agreement. In addition, the Asset Purchase Agreement contemplates the acquisition of the manufacturing facility for ABELCET in Indianapolis, Indiana, marketing materials, finished inventory and raw materials and certain contracts related to ABELCET and the manufacturing facility. Elan will retain rights to ABELCET outside of Canada and the United States, except to the extent Elan has any rights in Japan which will also be conveyed to Enzon.

In connection with the transaction, Enzon expects to hire as many as 60 employees from Elan's hospital sales force who currently market and sell ABELCET in the United States and Canada, as well as the manufacturing facility personnel.

Upon the closing of the transactions contemplated by the Asset Purchase Agreement, Elan and Enzon will also enter into a patent assignment agreement, a license agreement, trademark assignment agreements, two supply agreements, and an interim services agreement, among other documents, in order to implement the terms of such transactions. Elan and Enzon have agreed to the assignment by Elan to Enzon of certain patent rights and improvements specifically related to ABELCET, as well as an exclusive license as to certain patent rights, improvements and related intellectual property for ABELCET. The Company intends to finance this transaction from its current cash reserves. These transactions are expected to close in November 2002.

ENZON, INC. AND SUBSIDIARIES
Notes To Consolidated Condensed Financial Statements
(Unaudited)

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

Information contained herein contains "forward-looking statements" which can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. We cannot assure you that the future results covered by the

forward-looking statements will be achieved. The matters set forth in the "Risk Factors" section of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2002, which is incorporated herein by reference, constitute cautionary statements identifying important factors with respect to such forward-looking statements, including certain risks and uncertainties, that could cause actual results to vary materially from the future results indicated in such forward-looking statements. Other factors could also cause actual results to vary materially from the future results indicated in such forward-looking statements.

Results of Operations

Three months ended September 30, 2002 vs. Three months ended September 30, 2001

Revenues. Revenues for the three months ended September 30, 2002 increased by 106% to \$25,067,000, as compared to \$12,144,000 for the three months ended September 30, 2001. The components of revenues are net sales and royalties we earn on the sale of our products by others and contract revenues. Net sales increased 31% to \$6,658,000 for the three months ended September 30, 2002, as compared to \$5,081,000 for the three months ended September 30, 2001. Sales of ONCASPAR(R) increased to \$2,847,000 for the three months ended September 30, 2002 from \$2,158,000 in the previous year as a result of the reacquisition of our rights to market and distribute ONCASPAR(R) for certain territories previously licensed to Aventis. Sales of ADAGEN(R) increased by 30% for the three months ended September 30, 2002 to \$3,810,000 as compared to \$2,923,000 for the three months ended September 30, 2001 due to an increase in patients.

Royalties for the three months ended September 30, 2002, increased to \$18,326,000 as compared to \$6,987,000 in the prior year. The increase was primarily due to the commencement of sales of PEG-INTRON(R) in combination with REBETOL(R) in the U.S. PEG-INTRON received marketing approval for use in combination with REBETOL for the treatment for chronic hepatitis C in the U.S. in August 2001. Schering-Plough launched PEG-INTRON as combination therapy with REBETOL in the U.S. in October 2001.

We expect ADAGEN and ONCASPAR sales to grow over the next year at similar levels as achieved during the previous twelve months. During October 2002 Hoffmann-La Roche's PEGASYS(R), a pegylated version of its interferon product Roferon(R)-A, was approved in the United States as a monotherapy for hepatitis C. Based upon Schering-Plough's historical market share of the alpha interferon market for hepatitis C, the published clinical results of PEG-INTRON and PEGASYS, the fact that Schering-Plough received FDA approval for PEG-INTRON in January 2001 and has been marketing the product in the United States since February 2001 and in Europe since June 2000, and our expectation that the overall market for the treatment of patients with hepatitis C with pegylated alpha interferon products will increase we do not expect PEGASYS(R) to displace PEG-INTRON as the market leader. However, we cannot assure you that the overall market for pegylated alpha interferon products will, in fact, increase or that Schering-Plough will be able to effectively compete with Roche in this market. Moreover, we cannot assure you of any particular sales levels of ADAGEN, ONCASPAR or PEG-INTRON will be achieved or maintained.

During the three months ended September 30, 2002, we had export sales and royalties on export sales of \$8,122,000, of which \$7,192,000 were in Europe. Export sales and royalties recognized on export sales for the prior year quarter were \$4,980,000, of which \$4,753,000 were in Europe.

Cost of Sales. Cost of sales, as a percentage of net sales increased to 38% for the three months ended September 30, 2002 as compared to 27% for the prior year. This increase was due to our reacquisition of ONCASPAR which resulted in increased cost of goods sold for the product. Under the reacquisition agreement we made a \$15 million payment to Aventis in June 2002 and we will pay Aventis a 25% royalty on net sales of

ONCASPAR. The royalty and amortization of the \$15 million payment are included in cost of goods sold for the product, accounting for the increase in cost of goods sold as a percentage of sales.

Research and Development. Research and development expenses increased by 16% to \$4,062,000 for the three months ended September 30, 2002 from \$3,497,000

for the same period last year. The increase was primarily due to the clinical advancement and related clinical trial costs for PROTHECAN (PEG-camptothecin) and PEG-paclitaxel and increased payroll and related expenses. Research and development activities are expected to continue to increase significantly as we continue the advancement of the current and additional Phase II clinical trials for PROTHECAN, we continue our Phase I clinical trials for PEG-paclitaxel and we conduct preclinical and clinical trials for additional compounds.

Selling, General and Administrative. Selling, general and administrative expenses for the three months ended September 30, 2002 decreased by 4% to \$3,943,000, as compared to \$4,122,000 in the same period last year. This decrease was primarily due to charges related to the identification and review of potential strategic acquisitions for the three months ended September 30, 2001 offset by an increase in sales and marketing costs for the three months ended September 30, 2002, due to the reacquisition of marketing and distribution rights for ONCASPAR.

Other Income/Expense. Interest income for the three months ended September 30, 2002 decreased to \$3,453,000, as compared to \$6,178,000 for the prior year. The decrease was due to a decline in interest rates on our investments. Interest expense, which is principally related to the \$400,000,000 in 4.5% convertible subordinated notes outstanding, remained relatively flat at \$4,957,000 for the three months ended September 30, 2002 as compared to \$4,994,000 for the prior year.

Income Taxes. During the three months ended September 30, 2002 and 2001 we recognized a tax provision that represents our anticipated Alternative Minimum Tax liability based on our anticipated taxable income for the full fiscal year.

Liquidity and Capital Resources

Total cash reserves, which include cash, cash equivalents and marketable securities, were \$494,033,000 as of September 30, 2002, as compared to \$485,014,000 as of June 30, 2002. The increase is primarily due to the positive cash flow from operations. We invest our excess cash primarily in United States government-backed securities.

As of September 30, 2002, we had \$400,000,000 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 beginning January 2, 2002. Accrued interest on the notes was approximately \$4,500,000 as of September 30, 2002. 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. On or after July 7, 2004, 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.

To date, our sources of cash have been the proceeds from the sale of our stock through public offerings and private placements, the issuance of the 4.5% convertible subordinated notes, sales of and royalties on sales of ADAGEN, ONCASPAR and PEG-INTRON, sales of our products for research purposes, contract research and development fees, technology transfer and license fees and royalty advances.

In October 2002, the Company and Elan Corporation entered into an Asset Purchase Agreement pursuant to which, and subject to the terms and conditions of which, Enzon has agreed to acquire the United States and Canadian rights to ABELCET(R) (Amphotericin B Lipid Complex Injection), an FDA-approved, injectable, antifungal pharmaceutical product, along with any line extension, new indications, new formulations and new dosage forms of ABELCET, for an aggregate purchase price of \$370 million payable in cash, subject to certain adjustments described in the Asset Purchase Agreement. In addition, the Asset

Purchase Agreement contemplates the acquisition of the manufacturing facility for ABELCET in Indianapolis, Indiana, marketing materials, finished inventory and raw materials and certain contracts related to ABELCET and the manufacturing facility. Elan will retain rights to ABELCET outside of Canada and the United States, except to the extent Elan has rights in Japan which will also be conveyed to Enzon. The Company intends to finance this transaction from its current cash reserves. This transaction is subject to certain closing conditions and we expect it to close during November 2002.

The Company has a capital expenditure commitment for the year ending June 30, 2003 of approximately \$3 million.

As of September 30, 2002, 1,043,000 shares of Series A preferred stock had been converted into 3,325,000 shares of common stock. Accrued dividends on the converted Series A preferred stock in the aggregate of \$3,770,000 were settled by the issuance of 235,000 shares of common stock and cash payments of \$1,947,000. The preferred shares outstanding at September 30, 2002 are convertible into approximately 16,000 shares of common stock. Dividends accrue on the remaining outstanding shares of Series A preferred stock at a rate of \$14,000 per year. As of September 30, 2002, there were accrued and unpaid dividends totaling \$175,500 on the 7,000 shares of Series A preferred stock outstanding. We have the option to pay these dividends in either cash or common stock.

Our current sources of liquidity are cash, cash equivalents, and interest earned on such cash reserves, sales of and royalties earned on sales of ADAGEN, ONCASPAR and PEG-INTRON, and sales of our products for research purposes and license fees. Based upon our currently planned research and development activities and related costs and our current sources of liquidity and taking into account the anticipated closing of our transaction with Elan described above, 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.

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.

Critical Accounting Policies

In December 2001, the 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 the company's financial condition and results 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. We believe based on our current business that there are no critical accounting policies, except for our accounting related to Income Taxes. Under the asset and liability method of Statement of Financial Accounting Standards No. 109 ("SFAS 109"), 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. The Company has significant net deferred tax assets, primarily related to net operating loss carryforwards, and continues to analyze what the level of the valuation allowance is needed.

In August 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 requires an enterprise to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived

assets. Since the requirement is to recognize the obligation when incurred, approaches that have been used in the past to accrue the asset retirement obligation over the life of the asset are no longer acceptable. SFAS 143 also requires the enterprise to record the contra to the initial obligation as an increase to the carrying amount of the related long-lived asset (i.e., the associated asset retirement costs) and to depreciate that cost over the life of the asset. The liability is increased at the end of each period to reflect the passage of time (i.e., accretion expense) and changes in the estimated future cash flows underlying the initial fair value measurement. Enterprises are required to adopt Statement 143 for fiscal years beginning after June 15, 2002. We adopted this statement on July 1, 2002 and it had no effect on our consolidated financial statements.

Recently Issued Accounting Standards

In October 2001, the FASB issued SFAS 144, Accounting for Impairment or Disposal of Long-Lived Assets, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. While SFAS 144 supersedes SFAS 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of, it retains many of the fundamental provisions of that statement. SFAS also supersedes the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business. However, it retains the requirement in Opinion No. 30 to report separately discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in distribution to owners) or is classified as held for sale. Enterprises are required to adopt SFAS 144 for fiscal years beginning after December 15, 2002. This SFAS was adopted in July, 2002 and has no effect on our consolidated financial statements.

In July 2002, FASB issued FAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. This Standard supercedes the accounting guidance provided by Emerging Issues Task Force Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). FAS No. 146 requires companies to recognize costs associated with exit activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. FAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The Company is currently evaluating this standard.

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. 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 September 30, 2002 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 September 30, 2002.

	----	----	----	----	-----	-----
Fixed Rate	\$ 67,585,000	\$137,614,000	\$ 49,070,000	\$ 80,216,000	\$334,485,000	\$338,319,000
Average Interest Rate	2.63%	3.08%	3.94%	3.70%	3.27%	--
Variable Rate	--	--	--	--	--	--
Average Interest Rate	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
	\$ 67,585,000	\$137,614,000	\$ 49,070,000	\$ 80,216,000	\$334,485,000	\$338,319,000
	-----	-----	-----	-----	-----	-----

Our 4.5% convertible subordinated notes in the principal amount of \$400,000,000 due July 1, 2008 have fixed interest rates. The fair value of fixed interest rate convertible notes is affected by changes in interest rates and by changes in the price of our common stock.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-14(c) under the Exchange Act) as of a date (the "Evaluation Date") within 90 days prior to the filing date of this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective in timely alerting them to the material information relating to us required to be included in our periodic SEC filings.

(b) Changes in internal controls.

There were no significant changes made in our internal controls during the period covered by this report or, to our knowledge, in other factors that could significantly affect these controls subsequent to the date of their last evaluation.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits (numbered in accordance with Item 601 of Regulation S-K).

Exhibit Number	Description	Page Number or Incorporation By Reference
-----	-----	-----
3(i)	Certificate of Incorporation as amended	^^^
3(ii)	By laws, as amended	^^(3(ii))
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 Note due 2008 attached as Exhibit A thereto	+++ (4.1)
4.2	Registration Rights Agreement dated as of June 26, 2001, between the Company and the initial purchasers	+++ (4.2)
4.3	Rights Agreement dated May 17, 2002 between the Company and Continental Stock Transfer Trust Company, as rights agent	^(1)
10.16	Transition Agreement dated July 2, 2002 between the Company and Jeffrey McGuire	o
99.1	Certification Pursuant to 18 U.S. C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	o
99.2	Certification Pursuant to 18 U.S. C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	o

- o Filed herewith.
- +++ 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.
- ^ 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.
- ^^ 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.
- ^^^ Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 and incorporated herein by reference thereto.

(b) Reports on Form 8-K.

On July 1, 2002, we filed with the Commission a Current Report on Form 8-K dated July 1, 2002 reporting our agreement with Aventis Pharmaceuticals that provides for Enzon to reacquire its rights to market and distribute its product ONCASPAR(R) (pegaspargase).

On August 14, 2002, we filed with the Commission a Current Report on Form 8-K dated August 13, 2002 reporting our financial results for the fourth quarter and fiscal year ended June 30, 2002.

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.

Date: November 14, 2002

ENZON, INC.

(Registrant)

By: /s/Arthur J. Higgins

Arthur J. Higgins
Chairman, President and
Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2002

By: /s/Kenneth J. Zuerblis

Kenneth J. Zuerblis
Vice President, Finance
Chief Financial Officer
(Principal Financial
and Chief Accounting Officer) and
Corporate Secretary

I, Arthur J. Higgins, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Enzon, Inc. ("Enzon");
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 14, 2002

By: /s/Arthur J. Higgins

Arthur J. Higgins
Chief Executive Officer
(Principal Executive Officer)

18 U.S.C. ss.1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth J. Zuerblis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Enzon, Inc. ("Enzon");
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. designed such disclosure controls and procedures 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 quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 14, 2002

By: /s/Kenneth J. Zuerblis

Kenneth J. Zuerblis
Vice President Finance,
Chief Financial Officer and
Corporate Secretary
(Principal Financial Officer)

ENZON, INC.
20 Kingsbridge Road
Piscataway, New Jersey 08854
(732) 980-4500

CONFIDENTIAL

July 2, 2002

Via Hand Delivery
Jeffrey McGuire, Ph.D.
50 Durham Road
Easton, PA 18042

Re: Transition Agreement

Dear Jeff:

This letter (the "Agreement") sets forth the agreement relating to your resignation effective as of the close of business on July 2, 2002 (the "Transition Date) from your current position as an officer of Enzon, Inc. (the "Company") and our desire to employ you on a full-time basis, and your desire to accept such full-time employment, during a transition period from the Transition Date through July 31, 2002 (such date, or such earlier date on which your employment with the Company terminates as provided in this Agreement, the "Full-Time Termination Date").

1. Your resignation as Senior Vice President, Scientific Affairs of the Company is hereby accepted effective as of the Transition Date.

2. Commencing on the Transition Date and ending on the Full-Time Termination Date (the "Transition Period"), the Company will employ you on a full-time basis and you will perform such duties and responsibilities as may be assigned to you from time to time by the Chief Scientific Officer of the Company (the "CSO"). You will report directly to the CSO. Your compensation for the Transition Period will be Twenty Thousand Eight Hundred Thirty-Three Dollars and Thirty-Three Cents (\$20,833.33) per month payable in accordance with the Company's customary payroll practices. During the Transition Period, you will be entitled to participate on the same basis and at the same level as other employees, in any group insurance, hospitalization, medical health and accident, disability, similar plans or programs of the Company now existing or hereinafter established to the extent that you are eligible under the general provisions thereof. Without limiting the foregoing, during the Transition Period, your stock options will continue to vest in accordance with their respective terms and you will maintain the right to exercise any and all vested options while you remain employed. The Company may terminate your employment at any time prior to the Full-Time Termination Date only for "Cause." "Cause" will be limited to: (i) your material breach of your duties (other than as a result of incapacity due to physical or mental illness) which is demonstrably willful and deliberate on your part, which is committed in bad faith or without reasonable belief that such

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breach is in the best interests of the Company; (ii) your conviction of any crime involving moral turpitude or any felony; or (iii) your willful engagement in conduct that is demonstrably and materially injurious to the Company. You may terminate your employment voluntarily on 30 days' prior notice to the Company and your employment would also terminate on your death. If your employment is terminated for "Cause," you will be entitled to compensation only through the effective date of termination.

3. Commencing on the date immediately following the Full-Time Termination Date, you will continue to work up to five (5) hours per month for the Company as a part-time employee as requested by the Company through July 1, 2003. You may perform the part-time employment required pursuant to this paragraph 3 by phone, if acceptable to the Company, or at the Company's offices in Piscataway,

New Jersey. The Company will use its best efforts to aggregate services requested in a month. For purposes of the Company's Non-Qualified Stock Option Plan and determining the vesting of options granted to you under such Plan, the Compensation Committee has determined that you will continue to be deemed to be an employee of the Company during the period in which you work for the Company as a part-time employee or make yourself available to work for the Company as a part-time employee pursuant to this paragraph 3, provided that if you refuse or fail to provide such part-time services, or if you accept Full-Time Employment with any other employer during such period, or you die during such period, you will no longer be deemed to be an employee of the Company for such purposes as of the date you refuse or fail to provide such part-time services, or the date you commence such Full-Time Employment, or the date you die. For purposes of this Agreement, Full-Time Employment will mean employment in which you work at least 37.5 hours per week. In accordance with the terms of the Company's Non-Qualified Stock Option Plan and the options granted to you under such Plan, as of the date you are no longer deemed an employee under this paragraph or otherwise, all vesting of stock options will cease but you will have 190 days thereafter in which to exercise any or all stock options vested as of the date you are no longer deemed an employee of the Company (or until such earlier date(s) as the options will expire by their respective terms); provided, however, if you are no longer deemed an employee by reason of your death, the executors or administrators, or legatees or heirs, of your estate will have the right to exercise the options to the extent that you were entitled to exercise the options on the date of your death from time to time thereafter, but in no event following the date which is ten years from the date the options were granted.

4. On or before the Full-Time Termination Date, you will execute a release in the form attached hereto as Exhibit A (the "Bring-Down Release"), releasing the Company from any claims you may have against it relating to your employment as provided in paragraph 2.

5. In consideration for signing this Agreement and in exchange for the promises, covenants and waivers set forth herein, provided you have not revoked this Agreement as set forth below and subject to your compliance with its terms, including but not limited to execution and delivery of the Bring-Down Release by the Full-Time Termination Date, and your not revoking the Bring-Down Release as provided therein, and provided that your employment has not been terminated for Cause as set forth in Paragraph 2 above:

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- a. For eleven (11) months commencing on August 1, 2002 the Company will pay you Twenty Thousand Eight Hundred Thirty-Three Dollars and Thirty-Three Cents (\$20,833.33) per month payable in accordance with the Company's customary payroll practices. If you wish to receive a lump sum payment for the balance of the remainder of the above stated severance pay, you must notify the company of your intention in writing 30 days prior to receiving such payment. On the date you receive your lump sum payment your Part-Time employment with the Company will cease along with all benefits provided to part-time employees, and your stock options will no longer continue to vest except as specifically provided by the applicable plan document.
- b. You will be entitled to participate in the bonus pool which may be awarded to officers of the Company for the fiscal year ending June 30, 2002. The amount of the award will be based both on your performance and that of the Company during the fiscal year 2002. The bonus amount will be made available in August, when such bonus payments are normally paid to officers of the Company, and will be subject to all applicable taxes, including but not limited to state and federal income and employment taxes. Nothing contained herein will guarantee that any bonus will be paid to you and you will only receive a bonus as determined hereunder if the other officers of the Company are awarded a bonus.
- c. The Company agrees to provide you, and any spouse and/or dependents receiving medical and dental coverage as of your severance date under a group health plan sponsored by the Company ("Family Members"), with continued group health coverage, including medical

and dental coverage, as otherwise required under applicable state continuation law and the Consolidated Omnibus Budget Reconciliation Act of 1986 ("COBRA"). The Company will reimburse you for the total applicable premium cost for medical and dental COBRA continuation coverage elected for you and your Family Members for a period of up to eleven (11) months commencing on the Full-Time Termination Date. In the event you obtain Full-Time Employment within eleven (11) months of the Full-Time Termination Date with an entity other than the Company, and you and your Family Members become eligible for a group health plan of such entity providing medical and/or dental coverage, the Company's obligation to reimburse you for the total applicable premium cost of medical and dental continuation coverage elected will cease as of the date such coverage for you and your Family Members under such group health plan becomes effective. As a condition of receiving the continuing medical and dental coverage, you will be required to notify Human Resources promptly following the date on which you obtain Full-Time Employment with another company.

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- d. You will also receive a lump sum payment for any accrued and unused 2002 Compensated Time Off as of the Full-Time Termination Date.

6. In the event you die during the period in which you are entitled to the benefits provided in paragraph 5(c) hereof, the Company will continue to reimburse your Family Members for the premium cost for COBRA continuation coverage through the date which is eleven (11) months from the Full-Time Termination Date.

7. This Agreement is unfunded. No fund is being set aside or allocated specifically for the purpose of this Agreement. All payments hereunder will be paid out of the general assets of the Company. You will not have any secured or preferred interest by way of a trust, escrow, lien or otherwise in any specific asset of the Company for unpaid payments under this Agreement.

8. The Company may withhold from any amounts payable under this Agreement such Federal, state or local taxes as will be required to be withheld pursuant to any applicable law or regulation.

9. We hereby agree that the Employee Retention Agreement dated August 3, 2001 (the "Employee Retention Agreement") between you and the Company, is hereby terminated and of no further force and effect.

10. In consideration of the payments and benefits described in paragraph 5 of this Agreement, and for other good and valuable consideration, you hereby release and forever discharge, and by this instrument release and forever discharge, the Company and its subsidiaries and their respective successors, assigns, representatives, agents, attorneys, shareholders, officers, directors and employees (the "Company Released Parties"), from all debts, obligations, promises, covenants, agreements, contracts, endorsements, bonds, controversies, suits, actions, causes of action, judgments, damages, expenses, claims or demands, in law or in equity, which you ever had, now have, or which may arise in the future, regarding any matter arising on or before the date of execution of this Agreement, including but not limited to all claims (whether known or unknown) regarding your employment at or termination of employment from the Company, any contract (express or implied), any claim for equitable relief or recovery of punitive, compensatory, or other damages or monies, attorneys' fees, any tort, and all claims for alleged discrimination based upon age, race, color, sex, sexual orientation, marital status, religion, national origin, handicap, disability, or retaliation, including any claim, asserted or unasserted, which could arise under Title VII of the Civil Rights Act of 1964; the Equal Pay Act of 1963; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act of 1990; the Americans With Disabilities Act of 1990; the Civil Rights Act of 1866, 42 U.S.C., 1981; the Employee Retirement Income Security Act of 1974; the Family and Medical Leave Act of 1993; the Civil Rights Act of 1991; the Worker Adjustment and Retraining Notification Act of 1988; the New Jersey Conscientious Employee Protection Act; the New Jersey Law Against Discrimination; and any other federal, state or local laws, rules or regulations, whether equal employment opportunity laws, rules or regulations or

otherwise, or any right under any of the Company's pension, welfare, or stock plans. The foregoing release by you does not apply to any of your rights under this Agreement.

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11. You represent and agree that you have not filed any lawsuits against any of the Company Released Parties, or filed or caused to be filed any charges or complaints against any of the Company Released Parties with any municipal, state or federal agency charged with the enforcement of any law. You also agree, to the extent consistent with applicable law, not to initiate any legal action, complaint, statement of claim or demand for arbitration against any Company Released Parties in any forum whatsoever, in connection with the claims released hereby. In addition, to the extent any such action may be brought, you expressly waive any claim to any form of monetary or other damages, or any other form of recovery or relief in connection with any such action, or in connection with any action brought by a third party. If you violate this Agreement by filing or bringing any claims or actions contrary to this paragraph, you will immediately forfeit all right to any and all future payments or services, as the case may be, if any, under paragraph 5 of this Agreement. You also agree to pay all costs and expenses of any Company Released Party in defending against such claims or actions brought by you, including reasonable attorneys' fees.

12. You represent, warrant and acknowledge that the Company owes you no wages, commissions, bonuses, sick pay, personal leave pay, severance pay, vacation pay or other compensation or payments or form of remuneration of any kind or nature, other than that specifically provided for in this Agreement and under the stock option certificates dated July 21, 1998, July 20, 1999 and July 31, 2000 (collectively, the "Stock Option Certificates").

13. You will not disparage or criticize any of the Company Released Parties, or issue any communication, written or otherwise, that reflects adversely on or encourages any adverse action against any Company Released Parties, except if testifying truthfully under oath pursuant to any lawful court order or subpoena or otherwise responding to or providing disclosures required by law.

14. Upon service on you of any subpoena, order, directive or other legal process requiring you or the Company to engage in conduct encompassed within paragraphs 11 and 13 of this Agreement, you will immediately notify the Company of such service and of the content of any testimony or information to be provided pursuant to such subpoena, order directive or other legal process and within two (2) business days send to the Company, via overnight delivery, a copy of said document served upon you.

15. You will assist and cooperate with the Company in connection with the defense or prosecution of any claim that may be made against or by the Company, or in connection with any ongoing or future investigation or dispute or claim of any kind involving the Company, including any proceeding before any arbitral, administrative, judicial, legislative, or other body or agency, including testifying in any proceeding to the extent such claims, investigations or proceedings relate to services performed or required to be performed by you, pertinent knowledge possessed by you, or any act or omission by you. You will perform all acts and execute and deliver any documents that may be reasonably necessary to carry out the provisions of this paragraph. The Company will pay you a per diem, as reasonably requested by you, and reimburse you for all expenses incurred pursuant to this paragraph.

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16. The "Noncompete Period" will commence upon execution of this Agreement and continue through the date which is eleven (11) months following the Full-Time Termination Date. In consideration for the benefits provided to you under this Agreement, during the Noncompete Period, you will not directly or indirectly, whether as an officer, director, stockholder, partner, proprietor, associate, employee, consultant, representative or otherwise, become, or be

interested in or associated with any other person, corporation, firm, partnership or entity, engaged to a significant degree in (x) developing, marketing or selling enzymes, protein-based biopharmaceuticals or other pharmaceuticals that are modified using polyethylene glycol ("PEG") or PEG containing polymers, (y) developing, marketing or selling single-chain antigen-binding proteins or polypeptides or (z) any technology or area of business in which the Company becomes involved to a significant degree during the term of your Full-Time Employment with the Company. For purposes of the preceding sentence, to determine whether any entity is engaged in such activities to a "significant degree" comparison will be made to the Company's operations at that time. In other words, an entity will be deemed to be engaged in an activity to a significant degree if the number of employees and/or amount of funds devoted by such entity to such activity would be material to the Company's operations at that time. Notwithstanding anything to the contrary contained herein, you will be entitled to work with or for (i) an entity that is developing, marketing or manufacturing monoclonal antibodies, (ii) a licensee of the Company if the only activities conducted by such licensee that would be covered by the restrictions in this paragraph 16 are conducted pursuant to, and covered by, the license granted by the Company and (iii) an entity that is engaged in a research project that would be covered by the restrictions in this paragraph 16 if such research project is not material to such entity and you would have no direct involvement in such research project; provided in the case of employment covered by clauses (ii) and (iii) you will have provided the Board of Directors of the Company (the "Board") with a detailed description of the proposed employment and obtained the written consent of the Board (which consent will not be unreasonably withheld) prior to commencing any such employment. You are hereby prohibited from ever using any of the Company's proprietary information or trade secrets to conduct any business, except for the Company's business, while you are employed by the Company. The provision contained in the preceding sentence will survive the termination of your employment with the Company. In the event you breach any of the covenants set forth in this paragraph 16, the running of the period of restriction set forth herein will cease and will recommence upon your compliance with the terms of this paragraph 16. Notwithstanding the above, ownership by you, as a passive investment, of less than five percent of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded on Nasdaq will not constitute a breach of this paragraph 16.

17. You recognize and acknowledge that information relating to the Company's business, including, but not limited to, information relating to patent applications filed or to be filed by the Company, trade secrets relating to the Company's products or services, and information relating to the Company's research and development activities, will be and remain the sole and exclusive property of the Company and are valuable, special and unique assets of the Company's business. You will not, during or after the term of your employment by the Company, disclose any such information to any person, corporation, firm, partnership or other

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entity. The provisions of this paragraph 17 will survive the termination of your employment with the Company.

18. You agree that the covenants and agreements contained in paragraphs 16 and 17 are material to this Agreement; that each of such covenants is reasonable and necessary to protect and preserve the Company's interests, properties and business; that irreparable loss and damage will be suffered by the Company should you breach any of such covenants and agreements; that given the unique nature of the Company's business such loss and damage would be suffered by the Company regardless of where a breach of such covenants and agreements occur, thus making the absence of a geographical limitation reasonable; that each of such covenants and agreements is separate, distinct and severable not only from the other of such covenants and agreements but also from the other and remaining provisions of this Agreement; that the unenforceability or breach of any such covenant or agreement will not affect the validity or enforceability of any other such covenant or agreement or any other provision of this Agreement; and that, in addition to other remedies available to it, the Company will be entitled to both temporary and permanent injunctions and any other rights or remedies it may have, at law or in equity, to prevent a breach or contemplated breach by you of any such covenants or agreements. Notwithstanding anything

herein to the contrary, if a period of time or other restriction specified in paragraphs 16 or 17 should be determined to be unreasonable in a judicial proceeding, then the period of time or other restriction will be revised so that the covenants contained in paragraph 16 or 17 may be enforced during such period of time and in accordance with such other restrictions as may be determined to be reasonable.

19. You agree to assign and do hereby assign to the Company all tangible and intangible property, including, but not limited to, inventions, developments or discoveries conceived, reduced to practice, made or discovered by you solely or in collaboration with others during the term of your employment with the Company, which relate in any manner to the subject matter expressed in paragraph 16 (x), (y) and (z) of this Agreement.

20. Prior to the Full-Time Termination Date, you will deliver to the Company and retain no copies of any written materials, records and documents made by you or coming into your possession during the course of your employment with the Company which contain or refer to any proprietary or confidential information of the Company. Prior to the Full-Time Termination Date, you will deliver to the Company any and all property and equipment of the Company.

21. In the event you materially breach this Agreement, in addition to the remedies set forth in paragraph 18, the Company will be entitled to recover and/or discontinue any payment and/or other benefits paid or payable under this Agreement and to obtain all other relief provided by law or equity. The prevailing party in any litigation resulting from any such claim will be entitled to recover reasonable attorneys' fees and expenses of litigation from the losing party.

22. This Agreement together with the Bring-Down Release constitutes the entire agreement between the Company and you, and supersedes and cancels all prior written and oral agreements, if any, between the Company and you, except that the Stock Option Certificates will continue in full force and effect in accordance with their respective terms. You and the

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Company acknowledge that, in entering into this Agreement, you are not relying upon any oral or written promise or statement made by anyone at any time.

23. This Agreement is binding upon you and the Company and your or its successors, assigns, heirs, executors, administrators and legal representatives, as the case may be.

24. If any of the provisions, terms or clauses of this Agreement are declared illegal, unenforceable or ineffective in a legal forum, those provisions, terms and clauses will be deemed severable, such that all other provisions, terms and clauses of this Agreement will remain valid and binding upon both parties. However, the illegality or unenforceability of any such provision will have no effect upon, and will not impair the enforceability of the release language set forth in paragraph 10, provided that, upon a finding by a court of competent jurisdiction that the release language found in paragraph 10 is unenforceable, the parties will rewrite paragraph 10 to cure the defect and you and a representative of the Company will reexecute the release and neither party will be entitled to any additional monies, benefits and/or compensation therefor.

25. Without detracting in any respect from any other provision of this Agreement:

- a. You, in consideration of the payments described in paragraph 5 of this Agreement, and for other good and valuable consideration, agree and acknowledge that this Agreement constitutes a knowing and voluntary waiver of all rights or claims you have or may have against the Company Released Parties as set forth herein, including, but not limited to, all rights or claims arising under the Age Discrimination in Employment Act of 1967, as amended ("ADEA"), including, but not limited to, all claims of age discrimination in employment and all claims of retaliation in violation of the ADEA; that you have no physical or mental impairment of any kind that has interfered with your ability to read and understand the meaning of

this Agreement or its terms; and that you are not acting under the influence of any medication or mind-altering chemical of any type in entering into this Agreement.

- b. You understand that, by entering into this Agreement, you do not waive rights or claims that may arise after the date of your execution of this Agreement, including without limitation any rights or claims that you may have to secure enforcement of the terms and conditions of this Agreement.
- c. You agree and acknowledge that the consideration provided to you under this Agreement for the releases and waivers contained herein is in addition to anything of value to which you are already entitled.
- d. The Company hereby advises you to consult with an attorney prior to executing this Agreement.

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- e. You acknowledge that you were informed that you had at least twenty-one (21) days in which to review and consider this Agreement, and to consult with an attorney regarding the terms and effect of this Agreement.

26. The Company agrees that you may revoke this Agreement within seven (7) days from the date you sign this Agreement, in which case this Agreement will be null and void and of no force or effect on either the Company or you. Any revocation must be in writing and received by the Company by 5:00 p.m. on or before the seventh day after this Agreement is executed by you. Such revocation must be sent to:

ENZON, INC.
20 Kingsbridge Road
Piscataway, New Jersey 08854
Attention: Paul Davit

27. This Agreement may not be changed or altered, except by a writing signed by the Company and you. This Agreement is entered into in the State of New Jersey, and the laws of the State of New Jersey will apply to any dispute concerning it, excluding the conflict-of-law principles thereof.

28. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which, when taken together, will constitute one and same instrument

YOU EXPRESSLY ACKNOWLEDGE, REPRESENT, AND WARRANT THAT YOU HAVE READ THIS AGREEMENT CAREFULLY; THAT YOU FULLY UNDERSTAND THE TERMS, CONDITIONS, AND SIGNIFICANCE OF THIS AGREEMENT; THAT THE COMPANY HAS ADVISED YOU TO CONSULT WITH AN ATTORNEY CONCERNING THIS AGREEMENT; THAT YOU HAVE HAD A FULL OPPORTUNITY TO REVIEW THIS AGREEMENT WITH AN ATTORNEY; THAT YOU UNDERSTAND THAT THIS AGREEMENT HAS BINDING LEGAL EFFECT; AND THAT YOU HAVE EXECUTED THIS AGREEMENT FREELY, KNOWINGLY AND VOLUNTARILY.

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PLEASE READ CAREFULLY. THIS AGREEMENT HAS IMPORTANT LEGAL CONSEQUENCES.

Date: July 2, 2002

ENZON, INC.

By:

Name: Paul Davit
Title: Vice President, Human Resources

AGREED AND ACCEPTED:

JEFFREY MCGUIRE, PH.D.

On this ____ day of _____, 2002, before me personally came Jeff McGuire, Ph.D., to me known to be the individual described in the foregoing instrument, who executed the foregoing instrument in my presence, and who duly acknowledged to me that he executed the same.

Notary Public

You must sign and return this Agreement to the Company no later than 5:00 p.m. on the 21st day following receipt of this document or irrevocably lose the opportunity to receive the consideration detailed herein. You received this Agreement on July 2, 2002.

EXHIBIT A

Jeffrey McGuire, Ph.D.
50 Durham Road
Easton, PA 18042

_____, 2002

Enzon, Inc.
20 Kingsbridge Road
Piscataway, New Jersey 08854
Attention: Paul Davit

Gentlemen:

I am executing and delivering this release (the "Release") pursuant to paragraph 4 of the Transition Agreement (the "Agreement") dated _____, 2002, between Enzon, Inc. (the "Company") and me. Unless otherwise defined herein, capitalized terms used in this Release shall have the meanings ascribed to them in the Agreement.

In consideration of the payments and benefits described in paragraph 5 of the Agreement, and for other good and valuable consideration, I hereby release and forever discharge, and by this instrument release and forever discharge, the Company and its subsidiaries and their respective successors, assigns, representatives, agents, attorneys, shareholders, officers, directors and employees (the "Company Released Parties"), from all debts, obligations, promises, covenants, agreements, contracts, endorsements, bonds, controversies, suits, actions, causes of action, judgments, damages, expenses, claims or demands, in law or in equity, which I ever had, now have, or which may arise in the future, regarding any matter arising on or before the date of execution of this Release, including but not limited to all claims (whether known or unknown) regarding my employment at or termination of employment from the Company, any contract (express or implied), any claim for equitable relief or recovery of punitive, compensatory, or other damages or monies, attorneys' fees, any tort, and all claims for alleged discrimination based upon age, race, color, sex, sexual orientation, marital status, religion, national origin, handicap, disability, or retaliation, including any claim, asserted or unasserted, which could arise under Title VII of the Civil Rights Act of 1964; the Equal Pay Act of 1963; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act of 1990; the Americans With Disabilities Act of 1990; the Civil Rights Act of 1866, 42 U.S.C., 1981; the Employee Retirement Income Security Act of 1974; the Family and Medical Leave Act of 1993; the Civil Rights

Act of 1991; the Worker Adjustment and Retraining Notification Act of 1988; the New Jersey Conscientious Employee Protection Act; the New Jersey Law Against Discrimination; and any other federal, state or local laws, rules or regulations, whether equal employment opportunity laws, rules or regulations or otherwise, or any right under any of the Company's pension, welfare, or stock plans. The foregoing release by me does not apply to any of my rights under the Agreement.

Enzon, Inc.
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I represent and agree that I have not filed any lawsuits against any of the Company Released Parties, or filed or caused to be filed any charges or complaints against any of the Company Released Parties with any municipal, state or federal agency charged with the enforcement of any law. I also agree, to the extent consistent with applicable law, not to initiate any legal action, complaint, statement of claim or demand for arbitration against any Company Released Parties in any forum whatsoever, in connection with the claims released hereby. In addition, to the extent any such action may be brought, I expressly waive any claim to any form of monetary or other damages, or any other form of recovery or relief in connection with any such action, or in connection with any action brought by a third party. If I violate this covenant by filing or bringing any claims or actions contrary to this paragraph, I will immediately forfeit all right to any and all future payments or services, as the case may be, if any, under paragraph 5 of the Agreement. I also agree to pay all costs and expenses of any Company Released Party in defending against such claims or actions brought by me, including reasonable attorneys' fees.

Without detracting in any respect from any other provision of this Release:

- a. I, in consideration of the payments described in paragraph 5 of the Agreement, and for other good and valuable consideration, agree and acknowledge that this Release constitutes a knowing and voluntary waiver of all rights or claims I have or may have against the Company Released Parties as set forth herein, including, but not limited to, all rights or claims arising under the Age Discrimination in Employment Act of 1967, as amended ("ADEA"), including, but not limited to, all claims of age discrimination in employment and all claims of retaliation in violation of the ADEA; that I have no physical or mental impairment of any kind that has interfered with my ability to read and understand the meaning of this Release or its terms; and that I am not acting under the influence of any medication or mind-altering chemical of any type in entering into this Release.
- b. I understand that, by entering into this Release, I do not waive rights or claims that may arise after the date of my execution of this Release, including without limitation any rights or claims that I may have to secure enforcement of the terms and conditions of this Release.
- c. I agree and acknowledge that the consideration provided to me under the Release for the releases and waivers contained herein is in addition to anything of value to which I am already entitled.
- d. The Company hereby advises me to consult with an attorney prior to executing this Release.
- e. I acknowledge that I was informed that I had at least twenty-one (21) days in which to review and consider this Release, and to consult with an attorney regarding the terms and effect of this Release.

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The Company agrees that I may revoke this Release within seven (7) days from the date I sign this Release, in which case this Release will be null and void and of no force or effect on either the Company or me. Any revocation must be in writing and received by the Company by 5:00 p.m. on or before the seventh day after this Release is executed by me. Such revocation must be sent to:

ENZON, INC.
20 Kingsbridge Road
Piscataway, New Jersey 08854
Attention: Paul Davit

This Release may not be changed or altered, except by a writing signed by the Company and me. This Release is entered into in the State of New Jersey, and the laws of the State of New Jersey will apply to any dispute concerning it, excluding the conflict-of-law principles thereof.

Enzon, Inc.
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This Release may be executed in counterparts, each of which will be deemed an original, but all of which, when taken together, will constitute one and same instrument

I EXPRESSLY ACKNOWLEDGE, REPRESENT, AND WARRANT THAT I HAVE READ THIS RELEASE CAREFULLY; THAT I FULLY UNDERSTAND THE TERMS, CONDITIONS, AND SIGNIFICANCE OF THIS RELEASE; THAT THE COMPANY HAS ADVISED ME TO CONSULT WITH AN ATTORNEY CONCERNING THIS RELEASE; THAT I HAVE HAD A FULL OPPORTUNITY TO REVIEW THIS RELEASE WITH AN ATTORNEY; THAT I UNDERSTAND THAT THIS RELEASE HAS BINDING LEGAL EFFECT; AND THAT I HAVE EXECUTED THIS RELEASE FREELY, KNOWINGLY AND VOLUNTARILY.

PLEASE READ CAREFULLY. THIS RELEASE HAS IMPORTANT LEGAL CONSEQUENCES.

Date: _____, 2002

JEFFREY MCGUIRE, PH.D.

On this ____ day of _____, 2002, before me personally came Jeffrey McGuire, Ph.D., to me known to be the individual described in the foregoing instrument, who executed the foregoing instrument in my presence, and who duly acknowledged to me that he executed the same.

Notary Public

RECEIPT ACKNOWLEDGED:

ENZON, INC.

By: _____
Name:
Title:

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Enzon, Inc. and Subsidiaries (the "Company") on Form 10-Q for the period ended September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Arthur Higgins, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 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, in all material respects, the financial condition and result of operations of the Company.

By: /s/Arthur J. Higgins

Arthur J. Higgins
Chief Executive Officer
(Principal Executive Officer)

November 14, 2002

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Enzon, Inc. and Subsidiaries (the "Company") on Form 10-Q for the period ended September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth J. Zuerblis, Vice President Finance, Chief Financial Officer and Corporate Secretary of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 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, in all material respects, the financial condition and result of operations of the Company.

By:

Kenneth J. Zuerblis
Vice President Finance,
Chief Executive Officer and
Corporate Secretary
(Principal Financial Officer)

November 14, 2002