

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

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

(Mark One)

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

For the quarterly period ended March 31, 2004
OR

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

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 (I.R.S. Employer
Incorporation or Organization) 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)

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__
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Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No__
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As of May 10, 2004, there were 43,848,057 shares of Common Stock, par value \$.01 per share, outstanding.

EXPLANATORY NOTE

This quarterly report on Form 10-Q/A amends and restates our original quarterly report on Form 10-Q for the period ended March 31, 2004 as of the date of filing the original Form 10-Q on May 12, 2004. We are amending and restating our original quarterly report on Form 10-Q in its entirety with respect to our accounting for computational changes in the valuation of and 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 (SFAS No. 133). The protective collar arrangement was entered into during August 2003 to reduce the exposure associated with changes in the fair value of the 1.5 million shares of common stock of NPS Pharmaceuticals, Inc. ("NPS") we received in connection with a June 2003 merger termination agreement.

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

condensed consolidated statements of operations for the quarterly and fiscal year to date periods ended March 31, 2004; (c) and condensed consolidated statement of cash flows for the quarterly and fiscal year to date periods ended March 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 periods ended September 30, 2003, December 31, 2003 and an amended Annual report on Form 10-K/A (Amendment No. 2) for the quarter and year ended June 30, 2004. 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 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: (a) other income for the fiscal periods ended March 31, 2004 under "Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations" to reflect the changes discussed herein; (b) non-current other liabilities; (c) unrealized income (loss) on securities that arose during the fiscal periods and our total comprehensive loss for the fiscal periods ended March 31, 2004 in Note 3, "Comprehensive Income", to the accompanying notes to the condensed consolidated financial statements; (d) unrealized gain previously recognized in other income and recorded in accumulated other comprehensive income for the fiscal periods ended March 31, 2004 with respect to the sale and repurchase of shares of NPS common stock in Note 14, "Derivative Instruments", to the accompanying notes to the condensed consolidated financial statements; (e) unrealized income (loss) recognized in other income for the fiscal periods ended March 31, 2004 with respect to the valuation of a derivative instrument in Note 14, "Derivative Instruments", to the accompanying notes to the condensed consolidated financial statements; (f) total gross deferred tax assets and income tax provision (benefit) for the fiscal periods ended March 31, 2004 in Note 12, "Income Taxes", to the accompanying notes to the condensed consolidated financial statements; (g) net income (loss) and net income (loss) per common share for the fiscal periods ended March 31, 2004 in Note 5, "Earnings Per Common Share", to the accompanying notes to the condensed consolidated financial statements; and (h) pro forma net income (loss) and net income (loss) per common share for the fiscal periods ended March 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 March 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 May 12, 2004 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 shares and per share amounts)
(Unaudited)

	March 31, 2004	June 30, 2003
	(Restated) (Note 2)	*
ASSETS		
Current assets:		
Cash and cash equivalents	\$83,370	\$66,752
Short-term investments	9,741	25,047
Investments in equity securities	21,382	-
Accounts receivable, net	29,623	33,173
Inventories	10,586	11,786
Deferred tax and other current assets	20,798	16,089
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Total current assets	175,500	152,847
Property and equipment	48,287	43,896
Less: Accumulated depreciation and amortization	14,109	11,303
	34,178	32,593
Other assets:		
Marketable securities	81,358	61,452
Investments in equity securities and convertible note	43,892	56,364
Amortizable intangible assets, net	198,544	211,975
Goodwill	150,985	150,985
Deferred tax and other assets	54,236	62,350
	529,015	543,126
Total assets	\$738,693	\$728,566
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$8,001	\$12,809
Accrued expenses	22,146	21,536
Total current liabilities	30,147	34,345
Notes payable	400,000	400,000
Other liabilities	5,743	2,637
	405,743	402,637
Commitments and contingencies		
Stockholders' equity:		
Preferred stock-\$5.01 par value, authorized 3,000,000 shares; no shares issued and outstanding at March 31, 2004 and at June 30, 2003	--	--
Common stock-\$5.01 par value, authorized 90,000,000 shares; issued and outstanding 43,840,746 shares at March 31, 2004 and 43,518,359 shares at June 30, 2003	438	435
Additional paid-in capital	326,170	322,488
Accumulated other comprehensive income (loss)	1,101	(159)
Deferred compensation	(6,702)	(4,040)
Accumulated deficit	(18,204)	(27,140)
Total stockholders' equity	302,803	291,584
Total liabilities and stockholders' equity	\$738,693	\$728,566

* Condensed from audited consolidated financial statements.

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

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ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three and Nine Months Ended March 31, 2004 and 2003
(In thousands, except per share data)
(Unaudited)

	Three months ended March 31,		Nine months ended March 31,	
	2004 (Restated) (Note 2)	2003	2004 (Restated) (Note 2)	2003
Revenues:				
Product sales, net	\$27,993	\$21,875	\$80,665	\$36,250
Manufacturing revenue	5,035	4,762	8,826	5,496
Royalties	11,103	16,242	36,461	57,565
Contract revenue	248	284	769	417
Total revenues	44,379	43,163	126,721	99,728
Costs and expenses:				
Cost of sales and manufacturing revenue	12,458	11,080	35,195	17,859
Research and development	10,772	5,132	24,711	14,886
Acquired in-process research and development	12,000	-	12,000	-
Selling, general and administrative	12,500	9,481	35,187	20,786
Merger expenses	-	1,398	-	1,398
Amortization of acquired intangible assets	3,358	3,960	10,074	5,288
Write-down of carrying value of investments	-	-	-	27,237
Total costs and expenses	51,088	31,051	117,167	87,454

Operating income (loss)	(6,709)	12,112	9,554	12,274
Other income (expense):				
Investment income, net	11,564	632	12,744	8,430
Interest expense	(4,957)	(4,957)	(14,871)	(14,871)
Other, net	4,797	3	(2,048)	3
	11,404	(4,322)	(4,175)	(6,438)
Income (loss) before tax provision	4,695	7,790	5,379	5,836
Income tax provision (benefit)	(3,408)	156	(3,557)	662
Net income	\$8,103	\$7,634	\$8,936	\$5,174
Basic earnings per common share	\$0.19	\$ 0.18	\$0.21	\$0.12
Diluted earnings per common share	\$0.18	\$ 0.17	\$0.20	\$0.12
Weighted average number of common shares outstanding-basic	43,368	43,192	43,322	43,061
Weighted average number of common shares and dilutive potential common shares outstanding	43,817	43,634	43,657	43,611

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

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ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended March 31,	
	2004	2003
	(Restated)	
	(Note 2)	
Cash flows from operating activities:		
Net income	\$8,936	\$5,174
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,487	7,895
Non-cash expense for issuance of common stock	1,132	468
Non-cash income relating to equity collar arrangement	2,275	-
Gain on sale of equity investments	(10,977)	-
Amortization of bond premium/discount	409	1,154
Non-cash write-down of carrying value of investment	-	27,237
Deferred income taxes	(5,722)	(2,272)
Changes in operating assets and liabilities	(4,082)	1,255
Net cash provided by operating activities	8,458	40,911
Cash flows from investing activities:		
Purchase of property and equipment	(4,640)	(5,306)
Purchase of ABELCET business	-	(369,062)
Purchase of DEPOCYT product	-	(12,181)
Proceeds from sale of NEKTAR equity investment	17,375	-
Proceeds from sale of marketable securities	32,444	350,318
Maturities of marketable securities	-	53,000
Purchases of marketable securities	(37,450)	(101,203)
Net cash provided by (used in) investing activities	7,729	(84,434)
Cash flows from financing activities:		
Proceeds from exercise of common stock options	431	1,472
Net increase (decrease) in cash and cash equivalents	16,618	(42,051)
Cash and cash equivalents at beginning of period	66,752	113,858
Cash and cash equivalents at end of period	\$83,370	\$71,807

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. (the "Company") and its subsidiaries in accordance with accounting principles generally accepted in the United States of America for interim financial information pursuant to Rule 10-01 of Regulation S-X. 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. 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 condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's latest annual report on Form 10-K.

(2) Restatement and Reclassification 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, 2003, December 31, 2003, March 31, 2004 and June 30, 2004 required restatement with respect to its accounting for a derivative hedging instrument.

The restatement is 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). In November 2004, we had restated our financial statements for the year and quarter ended June 30, 2004 to correct a change relating to the accounting for the same derivative hedging instrument and the assessment of the realizeability of deferred tax assets related to the unrealized loss on available for sale securities included in accumulated other comprehensive loss as of June 30, 2004.

As described in Note 14, "Derivative Instruments", the Company entered into a zero cost protective collar ("Collar") arrangement in August 2003 to reduce its exposure to the change in fair value of the 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 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 unrealized gains and losses on the NPS common stock underlying the derivative hedging instrument previously included in other non-operating income (loss) being recorded in accumulated other comprehensive income (loss) in the condensed consolidated balance sheet. The accounting change results in a misallocation between other income (expense) and accumulated other comprehensive income (loss) for the quarters and fiscal year-to-date periods ended December 31, 2003, March 31, 2004 and June 30, 2004.

In addition, the Collar is carried at fair value on the Company's

balance sheet and represents either a payable or receivable from the financial institution, with changes in the fair value being charged to "other income (expense)" in the condensed consolidated statements of operations. The Company also has identified certain computational changes in the valuation of the Collar. The accounting change results in an increase or decrease in the carrying value of the Collar for the quarterly periods ended September 30, 2003, December 31, 2003, March 31, 2004 and June 30, 2004, and a corresponding charge or credit to "other income (expense)" and the related income tax effects for the corresponding quarter and fiscal year-to-date periods then ended.

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

The Company has also made certain reclassification 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.

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

Changes to Condensed Consolidated Balance Sheet
March 31, 2004

	Previously Reported -----	Adjustments -----	Restated -----
Investments in equity securities	\$-	\$21,382	\$21,382
Total current assets	154,118	21,382	175,500
Investments in equity securities and convertible note	65,274	(21,382)	43,892
Non-current deferred tax and other assets	53,132	1,104	54,236
Total non-current assets	549,293	(20,278)	529,015
Total assets	737,589	1,104	738,693
Accrued expenses	18,516	3,630	22,146
Total current liabilities	26,517	3,630	30,147
Other liabilities	6,671	(928)	5,743
Total non-current liabilities	406,671	(928)	405,743
Accumulated other comprehensive income	1,446	(345)	1,101
Accumulated deficit	(16,951)	(1,253)	(18,204)
Total stockholders' equity	304,401	(1,598)	302,803
Total liabilities and stockholders' equity	737,589	1,104	738,693

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

Changes to Condensed Consolidated Statements of Operations

	Three Months ended March 31, 2004 -----			Nine Months ended March 31, 2004 -----		
	Previously Reported -----	Adjustments	Restated -----	Previously Reported -----	Adjustments	Restated -----
Other, net	(\$337)	\$5,134	\$4,797	\$71	(\$2,119)	(\$2,048)
Total other income (expense)	6,270	5,134	11,404	(2,056)	(2,119)	(4,175)
Income (loss) before tax provision (benefit)	(439)	5,134	4,695	7,498	(2,119)	5,379
Income tax provision (benefit)	(5,505)	2,097	(3,408)	(2,691)	(866)	(3,557)
Net income	5,066	3,037	8,103	10,189	(1,253)	8,936
Basic earnings per common share	0.12	0.07	0.19	0.24	(0.03)	0.21
Diluted earnings per common share	0.12	0.06	0.18	0.23	(0.03)	0.20

The restatement did not result in any changes to cash and cash equivalents as of March 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 March 31, 2004 although it did result in certain reclassifications among certain components of net cash flow from operations.

As a result of the adjustments discussed above, modifications were required to previously filed footnotes as follows: Note 3, "Comprehensive Income", Note 5, "Earnings Per Common Share", Note 6, "Stock-Based Compensation", Note 12, "Income Taxes" and Note 14, "Derivative Instruments".

(3) Comprehensive Income

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

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

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

	Three months ended March 31,		Nine months ended March 31,	
	2004 (Restated)	2003	2004 (Restated)	2003
Net income	\$8,103	\$7,634	\$8,936	\$5,174
Other comprehensive income:				
Unrealized gain (loss) on marketable securities arising during the period, net of tax	(1,687)	167	2,815	966
Reclassification adjustment for net gain realized in net income, net of tax	(1,200)	(203)	(1,555)	(2,318)
Total other comprehensive income (loss)	(2,887)	(36)	1,260	(1,352)
Comprehensive income	\$5,216	\$7,598	\$10,196	\$3,822

(4) New Accounting Pronouncements

In December 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46 (revised December 2003) ("FIN46-R"), "Consolidation of Variable Interest Entities", which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46-R replaces FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), which was issued in January 2003. FIN 46-R requires that if an entity has a controlling financial interest in a variable interest entity, the assets, liabilities and results of activities of the variable interest entity should be included in the consolidated financial statements of the entity. The provisions of FIN 46-R are effective immediately to those entities that are considered to be special-purpose entities. For all other arrangements, the FIN 46-R provisions are required to be adopted at the beginning of the first interim or annual period ending after March 15, 2004. As of March 31, 2004 the Company is not a party to transactions contemplated under FIN 46-R.

In November 2002, the Emerging Issues Task Force ("EITF") reached a consensus opinion on EITF 00-21, "Revenue Arrangements with Multiple Deliverables". The consensus provides that revenue arrangements with multiple

deliverables should be divided into separate units of accounting if certain criteria are met. The consideration for the arrangement should be allocated to the separate units of accounting based on their relative fair values, with different provisions if the fair value of all deliverables is not known or if the fair value is contingent on delivery of specified items or performance conditions. Applicable revenue recognition criteria should be considered separately for each separate unit of accounting. EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. This adoption did not have any impact on our financial position or results of operations.

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

(5) 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 and nine months ended March 31, 2004 and 2003, 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 certain Series A Preferred Stock that were outstanding as of March 31, 2003. The number of shares issuable upon conversion of the Company's 4.5% Convertible Subordinated Notes due 2008 (the "Notes") and the effect of the vesting of certain restricted stock using the treasury stock method have not been included as the effect of their inclusion would be antidilutive. As of March 31, 2004, the Company had 10,797,000 dilutive common shares outstanding that could potentially dilute future earnings per share calculations.

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

	Three months ended March 31,		Nine months ended March 31,	
	2004 (Restated)	2003	2004 (Restated)	2003
Net income	\$8,103	\$7,634	\$8,936	\$5,174
Less: Preferred stock dividends	-	4	-	11
Net income available to common stockholders	\$8,103	\$7,630	\$8,936	\$5,163
Weighted average number of common shares outstanding - basic	43,368	43,192	43,322	43,061
Effect of dilutive securities:				
Conversion of preferred stock	-	16	-	16
Assumed exercise of non-qualified stock options and restricted stock	449	426	335	534
Weighted average number of common shares outstanding and dilutive potential common shares	43,817	43,634	43,657	43,611

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

(6) Stock-Based Compensation

As permitted by Statement of Financial Accounting Standards ("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". 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. No stock option-based employee compensation cost is reflected in net income, as all options granted to employees had 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 income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation (in thousands, except per share data):

	Three months ended March 31,		Nine months ended March 31,	
	2004 (Restated)	2003	2004 (Restated)	2003
Net income	\$8,103	\$7,634	\$8,936	\$5,174
Less: Preferred stock dividends	-	4	-	11
Net income available to common stockholders	\$8,103	\$7,630	\$8,936	\$5,163
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	277	250	718	458
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(3,040)	(4,609)	(8,588)	(11,844)
Pro forma net income (loss) available to common stockholders	\$5,340	\$3,271	\$1,066	(\$6,223)
Earnings (loss) per common share - basic:				
as reported	\$0.19	\$0.18	\$0.21	\$0.12
pro forma	\$0.12	\$0.08	\$0.02	(\$0.14)
Earnings (loss) per common share - diluted:				
as reported	\$0.18	\$0.17	\$0.20	\$0.12
pro forma	\$0.12	\$0.08	\$0.02	(\$0.14)

During the nine months ended March 31, 2004, the Company issued 312,500 shares of restricted common stock and restricted common stock units to certain members of management. Total compensation expense of approximately \$3.7 million is being recognized over a five year vesting period.

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

During the nine months ended March 31, 2004, the Company granted 2,028,000 stock options to its employees at an average exercise price of \$13.82 under its stock option plans (fair value on the date of grants) of which 300,000 were granted to executive officers and 25,000 were granted to non-employee directors of the Company. The options vest over a period between one and four years.

In December 2003, the stockholders of the Company approved amendments to the Company's 2001 Incentive Stock Plan ("Plan") to increase the number of shares of common stock available for issuance under the Plan from 2,000,000 to 6,000,000 and to limit the maximum number of shares of restricted stock and restricted stock units that may be granted under the Plan to 50% of the total number of shares available for issuance.

(7) Inventories

The composition of inventories is as follows (in thousands):

March 31, 2004

June 30, 2003

Raw materials	\$3,960	\$4,349
Work in process	3,446	3,392
Finished goods	3,180	4,045
	\$10,586	\$11,786

(8) Acquisition of the ABELCET Product Line

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 "ABELCET Product Line") from Elan Corporation, plc, for \$360.0 million plus acquisition costs of approximately \$9.3 million.

The following unaudited pro forma results of operations of the Company for the nine month period ended March 31, 2003, assumes the acquisition of the ABELCET Product Line occurred as of July 1, 2002 and assumes the purchase price has been allocated to the assets purchased based on fair values at the date of acquisition (in thousands, except per share amounts):

	Nine months ended March 31, 2003
Product sales, net	\$78,148
Total revenues	136,130
Net income (loss)	(8,028)
Pro forma earnings (loss) per share:	
Basic	(\$0.19)
Diluted	(\$0.19)

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

(9) Intangible Assets

The Company's intangible assets are primarily related to its November 22, 2002 acquisition of the ABELCET Product Line, DEPOCYT and ONCASPAR and are amortized over their estimated useful lives. The gross carrying amount, estimated lives and accumulated amortization, by major intangible asset class at March 31, 2004 were as follows:

	Estimated Lives	Gross Carrying Amount	Accumulated Amortization	Net Assets
Product patented technology	12 years	\$64,400	\$7,156	\$57,244
Manufacturing patent	12 years	18,300	2,033	16,267
NDA Approval	12 years	31,100	3,455	27,645
Trade name and other product rights	15 years	80,000	7,111	72,889
Product acquisition costs	10-14 years	26,194	3,274	22,920
Patents	1-5 years	2,092	1,735	357
Manufacturing contract	3 years	2,200	978	1,222
Total		\$224,286	\$25,742	\$198,544

Amortization of intangible assets for the three and nine month period ended March 31, 2004 was \$4.5 million and \$13.4 million, respectively, a portion of which is included in cost of goods sold. Assuming no changes in the gross carrying amount of intangible assets, the amortization of intangible assets for the next five fiscal years is estimated to be approximately \$17.9 million per year. Amortization of intangible assets for both the three and nine month period ended March 31, 2003 was \$4.5 million and \$6.3 million, respectively.

(10) Goodwill

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," goodwill is not amortized, but rather is reviewed at least annually for impairment.

(11) 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 \$18.0 million for the nine months ended March 31, 2004 and 2003. Income tax payments for the nine months ended March 31, 2004 were \$3.6 million. There were no income tax payments made for the nine months ended March 31, 2003.

(12) Income Taxes

During the three months ended March 31, 2004 the Company recorded a net tax benefit of approximately \$3.4 million related primarily to the reversal of a deferred tax asset valuation allowance for the write-down in a prior year of our investment in NEKTAR Therapeutics Convertible Preferred Stock which was converted and the underlying common stock was sold during the quarter, resulting in a financial reporting gain of approximately \$11.0 million. The benefit was also due to the reduction of our estimated taxable income and effective tax rate to 29% as compared to 35% used in the previous two quarters, due to a payment during the three months ended March 31, 2004 of \$12.0 million to INEX Pharmaceuticals related to acquired in-process research and development for Onco TCS (See Note 14). The tax provision recognized for the nine months ended March 31, 2004 is based on the estimated annual effective tax rate of 29%. In addition, the tax effect of the financial reporting gain on the sale of NEKTAR Convertible Preferred Stock and the acquired in process research and development charge was recognized during the three months ended March 31, 2004, the period in which the items occurred.

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

At June 30, 2003, the Company recognized approximately \$67.5 million as a net deferred tax asset related to expected future profits, because management concluded that it is more likely than not that the deferred tax assets will be realized, including the net operating losses from operating activities and stock option exercises, based on future operations. As of June 30, 2003 the Company retained a valuation allowance of \$12.8 million with respect to certain capital losses and federal research and development credits as the ultimate utilization of such losses and credits is uncertain. As discussed above, during February 2004, the Company reversed a portion of the valuation allowance associated with the NEKTAR investment. The Company will continue to reassess the need for such valuation allowance based on the future operating performance of the Company.

The tax provision for the three and nine month period ended March 31, 2003 represents the Company's anticipated Alternative Minimum Tax liability based on the anticipated taxable income for the full fiscal year.

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

(13) 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 and Canada. 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 SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information".

(14) 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 Consolidated Statement of Operations for the year ended June 30, 2003.

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

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 will receive the proceeds from the sale of the securities. The amount due at each maturity date will be determined based on the market value of NPS' common stock on such maturity date, as well as the value of the Collar. The contract requires the Company to maintain a minimum cash balance of \$30.0 million and additional collateral up to \$10.0 million (as defined) under certain circumstances with the financial institution. The strike prices of the put and call options are subject to certain adjustments in the event the Company receives a dividend from NPS. At the time of inception, the Collar was designated a derivative hedging instrument in accordance with SFAS 133 and as such, the Company periodically measures its fair value and recognizes the derivative as an asset or a liability. The change in fair value is recorded in other income in the condensed consolidated statements of operations. At March 31, 2004, the Company had a payable to the financial institution of \$7.5 million. During the three and nine months ended March 31, 2004, the Company recorded an unrealized gain of \$2.8 million and unrealized loss of \$7.5 million, respectively, as a component of other income (expense) representing the change in fair value of the Collar instrument.

The Company began selling and buying back the underlying NPS common stock in November 2003, which resulted in the termination of the hedging relationship. During the period from August 2003 through the date the hedging relationship was terminated, the NPS common stock had appreciated \$5.7 million in value, of which \$2.3 million was recorded in other income in the condensed consolidated statement 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 three and nine months ended March 31, 2004, the Company sold and repurchased 375,000 and 750,000 shares, respectively, of NPS common stock to remove the transferability restrictions on such shares, resulting in a net realized gain of \$2.0 million and \$3.2 million, respectively, which is included

in other income (expense) in the condensed consolidated statements of operations.

As of March 31, 2004, the Company held 1.5 million shares of NPS common stock valued at \$42.8 million, are included in investments in equity securities on the accompanying condensed consolidated balance sheet.

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

(15) INEX Agreement

During January 2004, the Company and Inex Pharmaceuticals Corporation ("INEX") entered into a strategic partnership to develop and commercialize INEX's proprietary oncology product Onco TCS. The Company and INEX entered into a Product Supply Agreement, a Development Agreement, and a Co-Promotion Agreement. The agreements contain cross termination provisions under which termination of one agreement triggers termination of all the agreements.

Under the terms of the agreements, the Company received the exclusive commercialization rights for Onco TCS for all indications in the United States, Canada and Mexico. The lead indication for Onco TCS is relapsed aggressive non-Hodgkin's lymphoma (NHL) for which a "rolling" New Drug Application (NDA) to the United States Food and Drug Administration (FDA) was filed on March 15, 2004. The product is also in numerous phase II clinical trials for several other cancer indications, including first-line NHL.

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

Upon execution of the related agreements the Company made a \$12.0 million up-front payment to INEX which has been determined to be an acquisition of in-process research and development as the payment was made prior to FDA approval, and therefore expensed in the Company's Statement of Operations for the quarter ended March 31, 2004. In addition, the Company will be required to pay up to \$20.0 million upon Onco TCS being approved by the FDA and development milestones and sales based bonus payments could total \$43.75 million, of which \$10.0 million is payable upon annual sales first reaching \$125.0 million, and \$15.0 million is payable upon annual sales first reaching \$250.0 million. The Company will also be required to pay INEX a percentage of commercial sales of Onco TCS and this percentage will increase as sales reach certain predetermined thresholds.

The Company and INEX will share equally the future development costs to obtain and maintain marketing approvals in North America for Onco TCS, and the Company will pay all sales and marketing costs and certain other post-approval clinical development costs typically associated with commercialization activities. The Company plans to market Onco TCS to the oncology market through its North American sales force, which currently markets ABELCET(R), ONCASPAR(R), and DEPOCYT(R). INEX has the option of complementing the Company's sales efforts by co-promoting Onco TCS through the formation of a dedicated North American sales and medical science liaison force. The costs of building INEX's co-promotion force will be shared equally by both companies and the Company will record all sales in the licensed territories. INEX retains manufacturing rights and the Company will reimburse INEX for the manufacture and supply of the drug at manufacturing cost plus five percent.

The agreements will expire on a country by country basis upon the expiration of the last patent covering the licensed product in each particular country or 15 years after the first commercial sale in such country, whichever is later. The agreements are also subject to earlier termination under various circumstances. The Company may terminate the agreements at any time upon 90 days notice, in connection with which the Company must pay a \$2.0 million termination fee. INEX has completed the submission of its NDA, therefore if Enzon terminates it must pay the \$2.0 million fee. In addition, if at any time the Company

determines that it has no interest in commercializing the product in any country, then INEX may terminate the agreement with respect to such country. Either party may terminate the agreements upon a material breach and failure to cure by the other party. In addition, either party may terminate the agreements upon the other party's bankruptcy. Generally, the termination of the agreements with respect to a particular country shall terminate the Company's license with respect to Onco TCS, and preclude the Company from marketing the product, in that country. However, if the Company terminates the agreements because of INEX's breach or bankruptcy, INEX will be obligated to provide the Company a right of reference to INEX's regulatory dossiers and facilitate a transfer to the Company of the technology necessary to manufacture the product. In addition, after such termination, INEX will be obligated to exercise commercially reasonable efforts to ensure that the Company has a continuous supply of product until the Company, exercising commercially reasonable efforts, has secured an alternative source of supply.

(16) Elan/Medeus Manufacturing Agreements

During February 2004 Elan Corporation, plc, sold its ABELCET and MYOCET European business to Medeus Pharma, Ltd. ("Medeus"). As part of this transaction the Company's long-term manufacturing and supply agreement with Elan was assigned to Medeus. In connection with the closing of this sale the Company and Elan settled a dispute over the manufacturing cost of products produced for Elan resulting in the payment and recognition of manufacturing revenue related to approximately \$1.7 million of revenue not previously recognized given the uncertainty of the contractual amount.

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

(17) Investment Income

During the three months ended March 31, 2004, the Company converted 20,055 shares or approximately 50% of its Nektar Therapeutics convertible preferred stock investment to common stock which it sold resulting in gross proceeds of approximately \$17.4 million and a net gain of approximately \$11.0 million.

(18) Subsequent Events

In connection with Mr. Higgins' departure as the Company's CEO the board appointed a committee of four independent directors (Dr. Rosina Dixon, Robert LeBuhn, Dr. David Golde and Robert Parkinson) to review and approve the terms of Mr. Higgins departure. This committee negotiated and approved a separation payment of \$1.25 million, which is payable to Mr. Higgins upon his departure in May 2004. Concurrent with Mr. Higgins' departure as CEO in May 2004, the Company will reverse approximately \$1.29 million of compensation expense previously recorded related to restricted stock of the Company that will be forfeited by Mr. Higgins as a result of his departure as the Company's CEO.

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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. These forward looking statements are subject to various risks and uncertainties that may cause actual results to differ materially from the results predicted by the forward looking statements. 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, 2003, which is incorporated herein by reference, contain cautionary statements identifying important risks, uncertainties and other factors, that could prevent the future results indicated in such forward-looking statements from being achieved. Other factors could also cause actual results to vary materially from the future results indicated in such

forward-looking statements.

LIQUIDITY AND CAPITAL RESOURCES

Total cash reserves, which include cash, cash equivalents, short-term investments, and marketable securities, were \$174.5 million as of March 31, 2004, as compared to \$153.3 million as of June 30, 2003. The increase is primarily due to net proceeds from the sale of shares of common stock issuable upon our conversion of preferred shares of Nektar Therapeutics of approximately \$17.4 million and cash flow from operations. We invest our excess cash primarily in United States government-backed securities and investment-grade corporate debt securities.

During the nine months ended March 31, 2004, net cash generated from operating activities was \$8.5 million, compared to \$40.9 million for the nine months ended March 31, 2003. The reduction in net cash generated operating activities in 2004 compared to 2003 was primarily due to a reduction in net income related to the deduction of a non-cash write-down of the carrying value of investments in 2003 as well as purchase of \$12.0 million of acquired in process research and development related to the Onco TCS strategic partnership and a decrease in income. During the nine months ended March 31, 2003, we recorded as a non-cash write-down of approximately \$27.2 million of our investment in NEKTAR Therapeutics

Cash provided by investing activities totaled \$7.7 million for the nine months ended March 31, 2004 compared to cash utilization of \$84.4 million for the nine months ended March 31, 2003. Cash provided by investing activities during the nine months ended March 31, 2004, was principally due to purchases and sales from investments and marketable securities of \$12.3 million principally due to the sale of Nektar Therapeutics stock of \$17.4 million offset by \$4.6 million of capital expenditures.

As of March 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 \$4.5 million as of March 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. 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.

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") which we received as part of a merger termination agreement with NPS. The Collar will mature in four separate three-month intervals from November 2004 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 \$29.9 million to \$38.0 million. The amount due at each maturity date will be determined based on the market value of NPS common stock on such maturity date. The contract requires us to maintain a minimum cash balance of \$30.0 million and additional collateral 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 reserves, and interest earned on such cash reserves, short-term investments, marketable securities, sales of ADAGEN(R), ONCASPAR(R), DEPOCYT(R) and ABELCET(R), royalties earned primarily on sales of PEG-INTRON(R), 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, 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 reserves and investments will be adequate to satisfy our capital needs for the foreseeable future, we may seek additional financing, such as through future offerings of equity or debt securities or agreements with collaborators with respect to the development and commercialization of products, to fund future operations and potential acquisitions. We cannot assure you, however, that we will be able to obtain additional funds on acceptable terms, if at all.

OFF-BALANCE SHEET ARRANGEMENTS

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities ("SPE"), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow limited purposes. As of March 31, 2004, we are not involved in any SPE transactions.

CONTRACTUAL OBLIGATIONS

Our major outstanding contractual obligations relate to our operating leases, our convertible debt and our license and development agreements with collaborative partners. Under our strategic partnership with INEX which was entered into during the three months ended March 31, 2004 we are obligated to pay up to \$20.0 million payment upon Onco TCS receiving approval from the FDA and additional development milestones and sales based bonus payments could total \$43.75 million, of which \$10.0 million is payable upon annual sales first reaching \$125.0 million and \$15.0 million is payable upon annual sales first reaching \$250.0 million. INEX will also receive a percentage of commercial sales of Onco TCS and this percentage will increase as sales reach certain predetermined thresholds. Other than the additional INEX contracted obligations our contractual obligations as of March 31, 2004 are not materially different from our contractual obligations as of June 30, 2003 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 for the fiscal year ended June 30, 2003.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2004 AND MARCH 31, 2003

Revenues. Total revenues for the three months ended March 31, 2004 increased by 3% to \$44.4 million, as compared to \$43.2 million for the three months ended March 31, 2003. The components of revenues are product sales and certain contract manufacturing revenues, royalties we earn on the sale of products by others and contract revenues.

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Net product sales and manufacturing revenue increased by 24% to \$33.0 million for the three months ended March 31, 2004, as compared to \$26.6 million for the three months ended March 31, 2003. The increase in net sales was due to increased sales of ABELCET and DEPOCYT in North America and increased sales of ONCASPAR. During the three months ended March 31, 2004, we recorded \$22.6 million of sales related to the ABELCET Product Line as compared to \$18.3 million for the corresponding period in the prior year. Of the total ABELCET Product Line sales, sales in North America accounted for \$17.6 million for the three months ended March 31, 2004 as compared to \$13.5 for the three months ended March 31, 2003. Contract manufacturing revenue related to the manufacture and sale of ABELCET for the international market and other contract manufacturing revenue was \$5.0 million for the three month period ended March 31, 2004 as compared to \$4.8 for the three months ended March 31, 2003. Approximately \$1.7 million of the \$5.0 million of revenues recorded during the three months ended March 31, 2004 related to the settlement of amounts previously disputed by Elan. During the three months ended March 31, 2004, we recorded DEPOCYT sales of \$1.4 million as compared to \$1.2 million in the corresponding period in the prior year. Sales of ONCASPAR increased by 73% to \$4.9 million for the three months ended March 31, 2004 from \$2.8 million in the corresponding period in the prior year. This was a result of our resumption of marketing efforts in connection with our reacquiring from Aventis in June 2002 the right to market and distribute ONCASPAR for certain territories previously

licensed to Aventis. Sales of ADAGEN decreased by 4% for the three months ended March 31, 2004 to \$4.1 million as compared to \$4.3 million for the three months ended March 31, 2003 due to the timing of shipments.

Royalties for the three months ended March 31, 2004, decreased to \$11.1 million as compared to \$16.2 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 sales of a competitive product, PEGASYS(R).

During December 2002, Hoffman-LaRoche launched PEGASYS(R), a pegylated version of its interferon product ROFERON-A(R). Since its launch, PEGASYS has taken market share away from PEG-INTRON. As a result, quarterly sales of PEG-INTRON and the royalties we receive on those sales have declined in recent quarters. We have no involvement in the marketing and sales of PEG-INTRON, which are the responsibility of Schering-Plough. We cannot assure you that PEGASYS will not continue to gain market share at the expense of PEG-INTRON, which could result in lower PEG-INTRON sales and lower royalties.

As a result of our focused marketing efforts for ABELCET, we believe that we have been able to stabilize the pressure from the introduction of new products in the antifungal market and that the product is now back on a growth pattern. We expect sales of DEPOCYT, which are currently running at an annual rate of approximately \$5.0 million, to increase as we continue to roll out our focused marketing efforts. We expect ADAGEN and ONCASPAR sales to grow in this fiscal year at levels similar to those achieved during the last fiscal year. 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 March 31, 2004, remained relatively stable at \$248,000 as compared to \$284,000 in the corresponding period in the previous year. Contract revenue is principally comprised of a portion of the \$3.5 million licensing payment received in January 2003 from the licensing of our PEG technology to SkyePharma which is being recognized as revenue over the term of the related agreement.

During the three months ended March 31, 2004, we had export sales and royalties on export sales of \$9.0 million, of which \$7.4 million were sales in Europe or royalties on sales in Europe. Export sales and royalties on export sales for the three months ended March 31, 2003 were \$8.6 million, of which \$7.5 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 March 31, 2004 as compared to 42% for the same period last year. The decrease was principally due to higher 2003 inventory costs as a result of certain purchase accounting adjustments to the inventory acquired with the ABELCET Product Line, which was sold during the three months ended March 31, 2003, as well as lower cost of manufacturing revenue due to the settlement of \$1.7 million in disputed Elan invoices previously discussed.

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Research and Development. Research and development expenses increased by 110% to \$10.8 million for the three months ended March 31, 2004 from \$5.1 million for the same period last year. The increase was primarily due to (i) increased spending of approximately \$1.6 million related to our strategic partnership with INEX on INEX's proprietary oncology product Onco TCS, (ii) increased spending of approximately \$819,000 related to our single chain antibody collaboration with Micromet AG, (iii) increased spending on our two late stage development programs, Pegamotecan and ATG Fresenius S, of approximately \$1.4 million, and (iv) increased payroll related expenses of approximately \$1.8 million.

Selling, General and Administrative. Selling, general and administrative expenses for the three months ended March 31, 2004 increased by 32% to \$12.5 million, as compared to \$9.5 million in the same period last year. The increase was primarily due to (i) increased sales and marketing expense of approximately \$970,000 related to the ABELCET Product Line including the lunch of the Clear II registry, (ii) increased sales and marketing expense of approximately \$272,000 related to our oncology sales force for ONCASPAR and DEPOCYT, and (iii) increased general and administrative personnel and other costs of approximately \$1.8 million.

Merger Expenses. Merger expenses represent costs incurred related to our mutual termination of the merger agreement with NPS Pharmaceuticals. During the three months ended March 31, 2003, we incurred \$1.4 million of merger related expenses. There were no such costs in the current period.

Amortization. Amortization expense for the three months ended March 31, 2004 was \$3.4 million as compared to \$4.0 million in the comparable period last year. Amortization relates principally to the intangible assets acquired in November 2002 as part of the ABELCET Product Line. Amortization of intangible assets is provided over their estimated lives ranging from 1-15 years on a straight-line basis.

Acquired In Process Research and Development. Acquired in process research and development for the three months ended March 31, 2004 of \$12.0 million was due to the up-front payment for the execution of a strategic partnership agreements entered into with INEX related to Onco TCS.

Other Income/Expense. Investment income for the three months ended March 31, 2004 increased to \$11.6 million, as compared to \$632,000 for the prior year. The increase was primarily due to the sale of Nektar Therapeutics stock and the sale of the shares of common stock issued upon such conversion. Interest expense remained unchanged from the comparable period last year. Interest expense is related to the \$400.0 million in 4.5% convertible subordinated notes, which were outstanding for both periods. Other, net is primarily related to the 1.5 million shares of NPS common stock we received under a June 2003 merger termination agreement and a financial instrument we formed to reduce our exposure to the change in fair value associated with such shares, specifically a zero cost protective collar arrangement (the "Collar.") For the three months ended March 31, 2004, other, net was income of \$4.8 million compared to \$3,000 for the three months ended March 31, 2003. During the three months ended March 31, 2004, we recognized (i) a realized gain of \$2.0 million related to the sale and repurchase of 375,000 shares of NPS common stock, and (ii) an unrealized gain of \$2.8 million related to change in the fair value of the Collar. 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.

Income Taxes. During the three months ended March 31, 2004 the Company recorded a net tax benefit of approximately \$3.4 million related primarily to the reversal of a deferred tax asset valuation allowance for the write-down in a prior year of our investment in NEKTAR Convertible Preferred Stock which was converted and the underlying common stock was sold during the quarter resulting in a financial reporting gain of approximately \$11.0 million. The benefit was also due the reduction of our estimated taxable income and effective tax rate to 29% as compared to 35% used in the previous two quarters, due to a payment during the three months ended March 31, 2004 of \$12.0 million to INEX Pharmaceuticals related to acquired in-process research and development for Onco TCS. The tax provision for the three months ended March 31, 2003 represented our anticipated Alternative Minimum Tax liability based on the anticipated taxable income for the full fiscal year.

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ACQUISITION OF ABELCET(R) BUSINESS

On November 22, 2002, we 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 ABELCET Product Line") from Elan Corporation, plc ("Elan") for \$360.0 million, plus approximately \$9.3 million of acquisition costs. This transaction was accounted for as a business combination.

Unless otherwise indicated, the discussions in Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended March 31, 2004 and 2003 and the nine months ended March 31, 2004 and financial condition at March 31, 2004 include the results of operations of the ABELCET Product Line. Comparisons are made to the results of operations and the financial condition for the nine months ended March 31, 2003, which include approximately only four months of operations, of the ABELCET Product Line commencing from our acquisition of the Product Line on November 22, 2002.

NINE MONTHS ENDED MARCH 31, 2004 AND MARCH 31, 2003

Revenues. Total revenues for the nine months ended March 31, 2004

increased by 27% to \$126.7 million, as compared to \$99.7 million for the nine months ended March 31, 2003. The components of revenues are product sales and certain contract manufacturing revenues, royalties we earn on the sale of products by others and contract revenues.

Net product sales and manufacturing revenue increased by 114% to \$89.5 million for the nine months ended March 31, 2004, as compared to \$41.7 million for the nine months ended March 31, 2003. The increase in net sales was due to increased sales of ABELCET and DEPOCYT during the entire nine months ended March 31, 2004, and increased sales of ADAGEN and ONCASPAR. During November 2002, we acquired the ABELCET Product Line from Elan. During the nine months ended March 31, 2004, we recorded \$59.4 million of sales related to the ABELCET Product Line as compared to \$19.6 million for the prior year. Of the total ABELCET Product Line sales, sales in North America accounted for \$50.6 million for the nine months ended March 31, 2004 as compared to \$14.1 for the nine months ended March 31, 2003. Contract manufacturing revenue related to the manufacture and sale of ABELCET to Elan for the international market and other contract manufacturing revenue was \$8.8 million for the nine month period ended March 31, 2004 as compared to \$5.5 for the comparable period of the prior year. Approximately \$1.7 million of the \$8.8 million of revenues recorded during the nine months related to the settlement of amounts previously disputed by Elan. In January 2003, we obtained an exclusive license to sell, market and distribute SkyePharma's DEPOCYT. During the nine months ended March 31, 2004, we recorded DEPOCYT sales of \$4.0 million as compared to \$1.2 million for the same period last year. Sales of ONCASPAR increased by 53% to \$13.3 million for the nine months ended March 31, 2004 from \$8.7 million in the corresponding period in the prior year. This was a result of our resumption of our marketing efforts subsequent to our reacquiring from Aventis in June 2002 the right to market and distribute ONCASPAR for certain territories which we had previously licensed to Aventis. Sales of ADAGEN increased by 4% for the nine months ended March 31, 2004 to \$12.8 million as compared to \$12.2 million for the nine months ended March 31, 2003 due to the timing of shipments.

Royalties for the nine months ended March 31, 2004, decreased to \$36.5 million as compared to \$57.6 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 the introduction of a competitive product, PEGASYS.

Contract revenues for the nine months ended March 31, 2004 increased to \$769,000 as compared to \$417,000 in the corresponding period in the previous year. The increase was related to revenue received from the licensing of our PEG technology to SkyePharma. In connection with such licensing, we received a payment of \$3.5 million in January 2003 which is being recognized as revenue over the term of the related agreement.

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During the nine months ended March 31, 2004, we had export sales and royalties on export sales of \$27.0 million, of which \$22.5 million were sales in Europe or royalties on sales in Europe. Export sales and royalties recognized on export sales for the corresponding period in the prior year were \$24.2 million, of which \$21.5 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 39% for the nine months ended March 31, 2004 as compared to 43% for the comparable period last year. The decrease was due to certain purchase accounting adjustments to the inventory acquired with the ABELCET Product Line, which was sold during nine months ended March 31, 2003.

Research and Development. Research and development expenses increased by 66% to \$24.7 million for the nine months ended March 31, 2004 from \$14.9 million for the comparable period last year. The increase was primarily due to (i) increased spending of approximately \$2.4 million related to our single chain antibody collaboration with Micromet AG, (ii) increased spending on our two late stage development programs, Pegamotecan and ATG Fresenius S, of approximately \$2.8 million, (iii) increased spending of approximately \$1.6 million related to our strategic partnership with INEX on INEX's proprietary oncology product Onco TCS, and (iv) increased payroll related expenses of approximately \$3.0 million.

Selling, General and Administrative. Selling, general and administrative expenses for the nine months ended March 31, 2004 increased by 69% to \$35.2 million, as compared to \$20.8 million in the comparable period last

year. The increase was primarily due to (i) increased sales and marketing expense of approximately \$10.5 million related to the sales force acquired from Elan as part of our acquisition of the ABELCET Product Line, (ii) increased sales and marketing expense of approximately \$2.1 million related to the establishment of an oncology sales force for ONCASPAR and DEPOCYT and (iii) increased general and administrative personnel and other costs of approximately \$1.8 million.

Merger Expenses. Merger expenses represent costs incurred related to our mutual termination of the merger agreement with NPS Pharmaceuticals. During the nine months ended March 31, 2003, we incurred \$1.4 million of merger related expenses. There were no such expenses in the current period.

Amortization. Amortization expense increased to \$10.1 million for the nine months ended March 31, 2004 as compared to \$5.3 million in the same period last year as a result of the amortization of the intangible assets acquired in November 2002 as part of the ABELCET Product Line. Amortization of intangible assets is provided over their estimated lives ranging from 1-15 years on a straight-line basis.

Acquired In Process Research and Development. Acquired in process research and development for the nine months ended March 31, 2004 of \$12.0 million was due to an up-front payment for the execution of a strategic partnership agreements entered into with INEX related to Onco TCS.

Other Income/Expense. Investment income for the nine months ended March 31, 2004 increased to \$12.7 million, as compared to \$8.4 million for the prior year. The increase was primarily due to the sale of Nektar Therapeutics stock and the sale of the shares of common stock issued upon such conversions. Interest expense remained unchanged from the comparable period last year. Interest expense is related to the \$400.0 million in 4.5% convertible subordinated notes, which were outstanding for both periods. Other, net is primarily related to the 1.5 million shares of NPS common stock we received under a June 2003 merger termination agreement and a financial instrument we formed to reduce our exposure to the change in fair value associated with such shares, specifically a zero cost protective collar arrangement (the "Collar.") For the nine months ended March 31, 2004, other, net was income of \$2.0 million compared to \$3,000 for the nine months ended March 31, 2003. During the nine months ended March 31, 2004, we recognized (i) a realized gain of \$3.2 million related to the sale and repurchase of 750,000 shares of NPS common stock, (ii) an unrealized loss of \$7.5 million related to change in the fair value of the Collar, and (iii) an unrealized gain of \$2.3 million on the NPS common stock. 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.

Income Taxes. During the nine months ended March 31, 2004 the Company recorded a net tax benefit of approximately \$3.6 million related primarily to the reversal of a deferred tax asset valuation allowance for the write-down in a prior year of our investment in NEKTAR Therapeutics Convertible Preferred Stock which was converted and the underlying common stock was sold during the nine months resulting in a financial reporting gain of approximately \$11.0 million. The benefit was also due to the reduction of our estimated taxable income and effective tax rate to 29% as compared to 35% used in the previous two quarters, due to a payment during the nine months ended March 31, 2004 of \$12.0 million to INEX Pharmaceuticals related to acquired in-process research and development for Onco TCS (See Note 14). The tax provision recognized for the nine months ended March 31, 2004 is based on the estimated annual effective tax rate of 29%.

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 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, 2003 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.

Revenues from product sales and manufacturing revenue are recognized based on shipping terms and a provision is made at that time for estimated future credits, chargebacks, sales discounts, rebates and returns. These sales provision accruals are presented as a reduction of the accounts receivable balances. We continually monitor the adequacy of the accruals by comparing the actual payments to the estimates used in establishing the accruals. We utilize the following criteria to determine appropriate revenue recognition: pervasive evidence of an arrangement exists, delivery has occurred, selling price is fixed and determinable and collection is reasonably assured.

Royalties under our license agreements with third parties are recognized when earned through the sale of the product by the licensor net of any estimated future credits, chargebacks, sales discount rebates and refunds. Since we do not sell or market the products, we rely on disclosures from our marketing partners to estimate such sales allowances.

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, 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 carryforwards, and continue to analyze the level of the valuation allowance needed taking into consideration the expected future performance of the Company.

We assess the carrying value of our investments in accordance with SFAS No. 115 and SEC Staff Accounting Bulletin No. 59. 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 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. Goodwill is reviewed for impairment by comparing the carrying value to its fair value. 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.

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 investment grade fixed income securities while at the same time seeking to achieve a favorable rate of return. Our market risk exposure consists principally of exposure to changes in interest rates. Our holdings are also exposed to the risks of changes in the credit quality of issuers. We typically invest the majority of our investments in the shorter-end of the maturity spectrum, and at March 31, 2004 all of our holdings were in instruments maturing in three years or less.

The table below presents the principal amounts and related weighted average interest rates by year of maturity for our investment portfolio as of March 31, 2004 (in thousands):

	2004	2005	2006	2007	2008	Total	Fair Value
	-----	----	----	-----	----	-----	-----
Fixed Rate	4,569	\$27,602	\$38,458	\$12,274	\$8,015	\$90,918	\$91,099
Average Interest Rate	2.52%	2.22%	2.18%	2.29%	3.38%	2.33%	-
Variable Rate	-	-	-	-	-	-	-
Average Interest Rate	-	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----	-----
	\$4,569	\$27,602	\$38,458	\$12,274	\$8,015	\$90,918	\$91,099
	=====	=====	=====	=====	=====	=====	=====

Our 4.5% convertible subordinated notes in the principal amount of \$400.0 million due July 1, 2008 have a fixed interest rate. The fair value of the notes was approximately \$383.9 million at March 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 with a financial institution to reduce the exposure to 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 balance sheet and changes in fair value are recorded as a charge or credit to earnings 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 March 31, 2004 was a liability of \$7.5 million.

ITEM 4. CONTROLS AND PROCEDURES

The following has been amended to reflect the restatement of our 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 and year-to-date periods ended March 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 quarter ended March 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 March 31, 2004, our disclosure controls and procedures were effective in timely alerting them to the material information relating to us required to be included in our periodic filings with the U.S. Securities and Exchange Commission ("SEC").

Subsequent to the period covered by this report, we reevaluated our use of hedge accounting for a derivative hedging instrument under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended (SFAS No. 133) and computational changes to the value of the collar instrument. In conjunction with our evaluation, 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 periods ended March 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 March 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 March 31, 2004.

There have been no changes in our internal control over financial reporting during the quarterly period covered by this report that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. However, since March 31, 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. 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.

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 -----
3.1	Certificate of Incorporation, as amended	^^^
3.2	Amendment to Certificate of Incorporation	\\
3.3	By laws, as amended	^^
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	++++
4.2	Rights Agreement dated May 17, 2002 between the Company and Continental Stock Transfer Trust Company, as rights agent	^
4.3	First Amendment to Rights Agreement, dated as of February 19, 2003	*
10.27	Separation Agreement with Arthur Higgins dated as of March 16, 2004	***
10.28	Development Agreement between Inex Pharmaceuticals, Inc. and the Company dated January 19, 2004 **	***
10.29	Product Supply Agreement between Inex Pharmaceuticals, Inc. and The Company dated January 19, 2004 **	***
10.30	Co-Promotion Agreement between Inex Pharmaceuticals, Inc. and the Company dated January 19, 2004 **	***
31.1	Rule 13a-14(a) Certifications	o
31.2	Rule 13a-14(a) Certifications	o
32.1	Section 1350 Certifications	o
32.2	Section 1350 Certifications	o
o Filed herewith.		
^^^ Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended June 30, 2002 and incorporated herein by reference thereto.		
\\ 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.		
^^ 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 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 Form 8-A12 G/A (File No. 000-12957) filed with the Commission on February 20, 2003 and incorporated herein by reference thereto.(b) Reports on Form 8-K
- ** Certain portions of this document have been omitted and filed separately with the Commission pursuant to a confidential treatment request.
- *** Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q filed on May 12, 2004 and incorporated herein by reference thereto.

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(b) Reports on Form 8-K

On January 8, 2004, we filed with the Commission a Current Report on Form 8-K dated January 2, 2004 reporting David S. Barlow's resignation from our Board of Directors.

On January 21, 2004, we filed with the Commission a Current Report on Form 8-K dated January 19, 2004 reporting our agreement with Inex Pharmaceuticals Corporation ("INEX") to develop and commercialize INEX's proprietary oncology product Onco TCS.

On February 4, 2004, we filed with the Commission a Current Report on Form 8-K/A dated January 19, 2004 amending our report on Form 8-K, filed with the Securities and Exchange Commission on January 21, 2004, to correct a typographical error.

On February 4, 2004, we filed with the Commission a Current Report on Form 8-K dated February 4, 2004 reporting our financial results for the quarter ended December 31, 2003.

On March 18, 2004, we filed with the Commission a Current Report on Form 8-K dated March 16, 2004 reporting that effective May 10, 2004 Arthur J. Higgins will resign from his position as chief executive officer of Enzon and become chairman and chief executive officer of Bayer Healthcare.

On March 18, 2004, we filed with the Commission a Current Report on Form 8-K dated March 15, 2004 reporting that Enzon and Inex submitted the final section of a "rolling submission" of a New Drug Application (NDA) to the United States Food and Drug Administration (FDA).

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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 27, 2005

By: /s/Jeffrey H. Buchalter

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

Date: September 27, 2005

By: /s/Craig A. Tooman

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

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 of Enzon Pharmaceuticals, 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 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 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 we 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 quarterly report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure and procedures, as of the end of the period covered by this report based on such evaluation;
 - 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 to the audit committee of 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 reasonable 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 27, 2005

By: /s/Jeffrey H. Buchalter

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

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 of Enzon Pharmaceuticals, 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 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 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 we 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 quarterly report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure and procedures, as of the end of the period covered by this report based on such evaluation;
 - 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 to the audit committee of 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 reasonable 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 27, 2005

By: /s/Craig A. Tooman

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

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

In connection with the Quarterly Report of Enzon Pharmaceuticals, Inc. and Subsidiaries (the "Company") on Form 10-Q/A for the period ended March 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, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (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 result of operations of the Company.

By: /s/Jeffrey H. Buchalter

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

September 27, 2005

A signed original of this written statement required by section 906 has been provided to Enzon Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Quarterly Report of Enzon Pharmaceuticals, Inc. and Subsidiaries (the "Company") on Form 10-Q/A for the period ended March 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 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 to the best of my knowledge:

- (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 result of operations of the Company.

By: /s/Craig A. Tooman

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

September 27, 2005

A signed original of this written statement required by section 906 has been provided to Enzon Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.