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ENZON PHARMACEUTICALS INC

Form 8-K/A

February 07, 2003

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 8-K/A (Amendment No. 1)

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

Date of Report (Date of earliest event reported) November 22, 2002

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

Delaware	0-12957	22-2372868
(State or other jurisdiction incorporation)	(Commission of File Number)	(IRS Employer Identification No.)

685 Route 202/206, Bridgewater, New Jersey 08807  
(Address of principal executive officers) (zip)

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

ENZON, INC.  
(Former names or former address, if changed since last report.)

FORM 8-K/A No. 1

The Registrant hereby amends and restates its Report on Form 8-K, filed with the Securities and Exchange Commission on December 9, 2002, to update and file the financial statements and pro forma financial information required by Item 7 of Form 8-K.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial statements of business acquired

Financial statements for The Abelcet Product Line: (i) the report of KPMG, independent auditors (ii) audited statements of assets to be sold as of September 27, 2002 and December 31, 2001; (iii) audited statement of revenues and expenses for the period from January 1, 2002 to September 27, 2002, the year ended December 31, 2001, the period from May 13, 2000 to December 31, 2000, and the period from January 1, 2000 to May 12, 2000; (iv) notes to the audited financial statements; and (v) unaudited supplemental cash flow disclosure for the periods from January 1, 2002 to September 27, 2002, the year ended December 31, 2001, the period from May 13, 2000 to December 31, 2000, and the period from January 1, 2000 to May 12, 2000.

(b) Pro forma financial information

Unaudited pro forma condensed consolidated financial statements are attached hereto:

(i) Notes to unaudited pro forma condensed consolidated statements

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of operations.

(ii) Unaudited pro forma condensed consolidated statement of operations for the year ended June 30, 2002 and the three-month period ended September 30, 2002 and notes thereto.

(iii) Unaudited pro forma condensed consolidated balance sheet as of September 30, 2002 and notes thereto.

(c) Exhibits

23.1 Consent of KPMG

2

### THE ABELCET PRODUCT LINE (A Product of the Elan Group)

#### Table of Contents

	Page
Independent Auditors' Report	4
Statements of Assets to be Sold	5
Statements of Revenues and Expenses	6
Notes to Financial Statements	7
Unaudited Supplemental Cash Flow Disclosure	14

3

Independent Auditors' Report

The Board of Directors  
Elan Corporation, plc

We have audited the accompanying statements of assets to be sold as of September 27, 2002 and December 31, 2001, and the related statements of revenues and expenses for the period from January 1, 2002 to September 27, 2002, the year ended December 31, 2001, the period from May 13, 2000 to December 31, 2000, and the period from January 1, 2000 to May 12, 2000 of the Abecet Product Line of Elan Corporation, plc. These financial statements are the responsibility of Elan Corporation, plc's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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The accompanying financial statements were prepared to present the assets to be sold and the revenues and expenses of the Abelcet Product Line pursuant to the Asset Purchase Agreement, dated October 1, 2002 (the Agreement) between Enzon, Inc. and Elan Corporation, plc and certain of its subsidiaries as described in note 2, and are not intended to be a complete presentation of the financial position, results of operations, or cash flows of the Elan entities involved in the agreement.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets to be sold of the Abelcet Product Line as of September 27, 2002 and December 31, 2001 and the Abelcet Product Line's revenues and expenses for the period from January 1, 2002 to September 27, 2002, for the year ended December 31, 2001, for the period from May 13, 2000 to December 31, 2000, and for the period from January 1, 2000 to May 12, 2000 pursuant to the Agreement, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, effective January 1, 2002 Elan Pharmaceuticals, plc adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

KPMG  
Chartered Accountants  
Dublin, Ireland

November 22, 2002

4

### The Abelcet Product Line

(A Product of the Elan Group)

### Statements of Assets to be Sold

(In US\$, Thousands)

	September 27, 2002 -----	December 2001 -----
Assets:		
Fixed assets (note 4)	11,833	12,833
Inventories (note 5)	8,712	5,712
Abelcet product intangible, net of accumulated amortizations of \$27,684 and \$19,100 as of September 27, 2002 and December 31, 2001, respectively (note 6)	201,216	209,216
Goodwill (note 6)	19,000	19,000
Current assets (note 7)	88	88
	-----	-----
Net assets to be sold	240,849 =====	247,849 =====

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

5

The Abelcet Product Line  
 (A Product of the Elan Group)  
 Statements of Revenues and Expenses  
 (In US\$, Thousands)

	Successor Post Acquisition		
	-----	-----	-----
Period from	Year	Year	Period
January 1, 2002 to	Ended	Ended	May 13,
September 27, 2002	December 31, 2001	December 31, 2000	December 31,
	-----	-----	-----
Product sales:			
Third party sales:			
United States and Canada	\$54,598	\$69,100	\$53,000
Other international	4,509	5,021	5,000
Affiliate sales	10,330	7,681	6,000
	-----	-----	-----
Net product sales	69,437	81,802	66,000
Contract manufacturing revenue	4,222	5,264	3,000
	-----	-----	-----
Total revenue (note 8)	73,659	87,066	70,000
	-----	-----	-----
Cost of products sold	13,024	12,565	9,000
Contract manufacturing costs	2,569	4,059	1,000
Royalty costs	3,200	4,628	3,000
	-----	-----	-----
Total cost of goods sold (note 8)	18,793	21,252	15,000
	-----	-----	-----
Gross profit	54,866	65,814	54,000
Selling, general and administration expenses (note 9)	16,697	35,371	23,000
Amortization expense (note 6) product intangible	8,584	11,500	7,000

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goodwill	-	1,050	
Restructuring costs (note 10)	1,800	5,197	
Corporate expenses (note 11)	1,479	1,962	1
Other expense	-	171	
	-----	-----	-----
Excess of revenue over expenses	\$26,306	\$10,563	\$20
	=====	=====	=====

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

6

### THE ABELCET PRODUCT LINE (A Product of the Elan Group)

#### Notes to the financial statements

##### 1. The Agreement

Elan Corporation, plc. and subsidiaries (Elan/Elan Group) acquired the Abelcet product intangible, pursuant to the acquisition of The Liposome Company, Inc. (Liposome) in May 2000. Abelcet which is an amphotericin B lipid complex, is used for treatment of systemic fungal infections. These infections mainly occur in immuno-compromised patients such as those undergoing cancer chemotherapy.

Pursuant to an Asset Purchase Agreement and Related Agreements (the Agreement), dated as of October 1, 2002, Enzon, Inc. (the Buyer) acquired certain assets, consisting mainly of fixed assets, inventories and certain intangible rights to make, use and sell the Abelcet(R) product in the United States of America, Canada, and Japan (the Acquisition). Elan retained the rights to sell Abelcet in the rest of the world. The Agreement was entered into with Elan Corporation, plc and certain of its subsidiaries. The Abelcet product line is primarily marketed and distributed in the United States and Canada.

##### 2. Basis of presentation

The statements of assets to be sold and the statements of revenues and expenses have been prepared in accordance with generally accepted accounting principles in the United States of America and in connection with the carve-out of the Abelcet Product Line as described below.

##### Carve-out

The statements have been prepared on a carve-out basis in order to represent assets to be sold, as well as revenues and expenses, which have been derived from the historical accounting records of Elan Corporation, plc and subsidiaries and The Liposome Company, Inc. and reflect significant assumptions and allocations.

Elan did not account for Liposome or the Abelcet Product Line as a separate entity. Liposome was integrated into the pharmaceutical segment of Elan. The statements of assets to be sold and revenues and expenses include certain allocations as discussed in note 3 below. Management of Elan believes that the allocations are reasonable; however, these allocated expenses are not necessarily indicative of costs that would have been incurred related to the Abelcet Product Line on a stand-alone basis.

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Tax expense and interest income have not been included in the accompanying statements of revenue and expenses, as they are not specifically identifiable to the Abelcet Product Line.

Transaction systems (e.g. payroll, employee benefits, accounts receivable, accounts payable) used to record and account for cash transactions were not designed to track assets/liabilities and receipts/payments on a product specific basis. Given these constraints, and the fact that only certain assets of the Abelcet Product Line are to be sold, statements of financial position and cash flows have not been prepared.

The statement of revenues and expenses for the period from January 1, 2000 to May 12, 2000 relate to the pre-acquisition period of the predecessor company, The Liposome Company, Inc. and have been accounted for as such. Accordingly, results for this period do not reflect the purchase accounting for the May 12, 2000 Acquisition and are therefore not comparable with the results from May 13, 2000 forward.

### 3. Summary of Significant Accounting Policies

#### (a) Revenue Recognition

Product revenue is recognized when title passes, net of applicable discounts and allowances.

7

### THE ABELCET PRODUCT LINE (A Product of the Elan Group)

#### Notes to the financial statements (continued)

#### (b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Actual results could differ from these estimates. As discussed in note 2, the financial statements include allocations and estimates that are not necessarily indicative of the costs and expenses, that would have resulted if the Abelcet Product Line had been operated as a separate entity, or of the future results of the Abelcet Product Line.

#### (c) Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation. No depreciation is provided on freehold land. Depreciation of tangible assets is computed using the straight-line method based on estimated useful lives as follows:

Buildings	40 years
Leasehold improvements	20 years or life of the lease, whichever is lesser
Machinery and equipment	7 years
Computers	3 years
Furniture and fixtures	10 years

All fixed assets are reviewed for impairment when there are

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indications that the carrying value may not be recoverable and any impairment is charged to the statement of revenue and expenses.

Capital work in progress consists principally of uninstalled equipment and is not depreciated until such times as work has been completed and the asset is in use.

(d) Inventories

Inventories have been valued at the lower of cost or market value. Cost in the case of raw materials and supplies is calculated on a first-in, first-out basis and comprises the purchase price including import duties, transport and handling costs and any other directly attributable costs, less trade discounts. Costs in the case of work-in-progress and finished goods comprises direct labor, material costs, and attributable overheads.

(e) Intangible Assets

Product rights are amortized using the straight-line method over the useful life of the product, principally over a period of 20 years. Long-lived assets, including intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(f) Selling, General and Administrative expenses

Certain selling, general and administrative expenses are specifically identifiable and others are allocated to the Abelcet Product Line based on the percentage of sales of the Abelcet Product Line compared to total sales of the

8

THE ABELCET PRODUCT LINE  
(A Product of the Elan Group)

Notes to the financial statements (continued)

United States Hospital Business of Elan. Such allocated expenses represent management's best estimate of the charges that are attributable to the Abelcet Product Line, and include expenses such as salaries, professional fees, regulatory costs, marketing and selling expenses, and other general and administrative expenses.

(g) Goodwill

The Abelcet Product Line represents a portion of "Core Elan" a reporting unit, as defined in FAS No. 142 "Goodwill and Other Intangible Assets". Goodwill allocated to Abelcet is based on the relative fair values of the assets to be disposed of and the portion of the reporting unit that will be retained in accordance with FAS No

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142.

In accordance with FAS No. 142 with effect from January 1, 2002, goodwill has not been amortized and is subject to annual impairment testing.

#### 4. Fixed Assets

The Fixed Assets to be sold are primarily located at the Indianapolis manufacturing facility. The balances as at September 27, 2002 and December 31, 2001 are as follows:

	Land and buildings	Leasehold improve ments	Machinery and equipment/ Computers	Furniture and Fixtures
	-----	-----	-----	-----
			US\$ (in thousands)	
	-----	-----	-----	-----
Net book value at September 27, 2002	\$ 5,631	371	5,210	108
Net book value at December 31, 2001	\$ 5,759	375	5,900	79

#### 5. Inventories

Inventories at September 27, 2002 and December 31, 2001 consist of the following:

	2002
	-----
	US\$ (in thousands)
	-----
Raw materials	\$ 3,992
Work in process	403
Finished goods	4,317
	-----
	\$ 8,712
	=====

9

THE ABELCET PRODUCT LINE  
(A Product of the Elan Group)

Notes to the financial statements (continued)

Inventories include finished goods of \$875,000 at September 27, 2002 and \$477,000 at December 31, 2001 relating to MultiVitamin manufactured by Elan under a contract manufacturing agreement with AAIPharma. The Buyer



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has agreed to manufacture MultiVitamin for AAIPharma in accordance with the Agreement.

### 6. Intangible Assets

#### Abelcet Product Intangible

On May 12, 2000, Elan completed the acquisition of The Liposome Company, Inc. In connection with the acquisition, Elan recognized an intangible asset of \$263,100,000 for the Abelcet product intangible based on the discounted value of future cash flows. The Abelcet intangible is covered by patents and other intellectual property rights throughout the world. For the purpose of the statement of assets to be sold, an amount of \$228,900,000 was identified as the value relating to rights to Abelcet in the United States, Canada, and Japan, which are to be sold. Such intangible asset is being amortized on a straight-line basis over its estimated useful life, over a period of 20 years commencing from May 2000.

#### Goodwill

The Abelcet Product Line represents a portion of "Core Elan" a reporting unit as defined in FAS No. 142 "Goodwill and Other Intangible Assts". In accordance with FAS No. 142, goodwill has been allocated to the Abelcet Product line based on the relative fair values of the assets to be disposed of and the portion of the reporting unit that will be retained by Elan. The amount of goodwill allocated to the Abelcet product line amounts to \$20,750,000. This allocation was performed on September 27, 2002. Elan has not re-performed the fair value exercise for the prior periods presented herein as FAS No. 142 was adopted with effect from January 1, 2002. Elan has amortized goodwill over 20 years in the prior periods prior to 2002 from date of acquisition. Excess of revenue over expenses for the year ended December 31, 2001 and the period from May 13, 2000 to December 31, 2000 would have been higher by \$1,050,000 and \$700,000 respectively had FAS No. 142 been in effect at those times.

Elan purchased the Liposome Company on May 12, 2000 for a consideration of \$677,800,000. Goodwill arising from the acquisition amounted to \$183,800,000. As Elan has used the relative fair value model mandated by SFAS 142 to determine the goodwill amount allocated to Abelcet, the significant value of goodwill ascribed to The Liposome Company, Inc. acquisition remains on Elan's financial statements and has not been ascribed to the Abelcet product line.

### 7. Current Assets

Pursuant to the Agreement, the Buyer has agreed to acquire the prepaid expenses relating to the manufacturing facility at Indianapolis. The balance of \$88,000 and \$217,000 at September 27, 2002 and at December 31, 2001, respectively, relates to prepaid insurance expenses for assets at the manufacturing facility.

### 8. Total Revenue and Cost of Goods Sold

In accordance with the Agreement the Buyer has agreed, to produce both Abelcet and Myocet for supply to Elan for sale in the United Kingdom and the rest of the world (as defined in the Agreement). The Buyer has also agreed to undertake the contract manufacturing for a product known as "MultiVitamin" currently being produced by Elan for AAIPharma.

Total revenue for the nine month period ended September 27, 2002, the year ended December 31, 2001 and for the period from May 13, 2000 to December 31, 2000 includes sales to third parties, contract manufacturing revenue

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and costs as well as revenue and costs that relate to sales of Abelcet and Myocet to affiliate companies at an inter-company transfer price. The margins reflected for the sales to affiliates does not represent future margins as the future

10

### THE ABELCET PRODUCT LINE (A Product of the Elan Group)

Notes to the financial statements (continued)

sale of Abelcet and Myocet by the Buyer to Elan will be at standard rates specified in the Agreement. Prior to May 13, 2000, the sales of Abelcet in the United Kingdom and rest of the world are included in Other International Sales.

The detail of sales to affiliate for the nine month period ended September 27, 2002, the year ended December 31, 2001, the period from May 13, 2000 to December 31, 2000 and the period from January 1, 2000 to May 12, 2000 is as follows:

	January 1, 2002 to September 27, 2002	Post Acquisition January 1, 2001 to December 31, 2001 US\$ (in thousands)	May 13, 2000 to December 31, 2000
Sales to Affiliates:			
Abelcet	8,519	6,214	6,920
Myocet	1,811	1,467	-
	-----	-----	-----
Total sales to Affiliates	\$ 10,330	\$ 7,681	\$ 6,920
	=====	=====	=====

#### 9. Selling, General and Administrative Expenses

Abelcet is marketed by Elan's hospital force primarily to hospital-based oncologists.

The selling, general and administrative expenses consist of the marketing expenses, clinical costs, general administration costs, and costs related to facilities and depreciation thereof. In addition, selling, general and administration expenses include amounts allocated in respect of non-product specific costs of the United States Hospital Business of Elan to the Abelcet Product Line based on the percentage of sales of the Abelcet Product Line compared to total sales of the United States Hospital Business of Elan. The amount of such allocated costs is \$8,500,000 for the nine month period ended September 27, 2002 and \$3,325,000 for the year ended December 31, 2001. There are no such allocations for the period from January 1, 2000 to May 12, 2000 or for the period from May 13, 2000 to

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December 31, 2000 as the commercial activities of The Abelcet Product Line were undertaken entirely out of the Princeton facility of The Liposome Company, Inc for those periods.

### 10. Restructuring Costs

In July 2002, Elan announced a Recovery Plan to restructure its business, assets, and balance sheet as a biopharmaceutical company focused on the discovery, development, manufacturing, selling, and marketing of novel therapeutic products in neurology, pain and autoimmune diseases, and to strengthen the group's liquidity position.

As part of its restructuring process, Elan incurred \$1,800,000 as severance costs for employees whose contracts were terminated. Such costs have been identified as costs incurred specific to the sale of The Abelcet Product Line.

During the year 2001, Elan incurred severance costs of \$5,197,000 in relation to termination of employee contracts as a result of the merger in the year 2000. The restructuring costs incurred during the period from January 1, 2000 to May 12, 2000 of \$6,727,000 relate to merger costs for the acquisition of The Liposome Company by Elan.

11

### THE ABELCET PRODUCT LINE (A Product of the Elan Group)

Notes to the financial statements (continued)

### 11. Corporate Expenses

Corporate expenses allocated to The Abelcet Product Line include expenses incurred by Elan Corporation, plc and other group companies in relation to administrative and support services provided to The Abelcet Product Line. In view of the sale of the Abelcet Product Line, no allocation has yet been made by Elan Corporation, plc for the period from January 1, 2002 to September 27, 2002, however, management estimates the amount to be \$1,479,000. This is based on the 2001 charge time - weighted to reflect the nine month period to September 27, 2002.

12

### The Abelcet Product Line (A Product of the Elan Group)

Unaudited Supplemental Cash Flow Disclosure

(In US\$, Thousands)

Successor

Post Acquisition

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	Period from January 1, 2002 to September 27, 2002 -----	Year Ended December 31, 2001 -----	Period fr May 13, 2 to December 31 -----
Cash flows from operating activities:			
Excess of revenue over expenses	\$26,306	\$10,563	\$20,60
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:			
Depreciation	1,333	1,717	1,05
Amortization	8,584	12,550	8,30
Net changes in assets and liabilities:			
Inventory	(3,232)	(2,429)	2,79
Prepaid expenses	129	(173)	23
(a) Net cash provided by			
operating activities	----- 33,120 -----	----- 22,228 -----	----- 32,99 -----
Cash flows from investing activities			
Purchases of property, plant & equipment	(615)	(757)	(60
Net cash used for investing			
activities	----- (615) -----	----- (757) -----	----- (60 -----
(b) Cash flows from financing activities			
Remittances to Elan Corp. plc	(32,505)	(21,471)	(32,38
Net cash provided/(used) for investing activities	----- (32,505) -----	----- (21,471) -----	----- (32,38 -----
Net increase in cash and cash equivalents	\$ - =====	\$ - =====	\$ - =====

THE ABELCET PRODUCT LINE  
(A Product of the Elan Group)

Unaudited Supplemental Cash Flow

The unaudited supplemental cash flow disclosures are based on the underlying statements of revenues and expenses and statements of assets to be sold as of and for the periods presented.

The statements have been prepared on a carve out basis to represent assets to be sold, as well as revenues and expenses, which have been derived from the historical accounting records of Elan Corporation, plc and Subsidiaries and The Liposome Company, Inc. and reflect significant assumptions and allocations. As such, the unaudited supplemental cash flow data is not necessarily indicative of the actual cash flows attributable to the Abelcet Product Line on a stand alone basis.

(a) Operating cash flows

Net cash provided by operating activities includes the excess of revenue over expenses for the Abelcet Product Line and adds back non-cash items for depreciation and amortization related to the product line tangible and intangible assets. The excess of revenue over expenses includes a range of allocated expenses which represent management's best estimate of the charges attributable to the Abelcet Product Line and are not necessarily indicative of the actual cash flows that would have been incurred related to the Abelcet Product Line on a stand alone basis.

In addition, the operating cash flow data does not reflect net changes in accounts receivable and accounts payable as the underlying transaction systems used to record and account for cash transactions was not designed to track assets/liabilities and receipts/payments on a product specific basis.

Cash flows arising from taxation and interest income are not included in the unaudited supplementary cash flow data as they are not specifically attributable to the Abelcet Product Line.

(b) Financing cash flows

There are no specific financing cash flows directly attributable to the Abelcet Product Line. The cash flows generated by the Abelcet Product Line for the periods reported were available to Elan Corporation, plc for its general corporate purposes.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following presents certain unaudited pro forma condensed consolidated financial information of Enzon Pharmaceuticals, Inc. the "Company" for the periods as indicated. The unaudited pro forma condensed consolidated financial information gives effect to the Abelcet Product Line acquisition which occurred on November 22, 2002, as if such transaction had occurred on July 1, 2001 for purposes of the pro forma statements of operations for

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the year ended June 30, 2002 and the three-month period ended September 30, 2002, and on September 30, 2002 for purposes of the pro forma balance sheet as of September 30, 2002. The pro forma financial information was prepared using the assumptions described below and in the related notes thereto.

The unaudited pro forma condensed consolidated financial information reflects pro forma adjustments that are based upon available information and certain assumptions that the Company believes are reasonable. The pro forma financial information does not purport to represent the Company's results of operations or financial position that would have resulted had the transaction to which pro forma effect is given been consummated as of the dates or for the periods indicated. In preparing the pro forma financial information, the Company believes it has utilized reasonable methods to conform the basis of presentation. The Abelcet Product Line acquisition has been accounted for herein under Statement of Financial Accounting Standards No. 141 and 142, related to business combinations. Certain estimated fair values for intangible assets are based on the preliminary results of third party appraisals, which are still being finalized.

Elan Corporation, plc, which owned the Abelcet Product Line, had a December 31 fiscal year end. For purposes of the unaudited pro forma condensed consolidated statements of operations, the Company's historical statement of operations for the year ended June 30, 2002 was combined with the Abelcet Product Line historical unaudited statement of operations for the fiscal year ended June 30, 2002. In addition, the Company's historical unaudited statement of operations for the three-month period ended September 30, 2002 was combined with the Abelcet Product Line unaudited historical statement of operations for the same period.

The unaudited pro forma financial statements and accompanying notes should be read in conjunction with the historical financial statements of Enzon Pharmaceuticals, Inc. and the Abelcet Product Line.

15

ENZON PHARMACEUTICALS, INC.  
Notes to Unaudited Pro Forma  
Condensed Consolidated Financial Information  
(dollars in thousands)

### Overview

The Abelcet Product Line acquisition was consummated by the Company as of November 22, 2002 as an asset purchase. The acquisition has been accounted for using the purchase method of accounting. Accordingly, the excess of the purchase price over the fair value of identifiable net tangible and intangible assets acquired, representing goodwill, is shown below. The consideration and allocation of the purchase price as of November 22, 2002 are summarized below.

Purchase Price Consideration:  
Cash  
Out of pocket expenses

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Allocation of Purchase Price:

Inventories  
 Property, plant and equipment (1)  
 Intangible Assets (2)  
 Goodwill (3)

- 1) Property, plant and equipment is recorded at its estimated fair value of the assets as acquired as determined by a third party valuation report.
- 2) Intangible assets include the following components:
  - Product Patented Technology (12 year estimated life)
  - Manufacturing Patent (12 year estimated life)
  - NDA Approval (12 year estimated life)
  - Marketing Intangibles (15 year estimated life)
  - Manufacturing Contract (3 year estimated life)

These values are based on the preliminary results of third party appraisals, which are still being finalized.

- 3) Goodwill will not be amortized but will be tested for impairment periodically.

16

ENZON PHARMACEUTICALS, INC.  
 Unaudited Pro Forma Condensed Consolidated Statements of Operations  
 For the Year Ended June 30, 2002  
 (in thousands except for per share amounts)

	Historical		
	Enzon Pharmaceuticals	Abelcet Product Line	Pro Adju
Revenues:			
Net sales	\$ 22,183	\$ 102,825	(1) (2)
Royalties	53,329	-	
Contract revenue	293	-	
Total revenues	75,805	102,825	

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Cost and expenses:			
Cost of sales	6,078	23,444	(3)
			(4)
Research and development expenses	18,427	-	
Selling, general and administrative expenses	16,687	41,601	(5)
			(6)
	-----	-----	-----
Total costs and expenses	41,192	65,045	
	-----	-----	-----
Operating income	34,613	37,780	
	-----	-----	-----
Other income (expense)			
Interest and dividend income	18,681		(7)
Interest expense	(19,829)		
Other	3,218		
	-----		-----
	2,070		
	-----		-----
Income (loss) before taxes	36,683		
Tax (benefit) provision	(9,123)		
	-----		-----
Net income	\$ 45,806		\$ (
	=====		=====
Basic earnings per common share	\$ 1.07		
	=====		
Diluted earnings per common share	\$ 1.04		
	=====		
Weighted average number of common shares outstanding - basic	42,726		
	=====		
Weighted average number of common shares and dilutive potential common shares outstanding	44,026		
	=====		

See Notes to Unaudited Pro Forma Condensed Consolidated Statements of Operations.



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	Historical			
	Enzon Pharmaceuticals	Abelcet Product Line		Pro Adjus
Revenues:				
Net sales	\$6,658	\$16,622	(1)	(
Royalties	18,326	-	(2)	(
Contract revenue	83	-		
Total revenues	25,067	16,622		(
Cost and expenses:				
Cost of sales	2,514	6,244	(3)	(
Research and development expenses	4,062	-	(4)	
Selling, general and administrative expenses	3,943	10,606	(5)	(
Total costs and expenses	10,519	16,850	(6)	(
Operating income (loss)	14,548	(228)		(
Other income (expense)				
Interest and dividend income	3,453		(7)	(
Interest expense	(4,957)			
Other	-			
	(1,504)			(
Income before taxes	13,044			(
Tax (benefit) provision	260			
Net income	\$12,784			\$ (
Basic earnings per common share	\$ 0.30			
Diluted earnings per common share	\$ 0.29			
Weighted average number of common shares outstanding - basic	42,980			
Weighted average number of common shares and dilutive potential common				

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shares outstanding

43,681

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See Notes to Unaudited Pro Forma Condensed Consolidated Statements of Operations.

18

ENZON PHARMACEUTICALS, INC.  
Notes to Unaudited Pro forma Condensed Consolidated  
Statements of Operations For year ended June 30, 2002 and  
for the three months ended September 30, 2002

The following is a summary of the Pro Forma adjustments recorded in the Pro Forma Condensed Consolidated Statements of Operations.

		Year Ended June 30, 2002
		-----
		de (dolla
(1)	Adjustment to record selling price for Abelcet and Myocet manufactured for Elan Corporation for sales in the United Kingdom and rest of world based on the transfer price per the manufacturing agreement signed at the date of acquisition.	\$ 2,450
(2)	Adjustment to eliminate historical intercompany transfer pricing for Abelcet and Myocet for sales in the United Kingdom and rest of world recorded by Elan Corporation.	\$ (8,786)
(3)	Adjustment to record depreciation expense for property, plant and equipment at their fair value after purchase accounting. Property, plant and equipment are being depreciated on a straight line basis over the estimated useful lives, which are 5-27 years.	\$ 1,194
(4)	Adjustment to eliminate historical depreciation expense for property, plant and equipment recorded by Elan Corporation.	\$ (1,864)
(5)	Adjustment to record amortization expense for intangible assets under Statement of Financial Accounting Standards No. 142 at their fair value after purchase accounting. Intangible assets are being amortized on a straight line basis over the estimated useful lives, which are 3-15 years.	\$ 15,550
(6)	Adjustment to eliminate historical amortization expense for intangible assets recorded by Elan Corporation.	\$ (11,446)
(7)	Adjustment to eliminate historical interest income on cash balances used to fund the acquisition (3.63% rate assumed for fiscal 2002, and 3.27% for the three months ended September 30, 2002).	\$ 13,400

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Income-taxes have not been provided on the earnings of the Abelcet Product Line based on the availability of Enzon's net operating loss carryforwards.

19

ENZON PHARMACEUTICALS, INC.  
 Unaudited Pro Forma Condensed Consolidated Balance Sheet  
 As of September 30, 2002  
 (dollars in thousands)

	Historical		
	Enzon Pharmaceuticals	Abelcet Product Line	A
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$155,713	\$ -	(1)
Short-term investments	68,028	-	(1)
Accounts receivable	25,041	-	
Inventories	2,896	8,712	(2)
Other current assets	5,106	88	
Total current assets	256,784	8,800	
Property plant and equipment	19,995	11,833	(3)
Less accumulated depreciation	(9,443)	-	
	10,552	11,833	
<b>Other assets:</b>			
Marketable securities	270,292	-	(1)
Cost method equity investments	48,382	-	
Debt issue costs, net	10,489	-	
Goodwill	-	19,000	(4)
Intangible assets and other assets, net	23,876	201,216	(5)
	353,039	220,216	
Total assets	\$620,375	\$ 240,849	\$
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable	\$4,837	-	
Accrued expenses	4,803	-	(1)
Accrued interest	4,500	-	
Total current liabilities	14,140	-	
Accrued rent	526	-	
Notes payable	400,000	-	

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	-----	-----	
	400,526	-	
	-----	-----	
Total stockholders' equity	205,709	240,849	(6)
	-----	-----	
Total liabilities and stockholders' equity	\$620,375	\$ 240,849	\$
	=====	=====	=====

\* Based on the September 27, 2002 audited statement of assets to be sold.

- (1) To reflect cash paid of \$360,000 and accrued out of pocket expenses of \$9,100.
- (2) To reflect inventory fair value adjustment.
- (3) To reflect property, plant and equipment fair value adjustment.
- (4) To reflect acquired goodwill after the elimination of historical goodwill.
- (5) To reflect acquired intangible assets after the elimination of historical intangible assets. These adjustments are based on the preliminary results of third party appraisals which are still being finalized.
- (6) To eliminate the historical net assets to be sold of the Abelcet Product Line.

20

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 1 to the report to be signed on its behalf by the undersigned thereunto duly authorized.

Enzon Pharmaceuticals, Inc.

Date: February 7, 2003

By: /s/ Kenneth J. Zuerblis

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

21

EXHIBIT INDEX

Exhibit Number	Description
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23.1

Consent of KPMG

22