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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2007

or

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

For the Transition Period from _____ to _____

Commission file number 0-12957

Enzon Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware	22-2372868
(State of incorporation)	(I.R.S. Employer Identification No.)
685 Route 202/206, Bridgewater, New Jersey	08807
(Address of principal executive offices)	(Zip Code)

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☐ Accelerated Filer ☑ Non-Accelerated Filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Shares of Common Stock outstanding as of October 31, 2007: 44,170,815.

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Item 1. Financial Statements

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	September 30, 2007	December 31, 2006*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,360	$ 28,431
Short-term investments	141,529	145,113
Restricted investments and cash	82,156	—
Accounts receivable, net of allowance for doubtful accounts; $289 at September 30, 2007 and $245 at December 31, 2006	13,788	15,259
Inventories	20,627	17,618
Other current assets	6,918	5,890
Total current assets	286,378	212,311
Property and equipment, net of accumulated depreciation; $36,288 at September 30, 2007 and $26,506 at December 31, 2006	44,790	39,491
Marketable securities	16,277	67,061
Amortizable intangible assets, net	70,723	78,510
Other assets	5,350	6,457
Total assets	$ 423,518	$ 403,830
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 7,027	$ 24,918
Notes payable	81,921	—
Accrued expenses	22,759	34,967
Total current liabilities	111,707	59,885
Notes payable	275,000	397,642
Other liabilities	3,165	2,744
Total liabilities	389,872	460,271
Commitments and contingencies		
Stockholders' equity (deficit):		
Preferred stock — $.01 par value, authorized 3,000,000 shares; no shares issued and outstanding at September 30, 2007 and December 31, 2006	—	—
Common stock — $.01 par value, authorized 170,000,000 shares; issued and outstanding 44,105,776 shares and 43,999,031 shares at September 30, 2007 and December 31, 2006, respectively	441	440
Additional paid-in capital	332,452	326,099
Accumulated other comprehensive income (loss)	534	(414)
Accumulated deficit	(299,781)	(382,566)
Total stockholders' equity (deficit)	33,646	(56,441)
Total liabilities and stockholders' equity (deficit)	$ 423,518	$ 403,830

* Condensed from audited financial statements.

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

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Revenues:				
Product sales, net	$ 24,874	$ 25,295	$ 72,542	$ 74,107
Royalties	18,206	18,705	52,840	53,889
Contract manufacturing	3,761	1,856	12,159	10,193
Total revenues	46,841	45,856	137,541	138,189
Costs and expenses:				
Cost of product sales and contract manufacturing	14,118	12,141	40,851	35,042
Research and development	10,814	10,599	41,793	27,068
Selling, general and administrative	14,274	14,299	46,561	45,384
Amortization of acquired intangible assets	171	184	541	558
Acquired in-process research and development	—	8,000	—	8,000
Restructuring charge	5,513	—	6,837	—
Total costs and expenses	44,890	45,223	136,583	116,052
Gain on sale of royalty interest, net	88,666	—	88,666	—
Operating income	90,617	633	89,624	22,137
Other income (expense):				
Investment income, net	2,689	2,831	7,632	21,731
Interest expense	(4,286)	(5,912)	(13,330)	(17,432)
Other, net	497	4,813	914	9,048
	(1,100)	1,732	(4,784)	13,347
Income before income tax provision	89,517	2,365	84,840	35,484
Income tax provision	1,987	127	2,055	551
Net income	$ 87,530	$ 2,238	$ 82,785	$ 34,933
Earnings per common share — basic	$ 1.99	$ 0.05	$ 1.89	$ 0.80
Earnings per common share — diluted	$ 1.23	$ 0.05	$ 1.25	$ 0.67
Weighted average shares — basic	43,925	43,590	43,890	43,551
Weighted average shares — diluted	74,344	43,590	72,818	57,658

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

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine months ended September 30,	
	2007	**2006**
Cash flows from operating activities:		
Net income	$ 82,785	$ 34,933
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,481	9,889
Write-off of equipment	5,124	—
Share-based compensation	6,064	3,489
Gain on sale of investments	—	(13,844)
(Gain) loss on sale of property and equipment	(26)	33
Gain on redemption of notes payable	(481)	(9,212)
Write-off and amortization of debt issuance costs	1,386	3,889
Amortization of debt securities bond premium/discount	114	786
Changes in operating assets and liabilities	(15,601)	(344)
Net cash provided by operating activities	91,846	29,619
Cash flows from investing activities:		
Purchase of property and equipment	(15,231)	(6,459)
Proceeds from sale of equity investment	—	20,209
Purchase of product rights	(17,500)	(35,000)
Proceeds from sale of marketable securities	159,110	164,200
Purchase of marketable securities	(315,639)	(541,104)
Maturities of marketable securities	129,742	305,650
Net cash used in investing activities	(59,518)	(92,504)
Cash flows from financing activities:		
Proceeds from exercise of common stock options	395	625
Proceeds from employee stock purchase plan	446	—
Redemption of notes payable	(40,240)	(262,146)
Proceeds from issuance of notes payable	—	275,000
Cash payment for debt issuance costs	—	(7,726)
Net cash (used in) provided by financing activities	(39,399)	5,753
Net decrease in cash and cash equivalents	(7,071)	(57,132)
Cash and cash equivalents at beginning of period	28,431	76,497
Cash and cash equivalents at end of period	$ 21,360	$ 19,365

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

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

(1) Organization and Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared from the books and records of Enzon Pharmaceuticals, Inc. and its subsidiaries (Enzon or the Company) in accordance with United States generally accepted accounting principles (GAAP) for interim financial information and Rule 10-01 of the U.S. Securities and Exchange Commission (SEC) Regulation S-X. Accordingly, these financial statements do not include all of the information and footnotes required for complete annual financial statements. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Certain prior year amounts have been reclassified to conform to the current period presentation. Interim results are not necessarily indicative of the results that may be expected for the year. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

(2) 2007 Prior Period Interim Results

In the process of reporting the Company's financial position as of September 30, 2007 and results of operations for the three- and nine-month periods then ended, two immaterial misstatements of prior 2007 interim results were detected and have been correctly reflected in the nine-month period ended September 30, 2007.

Share-based compensation was understated by approximately $0.9 million for the three months ended March 31, 2007 with an offsetting understatement of additional paid-in capital. The first-quarter misstatement resulted from the application of an incorrect amortization schedule to certain newly issued option awards. The effect on the consolidated statement of operations for the three months ended March 31, 2007 was to understate selling, general and administrative expense, operating loss and net loss by $0.9 million each or two cents per diluted share.

Inventory valuation as of June 30, 2007 was understated by approximately $1.0 million with a corresponding overstatement of cost of product sales in the Products segment. This was the result of purchase variances not having been capitalized to inventory. In addition to the overstatement of cost of product sales for the three months ended June 30, 2007, net loss were also overstated by $1.0 million or three cents per diluted share.

Due to the Company's net operating loss position, there would have been no income tax effect related to the revisions.

In each case, the Company assessed the effect of these misstatements on the results as reported for the first and second quarters of 2007 and concluded that they were quantitatively and qualitatively immaterial.

(3) Investments and Marketable Securities

The Company classifies its investments in debt and equity securities as either short-term or long-term based upon their maturities and the Company's intent and ability to hold them. Short-term investments are further classified as restricted or unrestricted with restricted investments and cash being held exclusively for the repayment or repurchase of the Company's 4.5% convertible subordinated notes payable due July 1, 2008. Investments in marketable equity securities and debt securities, including auction rate securities are classified as available-for-sale.

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

Investments with maturities of one year or less are classified as current assets and investments in debt securities with maturities greater than one year and marketable equity securities are classified as noncurrent assets when the Company has the intent and ability to hold such securities for at least one year. Debt and marketable equity securities are carried at fair value, with the unrealized gains and losses (which are deemed to be temporary), net of related tax effect, when appropriate, included in the determination of other comprehensive income (loss) and reported in stockholders' equity (deficit). The fair value of all securities is determined by quoted market prices.

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

The Company holds auction rate securities for which interest or dividend rates are generally reset for periods of up to 90 days. The auction rate securities outstanding at September 30, 2007 and December 31, 2006 were investments in state government bonds and corporate securities.

Restricted investments and cash are held in a separate account for the sole purpose of repayment or repurchase of the Company's 4.5% convertible subordinated notes payable due July 1, 2008. As of September 30, 2007, restricted investments amounted to $57,392 and restricted cash amounted to $24,764.

Other securities include investments of participants in the Company's Executive Deferred Compensation Plan which are predominantly mutual fund shares totaling $2.2 million as of September 30, 2007 and $1.8 million as of December 31, 2006. In addition, other securities include $0.3 million of corporate equity securities as of September 30, 2007. As of December 31, 2006, the investments of the deferred compensation plan also included $0.6 million of securities of government-sponsored enterprises (GSE). The assets of the deferred compensation plan also include cash ($0.6 million and $0.3 million at September 30, 2007 and December 31, 2006, respectively). There is a non-current liability that offsets the aggregate deferred compensation plan assets.

The amortized cost, gross unrealized holding gains and losses, and fair value of the Company's available-for-sale securities by major security type at September 30, 2007 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value*
U.S. Government and GSE debt	$ 15,502	$ 2	$ (35)	$ 15,469
U.S. corporate debt	143,862	48	(124)	143,786
Auction rate securities	53,375	—	—	53,375
Other	2,183	385	—	2,568
	$214,922	$ 435	$ (159)	$ 215,198

* $141,529 is included in short-term investments, $57,392 in restricted investments and $16,277 in marketable securities.

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
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(Unaudited)

The amortized cost, gross unrealized holding gains or losses, and fair value of the Company's available-for-sale securities by major security type at December 31, 2006 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value*
U.S. Government and GSE debt	$ 36,003	$ —	$ (260)	$ 35,743
U.S. corporate debt	133,904	7	(230)	133,681
Auction rate securities	40,350	—	—	40,350
Other	2,374	26	—	2,400
	$212,631	$ 33	$ (490)	$ 212,174

* $145,113 is included in short-term investments and $67,061 in marketable securities.

Maturities of marketable debt securities, excluding $2.6 million, the majority of which relates to the Company's Executive Deferred Compensation Plan, at September 30, 2007 were as follows (in thousands):

Twelve-Month Periods Ending September 30,	Amortized Cost	Fair Value
2008	$ 198,708	$198,592
2009	11,031	11,013
Maturities beyond five years	3,000	3,025
	$ 212,739	$212,630

Impairment assessments are made at the individual security level each reporting period. When the fair value of an investment is less than its cost at the balance sheet date, a determination is made as to whether the impairment is other than temporary and, if it is other than temporary, an impairment loss is recognized in earnings equal to the difference between the investment's cost and fair value at such date. The Company has determined that there were no other-than-temporary declines in the fair values of its marketable securities and short-term investments as of September 30, 2007.

The following table shows the fair values and gross unrealized losses of the Company's available-for-sale securities (both short-term and long-term) aggregated by investment category and length of time that individual securities have been in a continuous loss position at September 30, 2007 (in thousands):

	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. corporate debt (1)	$ 96,070	$ (108)	$ 10,918	$ (16)
U.S. Government and GSE debt (2)	—	—	9,967	(35)
Total	$ 96,070	$ (108)	$ 20,885	$ (51)

(1) The unrealized losses of $0.1 million on the U.S. corporate debt were attributable to increases in interest rates, as well as bond pricing. The Company invests in bonds that are rated A1 or better, as dictated by its investment policy. Since the changes in the market value of these investments are due to changes in interest rates and not the credit quality of the issuer, and the Company has the ability and intent to hold these investments until recovery of the cost, the Company does not consider its investments in U.S. corporate debt to be other-than-temporarily impaired at September 30, 2007.

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
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(Unaudited)

(2) The U.S. Government and GSE mortgage-backed securities do not permit the issuer to settle the securities at a price less than the amortized cost. Further, because the declines in market value are due to increases in interest rates and not the credit quality of the issuer, and the Company has the ability and the intent to hold these investments until recovery of the cost, the Company does not consider its investments in U.S. Government and GSE debt to be other-than-temporarily impaired at September 30, 2007. Unrealized losses are negligible at September 30, 2007.

(4) Comprehensive Income

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

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Net income	$ 87,530	$ 2,238	$ 82,785	$ 34,933
Other comprehensive income:				
Unrealized gain on available-for-sale securities that arose during the period	280	403	948	14,412
Reclassification adjustment for gain on available-for-sale securities included in net income(1)	—	—	—	(13,844)
Total other comprehensive income	280	403	948	568
Comprehensive income	$ 87,810	$ 2,641	$ 83,733	$ 35,501

(1) Information has not been tax-effected due to an estimated annual effective tax rate of zero.

(5) Earnings Per Common Share

Basic earnings per common share is computed by dividing the net income available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Restricted stock awards and restricted stock units (collectively, nonvested shares) are not considered to be outstanding shares until the service vesting period has been completed. For purposes of calculating diluted earnings per common share, the denominator includes both the weighted average number of shares of common stock outstanding and the number of common stock equivalents if the inclusion of such common stock equivalents is dilutive. Dilutive common stock equivalents potentially include non-qualified stock options, nonvested shares, shares issuable under the employee stock purchase plan (ESPP) and the number of shares issuable upon conversion of the Company's convertible subordinated notes payable and/or convertible senior notes payable. In the case of notes payable, the diluted earnings per share calculation is further affected by an add-back of interest to the numerator under the assumption that the interest would not have been incurred if the notes payable were converted into common stock.

The dilutive effect of stock options and nonvested shares takes into account a number of treasury shares calculated using assumed proceeds. Assumed proceeds include share-based compensation costs to be attributed to future service and not yet recognized, the cash paid by the holders of stock options to exercise, withholding and contributions pursuant to the ESPP and the excess, if any, of tax benefits that would be credited to additional paid-in capital related to share-based compensation.

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

The following table reconciles the numerators and denominators of the basic and diluted earnings per share computations for the three- and nine-month periods ended September 30, 2007 and September 30, 2006 (amounts in thousands except per-share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Earnings Per Common Share — Basic:				
Net income	$ 87,530	$ 2,238	$ 82,785	$ 34,933
Weighted average common shares outstanding	43,925	43,590	43,890	43,551
Basic earnings per share	$ 1.99	$ 0.05	$ 1.89	$ 0.80
Earnings Per Common Share — Diluted:				
Net income	$ 87,530	$ 2,238	$ 82,785	$ 34,933
Add back interest expense on 4% convertible notes	2,750	*	8,250	3,832
Add back interest expense on 4.5% convertible notes	1,055	*	*	*
Adjusted net income	$ 91,335	$ 2,238	$ 91,035	$ 38,765
Weighted average number of common shares outstanding	43,925	43,590	43,890	43,551
Incremental shares related to ESPP and vesting of nonvested awards	346	*	132	*
Incremental shares assuming conversion of 4% notes	28,796	*	28,796	14,107
Incremental shares assuming conversion of 4.5% notes	1,277	*	*	*
Weighted-average number of common shares outstanding and common share equivalents	74,344	43,590	72,818	57,658
Diluted earnings per share	$ 1.23	$ 0.05	$ 1.25	$ 0.67

* For the three months ended September 30, 2006, the effect of inclusion of all potentially dilutive common stock equivalents and related earnings effects would have been anti-dilutive. Consequently, reported diluted earnings per share is equal to basic earnings per share for the period. Approximately 30.5 million potentially dilutive common stock equivalents were anti-dilutive. For the nine-months ended September 30, 2007 and 2006, approximately 1.5 million and 4.0 million anti-dilutive common stock equivalents related to the 4.5% convertible notes, respectively, were excluded from the computations.

(6) Share-Based Compensation

The Company accounts for its share-based compensation plans, including stock options, nonvested share awards and ESPP, according to the provisions of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 123 (revised), "Share-Based Payment" (SFAS No. 123R).

Stock Option and Nonvested Share Awards

During the three months ended September 30, 2007 and 2006, the Company recognized share-based compensation expense of $1.5 million and $1.0 million, respectively, relating to stock option and nonvested share awards. During the nine-month periods ended September 30, 2007 and 2006, the Company recognized share-based compensation expense of $6.0 million and $3.5 million, respectively, for these plans. Activity in options and nonvested shares during the nine-months ended September 30, 2007 and related balances outstanding as of that date are reflected below (in thousands). The weighted average grant price of the options granted was $8.53 per share and fair values ranged from $2.65 to $3.61 per share. The fair value in total during the nine months ended September 30, 2007 was $7.4 million. The nonvested shares granted during the nine months had a weighted average grant-date fair value of $8.36 per share. The Company uses historical data to estimate forfeiture rates.

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

	Options	Nonvested Shares
Outstanding at December 31, 2006	6,708	1,458
Granted	2,070	470
Exercised and vested	(83)	(59)
Expired and forfeited	(197)	(58)
Outstanding at September 30, 2007	8,498	1,811
Options vested and expected to vest at September 30, 2007	7,683	
Options exercisable at September 30, 2007	5,154	

As of September 30, 2007, there was $6.9 million of total unrecognized compensation cost related to unvested options that the Company expects to recognize over a weighted-average period of 25 months and $10.9 million of total unrecognized compensation cost related to nonvested shares to be recognized over a weighted-average period of 33 months.

Employee Stock Purchase Plan

In January 2007, the Board of Directors adopted the 2007 ESPP which was approved by the Company's stockholders in May 2007. An initial one million shares were reserved for issuance under the plan. All benefit-eligible employees of the Company may participate in the ESPP other than those who own shares or hold options or nonvested shares representing a combined 5% or more of the voting power of the Company's outstanding stock. The ESPP permits eligible employees to purchase common stock through payroll deductions which may not exceed 15% of the employee's compensation, as defined, at a price equal to 85% of the fair market value of the shares at the beginning of the offering period (grant date) or at the end of the offering period (purchase date), whichever is lower. There are two six-month offering periods in each fiscal year, beginning April 1 and October 1. The ESPP is intended to qualify under section 423 of the Internal Revenue Code. Individual participant purchases within a given calendar year are limited to $25,000 ($21,250 based on the 15% discount) and no more than 2,500 shares on any single purchase date. Unless terminated sooner, the ESPP will terminate on January 25, 2017.

The fair value of shares to be issued under the ESPP is estimated at the grant date and is comprised of two components: the 15% discount to fair value of the shares at grant date and the value of the option granted to participants pursuant to which they may purchase shares at the lower of either the grant date or the purchase date fair value. The option component is valued using the Black-Scholes option pricing model. For the first offering period of the new plan beginning April 1, 2007, the following initial assumptions were used to value the option component: 4.5% risk-free interest rate, 20% expected volatility, 0.5 years expected life and no dividend yield. Increases in individual withholding rates within the offering period could have the effect of establishing a new measurement date such that the weighted-average assumptions used for the entire offering period ended September 30, 2007 may vary from those indicated above. Compensation expense recognized for the ESPP was approximately $0.1 million for the nine months ended September 30, 2007, which was recorded in the same expense categories in the consolidated statement of operations as the underlying employee compensation. Amounts withheld from participants are classified as cash from financing activities in the cash flow statement and as a liability in the balance sheet until such time as shares are purchased. There were no stock purchases under the ESPP during the three or nine months ended September 30, 2007. Based upon the purchase price established as of September 30, 2007, 63,960 shares were allocated under the plan in October 2007.

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

(7) Inventories

As of September 30, 2007 and December 31, 2006 inventories consisted of the following (in thousands):

	September 30, 2007	December 31, 2006
Raw materials	$ 9,902	$ 7,321
Work in process	4,936	4,444
Finished goods	5,789	5,853
	$ 20,627	$ 17,618

(8) Intangible Assets

As of September 30, 2007 and December 31, 2006 intangible assets consisted of the following (in thousands):

	September 30, 2007	December 31, 2006	Weighted Average Remaining Useful Lives
Product acquisition costs	$ 78,694	$ 78,694	7 years
Product patented technology	6,000	6,000	8 years
Manufacturing patent	9,000	9,000	1 years
Patent	1,875	1,875	*
	95,569	95,569	
Less: Accumulated amortization	24,846	17,059	
	$ 70,723	$ 78,510	

* Fully amortized.

In December 2006, the Company entered into supply and license agreements with Ovation Pharmaceuticals, Inc. (Ovation) related to the active ingredient used in the production of Oncaspar. The agreement called for the Company to make a $20.0 million nonrefundable payment in February 2007 for a non-exclusive, fully paid, perpetual, worldwide license of the cell line from which the active ingredient is derived, as well as to related data and know-how. Of the $20.0 million, $2.5 million was for an initial supply of the ingredient by Ovation to the Company. The $17.5 million portion of the payment attributable to the license was reflected as a current liability and as an intangible asset as of December 31, 2006. The $17.5 million intangible asset portion of the payment to Ovation is being amortized on a straight-line basis over its estimated economic life, which is coincident with the remaining term of the Company's royalty obligations for Oncaspar — through June 30, 2014.

For the three months and nine months ended September 30, 2007, amortization charged to operations relating to intangible assets totaled $2.6 million and $7.8 million, respectively, of which $2.4 million and $7.2 million, respectively, was classified in cost of product sales and contract manufacturing. For the three months and nine months ended September 30, 2006, amortization expense was $2.0 million and $6.1 million, respectively, of which $1.8 million and $5.5 million, respectively, was charged to cost of product sales and contract manufacturing.

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

(9) Notes Payable

The table below reflects the composition of the notes payable balances as of September 30, 2007 and December 31, 2006 (in thousands):

	September 30, 2007	December 31, 2006
4.5% Convertible Subordinated Notes due July 1, 2008	$ 81,921*	$ 122,642
4% Convertible Senior Notes due June 1, 2013	275,000	275,000
	$ 356,921	$ 397,642

* Classified as current liabilities as of September 30, 2007.

The 4.5% notes mature on July 1, 2008 and are convertible, at the option of the holders, into common stock of the Company at a conversion price of $70.98 per share at any time on or before July 1, 2008. The 4.5% notes are subordinated to all existing and future senior indebtedness. Upon occurrence of a "fundamental change", as defined in the indenture governing the notes, holders of the notes may require the Company to redeem the notes at a price equal to 100% of the principal amount plus accrued and unpaid interest. The Company may redeem any or all of the 4.5% notes at specified redemption prices, plus accrued and unpaid interest to the day preceding the redemption date. Because the 4.5% notes mature in less than twelve months from September 30, 2007, they are classified as current liabilities in the Company's condensed consolidated balance sheet as of September 30, 2007. Cash of approximately $82.0 million needed for repayment or repurchase of the remaining balance of the 4.5% notes payable outstanding as of September 30, 2007, has been set aside in restricted investments and cash. The assets in this segregated account may be used only for purposes of retiring the 4.5% notes.

The 4% notes mature on June 1, 2013, unless earlier redeemed, repurchased or converted, at the option of the holders, into the Company's common stock at an initial conversion price of $9.55 per share. The 4% notes are senior unsecured obligations and rank equal to other senior unsecured debt of the Company and all future senior unsecured debt of the Company. At any time on or after June 1, 2009, if the closing price of the Company's common stock for at least 20 trading days in the 30-consecutive-trading-day period ending on the date one day prior to the date of a notice of redemption is greater than 140% of the applicable conversion price on the date of such notice, the Company, at its option, may redeem the 4% notes in whole or in part, at a redemption price in cash equal to 100% of the principal amount of the 4% notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date. The 4% notes are not redeemable prior to June 1, 2009. Upon occurrence of a "fundamental change", as defined in the indenture governing the 4% notes, holders of the notes may require the Company to redeem the notes at a price equal to 100% of the principal amount plus accrued and unpaid interest or, in certain cases, to convert the notes at an increased conversion rate based on the price paid per share of the Company's common stock in the transaction constituting the fundamental change.

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In connection with the Company's second-quarter 2006 issuance of $275.0 million of the 4% notes, the Company entered into a registration rights agreement whereby it agreed to file a shelf registration statement with the SEC to permit the registered resale of the 4% notes and the common stock issuable upon conversion of the notes. The shelf registration was filed in a timely manner on October 2, 2006 and was declared effective by the SEC on November 3, 2006. Failure to maintain the effectiveness of the registration statement for a period of two years beginning November 3, 2006 would result in additional interest of up to $1.5 million being payable on the 4% notes as of September 30, 2007. Beginning January 1, 2007, the Company evaluates the accounting for the 4% convertible notes registration rights in accordance with FASB Staff Position (FSP) EITF No. 00-19-2, "Accounting for Registration Payment Arrangements", which specifies that registration payment arrangements should play no part in determining the initial classification and subsequent accounting for the securities they related to. The Staff Position requires the contingent obligation in a registration payment arrangement to be separately analyzed under FASB Statement No. 5, "Accounting for Contingencies" and FASB Interpretation No. 14, "Reasonable Estimation of the Amount of a Loss". If payment in a registration payment arrangement is probable and can be reasonably estimated, a liability should be recorded. Based on the Company's evaluation, no liability relating to the convertible notes was required to be recorded as of January 1, 2007 or September 30, 2007.

Interest on the 4.5% notes is payable January 1 and July 1 of each year. Accrued interest on the 4.5% notes was $0.9 million as of September 30, 2007 and $2.7 million as of December 31, 2006. Interest on the 4% notes is payable on June 1 and December 1 of each year. As of September 30, 2007 accrued interest on the 4% notes amounted to $3.7 million, and $1.0 million as of December 31, 2006.

The Company evaluated the accounting for the conversion features in accordance with Emerging Issues Task Force Issue (EITF) No. 00-19, "Accounting for Derivative Financial Instruments Indexed to and Potentially Settled in, a Company's Own Stock," and related issues, at the date of issuance of the 4% and 4.5% Convertible Notes and determined that the conversion features should be classified as equity, and therefore they do not need to be accounted for separately from the respective convertible notes. The Company updates its analyses of the accounting for the conversion features on a quarterly basis and more frequently if circumstances warrant. If a conversion feature is required to be bifurcated in the future, changes in the fair value of the conversion feature would be charged or credited to interest expense in each period.

(10) Restructuring

During the first quarter of 2007, the Company announced plans to consolidate manufacturing operations in its Indianapolis, Indiana location. This action was taken as part of the Company's continued efforts to streamline operations. All operations at the Company's South Plainfield, New Jersey facility are expected to be transferred to the Company's Indianapolis facility in 2008, resulting in the incurrence of certain restructuring and exit costs. Among these costs will be employee severance and related benefits for affected employees in an estimated range of approximately $3.5 million to $4.0 million all of which relate to the Products segment. These amounts will be paid in 2008 upon the successful transfer of production to the Company's Indianapolis facility and closure of the South Plainfield facility. The Company has recognized severance costs of $0.4 million in the third quarter of 2007 and $1.7 million since inception of the plan. Other costs are expected to be incurred relating to relocation and/or write-off of goods and equipment and will be recognized as incurred.

During the third quarter 2007, management modified its original product transfer and validation plan, resulting in the decommissioning of certain assets earlier than originally expected at the South Plainfield facility. These assets consist primarily of manufacturing equipment that will not be transferred to the Indianapolis facility, nor continue to be used in manufacturing at the South Plainfield facility. Accordingly, the Company fully recognized the remaining depreciation totaling $5.1 million on these assets during the third quarter of 2007.

In the three months ended June 30, 2007, $1.9 million, being the cost of validation batches at the Indianapolis facility for Oncaspar and Adagen, was expensed and included in cost of product sales. Additional expenses associated with the validation of production processes transferred to Indianapolis, may be experienced and will be recognized as incurred.

In the aggregate, including employee and validation costs, the Company anticipates incurring costs in 2007 in connection with this restructuring plan in the range of $8.0 million to $10.0 million, a portion of which will be classified as cost of product sales.

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The Company may experience additional costs associated with lease termination or sublease of the South Plainfield facility. Such costs will be incurred and recognized when the Company ceases use of the property in 2008. However, the Company does not know at this time what the final use or disposition of the leased South Plainfield facility will be. At September 30, 2007, the Company's analysis of the future net undiscounted cash flows for the South Plainfield facility assets did not indicate an impairment apart from that of the specific assets referred to above.

(11) Gain on Sale of Royalty Interest

During the third quarter of 2007, the Company sold a 25% interest in future royalties payable to it by Schering-Plough Corporation on net sales of PEG-INTRON occurring after June 30, 2007. The purchaser of the 25% interest will be obligated to pay an additional $15.0 million to the Company in the first quarter of 2012 if it receives a certain threshold level of royalties on sales of PEG-INTRON occurring from July 1, 2007 through December 31, 2011. The gain on the sale of the royalty interest, net of related costs, is $88.7 million. The $15.0 million contingent gain will be recognized when and if the contingency is removed and collection is assured.

(12) Supplemental Cash Flow Information

The Company considers all highly liquid investment securities with original maturities of three months or less to be cash equivalents. For each of the nine-month periods ended September 30, 2007 and 2006, there were payments of interest on the Company's notes payable of $11.1 million and $17.2 million, respectively. Income tax payments for the nine months ended September 30, 2007 and 2006, were $0.5 million and $0.1 million, respectively.

(13) Income Taxes

During the three months and nine months ended September 30, 2007, the Company recorded a tax expense of approximately $2.0 million and $2.1 million, respectively, which represents federal, state and Canadian tax liabilities and includes an adjustment to taxes payable. During the three months and nine months ended September 30, 2006, the Company recorded a tax expense of approximately $0.1 million and $0.6 million, respectively, representing state and Canadian taxes payable. The federal income tax provision that was recorded for the three months and nine months ended September 30, 2007 represents federal alternative minimum tax. No federal income tax provision was recorded for the three months and nine months ended September 30, 2006 as the estimated annual effective tax rate is zero due to the Company's ability to utilize its federal net operating loss carry forwards to eliminate its projected taxable income. As of September 30, 2007, the Company continues to provide a valuation allowance against its net deferred tax assets since the Company believes it is more likely than not its deferred tax assets will not be realized.

In accordance with FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), tax benefits of uncertain tax positions are recognized only if it is more likely than not that the Company will be able to sustain a position taken on an income tax return. Upon adoption of FIN 48, as amended, as of January 1, 2007, the Company had no tax positions relating to open income tax returns that were considered to be uncertain. Accordingly, the Company had no liability for such uncertain positions nor did it establish such a liability upon adoption of FIN 48 nor during the nine months ended September 30, 2007.

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The Company files income tax returns in the U.S. federal jurisdiction, various state jurisdictions and Canada. The Company is currently not under examination by the U.S. Internal Revenue Service, however, the tax years 2004 through 2006 remain open to examination.

State income tax returns for the states of New Jersey and Indiana are generally subject to examination for a period of 3-4 years after filing of the respective returns. The Company's state income tax returns are currently not under examination by either New Jersey or Indiana.

Income tax returns for Canada are generally subject to examination for a period of 3-5 years after filing of the respective return. The Company's income tax returns are currently not under examination by Revenue Canada.

Interest and penalties, if any, related to unrecognized tax benefits, would be recognized as income tax expense.

(14) Segment Information

The Company operates in the following business and reportable segments:

Products - Currently, the Company has developed or acquired four therapeutic, FDA-approved products focused primarily in oncology and adjacent diseases. The Company currently markets its products through its specialized U.S. sales forces that call upon specialists in oncology, hematology and other critical care disciplines. The Company's four proprietary marketed brands are Oncaspar, Abelcet, Adagen and DepoCyt.

Royalties - The Company derives licensing income from royalties received on the manufacture and sale of products that utilize its proprietary technology. Royalties are primarily derived from sales by Schering-Plough of PEG-INTRON. In addition to royalties from PEG-INTRON, the Company receives royalty revenues on Pegasys and Macugen through an agreement with Nektar Therapeutics, Inc. (Nektar) under which the Company shares in Nektar's royalties on sales of these products. During the third quarter of 2007, the Company sold a 25% interest in its future royalties from PEG-INTRON for $92.5 million. Net of associated costs, the sale resulted in a gain of $88.7 million.

Contract Manufacturing - The Company provides contract manufacturing services for third parties — primarily MYOCET and Abelcet for export, each for Cephalon France, and the injectable multivitamin, MVI, for Hospira, Inc.

Profit (loss) for the Company's segments is measured based on operating results, excluding investment income, interest expense and income taxes. The Company's research and development expense is considered a corporate expense until a product candidate enters Phase III clinical trials at which time related costs would be chargeable to one of the Company's operating segments. The Company does not identify or allocate property and equipment by operating segment, and does not allocate depreciation to the operating segments. Operating segments do not have intersegment revenue, and accordingly, there is none to be reported.

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The following tables present segment revenues and profitability information for the three- and nine-month periods ended September 30, 2007 and 2006 (in thousands):

		Three months ended September 30,				
Segment		Products	Royalties	Contract Manufacturing	Corporate(1)	Consolidated
Revenues	2007	$24,874	$ 18,206	$ 3,761	$ —	$ 46,841
	2006	$25,295	$ 18,705	$ 1,856	$ —	$ 45,856
Profit (Loss)(2)	2007	$ (1,545)	$106,872	$ 821	$ (16,631)	$ 89,517
	2006	$ 6,526	$ 18,705	$ (1,025)	$ (21,841)	$ 2,365

		Nine months ended September 30,				
Segment		Products	Royalties	Contract Manufacturing	Corporate(1)	Consolidated
Revenues	2007	$72,542	$ 52,840	$ 12,159	$ —	$ 137,541
	2006	$74,107	$ 53,889	$ 10,193	$ —	$ 138,189
Profit (Loss)(2)	2007	$ 2,481	$141,506	$ 2,675	$ (61,822)	$ 84,840
	2006	$19,586	$ 53,889	$ 1,690	$ (39,681)	$ 35,484

(1) Corporate expenses include operating income (loss) components that are not directly attributable to an operating segment, including general and administrative expenses, treasury activities and exploratory, preclinical and clinical research and development expenses not specifically identifiable with existing marketed products or product candidates that have not entered Phase III clinical trials.

(2) Starting in the fourth quarter of 2006, the Company began evaluating the performance of the Products segment with the inclusion of research and development costs related to marketed products and new indications for those products. Segment profit for prior periods reflects reclassifications for comparability.

Following is a reconciliation of segment profit to consolidated income before income tax provision (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Segment profit	$106,148	$ 24,206	$146,662	$ 75,165
Unallocated operating expense	15,531	23,573	57,038	53,028
Operating income	90,617	633	89,624	22,137
Other corporate (expense) income	(1,100)	1,732	(4,784)	13,347
Income before income tax provision	$ 89,517	$ 2,365	$ 84,840	$ 35,484

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

Overview

We are a biopharmaceutical company dedicated to the development, manufacturing and commercialization of therapeutics to treat patients with cancer and other life-threatening conditions. We operate in three business segments: Products, Royalties and Contract Manufacturing. Our hospital and oncology sales forces market Oncaspar, Abelcet, Adagen, and DepoCyt in the United States. In addition, we receive royalties, primarily on sales of PEG-INTRON, marketed by Schering-Plough Corporation. Royalties are derived through the application of our proprietary PEGylation technology to other companies' products. PEGylation is a proven means of enabling or enhancing the performance of pharmaceuticals with delivery limitations through the chemical attachment of polyethylene glycol or PEG. Our product-driven strategy includes an extensive drug development program that leverages our proprietary technologies, including a Customized Linker Technology™ PEGylation platform that utilizes customized linkers designed to release compounds at a controlled rate. We complement our internal research and development efforts with strategic initiatives, such as partnerships designed to broaden our revenue base or provide access to promising new technologies or product development opportunities. We also engage in contract manufacturing opportunities with third parties to improve our efficiency.

Results of Operations

Three Month and Nine Month Periods Ended September 30, 2007 and 2006

Overview

During the three months ended September 30, 2007, we sold a 25% interest in our future royalty revenues on sales of PEG-INTRON. The gross proceeds were $92.5 million. The gain on the sale of $88.7 million, after deducting related costs of the transaction, was recognized in full in our Royalties segment in the third quarter of 2007. While product sales declined 2% from the comparable three- and nine-month periods of 2006, cost of sales rose during the respective periods due in part to higher amortization expense related to the license of the raw material used in the production of Oncaspar and the expensing of validation batches in the first six months in connection with the transfer of production to our Indianapolis facility. Total spending on research and development rose from the comparable nine-month period although moderating during the most recent three-month period. Restructuring costs incurred in 2007 and gains in 2006 on an investment sale and refinancing of debt also affected period-over-period comparison. More detailed analysis of each of these income and expense items is provided below.

The percentage changes below and throughout this Management's Discussion and Analysis are based on thousands of dollars and not the rounded millions of dollars reflected throughout this section. The following is a reconciliation of segment profitability to consolidated income before income tax (millions of dollars).

	Three Months Ended		Nine Months Ended	
	September 2007	September 2006	September 2007	September 2006
Products Segment (loss) profit(1)	$ (1.5)	$ 6.6	$ 2.5	$ 19.6
Royalties Segment profit	106.9	18.7	141.5	53.9
Contract Manufacturing Segment profit (loss)	0.8	(1.1)	2.7	1.7
Corporate and other expenses(2)	(16.7)	(21.8)	(61.9)	(39.7)
Income before income tax provision	$ 89.5	$ 2.4	$ 84.8	$ 35.5

(1) Starting in the fourth quarter of 2006, we began evaluating the performance of the Products segment with the inclusion of research and development costs related to marketed products and new indications for those products. Segment profit for prior periods reflects reclassifications for comparability.

(2) We do not allocate certain corporate income and expenses not directly identifiable with the respective segments, including general and administrative expenses, exploratory and preclinical research and development expenses, depreciation, investment income, interest expense and income taxes. Research and development expense is considered a corporate expense unless it relates to an existing marketed product or a product candidate enters Phase III clinical trials at which time related costs would be chargeable to one of our operating segments.

Products Segment

Products segment profitability (millions of dollars):

	Three Months Ended			Nine Months Ended		
	September 2007	% Change	September 2006	September 2007	% Change	September 2006
Revenues	$ 24.8	(2)	$ 25.3	$ 72.5	(2)	$ 74.1
Cost of sales	11.2	21	9.2	31.4	18	26.5
Research and development	1.8	(8)	2.0	8.0	87	4.3
Selling and marketing	7.7	5	7.3	23.3	1	23.1
Amortization of acquired intangible assets	0.1	(7)	0.2	0.5	(3)	0.6
Restructuring	5.5	n.m.	—	6.8	n.m.	—
Segment (loss) profit	$ (1.5)	n.m.	$ 6.6	$ 2.5	(87)	$ 19.6

n.m. — not meaningful

Revenues

Sales performance of individual products is provided below (millions of dollars):

	Three Months Ended			Nine Months Ended		
Product	September 2007	% Change	September 2006	September 2007	% Change	September 2006
Oncaspar	$ 10.5	42	$ 7.4	$ 27.7	29	$ 21.4
DepoCyt	2.2	8	2.0	6.6	10	6.0
Abelcet	6.7	(25)	9.0	21.1	(27)	28.8
Adagen	5.4	(21)	6.9	17.1	(4)	17.9
Totals	$ 24.8	(2)	$ 25.3	$ 72.5	(2)	$ 74.1

Oncaspar continues to demonstrate solid sales growth both for the quarter and the nine-month period ended September 30, 2007, while Abelcet sales are down both on a quarterly as well as a year-to-date basis leading to a 2% reduction in sales overall for both period comparisons.

Oncaspar volume growth was approximately 20% in the comparison of third-quarter 2007 to the third quarter of 2006 and approximately 13% for the nine-month period comparisons. The U.S. Food and Drug Administration (FDA) approved Oncaspar for the first-line treatment of patients with acute lymphoblastic leukemia in July 2006. The increase in Oncaspar sales is attributable to an increase in volume reflecting the continued transition to the first line use of Oncaspar and the adoption of protocols in pediatrics and adult patients that call for dosage regimens that will include a greater number of weeks of Oncaspar therapy and an April 1, 2007 price increase. Sales of DepoCyt, for treatment of lymphomatous meningitis, and Adagen, for treatment of severe combined immuno-deficiency disease, tend to fluctuate from quarter to quarter due to their small patient bases. On April 1, 2007, we increased the price of these products which had a positive impact on quarter and nine-month sales compared to prior periods. In April 2007, the FDA granted full approval of DepoCyt. Originally, DepoCyt was approved under the FDA's Sub Part H regulation. Abelcet sales volumes in the U.S. and Canada, continue to decline due to continued competition from newer generation antifungal products coupled with some contraction of the overall intravenous antifungal market. Abelcet declined 25% and 27% for the three- and nine-month periods ended September 30, 2007, respectively when compared to the same periods in the preceding year. We anticipate continued Abelcet competition.

Cost of sales

In the three months ended September 30, 2007, cost of products sold of $11.2 million as a percentage of sales rose to 45% compared to 37% ($9.2 million) for the same period in the prior year. This contributed to a corresponding nine-month period rise in cost of sales as a percentage of sales from 36% of sales to 43%. The initiation of the transfer of production of Oncaspar and Adagen from our South Plainfield facility to our Indianapolis facility involves the production of a number of test lots in order to validate the new production processes and assure the continued quality and stability of product. These test production batches totaling $1.9 million in the three months ended June 30, 2007 are unsaleable and were expensed as part of cost of sales. In addition,

substantially higher supplier costs of materials for Adagen, negative production variances in the third quarter for Abelcet and increased amortization expense associated with the Oncaspar-related intangible asset acquired in December 2006 to secure the supply of L-asparaginase, all contributed to higher cost of sales.

Research and development

Research and development spending on marketed products, primarily Oncaspar and Adagen, dropped slightly from $2.0 million in the third quarter of 2006 to $1.8 million in the third quarter of 2007 while increasing from $4.3 million to $8.0 million for the corresponding nine-month periods. The year-to-date rise in product-related research and development expense was due to the ongoing formulation enhancement of Oncaspar and Adagen as well as Oncaspar life-cycle management.

Selling and marketing

Overall, spending on selling and marketing in 2007 remained relatively unchanged from 2006 levels.

Amortization of acquired intangible assets

Amortization expense of $0.1 million for the three months ended September 30, 2007, and $0.5 million for the nine months ended September 30, 2007 was essentially unchanged from the corresponding periods of 2006. Amortization of intangible assets has been provided over their remaining estimated lives ranging from 1-14 years on a straight-line basis.

Restructuring

During the first quarter of 2007, we announced plans to consolidate manufacturing operations in our Indianapolis, Indiana location. This action was taken as part of our continued efforts to streamline operations.

All operations at our South Plainfield, New Jersey facility are expected to be transferred to our Indianapolis facility in 2008, resulting in the incurrence of certain restructuring and exit costs. Among these costs will be employee severance and related benefits for affected employees in an estimated range of approximately $3.5 million to $4.0 million, all of which relate to the Products segment. These amounts will be paid in 2008 upon the successful transfer of production to our Indianapolis facility and closure of the South Plainfield facility. Severance charges of $0.4 million and $1.7 million have been recognized in the quarter and year-to-date periods ended September 30, 2007, respectively. We expect to incur other costs related to the relocation of goods and equipment, and we will recognize such costs as incurred.

In the three months ended June 30, 2007, $1.9 million, the cost of validation batches at our Indianapolis facility for both Oncaspar and Adagen, was expensed and included in cost of product sales. There were no charges for validation batches during the third quarter of 2007. In the aggregate, including employee and validation costs, we anticipate incurring costs in connection with this restructuring plan in the range of $8.0 million to $10.0 million, a portion of which has and will be classified as cost of product sales.

During the third quarter 2007, we modified our original product transfer and validation plan, resulting in commencement of the decommission of certain assets earlier than originally expected at the South Plainfield facility. These assets consist primarily of manufacturing equipment that will not be transferred to the Indianapolis facility, nor will it continue to be used in manufacturing at the South Plainfield facility. Accordingly, we fully recognized the remaining depreciation totaling $5.1 million on these assets during the third quarter of 2007.

We may experience costs associated with lease termination or sublease of the South Plainfield facility. Such costs will be incurred and recognized when we cease use of the property in 2008. However, we do not know at this time what the final use or disposition of the leased South Plainfield facility will be.

Royalties Segment

Royalties segment profitability (millions of dollars):

	Three Months Ended			Nine Months Ended		
	September 2007	% Change	September 2006	September 2007	% Change	September 2006
Royalty revenue	$ 18.2	(3)	$ 18.7	$ 52.8	(2)	$ 53.9
Gain on sale of royalty interest	88.7	n.m.	—	88.7	n.m.	—
Segment profit	$ 106.9	n.m.	$ 18.7	$ 141.5	n.m.	$ 53.9

n.m. — not meaningful

Total royalty revenue of $18.2 million for the three months ended September 30, 2007 was 3% lower than the $18.7 million during the comparable three-month period ended September 30, 2006. Total royalties for the nine months ended September 30, 2007 decreased 2% to $52.8 million as compared to $53.9 million during the comparable nine-month period ended September 30, 2006.

Growth in sales of PEG-INTRON, from which we derive the majority of our royalty revenue, largely offset the effects of competition for Macugen in the U.S.

During the quarter ended September 30, 2007, we sold a 25% interest in future royalties payable to us by Schering-Plough Corporation on net sales of PEG-INTRON occurring after June 30, 2007. The purchaser of the 25% interest, will be obligated to pay an additional $15.0 million to us in the first quarter of 2012 if it receives a certain threshold level of royalties on sales of PEG-INTRON occurring from July 1, 2007 through December 31, 2011. The gain on the sale of the royalty interest, net of related costs, is $88.7 million. The $15.0 million contingent gain will be recognized when and if the contingency is removed and collection is assured. As a result of the sale, future royalties from PEG-INTRON are expected to be reduced by approximately 25%.

Costs and expenses

Current royalty revenues do not require any material specific maintenance costs. At some point in the future, costs associated with initiation of new outlicensing agreements that could result in our receipt of a royalty stream and, if necessary, costs necessary to maintain the underlying technology may be charged to the Royalties segment.

Contract Manufacturing Segment

Contract manufacturing segment profitability (millions of dollars):

	Three Months Ended			Nine Months Ended		
	September 2007	% Change	September 2006	September 2007	% Change	September 2006
Revenues	$ 3.8	103	$ 1.9	$ 12.2	19	$ 10.2
Cost of sales	3.0	2	3.0	9.5	12	8.5
Segment profit	$ 0.8	n.m.	$ (1.1)	$ 2.7	58	$ 1.7

n.m. — not meaningful

Revenues

Contract manufacturing revenue for the three- and nine-month periods ended September 30, 2007 was $3.8 million and $12.2 million, respectively. This compares to $1.9 million and $10.2 million for the comparable periods of 2006. The increase in contract manufacturing revenue in the three months ended September 30, 2007 was primarily attributable to the resolution, during the quarter ended September 30, 2006 of an annual revenue reconciliation related to two contracts that resulted in a reduction of revenue of $1.2 million. It is not uncommon for the timing of shipments to cause quarter-over-quarter fluctuations.

Cost of sales

Cost of sales for contract manufacturing fluctuates significantly from period to period because of the nature of the business, the timing of production lots and the resultant levels of cost absorption. Further complicating analysis in the three months ended September 30, 2006 was the above-mentioned revenue reconciliation adjustment which lowered revenues of $1.2 million with no corresponding reduction in cost of sales. This had approximately a three percentage point adverse effect on cost of sales as a percent of sales for the nine months ended September 30, 2006. Elevated costs in the first quarter of 2007 due to start-up of production related to a newly negotiated agreement contributed to the higher nine-months 2007 cost of sales.

Non-U.S Revenue

During the three months ended September 30, 2007, we had export sales and royalties on export sales of $20.0 million, of which $11.5 million were in Europe. This compares to $16.7 million of export sales in the comparable three-month period of 2006, of which $9.2 million were in Europe.

We had export sales and royalties on export sales of $56.6 million and $34.0 million, of which $48.6 million and $27.3 million were in Europe, for the nine months ended September 30, 2007 and 2006, respectively.

Corporate and Other Expense

(millions of dollars)

	Three Months Ended			Nine Months Ended		
	September 2007	% Change	September 2006	September 2007	% Change	September 2006
Research and development	$ 9.0	4	$ 8.6	$ 33.8	48	$ 22.8
General and administrative	6.6	(6)	7.0	23.3	5	22.3
Acquired in-process research and development	—	n.m.	8.0	—	n.m.	8.0
Other (income) expense:						
Investment income, net	(2.7)	(5)	(2.8)	(7.6)	(65)	(21.7)
Interest expense	4.3	(28)	5.9	13.3	(24)	17.4
Other, net	(0.5)	(90)	(4.9)	(0.9)	(90)	(9.1)
	1.1	n.m.	(1.8)	4.8	n.m.	(13.4)
Corporate and other expenses	$ 16.7	(24)	$ 21.8	$ 61.9	56	$ 39.7

n.m. — not meaningful

Research and development

For the three months ended September 30, 2007, corporate research and development expenses increased by $0.4 million to $9.0 million as compared to the three months ended September 30, 2006. For the nine-month periods ended September 30, 2006 and 2007, research and development spending increased from $22.8 million to $33.8 million, respectively. Included in the $33.8 million is $0.8 million related to milestones. We are investing in our research and development efforts in areas such as rhMBL, PEG-SN38, the HIF-1 alpha antagonist and other LNA-and PEGylation-based programs. We anticipate that increased levels of research and development expense will continue.

General and administrative

General and administrative expenses for the three- and nine-month periods ended September 30, 2007 of $6.6 million and $23.3 million, respectively, was relatively unchanged when compared to $7.0 million and $22.3 million in the comparable periods in 2006. Certain legal and consulting costs incurred in 2006 were not experienced this year, however, incremental share-based compensation costs tended to offset these savings.

Acquired in-process research and development

In August 2006, we paid Santaris Pharma A/S $8.0 million for worldwide rights to develop and commercialize certain RNA antagonists.

Other (income) expense

Other (income) expense for the three months ended September 30, 2007 was net expense of $1.1 million, as compared to net income of $1.8 million for the three months ended September 30, 2006. For the nine-month periods, other (income) expense was net expense of $4.8 million in 2007 compared to a net income of $13.4 million in 2006. Other (income) expense includes: net investment income, interest expense and other, net.

Net investment income decreased by $0.1 million to $2.7 million for the three months ended September 30, 2007 from $2.8 million for the three months ended September 30, 2006 due to more investments outstanding in the comparative period ended September 30, 2006. Net investment income decreased by $14.1 million to $7.6 million for the nine months ended September 30, 2007 from $21.7 million for the nine months ended September 30, 2006. The nine months' decrease was principally due to the sale in January and February 2006 of our remaining 1,023,302 shares of Nektar Therapeutics, Inc. common stock which resulted in a net gain of $13.8 million and cash proceeds of $20.2 million.

Interest expense was $4.3 million and $13.3 million for the three-month and nine-month periods ended September 30, 2007 and $5.9 million and $17.4 million for the three-month and nine-month periods ended September 30, 2006, respectively. The reduction in interest expense is attributable to the lowering of effective interest rates on our outstanding notes payable through a refinancing during 2006. Outstanding notes payable at the beginning of 2006 in the amount of $394.0 million bore interest at 4.5%. In May and July 2006, $133.8 million and $137.6 million principal amount, respectively, of these notes were repurchased using the proceeds of the May 2006 issuance of $275.0 million 4.0% notes. The net result of these transactions was to replace $271.4 million of 4.5% notes with $275.0 million 4.0% notes, resulting in an annualized interest cost savings of approximately $1.4 million. Additional repurchases of our 4.5% notes, including $40.7 million principal amount during the nine months ended September 30, 2007, have taken place over the past year and a half, reducing the outstanding balance as of September 30, 2007 to $81.9 million, further contributing to savings of interest expense.

Other, net was a net income of $0.5 million for the three months ended September 30, 2007, as compared to a net income of $4.9 million for the three months ended September 30, 2006. For the nine months ended September 30, 2007, other, net was a net income of $0.9 million versus a net income of $9.1 million for the nine months ended September 30, 2006. The change resulted primarily from a $9.2 million gain on the repurchase of the 4.5% notes during the nine-month period.

Income Taxes

During the three and nine months ended September 30, 2007, we recorded a tax expense of approximately $2.0 million and $2.1 million, respectively, which represents federal, state and Canadian tax liabilities and includes an adjustment to taxes payable. During the three months and nine months ended September 30, 2006, we recorded a tax expense of $0.1 million and $0.6 million, respectively, representing state and Canadian taxes payable. A federal income tax provision was recorded for the three months and nine months ended September 30, 2007 which represents federal alternative minimum tax primarily related to the gain on sale of a royalty interest recognized in the third quarter. No federal income tax provision was recorded for the three months and nine months ended September 30, 2006 as the estimated annual effective tax rate was zero due to our ability to utilize our federal net operating loss carryforwards to eliminate our projected taxable income.

Our adoption, as of January 1, 2007, of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), had no effect on income tax expense. In accordance with FIN 48, as amended, tax benefits of uncertain tax positions are recognized only if it is more likely than not we will be able to sustain a position taken on an income tax return. We have no tax positions relating to open income tax returns that we consider to be uncertain.

Liquidity and Capital Resources

Total cash reserves, which include cash, cash equivalents, short-term investments, restricted investments and cash, and marketable securities, were $261.3 million as of September 30, 2007, as compared to $240.6 million as of December 31, 2006. The increase is primarily due to the gain on sale of an interest in future PEG-INTRON royalties reduced by the repurchase of a portion of our notes payable as well as reductions in current liabilities. During the three months ended September 30, 2007, we repurchased $24.8 million principal amount of our 4.5% notes bringing year-to-date repurchases to $40.7 million. In addition, accounts payable and accrued expenses at September 30, 2007 were approximately $30.1 million lower than at December 31, 2006. Those liabilities at December 31, 2006 included $17.5 million owed under a December 2006 supply and license agreement with Ovation Pharmaceuticals, Inc., a $5.0 million milestone payment to Santaris Pharma A/S related to HIF-1 alpha and $7.0 million in legal fees incurred in connection with securing Oncaspar raw material. We invest our excess cash primarily in United States government and government-sponsored enterprise securities, investment-grade corporate debt securities and auction rate securities.

Cash provided by operations totaled $91.8 million for the nine months ended September 30, 2007 compared to $29.6 million for the same period of 2006. This primarily reflects the period-over-period increase in operating income ($89.6 million in 2007 compared to $22.1 million in 2006), adjusted for non-cash items ($23.7 million in 2007 compared to $13.4 million in 2006). A net use of cash related to operating assets and liabilities of approximately $15.6 million comprises the remainder of the period-to-period fluctuation.

Operating income rose for the nine months ended September 31, 2007 compared to the same period of 2006 due primarily to the net gain on the sale of a future royalty interest of $88.7 million offset in part by increased research and development spending, inclusive of acquired in-process research and development, of $6.7 million and higher cost of product sales and contract manufacturing of $5.8 million. The most significant fluctuation in operating assets and liabilities was a reduction of accounts payable of $17.9 million.

Cash was used in investing activities in the nine months ended September 30, 2007 in the amount of $59.5 million compared to $92.5 million in the nine-month period of 2006. In the nine-month period ended September 30, 2007, maturities and proceeds from sale of marketable securities totaling $288.9 million were used to purchase $315.6 million of marketable securities resulting in a net decrease in cash of $26.7 million. In addition, during the nine-month period ended September 30, 2007 we purchased property and equipment and product rights totaling $32.7 million.

The use of $40.2 million for the repurchase of $40.7 million principal amount of our 4.5% notes payable during the nine months ended September 30, 2007 constituted our primary financing activity. In addition, we received $0.4 million related to the exercise of employee stock options and $0.4 million related to the employee stock purchase plan (ESPP) which had its first offering period commence April 1, 2007.

As of September 30, 2007, we had $356.9 million of convertible notes outstanding. The 4.5% notes in the principal amount of $81.9 million are subordinated to all existing and future senior indebtedness of the Company, including the $275.0 million of 4% convertible senior notes issued during the second quarter of 2006. Interest is payable on January 1 and July 1 of each year on the 4.5% notes and on June 1 and December 1 of each year on the 4% notes. During the nine-month periods ended September 30, 2007 and September 30, 2006, there were payments of interest of $11.1 million and $17.2 million, respectively. Accrued interest on the aggregate amount of the notes outstanding was $4.6 million as of September 30, 2007 and $3.7 million as of December 31, 2006.

Our current sources of liquidity are: our cash reserves; interest earned on such cash reserves; sales of Oncaspar, DepoCyt, Abelcet and Adagen; royalties earned, which are primarily related to sales of PEG-INTRON; and contract manufacturing revenue. As a result of the sale in the third quarter of 2007, of a 25% interest in future royalties payable to us on sale of PEG-INTRON occurring after June 30, 2007, cash flows from royalties earned will be affected beginning in the fourth quarter of 2007. Based upon our current 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 and operational requirements for the near future. As indicated above, total cash reserves include restricted investments and cash. These dedicated funds amounted to $82.2 million at September 30, 2007 fully covering the $81.9 million principal amount of 4.5% notes payable July 1, 2008. While we believe that our current sources of liquidity will be adequate to satisfy our capital and operational needs for the near future, we may enter into agreements with collaborators with respect to the development and commercialization of products that could increase our cash requirements, or seek additional financing 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 September 30, 2007, we were not involved in any SPE transactions.

Our 4% notes payable are convertible into shares of our common stock at a conversion price of $9.55 per share and pose a reasonable likelihood of potential significant dilution. The maximum potential dilutive effect of conversion of the 4% notes is 28.8 million shares. Our 4.5 % notes have a conversion price of $70.98 per share. Consequently, dilution related to the 4.5% notes is remote. Notes payable are discussed in greater detail in Liquidity and Capital Resources above and in the notes to our condensed consolidated financial statements.

In addition, stock options to purchase 8.5 million shares of our common stock at a weighted average exercise price of $11.36 per share and 1.8 million restricted stock units were outstanding at September 30, 2007 that represent additional potential dilution.

Contractual Obligations

Our major outstanding contractual obligations relate to our operating leases, inventory purchase commitments, convertible debt, and license agreements with collaborative partners.

During the nine-month period ended September 30, 2007 we repurchased $40.7 million principal amount of our 4.5% notes. There have been no other material changes with respect to our contractual obligations as disclosed under Management's Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations in our Annual Report on Form 10-K for the year ended December 31, 2006.

Critical Accounting Policies and Estimates

A critical accounting policy is one that is both important to the portrayal of a company's financial condition and results of operations and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Our consolidated financial statements are presented in accordance with accounting principles that are generally accepted in the United States. All accounting standards effective as of September 30, 2007 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 critical because changes to certain judgments and assumptions inherent in these policies could affect our consolidated financial statements.

We base our estimates, to the extent possible, on historical experience. Historical information is modified as appropriate based on current business factors and various assumptions that we believe are necessary to form a basis for making judgments about the carrying value of assets and liabilities. We evaluate our estimates on an ongoing basis and make changes when necessary. Actual results could differ from our estimates.

Revenues

Revenues from product sales and contract manufacturing revenue are recognized when title passes to the customer as described below. For product sales, we also record a provision at the time of shipment for estimated future credits, chargebacks, sales discounts, rebates and returns. These sales provision accruals, except for rebates which are recorded as a liability, 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 recognize revenues for Abelcet at the time of sale to the wholesaler. Sales of Oncaspar and DepoCyt are recorded when product is shipped by our third-party distributor to the end-user. Adagen is sold directly to a specialty distributor that then sells the product to end-users. We recognize revenue for Adagen upon sale to the specialty distributor. We recognize revenue on contract manufactured products upon shipment.

We provide chargeback payments to wholesalers based on their sales to members of buying groups at prices determined under a contract between us and the member. Administrative fees are paid to buying groups based on the total amount of purchases by their members. We estimate the amount of the chargeback that will be paid using (a) distribution channel information obtained from certain of our wholesalers which allows us to determine the amount and expiry of inventory in the distribution channel and (b) historical trends, adjusted for current conditions. The settlement of the chargebacks generally occurs within three months after the sale to the wholesaler. We regularly analyze the historical chargeback trends and make adjustments to recorded reserves for changes in trends.

In addition, state agencies that administer various programs, such as the U.S. Medicaid programs, receive rebates. Medicaid rebates and administrative fees are recorded as a liability and a reduction of gross sales when we record the sale of the product. In determining the appropriate accrual amount, we use (a) distribution channel information obtained from certain of our wholesalers which allows us to determine the amount and expiry of inventory in the distribution channel, (b) our historical rebate and administrative fee payments by product as a percentage of our historical sales and (c) any significant changes in sales trends. Current Medicaid rebate laws and interpretations, and the percentage of our products that are sold to Medicaid patients are also evaluated. Factors that complicate the rebate calculations are the timing of the average manufacturer pricing computation, the lag time between sale and payment of a rebate, which can range up to nine months, and the level of reimbursement by state agencies.

The following is a summary of reductions of gross sales accrued as of September 30, 2007 and December 31, 2006 (in thousands):

	September 30, 2007	December 31, 2006
Accounts Receivable Reductions		
Chargebacks	$ 2,417	$ 3,388
Cash Discounts	152	168
Other (including returns)	1,996	1,767
Total	4,565	5,323
Accrued Liabilities		
Medicaid Rebates	924	1,335
Administrative Fees	173	205
Total	1,097	1,540
Grand Total	$ 5,662	$ 6,863

Royalties under our license agreements with third parties are recognized as revenue when reasonably estimable and earned through the sale of the product by the licensee net of future credits, chargebacks, sales discount rebates and refunds and product returns and collection is reasonably assured. Notification from the third party licensee of the royalties earned under the license agreement is the basis for royalty revenue

recognition. This information is generally received from the licensees in the quarter subsequent to the period in which the sales occur.

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.

Income Taxes

Under the asset and liability method of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes" (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 believe, based on future projections, that it is more likely than not that our net deferred tax assets, including our net operating losses from operating activities and stock option exercises, will not be realized.

In accordance with FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), as amended May 2, 2007, tax benefits of uncertain tax positions are recognized only if it is more likely than not that we will be able to sustain a position taken on our income tax return.

Available-for-Sale Securities

We assess the carrying value of our available-for-sale securities in accordance with FASB Staff Position (FSP) 115-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." 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.

Long-Lived Assets

Long-lived assets, including amortizable intangible assets are tested for impairment in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This testing is performed when an impairment indicator is present. An impairment indicator is one or more events or circumstances that may be indicative of possible impairment such as a significant adverse change in legal factors or in business climate, a current period operating loss combined with a history of operating losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group.

SFAS No. 144 testing for the recoverability of long-lived assets is performed initially by comparing the carrying amount of the asset to the future undiscounted net cash flows to be generated by the asset or asset group. If the undiscounted net cash flow stream exceeds the carrying amount, no further analysis is required. However, if this test shows a negative relationship, the fair value of the intangible assets must be estimated and we would record an impairment charge for any excess of the carrying amount over the fair value. These evaluations involve amounts that are based on management's best estimates and judgment. Actual results may differ from these estimates.

Share-Based Payment

We account for share-based compensation in accordance with SFAS No. 123R, "Share-Based Payment." SFAS No. 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services and requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements, measured by the fair value of the equity or liability instruments issued, adjusted for estimated forfeitures. We use historical data to estimate the forfeiture rate.

The fair value of the option component of employee stock purchases under the ESPP, is determined in accordance with SFAS No. 123R and FASB Technical Bulletin 97-1, "Accounting under Statement 123 for Certain Employee Stock Purchase Plans with a Look-Back Option". Our ESPP was newly adopted in January 2007.

Options or stock awards issued to non-employees and consultants are recorded at their fair value as determined in accordance with SFAS No. 123R and EITF No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services," and recognized over the related vesting or service period.

Fair value of share-based payments is determined using the Black-Scholes valuation model which employs weighted average assumptions for expected volatility of the Company's stock, expected term until exercise of the options or purchase of shares in the case of the ESPP, the risk free interest rate, and dividends, if any. Expected volatility is based on historical Enzon stock price information for periods comparable to the expected term of the respective awards or, in the case of the ESPP, the length of the offering period.

We have elected the modified prospective transition method which requires that compensation costs be recorded, as earned, for all unvested stock options and restricted stock awards and restricted stock units outstanding at July 1, 2005.

Recently Issued Accounting Standards

The FASB has issued two pronouncements that will become effective for us as of the first quarter of 2008 relating to measuring financial instruments at fair value. We are in the process of evaluating the new standards but do not, at this time, anticipate that either will have any material effect on our consolidated financial position or results of operations. Certain financial statement disclosures will be revised, however, to conform to the new guidance. SFAS No. 157, "Fair Value Measurements" provides guidance on the use of fair value in such measurements and prescribes expanded disclosures about fair value measurements contained in financial statements. Once SFAS No. 157 is adopted, SFAS No. 159 can be adopted which allows companies the option to measure many financial assets and financial liabilities at fair value on a contract-by-contract basis.

The Emerging Issues Task Force of the FASB reached a consensus in June 2007 that non-refundable advance payments to acquire goods or pay for services that will be consumed or performed in a future period in conducting research and development activities on behalf of the entity should be recorded as an asset when the advance payments are made (EITF 07-3, "Accounting for Advance Payments for Goods or Services to Be Used in Future Research and Development Activities"). Capitalized amounts are to be recognized as expense when the research and development activities are performed, that is, when the goods without alternative future use are acquired or the service is rendered. The consensus is to be applied prospectively to new contractual arrangements entered into in fiscal years beginning after December 31, 2007. We are evaluating the effect of adoption of EITF 07-3, but do not expect it to be material to our financial position or results of operations.

Factors That May Affect Future Results

There are forward-looking statements contained herein, which can be identified by the use of forward-looking terminology such as the words "believes," "expects," "may," "will," "should", "potential," "anticipates," "plans" or "intends" and similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be materially different from the future results, events or developments indicated in such forward-looking statements. Such factors include, but are not limited to:

- The risk that we will not achieve success in our research and development efforts, including clinical trials conducted by us or our collaborative partners.
- The risk that we will experience operating losses for the next several years.
- The risk that there will be a decline in sales of one or more of our marketed products or products sold by others from which we derive royalty revenues. Such sales declines could result from increased competition, loss of patent protection, pricing, supply shortages and/or regulatory constraints.
- The risk that we will be unable to obtain critical compounds used in the manufacture of our products at economically feasible prices or at all, or one of our key suppliers will experience manufacturing problems or delays.

- Decisions by regulatory authorities regarding whether and when to approve our regulatory applications as well as their decisions regarding labeling and other matters could affect the commercial potential of our products or developmental products.
- The risk that we will fail to obtain adequate financing to meet our future capital and financing needs.
- The risk that key personnel will leave the Company.

A more detailed discussion of these and other factors that could affect our results is contained in our filings with the U.S. Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2006. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. No assurance can be given that the future results covered by the forward-looking statements will be achieved. All information contained herein is as of the date of this report and we do not intend to update this information.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our holdings of financial instruments are comprised of debt securities and time deposits. All such instruments are classified as securities available-for-sale. Apart from custodial accounts related to the Executive Deferred Compensation Plan, we do not invest in portfolio equity securities. We do not invest in commodities or use financial derivatives for trading purposes. Our debt security portfolio represents funds held temporarily pending use in our business and operations. We manage these funds accordingly. We seek reasonable assuredness of the safety of principal and market liquidity by investing in rated fixed income securities while at the same time seeking to achieve a favorable rate of return. Our market risk exposure consists principally of exposure to changes in interest rates. Our holdings also are exposed to the risks of changes in the credit quality of issuers which are rated A1 or better. We typically invest the majority of our investments in the shorter-end of the maturity spectrum.

The table below presents the principal amounts and related weighted average interest rates of our marketable debt securities, excluding primarily those related to our Executive Deferred Compensation Plan, by year of maturity (twelve-month intervals ending September 30 of the year indicated) as of September 30, 2007 (in thousands):

	2008	2009	Maturities Beyond Five Years	Amortized Cost	Fair Value
Fixed Rate	$139,833	$ 11,031	$ 3,000	$153,864	$153,774
Average Interest Rate	*4.80%*	*5.23%*	*5.50%*	*4.85%*	
Variable Rate	58,875	—	—	58,875	58,856
Average Interest Rate	*5.66%*			*5.66%*	
	$198,708	$ 11,031	$ 3,000	$212,739	$212,630

Our convertible notes payable outstanding have fixed interest rates. Accordingly, the fair values of the respective issues will fluctuate as market rates of interest rise or fall. Fair values are also affected by changes in the price of our common stock.

Our 4% convertible senior unsecured notes in the principal amount of $275.0 million at September 30, 2007 are due June 1, 2013 and have a fair value of $301.5 million at September 30, 2007.

Our 4.5% convertible subordinated notes in the principal amount of $81.9 million are due July 1, 2008 and have a fair value of $80.1 million at September 30, 2007.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

Our management, under the direction of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the Exchange Act)) as of September 30, 2007. Based on the evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2007.

Changes in Internal Controls

There were no changes in our internal controls over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during the period covered by this report that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART II OTHER INFORMATION

Item 5. Other Information

On November 1, 2007, The Company restated its Executive Deferred Compensation Plan to make certain definitional and technical clarifications to comply with Internal Revenue Code Section 409A requirements. A copy of the restated plan is included as an exhibit to this Quarterly Report on Form 10-Q.

Item 6. Exhibits

(a) Exhibits required by Item 601 of Regulation S-K.

Exhibit Number	Description	Reference No.
3(i)	Amended and Restated Certificate of Incorporation	(1)
3(ii)	Amended and Restated Bylaws	(2)
4.1	Rights Agreement dated May 17, 2002 between the Company and Continental Stock Transfer Trust Company, as rights agent	(3)
4.2	First Amendment to the Rights Agreement, dated as of February 19, 2003 between the Company and Continental Stock Transfer & Trust Company, as rights agent	(4)
10.1	Executive Deferred Compensation Plan (2008 Restatement)**	*
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	*
31.2	Certification of Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	*
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	*
32.2	Certification of Principal Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	*

* Filed herewith.

** Management contracts or compensatory plans and arrangements required to be filed pursuant to Item 601(b) (10) (ii) (A) or (iii) of Regulation S-K.

Referenced exhibit was previously filed with the Commission as an exhibit to the Company's filing indicated below and is incorporated herein by reference to that filing:

(1) Current Report on Form 8-K filed May 19, 2006.

(2) Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 filed on August 2, 2007.

(3) Form 8-A12G (File No. 000-12957) filed with the Commission on May 22, 2002.

(4) Form 8-A12G/A (File No. 000-12957) filed with the Commission on February 20, 2003.

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: November 1, 2007

By: /s/Jeffrey H. Buchalter
Jeffrey H. Buchalter
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 1, 2007

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

ENZON PHARMACEUTICALS, INC.

Executive Deferred Compensation Plan
(2008 Restatement)

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Enzon Pharmaceuticals, Inc.

Executive Deferred Compensation Plan

(2008 Restatement)

1. Statement of History and Purpose

Effective November 1, 2003, Enzon Pharmaceuticals, Inc. established this deferred compensation plan for its key employees which, in its most recently amended form, is maintained under a document entitled "ENZON PHARMACEUTICALS, INC. Executive Deferred Compensation Plan (December 2003)" (the "Prior Plan Statement"). Effective January 1, 2005, this Plan was amended and restated to comply with the deferred compensation provisions in the American Jobs Creation Act of 2004. The provisions in this Plan apply to both: (i) deferrals made which relate entirely to services performed on or before December 31, 2004 (*i.e.* with respect to compensation that was earned and vested as of 12/31/04) and (ii) deferrals which relate all or in part to services performed on or after January 1, 2005. No deferrals shall continue to be invested and distributed pursuant to the terms of the Prior Plan Statement. Effective January 1, 2008, this Plan is amended and restated to make certain clarifications and ministerial changes.

The purpose of the Enzon Pharmaceuticals, Inc. Executive Deferred Compensation Plan (the "Plan") is to aid Enzon Pharmaceuticals, Inc. (the "Company") and its subsidiaries in attracting and retaining key employees by providing a non-qualified compensation deferral vehicle.

2. Definitions

2.01 **Annual Incentive Compensation** — "Annual Incentive Compensation" means the amount paid annually to the Participant under the Enzon Pharmaceuticals Management Incentive Plan before reductions for deferrals under this Plan or the Enzon Inc. Savings and Investment Plan.

2.02 **Base Salary** — "Base Salary" means the Participant's annual basic rate of pay from the Company excluding Annual Incentive Compensation and other non-regular forms of compensation before reductions for deferrals under this Plan or the Enzon Pharmaceuticals, Inc. Savings and Investment Plan.

2.03 **Beneficiary** — "Beneficiary" means the person or persons designated as such in accordance with Section 8.

2.04 **Board of Directors** — "Board of Directors" means the Board of Directors of the Company.

2.05 **Committee** — "Committee" means the Vice President, Human Resources, Chief Financial Officer and Chief Executive Officer.

2.06 **Change in Control** — "Change in Control" means a "change in ownership or effective control" of the Company as defined in Section 409A(a)(2) of the Internal Revenue Code and Treasury regulations or other guidance issued thereunder.

2.07 **Deferral Amount** — "Deferral Amount" means the total amount of Elective Deferred Compensation and/or Non-Elective Deferred Compensation actually deferred by the Participant.

2.08 **Deferred Compensation Account** — "Deferred Compensation Account" means the account maintained on the books of account of the Company for a Participant pursuant to Section 6.

2.09 **Disability** — "Disability" means the Participant is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Company.

2.10 **Distribution Date** — "Distribution Date" means the date on which the Company makes distributions from the Participant's Deferred Compensation Account(s).

2.11 **Election Form** — "Election Form" means the form or forms attached to this Plan and filed with the Company by the Participant in order to participate in the Plan. The terms and conditions specified in the Election Form(s) are incorporated by reference herein and form a part of the Plan.

2.12 **Elective Deferred Compensation** — "Elective Deferred Compensation" means the total amount elected to be deferred by an Eligible Employee on his/her Election Form.

2.13 **Eligible Employee** — "Eligible Employee" means any employee of the Company approved to participate by the Committee. It is the intention of the Company that all Participants satisfy the term "a select group of management or highly compensated employees" as provided in Sections 201(2), 301(a)(3), 401(a)(1) and 4021(b)(6) of ERISA.

2.14 **Insolvency** — "Insolvency" means (i) Enzon Pharmaceuticals, Inc. is unable to pay its debts as they become due, or (ii) Enzon Pharmaceuticals, Inc. is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

2.15 **Non-Elective Deferred Compensation** — "Non-Elective Deferred Compensation" means the amount awarded to a Participant by the Company pursuant to Section 4.02.

2.16 **Participant** — "Participant" means an Eligible Employee who is invited or selected to participate in the Plan by the Committee and who is participating in accordance with the provisions of Section 4.

2.17 **Plan Year** — "Plan Year" means the twelve month period beginning on January 1 and ending on December 31.

2.18 **Separation from Service** — "Separation from Service" means that a Participant has died, retired or otherwise has incurred a "termination of employment." A Participant will not incur a Separation from Service while he is on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six months, or if longer, so long as the individual retains a right to reemployment under an applicable statute or contract. A leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the Participant will return to perform services. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes the Participant to be unable to perform the duties of his

position of employment or any substantially similar position of employment, a 29 month period of absence is substituted for such six month period.

"Termination of employment" means that it is reasonably anticipated based on the facts and circumstances that an employee will perform no further services after a certain date or that the level of bona fide services he would perform after such date (whether as an employee or an independent contractor) would permanently decrease to no more than 20 percent of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36 month period (or the full period of services if the Participant has been providing services for less than 36 months). A Participant is presumed to have incurred a Separation from Service when the level of bona fide services performed decreases to a level equal to 20 percent or less of the average level of services performed by him during the immediately preceding 36 month period.

2.19 **Substantially Equal Installments** — "Substantially Equal Installments" means a series of annual payments, such that equal payments over the remaining payment period would exactly amortize the Participant's Deferred Compensation Account balance as of the Distribution Date if the investment return remained constant at the return credited as of the Valuation Date immediately preceding the Distribution Date for the remainder of the payment period.

2.20 **Unforeseeable Emergency** — "Unforeseeable Emergency" means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in section 152(a) of the Internal Revenue Code without regard to section 152(b)(1), (b)(2) and (d)(1)(B) of the Internal Revenue Code) of the Participant, loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance), or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

2.21 **Valuation Date** — "Valuation Date" means the date on which the value of a Participant's Deferred Compensation Account is determined. Unless and until changed by the Committee, the Valuation Dates within each Plan Year shall be

any date that the New York Stock Exchange is open and conducting business, and such other dates as may be specified by the Committee.

2.22 **Years of Service** — "Years of Service" means the cumulative years of continuous full-time employment with the Company beginning on the date the Participant first began service and each anniversary thereof.

3. Administration of the Plan

3.01 **Plan Administration.** The Plan shall be administered by the Committee. The Committee may assign duties to an officer or other employees of the Company, and may delegate such duties as it sees fit. An employee of the Company or Committee member who is also a Participant in the Plan shall not be involved in the decisions of the Company or Committee regarding any determination of any specific claim for benefit with respect to himself or herself. The Committee shall be responsible for the management, operation and administration of the Plan. In addition to any powers, rights and duties set forth elsewhere in the Plan, it shall have complete discretion to exercise the following powers and duties:

(a) adopt such rules and regulations consistent with the provisions of the Plan as it deems necessary for the proper and efficient administration of the Plan;

(b) administer the Plan in accordance with its terms and any rules and regulations it establishes, and be responsible for the preparation, filing, and disclosure on behalf of the Plan of such documents and reports as are required by any applicable federal or state law;

(c) maintain records concerning the Plan sufficient to prepare reports, returns, and other information required by the Plan or by law;

(d) construe and interpret the Plan, and to resolve all questions arising under the Plan;

(e) authorize benefits under the Plan, and to give such other directions and instructions as may be necessary for the proper administration of the Plan; and

(f) employ or retain agents, attorneys, actuaries, accountants or other persons, who may also be Participants in the Plan or be employed by or represent the Company, as it deems necessary for the effective exercise of its duties, and may delegate to such persons any power and duties, both ministerial and discretionary, as it may deem necessary and appropriate, and the Committee shall be responsible for the prudent monitoring of their performance.

3.02 **Delegation of Duties.** The Committee may delegate any or all of its duties as to the administration of this Plan to other individuals or groups of individuals within the Company, as it deems appropriate.

3.03. **Claim for Benefits.** Any claim for benefits under the Plan shall be made in writing to the Committee. If such claim for benefits is wholly or partially denied by the Committee, the Committee shall, within a reasonable period of time, but not later than sixty (60) days after receipt of the claim, notify the claimant of the denial of the claim. Such notice of denial shall be in writing and shall contain:

(a) The specific reason or reasons for the denial of the claim;

(b) A reference to the relevant Plan provisions upon which the denial is based;

(c) A description of any additional material or information necessary for the claimant to perfect the claim, together with an explanation of why such material or information is necessary; and

(d) A reference to the Plan's claim review procedure.

Upon the receipt by the claimant of written notice of the denial of a claim, the claimant may within sixty (60) days file a written request to the Committee, requesting a review of the denial of the claim, which review shall include a hearing if deemed necessary by the Committee. In connection with the claimant's appeal of the denial of his or her claim, he or she may review relevant documents and may submit issues and comments in writing. To provide for fair review and a full record, the claimant must submit in writing all facts, reasons and arguments in support of his or her position within the time

allowed for filing a written request for review. All issues and matters not raised for review will be deemed waived by the claimant.

3.04 **Review of a Denial of a Claim for Benefits.** The Committee shall render a decision on the claim review promptly, but no more than sixty (60) days after the receipt of the claimant's request for review, unless special circumstances (such as the need to hold a hearing) require an extension of time, in which case the sixty (60) day period shall be extended to one hundred twenty (120) days. Such decision shall:

(a) Include specific reasons for the decision;

(b) Be written in a manner calculated to be understood by the claimant; and

(c) Contain specific references to the relevant Plan provisions upon which the decision is based.

The decision of the Committee shall be final and binding in all respects on the Company, the claimant and any other person claiming an interest in the Plan through or on behalf of the claimant. No litigation may be commenced by or on behalf of a claimant with respect to this Plan until after and unless the claim and review process described in Sections 3.03 and 3.04 has been exhausted. Judicial review of Committee action shall be limited to whether the Committee acted in an arbitrary and capricious manner.

4. Participation

4.01 **Elective Participation.**

(a) Any Eligible Employee may elect to participate in the Plan for a given Plan Year by filing a completed Election Form for the Plan Year with the Company. Except as otherwise provided herein, an Election Form to defer compensation for a Plan Year must be completed before the end of the immediately preceding Plan Year.

(i) In the case of the first Plan Year in which an Eligible Employee becomes eligible to participate in the Plan, no later than thirty (30) days after the employee is invited or selected for participation, such employee shall as a condition of participation complete such forms and

make such elections as the Committee may require for the effective administration of this Plan. The Election Form may only be made with respect to compensation earned for services performed subsequent to the deferral election. A deferral election with respect to Annual Incentive Compensation that is made under this subparagraph (i) by a Participant who commences participation in the Plan shall exclude the amount of any Annual Incentive Compensation paid for services performed prior to the date the Election Form is submitted to the Committee and as such, shall be prorated in the manner described in Treasury Regulation Section 1.409A-2(a)(7) or any subsequent applicable guidance.

(ii) With respect to Annual Incentive Compensation earned for services performed over a Plan Year (or any other period of at least twelve (12) months), any Election Form may provide for Annual Incentive Compensation deferrals if such election is made no later than six (6) months prior to the end of the service period over which the Annual Incentive Compensation is earned. A deferral election with respect to such Annual Incentive Compensation shall only be effective if the Participant has performed services for the Company continuously from the date upon which the Annual Incentive Compensation criteria are established through the date upon which the Participant makes the deferral election and if the Election Form is filed before the amount of such Annual Incentive Compensation is readily ascertainable. Notwithstanding the previous sentence, if a portion of such Annual Incentive Compensation is readily ascertainable when the Participant files the Election Form, such election shall only apply to the portion of the Annual Incentive Compensation that is not yet ascertainable.

(b) An Election Form shall contain an election to defer a portion of the Participant's Base Salary and/or Annual Incentive Compensation in accordance with the following limitations. The maximum deferral shall be one hundred percent (100%) of the Participant's Base Salary (as defined in Section 2.03) and one hundred percent (100%) of Participant's Annual Incentive Compensation (as defined in Section 2.01). Provided, however, that no election will be effective to reduce amounts paid by the Company to an Eligible Employee to an amount which is less than the sum of the amount the Company is required to withhold for purposes of

federal, state, and local income taxes, including FICA tax withholding and the amount the Company is required to withhold for contributions to any employee benefit plan (other than this Plan). A deferral election, once accepted by the Committee, shall be irrevocable for the Plan Year (or the service period, in the case of an Annual Incentive Compensation deferral) with respect to which it is made; provided, however, that if a Disability or Unforeseeable Emergency occurs during the period elected in the Election Form, the Participant's election shall be suspended, and further deferrals shall not be required.

(c) The Election Form shall also contain an election for the time and manner of payment of the employee's deferral for such Plan Year (in the case of a Base Salary deferral) or the service period (in the case of an Annual Incentive Compensation deferral). The time for payment elected shall be a specified date which complies with the limitations under Section 7.01(a). A Participant may elect to allocate his or her deferral election in percentage increments (as determined by the Committee) to be paid at separate specified dates or in different manners, subject to the limitations under Section 7.01(a). In the absence of an election specifying the time and manner of payment, payment shall be made automatically in a lump sum upon the earliest of the events specified in Sections 7.01(b) through 7.01(d).

(d) A Participant may change the method of distribution to any other method permitted under Section 7.01(a) by submitting an election to the Committee, subject to the following limitations:

(i) Such election must be submitted to and accepted by the Committee at least twelve (12) months prior to the date a distribution to the Participant would otherwise have been made or commenced;

(ii) The first distribution is delayed at least five (5) years from such date;

(iii) The election shall have no effect until at least twelve (12) months after the date on which the election is made; and

(iv) The election shall not reduce the number of installment payments.

4.02 **Non-Elective Participation.** The Committee can, in its sole discretion, award to a Participant Non-Elective Deferred Compensation. Any such credit of Non-Elective Deferred Compensation shall vest in accordance with such schedule as determined by the Committee at such time the credit is made, and shall be distributed in a manner consistent with the election last made by the particular Participant prior to the Plan Year in which the credit is made. The Committee's decision to make a credit in any year shall not require the Committee to approve similar awards at all to any Eligible Person, Participant or other person at any future date. The Company and the Committee shall not have any obligation for uniformity of treatment of any person, including but not limited to, Eligible Persons or Participants and their legal representatives and beneficiaries and employees of the Company.

5. Vesting of Elective Deferred Compensation

A Participant's Elective Deferred Compensation credited to his/her Deferred Compensation Account shall vest immediately.

6. Accounts and Valuations

6.01 **Deferred Compensation Accounts.** The Committee shall establish and maintain a separate Deferred Compensation Account for each Participant for each Plan Year. Deferred amounts will be credited to a Participant's account within fourteen (14) days of the time at which the amount would otherwise have been paid. Any Non-Elective Deferred Compensation awarded to a Participant shall be credited to the Participant's Deferred Compensation Account on such date as specified by the Committee.

6.02 **Deferred Compensation Account Investment Options.** The Committee shall designate from time to time one or more investment options in which Deferred Compensation Accounts may be deemed invested. A Participant shall allocate his or her Deferred Compensation Account among the deemed investment options by filing with the Committee an Investment Allocation Election Form or by making an election through such other procedures prescribed by the Committee (including telephonic or electronic procedures). A Participant may

elect to allocate his or her Deferred Compensation Account in percentage increments (as determined by the Committee) among as many of the investment options which are offered by the Company. Any such investment allocation election shall be subject to such rules as the Committee may prescribe, including, without limitation, rules concerning the manner of making investment allocation elections and the frequency and timing of changing such investment allocation elections.

The Committee shall have the sole discretion to determine the number of deemed investment options to be designated hereunder and the nature of the options and may change or eliminate the investment options from time to time. For each deemed investment option the Committee shall, in its sole discretion, select a mutual fund(s), an investment index, or shall create a phantom portfolio of such investments as it deems appropriate, to constitute the investment option. The Committee shall adopt rules specifying the deemed investment options, the circumstances under which a particular option may be elected (or shall be automatically utilized), the minimum or maximum percentages which may be allocated to the investment option, the procedures for making or changing elections, the extent (if any) to which beneficiaries of deceased Participants may make investment elections and the effect of a Participant's or beneficiary's failure to make an effective investment election with respect to all or any portion of a Deferred Compensation Account. The Committee shall determine the amount and rate of investment gains or losses with respect to any deemed investment option for any period, and may take into account any deemed expenses which would be incurred if actual investments were made.

6.03 **Crediting and Adjustment of Accounts.** As of each Valuation Date, the value of the Participant's Deferred Compensation Account shall consist of the balance as of the immediately preceding Valuation Date, plus the amount of any Elective and Non-Elective Deferred Compensation credited since the preceding Valuation Date, minus the amount of all distributions, if any, made from such Deferred Compensation Account since the preceding Valuation Date. The Participant's Deferred Compensation Account shall be adjusted for income, gains or losses as of each Valuation Date.

6.04 **Excess 401(k) Matching Credit.** A Participant's Deferred Compensation Account will be credited with an Excess 401(k) Matching Credit as follows:

(a) **Matchable Annual Deferral**. The Matchable Annual Deferral shall be that portion of a Participant's Deferral Amount for each Plan Year which is less than or equal to: (i) six percent (6%) of the total Base Salary plus Annual Incentive Compensation for a Plan Year minus (ii) the amount of Elective Contribution to the Enzon Pharmaceuticals, Inc. 401(k) Savings and Investment Plan made by the Participant for which the Participant received an Employer Matching Contribution under the Enzon Pharmaceuticals, Inc. 401(k) Savings and Investment Plan for the same Plan Year. However, if the Participant does not make the maximum deferral under the the Enzon Pharmaceuticals, Inc. 401(k) Savings and Investment Plan that is eligible for a matching contribution under such Plan for any Plan Year (generally at least 6% of eligible compensation), the Matchable Annual Deferral for such Plan Year shall be zero.

(b) **Excess 401(k) Matching Credit**. The Excess 401(k) Matching Credit shall be 50% of the value of the Matchable Annual Deferral for the Plan Year; provided, however, that in no event shall the Excess 401(k) Matching Credit exceed 3% of the sum of Base Salary and Annual Incentive Compensation for a Plan Year. Such amount shall be credited no later than as nearly as administratively practicable following the end of the Plan Year to which they relate.

(c) **Vesting**. The Participant's right to receive the Excess 401(k) Matching Credits credited to the Participant's Deferred Compensation Account shall vest in accordance with the following schedule:

Completed Years of Service	*Vested Percentage*
0-1	0%
1-2	20%
2-3	40%
3-4	60%
4-5	80%
5+	100%

Notwithstanding the foregoing, a Participant's Excess 401(k) Matching Credits shall become fully (100%) vested upon the Participant's death,

Disability, Separation from Service at or after age 55 or upon the occurrence of a Change in Control or Insolvency of the Company.

6.05 **Nature of Account Entries.** Notwithstanding any provision of this Plan to the contrary, the establishment and maintenance of Participants' Deferred Compensation Accounts and the crediting of gains and losses pursuant to this Section 6 shall be merely bookkeeping entries and (notwithstanding the establishment of any grantor trust pursuant to Section 10.02) shall not be construed as giving any person any interest in any specific assets of the Company or of any subsidiary of the Company or any trust created by the Company, including any investments owned by the Company or any such subsidiary or trust. The hypothetical investment of the Participant's Deferred Compensation Accounts shall be for bookkeeping purposes only, and shall not require the establishment of actual corresponding funds or investments by the Committee or the Company. Benefits accrued under this Plan shall constitute an unsecured general obligation of the Company.

7. Benefits

7.01 **Normal Benefit**

(a) **Specified Time and Form**. A Participant may elect pursuant to Section 4.01 to receive or commence distribution as of a specified date which shall be subject to the following requirements:

(i) such specified date shall be: (1) a date certain as of the time of election (*e.g.*, January 1, 2010), or (2) the date of the Participant's Separation from Service; and

(ii) such specified date shall actually occur on or prior to the Participant's Separation from Service, Disability, death or a Change in Control.

A Participant's Deferred Compensation Account (or the portion thereof to which the election applies) shall be paid to the Participant in accordance with the terms of the Participant's Election Form. Distribution of the Participant's Deferred Compensation Account shall be determined as of the Valuation Date coincident with or next following such specified date

and shall be paid to the Participant in a lump sum or in annual Substantially Equal Installments, subject to a maximum of ten (10) annual installments, as specified in the Participant's Election Form.

(b) **Separation from Service or Disability**. Notwithstanding the provisions of Section 7.01(a), if a Participant incurs a Disability or Separation from Service before the specified date for which payment of a deferral is to be made or commenced, the value of such deferral (as adjusted for earnings, gains or losses) shall be determined as of the Valuation Date coincident with or next following such Separation from Service and shall be paid to the Participant in a lump sum or in Substantially Equal Installments in accordance with the manner elected by the Participant under Section 7.01(a). In the event a distribution is made pursuant to this Section 7.01(b), the Participant shall immediately cease to be eligible for any other benefit provided under this Plan. Notwithstanding the foregoing, where payment under this Section 7.01(b) is made to any "key employee" (as defined under Section 409A of the Internal Revenue Code) on account of Separation from Service, such payment shall commence no earlier than six (6) months following a Separation from Service (or upon the death of the employee, if earlier) if required to comply with Section 409A of the Internal Revenue Code.

(c) **Death**. In the event of a Participant's death before a complete distribution of his or her account, the Participant's designated Beneficiary will receive an amount equal to the Participant's Deferred Compensation Account, and such amount shall be paid in a single sum or annual installments (not to exceed 10) in accordance with the Participant's election.

(d) **Change in Control**. Notwithstanding any of the foregoing provisions in this Section 7.01, upon a Change in Control before distribution of the Participant's entire Deferred Compensation Account has been made, distribution of the Participant's entire Deferred Compensation Account balance determined as of the Valuation Date coincident with or next following such Change in Control shall be paid to the Participant in a lump sum.

(e) **Small Accounts**. Notwithstanding any payment method elected by a Participant or Beneficiary, the Company will pay in a lump sum, any Deferred Compensation Account balance which is $10,000 or less.

(f) **Time of Distribution**. Actual distribution shall occur as soon as is practicable (but no later than thirty (30) days) following the applicable Valuation Date for which such the value of the Participant's Deferred Compensation Account is determined.

7.02 **Hardship Benefit.** In the event that the Committee, upon written petition of the Participant, determines in its sole discretion, that the Participant has suffered an Unforeseeable Emergency, the Company may pay to the Participant, as soon as is practicable following such determination, an amount necessary to meet the emergency, not in excess of the Deferred Compensation Account credited to the Participant. The Deferred Compensation Account of the Participant thereafter shall be reduced to reflect the payment of a Hardship Benefit.

7.03 **Taxes; Withholding.** To the extent required by law, the Company shall withhold from payments made hereunder an amount equal to at least the minimum taxes required to be withheld by the federal, or any state or local, government.

7.04 **Form of Payment.** While it is generally contemplated that Benefits shall be paid pursuant to this Section 7 in cash, the Company may, in its sole discretion and in such manner as the Company deems appropriate, regardless of whether or not requested by the Participant, pay such benefit in kind in accordance with the bookkeeping entries recorded pursuant to Section 6.05.

8. Beneficiary Designation

At any time prior to complete distribution of the benefits due to a Participant under the Plan, he/she shall have the right to designate, change, and/or cancel, any person(s) or entity as his/her Beneficiary (either primary or contingent) to whom payment under this Plan shall be made in the event of his/her death. Each beneficiary designation shall become effective only when filed in writing with the Company during the Participant's lifetime on a form provided by the Company. The filing of a new beneficiary designation form will cancel all previously filed beneficiary designations. Further, any finalized divorce of a Participant subsequent to the date of filing of a beneficiary designation form in favor of Participant's spouse shall revoke such designation. Additionally, the spouse of a Participant domiciled in a community property jurisdiction shall join in any designation of Beneficiary other than the spouse.

If a Participant fails to designate a Beneficiary as provided above, or if his/her beneficiary designation is revoked by divorce or otherwise without execution of a new designation, or if all designated Beneficiaries predecease the Participant, then the distribution of such benefits shall be made to the Participant's estate. If a Beneficiary survives the Participant but dies before receiving a complete distribution of benefits, any remaining amount shall be paid to the estate of such Beneficiary in a lump-sum.

9. Amendment and Termination of Plan

9.01 **Amendment.** The Committee may amend the Plan at any time in whole or in part, provided, however, that, except as provided in Section 9.02 and Section 6.02, no amendment shall, absent consent of the Participant, be effective to decrease the benefits under the Plan payable to any Participant or Beneficiary with respect to any Elective or Non-Elective Deferred Compensation deferred prior to the date of the amendment. Written notice of any amendments (other than amendments that are administrative in nature) shall be given to each Participant in the Plan.

9.02 **Termination of Plan**

(a) **Company's Right to Terminate**. The Committee may terminate the Plan at any time.

(b) **Payments Upon Termination**. Upon any termination of the Plan under this section, Compensation shall cease to be deferred prospectively, and,

with respect to Compensation deferred previously, the Company will pay to the Participant (or the Participant's Beneficiary, if after the Participant's death), in a lump-sum, the value of his/her vested Deferred Compensation Account. Notwithstanding the foregoing, such payments shall be made upon Plan termination only to the extent permissible under Section 409A of the Internal Revenue Code and related Treasury regulations and guidance. Payment shall be made in cash, or in the Company's sole discretion in the manner the Company deems appropriate, payment may be made in kind in accordance with the bookkeeping entries recorded pursuant to Section 6.05.

10. Miscellaneous

10.01 **Unsecured General Creditor.** Participants and their beneficiaries, heirs, successors and assignees shall have no legal or equitable rights, interests, or other claims in any property or assets of the Company, nor shall they be beneficiaries of, or have any rights, claims, or interests in any life insurance policies, annuity contracts, or the policies therefrom owned or that may be acquired by the Company ("policies"). Such policies or other assets of the Company shall not be held in any way as collateral security for the fulfilling of the obligations of the Company under this Plan. Any and all of the Company's assets and policies shall be and will remain general, unpledged, unrestricted assets of the Company. The Company's obligation under the Plan shall be that of an unfunded and unsecured promise of the Company to pay money in the future.

10.02 **Grantor Trust.** Although the Company is responsible for the payment of all benefits under the Plan, the Company, in its sole discretion, may contribute funds as it deems appropriate to a grantor trust for the purpose of paying benefits under this Plan. Such trust may be irrevocable, but assets of the trust shall be subject to the claims of creditors of the Company. To the extent any benefits provided under the Plan actually are paid from the trust, the Company shall have no further obligation with respect thereto, but to the extent not so paid, such benefits shall remain the obligation of, and shall be paid by, the Company. Participants shall have the status of unsecured creditors on any legal claim for benefits under the Plan, and shall have no security interest in or any other preferential right to any assets held by such grantor trust. In the

event of the Company's insolvency or bankruptcy, the trust assets are treated like other corporate assets of the Company and are subject to the claims of the Company's creditors. A Participant's claim for deferred compensation will be treated like any other claim by the Company's unsecured creditors, with no special preference for Participants.

10.03 **Successors and Mergers, Consolidations or Change in Control.** The terms and conditions of this Plan shall inure to the benefit of the Participants and shall bind the Company, its successors, assignees, and personal representatives. If substantially all of the stock or assets of the Company are acquired by another entity, or if the Company is merged into, or consolidated with, another entity, then the obligations created hereunder shall be obligations of the acquirer or successor entity.

10.04 **Non-Assignability.** Neither a Participant, nor any other person, shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, or convey in advance of the actual receipt, any amounts payable hereunder, or any part thereof. All rights to payments expressly are declared to be unassignable and nontransferable. No part of the amounts payable, prior to actual payment, shall be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant, or any other person, nor shall they be transferable by operation of law in the event of a Participant's, or any other person's, bankruptcy or insolvency.

10.05 **Employment or Future Eligibility to Participate Not Guaranteed.** Nothing contained in this Plan, nor any action taken hereunder, shall be construed as a contract of employment, or as giving any Eligible Employee any right to be retained in the employ of the Company. Designation as an Eligible Employee may be revoked at any time by the Committee with respect to any Compensation not yet deferred.

10.06 **Protective Provisions.** A Participant will cooperate with the Company by furnishing any and all information reasonably requested by the Company in order to facilitate the payment of benefits hereunder, including, but not limited to, taking such physical examinations as the Company reasonably may deem necessary (if the Company purchases life insurance to informally fund the Plan)

and taking such other relevant action as may be reasonably requested by the Company. If a Participant refuses to cooperate, the Company shall have no further obligation to the Participant under the Plan, except for the distribution to Participant of his or her Deferral Amount.

10.07 **Indemnification.** No employee of the Company or member of the Committee shall be liable to any person for any action taken or omitted in connection with the administration of this Plan unless attributable to his or her own fraud or willful misconduct, and the Company agrees to indemnify and to defend to the fullest extent permitted by law any officers or employees who serve on the Committee administering the Plan. This indemnification shall not duplicate, but may supplement any coverage available under any applicable insurance coverage.

10.08 **Receipt and Release.** Any payment to any Participant or beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against Enzon Pharmaceuticals, Inc., the Plan Administrator and the Trustee under the Plan, and the Plan Administrator may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect. If any Participant or Beneficiary is determined by the Committee to be incompetent by reason of physical or mental disability (including minority) to give a valid receipt and release, the Company may cause the payment or payments becoming due to such person to be made to another person for his or her benefit without responsibility on the part of the Company to follow the application of such funds.

10.09 **Gender, Singular and Plural.** All pronouns, and any variations thereof, shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person(s) or entity(s) may require. As the context may require, the singular may be read as the plural and the plural as the singular.

10.10 **Captions.** The captions to the articles, sections, and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

10.11 **Applicable Law.** This Plan shall be governed and construed in accordance with the laws of the State of New Jersey.

10.12 **Validity.** In the event any provision of this Plan is found to be invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

10.13 **Notice.** Any notice or filing required or permitted to be given to the Company or the Committee shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the principal office of the Company at 685 Route 202/206, Bridgewater, NJ 08807, directed to the attention of the Vice President, Human Resources. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Any notice to the Participant shall be addressed to the Participant at the Participant's residence address as maintained in the Company's records. Any party may change the address for such party here set forth by giving notice of such change to the other parties pursuant to this Section.

To evidence the adoption of this Executive Deferred Compensation Plan (2008 Restatement), this document has been executed by an authorized person on the date written below.

Date: November 1, 2007

ENZON PHARMACEUTICALS, INC.

By: /s/ Jeffrey H. Buchalter
Title: Jeffrey H. Buchalter
President and Chief Executive Officer

Exhibit 31.1

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

I, Jeffrey H. Buchalter, President and Chief Executive Officer of Enzon Pharmaceuticals, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 of Enzon Pharmaceuticals, Inc.;

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

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

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

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

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

   (d) 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.

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

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

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

November 1, 2007

By: /s/Jeffrey H. Buchalter
Jeffrey H. Buchalter
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Craig A. Tooman, Executive Vice President, Finance and Chief Financial Officer of Enzon Pharmaceuticals, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 of Enzon Pharmaceuticals, Inc.;

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

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

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

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

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

   (d) 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.

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

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

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

November 1, 2007

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

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Enzon Pharmaceuticals, Inc. (the Company) for the period ended September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Jeffrey H. Buchalter, President and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or15(d) of the Securities Exchange Act of 1934; and

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

November 1, 2007

By: /s/Jeffrey H. Buchalter
Jeffrey H. Buchalter
President and Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.

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

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Enzon Pharmaceuticals, Inc. (the Company) for the period ended September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Craig A. Tooman, Executive Vice President, Finance, and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or15(d) of the Securities Exchange Act of 1934; and

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

November 1, 2007

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

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.

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