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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2006

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, 2006: 43,897,988.

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PART I FINANCIAL INFORMATION
Item 1. Financial Statements

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

	September 30, 2006	December 31, 2005*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,365	$ 76,497
Short-term investments	150,620	88,021
Accounts receivable, net of allowance for doubtful accounts: $231 at September 30, 2006 and $71 at December 31, 2005	11,798	14,087
Inventories	18,381	16,014
Other current assets	6,211	12,596
Total current assets	206,375	207,215
Property and equipment, net of accumulated depreciation: $25,188 at September 30, 2006 and $21,668 at December 31, 2005	37,576	34,978
Marketable securities	70,458	62,059
Amortizable intangible assets, net	63,093	34,154
Other assets	6,873	2,939
Total assets	$ 384,375	$ 341,345
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 9,570	$ 10,039
Accrued expenses	18,895	21,107
Total current liabilities	28,465	31,146
Notes payable	397,642	394,000
Other liabilities	2,622	169
Total liabilities	428,729	425,315
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock – $.01 par value, authorized 3,000,000 shares; no shares issued and outstanding at September 30, 2006 and December 31, 2005	—	—
Common stock – $.01 par value, authorized 170,000,000 shares and 90,000,000 shares; issued and outstanding 43,876,925 shares and 43,786,786 shares at September 30, 2006 and December 31, 2005, respectively	439	438
Additional paid-in capital	324,671	320,557
Accumulated other comprehensive loss	(522)	(1,090)
Accumulated deficit	(368,942)	(403,875)
Total stockholders' deficit	(44,354)	(83,970)
Total liabilities and stockholders' deficit	$ 384,375	$ 341,345

* Condensed from audited financial statements.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Revenues:				
Product sales, net	$ 25,295	$ 25,176	$ 74,107	$ 69,879
Royalties	18,705	15,478	53,889	45,987
Contract manufacturing	1,856	3,393	10,193	11,061
Total revenues	45,856	44,047	138,189	126,927
Costs and expenses:				
Cost of product sales and contract manufacturing	12,141	11,964	35,042	34,705
Research and development	10,599	5,319	27,068	23,550
Selling, general and administrative	14,299	11,697	45,384	42,921
Amortization of acquired intangible assets	184	3,348	558	10,043
Acquired in-process research and development	8,000	10,000	8,000	10,000
Restructuring charge	—	—	—	2,053
Total costs and expenses	45,223	42,328	116,052	123,272
Operating income	633	1,719	22,137	3,655
Other income (expense):				
Investment income, net	2,831	1,632	21,731	4,249
Interest expense	(5,912)	(4,946)	(17,432)	(14,861)
Other, net	4,813	(3,059)	9,048	(7,876)
	1,732	(6,373)	13,347	(18,488)
Income (loss) before income tax provision	2,365	(4,654)	35,484	(14,833)
Income tax provision	127	1,112	551	79,590
Net income (loss)	$ 2,238	$ (5,766)	$ 34,933	$ (94,423)
Earnings (loss) per common share – basic	$ 0.05	$ (0.13)	$ 0.80	$ (2.17)
Earnings (loss) per common share – diluted	$ 0.05	$ (0.13)	$ 0.67	$ (2.17)
Weighted average shares – basic	43,590	43,486	43,551	43,498
Weighted average shares – diluted	43,590	43,486	57,658	43,498

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

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

	Nine months ended September 30, 2006	Nine months ended September 30, 2005
Cash flows from operating activities:		
Net income (loss)	$ 34,933	$ (94,423)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	9,889	17,048
Non-cash expense for stock options and nonvested shares	3,489	815
(Gain) loss on sale of investments	(13,844)	11,050
Loss (gain) on sale of assets	33	(5)
Gain on redemption of notes payable	(9,212)	(151)
Non-cash loss related to equity collar arrangement	—	4,699
Acquired in-process research and development accrual	—	10,000
Write off and amortization of debt issue costs	3,889	1,372
Amortization of bond premium/discount	786	1,494
Deferred income taxes	—	80,658
Changes in operating assets and liabilities	(344)	(30,625)
Net cash provided by operating activities	29,619	1,932
Cash flows from investing activities:		
Purchase of property and equipment	(6,459)	(2,510)
Proceeds from sale of equity investment	20,209	23,137
Purchase of product rights	(35,000)	—
Proceeds from sale of marketable securities	469,850	222,493
Purchase of marketable securities	(541,104)	(287,150)
Net cash used in investing activities	(92,504)	(44,030)
Cash flows from financing activities:		
Proceeds from exercise of common stock options	625	64
Redemption of convertible subordinated notes	(262,146)	(849)
Proceeds of convertible subordinated notes	275,000	—
Cash payment for debt issuance costs	(7,726)	—
Net cash provided by (used in) financing activities	5,753	(785)
Net decrease in cash and cash equivalents	(57,132)	(42,883)
Cash and cash equivalents at beginning of period	76,497	69,473
Cash and cash equivalents at end of period	$ 19,365	$ 26,590

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) 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 Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete annual financial statements. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In the opinion of management, all adjustments (consisting only of normal and recurring adjustments) considered necessary for a fair presentation have been included. Certain prior year balances have been reclassified to conform to the current period presentation. Nine-month year-to-date information for 2005 was compiled from previously reported information without adjustment. Data for the six months ended June 30, 2005 had previously been reported as part of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2005 and data for the three months ended September 30, 2005 were reported on Form 10-Q for the quarter then ended. 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 Transition Report on Form 10-K for the six months ended December 31, 2005.

(2) Marketable Securities

The Company classifies its investments in marketable equity securities and debt securities, including auction rate securities, as available-for-sale. The Company classifies those investments with maturities of one year or less as current assets and investments in debt securities with maturities greater than one year and marketable equity securities as noncurrent assets when it 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, included in the determination of other comprehensive income and reported in stockholders' deficit. The fair value of all securities is determined by quoted market prices.

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, 2006 and December 31, 2005 were investments in state government bonds and corporate securities. At September 30, 2006, the Company held auction rate securities with contractual maturities between 2006 and 2032.

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, is included in investment income, net. The cost of securities is based on the specific identification method.

The Company adopted Financial Accounting Standards Board Staff Position FSP FAS 115-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" effective January 1, 2006. The adoption of this guidance had no effect on the Company's consolidated financial statements. Pursuant to FSP FAS 115-1, 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, 2006. The following table shows the gross unrealized losses and fair values 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, 2006 (in thousands):

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	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Government and GSE debt [1]	$ 6,477	$ (23)	$ 31,163	$ (339)
U.S. corporate debt [2]	89,319	(170)	13,423	(112)
Total	$ 95,796	$ (193)	$ 44,586	$ (451)

[1] U.S. Government and government-sponsored enterprise (GSE) debt. The unrealized losses of $362,000 in the U.S. Government and GSE mortgage-backed securities were attributable to increases in interest rates. These holdings 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 because the Company has the ability and the intent to hold these investments until recovery of the fair value, the Company does not consider its investments in U.S. Government and GSE debt to be other-than-temporarily impaired at September 30, 2006.

[2] U.S. corporate debt. The unrealized losses of $282,000 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 because the Company has the ability and the intent to hold these investments until recovery of the fair value, the Company does not consider its investments in U.S. corporate debt to be other-than-temporarily impaired at September 30, 2006.

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 September 30, 2006 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value*
U.S. Government and GSE debt	$ 38,454	$ 2	$ (362)	$ 38,094
U.S. corporate debt	135,729	37	(282)	135,484
Auction rate securities	47,500	—	—	47,500
	$ 221,683	$ 39	$ (644)	$ 221,078

* $150,620 is included in short-term investments and $70,458 is included in marketable securities.

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

The amortized cost, gross unrealized holding gains or losses, and fair value for securities available-for-sale by major security type at December 31, 2005 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value*
U.S. Government and GSE	$ 59,458	$ 2	$ (664)	$ 58,796
U.S. corporate debt	72,606	3	(478)	72,131
Auction rate securities	19,150	3	—	19,153
	$ 151,214	$ 8	$ (1,142)	$ 150,080

* Included in short-term investments $88,021 and marketable securities $62,059 at December 31, 2005.

Maturities of debt and marketable equity securities classified as available-for-sale at September 30, 2006 were as follows (in thousands):

September 30,	Amortized Cost	Fair Value
2007	$ 151,001	$ 150,620
2008	32,052	31,837
2009	2,600	2,585
2010 & thereafter	36,030	36,036
	$ 221,683	$ 221,078

(3) Investment in Equity Securities

During the nine months ended September 30, 2006, the Company sold its remaining 1,023,302 shares of common stock of Nektar Therapeutics, Inc. (Nektar). This investment was reflected in other current assets on the December 31, 2005 condensed balance sheet at $6.4 million. The disposition of the shares resulted in cash proceeds of $20.2 million and a gain of $13.8 million reported in investment income, net in the quarter ended March 31, 2006.

(4) Comprehensive Income

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

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Net income (loss)	$ 2,238	$ (5,766)	$ 34,933	$ (94,423)
Other comprehensive income:				
Unrealized gain (loss) on securities that arose during the period	403	(243)	14,412	(4,295)
Reclassification adjustment for (gain) loss included in net income (loss)	—	3,521	(13,844)	9,879
Total other comprehensive income	403	3,278	568	5,584
Comprehensive income (loss)	$ 2,641	$ (2,488)	$ 35,501	$ (88,839)

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(5) Earnings Per Common Share

Basic earnings (loss) per share is computed by dividing the net income (loss) available to common stockholders, by the weighted average number of shares of common stock outstanding during the period. For purposes of calculating diluted earnings per 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 (unvested restricted stock awards and unvested restricted stock units) and the number of shares issuable upon conversion of the Company’s convertible subordinated notes and/or convertible senior notes.

In determining the dilutive effect of stock options and nonvested shares, a number of treasury shares is calculated using assumed proceeds, which includes compensation costs to be attributed to future service and not yet recognized and, in the case of stock options, the cash paid by the holders to exercise plus the excess, if any, of tax benefits that would be credited to additional paid-in capital. For the three months and nine months ended September 30, 2006, the inclusion of unrecognized share-based compensation in the treasury stock component of the calculation caused stock options and nonvested shares outstanding to be anti-dilutive and therefore were excluded from the computation of earnings per share.

The 4.5% convertible subordinated notes that have been outstanding in varying amounts throughout 2006 had no dilutive effect due to the high conversion price.

The 4% convertible senior unsecured notes issued in May and June of 2006 did have a dilutive impact on earnings per share for the nine months ended September 30, 2006 as illustrated in the calculation below. Due to the relatively small earnings reported in the third quarter of 2006, however, there was no dilutive effect from the 4% convertible notes for the quarter as the add-back of interest to the numerator had a greater percentage impact than did the inclusion of the incremental conversion shares in the denominator.

There was no difference between basic and diluted earnings per share for the three-month and nine month periods ended September 30, 2005 as the Company reported net losses for those periods.

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 nine months ended September 30, 2006 (amounts in thousands except per-share amounts):

	Nine Months Ended September 30, 2006
Earnings Per Common Share – Basic:	
Net income	$ 34,933
Weighted average common shares outstanding	43,551
Basic earnings per share	$ 0.80
Earnings Per Common Share – Diluted:	
Net income	$ 34,933
Add back interest expense on 4% notes, net of tax	3,832
Adjusted net income	$ 38,765
Weighted average number of common shares outstanding	43,551
Incremental shares outstanding assuming conversion of 4% notes	14,107
Weighted-average number of common shares outstanding and common share equivalents	57,658
Diluted earnings per share	$ 0.67

As of September 30, 2006, the Company determined that potentially dilutive common stock equivalents, other than those related to the 4% convertible notes, amounted to 10.1 million shares and as of September 30, 2005, all 12.2 million potentially dilutive common stock equivalents were anti-dilutive.

(6) Share-Based Compensation

The Company has incentive and non-qualified stock option plans for employees, officers, directors, consultants and independent contractors. These plans, the 2001 Incentive Stock Plan and the 1987 Non-Qualified Stock Option Plan, are administered by the Compensation Committee of the Board of Directors. Options granted to employees generally vest over four years from date of grant and options granted to directors vest after one year. The exercise price of the options granted must be at least 100% of the market value of the Company's common stock at the time the options are granted. Options may be exercised for a period of up to ten years from the date they are granted. The Company utilizes new shares of stock to satisfy stock option exercises.

The 2001 Incentive Stock Plan also provides for the issuance of restricted stock and restricted stock units, collectively referred to as "nonvested shares." The shares of the Company's common stock underlying these awards are issued by the Company to the recipient at the date of the grant in the case of a restricted stock award, or upon vesting, in the case of a restricted stock unit. The recipient pays no cash to receive the shares other than the $0.01 par value in certain cases. These awards generally vest from the third anniversary of the date of grant to the fifth anniversary of the date of grant.

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ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
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(Unaudited)

The Company adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 123 (revised), "Share-Based Payment" (SFAS 123R), effective July 1, 2005 to account for share-based compensation including both options and nonvested shares. The Company has selected the Black-Scholes method of valuation for stock options and has adopted the modified prospective transition method which requires that compensation cost be recorded, as earned, for all unvested stock options and nonvested shares outstanding at the beginning of the first quarter of adoption of SFAS 123R. The transition charges, and charges for new option and share awards, are recognized in research and development and selling, general and administrative expenses over the respective service periods. Manufacturing-related charges for option and share awards are largely embodied in product standard costs and production variances and consequently flow through to cost of products sold and contract manufacturing as inventory is sold.

The Company has elected to apply the short-cut method to determine the hypothetical APIC pool provided by FSP FAS 123(R) – 3, "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards". The Company has determined that a hypothetical pool of excess tax benefits of approximately $18.0 million existed in additional paid-in capital (APIC) as of July 1, 2005, the date of adoption of SFAS 123R, related to historical stock option exercises. In future periods, excess tax benefits resulting from stock option exercises will be recognized as additions to APIC in the period the benefit is realized. In the event of a shortfall (i.e., the tax benefit realized is less than the amount previously recognized through periodic stock compensation expense recognition and related deferred tax accounting), the shortfall would be charged against APIC to the extent of previous excess benefits, including the hypothetical APIC pool, and then to tax expense.

The following tables summarize stock option activity for the three months and nine months ended September 30, 2006 (in thousands, except per-option amounts):

	Options	Weighted Average Exercise Price Per Option
Outstanding at June 30, 2006	7,273	$ 12.38
Granted at exercise prices that equaled the fair value on the date of grant	25	8.25
Exercised	(94)	5.53
Forfeited	—	—
Expired	(43)	13.99
Outstanding at September 30, 2006	7,161	$ 12.45

	Options	Weighted Average Exercise Price Per Option
Outstanding at December 31, 2005	6,114	$ 14.17
Granted at exercise prices that equaled the fair value on the date of grant	1,908	7.70
Exercised	(109)	5.72
Forfeited	(90)	7.46
Expired	(662)	16.33
Outstanding at September 30, 2006	7,161	$ 12.45
Exercisable at September 30, 2006	4,872	

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For grants during the three months ended September 30, 2006, the Company's weighted average assumptions for expected volatility, expected term until exercise and risk-free interest rate were 37.9%, 5.26 years and 4.5%, respectively. For grants during the nine months ended September 30, 2006, the Company's weighted average assumptions for expected volatility, expected term until exercise and risk-free interest rate were 49.04%, 5.17 years and 4.82%, respectively. Expected volatility is based on historical volatility of the Company's common stock. The expected term of options is estimated based on the Company's historical exercise rate. The risk-free rate is based on U.S. Treasury yields for securities in effect at the time of grant with terms approximating the expected term until exercise of the option. No dividend payments were assumed. The Company granted options with a fair value of $3.42 per share during the three months ended September 30, 2006. For the nine months ended September 30, 2006, fair values of options granted ranged from $3.42 to $3.96 per share or a weighted average grant date fair value of $3.81 per option.

The following tables summarize nonvested share activity for the three months and nine months ended September 30, 2006 (in thousands, except per share amounts):

	Number of Shares	Weighted-Average Grant-Date Fair Value Per Share
Nonvested at June 30, 2006	1,504	$ 8.26
Granted	48	7.77
Vested	(50)	9.88
Forfeited	(32)	8.96
Nonvested at September 30, 2006	1,470	$ 8.17

	Number of Shares	Weighted-Average Grant-Date Fair Value Per Share
Nonvested at December 31, 2005	1,063	$ 8.33
Granted	558	7.94
Vested	(51)	9.85
Forfeited	(100)	7.71
Nonvested at September 30, 2006	1,470	$ 8.17

In the three months ended September 30, 2006, the Company recorded share-based compensation for nonvested shares and options of $440,000 and $504,000, respectively, and for the nine months ended September 30, 2006, $1.3 million and $2.2 million, respectively, which is included in the Company's net income for the period. Cash received from exercise of stock options amounted to $521,000 during the three months ended September 30, 2006 and $625,000 during the nine-month period. As of September 30, 2006, there was $7.5 million of total unrecognized compensation cost related to unvested options that the Company expects to recognize over a weighted-average period of 31 months. As of September 30, 2006, there was $2.1 million and $9.7 million, respectively, of total unrecognized cost related to nonvested shares awards and units that the Company expects to recognize over weighted-average periods of 29 and 46 months, respectively.

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

Prior to the adoption of SFAS 123R, the Company applied the intrinsic-value-based method of accounting prescribed by APB 25, "Accounting for Stock Issued to Employees", and related interpretations, to account for its stock options granted to employees. Under this method, compensation cost was recorded only if the market price of the underlying common stock on the date of grant exceeded the exercise price. SFAS 123, "Accounting for Stock-Based Compensation", as amended, (SFAS 123) established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As permitted by SFAS 123, the Company elected to continue to apply the intrinsic-value-based method of accounting described above, and adopted only the disclosure requirements of SFAS 123. For the Company, SFAS 123 was similar in most respects to SFAS 123R, with the exception of option forfeitures, which the Company accounted for as they occurred under SFAS 123. As a result of adopting SFAS No. 123R, the Company's net income for the three-month and nine-month periods ended September 30, 2006 were $213,000 and $1.6 million less, respectively, than if it had continued to account for share-based compensation under APB 25. Basic earnings per share for the three-month and nine-month periods ended September 30, 2006 would have been $0.06 per share and $0.84 per share, respectively, as compared to reported per-share amounts of $0.05 and $0.80, respectively. Diluted earnings per share for the three-month and nine-month periods ended September 30, 2006 would have been $0.06 per share and $0.70 per share, respectively, as compared to reported per-share amounts of $0.05 and $0.67, respectively.

As indicated above, the Company adopted SFAS 123R effective July 1, 2005. Accordingly, reported earnings for the three-month period ended September 30, 2005 reflected the effects of the current accounting standards for stock-based compensation. Reported results for the six-month period ended June 30, 2005, however, reflect the intrinsic-value-based method of accounting for stock options. Had the fair-value-based method prescribed in SFAS 123 been employed, the net loss for the nine months ended September 30, 2005 would have been greater by $20.3 million or $0.47 per share. The SFAS 123 fair value calculation used the following weighted-average assumptions for the six months ended June 30, 2005 in a Black-Scholes option-pricing model: expected volatility (59.18%), expected life (5 years), risk-free rate (3.71%) and dividends (zero).

(7) Inventories

As of September 30, 2006 and December 31, 2005 inventories consisted of the following (in thousands):

	September 30, 2006	December 31, 2005
Raw Materials	$ 5,631	$ 6,695
Work in process	5,887	3,282
Finished goods	6,863	6,037
	$ 18,381	$ 16,014

(8) Intangible Assets

As of September 30, 2006 and December 31, 2005 intangible assets consisted of the following (in thousands):

	September 30, 2006	December 31, 2005	Weighted Average Remaining Useful Lives
Product patented technology	$ 6,000	$ 6,000	8.3 years
Manufacturing patent	9,000	9,000	8.3 years
Patent	1,875	1,875	.5 year
Product acquisition costs	61,194	26,194	7.9 years
	78,069	43,069	
Less: Accumulated amortization	14,976	8,915	
	$ 63,093	$ 34,154	

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

In October 2005, the Company amended its license agreement with Sanofi-Aventis for Oncaspar. The amendment became effective in January 2006 and includes a significant reduction in the royalty rate, with a single-digit royalty percentage now payable by Enzon only on those aggregate annual sales of Oncaspar in the U.S. and Canada that are in excess of $25.0 million. In consideration for the amendment, Enzon made an upfront cash payment of $35.0 million to Sanofi-Aventis in January 2006. The $35.0 million payment will be amortized on a straight-line basis over its remaining economic life of 8.5 years. The Company is obligated to make royalty payments through June 30, 2014, at which time all of the Company's royalty obligations will cease.

For the three months and nine months ended September 30, 2006, amortization charged to operations relating to intangible assets totaled $2.0 million and $6.1 million, respectively, of which $1.8 million and $5.5 million, respectively, were classified in cost of product sales and contract manufacturing. For the three months and nine months ended September 30, 2005, amortization expense was $4.5 million and $13.4 million, respectively, of which $1.1 million and $3.4 million, respectively, were charged to cost of sales. Amortization charges in 2005 were higher than in 2006 reflecting the higher balances of Abelcet-related amortizable intangible assets recorded at that time. In December 2005, $133.1 million of Abelcet-related intangibles were written down due to impairment.

(9) Notes Payable

The table below reflects the composition of the notes payable balances as of September 30, 2006 and December 31, 2005 (in millions):

	September 30, 2006	December 31, 2005
4.5% Convertible Subordinated Notes due July 1, 2008	$ 122.6	$ 394.0
4% Convertible Senior Notes due June 1, 2013	275.0	—
	$ 397.6	$ 394.0

The 4.5% notes mature on July 1, 2008, unless earlier redeemed, repurchased or converted, and are convertible, at the option of the holders, into common stock of the Company at a conversion price of $70.98 per share. 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 4.5% 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.

During the quarter ended June 30, 2006, the Company issued $275.0 million of 4% notes that mature on June 1, 2013 unless earlier redeemed, repurchased or converted. 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. The 4% notes may be converted at the option of the holders into the Company's common stock at an initial conversion price of $9.55 per share.

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 4% 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 ($225.0 million in May and $50.0 million in June) of the 4% notes, the Company entered into a registration rights agreement (RRA) whereby it agreed to file a shelf registration statement with the U.S. Securities and Exchange Commission (SEC) to permit the public 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 is expected to be declared effective by the SEC shortly after the date hereof. Failure to have the shelf registration declared effective on a timely basis or to maintain its effectiveness would result in additional interest being payable on the notes until the registration becomes effective.

Concurrent with the May 2006 issuance of the 4% notes, a portion of the proceeds was used to repurchase $133.8 million of principal amount of 4.5% notes outstanding at a purchase price of $129.4 million plus accrued interest of $2.4 million. The $4.4 million gain on the May repurchase of the 4.5% notes was reported as other, nonoperating income in the second quarter of 2006. Upon repurchase of the 4.5% notes in May, deferred offering costs of $1.3 million were written off and included in interest expense on the consolidated statements of operations. Also, on July 6, 2006, the Company completed a tender offer whereby it repurchased $137.6 million principal amount of 4.5% notes at a purchase price of $965 for each $1,000 principal amount, plus accrued interest of $86,000. The $4.8 million gain on the July repurchase of the 4.5% notes was reported as other, nonoperating income in the third quarter of 2006. Upon repurchase of the 4.5% notes in July, deferred offering costs of $1.2 million were written off and included in interest expense in the third-quarter 2006 consolidated statements of operations.

Interest on the 4.5% notes is payable January 1 and July 1 of each year. Accrued interest on the 4.5% notes was $1.4 million as of September 30, 2006 and $8.9 million as of December 31, 2005. Interest on the 4% notes is payable on June 1 and December 1 of each year, commencing on December 1, 2006. As of September 30, 2006, accrued interest on the 4% notes amounted to $3.8 million.

The Company incurred $7.7 million of costs in connection with the issuance of the 4% notes including legal, accounting and underwriting fees. These costs have been capitalized as a component of other assets and will be amortized over the approximately 84 month term of the 4% notes.

The Company evaluated the accounting for the conversion feature in accordance with EITF Issue 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% Convertible Notes and determined that the conversion feature should be classified as equity, and therefore it does not need to be accounted for separately from the Convertible Notes. The Company updates its analysis of the accounting for the conversion feature on a quarterly basis and more frequently if circumstances warrant. If the 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) Stockholders' Equity

At the Company's annual meeting on May 18, 2006, the Company's stockholders approved an amendment and restatement of the Company's Restated Certificate of Incorporation to increase the number of authorized $0.01 per share par value common stock from 90,000,000 shares to 170,000,000 shares.

Also at the annual meeting, the Company's stockholders approved an amendment to the 2001 Incentive Stock Plan to increase the number of shares of common stock issuable thereunder by 4,000,000 shares from 6,000,000 shares to 10,000,000 shares.

As of September 30, 2006, the Company has reserved shares of its common stock for the purposes detailed below (in thousands):

Non-Qualified and Incentive Stock Plans	12,519
Shares issuable upon conversion of 4.5% Notes due 2008	1,728
Shares issuable upon conversion of 4% Notes due 2013	28,796
	43,043

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(11) Cash Flow Information

The Company considers all highly liquid securities with original maturities of three months or less to be cash equivalents. For each of the nine-month periods ended September 30, 2006 and 2005, there were payments of interest of $17.2 million and $18.0 million, respectively. Income tax payments for the nine months ended September 30, 2006 and 2005, were $101,000 and $307,000, respectively.

(12) Income Taxes

During the three months and nine months ended September 30, 2006, the Company recorded net tax expense of approximately $127,000 and $551,000, respectively, which represents state and Canadian tax liabilities. The federal income tax provision was nominal for the three months and nine months ended September 30, 2006 based on the estimated annual effective tax rate due to the Company's projected taxable income and its ability to utilize its net operating loss carry forwards. As of September 30, 2006, 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.

During the quarter ended June 30, 2005, the Company concluded that it was more likely than not that it would not realize the tax benefits from its accumulated state and federal net operating loss carryforwards and research and development tax credit carryforwards and established a valuation allowance for all such deferred tax assets. Accordingly, the Company recorded a non-cash charge of $78.5 million for the six months ended June 30, 2005, inclusive of a full reserve against existing deferred tax assets at June 30, 2005 of $68.2 million and a charge for a deferred tax liability of $10.6 million associated with then existing goodwill. During the three months ended September 30, 2005, the Company recognized tax expense of $1.1 million relating to the deferred tax liability recorded for goodwill. The goodwill and associated deferred tax liability were written off as of December 31, 2005.

(13) Derivative Instruments

During the quarter ended September 30, 2005, the Company sold the remaining 375,000 shares of NPS Pharmaceuticals, Inc. (NPS) common stock it held. Also, during the three months ended September 30, 2005, the remaining 375,000 shares of the related Zero Cost Protective Collar (Collar) instrument matured resulting in a realized loss of $3.5 million recorded in other, net. The Company received cash proceeds from the settlement of this instrument totaling $7.5 million in the quarter ended September 30, 2005. During the nine months ended September 30, 2005, the Company sold 1.1 million shares of NPS common stock it held and 1.1 million shares of the Collar instrument matured. The Company recorded as a component of other, net, an unrealized loss of $160,000, representing the change in fair value of the Collar and a realized loss of $8.8 million related to the collar maturation. The Company received cash proceeds from the settlement of this instrument totaling $22.5 million in the nine months ended September 30, 2005. At September 30, 2005, the Company no longer held any shares of NPS common stock nor did it hold any portion of the Collar.

(14) Related Party Transactions

Two of the Company's executive officers received relocation benefits in connection with their joining the Company whereby the residences from which they were moving were purchased at independently determined appraisal values. During the nine months ended September 30, 2006, both properties have been sold resulting in an aggregate net loss to the Company of $268,000. At December 31, 2005, there was a balance of $736,772 in other current assets carried in the condensed consolidated balance sheet representing these temporary holdings.

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(15) Recently Issued Accounting Standards

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes", an interpretation of FASB Statement No. 109, "Accounting for Income Taxes". The Interpretation establishes criteria for recognizing and measuring the financial statement tax effects of positions taken on a company's tax returns. A two-step process is prescribed whereby the threshold for recognition is a more-likely-than-not test that the tax position will be sustained upon examination and the tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The Company currently recognizes a tax position if it is probable of being sustained. The Interpretation is effective for the Company beginning January 1, 2007 and will be applicable to all tax positions upon initial adoption. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may continue to be recognized upon adoption of the Interpretation. The Company is evaluating the potential effects the Interpretation may have on its consolidated financial position or results of operations, but no material consequence is expected.

In September 2006, the Staff of the SEC provided guidance on the need to consider the effects of prior year misstatements in quantifying the materiality of current year misstatements – Staff Accounting Bulletin No. 108 (SAB 108). According to SAB 108, a registrant must consider both the current year effect of an accounting error as well as the earnings effect of adjusting the balance sheet for related previous errors that might individually have been immaterial but that would be material to the current year's earnings if corrected on a catch-up basis. SAB 108 permits adjustment for the cumulative effect of errors relating to prior years in the carrying amount of assets and liabilities as of the beginning of the current fiscal year with an offsetting adjustment to the opening balance of retained earnings in the year of adoption. SAB 108 further requires the adjustment of any prior quarterly financial statements within the year of adoption for the effects of such errors on the quarters when the information is next presented. Such adjustments do not require reports previously filed with the SEC to be amended. SAB 108 is effective for annual financial statements covering fiscal years ending after November 15, 2006 for those registrants electing not to restate prior periods. The Company is in the process of evaluating SAB 108 but does not believe it will have a material effect on its consolidated financial statements or results of operations.

The FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS No. 157), in September 2006. The new standard provides guidance on the definition of and how to measure fair value and what sources of information are to be used in such measurements. It also prescribes expanded disclosures about fair value measurements contained in the financial statements. The Company is in the process of evaluating the new standard which is not expected to have any effect on its financial position or results of operations although financial statement disclosures will be revised to conform to the new guidance. The pronouncement, including the new disclosures, is effective for the Company as of the first quarter of 2008.

(16) Significant Agreements

Nektar Alliance

On September 7, 2006, the Company gave notice to Nektar Therapeutics (Nektar) of its intention not to renew the provisions of its agreement with them that gives Nektar the right to sub-license a portion of the Company's PEG technology and patents to third parties. This right will terminate in January 2007 and will not affect any existing sub-licenses granted by Nektar.

Santaris Pharma A/S Collaboration

In July 2006, the Company entered into a license and collaboration agreement with Santaris Pharma A/S (Santaris) for up to eight RNA antagonists which the Company intends to develop. The Company obtained rights worldwide, other than Europe, to develop and commercialize RNA antagonists directed against the HIF-l alpha and Survivin gene targets. Santaris will design and synthesize RNA antagonists directed against up to six additional gene targets selected by the Company, and the Company will have the right to develop and

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commercialize those antagonists worldwide other than Europe. The Company made an initial payment of $8.0 million to Santaris in August 2006 and will be responsible for making additional payments upon the successful completion of certain compound synthesis and selection, clinical development and regulatory milestones. Santaris is also eligible to receive royalties from any future product sales from products based on the licensed antagonists. Santaris retains the right to develop and commercialize products developed under the collaboration in Europe.

The $8.0 million payment to Santaris is reported as acquired in-process research and development as was the Company's $10.0 million payment in September 2005 to NatImmune for rights to the clinical development of recombinant human Mannose-Binding Lectin for the treatment of infection.

(17) Segment Information

The Company operates in the following business and reportable segments:

Products - Sales of the Company's four therapeutic, FDA-approved products: Abelcet®, Adagen®, Oncaspar® and Depocyt®.

Royalties- Licensing income from royalties received on the sale of products by third-party companies that utilize Enzon's proprietary technology – primarily royalties on sales of PEG-INTRON® by Schering-Plough Corporation.

Contract Manufacturing-Contract manufacture of products for other firms – primarily Abelcet for export and MYOCET, each for Zeneus Pharma Ltd, a wholly owned subsidiary of Cephalon, Inc., and the injectable multivitamin, MVI, for Mayne Pharma U.S.A. Inc.

Profit (loss) for the Company's segments is measured based on operating results, excluding investment income, interest expense and income taxes. The Company does not identify or allocate property and equipment by operating segment, and does not allocate depreciation, as such, to the operating segments. Operating segments do not have intersegment revenue, and accordingly, there is none to be reported.

The following table presents segment revenues and profitability information for the three-month and nine-month periods ended September 30, 2006 and 2005 (in thousands):

Three months ended September 30,

Segment		Products	Royalties	Contract Manufacturing	Corporate[(1)]	Consolidated
Revenues	2006	$ 25,295	$ 18,705	$ 1,856	$ —	$ 45,856
	2005	$ 25,176	$ 15,478	$ 3,393	$ —	$ 44,047
Profit (Loss)	2006	$ 8,520	$ 18,705	$ (1,025)	$ (23,835)	$ 2,365
	2005	$ 5,841	$ 15,478	$ 638	$ (26,611)	$ (4,654)

Nine months ended September 30,

Segment		Products	Royalties	Contract Manufacturing	Corporate[(1)]	Consolidated
Revenues	2006	$ 74,107	$ 53,889	$ 10,193	$ —	$ 138,189
	2005	$ 69,879	$ 45,987	$ 11,061	$ —	$ 126,927
Profit (Loss)	2006	$ 23,886	$ 53,889	$ 1,690	$ (43,981)	$ 35,484
	2005	$ 7,531	$ 45,987	$ 2,993	$ (71,344)	$ (14,833)

(1) Corporate expenses include operating income (loss) components that are not directly attributable to an operating segment, including general and administrative expenses, exploratory and preclinical research and development expenses, and treasury activities.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	**2005**	**2006**	**2005**
Segment profit	$ 26,200	$ 21,957	$ 79,465	$ 56,511
Unallocated operating expense	(25,567)	(20,238)	(57,328)	(52,856)
Operating income (loss)	633	1,719	22,137	3,655
Other corporate income and (expense)	1,732	(6,373)	13,347	(18,488)
Income (loss) before income tax provision	$ 2,365	$ (4,654)	$ 35,484	$ (14,833)

Assets of the Products segment increased by $35.0 million as a result of the payment made January 1, 2006 to Sanofi-Aventis for a negotiated reduction in royalty rates to be paid by the Company on sales of Oncaspar. This intangible asset is being amortized over 8.5 years on a straight-line basis.

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Item 2. Managements Discussion and Analysis of Financial Condition and Results of Operations.

Overview

We are a biopharmaceutical company dedicated to the development and commercialization of therapeutics to treat patients with cancer and adjacent diseases. We operate in three business segments: Products, Royalties and Contract Manufacturing. Our specialized sales force markets Abelcet, Oncaspar, Adagen, and Depocyt in the United States. In addition, we also receive royalties on sales of PEG-INTRON, marketed by Schering-Plough Corporation, and MACUGEN®, marketed by OSI Pharmaceuticals and Pfizer Inc. 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. Presently, we manufacture three injectable pharmaceutical products for our partners.

Results of Operations

Total revenues for the Company rose $1.8 million or 4% for the three months ended September 30, from $44.0 million in 2005 to $45.9 million in 2006. For the nine-month periods ended September 30, revenues rose 9% or $11.3 million from $126.9 million to $138.2 million.

Income (loss) before income tax provision improved from a loss of $4.6 million for the three months ended September 30, 2005 to income of $2.4 million in the current period. For the nine month periods, the improvement at the pretax level was from a loss of $14.8 million in 2005 to income of $35.5 million in the current period.

Further discussion of these revenue and profitability fluctuations is contained in the segment analyses that follow.

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

	Three Months Ended			Nine Months Ended		
	September 2006	% Change	September 2005	September 2006	% Change	September 2005
Products Segment profit	$ 8.6	46	$ 5.9	$ 23.9	217	$ 7.6
Royalty Segment profit	18.7	21	15.4	53.9	17	45.9
Contract Manufacturing Segment (loss) profit	(1.1)	n.m.	.6	1.7	(44)	3.0
Corporate and other expenses*	(23.8)	(10)	(26.5)	(44.0)	(38)	(71.3)
Income (loss) before income tax provision	$ 2.4	n.m.	$ (4.6)	$ 35.5	n.m.	$ (14.8)

* The Company does not allocate certain corporate income and expenses not directly identifiable with the respective segments, including general and administrative expenses, exploratory and preclinical research expenses, depreciation, interest income, interest expense and income taxes.
n.m. – not meaningful

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Products Segment

Segment profitability (millions of dollars):

	Three Months Ended			Nine Months Ended		
	September 2006	% Change	September 2005	September 2006	% Change	September 2005
Revenues	$ 25.3	—	$ 25.2	$ 74.1	6	$ 69.9
Cost of sales	9.2	1	9.2	26.5	—	26.6
Selling & marketing	7.3	8	6.8	23.1	(10)	25.7
Amortization of intangibles	.2	(95)	3.3	.6	(94)	10.0
Segment profit	$ 8.6	46	$ 5.9	$ 23.9	217	$ 7.6

Revenues

Performance of individual products is provided below (millions of dollars):

	Three Months Ended			Nine Months Ended		
Product	September 2006	% Change	September 2005	September 2006	% Change	September 2005
Abelcet	$ 9.0	(19)	$ 11.1	$ 28.8	(8)	$ 31.5
Adagen	6.9	16	6.0	17.9	16	15.4
Oncaspar	7.4	28	5.8	21.4	24	17.2
Depocyt	2.0	(14)	2.3	6.0	3	5.8
Totals	$ 25.3	—	$ 25.2	$ 74.1	6	$ 69.9

Sales for the products segment for the three months ended September 30, 2006 increased slightly over the prior year to $25.3 million. For the nine months ended September 30, 2006, net product sales increased by 6% over the same period of 2005 to $74.1 million. The primary driver is double digit growth in sales of Adagen and Oncaspar, offset by declines in sales of Abelcet due to continued competition. U.S. and Canadian Abelcet net sales declined $2.1 million or 19% in the quarter ended September 30, 2006, as the result of increased competition. For the nine months ended September 30, 2006, Abelcet net sales decreased over the first nine months of the prior year by $2.7 million or 8%. We continue to anticipate increased competition for Abelcet from current and new products that entered the market this quarter.

Adagen sales rose 16% for the quarter ended September 30, 2006 and 16% year to date as compared to the year-earlier periods due to our having renegotiated our distribution contracts. The 28% third-quarter and 24% nine-month increases in revenue for Oncaspar were mainly related to its adoption in certain protocols by hospitals and cooperative groups resulting in an increase in demand for the product. On July 25, 2006, we announced that the FDA approved Oncaspar for first line treatment for acute lymphoblastic leukemia (ALL). Depocyt net sales decreased by $0.3 million to $2.0 million in the three-month period ended September 30, 2006 and remained relatively flat for the first nine months of 2006 compared to the same prior-year periods. Skyepharma, our partner for Depocyt, submitted a post marketing study for Depocyt to the U.S. Food and Drug Administration in the second quarter of 2006 as fulfillment of their post marketing commitment. As reported at the 2006 American Society of Clinical Oncology (ASCO) annual meeting, these results demonstrate at least comparable patient benefit between Depocyt and control treatments. Intrathecal Depocyt provides patients with the added convenience of bimonthly treatment.

Cost of sales

In the three months ended September 30, 2006, overall cost of products sold of $9.2 million remained constant as a percentage of sales at 36.6% compared to the prior comparative period. For the nine months ended September 30, 2006, cost of products sold of $26.5 million represented an improvement as a percentage of sales from 38.1% last year to 35.8% this year. Factors contributing most heavily to the year-to-date improvement in Products segment margins were: (1) reduction in Abelcet intangibles amortization of over $0.9 million coupled with a third-quarter decrease in the chargeback accrual estimate of $0.4 million; (2) the approximately $0.7 million favorable trade-off between the Oncaspar royalty reduction and higher intangible amortization resulting from the January 1, 2006 negotiated lower royalties with Sanofi-Aventis, and (3) inventory write-offs for various products in the current year have been lower than in the prior year by approximately $1.4 million in the aggregate.

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Selling and marketing expenses

Selling and marketing expenses consist primarily of marketing, medical education, Phase IV programs to support our commercial efforts as well as salaries and benefits for our sales and marketing personnel. Selling and marketing expenses increased $0.5 million or 8% from the three months ended September 30, 2005. On a year-to-date basis, however, selling and marketing expenses declined 10% or $2.6 million from the nine months ended September 30, 2005. The decrease was primarily due to a more targeted marketing spend in 2006.

Amortization of acquired intangible assets

Amortization expense was $0.2 million for the three months ended September 30, 2006, as compared to $3.3 million for the three months ended September 30, 2005. Amortization expense was $0.6 million for the nine months ended September 30, 2006, as compared to $10.0 million for the nine months ended September 30, 2005. Amortization expense was lower in each comparative period due to the fourth quarter 2005 impairment of Abelcet-related intangible assets. Amortization of intangible assets has been provided over their remaining estimated lives ranging from 1-14 years on a straight-line basis.

Royalties Segment

(millions of dollars)

	Three Months Ended			Nine Months Ended		
	September 2006	% Change	September 2005	September 2006	% Change	September 2005
Royalty revenue	$ 18.7	21	$ 15.4	$ 53.9	17	$ 45.9

Total royalties for the three months ended September 30, 2006 of $18.7 million were 21% higher than the $15.4 million during the comparable three-month period ended September 30, 2005. Total royalties for the nine months ended September 30, 2006 increased 17% to $53.9 million as compared to the comparable nine-month period ended September 30, 2005. The improvement in total royalties over the prior year periods was due to the continued growth in sales of PEG-INTRON by Schering-Plough, particularly in Japan. The majority of royalties is comprised of royalty revenue we receive on sales of PEG-INTRON, but also includes other royalty revenue, certain license revenues and contract revenues related to the application of our technology to other firms' products. MACUGEN, sold by OSI Pharmaceuticals and Pfizer, Inc. has experienced competition in the U.S. this quarter. Also, Schering-Plough has recently indicated that they anticipate a decline in sales of PEG-INTRON in Japan as new patient enrollment moderates and competition increases.

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

(millions of dollars)

	Three Months Ended			Nine Months Ended		
Product	September 2006	% Change	September 2005	September 2006	% Change	September 2005
Revenues	$ 1.9	(45)	$ 3.4	$ 10.2	(8)	$ 11.1
Cost of sales	3.0	5	2.8	8.5	5	8.1
Segment (loss) profit	$ (1.1)	n.m.	$ .6	$ 1.7	(44)	$ 3.0

n.m. – not meaningful

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Revenues

Contract manufacturing revenues tend to fluctuate from period to period due to timing of raw materials supplied by customers, timing of inventory production and timing of shipments.

Contract manufacturing revenue for the three-month and nine-month periods ended September 30, 2006 was $1.9 million and $10.2 million, respectively. This compares to $3.4 million and $11.1 million for the comparable periods of 2005. The decrease in contract manufacturing revenue was primarily attributable to the resolution, during the quarter, of an annual revenue reconciliation related to two contracts that resulted in a reduction of revenue of $1.2 million. The timing of production of another product Enzon manufactures also resulted in lower revenues during the quarter. In the first half of 2006, we renegotiated pricing with another of our customers resulting in recognition of an additional $0.9 million of revenue. On a year-to-date basis, contract manufacturing revenue declined $0.9 million or 8%.

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 with no corresponding reduction in cost of sales. Cost of sales for the nine months ended September 30, 2006, after adjusting for the third-quarter revenue item, was approximately 75% of sales compared to approximately 73% a year earlier.

Non-U.S. Revenues

During the three months ended September 30, 2006, we had export sales and royalties on export sales of $16.7 million, of which $9.2 million were in Europe. This compares to $14.8 million of export sales in the comparable three-month period of 2005, of which $8.4 million were in Europe.

We had export sales and royalties on export sales of $48.6 million and $44.6 million, of which $27.3 million and $27.9 million were in Europe, for the nine months ended September 30, 2006 and 2005, respectively.

Corporate and Other Expenses

(millions of dollars)

	Three Months Ended			Nine Months Ended		
	September 2006	% Change	September 2005	September 2006	% Change	September 2005
Research and development	$ 10.6	99	$ 5.3	$ 27.1	15	$ 23.5
General and administrative	7.0	42	4.9	22.3	29	17.2
Acquired in-process research and development	8.0	(20)	10.0	8.0	(20)	10.0
Restructuring charge	—	—	—	—	n.m.	2.1
Other (income) expense:						
Investment income	(2.8)	73	(1.6)	(21.7)	411	(4.2)
Interest expense	5.9	20	5.0	17.4	17	14.9
Other, net	(4.9)	n.m.	2.9	(9.1)	n.m.	7.8
	(1.8)	n.m.	6.3	(13.4)	n.m.	18.5
Total Corporate and Other Expenses	$ 23.8	(10)	$ 26.5	$ 44.0	(38)	$ 71.3

n.m. – not meaningful

Research and Development.

For the three months ended September 30, 2006, research and development expenses increased by $5.3 million to $10.6 million as compared to the three months ended September 30, 2005. The increase was primarily due to new programs such as recombinant human Mannose-Binding Lectin (rhMBL) in 2006, as compared to research and development restructuring that occurred in the second quarter of 2005.

For the nine months ended September 30, 2006, research and development expenses increased by $3.6 million to $27.1 million as compared to the nine months ended September 30, 2005. The prior-year total of $23.5 million included a $5.0 million payment to Inex Pharmaceuticals Corporation related to the termination of our partnership for the development and commercialization of MARQIBO. Accordingly, excluding the above payment of $5.0 million to Inex, the year-over-year increase in research and development spending was approximately $8.6 million primarily due to the new spending on portfolio programs in the second and third quarters of 2006 as discussed above.

As previously disclosed, the Company's clinical trial activities were expected to increase during the latter half of 2006, due to anticipated enrollment this summer in a study related to the use of Oncaspar in the treatment of certain cancers as well as ongoing development work on rhMBL and the recently announced strategic collaboration with Santaris Pharma A/S to develop and commercialize a series of innovative RNA antagonists based on Santaris' LNA® technology.

General and administrative.

General and administrative expenses for the three months ended September 30, 2006, rose to $7.0 million from $4.9 million for the three months ended September 30, 2005. For the nine-month period, general and administrative expenses rose $5.1 million to $22.3 million. Both periods were heavily affected by costs associated with the refinancing of debt and other legal fees. The nine-month period also reflects the increase in salaries due to the recognition beginning July 1, 2005 of compensation expense for stock options as a result of our adoption of SFAS 123R. The change in our distributor resulted in a comparative increase in our accounting fees in the three-month period whereas, on a year-to-date basis, accounting fees are down compared to the prior year.

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. In September 2005, we paid $10.0 million to NatImmune for the rights to clinical development of recombinant human Mannose-Binding Lectin. As both technologies are in the development stage, their costs were charged to operations.

Other income (expense).

Other income (expense) for the three months ended September 30, 2006 was income of $1.8 million, as compared to expense of $6.3 million for the three months ended September 30, 2005. For the nine-month periods, other income (expense) was income of $13.4 million in 2006 versus expense of $18.5 million in 2005. Other income (expense) includes: net investment income, interest expense and other expense.

Net investment income increased by $1.2 million to $2.8 million for the three months ended September 30, 2006 compared to $1.6 million for the three months ended September 30, 2005. The improvement was attributable to approximately 2 percentage points higher interest rates on our investments this year over the comparable third-quarter of 2005. Net investment income increased by $17.5 million to $21.7 million for the nine months ended September 30, 2006 compared to $4.2 million for the nine months ended September 30, 2005. The nine months' increase 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. In addition, the higher interest rates cited above also had a favorable effect on the nine-month period comparisons. We also had approximately $140.0 million of increased short-term investments that generated additional investment income for more than a month between the receipt of the proceeds of the new 4% debt issuance and the closing of the July tender offer for the repurchase of the 4.5% notes.

Interest expense was, respectively, $5.9 million and $17.4 million for the three-month and nine-month periods ended September 30, 2006 and $5.0 million and $14.9 million for the three-month and nine-month periods ended September 30, 2005. Our repurchases of 4.5% notes in May and July 2006 in the aggregate amount of $271.4 million resulted in the write-off of $1.2 million of deferred offering costs in the third quarter and $2.5 million year to date. These write-off amounts were charged to interest expense and represent the most significant cause of the year-to-year increases. The favorable effect on interest expense from the May 2006 repurchase of 4.5% notes payable of $133.7 million principal amount and the July 2006 repurchase of an additional $137.6 million principal amount was largely offset by the May 2006 issuance of $275.0 million of 4% notes.

Other, net was income of $4.9 million for the three months ended September 30, 2006, as compared to an expense of $2.9 million for the three months ended September 30, 2005. The improvement resulted primarily from the July 2006 debt refinancing which included a $4.8 million gain on the repurchase of the 4.5% notes. For the nine months ended September 30, 2006, other, net was income of $9.1 million versus an expense of $7.8 million for the nine months ended September 30, 2005. The 2006 year-to-date gain resulted from the combined repurchases of $271.4 million 4.5% notes in May and July 2006 for a cash outlay of $262.2 million or a gain of $9.2 million. The 2005 expense related primarily to costs associated with our holding of NPS Pharmaceuticals, Inc. (NPS) common stock and a related hedging instrument. We recognized a realized loss of $3.5 million on the maturation of the final portion of the hedging instrument during the three months ended September 30, 2005. For the nine months ended September 30, 2005 we recognized a realized loss of $8.8 million on the maturation of the hedging instrument and sale of the underlying shares partially offset by an unrealized gain of $160,000 on the instrument.

Income taxes

During the three months and nine months ended September 30, 2006, we recorded a net tax expense of approximately $127,000 and $551,000, respectively, which represents state and Canadian tax liabilities. The federal income tax provision was nominal for the three months and nine months ended September 30, 2006 based on the estimated annual effective tax rate due to our projected taxable income and the ability to utilize our federal net operating loss carryforwards. During the quarter ended June 30, 2005, we recorded non-cash charges of $79.6 million, principally representing a full reserve against deferred tax assets of $68.2 million at June 30, 2005 and establishment of a deferred tax liability of $10.6 million associated with goodwill.

Liquidity and Capital Resources

Total cash reserves, which include cash, cash equivalents, short-term investments and marketable securities, were $240.4 million as of September 30, 2006, as compared to $226.6 million as of December 31, 2005. Significant items contributing to the increase are: operating cash flows for the nine-month period ended September 30, 2006, cash proceeds from the sale of Nektar common stock we owned and the cash inflow from issuance of debt during the period net of note repurchases. Offsetting these cash inflows was the January payment to Sanofi-Aventis of $35.0 million relating to a reduction of the Oncaspar royalty rate. These items are discussed at greater length below.

Cash provided by operating activities amounted to $29.6 million for the nine months ended September 30, 2006 compared to $1.9 million in the year earlier period. This favorable change is largely attributable to changes in balance sheet operating accounts. In the current year, fluctuations were moderate and tended to offset one another resulting in no significant net cash flow impact. For example, a combined $6.0 million increase in inventories and a decrease in accrued interest in the first nine months of 2006 were effectively offset by a corresponding decrease in accounts receivable and increases in accrued expenses. In the prior-year nine-month period that did not occur. Accounts receivable, inventories, accounts payable, and other assets and liabilities all constituted uses of cash in 2005 aggregating to approximately $30.0 million.

Cash used in investing activities rose $48.5 million from $44.0 million to $92.5 million. This was due primarily to the January 2006 $35.0 million payment to Sanofi-Aventis for an Oncaspar intangible asset coupled with increases in investments in marketable securities of $6.6 million and property and equipment of $4.0 million.

In May 2006, we issued $275.0 million of 4% senior unsecured notes maturing on June 1, 2013. The net proceeds of this debt offering were $267.3 million. Costs associated with the offering amounted to $7.7 million and have been capitalized as a component of other assets and will be amortized over the approximately 84 month term of the 4% notes. Concurrent with the May 2006 issuance of the 4% notes, we used a portion of the proceeds to repurchase $133.8 million of principal amount of 4.5% notes outstanding at a purchase price of $129.4 million. Subsequently, in July 2006, we completed a tender offer whereby we repurchased $137.6 million principal amount of 4.5% notes for a cash outlay of $132.8 million. In summary, we used $262.2 million of the proceeds from the issuance of our new convertible 4% debt due in 2013 to extinguish $271.4 million principal amount of 4.5% debt that would otherwise have been due in 2008.

As of September 30, 2006, we had $397.6 million of convertible notes payable: the 4.5% notes in the principal amount of $122.6 million maturing on July 1, 2008 and the $275.0 million of 4% convertible senior notes issued during the second quarter of 2006, maturing on June 1, 2013. 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, 2006 and September 30, 2005, there were payments of interest of $17.2 million and $18.0 million, respectively. Accrued interest on the aggregate amount of the notes outstanding was $5.2 million as of September 30, 2006 and $8.9 million as of December 31, 2005. See Contractual Obligations below for descriptions of the two note issues.

Our current sources of liquidity are our cash reserves, interest earned on such cash reserves, short-term investments, marketable securities, and cash flows from operations. Based upon our currently planned research and development activities and related costs and our current sources of liquidity, we anticipate our current cash reserves and expected cash flow from operations will be sufficient to meet our debt service, capital and operational requirements for the near future. We invest only in U.S. government and government sponsored enterprise securities and investment-grade corporate debt securities and auction rate securities.

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, 2006, we were not involved in any SPE transactions.

Significant Agreement

On September 7, 2006, we gave notice to Nektar Therapeutics (Nektar) of our intention not to renew the provisions of our agreement with them that gives Nektar the right to sub-license a portion of our PEG technology and patents to third parties. This right will terminate in January 2007 and will not affect any existing sub-licenses granted by Nektar.

Contractual Obligations

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

On October 1, 2006, we entered into the Third Amendment to Lease Agreement with Route 206 Associates (the Landlord) (the Third Amendment), for the leased premises at 685 Route 202/206 Bridgewater, New Jersey, our executive offices. The Third Amendment, together with the Lease Agreement dated March 27, 2002, the First Amendment to Lease dated November 11, 2002 and the Second Amendment to Lease dated July 22, 2005 are collectively referred to as the “Lease.”

Pursuant to the Third Amendment, the parties agreed to increase the floor space of the leased premises by 18,778 square feet to a total of 50,624 square feet, and to extend the initial term of the Lease through January 31, 2018. The basic annual rent for the leased premises for the remainder of the term shall be $1.4 million through January 31, 2015 and $1.5 million through January 31, 2018. The Third Amendment deleted all prior options to renew the Lease and granted us one option to renew the Lease for a period of five years at the market rental rate (as defined in the Lease). In addition, the Third Amendment deleted all prior rights of first offer and granted us a right of first offer, on the terms set forth in the Third Amendment, with respect to any space in the building containing the lease premises should any such space become available.

In July 2006, we entered into a license and collaboration agreement with Santaris Pharma A/S (Santaris) for up to eight RNA antagonists. We obtained rights worldwide, other than Europe, to develop and commercialize RNA antagonists directed against the HIF-l alpha and Survivin gene targets. Santaris will design and synthesize RNA antagonists directed against up to six additional gene targets selected by us, and we will have the right to develop and commercialize those antagonists worldwide, other than Europe. We made an initial payment of $8.0 million to Santaris in August 2006 and will be responsible for making additional payments upon the successful completion of certain compound synthesis and selection, clinical development and regulatory milestones. Santaris is also eligible to receive royalties from any future product sales from products based on the licensed antagonists. Santaris retains the right to develop and commercialize products developed under the collaboration in Europe.

During the quarter ended June 30, 2006, we issued $275.0 million of 4% notes that mature on June 1, 2013 unless earlier redeemed, repurchased or converted. The 4% notes are senior unsecured obligations and rank equal to our other senior unsecured debt and all future senior unsecured debt. The 4% notes may be converted at the option of the holders into our common stock at an initial conversion price of $9.55 per share.

At any time on or after June 1, 2009, if the closing price of our 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, we, at our 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 notes, holders of the notes may require us 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 our common stock in the transaction constituting the fundamental change.

In connection with our second-quarter 2006 issuance of $275.0 million of the 4% senior convertible notes, we entered into a registration rights agreement whereby we agreed to file a shelf registration statement with the U.S. Securities and Exchange Commission (SEC) to permit the public 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 is expected to be declared effective by the SEC shortly after the date hereof. Failure to have the shelf registration statement declared effective on a timely basis or to maintain the effectiveness of the shelf registration would result in additional interest being payable on the notes until the registration becomes effective.

Concurrent with the May 2006 issuance of the 4% notes, a portion of the proceeds were used to repurchase $133.8 million of principal amount of 4.5% notes outstanding at a purchase price of $129.4 million plus accrued interest of $2.4 million. On July 6, 2006, we completed a tender offer whereby we repurchased $137.6 million principal amount of 4.5% notes at a purchase price of $965 for each $1,000 principal amount, plus accrued interest. As of September 30, 2006, $122.6 million principal amount of the 4.5% notes remain outstanding.

The 4.5% notes mature on July 1, 2008, unless earlier redeemed, repurchased or converted and are convertible, at the option of the holders, into common stock of the Company at a conversion price of $70.98. 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 4.5% notes, holders of the 4.5% notes may require us to redeem the notes at a price equal to 100% of the principal amount plus accrued and unpaid interest.

In January 2006, we terminated our development and supply agreement entered into in June 2003 with, and returned our rights to ATG-Fresenius S to, Fresenius Biotech. The development and supply agreement with Fresenius Biotech provided us with exclusive development and distribution rights in the U.S. and Canada for a new formulation of the polyclonal antibody preparation, ATG-Fresenius S. Subsequently, in April 2006, Fresenius Biotech and Nabi Biopharmaceuticals announced an agreement to advance the ongoing clinical development of ATG-Fresenius S. The clinical trial has been transitioned to Nabi Biopharmaceuticals.

Other than as described in the preceding paragraphs, since December 31, 2005, there have been no material changes with respect to our contractual obligations as disclosed under Management’s Discussion and Analysis of Financial Condition and Results of Operations – Contractual Obligations in our Transition Report on Form 10-K for the six months ended December 31, 2005.

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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 professional accounting standards effective as of September 30, 2006 have been taken into consideration in preparing the consolidated financial statements. The preparation of the consolidated financial statements requires estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Some of those estimates are subjective and complex, and, consequently, actual results could differ from those estimates. The following accounting policies have been highlighted as significant because changes to certain judgments and assumptions inherent in these policies could affect our consolidated financial statements.

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, generally at the time of shipment. 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.

Effective January 1, 2006, we changed our third-party distributor for three of our four products—Abelcet, Oncaspar and Depocyt. For Abelcet, our new third-party distributor ships product to the same wholesalers as prior to the change. We continue to recognize revenues for Abelcet at the time of sale to the wholesaler. The distribution process for Oncaspar and Depocyt has changed. Sales are recorded when Oncaspar and Depocyt are shipped by our new third-party distributor directly to the end-user. We previously sold the products to a specialty distributor and recorded sales at that time. Adagen distribution remains unchanged and it continues to be sold directly to a specialty distributor. We continue to recognize revenue for Adagen upon sale to the specialty distributor.

In addition to the new distributor handling the indicated products on our behalf, it also maintains the related accounts receivable system for us and records sales, cash receipts and certain adjustments. 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 changes. 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 September 2006, as a result of improved and more timely inventory data flows from wholesalers, we decreased our chargeback accrual estimate by $0.4 million which had a favorable effect on operating income for the period.

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 the sale of the product and payment of a rebate, which can range up to nine months, and the level of reimbursement by state agencies.

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The following is a summary of reductions of gross sales accrued as of September 30, 2006 and December 31, 2005 (in thousands):

	September 30, 2006	December 31, 2005
Accounts Receivable Reductions		
Chargebacks	$ 3,508	$ 3,717
Cash Discounts	146	202
Other (including returns)	1,630	1,304
Total	$ 5,284	$ 5,223
Accrued Liabilities		
Medicaid Rebates	$ 1,658	$ 1,832
Administrative Fees	238	286
Total	$ 1,896	$ 2,118

Royalties under our license agreements with third parties are recognized 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. Beginning with the quarter ended December 31, 2005, notification from the third party licensee of the royalties earned under the license agreement became 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. Other fees and royalties received from third parties using our technology are recorded as the earnings process is completed. Non-refundable milestone payments that represent the completion of a separate earnings process are recognized as revenue when earned, upon the occurrence of contract-specified events and when the milestone has substance. Non-refundable payments received upon entering into license and other collaborative agreements where we have continuing involvement are recorded as deferred revenue and recognized ratably over the estimated service period.

Income Taxes

Under the asset and liability method of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes", deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance on net deferred tax assets is provided for when it is more likely than not that some portion or all of the deferred tax assets will not be realized. We 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.

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 and amortizable intangible assets is performed initially by comparing the carrying amount of the asset or asset group 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 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.

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Share-Based Payment

We account for share-based compensation in accordance with SFAS 123R, “Share-Based Payment.” SFAS 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. Until we have developed sufficient reliable Enzon-specific information, we are using an industry average for purposes of estimating forfeitures of share-based payments. As stratified data are developed, they will be compared to the initial average and the rate will be adjusted as deemed necessary.

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, the risk free interest rate, and dividends, if any. Expected volatility is based on historical Enzon stock price information.

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

In July 2006, the FASB issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes”, an interpretation of FASB Statement No. 109. The interpretation establishes criteria for recognizing and measuring the financial statement tax effects of positions taken on a company’s tax returns. A two-step process is prescribed whereby the threshold for recognition is a more-likely-than-not test that the tax position will be sustained upon examination and the tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. We currently recognize a tax position if it is probable of being sustained. The interpretation is effective for us beginning January 1, 2007. We are evaluating the potential effects the interpretation may have on our consolidated financial position or results of operations, but we do not expect there to be any material consequence.

In September 2006, the Staff of the SEC provided guidance on the need to consider the effects of prior year misstatements in quantifying the materiality of current year misstatements – Staff Accounting Bulletin No. 108 (SAB 108). According to SAB 108, a registrant must consider both the current year effect of an accounting error as well as the earnings effect of adjusting the balance sheet for related previous errors that might individually have been immaterial but that would be material to the current year’s earnings if corrected on a catch-up basis. SAB 108 permits adjustment for the cumulative effect of errors relating to prior years in the carrying amount of assets and liabilities as of the beginning of the current fiscal year with an offsetting adjustment to the opening balance of retained earnings in the year of adoption. SAB 108 requires the adjustment of any prior quarterly financial statements within the year of adoption for the effects of such errors on the quarters when the information is next presented. Such adjustments do not require reports previously filed with the SEC to be amended. SAB 108 is effective for annual financial statements covering fiscal years ending after November 15, 2006 for those registrants electing not to restate prior periods. We are in the process of evaluating SAB 108 but do not believe it will have a material effect on our consolidated financial statements or results of operations.

The FASB issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (SFAS No. 157), in September 2006. The new standard provides guidance on the definition of and how to measure fair value and what sources of information are to be used in such measurements. It also prescribes expanded disclosures about fair value measurements contained in the financial statements. The Company is in the process of evaluating the new standard which is not expected to have any effect on its financial position or results of operations although financial statement disclosures will be revised to conform to the new guidance. The pronouncement, including the new disclosures, is effective for the Company as of the first quarter of 2008.

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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 timing, success and cost of clinical studies and our ability to obtain regulatory approval of products, and

- The risk that we will continue to 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 not achieve success in our research and development efforts including clinical trials conducted by us or by our collaborative partners.
- 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.
- 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 SEC, including our Transition Report on Form 10-K for the six-month period ended December 31, 2005 and our quarterly report on Form 10-Q for the period ended June 30, 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 Enzon does not intend to update this information.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The following discussion about our exposure to market risk of financial instruments contains forward-looking statements. Actual results may differ materially from those described.

Our holdings of financial instruments are comprised of debt securities and time deposits. All such instruments are classified as securities available-for-sale. We do not invest in portfolio equity securities or commodities or use financial derivatives for trading purposes. Our debt security portfolio represents funds held temporarily pending use in our business and operations. We manage these funds accordingly. We seek reasonable assuredness of the safety of principal and market liquidity by investing in rated fixed income securities while at the same time seeking to achieve a favorable rate of return. Our market risk exposure consists principally of exposure to changes in interest rates. Our holdings are also exposed to the risks of changes in the credit quality of issuers. We typically invest the majority of our investments in the shorter-end of the maturity spectrum, and at September 30, 2006 the vast majority of our holdings were in instruments maturing in two years or less with the exception of certain auction rate securities and mutual fund investments relating to our executive deferred compensation plan, that had maturity dates through 2032.

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The table below presents the principal amounts and related weighted average interest rates by year of maturity (as of September 30 each year) for our investment portfolio as of September 30, 2006 (in thousands):

	2007	2008	2009	2010 & thereafter	Total	Fair Value
Fixed Rate	$ 90,362	$ 25,552	$ 2,600	$ 102	$ 118,616	$ 118,285
Average Interest Rate	4.93%	3.89%	4.92%	5.25%	4.71%	
Variable Rate	60,639	6,500	—	35,928	103,067	102,793
Average Interest Rate	3.41%	3.48%	—	5.05%	3.99%	
	$ 151,001	$ 32,052	$ 2,600	$ 36,030	$ 221,683	$ 221,078

As of September 30, 2006, our 4.5% convertible subordinated notes in the principal amount of $122.6 million due July 1, 2008 and our 4% convertible senior notes in principal amount of $275.0 million due June 1, 2013, have fixed interest rates. The fair value of the 4.5% notes was approximately $117.4 million and $356.1 million (on a principal amount of $394.0 million) at September 30, 2006 and December 31, 2005, respectively. The fair value of the 4% notes was approximately $284.8 million at September 30, 2006. The fair value of fixed interest rate convertible notes is affected by changes in interest rates and by changes in the price of our common stock.

Item 4. Controls and Procedures

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, 2006. 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, 2006.

Changes in Internal Controls

There were no changes in our internal controls over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

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PART II OTHER INFORMATION

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 (Previously filed as an exhibit to the Company's Current Report on Form 8-K filed May 19, 2006 and incorporated herein by reference thereto.)	
3(ii)	Amended and Restated By-laws (Previously filed as an exhibit to the Company's Form 10-Q filed August 3, 2006 and incorporated herein by reference thereto.)	
4.1	Rights Agreement dated May 17, 2002 between the Company and Continental Stock Transfer Trust Company, as rights agent (Previously filed as an exhibit to the Company's Form 8-A12G (File No. 000-12957) filed with the Commission on May 22, 2002 and incorporated herein by reference thereto.)	
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 (Previously filed as an exhibit to the Company's Form 8-A12G/A (File No. 000-12957) filed with the Commission on February 20, 2003 and incorporated herein by reference thereto.)	
4.3	Indenture, dated May 23, 2006, between Enzon Pharmaceuticals, Inc. and Wilmington Trust Company (Previously filed as an exhibit to the Company's Current Report on Form 8-K filed May 25, 2006 and incorporated herein by reference thereto.)	
10.1	Executive Deferred Compensation Plan (2006 Restatement) (Previously filed as an exhibit to the Company's Form 10-Q filed August 3, 2006 and incorporated herein by reference thereto.)	
10.2	Registration Rights Agreement, dated May 23, 2006, between Enzon Pharmaceuticals, Inc. and Goldman, Sachs & Co. (Previously filed as an exhibit to the Company's Current Report on Form 8-K filed May 25, 2006 and incorporated herein by reference thereto.)	
10.3	2001 Incentive Stock Plan, as amended and restated, of Enzon Pharmaceuticals, Inc. (Previously filed as an exhibit to the Company's Current Report on Form 8-K filed May 19, 2006 and incorporated herein by reference thereto.)	
10.4	First Amendment of Lease – 685 Route 202/206, Bridgewater, New Jersey	*
10.5	Second Amendment to Lease – 685 Route 202/206, Bridgewater, New Jersey	*
10.6	Third Amendment to Lease – 685 Route 202/206, Bridgewater, New Jersey	*
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.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENZON PHARMACEUTICALS, INC.
(Registrant)

Date: November 2, 2006

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

Date: November 2, 2006

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

Exhibit 10.4

FIRST AMENDMENT TO LEASE AGREEMENT

Between

ROUTE 206 ASSOCIATES

The Landlord

And

ENZON, INC.

The Tenant

For Leased Premises In

685 Route 202/206, Bridgewater, New Jersey

November 11, 2002

Prepared by:
Gary O. Turndorf
520 Route 22
P.O. Box 6872
Bridgewater, NJ 08807
(908) 725-8100

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FIRST AMENDMENT TO LEASE AGREEMENT, dated as of November 11, 2002, between ROUTE 206 ASSOCIATES, a New Jersey partnership, with offices at 520 Route 22, P.O. Box 6872, Bridgewater, NJ 08807 (the "Landlord"), and ENZON, INC., a Delaware corporation, with an office at 685 Route 202/206, Bridgewater, NJ 08807 (the "Tenant").

PRELIMINARY STATEMENT:

Landlord and Tenant are parties to a lease agreement dated March 27, 2002 for

Leased Premises on the third floor of 685 Route 202/206, Bridgewater, New Jersey (the "Lease"); and

Tenant has exercised the Right of First Offer contained in the Lease to lease the contiguous office suite shown on Exhibit A attached hereto (the "Contiguous Space") on modified terms agreed to between the parties and subject to all the terms and conditions set forth below, the Landlord and the Tenant hereby agree as follows:

1. Definitions and Effect of First Amendment.

Certain terms and phrases used in this Agreement (generally those whose first letters are capitalized) are defined in Exhibit B attached hereto and, as used in this Agreement, they shall have the respective meanings assigned or referred to in that exhibit. Except as amended by the terms of this Agreement, the terms of the Lease shall otherwise remain in full force and effect.

2. Lease of the Contiguous Space.

The Landlord shall, and hereby does, lease to the Tenant, and the Tenant shall, and hereby does, accept and lease from the Landlord, the Contiguous Space beginning on the Expansion Commencement Date hereinafter defined. The Contiguous Space consists of 5,717 square feet of gross rentable floor space on the third floor of 685 Route 202/206, Bridgewater, New Jersey as more fully described in the definition of Leased Premises set forth in Exhibit B attached hereto. From and after the Expansion Commencement Date, the Leased Premises shall become 24,526 square feet of gross rentable floor space comprised of the original Leased Premises and the Contiguous Space.

3. Rent.

3.1. The Tenant shall punctually pay the Rent for the Leased Premises for the Term to the Landlord in the amounts and at the times set forth below, without bill or other demand and without any offset, deduction or, except as may be otherwise specifically set forth in this Agreement, abatement whatsoever.

3.2. Beginning on the Expansion Commencement Date, the Basic Rent for the Leased Premises during the balance of the Term shall be at the rate per year set forth below.

YEARS	ANNUAL RATE	MONTHLY INSTALLMENTS
one through three	$613,150.08	$51,095.84
four and five	$637,676.04	$53,139.67

Notwithstanding the foregoing provision, if the Expansion Commencement Date occurs on a day other than the first day of a calendar month then the Basic Rent with respect to the addition of the

Contiguous Space shall be pro-rated for the first month at the rate of $397.01 per day.

3.3. The annual rate of Basic Rent for the Leased Premises during any Renewal Term shall be calculated as set forth in subsection 6.1.4 of this Agreement for the respective Renewal Term.

4. Term.

4.1. The Initial Term shall be revised to run to the last day of the sixtieth (60th) full month after the Expansion Commencement Date or the conclusion of any Renewal Term, unless sooner terminated in accordance with this Agreement or the Lease.

4.2. Unless the Work is performed by contractors selected by Tenant, the Expansion Commencement Date shall be the later of:

4.2.1. the Target Date; or

4.2.2. the date that the Work is substantially completed (except for (i) any long lead time items that may be required that can not be delivered to the Contiguous Space in sufficient time to be incorporated into the work in proper sequence and (ii) any preparation work that is not being performed exclusively by contractors selected and retained by the Landlord); the Landlord can deliver actual and exclusive possession of the Contiguous Space, free of rubbish and debris, to the Tenant (except for any contractors not selected and retained by the Landlord and their rubbish and debris); and the Contiguous Space can be legally occupied for its intended use pursuant to a temporary or permanent certificate of occupancy.

4.2.3. Notwithstanding the foregoing provisions, if the Work is performed exclusively by contractors selected by Tenant, then the Expansion Commencement Date shall be the Target Date even though the Work may not be completed and even though no certificate of occupancy has been issued. Tenant shall be obligated to complete the Work in accordance with all applicable codes and to secure the certificate of occupancy.

4.2.4. Within ten (10) days of the execution of this Lease, each party agrees to notify the other party of the name and telephone number of its construction representative for the project.

4.3. In the event one or more of the conditions contemplated by this subsection 4.3 of the Agreement occurs, notwithstanding anything to the contrary set forth in subsection 4.2 of this Agreement, the Expansion Commencement Date shall be the earliest applicable date specified below:

4.3.1. the earliest date the Tenant takes possession of the Contiguous Space for the operation of its business. Tenant shall have access to the Contiguous Space for purposes of taking measurements, installing cabling and wiring and furniture, furnishings and equipment without triggering the Expansion Commencement Date;

4.3.2. the Target Date in the event the Tenant does not timely: (i) deliver the Tenant Plan to the Landlord by the Tenant Plan Due Date and (ii) sign and return the notice contemplated in the second sentence of subsection 5.3 of this Agreement agreeing to the price quoted by the Landlord to perform the Work is acceptable.

4.4. Once it is ascertained in accordance with subsections 4.2 and 4.3 of this Agreement, the Landlord shall give prompt notice of the Expansion Commencement Date to the Tenant; and if the Tenant does not object thereto by notice given to the Landlord within 10 days of the Landlord's notice, the date set

forth in the Landlord's notice shall thereafter be conclusively presumed to be the Commencement Date.

5. Preparation of the Leased Premises.

5.1. The Tenant shall cause the Tenant Plan to be prepared and shall deliver the complete Tenant Plan to the Landlord not later than the Tenant Plan Due Date. The Tenant Plan shall be prepared at the Tenant's expense which shall be reimbursable from the Allowance. It shall include the details specified in the definition of Tenant Plan and the location and extent of any special floor loading; special air conditioning requirements, if any; plumbing requirements, if any; and estimated total electrical load, including lighting requirements, lighting switch requirements and electrical outlet requirements, if any, in excess of the building standard being provided by the Landlord, setting forth the amount of the load, locations and types.

5.2. The Landlord shall cause the work required to complete the Tenant Plan (the "Work") to be performed by the Landlord or the Landlord's contractors in a good and workmerlike manner substantially in accordance with the Tenant Plan utilizing the Allowance to pay the price of the Work. The price shall include 5% of the Landlord's contractors' aggregate price for the Landlord's overhead and 5% of the contractor's aggregate price as the Landlord's general contracting fee, but only to the extent that the cost of the Work, as agreed by Landlord and Tenant in writing, exceeds the total amount of the Allowance. If the cost of the Work including the fees exceeds the Allowance, Tenant shall pay the balance of such price to the Landlord in proportion to the progress of such work, as and when billed by the Landlord at convenient intervals, with payment of any remaining final balance due from the Tenant prior to the Commencement Date. If the cost of the Work is less than the Allowance, the balance shall be credited to Base Rent first falling due, until the Allowance is exhausted. The Work shall not include the installation of any telecommunications or computer wiring or the cost thereof. Tenant, at its expense, may install its own security system regulating access to the Contiguous Space but, in such event (i) Tenant must provide the names and contact numbers for employees available to provide access for emergency services on a 24 hour per day basis; (ii) Tenant must arrange for access for the cleaning contractor and its personnel at the normal times which such contractor and its personnel perform their services; (iii) Tenant must supply access information to the Bridgewater Fire Department so that they can gain access in an emergency; and (iv) Tenant must comply with the requirements of section 13 of the Lease.

5.3. Prior to commencing the work, within four (4) days of receipt of the Tenant Plan, Landlord shall provide a quote of the price to perform the Work. Within three (3) days of receipt of the quote from Landlord, Tenant shall confirm, in writing, that the price is acceptable. If Tenant is not satisfied with the price and the parties are unable to agree upon the price then the Tenant shall be free to engage its own contractors to perform the work provided that Tenant shall select the heating, air-conditioning, sprinkler and electrical contractors from a list of qualified contractors furnished to Tenant by Landlord. In such event, Tenant shall secure all permits and perform the work in a good and workmanlike manner in accordance with all applicable codes and secure a certificate of occupancy. Landlord shall advance the Allowance at reasonable intervals within not more than ten (10) days following Tenant's draw request, as the Work progresses.

5.4. Notwithstanding the Tenant Plan, prior to the Target Date, Landlord shall (i) install new wall paper in the entire third floor elevator lobby; and (ii) repair and renovate the restrooms on the third floor in accordance with a list which has been initialed and exchanged between the parties. This work shall be performed at no additional cost to the Tenant and will be completed with no disruption to Tenant's quiet enjoyment of the Leased Premises or interruption to the conduct of Tenant's business in the Leased Premises. Such work to be performed by the Landlord shall be deemed complete when all items on the above list have been addressed to the reasonable satisfaction of the Tenant.

6. Options.

6.1 The option set forth in subsection 6.1 of the Lease is hereby deleted. Tenant is hereby granted one option to renew this Lease for one five year period upon the following terms and conditions:

6.1.1 At the time of the exercise of the option to renew and at the time of said renewal, (a) the Tenant shall not be in default following the delivery of notice and the expiration of all applicable cure periods in accordance with the terms and provisions of this Lease; and (b) Tenant shall occupy and be in operation at the entire Leased Premises pursuant to this Lease subject to approved subleases or sublease permitted hereby and subject to arrangements contemplated by Section 17.7 of the Lease.

6.1.2 Notice of the exercise of the option shall be sent to the Landlord in writing at least nine (9) months before the expiration of the Initial Term.

6.1.3 The Renewal Term shall be for a period of five years to commence at the expiration of the Initial Term, and all of the terms and conditions of this Agreement, other than the amount of Annual Rent, shall apply during any such renewal term.

6.1.4 The Annual Rent to be paid during the Renewal Term shall be $711,254.04 payable in equal monthly installments of $59,271.17.

6.2. Tenant is hereby granted the following additional rights:

6.2.1. The option set forth in subsection 6.2.1 of the Lease is hereby deleted. If Landlord learns that any space on the third floor of the Building will become available, it shall first offer the same to Tenant by written notice. This is the "Right of First Offer". The notice shall contain the terms upon which the space is offered including the basic rent, the commencement date, the term, the allowance, if any, and any other terms which Landlord proposes. If Tenant wishes to lease the space on the terms offered, it shall notify the Landlord in writing within seven (7) business days of Tenant's receipt of such written notice setting forth all of the above-required information, and, thereupon, Tenant shall be bound to lease the same on the same terms as are set forth in this Agreement modified by the specific terms which are set forth in Landlord's notice. Tenant shall execute a lease amendment to incorporate these terms including an obligation to execute a Commencement Date certificate and estoppel certificates. If Tenant fails to serve the written acceptance of the offer within the seven (7) business day period, the Right of First Offer shall thereupon expire and be of no further force and effect. Notwithstanding the provisions of the preceding sentence, the Right of First Offer shall revive if Landlord does not consummate a lease with another tenant within five (5) months after the expiration of the Right of First Offer as above provided or if Landlord proposes to enter into a lease with another tenant on terms which are materially more favorable than the terms offered to Tenant. For this purpose, the terms shall be considered materially more favorable if the net effective rent offered to the other tenant is ninety-two and one-half (92.5%) percent, or less, than the net effective rent offered to Tenant or if the term offered to the other tenant is eighty percent, or less, of the term offered to Tenant. With respect to any further offers required under this provision, if Tenant fails to serve a written acceptance of the offer within a five (5) business day period following receipt of Landlord's written offer, the Right of First Offer shall, with respect to such offer, thereupon expire and be of no further force and effect. For the purposes of this subsection 6.2.1, notices may be served by facsimile followed by mailing by regular mail on the same date. Tenant's fax number is; (908) 575-

1843 and Landlord's fax number (908) 575-2259.

6.2.2. The option set forth in subsection 6.2.2 of the Lease shall remain in force.

7. Revision of Security Deposit.

The Security Deposit required by Section 29 of the Lease is increased to the sum of $102,191.68. Tenant shall deposit the additional sum of $23,820.84 with Landlord upon the execution of this Agreement.

8. Representations.

The Tenant hereby represents and warrants that:

8.1. no broker or other agent has shown the Contiguous Space or the Building to the Tenant, or brought either to the Tenant's attention, except Julien J. Studley, Inc. (the "Broker"), whose entire commission therefor is set forth in a separate document and which commission the Tenant understands will be paid by the Landlord directly to the Broker;

8.2. the execution and delivery of, the consummation of the transactions contemplated by and the performance of all its obligations under, this Agreement by the Tenant have been duly and validly authorized by its general partners, to the extent required by their partnership agreement and applicable law, if the Tenant is a partnership or, if the Tenant is a corporation, by its board of directors and, if necessary, by its stockholders at meetings duly called and held on proper notice for that purpose at which there were respective quorums present and voting throughout; and no other approval, partnership, corporate, governmental or otherwise, is required to authorize any of the foregoing or to give effect to the Tenant's execution and delivery of this Agreement; and

8.3. the execution and delivery of, the consummation of the transactions contemplated by and the performance of all its obligations under, this Agreement by the Tenant will not result in a breach or violation of, or constitute a default under, the provisions of any statute, charter, certificate of incorporation or bylaws or partnership agreement of the Tenant or any affiliate of the Tenant, as presently in effect, or any indenture, mortgage, lease, deed of trust, other agreement, instrument, franchise, permit, license, decree, order, notice, judgment, rule or order to or of which the Tenant or any affiliate of the Tenant is a party, a subject or a recipient or by which the Tenant, any affiliate of the Tenant or any of their respective properties and other assets is bound.

9. Reservation in Favor of Tenant.

Neither the Landlord's forwarding a copy of this document to any prospective tenant nor any other act on the part of the Landlord prior to execution and delivery of this Agreement by the Landlord shall give rise to any implication that any prospective tenant has a reservation, an option to lease or an outstanding offer to lease any premises.

10. Severability.

In the event that any provision of this Agreement, or the application of any provision in any instance, shall be conclusively determined by a court of competent jurisdiction to be illegal, invalid or otherwise unenforceable, such determination shall not affect the validity or enforceability of the balance of this Agreement.

11. Captions.

Captions have been inserted at the beginning of each section of this Agreement for convenience of reference only and such captions shall not affect the construction or interpretation of any such section of this Agreement.

12. Counterparts.

This Agreement may be executed in more than one counterpart, each of which shall constitute an original of this Agreement but all of which, taken together, shall constitute one and the same Agreement.

13. Exclusive Benefit.

Except as may be otherwise specifically set forth in this Agreement, this Agreement is made exclusively for the benefit of the parties hereto and their permitted assignees and no one else shall be entitled to any right, remedy or claim by reason of any provision of this Agreement.

14. Successors.

This Agreement shall be binding upon the parties hereto and their respective successors and assigns.

15. Amendments.

This Agreement contains the entire agreement of the parties hereto, subsumes all prior discussions and negotiations and, except as may otherwise be specifically set forth in this Agreement, this Agreement may not be amended or otherwise modified except by a writing signed by all the parties to this Agreement.

16. Waiver.

Except as may otherwise be specifically set forth in this Agreement, the failure of any party at any time or times to require performance of any provision of this Agreement shall in no manner affect the right at a later time to enforce the same. No waiver by any party of any condition, or of the breach of any term, covenant, representation or warranty set forth in this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed to be or construed as a further or continuing waiver of any such condition or breach, or as a waiver of any other condition or of the breach of any other term, covenant, representation or warranty set forth in this Agreement. The Landlord's acceptance of, or endorsement on, any partial payment of Rent or any late payment of Rent from the Tenant shall not operate as a waiver of the Landlord's right to the balance of the Rent due on a timely basis regardless of any writing to the contrary on, or accompanying, the Tenant's partial payment or the

Landlord's putative acquiescence therein.

17. Course of Performance.

No course of dealing or performance by the parties, or any of them, shall be admissible for the purpose of obtaining an interpretation or construction of this Agreement at variance with the express language of the Agreement itself.

18. Landlord's Concession.

The Landlord shall credit against any amount otherwise due from the Tenant in accordance with section 5 of this Agreement the sum of $85,755 (the "Allowance").

19. Notices.

Section 35 of the Lease is amended to read as follows:

All notices contemplated by, permitted or required by this Agreement shall be in writing. All notices required by this Agreement shall be personally delivered or forwarded by recognized overnight carrier or by certified mail-return receipt requested, addressed to the Chief Financial Officer, Enzon, Inc. at the Leased Premises. As a condition to the effectiveness thereof, a copy of any and all notices to Tenant also shall be delivered to the General Counsel, Enzon, Inc. at the Leased Premises with a facsimile copy sent to (908) 541-8838. Notices to the Landlord shall be addressed to the address set forth at the head of this Agreement. All notices required under this Agreement shall be deemed given (i) upon delivery by overnight carrier, (ii) upon deposit, properly addressed and postage prepaid, in a postal depository if delivery is by certified mail; or (iii) upon personal delivery to the intended party, regardless of whether delivery shall be refused. Either party, by a notice served in accordance with the foregoing provisions, may change the address to which notices shall be sent. Notices given by an attorney for a party shall be deemed to be notices given by the party.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

LANDLORD:
ROUTE 206 ASSOCIATES

By: /s/ Eugene Schenkman

Eugene Schenkman Vice President
Route 206 Corp., General Partner

TENANT:
ENZON, INC.

By: /s/ Ken Zuerblis

Ken Zuerblis, Chief Financial Officer

EXHIBIT A

LEASED PREMISES FLOOR SPACE DIAGRAM

EXHIBIT B

DEFINITIONS AND INDEX OF DEFINITIONS

In accordance with section 1 of the Agreement of which this exhibit is a part, throughout the Agreement the following terms and phrases shall have the meanings set forth or referred to below:

1. "Adjusted Gross Footage" is defined in definition 10 of this Agreement.

2. "Agreement" means this First Amendment (including exhibits).

3. "Allowance" is defined in section 18 of this Agreement.

4. "Basic Rent" is defined in subsection 3.2 of this Agreement as revised by subsection 8.1.11 of the Lease and definition 10 of this Agreement.

5. "Broker" is defined in subsection 8.1 of this Agreement.

6. "Contiguous Space" is defined in the Preliminary Statement to this Agreement.

7. "Expansion Commencement Date" is defined in section 4 of this Agreement.

8. "Gross Footage" is defined in definition 10 of this Agreement.

9. "Initial Term" means the period designated in subsection 4.1 of this Agreement.

10. "Leased Premises" means that portion of the interior of the Building (as viewed from the interior of the Leased Premises) bounded by the interior sides of the unfinished floor and the finished ceiling on the floor (as the floors have been designated by the Landlord) of the Building, the centers of all Common Walls and the exterior sides of all walls other than Common Walls, the outline of which floor space is designated on the diagram set forth in Exhibit A attached hereto, which portion contains 20,128 usable square feet of floor space (the "Usable Footage") and 24,526 square feet of gross rentable floor space (the "Gross Footage"). If the present square footage of the cafeteria is reduced, then the Gross Footage shall be adjusted downward and the Basic Rent shall be redetermined by multiplying the Adjusted Gross Footage by the Basic Rent per foot which would otherwise be due under this Agreement. To determine the Adjusted Gross Footage, the number of usable square feet of floor space which is added to the Building's net rentable area (by reason of the elimination of some or all of the cafeteria) shall be added to 112,409 square feet (the "Revised Usable Footage"). A new factor shall be calculated (the "New Multiplier") which, when multiplied by the Revised Usable Footage, produces a product of 137,139 square feet. The Adjusted Gross Footage shall equal the product of the Usable Footage multiplied by the New Multiplier (the "Adjusted Gross Footage"). Similar adjustments shall be made each time the size of the cafeteria is adjusted but the Gross Footage shall not be increased to more than 24,526 square feet.

11. "New Multiplier" is defined in definition 10 of this Agreement.

12. "Option to Renew" is defined in subsection 6.1 of this Agreement.

13. "Renewal Term" means, at the time of reference, any portion of the Term, other than the Initial Term, as to which the Tenant has properly exercised an Option to Renew.

14. "Revised Usable Footage" is defined in definition 10 of this Agreement.

15. "Right of First Offer" is defined in subsection 6.2.1 of this Agreement.

16. "Security Deposit" is designated in section 29 of the Lease as amended by section 7 of this Agreement.

17. "Target Date" means, upon execution and delivery of this Agreement, the then estimated Expansion Commencement Date which is hereby established to be January 3, 2003.

18. "Tenant Plan" means construction drawings and related construction specifications regarding the build-out of the Contiguous Space and the connection of the Contiguous Space with the Leased Premises as defined in the Lease (with any construction drawings in a reproducible diazo sepia mylar form and in CAD readable format) including, without limiting the generality of the foregoing, the finish schedule, signed and sealed by a New Jersey-licensed architect, complying in all respects with applicable building and fire codes and insurance underwriting standards in effect and in sufficient detail to permit the Municipality to issue any required building permits and to permit skilled contractors to supply and perform the work called for therein. The Tenant Plan shall not include any specialized computer installations or any telecommunications equipment or facilities.

19. "Tenant Plan Due Date" means November 3, 2002.

20. Beginning on the Expansion Commencement Date, "Tenant's Share" of any amount shall be revised to mean 17.884%.

21. "Term" means the Initial Term plus, at the time of reference, any Renewal Term.

22. "Usable Footage" is defined in definition 10 of this Agreement.

23. "Work" is defined in subsection 5.2 of this Agreement.

Exhibit 10.5

SECOND AMENDMENT TO LEASE AGREEMENT

Between

ROUTE 206 ASSOCIATES

The Landlord

And

ENZON, INC.

The Tenant

For Leased Premises In

685 Route 202/206, Bridgewater, New Jersey

July 22, 2005

Prepared by:
Gary O. Turndorf
520 Route 22
P.O. Box 6872
Bridgewater, NJ 08807
(908) 725-8100

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SECOND AMENDMENT TO LEASE AGREEMENT (the "Second Amendment"), dated as of July 22, 2005, between ROUTE 206 ASSOCIATES, a New Jersey partnership, with offices at 520 Route 22, P.O. Box 6872, Bridgewater, NJ 08807-(the "Landlord"), and ENZON, INC., a Delaware corporation, with an office at 685 Route 202/206, Bridgewater, NJ 08807 (the "Tenant").

PRELIMINARY STATEMENT:

Landlord and Tenant are parties to a lease agreement (the "Original Lease") dated March 27, 2002 for Leased Premises on the third floor of 685 Route

202/206, Bridgewater, New Jersey (the "Building") and a First Amendment to Lease Second Amendment (the "First Amendment") dated November 11, 2002 (the Original Lease and the First Amendment are collectively referred to as the "Lease"); and

Tenant has agreed to lease the additional office suite on the first floor of the Building as shown on Exhibit A attached hereto (the "First Floor Space").

In consideration of the premises and for other good and valuable consideration, Landlord has agreed to lease the First Floor Space to the Tenant subject to all the terms and conditions set forth below, as follows:

1. Definitions and Effect of First Amendment.

Certain terms and phrases used in this Second Amendment (generally those whose first letters are capitalized) are defined in Exhibit B attached hereto and, as used in this Second Amendment, they shall have the respective meanings assigned or referred to in that exhibit. Except as amended by the terms of this Second Amendment, the terms of the Lease shall otherwise remain in full force and effect.

2. Lease of the First Floor Space and Reserved Parking.

The Landlord shall, and hereby does, lease to the Tenant, and the Tenant shall, and hereby does, accept and lease from the Landlord, the First Floor Space beginning on the First Floor First Floor Expansion Commencement Date hereinafter defined. The First Floor Space consists of 7,320 square feet of gross rentable floor space on the first floor of 685 Route 202/206, Bridgewater, New Jersey as more fully described in the definition of Leased Premises set forth in Exhibit B attached hereto. From and after the First Floor Expansion Commencement Date, the Leased Premises shall become 31,846 square feet of gross rentable floor space comprised of the original Leased Premises, the Contiguous Space and the First Floor Space. Beginning on September 1, 2006, Tenant's Share shall be revised to 23.3%.

3. Rent.

3.1. The Tenant shall punctually pay the Rent for the Leased Premises for the Term to the Landlord in the amounts and at the times set forth below, without bill or other demand and without any offset, deduction or, except as may be otherwise specifically set forth in this Second Amendment, abatement whatsoever.

3.2. Beginning on the First Floor Expansion Commencement Date, the Basic Rent for the Leased Premises during the balance of the Term shall be at the rate per year set forth below.

PERIOD	ANNUAL RATE	MONTHLY INSTALLMENTS
through 1/31/2006,	$832,750.08	$69,395.84
through 1/31/2008	$857,276.04	$71,439.67

3.3. The annual rate of Basic Rent for the Leased Premises during any Renewal Term shall be calculated as set forth in subsection 6.1.4 of the Lease for the respective Renewal Term.

3.4. In addition, Tenant shall pay the rent for the Storage Space in accordance with section 10.

4. Term.

The First Floor First Floor Expansion Commencement Date shall be September 1, 2005. The Initial Term for all the Leased Premises shall run through January 31, 2008 or the conclusion of any Renewal Term, unless sooner terminated in accordance with the terms of the Lease.

5. Condition of the Leased Premises.

Tenant shall accept the First Floor Space in its current "AS-IS" condition.

6. Options.

6.1. The option set forth in subsection 6.1. of the First Amendment remains in effect on the same terms and conditions but it shall apply with respect to the entire Leased Premises.

6.2. The option in subsection 6.2 of the First Amendment shall remain in force but only with respect to the third floor of the Building.

6.3. The option set forth in subsection 6.2.2 of the Lease shall remain in force.

7. Representations.

The Tenant hereby represents and warrants that:

7.1. no broker or other agent has shown the First Floor Space or the Building to the Tenant, or brought either to the Tenants attention, except Cushman & Wakefield (the "Broker"), whose entire commission therefor is set forth in a separate document and which commission the Tenant understands will be paid by the Landlord directly to the Broker;

7.2. the execution and delivery of, the consummation, of the transactions contemplated by and the performance of all its obligations under, this Second Amendment by the Tenant have been duly and validly authorized and no other approval, partnership, corporate, governmental or otherwise, is required to authorize any of the foregoing or to give effect to the Tenant's execution and delivery of this Second Amendment; and

7.3. the execution and delivery of, the consummation of the transactions contemplated by and the performance of all its obligations under this Second Amendment by the Tenant will not result in a breach or violation of or constitute a default under, the provisions of any statute, charter, certificate of incorporation or bylaws or partnership agreement of the Tenant or any affiliate of the Tenant, as presently

in effect, or any indenture, mortgage, lease, deed of trust, other agreement instrument, franchise, permit, license, decree, order, notice, judgment, rule or order to or of which the Tenant of any affiliate of the Tenant is a party, a subject or a recipient or by which the Tenant, any affiliate of the Tenant or any of their respective properties and other assets is bound.

8. Signage.

Following the execution hereof Landlord shall install, at its expense, a sign for Tenant in the upper left corner of the sign at the entrance to the driveway. If the sign is replaced, comparable space shall be provided for Tenant on the replacement sign. The size and contents of the signs are subject to revision based upon applicable law.

9. Reserved Parking.

Landlord agrees to provide six (6) reserved parking spaces for Tenant. The spaces shall be labeled by Landlord as follows: "RESERVED FOR ENZON". Landlord shall not be required to police or otherwise enforce the reserved parking.

10. Storage Space.

Landlord leases to Tenant and Tenant hires an area containing 254 square feet in the basement of the Building for storage purposes (the "Storage Space") as shown on Exhibit A which is attached hereto and made a part hereof beginning on September 1, 2005 and continuing through January 31, 2008. Tenant shall comply with the provisions of applicable law and the provisions of the Lease in the occupancy of the Storage Space. The rent for the Storage Space shall be $3,000.00 per year payable in monthly installments of $250.00 in advance on the first day of each month during the term of this Storage Lease. Tenant shall pay the first monthly installment upon, execution of this Storage Lease.

11. Reservation in Favor of Tenant.

Neither the Landlord's forwarding a copy of this document to Tenant nor any other act on the part of the Landlord prior to execution and delivery of this Second Amendment by the Landlord shall give rise to any implication that Tenant has a reservation, an option to lease or an outstanding offer to lease any premises.

12. Severability.

In the event that any provision of this Second Amendment, or the application of any provision in any instance, shall be conclusively determined by a court of competent jurisdiction to be illegal, invalid or otherwise unenforceable, such determination shall not affect the validity or enforceability of the balance of this Second Amendment.

13. Captions.

Captions have been inserted at the beginning of each section of this Second Amendment for convenience of reference only and such captions shall not affect the construction or interpretation of any such section of this Second Amendment.

14. Counterparts.

This Second Amendment may be executed in more than one counterpart, each of which shall constitute an original of this Second Amendment but all of which, taken together, shall constitute one and the same Second Amendment.

15. Exclusive Benefit.

Except as may be otherwise specifically set forth in this Second Amendment, this Second Amendment is made exclusively for the benefit of the parties hereto and their permitted assignees and no one else shall be entitled to any right, remedy or claim by reason of any provision of this Second Amendment.

16. Successors.

This Second Amendment shall be binding upon the parties hereto and their respective successors and assigns.

17. Amendments.

This Second Amendment contains the entire agreement of the parties hereto, subsumes all prior discussions and negotiations and, except as may otherwise be specifically set forth in this Second Amendment, this Second Amendment may not be amended or otherwise modified except by a writing signed by all the parties to this Second Amendment.

18. Waiver.

Except as may otherwise be specifically set forth in this Second Amendment, the failure of any party at any time or times to require performance of any provision of this Second Amendment shall in no manner affect the right at a later time to enforce the same. No waiver by any party of any condition, or of the breach of any term, covenant, representation or warranty set forth in this Second Amendment, whether by conduct or otherwise, in any one or more instances shall be deemed to be or construed as a further or continuing waiver of any such condition or breach, or as a waiver of any other condition or of the breach of any other term, covenant, representation or warranty set forth in this Second Amendment. The Landlord's acceptance of, or endorsement on, any partial payment of Rent or any late payment of Rent from the Tenant shall not operate as a waiver of the Landlord's right to the balance of the Rent due on a timely basis regardless of any writing to the contrary on, or accompanying, the Tenant's partial payment or the Landlord's putative acquiescence therein.

19. Course of Performance.

No course of dealing or performance by the parties, or any of them, shall be admissible for the purpose of obtaining an interpretation or construction of this Second Amendment at variance with the express language of the Second Amendment itself.

(The balance of this page is left blank intentionally.)

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be executed as of the date first above written.

LANDLORD:
ROUTE 206 ASSOCIATES

BY: /s/ Eugene Schenkman

Eugene Schenkman Vice President
Route 206 Corp., General Partner

TENANT:
ENZON, INC.

BY: /s/ Ralph del Campo

Ralph del Campo, Executive Vice
President Technical Operations

EXHIBIT A

LEASED PREMISES FLOOR SPACE DIAGRAM

EXHIBIT B

DEFINITIONS AND INDEX OF DEFINITIONS

In accordance with section 1 of the Second Amendment of which this exhibit is a part, throughout the Second Amendment the following terms and phrases shall have the meanings set forth of referred to below:

1. "Second Amendment" is defined in the preamble to this document.

2. "Basic Rent" is defined in section 3 of this Second Amendment.

3. "Broker" is defined in subsection 7.1 of this Second Amendment.

4. "First Floor Space" is defined in the Preliminary Statement to this Second Amendment.

5. "First Floor Expansion Commencement Date" is defined in section 4 of this Second Amendment.

6. "Initial Term" means the period designated in section 4 of this Second Amendment.

7. "Leased Premises" means that portion of the interior of the Building (as viewed from the interior of the Leased Premises) bounded by the interior sides of the unfinished floor and the finished ceiling on the floor (as the floors have been designated by the Landlord) of the Building, the centers of all Common Walls and the exterior sides of all walls other than Common Walls, the outline of which floor space is designated on the diagram set forth in Exhibit A attached hereto, which portion contains 24,526 square feet of gross rentable floor space on the third floor of the Building and 6,007 usable square feet of floor space and 7,320 square feet of gross rentable floor space on the first floor of the Building. If the present square footage of the cafeteria is reduced, then the Gross Footage of the Leased Premises shall be adjusted downward and the Basic Rent shall be re determined by multiplying the Adjusted Gross Footage by the Basic Rent per foot which would otherwise be due under this Second Amendment. To determine the Adjusted Gross Footage, the number of usable square feet of floor space which is added to the Building's net rentable area (by reason of the

elimination of some or all of the cafeteria) shall be added to determine the Revised Usable Footage. A new factor shall be calculated (the "New Multiplier") which, when multiplied by the Revised Usable Footage, produces a product of 137,139 square feet. The Adjusted Gross Footage shall equal the product of the Usable Footage multiplied by the New Multiplier (the "Adjusted Gross Footage"). Similar adjustments shall be made each time the size of the cafeteria is adjusted but the Gross Footage shall not be increased to more than 31,846 square feet.

8. "New Multiplier" is defined in definition 7 of this Second Amendment.

9. "Revised Usable Footage" is defined in definition 10 of this Second Amendment.

10. Beginning on June 1,2006, "Tenant's Share" of any amount shall be revised to mean 23.3%.

Exhibit 10.6

THIRD AMENDMENT TO LEASE AGREEMENT

Between

ROUTE 206 ASSOCIATES

The Landlord

And

ENZON PHARMACEUTICALS, INC.

The Tenant

For Leased Premises In

685 Route 202/206, Bridgewater, New Jersey

October 1, 2006

Prepared by:
Gary O. Turndorf
520 Route 22
P.O. Box 6872
Bridgewater, NJ 08807
(908) 725-8100

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THIRD AMENDMENT TO LEASE AGREEMENT (the "Third Amendment"), dated as of October 1, 2006, between ROUTE 206 ASSOCIATES, a New Jersey partnership, with offices at 520 Route 22, P.O. Box 6872, Bridgewater, NJ 08807 (the "Landlord"), and ENZON PHARMACEUTICALS, INC. (F/K/A ENZON, INC.), a Delaware corporation, with an office at 685 Route 202/206, Bridgewater, NJ 08807 (the "Tenant").

PRELIMINARY STATEMENT:

Landlord and Tenant are parties to a lease agreement (the "Original Lease") dated Match 27, 2002 for premises on the third floor of 685 Route 202/206, Bridgewater, New Jersey (the "Building"), a First Amendment to Lease (the "First Amendment") dated November 11, 2002 for additional premises on the third floor of the Building (collectively, the "Third Floor Premises"), and a Second Amendment to Lease (the "Second Amendment") dated July 22, 2005 for additional premises on the first floor (the "First Floor Premises") of the Building (the Original Lease, the First Amendment, and the Second Amendment are collectively referred to as the "Lease");

In consideration of the premises and for other good and valuable consideration, Landlord agrees to lease to Tenant, and Tenant agrees to lease from Landlord, additional premises on the second floor of the Building as shown on Exhibit A attached hereto (the "Second Floor Space"), and Landlord and Tenant agree to extend the term of the Lease subject to all the terms and conditions set forth below, as follows:

1. Definitions and Effect of First Amendment.

Certain terms and phrases used in this Third Amendment (generally those whose first letters are capitalized) are defined in Exhibit B attached hereto and, as used in this Third Amendment, they shall have the respective meanings assigned or referred to in that exhibit. Except as amended by the terms of this Third Amendment, the terms of the Lease shall otherwise remain in full force and effect.

2. Lease of the Second Floor Space.

The Landlord shall, and hereby does, lease to the Tenant, and the Tenant shall, and hereby does, accept and lease from the Landlord, the Second Floor Space beginning on the Second Floor Expansion Commencement Date hereinafter defined. The Second Floor Space consists of 18,778 square feet of gross rentable floor space on the second floor of 685 Route 202/206, Bridgewater, New Jersey as more fully described in the definition of Leased Premises set forth in Exhibit B attached hereto. From and after the Second Floor Expansion Commencement Date, the Leased Premises shall become 50,624 square feet of gross rentable floor space comprised of the First Floor Premises, the Second Floor Premises and the Third Floor Premises. The Tenant's Share for the First Floor Premises and the Third Floor Premises shall remain 23.3% in the aggregate. Beginning on May 1, 2007, Tenant's Share for the Second Floor Premises shall be 13.7%.

3. Rent.

3.1. The Tenant shall punctually pay the Rent for the Leased Premises for the Term to the Landlord in the amounts and at the times set forth below, without bill or other demand and without any offset, deduction or, except as may be otherwise specifically set forth in this Third Amendment, abatement whatsoever.

3.2. Beginning on the Second Floor Expansion Commencement Date, the Basic Rent for the Leased Premises during the balance of the Term shall be at the rate per year set forth below.

PERIOD	ANNUAL RATE	MONTHLY INSTALLMENTS
through 1/31/2015	$1,362,798.12	$113,566.51
through 1/31/2018	$1,464,046.08	$122,003.84

3.3. The portion of the Monthly Installment of Basic Rent for the Second Floor Premises in the sum of $42,125.32 per month is hereby waived for the months of

March and April 2007.

3.4. In addition, Tenant shall pay the rent for the Storage Space in accordance with section 10 of the Second Amendment.

3.5. Section 9.1 of the Lease is amended to provide that the Tenant Electric Charges shall be $1.75 per square foot per year, subject to the provisions of subsection 10.10 of the Lease.

3.6. The annual rate of Basic Rent for the Leased Premises during any Renewal Term shall be calculated as set forth in subsection 6.1.4 of the Lease for the Renewal Term.

4. Term.

The Second Floor Expansion Commencement Date shall be March 1, 2007. The Initial Term for all the Leased Premises including the Storage Space and the Second Floor Premises shall run through January 31, 2018, unless sooner terminated in accordance with the terms of the Lease.

5. Condition of the Leased Premises.

5.1. Tenant shall accept the Second Floor Space in its current "AS-IS" condition.

5.2. Beginning on March 1, 2007, Tenant may make any alterations, improvements and other modifications to the Second Floor Premises in accordance with the provisions of section 12 of the Lease. Tenant shall be free to engage its own contractors to perform the work provided that Tenant shall select the heating, air-conditioning, sprinkler and electrical contractors from a list of qualified contractors furnished to Tenant by Landlord. The Landlord shall pay to Tenant the sum of $140,835 for improvements being performed by Tenant in the Second Floor Premises (the "Allowance"). Landlord shall advance the Allowance at reasonable intervals within not more than ten (10) days following Tenant's draw request, as the work progresses.

5.3. Notwithstanding the provisions of section 12 of the Lease, Tenant may install an internal staircase for the purpose of connecting the Second Floor Premises and the Third Floor Premises. Landlord shall have the right to review the construction plans and the location of the staircase and Tenant may proceed with the work as long as it has not received a notice from the Landlord reasonably objecting thereto in any respect within ten (10) business days of the furnishing thereof. Landlord shall not object unreasonably to the plans or the location. Landlord's failure to object shall not be deemed to constitute Landlord's affirmative approval of the plans.

6. Options.

6.1 Any existing options to renew are hereby deleted. Tenant is hereby granted one option to renew this Lease for all the Leased Premises (the "Option to Renew") upon the following terms and conditions:

6.1.1 At the time of the exercise of the Option to Renew and at the time of said renewal, the Tenant shall not be in default following the delivery of notice and the expiration of any applicable cure periods in accordance with the terms and provisions of this Lease, and shall occupy and be in operation at the entire Leased Premises pursuant to this Lease subject to approved subleases or sublease permitted by the Lease and subject to arrangements contemplated by section 17.7 of the Lease.

6.1.2 Notice of the exercise of the Option to Renew shall be sent to the Landlord in writing at least nine (9) months before the expiration of the Initial Term.

6.1.3 The Renewal Term shall be for a period of five years to commence at the expiration of the Initial Term, and all of the terms and conditions of this Agreement, other than the annual amount of Basic Rent, shall apply during any such Renewal Term.

6.1.4. Subject to the last sentence of this paragraph, the amount of annual Basic Rent to be paid during the Renewal Term shall equal the Market Rental Rate of the Leased Premises if the same were available for lease to the public. If the parties are unable to agree on the Market Rental Rate of the Leased Premises, the parties shall each appoint one appraiser who shall in turn appoint a third independent appraiser and the determination of said three appraisers shall be binding on the parties.

6.2. Any existing rights of first offer are hereby deleted. If Landlord learns that any space in the Building will become available or otherwise free from lease obligations existing as of the date of this amendment (it being understood that the Landlord will not enter into any new or extended lease obligations on such space without first complying with the Right of First Offer described herein) and (i) if no Event of Default shall have occurred or (ii) if an Event of Default shall have occurred, the Tenant shall have previously cured it in full or the Landlord shall have waived it, it shall first offer the same to Tenant by written notice. This is the "Right of First Offer". The notice shall contain the terms upon which the space is offered including the basic rent, the commencement date, the term, the allowance, if any, and any other terms which Landlord proposes. If Tenant wishes to lease the space on the terms offered, it shall notify the Landlord in writing within ten (10) business days of Tenant's receipt of such written notice setting forth all of the above-required information, and, thereupon, Tenant shall be bound to lease the same on the same terms as are set forth in this Agreement modified by the specific terms which are set forth in Landlord's notice. Tenant shall execute a lease amendment to incorporate these terms including an obligation to execute a Commencement Date certificate and estoppel certificates. If Tenant fails to serve the written acceptance of the offer within the ten (10) business day period, the Right of First Offer on the subject space being offered shall thereupon expire and be of no further force and effect. Notwithstanding the provisions of the preceding sentence, the Right of First Offer shall revive if Landlord does not consummate a lease with another tenant within five (5) months after the expiration of the Right of First Offer as above provided or if Landlord proposes to enter into a lease with another tenant on terms which are materially more favorable than the terms offered to Tenant. For this purpose, the terms shall be considered materially more favorable if the net effective rent offered to the other tenant is ninety-two and one-half (92.5%) percent, or less, than the net effective rent offered to Tenant or if the term offered to the other tenant is eighty percent, or less, of the term offered to Tenant. With respect to any further offers required under this provision, if Tenant fails to serve a written acceptance of the offer within a five (5) business day period following receipt of Landlord's written offer, the Right of First Offer shall, with

respect to such offer, thereupon expire and be of no further force and effect.

6.3. Notwithstanding anything to the contrary that may be set forth in this Agreement, (i) if no Event of Default shall have occurred or (ii) if an Event of Default shall have occurred, the Tenant shall have previously cured it in full or the Landlord shall have waived it, Tenant is granted the one time option to terminate this lease by a written notice served on or before January 31, 2012 to be effective at the close of business on January 31, 2013. This is the "Option to Cancel". If this option is not exercised in a timely manner it shall thereupon expire.

6.4. The option set forth in subsection 6.2.2 of the Lease shall remain in force.

7. Tenant Representations.

The Tenant hereby represents and warrants that:

7.1. no broker or other agent has shown the Second Floor Space or the Building to the Tenant, or brought either to the Tenant's attention, except Cushman & Wakefield (the "Broker"), which commission the Tenant understands will be paid by the Landlord directly to the Broker;

7.2. the execution and delivery of, the consummation of the transactions contemplated by and the performance of all its obligations under, this Third Amendment by the Tenant have been duly and validly authorized; and no other approval, partnership, corporate, governmental or otherwise, is required to authorize any of the foregoing or to give effect to the Tenant's execution and delivery of this Third Amendment; and

7.3. the execution and delivery of, the consummation of the transactions contemplated by and the performance of all its obligations under, this Third Amendment by the Tenant will not result in a breach or violation of, or constitute a default under, the provisions of any statute, charter, certificate of incorporation or bylaws or partnership agreement of the Tenant or any Affiliate of the Tenant, as presently in effect, or any indenture, mortgage, lease, deed of trust, other agreement, instrument, franchise, permit, license, decree, order, notice, judgment, rule or order to or of which the Tenant or any Affiliate of the Tenant is a party, a subject or a recipient or by which the Tenant, any Affiliate of the Tenant or any of their respective properties and other assets is bound.

8. Landlord Representations.

The Landlord hereby represents and warrants that:

8.1. the Landlord shall pay, directly to the Broker, the entire commission that Broker is entitled to in respect of the transactions contemplated hereby pursuant to a separate agreement;

8.2. the execution and delivery of, the consummation of the transactions contemplated by and the performance of all its obligations under, this Third Amendment by the Landlord have been duly and validly authorized; and no other approval, partnership, corporate, governmental or otherwise, is required to authorize any of the foregoing or to give effect to the Landlord's execution and delivery of this Third Amendment; and

8.3. the execution and delivery of, the consummation of the transactions contemplated by and the performance of all its obligations under, this Third Amendment by the Landlord will not result in a breach or violation of, or constitute a default under, the provisions of any statute, charter, certificate of incorporation or bylaws or partnership agreement of the Landlord or any Affiliate of the Landlord, as presently in effect, or any indenture, mortgage, lease, deed of trust, other agreement, instrument, franchise,

permit, license, decree, order, notice, judgment, rule or order to or of which the Landlord or any Affiliate of the Landlord is a party, a subject or a recipient or by which the Landlord, any affiliate of the Landlord or any of their respective properties and other assets is bound.

9. Reservation in Favor of Tenant.

Neither the Landlord's forwarding a copy of this document to Tenant nor any other act on the part of the Landlord prior to execution and delivery of this Third Amendment by the Landlord shall give rise to any implication that Tenant has a reservation, an option to lease or an outstanding offer to lease any premises.

10. Severability.

In the event that any provision of this Third Amendment, or the application of any provision in any instance, shall be conclusively determined by a court of competent jurisdiction to be illegal, invalid or otherwise unenforceable, such determination shall not affect the validity or enforceability of the balance of this Third Amendment.

11. Captions.

Captions have been inserted at the beginning of each section of this Third Amendment for convenience of reference only and such captions shall not affect the construction or interpretation of any such section of this Third Amendment.

12. Counterparts.

This Third Amendment may be executed in more than one counterpart, each of which shall constitute an original of this Third Amendment but all of which, taken together, shall constitute one and the same Third Amendment.

13. Exclusive Benefit.

Except as may be otherwise specifically set forth in this Third Amendment, this Third Amendment is made exclusively for the benefit of the parties hereto and their permitted assignees and no one else shall be entitled to any right, remedy or claim by reason of any provision of this Third Amendment.

14. Successors.

This Third Amendment shall be binding upon the parties hereto and their respective successors and assigns.

15. Amendments.

This Third Amendment contains the entire agreement of the parties hereto, subsumes all prior discussions and negotiations and, except as may otherwise be specifically set forth in this Third Amendment, this Third Amendment may not be amended or otherwise modified except by a writing signed by all the parties to this Third Amendment.

16. Waiver.

Except as may otherwise be specifically set forth in this Third Amendment, the failure of any party at any time or times to require performance of any provision of this Third Amendment shall in no manner affect the right at a later time to enforce the same. No waiver by any party of any condition, or of the breach of

any term, covenant, representation or warranty set forth in this Third Amendment, whether by conduct or otherwise, in any one or more instances shall be deemed to be or construed as a further or continuing waiver of any such condition or breach, or as a waiver of any other condition or of the breach of any other term, covenant, representation or warranty set forth in this Third Amendment. The Landlord's acceptance of, or endorsement on, any partial payment of Rent or any late payment of Rent from the Tenant shall not operate as a waiver of the Landlord's right to the balance of the Rent due on a timely basis regardless of any writing to the contrary on, or accompanying, the Tenant's partial payment or the Landlord's putative acquiescence therein.

17. Course of Performance.

No course of dealing or performance by the parties, or any of them, shall be admissible for the purpose of obtaining an interpretation or construction of this Third Amendment at variance with the express language of the Third Amendment itself.

(The balance of this page is left blank intentionally.)

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be executed as of the date first above written.

LANDLORD:
ROUTE 206 ASSOCIATES

By: /s/ Eugene Schenkman

Eugene Schenkman Vice President
Route 206 Corp., General Partner

TENANT:
ENZON PHARMACEUTICALS, INC.

By: /s/ Ralph del Campo

Ralph del Campo, Executive Vice
President Technical Operations

By: /s/ Paul Davit

Paul Davit, Executive Vice
President Human Resources

EXHIBIT A

LEASED PREMISES FLOOR SPACE DIAGRAM

EXHIBIT B

DEFINITIONS AND INDEX OF DEFINITIONS

In accordance with section 1 of the Third Amendment of which this exhibit is a part, throughout the Third Amendment the following terms and phrases shall have the meanings set forth or referred to below:

1. "Allowance" is defined in subsection 5.2 of this Third Amendment.

2. With respect to the First Floor Premises and the Third Floor Premises, "Base Year" shall mean the full calendar year 2002 with respect to Operational Expenses (adjusted in accordance with the definition of Base Year Operational Expenses in the Lease) and Taxes. With respect to the Second Floor Premises, "Base Year" shall mean the full calendar year 2007 with respect to Operational Expenses (adjusted in accordance with the definition of Base Year Operational Expenses in the Lease) and Taxes.

3. "Basic Rent" is defined in section 3 of this Third Amendment.

4. "Broker" is defined in subsection 7.1 of this Third Amendment.

5. "First Floor Premises" is defined in the Preliminary Statement to this Third Amendment.

6. "Initial Term" means the period designated in section 4 of this Third Amendment.

7. Beginning on the Second Floor Expansion Commencement Date, the "Leased Premises" means that portion of the interior of the Building (as viewed from the interior of the Leased Premises) bounded by the interior sides of the unfinished floor and the finished ceiling on the floor (as the floors have been designated by the Landlord) of the Building, the centers of all Common Walls and the exterior sides of all walls other than Common Walls, the outline of which floor space is designated on the diagram set forth in Exhibit A attached hereto, which portion contains 24,526 square feet of gross rentable floor space on the third floor of the Building, 7,320 square feet of gross rentable floor space on the first floor of the Building, and 18,778 square feet of gross rentable floor space on the second floor of the Building. If the present square footage of the cafeteria is reduced, then the Gross Footage of the Leased Premises shall be adjusted downward and the Basic Rent shall be re determined by multiplying the Adjusted Gross Footage by the Basic Rent per foot which would otherwise be due under this Third Amendment. To determine the Adjusted Gross Footage, the number of usable square feet of floor space which is added to the Building's net rentable area (by reason of the elimination of some or all of the cafeteria) shall be added to determine the Revised Usable Footage. A new factor shall be calculated (the "New Multiplier") which, when multiplied by the Revised Usable Footage, produces a product of 137,139 square feet. The Adjusted

Gross Footage shall equal the product of the Usable Footage multiplied by the New Multiplier (the "Adjusted Gross Footage"). Similar adjustments shall be made each time the size of the cafeteria is adjusted but the Gross Footage shall not be increased to more than 50,624 square feet.

8. "New Multiplier" is defined in definition 7 of this Third Amendment.

9. With respect to the Second Floor Premises, "No Pass Through Period" means, in the context of Operational Expenses and Taxes, the period beginning on the Commencement Date and ending on March 31,2008.

10. "Right of First Offer" is defined in subsection 6.2 of this Third Amendment.

11. "Option to Cancel" is defined in subsection 6.3 of this Third Amendment.

12. "Option to Renew" is defined in subsection 6.1 of this Third Amendment.

13. "Second Floor Premises" is defined in the Preliminary Statement to this Third Amendment.

14. "Second Floor Expansion Commencement Date" is defined in section 4 of this Third Amendment.

15. "Third Amendment" is defined in the preamble to this document.

16. "Third Floor Premises" is defined in the Preliminary Statement to this Third Amendment.

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, 2006 of Enzon Pharmaceuticals, Inc. (Enzon);

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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 2, 2006 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, 2006 of Enzon Pharmaceuticals, Inc. (Enzon);

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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 2, 2006 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. SS.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, 2006 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 2, 2006

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. SS.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, 2006 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, 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 2, 2006

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.