

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2020

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 001-36435

Enzon Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

22-2372868

(I.R.S. Employer Identification No.)

20 Commerce Drive (Suite 135), Cranford, New Jersey

(Address of principal executive offices)

07016

(Zip Code)

(732) 980-4500

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: None.

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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 July 17, 2020: 44,214,603

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)

| | June 30, 2020 | December 31, 2019 |
|---|--------------------------|------------------------------|
| | <u>(Unaudited)</u> | <u></u> |
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 5,909 | \$ 5,446 |
| Refundable tax credits receivable, current portion | - | 485 |
| Other current assets | 95 | 62 |
| Total current assets | <u>6,004</u> | <u>5,993</u> |
| Refundable tax credits receivable, net of current portion | - | 485 |
| Total assets | <u>\$ 6,004</u> | <u>\$ 6,478</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 314 | \$ 324 |
| Accrued expenses and other current liabilities | 113 | 99 |
| Total current liabilities | <u>427</u> | <u>423</u> |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock - \$0.01 par value, authorized 3,000,000 shares; no shares issued and outstanding at June 30, 2020 and December 31, 2019 | - | - |
| Common stock - \$0.01 par value, authorized 170,000,000 shares; issued and outstanding 44,214,603 shares at June 30, 2020 and December 31, 2019 | 442 | 442 |
| Additional paid-in capital | 75,690 | 75,690 |
| Accumulated deficit | (70,555) | (70,077) |
| Total stockholders' equity | <u>5,577</u> | <u>6,055</u> |
| Total liabilities and stockholders' equity | <u>\$ 6,004</u> | <u>\$ 6,478</u> |

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

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|------------------|------------------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenues: | | | | |
| Royalties, net | \$ 8 | \$ 207 | \$ 10 | \$ 156 |
| Total revenues | <u>8</u> | <u>207</u> | <u>10</u> | <u>156</u> |
| Operating expenses: | | | | |
| General and administrative | 244 | 228 | 486 | 546 |
| Total operating expenses | <u>244</u> | <u>228</u> | <u>486</u> | <u>546</u> |
| Operating loss and loss before income tax expense | (236) | (21) | (476) | (390) |
| Income tax expense | - | - | 2 | 2 |
| Net loss | <u>\$ (236)</u> | <u>\$ (21)</u> | <u>\$ (478)</u> | <u>\$ (392)</u> |
| Loss per common share | | | | |
| Basic | <u>\$ (0.01)</u> | <u>\$ (0.00)</u> | <u>\$ (0.01)</u> | <u>\$ (0.01)</u> |
| Diluted | <u>\$ (0.01)</u> | <u>\$ (0.00)</u> | <u>\$ (0.01)</u> | <u>\$ (0.01)</u> |
| Weighted-average number of shares – basic | <u>44,215</u> | <u>44,215</u> | <u>44,215</u> | <u>44,215</u> |
| Weighted-average number of shares – diluted | <u>44,215</u> | <u>44,215</u> | <u>44,215</u> | <u>44,215</u> |

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

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total |
|----------------------------|---------------------|--------------|----------------------------------|------------------------|-----------|
| | Number of Shares | Par Value | | | |
| Balance, December 31, 2018 | 44,215 | \$ 442 | \$ 83,649 | \$ (69,098) | \$ 14,993 |
| Net loss | - | - | - | (371) | (371) |
| Common stock dividend | - | - | (2,653) | - | (2,653) |
| Balance, March 31, 2019 | 44,215 | 442 | 80,996 | (69,469) | 11,969 |
| Net loss | - | - | - | (21) | (21) |
| Balance, June 30, 2019 | 44,215 | \$ 442 | \$ 80,996 | \$ (69,490) | \$ 11,948 |

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total |
|----------------------------|---------------------|--------------|----------------------------------|------------------------|----------|
| | Number of Shares | Par Value | | | |
| Balance, December 31, 2019 | 44,215 | \$ 442 | \$ 75,690 | \$ (70,077) | \$ 6,055 |
| Net loss | - | - | - | (242) | (242) |
| Balance, March 31, 2020 | 44,215 | 442 | 75,690 | (70,319) | 5,813 |
| Net loss | - | - | - | (236) | (236) |
| Balance, June 30, 2020 | 44,215 | \$ 442 | \$ 75,690 | \$ (70,555) | \$ 5,577 |

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

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

| | Six months ended June 30, | |
|---|------------------------------|----------|
| | 2020 | 2019 |
| Cash flows from operating activities: | | |
| Net loss | \$ (478) | \$ (392) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Changes in operating assets and liabilities | 941 | (88) |
| Net cash provided by (used in) operating activities | 463 | (480) |
| Cash flows from financing activities: | | |
| Common stock dividend | - | (2,653) |
| Net cash used in financing activities | - | (2,653) |
| Net increase (decrease) in cash | 463 | (3,133) |
| Cash beginning of period | 5,446 | 6,500 |
| Cash end of period | \$ 5,909 | \$ 3,367 |

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

(1) Description of Business

Enzon Pharmaceuticals, Inc. (together with its subsidiaries, “Enzon” or the “Company,” “we” or “us”), manages its sources of royalty revenues from existing licensing arrangements with other companies primarily related to sales of certain drug products that utilize Enzon’s proprietary technology.

Prior to 2017, the primary source of the Company’s royalty revenues was derived from sales of PegIntron, which is marketed by Merck & Co., Inc. (“Merck”). The Company currently has no clinical operations and limited corporate operations. The Company has no intention of resuming any clinical development activities or acquiring new sources of royalty revenues. In the first and second quarters of 2020, net royalties from PegIntron were \$1,752 and \$7,928, respectively. In the first quarter of 2019, net royalties from PegIntron were approximately negative \$51,000, due to returns and rebates exceeding the amount of royalties earned and in the second quarter of 2019, the Company earned approximately \$142,000 in net royalties from Merck.

At December 31, 2019, as asserted by Merck, the Company had a liability to Merck of approximately \$324,000, due primarily to product returns and rebates. With the net royalties earned in the first half of 2020, this amount decreased to approximately \$314,000 at June 30, 2020. See Note 12 to the Condensed Consolidated Financial Statements.

In April 2013, the Company announced that it intended to distribute excess cash, expected to arise from ongoing royalty revenues, in the form of periodic dividends to stockholders. (See Note 7 to the Condensed Consolidated Financial Statements) On February 4, 2016, the Company’s Board adopted a Plan of Liquidation and Dissolution (the “Plan of Liquidation and Dissolution”), the implementation of which has been postponed. (See Note 11 to the Condensed Consolidated Financial Statements)

On January 30, 2019, the Company entered into a letter agreement with Servier, a wholly owned indirect subsidiary of Les Laboratoires Servier, in connection with the asset purchase agreement dated as of November 9, 2009 (the “Asset Purchase Agreement”), by and between Klee Pharmaceuticals, Inc., Defiante Farmacêutica, S.A. (“Defiante”) and Sigma-Tau, on the one hand, and the Company, on the other hand. Under the letter agreement, Servier, as successor-in-interest to Defiante, confirmed its obligation to pay the Company a \$7.0 million milestone payment related to SC Oncaspar as a result of the FDA’s December 20, 2018 approval of calaspargase pegol – mknl (brand name ASPARLAS™) as a component of a multi-agent chemotherapeutic regimen for the treatment of acute lymphoblastic leukemia in pediatric and young adult patients age 1 month to 21 years. In addition, under the letter agreement, the Company agreed to waive Servier’s obligations to pursue the development of SC Oncaspar in Europe and the approval of SC Oncaspar by the European Medicines Agency (“EMA”) under the Asset Purchase Agreement, provided that the Company did not waive Servier’s obligation to make any applicable milestone payment to the Company upon EMA approval, if any, of SC Oncaspar. Servier was required to make the \$7.0 million milestone payment to the Company within three business days following the parties’ completion of procedures for claiming benefits under the double tax treaty between the United States and the United Kingdom. That amount was recorded by the Company as a current receivable at June 30, 2019. The Company received the \$7.0 million payment in July 2019.

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company has a marketing agreement with Micromet AG (“Micromet”), now part of Amgen, Inc. (the “Micromet Marketing Agreement”), that was entered into in 2004 under which Micromet is the exclusive marketer of the parties’ combined intellectual property portfolio in the field of single-chain antibody technology. Under the Micromet Marketing Agreement, the parties agreed to share, on an equal basis, in any licensing fees, milestone payments and royalty revenue received by Micromet in connection with any licenses of the patents within the portfolio by Micromet to any third party during the term of the collaboration. To the Company’s knowledge, Micromet has a license agreement with Viventia Biotech (Barbados) Inc. (“Viventia”), now part of Sesen Bio, Inc. (“Sesen”), that was entered into in 2005, under which Micromet granted Viventia nonexclusive rights, with certain sublicense rights, for know-how and patents allowing exploitation of certain single chain antibody products, which patents cover some key aspects of Vicineum, one of Sesen’s drug candidates. To the Company’s knowledge, under the terms of this license agreement between Micromet and Viventia, Micromet is entitled to receive (i) certain milestone payments with respect to the filing of a new drug application for Vicineum with the FDA or the filing of a marketing approval application for Vicineum with the EMEA; (ii) certain milestone payments with respect to the first commercial sale of Vicineum in the U.S. or Europe and (iii) certain royalties on net sales for ten years from the first commercial sale of Vicineum on a country by country basis. Pursuant to the Micromet Marketing Agreement, the Company would be entitled to a 50% share of these milestone payments and royalties received by Micromet. Due to the challenges associated with developing and obtaining approval for drug products, there is substantial uncertainty whether any of these milestones will be achieved. The Company also has no control over the time, resources and effort that Sesen may devote to its programs and limited access to information regarding or resulting from such programs. Accordingly, there can be no assurance that the Company will receive any of the milestone or royalty payments under the Micromet Marketing Agreement. The Company will not recognize revenue until all revenue recognition requirements are met.

The Company maintains its principal executive offices at 20 Commerce Drive, Suite 135, Cranford, New Jersey, 07016 through a lease agreement for space and services with Regus Management Group, LLC (“Regus”) and also had an office facility at 3556 Main Street, Manchester, VT, 05225 pursuant to an office rental agreement with Equinox Junior, LLC (“Equinox”). The Company did not renew the office rental agreement with Equinox, which expired at June 30, 2020. See Note 10.

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(2) Basis of Presentation

Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared from the books and records of the Company in accordance with United States generally accepted accounting principles (U.S. GAAP) for interim financial information and Rule 10-01 of Regulation S-X promulgated by the U.S. Securities and Exchange Commission (SEC). Accordingly, these financial statements do not include all of the information and footnotes required for complete annual financial statements. Interim results are not necessarily indicative of the results that may be expected for the full year. Interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated as part of the consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates include legal and contractual contingencies and income taxes. Although management bases its estimates on historical experience, relevant current information and various other assumptions that are believed to be reasonable under the circumstances, actual results could differ from these estimates.

Revenue Recognition

Royalty revenues from the Company's agreements with third parties are recognized when the Company can reasonably determine the amounts earned. In most cases, this will be upon notification from the third-party licensee, which is typically during the quarter following the quarter in which the sales occurred. The Company does not participate in the selling or marketing of products for which it receives royalties. No provision for uncollectible accounts is established upon recognition of revenues.

Contingent payments due under the asset purchase agreement for the sale of the Company's former specialty pharmaceutical business are recognized as revenue when the milestone has been achieved and collection is assured, such payments are non-refundable and no further effort is required on the part of the Company or the other party to complete the earning process.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. 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 realized. The effect of a change in tax rates or laws on deferred tax assets and liabilities is recognized in operations in the period that includes the enactment date of the rate change. A valuation allowance is established to reduce the deferred tax assets to the amounts that are more likely than not to be realized from operations.

Tax benefits of uncertain tax positions are recognized only if it is more likely than not that the Company will be able to sustain a position taken on an income tax return. The Company has no liability for uncertain tax positions. Interest and penalties, if any, related to unrecognized tax benefits, would be recognized as income tax expense.

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(3) Recent Accounting Pronouncements

Recent Accounting Standards Updates (“ASUs”) issued by the Financial Accounting Standards Board (“FASB”) and guidance issued by the Securities and Exchange Commission did not, or are not believed by management to, have a material effect on the Company’s present or future Condensed Consolidated Financial Statements.

(4) Financial Instruments and Fair Value

The carrying values of cash, other current assets, accounts payable, accrued expenses and other current liabilities in the Company’s condensed consolidated balance sheets approximated their fair values at June 30, 2020 and December 31, 2019 due to their short-term nature.

(5) Supplemental Cash Flow Information

The Company made income tax payments of \$0 and \$2,000 during the six months ended June 30, 2020 and 2019, respectively. There were no interest payments made during the six months ended June 30, 2020 or 2019.

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(6) Loss Per Common Share

Basic earnings per common share is computed by dividing the net income by the weighted average number of shares of common stock outstanding during the period. Restricted stock awards and restricted stock units (collectively, nonvested shares) are not considered to be outstanding shares until the service or performance vesting period has been completed.

The diluted earnings per share calculation would normally involve adjusting both the denominator and numerator as described here if the effect is dilutive.

For purposes of calculating diluted earnings per common share, the denominator normally 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. Because a loss was incurred in each of the three and six-month periods ended June 30, 2020 and 2019, common stock equivalents would be anti-dilutive and, accordingly, were excluded from the calculation of diluted loss per share in each of the periods. Dilutive common stock equivalents potentially include stock options and nonvested shares using the treasury stock method and shares issuable under the employee stock purchase plan (ESPP). During each of the six-month periods ended June 30, 2020 and 2019, there were no common stock equivalents. Loss per common share information is as follows (in thousands, except per share amounts) for the three months and six months ended June 30, 2020 and 2019:

| | <u>Three months ended June 30,</u> | | <u>Six months ended June 30,</u> | |
|--|------------------------------------|-------------|----------------------------------|-------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| <u>Loss Per Common Share – Basic and Diluted:</u> | | | | |
| Net loss | \$ (236) | \$ (21) | \$ (478) | \$ (392) |
| Weighted-average number of common shares outstanding | 44,215 | 44,215 | 44,215 | 44,215 |
| Basic and diluted loss per share | \$ (0.01) | \$ (0.00) | \$ (0.01) | \$ (0.01) |

For the six-month periods ended June 30, 2020 and 2019 and the three-month periods ended June 30, 2020 and 2019, there were 41,787 potentially dilutive securities outstanding that have been excluded from the calculation of dilutive weighted average shares outstanding, as they would be anti-dilutive.

(7) Cash Dividend

On January 30, 2019, the Board of Directors of the Company declared a special cash dividend of \$0.06 per share of the Company's common stock, aggregating approximately \$2,653,000, which was paid on March 21, 2019 to stockholders of record as of the close of business on February 21, 2019. There were no dividends declared or paid in the three or six months ended June 30, 2020.

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(8) Stock-Based Compensation

Stock Options and Restricted Stock Units (RSUs or Nonvested Shares)

During the six months ended June 30, 2020, no options were granted, and the Company incurred no stock-based compensation expense. No RSUs were outstanding as of June 30, 2020.

There were no options granted during the six months ended June 30, 2019 and no nonvested shares granted or outstanding during the six months ended June 30, 2019. The Company uses historical data to estimate forfeiture rates.

Activity related to stock options and nonvested shares during the six months ended June 30, 2020 and related balances outstanding as of that date are reflected below (in thousands):

| | Stock Options |
|--------------------------------------|--------------------------|
| Outstanding at January 1, 2020 | 41,787 |
| Granted | - |
| Exercised and vested | - |
| Expired and forfeited | - |
| Outstanding at June 30, 2020 | 41,787 |
| Options vested at June 30, 2020 | 41,787 |
| Options exercisable at June 30, 2020 | 41,787 |

(9) Income Taxes

During the six-month and three-month periods ended June 30, 2020, the Company recorded approximately \$2,000 and \$0, respectively, of income tax expense for New Jersey state income tax.

During the six-month and three-month periods ended June 30, 2019, the Company recorded approximately \$2,000 and \$0, respectively, of income tax expense for New Jersey state income tax.

The Company continues to provide a valuation allowance against all of its deferred tax assets, as the Company believes it is more likely than not that its deferred tax assets will not be realized. Management of the Company will continue to assess the need for this valuation allowance and will make adjustments when appropriate.

Tax benefits of uncertain tax positions are recognized only if it is more likely than not that the Company will be able to sustain a position taken on an income tax return. The Company has no liability for uncertain tax positions. Interest and penalties, if any, related to unrecognized tax benefits, would be recognized as income tax expense.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was signed into law. Among its numerous changes to the Internal Revenue Code, the Act allowed companies with existing alternative minimum tax credit ("MTC") carryforwards as of December 31, 2017 to receive refunds of the credits in tax years after 2017 and before 2022 in an amount equal to 50% (100% in 2021) of the excess MTC over the amount of the credit allowable for the year against regular tax liability. As a result of the Act's provision allowing for the refund of MTC, the Company had recorded \$485,000 as a long-term receivable and \$485,000 as a current receivable as of December 31, 2019. As a result of provision in the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") that was signed into law on March 27, 2020, the Company was able to reclassify the remaining long-term receivable of \$485,000 as a current receivable as of March 31, 2020. This amount was received in June 2020.

The CARES Act also provides for an indefinite carryforward period and 5 year carryback period for net operating losses generated after 2017 but before 2021 and removes the annual utilization limit of 80% of taxable income and allows the net operating losses to offset 100% of taxable income during this period. Net operating losses generated prior to 2018 continue to be carried forward for 20 years and have no 80% limitation on utilization.

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(10) Commitments and Contingent Liabilities

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. On March 11, 2020, the World Health Organization characterized the global spread of COVID-19 as a pandemic. In an effort to slow the spread of the virus, the United States and many other countries around the world imposed restrictions on non-essential work activities, travel and mass gatherings. Although these restrictions have been eased in some areas, it is not known whether these lockdowns and other restrictions will be reintroduced, when they will end or the ultimate impact these unprecedented actions will have on the Company's financial condition and prospects. At the present time, the Company's business activities have been largely unaffected by COVID-19 restrictions as the Company's workforce is comprised solely of independent contractors who are able to perform their duties remotely. However, these restrictions may impact the third parties who are responsible for obtaining final approval of and manufacturing product candidates for which we share the right to receive licensing fees, milestone payments and royalty revenues. If those third parties are required to curtail their business activities for a significant time, or if global supply chain disruptions impact their ability to procure needed resources, raw materials or components, the Company's right to receive licensing fees, milestone payments or royalties could be materially and adversely affected. Additionally, the development timeline for product candidates being developed by third parties that are pending FDA approval could be delayed if the agency is required to shift resources to the review and approval of candidates for treatment of COVID-19.

Effective March 1, 2018, the Company renewed its office service agreement with Regus Management Group, LLC ("Regus") for its principal executive offices at 20 Commerce Drive, Suite 135, Cranford, New Jersey, 07016. This agreement was renewed until February 28, 2019, for a monthly fee of \$1,259. In June 2018, the Company and Regus agreed to end the lease on August 31, 2018, and replace it with an updated office service agreement. Effective September 1, 2018, the Company entered into an office service agreement with Regus for mailbox plus, telephone answering, and virtual office services. Under the agreement, in exchange for the services provided by Regus, the Company was required to pay Regus an initial service retainer of \$259 and thereafter pay Regus a monthly fee of \$259 until August 31, 2019. The term of this agreement was extended until August 31, 2020 at a monthly fee of \$259.

Effective July 1, 2018, the Company entered into an office rental agreement with Equinox Junior LLC ("Equinox") for use of office space at 3556 Main Street, Manchester, VT, 05225. Under this agreement, in exchange for the Company's right to use the office space at this location, the Company was required to pay Equinox a monthly fee of \$708 until June 30, 2019. The term of this agreement was extended until June 30, 2020 at a monthly fee of \$729. The Company did not renew the office rental agreement.

The Company has been involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material effect on the Company's consolidated financial position, results of operations, or liquidity. Under the Micromet Marketing Agreement, the parties may pursue infringement actions against third parties if they become aware of any unauthorized use of the intellectual property portfolio covered by the agreement. In order for the Company to share in any amounts recovered in such an action, it would be required to contribute to the cost of the related litigation. At the present time, the Company is unaware of any infringement action that is pending or threatened and cannot reasonably determine its share of the cost of any such action if and when commenced.

(11) Plan of Liquidation and Dissolution

On February 4, 2016, the Company's Board of Directors adopted a Plan of Liquidation and Dissolution (the "Plan of Liquidation and Dissolution"), pursuant to which the Company would, subject to obtaining requisite stockholder approval, be liquidated and dissolved in accordance with Sections 280 and 281 (a) of the General Corporation Law of the State of Delaware. In approving the Plan of Liquidation and Dissolution, the Company's Board of Directors had considered, among other factors, the ability of the Company to obtain no-action relief from the SEC to suspend certain of the Company's reporting obligations under the Securities Exchange Act of 1934, as amended, and the anticipated cost savings if such relief is granted by the SEC. After further consideration, the Company's Board of Directors determined that it would be fair, advisable and in the best interests of the Company and its stockholders to postpone seeking stockholder approval of the Plan of Liquidation and Dissolution until a later time to be determined by the Company's Board of Directors.

From time to time, the Company's Board of Directors reviews the Company's status and prospects in deciding on the timing of dissolution and liquidation of the Company pursuant to the Plan of Liquidation and Dissolution. If the Company's Board of Directors determines to seek stockholder approval of such plan and such plan is approved by the Company's stockholders and implemented by the Company, it is expected that the Company's corporate existence will continue for the purpose of winding up its business and affairs for at least three years. The Company has forecasted minimal or no royalty or milestone revenues for the foreseeable future. In light of the uncertainty as to whether any of the milestones under the Micromet Marketing Agreement would be achieved, this forecast assumes that the Company would not receive any milestone or royalty payments under the Micromet Marketing Agreement.

(12) Accounts Payable

As of December 31, 2019, according to Merck, the Company had a net liability to Merck (net of a 25% royalty interest that the Company had previously sold) aggregating approximately \$324,000. This was based on Merck's assertions regarding the net result of overpayments, rebates and returns related to prior period sales of PegIntron. Merck expected to recoup such overpayments through reductions of future royalties earned by the Company.

In the first and second quarters of 2020, as reported by Merck, net royalties from PegIntron were approximately \$2,000 and \$8,000, respectively. As such, as asserted by Merck, the Company's liability to Merck was approximately \$314,000 at June 30, 2020. The Company believes that it will receive no more royalties from Merck, but may be charged with additional chargebacks from returns and rebates in amounts that, based on current estimates, are not expected to be material.

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

Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to “Enzon,” the “Company,” “we,” “us,” or “our” and similar terms mean Enzon Pharmaceuticals, Inc. and its subsidiaries. The following discussion of our financial condition and results of operations should be read together with our consolidated financial statements and notes to those statements included elsewhere in this Quarterly Report on Form 10-Q and our 2019 Annual Report on Form 10-K.

Forward-Looking Information and Factors That May Affect Future Results

The following discussion contains forward-looking statements within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements contained in the following discussion, other than statements that are purely historical, are forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “potential,” “anticipates,” “plans,” or “intends” or the negative thereof, or other variations thereof, or comparable terminology, or by discussions of strategy. Forward-looking statements are based upon management’s present expectations, objectives, anticipations, plans, hopes, beliefs, intentions or strategies regarding the future and are subject to known and unknown risks and uncertainties that could cause actual results, events or developments to be materially different from those indicated in such forward-looking statements, including the risks and uncertainties set forth in Item 1A. Risk Factors in our 2018 Annual Report on Form 10-K. These risks and uncertainties should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. As such, no assurance can be given that the future results covered by the forward-looking statements will be achieved.

The percentage changes throughout the following discussion are based on amounts stated in thousands of dollars and not the rounded millions of dollars reflected in this section.

Overview

We manage our sources of royalty revenues from existing licensing arrangements with other companies primarily related to sales of certain drug products that utilize our proprietary technology.

Prior to 2017, the primary source of our royalty revenues was derived from sales of PegIntron, which is marketed by Merck & Co., Inc. (“Merck”). We currently have no clinical operations and limited corporate operations. We have no intention of resuming any clinical development activities or acquiring new sources of royalty revenues. In the six and three month periods ended June 30, 2020, we earned approximately \$10,000 and \$8,000, respectively, in net royalties from sales of PegIntron.

At December 31, 2019, according to Merck, we had a liability to Merck of approximately \$324,000, due primarily to product returns and rebates. In the six months ended June 30, 2020, we earned approximately \$10,000 in net PegIntron royalties. Accordingly, at June 30, 2020, we recorded a liability to Merck of approximately \$314,000, as discussed in Note 12 to the Condensed Consolidated Financial Statements.

During the second quarter of 2019, we received a one-time, non-refundable, payment of approximately \$65,000 from Novartis Pharma AG in payment of a worldwide, royalty free non-exclusive license to certain Canadian patents.

We wound down our remaining research and development activities during 2013 and we have no intention of resuming any clinical development activities or acquiring new sources of royalty revenues.

In April 2013, we announced that we intended to distribute excess cash, expected to arise from royalty and milestone revenues, in the form of periodic dividends to stockholders. (See Note 7 to our Condensed Consolidated Financial Statements.)

On February 4, 2016, our Board adopted a Plan of Liquidation and Dissolution (the “Plan of Liquidation and Dissolution”), the implementation of which has been postponed. (See Note 11 to our Condensed Consolidated Financial Statements.)

On January 30, 2019, we entered into a letter agreement with Servier, in connection with the Asset Purchase Agreement, by and between Klee Pharmaceuticals, Inc., Defiante and Sigma-Tau, on the one hand, and the Company, on the other hand. Under the letter agreement, Servier, as successor-in-interest to Defiante, has confirmed its obligation to pay us a \$7.0 million milestone payment related to SC Oncaspar as a result of the FDA's December 20, 2018 approval of calaspargase pegol – mknl (brand name ASPARLAS™) as a component of a multi-agent chemotherapeutic regimen for the treatment of acute lymphoblastic leukemia in pediatric and young adult patients age 1 month to 21 years. In addition, under the letter agreement, we agreed to waive Servier's obligations to pursue the development of SC Oncaspar in Europe and the approval of SC Oncaspar by the EMEA under the Asset Purchase Agreement, provided that we are not waiving Servier's obligation to make any applicable milestone payment to us upon EMEA approval, if any, of SC Oncaspar. Servier was required to pay the \$7.0 million milestone payment to us within three business days following the parties' completion of procedures for claiming benefits under the double tax treaty between the United States and the United Kingdom. We recorded the \$7 million milestone revenue in 2018 and a current milestone receivable at December 31, 2018 and it remained outstanding at June 30, 2019. The \$7 million payment was received in July 2019.

We may be entitled to certain potential future milestone payments and royalties, contingent upon the achievement of certain regulatory approval-related milestones and sales by third-party licensees. There can be no assurance that we will receive any milestone payments resulting from its agreements with any of our third-party licensees or that any sales of related products will be made. We will not recognize revenue from any of our third-party licensees until all revenue recognition requirements are met.

We have a marketing agreement with Micromet AG ("Micromet"), now part of Amgen, Inc. (the "Micromet Marketing Agreement"), that was entered into in 2004 under which Micromet is the exclusive marketer of the parties' combined intellectual property portfolio in the field of single-chain antibody technology. Under the Micromet Marketing Agreement, the parties agreed to share, on an equal basis, in any licensing fees, milestone payments and royalty revenue received by Micromet in connection with any licenses of the patents within the portfolio by Micromet to any third party during the term of the collaboration. To our knowledge, Micromet has a license agreement with Viventia Biotech (Barbados) Inc. ("Viventia"), now part of Sesen Bio, Inc. ("Sesen"), that was entered into in 2005, under which Micromet granted Viventia nonexclusive rights, with certain sublicense rights, for know-how and patents allowing exploitation of certain single chain antibody products, which patents cover some key aspects of Vicineum, one of Sesen's drug candidates that is in Phase 3 clinical trials being evaluated for the treatment of patients with non-muscle invasive bladder cancer. To our knowledge, under the terms of this license agreement between Micromet and Viventia, Micromet is entitled to receive (i) certain milestone payments with respect to the filing of a new drug application for Vicineum with the FDA or the filing of a marketing approval application for Vicineum with the EMEA; (ii) certain milestone payments with respect to the first commercial sale of Vicineum in the U.S. or Europe and (iii) certain royalties on net sales for ten years from the first commercial sale of Vicineum. Pursuant to the Micromet Marketing Agreement, we would be entitled to a 50% share of these milestone payments and royalties received by Micromet. Due to the challenges associated with developing and obtaining approval for drug products, there is substantial uncertainty whether any of these milestones will be achieved. We also have no control over the time, resources and effort that Sesen may devote to its programs and limited access to information regarding or resulting from such programs. Accordingly, there can be no assurance that we will receive any of the milestone or royalty payments under the Micromet Marketing Agreement. We will not recognize revenue until all revenue recognition requirements are met.

Effective March 1, 2018, we renewed our office service agreement with Regus Management Group, LLC ("Regus") for our principal executive offices at 20 Commerce Drive, Suite 135, Cranford, New Jersey, 07016. This agreement was renewed until February 28, 2019, for a monthly fee of \$1,259. In June 2018, we and Regus agreed to end the lease on August 31, 2018, and replace it with an updated office service agreement. Effective September 1, 2018, we entered into an office service agreement with Regus for mailbox plus, telephone answering, and virtual office services. Under the agreement, in exchange for the services provided by Regus, we were required to pay Regus an initial service retainer of \$259 and thereafter pay Regus a monthly fee of \$259 until August 31, 2019. The term of this agreement was extended until August 31, 2020 at a monthly fee of \$259.

Effective July 1, 2018, we entered into an office rental agreement with Equinox for use of office space at 3556 Main Street, Manchester, VT, 05225. Under this agreement, in exchange for our right to use the office space at this location, we were required to pay Equinox a monthly fee of \$708 until June 30, 2019. The term of this agreement was extended until June 30, 2020 at a monthly fee of \$729. The Company did not renew the office rental agreement with Equinox.

Plan of Dissolution

On February 4, 2016, our Board of Directors adopted a Plan of Liquidation and Dissolution (the “Plan of Liquidation and Dissolution”), pursuant to which we would, subject to obtaining requisite stockholder approval, be liquidated and dissolved in accordance with Sections 280 and 281(a) of the General Corporation Law of the State of Delaware. In approving the Plan of Liquidation and Dissolution, our Board of Directors had considered, among other factors, our ability to obtain no-action relief from the Securities and Exchange Commission (the “SEC”) to suspend certain of our reporting obligations under the Securities Exchange Act of 1934, as amended, and the anticipated cost savings if such relief is granted by the SEC. Upon further review, our Board of Directors determined that it would be fair, advisable and in our best interests and our stockholders to postpone seeking stockholder approval of the Plan of Liquidation and Dissolution until a later time to be determined by our Board of Directors.

From time to time, our Board of Directors reviews the Company’s status and prospects in deciding on the timing of dissolution and liquidation of the Company pursuant to the Plan of Liquidation and Dissolution. If our Board of Directors determines to seek stockholder approval of such plan and such plan is approved by our stockholders and implemented by the Company, it is expected that our corporate existence will continue for the purpose of winding up our business and affairs for at least three years. We have forecasted minimal or no royalty or milestone revenues for the foreseeable future. In light of the uncertainty as to whether any of the milestones under the Micromet Marketing Agreement would be achieved, this forecast assumes that we would not receive any milestone or royalty payments under the Micromet Marketing Agreement.

Throughout this Management’s Discussion and Analysis, the primary focus is on our results of operations, cash flows and financial condition. The percentage changes throughout the following discussion are based on amounts stated in thousands of dollars.

Results of Operations

Revenues:

Royalties (in thousands of dollars):

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|--|--------------------------------|--------------|---------------|------------------------------|--------------|---------------|
| | 2020 | % Change | 2019 | 2020 | % Change | 2019 |
| Royalty revenues | \$ 8 | (96)% | \$ 207 | \$ 10 | (95)% | \$ 207 |
| Less: adjustments by Merck for returns and rebates | - | N/A | - | - | (100)% | (51) |
| | <u>\$ 8</u> | <u>(96)%</u> | <u>\$ 207</u> | <u>\$ 10</u> | <u>(94)%</u> | <u>\$ 156</u> |

Royalty revenues from sales of PegIntron by Merck amounted to approximately \$8,000 for the three months ended June 30, 2020, as compared to \$142,000 during the corresponding period in the prior year. These PegIntron royalties accounted for 100% and 69% of the Company’s total royalty revenues for the three months ended June 30, 2020 and 2019, respectively, and approximately 100% and 58% (approximately \$91,000, inclusive of downward revenue adjustment of approximately \$51,000, related to the amounts of returns and rebates exceeding the amounts of royalties earned in the first quarter of 2019) of the Company’s total royalty revenues for the six-month periods ended June 30, 2020 and 2019, respectively. The effects of such downward revenue adjustments were recorded as decreases of royalty revenues as discussed in Note 1 to the Condensed Consolidated Financial Statements. Royalty revenues from Merck have been declining sharply. There are multiple oral drug therapies, both available and in development, that have been effective for treatment of hepatitis C that do not require interferon. As a result, it is likely that sales of PegIntron-related products will continue their declining trend and we expect to receive little or no future royalties from Merck. Our right to receive royalties from sales of PegIntron expired in the U.S. in 2016, expired in Europe in 2018 and expired in Malaysia on June 30, 2020, and are expiring in Japan in 2021 and Chile in 2024.

Merck has not yet reported royalty revenues earned by us for product sales and/or recoupments for returns and rebates for the quarter ended June 30, 2020.

Royalty revenues for the six months ended June 30, 2019, include a one-time, non-refundable, payment of approximately \$65,000 from Novartis Pharma AG in payment of a worldwide, royalty free non-exclusive license to certain Canadian patents. There was no such payment during the current year’s comparable period.

Operating Expenses:**General and Administrative** (in thousands of dollars):

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|----------------------------|-----------------------------|-------------|--------|---------------------------|-------------|--------|
| | 2020 | % Change | 2019 | 2020 | % Change | 2019 |
| General and administrative | \$ 236 | 4% | \$ 228 | \$ 486 | (11)% | \$ 546 |

General and administrative expenses decreased by approximately \$60,000, or 11%, to \$486,000 for the six months ended June 30, 2020 from \$546,000 for the first six months of 2019. The decrease in expense is substantially attributable to the decrease in accounting, and consulting fees.

General and administrative expenses increased by approximately \$8,000, or 4%, to \$236,000 for the three months ended June 30, 2020 from \$228,000 for the second quarter of 2019. The increase in expense is substantially attributable to the increase in accounting and legal fees.

Tax Expense:

We incurred a tax expense of approximately \$2,000 in the first six months of 2020 and \$2,000 during the prior comparable period to reflect state minimum taxes.

Liquidity and Capital Resources

Our current source of liquidity is our existing cash on hand. While we no longer have any research and development activities, we continue to retain rights to receive royalties and milestone payments from existing licensing arrangements with other companies. We believe that our existing cash on hand will be sufficient to fund our operations, at least, through August 2021. Our future royalty revenues are expected to be *de minimis* over the next several years and there can be no assurance that we will receive any royalty or other revenues.

Cash was \$5.9 million as of June 30, 2020, as compared to \$5.4 million as of December 31, 2019. The increase of approximately \$0.5 million was primarily attributable to \$0.5 million net effect of cash provided by operating activities resulting from the collection of a \$970,000 refundable tax credits receivable.

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 (SPEs), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually limited purposes. As of June 30, 2020, we were not involved in any SPE transactions.

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 ("U.S. GAAP"). All applicable U.S. GAAP accounting standards effective as of June 30, 2020 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 and estimates 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

Royalties under our license agreements with third-parties and pursuant to the sale of our former specialty pharmaceutical business are recognized when reasonably determinable and earned through the sale of the product by the third-party and collection is reasonably assured. Notification from the third-party licensee of the royalties earned under the license agreement is the basis for royalty revenue recognition. This information generally is received from the licensees in the quarter subsequent to the period in which the sales occur.

Contingent payments due under the asset purchase agreement for the sale of our former specialty pharmaceutical business are recognized as revenue when the milestone has been achieved, collection is assured, such payments are non-refundable and no further effort is required on the part of the Company or the other party to complete the earning process.

Income Taxes

Under the asset and liability method of accounting for income taxes, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. 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. As of June 30, 2020, we believe, based on our projections, that it is more likely than not that our net deferred tax assets, including our net operating losses from operating activities, will not be realized. We recognize the benefit of an uncertain tax position that we have taken or expect to take on the income tax returns we file if it is more likely than not that we will be able to sustain our position.

Forward-Looking Information and Factors That May Affect Future Results

This Quarterly Report on Form 10-Q contains forward-looking statements within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements contained in the Quarterly Report on Form 10-Q, other than statements that are purely historical, are forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology such as the words “believes,” “expects,” “may,” “will,” “should,” “potential,” “anticipates,” “plans” or “intends” or the negative thereof, or other variations thereof, or comparable terminology, or by discussions of strategy. Forward-looking statements are based upon management’s present expectations, objectives, anticipations, plans, hopes, beliefs, intentions or strategies regarding the future and are subject to known and unknown risks and uncertainties that could cause actual results, events or developments to be materially different from those indicated in such forward-looking statements, including, but not limited to, the following risks and uncertainties:

- The proposed dissolution and liquidation of the Company may not be completed in a timely manner or at all.
- The amount we distribute to our shareholders as liquidating distributions, if any, pursuant to the Plan of Liquidation and Dissolution may be minimal.
- Until 2017, in recent years, we derived most of our royalty revenues from continued sales of PegIntron, which have been in sharp decline. In addition, our right to receive royalties on U.S. and European sales of PegIntron expired in 2016 and 2018, respectively, which has negatively impacted our royalty revenues.
- We expect to incur losses for the foreseeable future.
- Our rights to receive royalties on sales of PegIntron and sales of other drug products have expired in various jurisdictions and will, by 2024, expire world-wide. We currently do not anticipate any significant royalties from other sources and we do not intend to acquire new sources of royalty revenues.
- We expect that we will not realize our deferred income tax assets.
- The unprecedented actions taken globally to control the spread of COVID-19, as well as the uncertain timing for an effective treatment or vaccine for the virus, may materially and adversely affect our future right to receive licensing fees, milestone payments and royalties on product candidates that are being developed by third parties.
- We have reallocated all employment responsibilities and outsourced all corporate functions, which makes us more dependent on third parties to perform these corporate functions.
- We may be subject to a variety of types of product liability or other claims based on allegations that the use of our product candidates by participants in our previously conducted clinical trials has resulted in adverse effects, and our insurance may not cover all product liability or other claims.
- Our revenues largely depend on proprietary rights, which may offer only limited protection against the development of competing products.
- We are party to license agreements whereby we may receive royalties and or milestone payments from products subject to regulatory approval.
- The price of our common stock has been, and may continue to be, volatile.
- Our common stock is quoted on the OTCQX market of the OTC Markets Group, Inc., which has a very limited trading market and, therefore, market liquidity for our common stock is low and our stockholders’ ability to sell their shares of our common stock may be limited.
- The declaration of dividends is within the discretion of our Board of Directors, subject to any applicable limitations under Delaware corporate law. Our ability to pay dividends in the future depends on, among other things, our future revenues, which are expected to be minimal, if any, over the next several years, as well as our ability to manage expenses, including costs relating to our ongoing operations.
- Anti-takeover provisions in our charter documents and under Delaware corporate law may make it more difficult to acquire us, even though such acquisitions may be beneficial to our stockholders.
- The issuance of preferred stock may adversely affect rights of our common stockholders.

A more detailed discussion of these risks and uncertainties and other factors that could affect results is contained in our filings with the U.S. Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2019. These risks and uncertainties and other factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. As such, no assurance can be given that the future results covered by the forward-looking statements will be achieved. All information in this Quarterly Report on Form 10-Q is as of the date of this report, unless otherwise indicated, and we undertake no duty to update this information.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, we are not required to provide information required by this item.

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 June 30, 2020. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. Our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2020, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during the quarter ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Part II – OTHER INFORMATION

Item 1A. Risk Factors.

There are no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 filed on February 19, 2020, except for the addition of the risk factor described below.

The coronavirus outbreak has the potential to disrupt the approval and manufacture of products for which we share the right to receive licensing fees, milestone payments and royalties.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. On March 11, 2020, the World Health Organization characterized the global spread of COVID-19 as a pandemic. In an effort to slow the spread of the virus, the United States and many other countries around the world imposed restrictions on non-essential work activities, travel and mass gatherings. Although these restrictions have been eased in some areas, it is not known whether these lockdowns and other restrictions will be reintroduced, when they will end or the ultimate impact these unprecedented actions will have on our financial condition and prospects. At the present time, our own business activities have been largely unaffected by COVID-19 restrictions as our workforce is comprised solely of independent contractors who are able to perform their duties remotely. However, these restrictions may impact the third parties who are responsible for obtaining final approval of and manufacturing product candidates for which we share the right to receive licensing fees, milestone payments and royalty revenues. If those third parties are required to curtail their business activities for a significant time, or if global supply chain disruptions impact their ability to procure needed resources, raw materials or components, our right to receive licensing fees, milestone payments or royalties could be materially and adversely affected. Additionally, the development timeline for product candidates that are pending FDA approval could be delayed if the agency is required to shift resources to the review and approval of candidates for treatment of COVID-19.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 6. Exhibits.

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

| Exhibit Number | Description | Reference No. |
|----------------------|--|---------------|
| 31.1 | Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | ± |
| 31.2 | Certification of Principal Financial 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 Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* | ± |
| 101 | The following materials from Enzon Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Stockholders' Equity (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements. | + |

+ Filed herewith.

* These certifications are not deemed filed by the Commission and are not to be incorporated by reference in any filing the Company makes under the Securities Act of 1933 or the Securities Exchange Act of 1934, irrespective of any general incorporation language in any filings.

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)

Dated: July 29, 2020

/s/ Andrew Rackear

Andrew Rackear

Chief Executive Officer and Secretary
(Principal Executive Officer)

Dated: July 29, 2020

/s/ Richard L. Feinstein

Richard L. Feinstein

Vice President-Finance and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

| Exhibit Number | Description | Reference No. |
|----------------------|--|------------------|
| 31.1 | Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | + |
| 31.2 | Certification of Principal Financial 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 Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* | + |
| 101 | The following materials from Enzon Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Stockholders' Equity (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements. | + |
| + | Filed herewith. | |
| * | These certifications are not deemed filed by the Commission and are not to be incorporated by reference in any filing the Company makes under the Securities Act of 1933 or the Securities Exchange Act of 1934, irrespective of any general incorporation language in any filings. | |

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

I, Andrew Rackear, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 of Enzon Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and 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.

July 29, 2020

/s/ Andrew Rackear

Andrew Rackear
Chief Executive Officer and Secretary
(Principal Executive Officer)

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

I, Richard L. Feinstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 of Enzon Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and 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.

July 29, 2020

/s/ Richard L. Feinstein

Richard L. Feinstein

Vice President–Finance and Chief Financial Officer

(Principal Financial Officer)

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

In connection with the Quarterly Report of Enzon Pharmaceuticals, Inc. (the Company) on Form 10-Q for the quarterly period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Andrew Rackear, Chief Executive Officer and Secretary 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) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 29, 2020

/s/ Andrew Rackear

Andrew Rackear
Chief Executive Officer and Secretary
(Principal Executive Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Enzon Pharmaceuticals, Inc. and will be furnished to the Securities Exchange Commission or its staff upon request.

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

In connection with the Quarterly Report of Enzon Pharmaceuticals, Inc. (the Company) on Form 10-Q for the quarterly period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Richard L. Feinstein, Vice President–Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 29, 2020

/s/ Richard L. Feinstein

Richard L. Feinstein

Vice President–Finance and Chief Financial Officer

(Principal Financial Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Enzon Pharmaceuticals, Inc. and will be furnished to the Securities Exchange Commission or its staff upon request.
