ENZON PHARMACEUTICALS

August 1, 2006

Enzon Reports Second Quarter 2006 Results; Company Continues to Build a Promising Oncology Franchise

BRIDGEWATER, N.J., Aug 01, 2006 (BUSINESS WIRE) -- Enzon Pharmaceuticals, Inc. (Nasdaq:ENZN) (Enzon or the Company) today announced its financial results for the second quarter of 2006. For the three months ended June 30, 2006, Enzon reported net income of $11.0 million or $0.25 per diluted share, as compared to a net loss of $(85.5) million or $(1.97) per diluted share for the three months ended June 30, 2005.

"Our results this quarter were strong, but more importantly, we are committed to our long-term goal of building a novel oncology business." said Jeffrey H. Buchalter, chairman and chief executive officer of Enzon. "We are continuing to maximize the value of our oncology products and have broadened our pipeline by licensing compounds utilizing the broad LNA(R) technology platform in an effort to drive long-term, sustainable growth."

Financial Results

For the three months ended June 30, 2006, Enzon reported an adjusted net income of $7.9 million or $0.18 per diluted share, as compared to an adjusted net loss of $(82.0) million or $(1.89) per diluted share for the three months ended June 30, 2005. The June 2005 adjusted net loss included $80.2 million of deferred income tax adjustments.

Highlights include:

-- The Company entered into a strategic collaboration with Santaris Pharma A/S to develop and commercialize a series of innovative RNA Antagonists based on Santaris's LNA(R) (locked nucleic acid) technology.

-- The Company today announced two updates from its oncology pipeline; first, the start of a phase I trial with Oncaspar(R) in combination with Gemzar(R) (gemcitabine HCl for Injection) in patients with advanced solid tumors and lymphomas and second, IND approval to begin a phase I/II trial with rhMBL in immunosuppressed patients with multiple myeloma who are undergoing chemotherapy or stem cell transplantation.

-- The Company recently reported on July 25, 2006, that the U.S. Food and Drug Administration approved an expanded label for Oncaspar to include use as a first-line treatment for patients with acute lymphoblastic leukemia (ALL).

-- The Company successfully refinanced the majority of its debt position. Enzon raised $275.0 million in an offering of new 4 percent convertible notes due 2013 (4% Notes) and repurchased $133.8 million of its existing 4 1/2 percent convertible notes due 2008 (4.5% Notes) during the quarter and an additional $137.6 million of 4.5% Notes in July 2006.

Revenues

The following table reflects the revenues generated by product and segment for each of the three-month periods ended June 30, 2006 and 2005.

	Three Months Ended (in thousands)		
	June 30, 2006	June 30, 2005	%Change
Products			
Oncaspar	$ 7,543	$ 5,849	29%
Depocyt	1,936	1,653	17%
Abelcet	9,393	11,347	(17%)
Adagen	5,665	4,631	22%
Total Products	24,537	23,480	5%

Royalties	17,936	16,878	6%
Contract Manufacturing	5,131	3,309	55%
Total Revenues	$ 47,604	$ 43,667	9%

Products Segment

Products segment sales, comprised of sales of Oncaspar(R), Depocyt(R) , Abelcet(R) , and Adagen(R) , increased to $24.5 million for the three months ended June 30, 2006, from $23.5 million for the three months ended June 30, 2005. The improved sales are mainly attributable to an increase in volume for all products, except Abelcet.

Oncaspar (a PEG-enhanced version of a naturally occurring enzyme called L-asparaginase) sales grew to $7.6 million or twenty-nine percent for the three months ended June 30, 2006, as compared to $5.9 million for the three months ended June 30, 2005. On July 25, 2006, the company announced it received approval of its supplemental Biologics License Application (sBLA) for Oncaspar for use in the first-line treatment of patients with ALL. In addition, Enzon is continuing to progress the new clinical program for Oncaspar by initiating its first trial in a variety of solid tumors.

Sales of Depocyt, a sustained-release formulation of the chemotherapeutic agent cytarabine arabinoside or ara-C used for the treatment of lymphomatous meningitis, increased to $1.9 million or seventeen percent for the three months ended June 30, 2006, as compared to $1.7 million for the three months ended June 30, 2005.

Sales of Abelcet in the U.S. and Canada, a lipid complex formulation of amphotericin B used primarily in the hospital to treat immuno-comprised patients with invasive fungal infections, for the three months ended June 30, 2006 were $9.3 million, down seventeen percent as compared to $11.3 million for the three months ended June 30, 2005. The decrease was primarily the result of continued competition that resulted in a decline in volume. The Company anticipates increased competition from new therapeutics entering the market later this year.

Sales of Adagen, an enzyme replacement therapy used to treat adenosine deaminase (ADA) deficiency in patients with severe combined immunodeficiency disease, increased twenty-two percent to $5.7 million for the three months ended June 30, 2006, as compared to $4.6 million for the three months ended June 30, 2005. This market has a very small number of patients so quarter-to-quarter variability is not uncommon.

Royalties Segment

Revenues from the Company's Royalties segment for the three months ended June 30, 2006 were $18.0 million, as compared to $16.9 million for the three months ended June 30, 2005, an increase of six percent. This includes the proceeds of $1.0 million on the sale of the Company's SS1P program, an immunotoxin fusion protein, to Cambridge Antibody Technology. Royalties on PEG-INTRON, marketed by Schering-Plough, continue to comprise the majority of our royalty revenue.

Contract Manufacturing Segment

The Company's revenues from its Contract Manufacturing segment were $5.1 million for the three months ended June 30, 2006, as compared to $3.4 million in the corresponding period of the prior year. This includes contract manufacturing revenues related to services the Company provides for customers who require injectable products, such as Abelcet for markets outside of Canada and the U.S. The fifty-five percent increase in revenue was mainly attributable to the timing of third party shipments as stated last quarter. The availability of certain raw materials in March 2006 delayed the production in the first quarter of 2006 and the resulting revenues of products that the Company manufactures. It is not uncommon for the timing of the shipments to cause quarter-over-quarter fluctuations.

Cost of Sales and Contract Manufacturing

Cost of product sales and contract manufacturing as a percentage of revenues from product sales and contract manufacturing, decreased to forty-two percent for the three months ended June 30, 2006, as compared to fifty-one percent for the three months ended June 30, 2005. This decrease relative to revenues was primarily attributable to increased contract manufacturing volumes as well as favorable changes in product mix period over period.

Research and Development

The Company's research and development expenses were $9.5 million for the three months ended June 30, 2006, as compared to $5.5 million for the three months ended June 30, 2005. The increase was attributable to initiation of new clinical programs in 2006, as compared to organizational and research and development portfolio restructuring that occurred in the second quarter of 2005. Enzon is committed to investing in research and development to build a leading oncology business through the continued development of its current portfolio, reinforcing its position as a scientific leader in PEGylation through its Customized Linker Technology(TM) platforms and strategic in-licensing of innovative cancer programs, as demonstrated by our strategic collaboration with Santaris discussed above.

Selling, General and Administrative

Selling, general and administrative expenses decreased to $15.3 million, or 13 percent, for the three months ended June 30, 2006, as compared to $17.5 million for the three months ended June 30, 2005. The reduction is mainly attributable to more focused marketing spending in 2006. The Company will continue to invest in new selling, marketing, and other initiatives to further its objective of delivering long-term value, including improving its top-line performance by investing in its commercial operations.

Amortization of Acquired Intangible Assets

Amortization expense decreased by $3.2 million to $0.2 million for the three months ended June 30, 2006, as compared to $3.4 million for the three months ended June 30, 2005. This reduction was due to the impairment of Abelcet-related intangible assets recorded in the quarter ended December 2005.

Other Income (Expense)

Net other income (expense) is comprised of investment income, interest expense, and other non-operating expenses. The Company reported other income of approximately one million dollars for the three months ended June 30, 2006, as compared to other expense of nearly seven million dollars in the same period in the prior year. The improvement resulted primarily from the debt re-financing as the Company recorded a gain of $4.4 million on the repurchase of the 4.5% Notes at a discount to par. This income was reduced by the partial write-off of the 4.5% Notes offering costs of $1.3 million.

Income Taxes

For the three months ended June 30, 2006, the Company recognized a nominal amount of state and Canadian tax, whereas in the quarter ended June 30, 2005, the Company recorded a non-cash charge of $80.2 million including a deferred tax asset reserve of $68.2 million and the establishment of a deferred tax liability of $10.6 million associated with goodwill. For 2006, the estimated effective annual U.S. income tax rate is zero due to the Company's projected taxable income and availability of net operating loss carryforwards.

Cash and Investments

Total cash reserves are $369.6 million as of June 30, 2006, as compared to $226.6 million as of December 31, 2005. The net increase in cash reserves was the result of the $275.0 million debt refinancing, as well as cash inflows from operating activities and the first-quarter 2006 sale of Nektar shares. This increase in cash has been partially offset by associated payments for the extinguishment of $133.8 million of the 4.5% Notes as well as the payment to Sanofi-Aventis related to the previously announced reduction of the royalty rates that the Company pays on Oncaspar sales. Cash reserves include cash, cash equivalents, short-term investments, and marketable securities. Subsequent to the quarter ended June 30, 2006, the Company repurchased the $137.6 million of its existing 4.5% Notes.

Reconciliation of GAAP net income (loss) to adjusted net income (loss)

The following table reconciles the Company's net income (loss) and net income (loss) per diluted share as determined in accordance with U.S. generally accepted accounting principles (GAAP) to its adjusted net income (loss) and adjusted net income (loss) per diluted share for the three months ended June 30, 2006 and 2005:

Three Months Ended (in thousands, except per-share amounts)			
June 30, 2006		June 30, 2005	
Net	Net income per diluted	Net	Net loss per diluted

	income	share	loss	share
GAAP net income (loss)	$10,987	$ 0.25	$(85,532)	$(1.97)
Adjustments to GAAP net income (loss):				
Gain related to the repurchase of debt(1)	(3,113)	(0.07)	-	-
Loss related to the sale of NPS common stock, net of tax(2)	-	-	3,529	0.08
Adjusted net income (loss)(3)	$ 7,874	$ 0.18	$(82,003)	$(1.89)

(1) The Company's adjusted financial results for the second quarter of 2006 exclude a gain related to the repurchase of the 4.5% Notes at a price of $965 (plus accrued interest) for each $1,000 principal amount of notes tendered, offset by a write-off of related debt offering costs.

(2) The Company's adjusted financial results for the June quarter of 2005 exclude a net-of-tax realized loss of $1.3 million and an unrealized loss of $2.2 million related to a financial instrument the Company formed to reduce its investment risk associated with 1.5 million shares of NPS Pharmaceuticals, Inc. (NPS) common stock received in June 2003. The Company received the common stock under a merger termination agreement with NPS.

(3) Adjusted net income (loss) and adjusted net income (loss) per diluted share, as the Company defines them, may differ from similarly named measures used by other entities, and consequently, could be misleading unless all entities calculated and defined such items in the same manner. The Company believes that investors' understanding of its performance is enhanced by disclosing adjusted net income (loss) and adjusted net income (loss) per share reflecting adjustments for certain items that the Company deems to be non- recurring.

Conference Call and Webcast

Enzon will be hosting a conference call August 1, 2006 at 9:00 a.m. E.D.T. All interested parties may access the call by using the following information:

Domestic Dial-In Number:	(866) 585-6398
International Dial-In Number:	(416) 849-9626
Access Code:	Enzon

Enzon's conference call will also be webcast in a "listen only" mode via the Internet at http://www.vcall.com. Additionally, for those parties unable to listen at the time of Enzon's conference call, a telephone rebroadcast will be available following the call from Tuesday August 1, 2006, at approximately 12:00 p.m. E.D.T. This rebroadcast will end on August 8, 2006, at approximately 11:59 p.m. E.D.T. The rebroadcast may be accessed using the following information:

Domestic Dial-In Number:	(888) 566-0744
International Dial-In Number:	(402) 220-1576
Access Code:	3575790

About Enzon

Enzon Pharmaceuticals, Inc. is a biopharmaceutical company dedicated to the development and commercialization of therapeutics to treat patients with cancer and adjacent diseases. Enzon's specialized sales force markets Abelcet(R), Oncaspar (R), Adagen(R), and Depocyt (R) in the United States. In addition, Enzon also receives royalties on sales of PEG-INTRON(R), marketed by Schering-Plough Corporation, and MACUGEN(R), marketed by OSI Pharmaceuticals and Pfizer Inc. Enzon's product-driven strategy includes an extensive drug development program that leverages its proprietary technologies, including a Customized Linker Technology(TM) PEGylation platform that utilizes customized linkers designed to release compounds at a controlled rate. Enzon complements its internal research and development efforts with strategic initiatives, such as partnerships designed to broaden its revenue base or provide access to promising new technologies or product development opportunities. The Company has also engaged in contract manufacturing opportunities with third parties to improve its efficiency. Further information about Enzon and this press release can be found on the Company's web site at www.enzon.com.

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 the ability to obtain regulatory approval of products A more detailed discussion of these and other factors that could affect results is contained in our filings with the U.S. Securities and Exchange Commission, including our transition report on Form 10-K for the six-month period ended December 31, 2005. 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 in this press release is as of the date of this press release and Enzon does not intend to update this information.

(Financial information to follow)

Enzon Pharmaceuticals, Inc. and Subsidiaries
Consolidated Statements of Operations
Three Months ended June 30, 2006 and 2005
(In thousands, except per share data)
(Unaudited)

	June 30, 2006	June 30, 2005
Revenues:		
Product sales, net	$ 24,537	$ 23,480
Royalties	17,936	16,878
Contract manufacturing	5,131	3,309
Total revenues	47,604	43,667
Costs and expenses:		
Cost of product sales and contract manufacturing	12,352	13,717
Research and development	9,466	5,567
Selling, general and administrative	15,247	17,565
Amortization of acquired intangible assets	185	3,356
Restructuring charge	-	2,053
Total costs and expenses	37,250	42,258
Operating income	10,354	1,409
Other income (expense):		
Investment income, net	3,084	1,501

Interest expense	(6,639)	(4,958)
Other, net	4,476	(3,245)
	921	(6,702)
Income (loss) before income tax provision	11,275	(5,293)
Income tax provision	288	80,239
Net income (loss)	$ 10,987	$(85,532)
Earnings (loss) per common share - basic	$ 0.25	$ (1.97)
Earnings (loss) per common share - diluted	$ 0.25	$ (1.97)
Weighted average shares - basic	43,539	43,501
Weighted average shares - diluted	43,539	43,501

Enzon Pharmaceuticals, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
June 30, 2006 and December 31, 2005
(In thousands)
(Unaudited)

	June 30, 2006	December 31, 2005
Assets		
Current assets:		
Cash and short-term investments	$ 332,530	$ 164,518
Accounts receivable, net	12,078	14,087
Inventories	17,575	16,014
Other current assets	8,322	12,596
Total current assets	370,505	207,215
Property and equipment, net	36,067	34,978
Other assets:		
Marketable securities	37,070	62,059
Amortizable intangible assets, net	65,112	34,154
Other long-term assets	7,365	2,939
	109,547	99,152
Total assets	$ 516,119	$ 341,345
Liabilities and Stockholders' Deficit		
Current and other liabilities	$ 29,355	$ 31,315
Notes payable	535,223	394,000
Stockholders' deficit	(48,459)	(83,970)
Total liabilities and stockholders' deficit	$ 516,119	$ 341,345

Common shares outstanding	43,762	43,787

SOURCE: Enzon Pharmaceuticals, Inc.

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