# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# Form 8-K/A

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

**Date of report (date of earliest event reported):**
**February 27, 2006**

# PDL BIOPHARMA, INC.
**(Exact name of registrant as specified in its charter)**

| **Delaware** | **000-19756** | **94-3023969** |
|---|---|---|
| **(State or other jurisdiction of incorporation)** | **(Commission File No.)** | **(I.R.S. Employer Identification No.)** |

**34801 Campus Drive**
**Fremont, California 94555**
**(Address of principal executive offices)**

**Registrant's telephone number, including area code:**
**(510) 574-1400**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Amendment No. 1**

This Form 8-K/A is furnished as an amendment ("Amendment No. 1") to the Current Report on Form 8-K furnished by PDL BioPharma, Inc., a Delaware corporation (the "Company"), under Items 2.02 and 9.01 on March 3, 2006 (the "Initial Form 8-K"). Amendment No. 1 is being furnished to release revised financial tables in conjunction with the Company's filing of its Annual Report on Form 10-K, filed on March 16, 2006 (the "2005 Form 10-K").

**Item 2.02. Results of Operations and Financial Condition**

On February 27, 2006, PDL BioPharma, Inc. (the "Company") issued a press release (the "Initial Press Release") announcing the Company's financial results for the fourth quarter and fiscal year ended December 31, 2005 and held a conference call regarding the results set forth in the Initial Press Release (the "Conference Call"). The Initial Press Release and a transcript of the Conference Call were attached as Exhibits 99.1 and 99.2, respectively, to the Initial Form 8-K.

On March 17, 2006, the Company issued a press release (the "Revision Press Release") that released revised financial tables (the "Tables") in conjunction with the Company's filing of the 2005 Form 10-K. The Tables reflect certain revisions in the Company's U.S. generally accepted accounting principles ("GAAP") results for fiscal year 2005, principally related to the purchase accounting for the Company's acquisition of ESP Pharma, Inc. in March 2005. The Company also has updated the number of shares used in calculations of basic and diluted net loss per share to reflect shares of common stock issued in connection with a collaboration.

The revisions set forth in the Tables have no effect on the Company's non-GAAP forward looking financial guidance as previously reported in the Initial Press Release and the Conference Call.

The Revision Press Release, including the Tables, is attached as Exhibit 99.1 to this Amendment No. 1 and is incorporated herein by reference. Further information regarding the Tables and the revisions described above is in the 2005 Form 10-K.

Use of Non-GAAP Financial Information

To supplement the information that is presented in accordance with GAAP in our historical information for the period presented as well as our forward-looking guidance in the Initial Press Release and Conference call, we provide certain non-GAAP financial measures that exclude from the directly comparable GAAP measures certain non-cash and other charges. These non-GAAP financial measures are based upon earnings before interest income, interest expense, income taxes, depreciation and amortization ("EBITDA"), further adjusted to exclude certain non-cash and other charges, including acquired in-process research and development, other acquisition-related charges, asset impairment charges and stock-based compensation. We believe that these non-GAAP measures enhance an investor's overall understanding of our financial performance and future prospects by reconciling more closely to the actual cash expenses of the Company in its operations as well as excluding expenses that in management's view are unrelated to our core operations, the inclusion of which may make it more difficult for investors and financial analysts reporting on the Company to compare our results from period to period. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP, and non-GAAP financial measures as reported by the Company may not be comparable to similarly titled items reported by other companies.

**Item 9.01 Financial Statements and Exhibits.**

**(d) Exhibits.**

| Exhibit No. | Description |
|---|---|
| 99.1 | Press Release, dated March 17, 2006, regarding release of revised financial tables of PDL BioPharma, Inc. |

**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 hereunto duly authorized.

Date: March 20, 2006

**PDL BIOPHARMA, INC.**

By: /s/ Mark McDade

**Mark McDade**
**Chief Executive Officer**

**Exhibit 99.1**

news release

For Immediate Release

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**PDL BIOPHARMA RELEASES REVISED 2005 FINANCIAL TABLES**

Fremont, Calif., March 17, 2006—PDL BioPharma, Inc. (PDL) (NASDAQ: PDLI) is releasing revised financial tables in conjunction with the company's filing of its 2005 Annual Report on Form 10-K, filed on March 16, 2006. The tables reflect certain revisions to the company's 2005 GAAP financial results, principally related to the purchase accounting for its acquisition of ESP Pharma, Inc. in March 2005. PDL has also updated the number of shares used in calculations of basic and diluted net loss per share to reflect shares of common stock issued in connection with a collaboration.

These revisions have no effect on the Company's full year 2006 non-GAAP forward looking financial guidance as provided on February 27, 2006.

A table showing the changes from PDL's previously announced results for four quarters of fiscal 2005 is attached. Further information regarding these financial results and the revisions described above are in PDL's Annual Report on Form 10-K for Fiscal 2005.

PDL BioPharma, Inc. is a biopharmaceutical company focused on discovering, developing and commercializing innovative therapies for severe or life-threatening illnesses.

The foregoing contains forward-looking statements involving risks and uncertainties and PDL's actual results may differ materially from those, express or implied, in the forward-looking statements. The forward-looking statements include our expectations regarding financial results, our expectations regarding the continuation of existing and new collaborative agreements, the possibility that the off-patent branded products will be sold and the anticipated sale price for those products, and the timing of clinical developments as well as other statements regarding our expectations. Factors that may cause differences between current expectations and actual results include, but are not limited to, the following: The continued successful integration of ESP Pharma and Retavase as part of PDL, including the retention of the sales force; changes in our development plans as we and our collaborators consider development plans and alternatives; factors affecting the clinical timeline such as enrollment rates and availability of clinical materials; changes in the market due to

alternative treatments or other actions by competitors; and variability in expenses particularly on a quarterly basis, due, in principal part, to total headcount of the organization and the timing of expenses. In addition, PDL revenues depend in part on the success and timing of sales of our licensees, including in particular the continued success of Avastin and Herceptin antibody products by Genentech, Inc. as well as the seasonality of sales of Synagis® from MedImmune, Inc. Quarterly revenues may be impacted by our ability to maintain and increase our revenues from collaborative arrangements such as our co-development agreements with Biogen Idec and Roche. Our revenues and expenses would be affected by new collaborations, material patent licensing arrangements or other strategic transactions.

Other factors that may cause our actual results to differ materially from those expressed or implied in the forward-looking statements in this press release are discussed in our filings with the Securities and Exchange Commission. PDL expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.



# # #

The following tables reflect the adjustments to fiscal 2005 GAAP results and revised reconciliations to non-GAAP results.

**PDL BIOPHARMA, INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**

| (In thousands, except per share data ) | Years ended December 31, 2005 | | |
|---|---|---|---|
| | As Furnished GAAP | Revisions [1] | Revised GAAP |
| **Revenues:** | | | |
| Product sales, net | $ 118,449 | 2,742 | $ 121,191 |
| Royalties | 130,068 | | 130,068 |
| License and other | 28,395 | | 28,395 |
| Total revenues | 276,912 | 2,742 | 279,654 |
| **Costs and expenses:** | | | |
| Cost of product sales | 60,257 | | 60,257 |
| Research and development | 172,039 | | 172,039 |
| Selling, general and administrative | 82,295 | 91 | 82,386 |
| Acquired in-process research and development | 79,417 | | 79,417 |
| Other acquisition-related charges | — | 19,434 | 19,434 |
| Asset impairment charges | 31,269 | | 31,269 |
| Total costs and expenses | 425,277 | 19,525 | 444,802 |
| Operating income (loss) | (148,365) | (16,783) | (165,148) |
| Interest and other income, net | 9,616 | | 9,616 |
| Interest expense | (10,177) | | (10,177) |
| Income (loss) before income taxes | (148,926) | (16,783) | (165,709) |
| Income taxes expense | 868 | | 868 |
| **Net income (loss)** | $ (149,794) | $ (16,783) | $(166,577) |
| **Net income (loss) per basic share** | $ (1.45) | | $ (1.60) |
| **Net income (loss) per diluted share** | $ (1.45) | | $ (1.60) |
| **Shares used in computation of net income (loss) per basic share** | 103,311 | | 104,326 |
| **Shares used in computation of net income (loss) per diluted share** | 103,311 | | 104,326 |

(1) Revisions of certain amounts previously reported in our Form 10-Q for the first and second quarters, Form 10-Q/A for the third quarter and as furnished in our Form 8-K dated March 3, 2006 which included the February 27, 2006 Press Release for the fourth quarter. See Note 1 to the Consolidated Financial Statements in our Form 10-K for the year ended December 31, 2005.

**PDL BIOPHARMA, INC.**
**NON-GAAP CONSOLIDATED STATEMENTS OF OPERATIONS**
**(Unaudited)**

We use certain non-GAAP financial measures in evaluating our operating performance. These non-GAAP financial results are based upon earnings before interest income, interest expense, income taxes, depreciation and amortization (EBITDA), further adjusted to exclude certain other charges, including acquired in-process research and development, other acquisition-related charges, asset impairment charges and stock-based compensation. We believe that these non-GAAP financial measures enhance an investor's overall understanding of our financial performance and future prospects by reconciling more closely to the actual cash expenses of the Company in its operations.

| | Years ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2005 | | | 2004 | | |
| (In thousands, except per share data ) | Revised GAAP | Adjustments | Revised Non-GAAP | GAAP | Adjustments | Non-GAAP |
| **Revenues:** | | | | | | |
| Product sales, net | $ 121,191 | | $121,191(4) | $ — | | $ — |
| Royalties | 130,068 | | 130,068 | 83,807 | | 83,807 |
| License and other | 28,395 | | 28,395 | 12,217 | | 12,217 |
| Total revenues | 279,654 | — | 279,654 | 96,024 | | 96,024 |
| **Costs and expenses:** | | | | | | |
| Cost of product sales | 60,257 | (35,434)(1) | 24,823 | — | | |
| Research and development | 172,039 | (16,396)(2) | 155,643 | 122,563 | (14,280)(2) | 108,283 |
| Selling, general and administrative | 82,386 | (2,094)(3) | 80,292 | 31,806 | (1,519)(3) | 30,287 |
| Acquired in-process research and development | 79,417 | (79,417) | — | — | | — |
| Other acquisition-related charges | 19,434 | (19,434)(4) | — | — | | — |
| Asset impairment charges | 31,269 | (31,269)(5) | — | — | | — |
| Total costs and expenses | 444,802 | (184,044) | 260,758 | 154,369 | (15,799) | 138,570 |
| Operating income (loss) | (165,148) | 184,044 | 18,896 | (58,345) | 15,799 | (42,546) |
| Interest and other income, net | 9,616 | (9,664)(6) | (48) | 10,212 | (9,739)(6) | 473 |
| Interest expense | (10,177) | 10,177 | — | (5,028) | 5,028 | — |
| Income (loss) before income taxes | (165,709) | 184,557 | 18,848 | (53,161) | 11,088 | (42,073) |
| Income taxes expense | 868 | (868) | — | 80 | (80) | — |
| **Net income (loss)** | $(166,577) | $ 185,425 | $ 18,848 | $ (53,241) | $ 11,168 | $ (42,073) |
| **Net income (loss) per basic share** | $ (1.60) | | $ 0.18 | $ (0.56) | | $ (0.44) |
| **Net income (loss) per diluted share** | $ (1.60) | | $ 0.17 | $ (0.56) | | $ (0.44) |
| **Shares used in computation of net income (loss) per basic share** | 104,326 | | 104,326 | 94,982 | | 94,982 |
| **Shares used in computation of net income (loss) per diluted share** | 104,326 | | 109,222 | 94,982 | | 94,982 |

(1) Amortization of intangible assets for our marketed products in 2005.

(2) Depreciation expenses for our fixed assets ($14.2M in 2005, $11.0M in 2004), amortization of intangible assets associated with the Eos Biotechnology, Inc. acquisition and the re-acquisition from Roche of rights to Zenapax ($2.1M in 2005, $2.5M in 2004), restructuring charges (none in 2005, $0.3M in 2004), and stock-based compensation ($0.2M in 2005, $0.6M in 2004).

(3) Depreciation expenses for our fixed assets ($1.2M in 2005, $0.8M in 2004), and stock-based compensation ($0.8M in 2005, $0.6M in 2004).

(4) Revisions of certain amounts previously reported in our Form 10-Q for the first and second quarters, Form 10-Q/A for the third quarter and as furnished in our Form 8-K dated March 3, 2006 which included the February 27, 2006 Press Release for the fourth quarter. See Note 1 to the Consolidated Financial Statements in our Form 10-K for the year ended December 31, 2005.

(5) Asset impairment charges for off-patent brands of $15.5M and write-off of option to re-acquire rights to manufacture and market *Zenapax* for acute renal transplant rejection of $15.8M in 2005.

(6) Interest income.

## QUARTERLY FINANCIAL DATA (UNAUDITED)

| (in thousands, except per share data) | 2005 Quarter Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | December 31 | | September 30 | | June 30 | | March 31 | |
| | Revised[1] | As Furnished | Revised[1] | As reported | Revised[1] | As Reported | Revised[1] | As Reported |
| **Revenues:** | | | | | | | | |
| Product sales | $ 39,012 | $ 39,012 | $ 43,144 | $ 43,144 | $ 38,087 | $ 35,345 | $ 948 | $ 948 |
| Royalties | 33,373 | 33,373 | 26,003 | 26,003 | 37,528 | 37,528 | 33,164 | 33,164 |
| License and other | 11,268 | 11,268 | 7,536 | 7,536 | 4,888 | 4,888 | 4,703 | 4,703 |
| Total revenues | 83,653 | 83,653 | 76,683 | 76,683 | 80,503 | 77,761 | 38,815 | 38,815 |
| **Costs and expenses:** | | | | | | | | |
| Cost of product sales | 16,776 | 16,776 | 22,209 | 22,209 | 20,135 | 20,135 | 1,137 | 1,137 |
| Research and development | 46,959 | 46,959 | 49,480 | 49,480 | 40,339 | 40,339 | 35,261 | 35,261 |
| Selling, general and administrative | 28,119 | 28,028 | 26,795 | 26,795 | 19,806 | 19,806 | 7,666 | 7,666 |
| Acquired in-process research and development[2] | — | — | — | | — | — | 79,417 | 79,417 |
| Other acquisition-related charges[3] | 10,876 | — | 5,816 | — | 2,742 | — | — | — |
| Asset impairment charge[4] | 16,044 | 16,044 | 15,225 | 15,225 | — | — | — | — |
| Total costs and expenses | 118,774 | 107,807 | 119,525 | 113,709 | 83,022 | 80,280 | 123,481 | 123,481 |
| Gross profit from product sales | 22,236 | 22,236 | 20,935 | 20,935 | 17,952 | 15,210 | -189 | -189 |
| Operating income (loss) | (35,121) | (25,154) | (42,842) | (37,026) | (2,519) | (2,519) | (84,666) | (84,666) |
| Interest and other income, net | 2,781 | 2,781 | 2,027 | 2,027 | 1,873 | 1,873 | 2,935 | 2,935 |
| Interest expense | (2,655) | (2,655) | (2,671) | (2,671) | (2,709) | (2,709) | (2,142) | (2,142) |
| Loss before income taxes | (34,995) | (24,028) | (43,486) | (37,670) | (3,355) | (3,355) | (83,873) | (83,873) |
| Income tax expense (benefit) | (899) | (899) | 1,680 | 1,680 | 65 | 65 | 22 | 22 |
| **Net loss** | $ (34,096) | $ (23,129) | $ (45,166) | $ (39,350) | $ (3,420) | $ (3,420) | $ (83,895) | $ (83,895) |
| **Basic and diluted net loss per share** | $ (0.31) | $ (0.22) | $ (0.43) | $ (0.37) | $ (0.03) | $ (0.03) | $ (0.87) | $ (0.87) |
| **Shares used in computation of basic and diluted net loss per share** | 111,571 | 107,512 | 105,272 | 105,272 | 103,705 | 103,705 | 96,754 | 96,754 |

| (in thousands, except per share data) | 2005 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | December 31 | | September 30 | | June 30 | | March 31 | |
| | revised[1] | as furnished | revised[1] | as reported | revised[1] | as reported | revised[1] | as reported |
| Goodwill | $ 57,783 | N/A | $ 56,714 | $ 57,520 | $ 31,262 | $ 67,359 | $ 31,262 | $ 67,359 |
| Total Assets | 1,166,001 | $1,170,262 | 1,176,171 | 1,176,977 | 1,018,799 | 1,054,896 | 1,012,680 | 1,048,777 |
| Total Liabilities | 639,936 | N/A | 625,003 | 625,003 | 577,303 | 577,303 | 578,234 | 578,234 |
| Total Stockholders' Equity | 526,065 | 531,144 | 551,168 | 551,974 | 441,496 | 477,593 | 434,446 | 470,543 |

(1) Represents revisions of certain amounts previously reported in our Form 10-Q for the first and second quarters, Form 10-Q/A for the third quarter and as furnished in our Form 8-K dated March 3, 2006 which included the February 27, 2006 Press Release for the fourth quarter. See Note 1 to the Consolidated Financial Statements.

(2) Represents acquired in-process research and development. The amount for 2005 relates to the ESP Pharma acquisition. For a description of these charges, see Notes 1, 4 and 6 to the Consolidated Financial Statements.

(3) Represents product sales returns, accounts receivable allowances and other liabilities related to ESP Pharma operations prior to our acquisition of the business. See Note 1 to the Consolidated Financial Statements.

(4) Represents non-cash charges related to the impairment of off-patent branded products and termination of reversion right. For a description of these charges, see Note 4 to the Consolidated Financial Statements.