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

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): July 1, 2016

PDL BioPharma, Inc.

(Exact name of Company as specified in its charter)

000-19756		
(Commission File Number)		
Delaware		**94-3023969**
(State or Other Jurisdiction of Incorporation)		**(I.R.S. Employer Identification No.)**

932 Southwood Boulevard
Incline Village, Nevada 89451
(Address of principal executive offices, with zip code)

(775) 832-8500
(Company's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Company under any of the following provisions:

☐ 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))

Explanatory Note

On July 6, 2016, PDL BioPharma, Inc. (the “Company”) filed a Current Report on Form 8-K (the “Initial Filing”) to report that on July 1, 2016 (i) the Company entered into an Investment and Stockholders’ Agreement by and among Noden Pharma DAC (“Noden”), a newly-formed, majority-owned subsidiary of the Company organized under the laws of Ireland, the Company and certain members of Noden management and (ii) Noden completed the acquisition of exclusive worldwide rights to manufacture, market, and sell the branded prescription medicine product sold under the name Tekturna® and Tekturna HCT® in the United States and Rasilez® and Rasilez HCT® in the rest of the world (collectively, the "acquired products") and certain related assets and liabilities pursuant to an Asset Purchase Agreement, dated as of May 24, 2016, by and between, Novartis AG, a company organized under the laws of Switzerland, Novartis Pharma AG, a company organized under the laws of Switzerland, Speedel Holding AG, a company organized under the laws of Switzerland, and Noden (the “Acquisition”).

The Company is filing this amendment to the Initial Filing (the "Amendment") to include the financial information described under Item 9.01 below. The Amendment should be read in conjunction with the Initial Filing and the Company's other filings with the Securities and Exchange Commission ("SEC"). Except as stated herein, the Amendment does not reflect events occurring after the date of the Initial Filing and no attempt has been made in the Amendment to modify or update other disclosures as presented in the Initial Filing.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The Company's investment in Noden resulted in PDL holding an equity interest of 98.8% in Noden, with the Minority Interest held by the chief executive officer of Noden. Noden was specifically set up in contemplation of this transaction and has no historical financial statements or business activities prior to the transaction.

The Company has been advised by the Sellers that it is impracticable to prepare full or "carve-out" financial statements related to the acquired products in order to enable the Company to file financial statements as required by Rule 3-05 of Regulation S-X.

Pursuant to a letter dated June 6, 2016 from the staff of the Division of Corporate Finance (the "Division") of the SEC, the Division stated that it will not object to the Company's proposal to provide abbreviated financial statements in satisfaction of the requirements of Rule 3-05 of Regulation S-X.

As a result, the Company is filing with the Amendment, the following financial statements and notes thereto related to the acquired products:

- The audited special purpose financial statements, which comprise a statement of assets acquired as of December 31, 2015, the related statement of revenues and direct expenses for the year ended December 31, 2015 and the notes thereto, which are filed as Exhibit 99.1.

- The unaudited special purpose interim financial statements, which comprise a statement of assets acquired as of June 30, 2016, related statement of revenues and direct expenses for the six months ended June 30, 2016 and 2015 and the notes thereto, which are filed as Exhibit 99.2.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined balance sheet as of June 30, 2016 assumes that the Acquisition occurred on June 30, 2016. The unaudited pro forma condensed combined statements of income for the year ended December 31, 2015 and the six months ended June 30, 2016 assume that the Acquisition occurred on January 1, 2015. The unaudited pro forma condensed combined balance sheet as of June 30, 2016 and the unaudited pro forma condensed combined statements of income for the year ended December 31, 2015 and the six months ended June 30, 2016 are filed as Exhibit 99.3 to this Current Report.

(c)Exhibits.

Exhibit No.	Description
23.1	Consent of PricewaterhouseCoopers AG.
99.1	The audited Special Purpose Financial Statements (Statement of Assets Acquired as of December 31, 2015, Related Statement of Revenues and Direct Expenses for the year ended December 31, 2015 and the Notes thereto).
99.2	The unaudited Special Purpose Interim Financial Statements (Statement of Assets Acquired as of June 30, 2016, Related Statement of Revenues and Direct Expenses for the six months ended June 30, 2016 and 2015 and the Notes thereto).
99.3	Unaudited Pro Forma Condensed Combined Balance Sheet and Statements of Income.

SIGNATURES

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

PDL BIOPHARMA, INC.

By: /s/ Peter S. Garcia

Peter S. Garcia

Vice President and Chief Financial Officer

Dated: September 13, 2016

Exhibit Index

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99.2	The unaudited Special Purpose Interim Financial Statements (Statement of Assets Acquired as of June 30, 2016, Related Statement of Revenues and Direct Expenses for the six months ended June 30, 2016 and 2015 and the Notes thereto).
99.3	Unaudited Pro Forma Condensed Combined Balance Sheet and Statements of Income.

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-211970) and Form S-8 (No. 333-87957, 333-68314, 333-104170, 333-125906 and 333-145262) of PDL BioPharma, Inc. of our report dated August 26, 2016, relating to the special purpose financial statements related to the worldwide rights to Tekturna® and Tekturna® HCT (in the United States of America) and Rasilez® and Rasilez HCT® (in the rest of the world) of Novartis Group, which comprise a statement of assets acquired as of December 31, 2015, the related statement of revenue and direct expenses for the year then ended and notes thereto, which appears in this Current Report on Form 8-K/A (Amendment No. 1) of PDL BioPharma, Inc.
PricewaterhouseCoopers AG

/s/ MARTIN KENNARD /s/ STEVE JOHNSON
Martin Kennard Steve Johnson

Basel, Switzerland
September 13, 2016

Exhibit 99.1

Independent Auditor's Report

To the Board of Directors and Management of Novartis Pharma AG

We have audited the accompanying special purpose financial statements related to the worldwide rights to Tekturna® and Tekturna HCT® (in the United States of America) and Rasilez® and Rasilez HCT® (in the rest of the world) (the Products) of Novartis Group (Novartis), which comprise a statement of assets acquired as of December 31, 2015, the related statement of revenues and direct expenses for the year then ended and notes thereto.

Management's Responsibility for the Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the special purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Novartis' preparation and fair presentation of the special purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the assets acquired as of December 31, 2015 and the revenues and direct expenses for the year then ended of the Products in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of matter

The accompanying special purpose financial statements were prepared in connection with Novartis' divestment of the Products and, as described in Note 2, were prepared in accordance with an SEC waiver received by PDL Bio-Pharma Inc., for the purposes of PDL complying with Rule 3-05 of the Securities and Exchange Commission's Regulation S-X. These special purpose financial statements are not intended to be a complete presentation of the financial position, results of operations or cash flows of the Products in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers AG

/s/ Martin Kennard	/s/ Steve Johnson
Martin Kennard	Steve Johnson

Basel Switzerland, August 26, 2016

Tekturna®, Tekturna HCT®, Rasilez® and Rasilez HCT® Product Lines of Novartis Group

Statement of Assets Acquired
Statement of Revenue and Direct Expenses
(in US Dollars)

For the year ended December 31, 2015

Statement of Revenue and Direct Expenses

	Year ended December 31, 2015 US $'000
Net revenue	153,581
Cost of goods sold	(62,457)
Direct expenses:	
Marketing and sales	(3,455)
Development	(27,323)
Other expense	(1,600)
Total direct expenses	(32,378)
Excess of revenues over direct operating expenses	**58,746**

The notes, on the following pages, are an integral part of these Special Purpose Financial Statements.

Statement of Assets Acquired

	As of December 31, 2015 US $'000
Assets acquired	
Non-current assets	
Intangible assets	87,959
Total assets acquired	**87,959**

The notes, on the following pages, are an integral part of these Special Purpose Financial Statements.

1. Description of Business

On May 24, 2016, Novartis Group (Novartis) entered into an Asset Purchase Agreement (the Agreement) with Noden Pharma DAC (Noden) for the worldwide divestment of Tekturna® and Tekturna HCT® in the United States and Rasilez® and Rasilez HCT® in the rest of the world (collectively the Products). The Agreement provides for the sale of the worldwide rights to manufacture and commercialize the Products for a consideration of USD 199 million. The transaction closed on July 1, 2016.

The Products are used for the treatment of hypertension. Some steps in the manufacturing process of the Products are undertaken by external suppliers.

Novartis entered into a separate Supply Agreement, to manufacture and supply the Products to Noden and provide additional transition services, for a limited period of time until the earlier of the approval of manufacturing transfer (or sourcing from a third party manufacturer) or three years from closing, to avoid interruption of supply of the Products.

2. Basis of preparation of the Special Purpose Financial Statements

These special purpose financial statements were prepared to present the net assets sold pursuant to the Agreement and the revenue and direct expenses related to the net assets sold. They have been prepared in connection with an equity investment by PDL Bio-Pharma Inc. (PDL) in Noden and will be included in an 8-K filing of PDL as required by S-X rule 3-05 of the U.S Securities and Exchange Commission (SEC). The basis of preparation describes how these special purpose financial statements have been prepared.

These special purpose financial statements have been prepared in accordance with the pre-clearence letter sent to the SEC by PDL on May 24, 2016 and on basis, of those assets, which are directly attributable to the Products and are identified in the Agreement as being transferred to Noden. Hence these special purpose financial statements are not intended to provide a complete presentation of the Products in Noden’s financial possession, results of operations or cash flows in conformity with the International Financial Reporting Standards (IFRS). The financial statements do not necessarily represent the assets, liabilities, revenue and expenses of the Products had it been operated as a separate independent business and may therefore not be indicative of the financial position and financial performance that would have been achieved if operated as an independent entity or of future results of the Products.

Throughout the periods covered by the special purpose financial statements, the operations relating to the Products and relating to the assets to be sold were not segregated within separate legal entities but were conducted as part of Novartis. Historically Novartis has not maintained separate records for these Products. These special purpose financial statements, including the accompanying notes, have been derived from the consolidated financial statements and the underlying historical accounting records of Novartis. The accounting policies herein are reflective of those used for the historical Novartis consolidated financial statements, which were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

In accordance with the Agreement, Noden acquired certain intellectual property and did not acquire the assets and liabilities such as trade receivables, inventory or trade payables related to the Products. Novartis has retained financial responsibility for any liabilities relating to Products sold prior to the transaction closing, with Noden assuming financial responsibility for any liabilities relating to Products sold after closing. Novartis is to supply the Products to Noden for a limited period starting from July 1, 2016 under a separate supply agreement.

The special purpose financial statements include a Statement of Assets Acquired as well as a Statement of Revenue and Direct Expenses for the Products incurred by Novartis attributable to the Products as discussed below.

The allocations and estimates in the Statement of Revenue and Direct Expenses are based on assumptions that Novartis management believes are reasonable.

2. Basis of preparation of the Carve-out Special Purpose Statements (continued)

The special purpose financial statements are presented in US dollars. Some of the transactions related to the Products were denominated in currencies other than US dollars. These transactions have been translated into US dollars using the following exchange rates:

- Income and expenses using the monthly average exchange rate with the US dollar values for each month being aggregated during the year
- Assets acquired, using year-end exchange rates

The basis for the preparation of these special purpose statements are as follows:

- Net revenue in the accompanying Statement of Revenue and Direct Expenses represent net revenue directly attributable to the Products. Costs and expenses in the accompanying Statement of Revenue and Direct Expenses represent direct and allocated costs and expenses related to the Products. All intercompany transactions have been eliminated.
- The Statement of Revenue and Direct Expenses exclude allocation of expenses relating to Novartis corporate level indirect activities as well as general and administrative support functions (such as finance and accounting, treasury, human resources, public relations, information systems and legal) as they are not associated with the revenue generating operations of the Products.
- The funding and management of Novartis operations (including the Products) are performed on a consolidated basis; accordingly, costs of funding the operations, including debt and related interest expense were not allocated to the Products. Novartis also maintains its tax functions on a consolidated basis; accordingly, tax expense was not allocated to the Products.
- Cash receipts and disbursements relating to the Products are aggregated with in the cash for the entire operations of Novartis. As the Products have historically been managed as part of the operations of Novartis and have not been operated as a stand-alone business, it is neither practicable nor does sufficient data exist to prepare separate historical cash flow information for the Products' operating, investing, and financing cash flows, therefore, statements of cash flows are not presented.

3. Summary of Significant Accounting Policies

3.1 Revenue Recognition

Revenue is recognized on the sale of the Products and recorded as Net Revenue in the Statement of Revenue and Direct Expenses when there is persuasive evidence that a sales arrangement exists, title and risks and rewards for the Products are transferred to the customer, the price is determinable and collectability is reasonably assured. When contracts contain customer acceptance provisions, sales are recognised upon the satisfaction of the acceptance criteria.

Provisions for rebates, and discounts granted to government agencies, wholesalers, retail pharmacies, managed care organizations and other customers are recorded as a reduction to revenue at the time the related revenue is recorded or when the incentives are offered. These are calculated based on historical experience and the specific terms of the agreements.

Cash discounts are offered to customers to encourage prompt payment and are recorded as revenue deductions. When there is historical experience of Novartis agreeing to customer returns and Novartis can reasonably estimate expected future returns, a provision is recorded for estimated sales returns. In doing so, the estimated rate of returns is applied, determined based on historical experience or considering any other relevant factors. Where shipments are made on a re-sale or return basis, without sufficient historical experience for estimating sales returns, revenue is only recorded when there is evidence of consumption or when the right of return has expired.

Provisions for revenue deductions are adjusted to actual amounts as rebates, discounts and returns are processed. The provision represents estimates of the related obligations, requiring the use of judgment when estimating the effect of these sales deductions.

3. Summary of Significant Accounting Policies (continued)

3.2 Cost of goods sold

Cost of goods sold includes the manufacturing and acquisition cost of the Products, amortization of the intangible assets, reversal of prior year impairment charges related to the Products and an allocation of indirect costs and costs of supporting functions, facilities and services shared by the Products with other Novartis Pharma Products. Certain steps in the manufacture of the Products are performed by third party suppliers. Indirect costs include an allocation of cost of internal manufacturing within Novartis Group together with the cost of third party external suppliers. Indirect costs are allocated based on the net revenue ratio of the Products to the total revenues of Novartis Pharma Group.

Inventory is valued at acquisition or production cost determined on a first-in first-out basis. This value is used for Cost of goods sold in the Statement of Revenue and Direct Expenses. Unsaleable inventory is fully written off under Cost of goods sold.

3.3 Marketing and Sales

Marketing and sales costs consist of cost incurred related to the Products.

3.4 Development

Development costs are fully charged to the Statement of Revenue and Direct Expenses in the period which they are incurred. Payments made to third parties such as contract development organizations for sub-contracted development are expensed as development costs.

3.5 Healthcare contributions

In certain countries outside the US, there is a requirement for pharmaceutical companies to make contributions to their country healthcare costs. The amounts to be paid depend on various criteria such as revenue compared to certain targets or market share. There is considerable judgment required in estimating these contributions as not all data is available at the time when the estimates need to be made. These contributions are recognized in Other expense.

The US Healthcare Reform fee was introduced in 2011. This fee is an annual levy to be paid by US pharmaceutical companies based on qualifying revenues as a percentage of the prior year’s government-funded program revenues. This fee is recognized in Other expense. The estimated impact of the fee is trued up as updated information becomes available.

3.6 Intangible Assets

Intangible assets represent the cost of acquired intellectual property, patents, distribution rights, product trade names and post-approval regulatory mandated development activities.

Intangible assets are amortized over their estimated useful life on a straight line basis and are evaluated for potential impairment or reversal of impairment whenever facts and circumstances indicate that the carrying value might not be recoverable or there is improvement in the recoverable amount.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to the recoverable amount. An impairment loss is recognized immediately in the income statement.

Where an impairment loss subsequently reverses the carrying amount of the asset, the carrying amount is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in the Statement of Revenue and Direct Expenses.

3. Summary of Significant Accounting Policies (continued)

3.7 Retirement and Pension Plans

Included in the direct expenses relating to the Products are personnel costs of employees that are covered under various retirement, medical and pension plans which are sponsored by Novartis or its affiliates. Benefit expenses associated with these plans, charged to the Products as direct expenses for the participation of employees in such plans, are included in the Statement of Revenue and Direct Expenses under cost of goods sold, marketing and sales, and development expenses. The expenses recorded associated with these plans for the year ended December 31, 2015 were not significant.

4. Key accounting judgements and estimates

The preparation of these Special Purpose Financial Statements requires management to make certain estimates and assumptions that affect the reported amounts of assets, revenue and expenses. Such estimates and assumptions are made in conformity with IFRS. Actual outcomes and results could differ from these estimates and assumptions. Also, as discussed in Note 2 and Note 3.2, these Special Purpose Financial Statements include allocations and estimates that are not necessarily indicative either of the costs and assets that would have resulted if the Products had been operated as a separate business, or of the future results of the Products.

4.1 Revenue

Gross revenue is reduced by rebates, discounts, allowances and product returns given or expected to be given, which vary by product arrangements and buying groups. These arrangements with purchasing organizations are dependent upon the submission of claims after the initial recognition of the revenue. At the time of sale accruals are made for the estimated rebates, discounts or allowances payable or returns to be made, based on available market information and historical experience. Because the amounts are estimated they may not fully reflect the final outcome, and the amounts are subject to change dependent upon, amongst other things, the types of buying group and product sales mix. The level of accrual is reviewed and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third party analyses, market research data and internally generated information. Future events could cause the assumptions on which the accruals are based to change and could affect the future results for the Products.

	Year ended December 31, 2015 US $'000
Gross revenue subject to deductions	209,944
Revenue deductions	(56,363)
Net revenue	**153,581**

5. Intangible Assets

	2015
	US $'000
Cost	
January 1	**361,176**
Additions	0
Currency translation effects	358
December 31	**361,534**
Accumulated amortization	
January 1	**(294,416)**
Amortization charge	(20,650)
Reversal of impairment	42,392
Currency translation effects	(901)
December 31	**(273,575)**
Net book value at December 31	**87,959**

In the fourth quarter 2015, based on recent regulatory developments, Novartis reassessed the Product's future costs and revenues which resulted in an increase in the fair value of the Products and as a consequence a reversal of the previously recognized impairment was recorded in the fourth quarter 2015.

6. Subsequent Events

Novartis Group has evaluated subsequent events as they relate to the Products for potential recognition or disclosures through to July 1, 2016, the date on which risk and rewards of the Products was transferred to Noden, and has determined there are no subsequent events to be reporting in the accompanying statements.

On August 26, 2016 Novartis Group management approved these Special Purpose Financial Statements.

Exhibit 99.2

Tekturna®, Tekturna HCT®, Rasilez® and Rasilez HCT® Product Lines of Novartis Group

Statements of Assets Acquired
Statements of Revenue and Direct Expenses
(in US Dollars)

For the six months ended June 30, 2015 and June 30, 2016

Statements of Revenue and Direct Expenses

	Six months ended June 30, 2016 (unaudited) US $'000	Six months ended June 30, 2015 (unaudited) US $'000
Net revenue	72,794	80,089
Cost of goods sold	(57,670)	(49,152)
Direct expenses:		
Marketing and Sales	(592)	(1,749)
Development	(3,473)	(18,497)
Other income and expense	8	(823)
Total direct expenses	(4,056)	(21,069)
Excess of revenues over direct operating expenses	**11,067**	**9,868**

The notes, on the following pages, are an integral part of these Special Purpose Financial Statements.

Statements of Assets Acquired

	As of June 30 2016 (audited) US $'000	As of December 31 2015 (audited) US $'000
Assets acquired		
Non-current assets		
Intangible assets	73,004	87,959
Total assets acquired	**73,004**	**87,959**

The notes, on the following pages, are an integral part of these Special Purpose Financial Statements.

1. Description of Business

On May 24, 2016, Novartis Group (Novartis) entered into an Asset Purchase Agreement (the Agreement) with Noden Pharma DAC (Noden) for the worldwide divestment of Tekturna® and Tekturna HCT® in the United States and Rasilez® and Rasilez HCT® in the rest of the world (collectively the Products). The Agreement provides for the sale of the worldwide rights to manufacture and commercialize the Products for a consideration of USD 199 million. The transaction closed on July 1, 2016.

The Products are used for the treatment of hypertension. Some steps in the manufacturing process of the Products are undertaken by external suppliers.

Novartis entered into a separate Supply Agreement, to manufacture and supply the Products to Noden and provide additional transition services, for a limited period of time until the earlier of the approval of manufacturing transfer (or sourcing from a third party manufacturer) or three years from closing, to avoid interruption of supply of the Products.

2. Basis of preparation of the Special Purpose Financial Statements

These special purpose financial statements were prepared to present the net assets sold pursuant to the Agreement and the revenue and direct expenses related to the net assets sold. They have been prepared in connection with an equity investment by PDL Bio-Pharma Inc. (PDL) in Noden and will be included in an 8-K filing of PDL as required by S-X rule 3-05 of the U.S Securities and Exchange Commission (SEC). The basis of preparation describes how these special purpose financial statements have been prepared.

These special purpose financial statements have been prepared in accordance with the pre-clearance letter sent to the SEC by PDL on May 24, 2016 and on basis, of those assets, which are directly attributable to the Products and are identified in the Agreement as being transferred to Noden. Hence these special purpose financial statements are not intended to provide a complete presentation of the Products in Noden’s financial possession, results of operations or cash flows in conformity with the International Financial Reporting Standards (IFRS). The financial statements do not necessarily represent the assets, liabilities, revenue and expenses of the Products had it been operated as a separate independent business and may therefore not be indicative of the financial position and financial performance that would have been achieved if operated as an independent entity or of future results of the Products.

Throughout the periods covered by the special purpose financial statements, the operations relating to the Products and relating to the assets to be sold were not segregated within separate legal entities but were conducted as part of Novartis. Historically Novartis has not maintained separate records for these Products. These special purpose financial statements, including the accompanying notes, have been derived from the consolidated financial statements and the underlying historical accounting records of Novartis. The accounting policies herein are reflective of those used for the historical Novartis consolidated financial statements, which were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

In accordance with the Agreement, Noden acquired certain intellectual property and did not acquire the assets and liabilities such as trade receivables, inventory or trade payables related to the Products. Novartis has retained financial responsibility for any liabilities relating to Products sold prior to the transaction closing, with Noden assuming financial responsibility for any liabilities relating to Products sold after closing. Novartis is to supply the Products to Noden for a limited period starting from July 1, 2016 under a separate supply agreement.

The special purpose financial statements include Statements of Assets Acquired as well as Statements of Revenue and Direct Expenses for the Products incurred by Novartis attributable to the Products as discussed below.

The allocations and estimates in the Statements of Revenue and Direct Expenses are based on assumptions that Novartis management believes are reasonable.

2. Basis of preparation of the Carve-out Special Purpose Statements (continued)

The special purpose financial statements are presented in US dollars. Some of the transactions related to the Products were denominated in currencies other than US dollars. These transactions have been translated into US dollars using the following exchange rates:

- Income and expenses using the monthly average exchange rate with the US dollar values for each month being aggregated during the year
- Assets acquired, using period-end exchange rates

The basis for the preparation of these special purpose statements are as follows:

- Net revenue in the accompanying Statements of Revenue and Direct Expenses represent net revenue directly attributable to the Products. Costs and expenses in the accompanying Statements of Revenue and Direct Expenses represent direct and allocated costs and expenses related to the Products. All intercompany transactions have been eliminated.
- The Statements of Revenue and Direct Expenses exclude allocation of expenses relating to Novartis corporate level indirect activities as well as general and administrative support functions (such as finance and accounting, treasury, human resources, public relations, information systems and legal) as they are not associated with the revenue generating operations of the Products.
- The funding and management of Novartis operations (including the Products) are performed on a consolidated basis; accordingly, costs of funding the operations, including debt and related interest expense were not allocated to the Products. Novartis also maintains its tax functions on a consolidated basis; accordingly, tax expense was not allocated to the Products.
- Cash receipts and disbursements relating to the Products are aggregated within the cash for the entire operations of Novartis. As the Products have historically been managed as part of the operations of Novartis and have not been operated as a stand-alone business, it is neither practicable nor does sufficient data exist to prepare separate historical cash flow information for the Products' operating, investing, and financing cash flows, therefore, statements of cash flows are not presented.

The financial information as of June 30, 2016 and for the six month periods ended June 30, 2016 and 2015 are unaudited. However, in the opinion of management, such information includes all adjustments (consisting solely of normal recurring adjustments) necessary for the fair presentation of such financial information.

3. Summary of Significant Accounting Policies

3.1 Revenue Recognition

Revenue is recognized on the sale of the Products and recorded as Net Revenue in the Statement of Revenue and Direct Expenses when there is persuasive evidence that a sales arrangement exists, title and risks and rewards for the Products are transferred to the customer, the price is determinable and collectability is reasonably assured. When contracts contain customer acceptance provisions, sales are recognised upon the satisfaction of the acceptance criteria.

Provisions for rebates, and discounts granted to government agencies, wholesalers, retail pharmacies, managed care organizations and other customers are recorded as a reduction to revenue at the time the related revenue is recorded or when the incentives are offered. These are calculated based on historical experience and the specific terms of the agreements.

Cash discounts are offered to customers to encourage prompt payment and are recorded as revenue deductions. When there is historical experience of Novartis agreeing to customer returns and Novartis can reasonably estimate expected future returns, a provision is recorded for estimated sales returns. In doing so, the estimated rate of returns is applied, determined based on historical experience or considering any other relevant factors Where shipments are made on a re-sale or return basis, without sufficient historical experience for estimating sales returns, revenue is only recorded when there is evidence of consumption or when the right of return has expired.

3. Summary of Significant Accounting Policies (continued)

Provisions for revenue deductions are adjusted to actual amounts as rebates, discounts and returns are processed. The provision represents estimates of the related obligations, requiring the use of judgment when estimating the effect of these sales deductions.

3.2 Cost of goods sold

Cost of goods sold includes the manufacturing and acquisition cost of the Products, amortization of the intangible assets and an allocation of indirect costs; costs for supporting operations functions, facilities and services shared by the Products with other Novartis Pharma Products. Certain steps in the manufacture of the Products are performed by third party suppliers. Indirect costs include an allocation of costs of internal manufacturing within Novartis together with the cost of third party external suppliers. Indirect costs are allocated based on the net revenue ratio of the Products to the total revenues of Novartis Pharma Group.

Inventory is valued at acquisition or production cost determined on a first-in first-out basis. This value is used for Cost of goods sold in the Statement of Revenue and Direct Expenses. Unsaleable inventory is fully written off under Cost of goods sold.

3.3 Marketing and Sales

Marketing and sales costs consist of cost incurred related to the Products.

3.4 Development

Development costs are fully charged to the statement of Revenue and Direct Expenses in the period which they are incurred. Payments made to third parties such as contract development organizations for sub-contracted development are expensed as development costs.

3.5 Healthcare contributions

In certain countries other than the US, there is a requirement for pharmaceutical companies to make contributions to their country healthcare costs. The amounts to be paid depend on various criteria such as revenue compared to certain targets or market share. There is considerable judgment required in estimating these contributions as not all data is available at the time when the estimates need to be made. These contributions are recognized in Other expense.

The US Healthcare Reform fee was introduced in 2011. This fee is an annual levy to be paid by US pharmaceutical companies based on qualifying revenues as a percentage of the prior year’s government-funded program revenues. This fee is recognized in Other expense. The estimated impact of the fee is trued up as updated information becomes available.

3.6 Intangible Assets

Intangible assets represent the cost of acquired intellectual property, patents, distribution rights, product trade names and post-approval regulatory mandated development activities.

Intangible assets are amortized over their estimated useful life on a straight line basis and are evaluated for potential impairment or reversal of impairment whenever facts and circumstances indicate that the carrying value might not be recoverable, or there is improvement in the recoverable amount.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to the recoverable amount. An impairment loss is recognized immediately in the income statement.

3. Summary of Significant Accounting Policies (continued)

Where an impairment loss subsequently reverses the carrying amount of the asset, the carrying amount is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in the Statement of Revenue and Direct Expenses.

3.7 Retirement and Pension Plans

Included in the direct expenses relating to the Products are personnel costs of employees that are covered under various retirement, medical and pension plans which are sponsored by Novartis or its affiliates. Benefit expenses associated with these plans, charged to the Products as direct expenses for the participation of employees in such plans, are included in the Statement of Revenue and Direct Expenses under cost of goods sold, marketing and sales, and development expenses. The expenses recorded associated with these plans for the six month periods ended June 30, 2016 and 2015 were not significant.

4. Key accounting judgements and estimates

The preparation of these Special Purpose Financial Statements requires management to make certain estimates and assumptions that affect the reported amounts of assets, revenue and expenses. Such estimates and assumptions are made in conformity with IFRS. Actual outcomes and results could differ from these estimates and assumptions. Also, as discussed in Note 2 and Note 3.2, these Special Purpose Financial Statements include allocations and estimates that are not necessarily indicative either of the costs and assets that would have resulted if the Products had been operated as a separate business, or of the future results of the Products.

4.1 Revenue

Gross revenue is reduced by rebates, discounts, allowances and product returns given or expected to be given, which vary by product arrangements and buying groups. These arrangements with purchasing organizations are dependent upon the submission of claims after the initial recognition of the revenue. At the time of sale accruals are made for the estimated rebates, discounts or allowances payable or returns to be made, based on available market information and historical experience. Because the amounts are estimated they may not fully reflect the final outcome, and the amounts are subject to change dependent upon, amongst other things, the types of buying group and product sales mix. The level of accrual is reviewed and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third party analyses, market research data and internally generated information. Future events could cause the assumptions on which the accruals are based to change and could affect the future results for the Products.

	As of June 30, 2016	**As of June 30, 2015**
	US $'000	**US $'000**
Gross revenue subject to deductions	93,888	108,281
Revenue deductions	(21,094)	(28,192)
Net revenue	**72,794**	**80,089**

5. Intangible Assets

	2016 **US $'000**
Cost	
January 1	**361,534**
Additions	2,254
Currency translation effects	3,222
June 30	**367,010**
Accumulated amortization	
January 1	**(273,572)**
Amortization charge	(17,930)
Currency translation effects	(2,504)
June 30	**(293,970)**
Net book value at June 30	**73,004**

	2015 **US $'000**
Cost	
January 1	**361,176**
Additions	—
Currency translation effects	358
December 31	**361,534**
Accumulated amortization	
January 1	**(294,416)**
Amortization charge	(20,650)
Reversal of impairment	42,392
Currency translation effects	(901)
December 31	**(273,575)**
Net book value at December 31	**87,959**

In the fourth quarter 2015, based on recent regulatory developments, Novartis re-assessed the Product's future costs and revenues which resulted in an increase in the fair value of the Products and as a consequence a reversal of the previously recognized impairment was recorded in the fourth quarter 2015.

6. Subsequent Events

Novartis Group has evaluated subsequent events as they relate to the Products for potential recognition or disclosures through to July 1, 2016, the date on which risk and rewards of the Products was transferred to Noden, and has determined there are no subsequent events to be reporting in the accompanying statements.

On August 26, 2016 Novartis Group management approved these Special Purpose Financial Statements.

Exhibit 99.3

Introductory Note

Description of Transaction

On July 6, 2016, PDL BioPharma, Inc. (the "Company") filed a Current Report on Form 8-K (the "Initial Filing") to report that the Company entered into an Investment and Stockholders' Agreement by and among Noden Pharma DAC ("Noden"), a newly-formed, majority-owned subsidiary of the Company organized under the laws of Ireland, the Company and certain members of Noden management (the "Stockholders' Agreement") effective on July 1, 2016. The Stockholders' Agreement was entered into in connection with the Asset Purchase Agreement, dated as of May 24, 2016, by and between Novartis AG ("NAG"), a company organized under the laws of Switzerland, Novartis Pharma AG ("NPAG"), a company organized under the laws of Switzerland, Speedel Holding AG ("Speedel"), a company organized under the laws of Switzerland (NAG, NPAG and Speedel collectively referred to as "Novartis" or the "Sellers") and Noden (the "Asset Purchase Agreement") by which Noden is acquiring exclusive worldwide rights to manufacture, market, and sell the branded prescription medicine product sold under the name Tekturna® and Tekturna HCT® in the United States and Rasilez® and Rasilez HCT® in the rest of the world, and certain related assets and liabilities (the "Acquisition").

Pursuant to arrangements in connection with the Stockholders' Agreement, the Company has made or will make the following equity contributions to Noden and an affiliate: $75.0 million to fund working capital and a portion of the consideration for the Acquisition (the "Closing Payment") and an additional $32.0 million (and up to $89.0 million if Noden is unable to obtain debt financing) on July 1, 2017 (the "Anniversary Payment"). The remaining consideration due and payable under the Asset Purchase Agreement at closing was funded to Noden by PDL in the form of a loan, which the Company expects to be repaid once Noden has secured debt financing from a third party. PDL has committed to make equity contributions to fund a portion of certain milestone payments under the Asset Purchase Agreement (the "Milestone Payments" and, together with the Closing Payment and the Anniversary Payment, the "Contributions"). In exchange for such Contributions, the Company was issued preferred shares (the "Preferred Shares"), and for a separate contribution, Elie Farah, chief executive officer of Noden (the "Minority Stockholder"), was issued Preferred Shares. In addition, the Company was issued ordinary shares of Noden that resulted in the Company holding a 98.8% equity interest in Noden.

On July 1, 2016, Noden completed its Acquisition pursuant to the Asset Purchase Agreement. On the closing of the Acquisition, pursuant to the terms of the Asset Purchase Agreement, Noden paid to Novartis $110.0 million in cash. Pursuant to the Asset Purchase Agreement, Noden is obligated to make further cash payments to Novartis as consideration for the Acquisition: $89.0 million payable on the first anniversary of the Closing and up to $95.0 million if the Milestone Payments become due and payable. The Milestone Payments are contingent consideration obligations, which are payable based on (a) achieving certain net sales targets or (b) on a generic product launch. In connection with the Asset Purchase Agreement, a letter of credit was issued for the account of Noden in favor of Novartis in the amount of $75.0 million and the Company issued a guarantee for up to $14.0 million to secure payment of the $89.0 million anniversary payment, a substantial portion of which is expected to be funded by a debt facility at Noden.

Basis of Presentation

The following unaudited pro forma condensed combined financial information is presented to illustrate the estimated effects of the Acquisition of the pharmaceutical product line of Tekturna®, Tekturna HCT®, Rasilez® and Rasilez HCT®, which closed on July 1, 2016.

The unaudited pro forma condensed combined financial information was prepared using, and should be read in conjunction with, (1) the historical audited consolidated financial statements of the Company as of and for the year ended December 31, 2015 as included in the Company's Annual Report on Form 10-K, filed with the Securities Exchange Commission (SEC) on February 23, 2016, (2) the historical unaudited condensed consolidated financial statements of the Company as of and for the six months ended June 30, 2016 as included in the Company's Quarterly Report on Form 10-Q, filed with the SEC on August 4, 2016, (3) the audited Special Purpose Financial Statements (Statement of Assets Acquired as of December 31, 2015, Related Statements of Revenues and Direct Expenses for the year ended December 31, 2015 and the Notes thereto), which are filed as Exhibit 99.1 and (4) the unaudited Special Purpose Interim Financial Statements (Statement of Assets Acquired as of June 30, 2016, Related Statement of Revenues and Direct Expenses for the six months ended June 30, 2016 and the Notes thereto), which are filed as Exhibit 99.2 to this Current Report on Form 8-K/A.

The unaudited pro forma condensed combined balance sheet as of June 30, 2016 assumes that the Acquisition occurred on June 30, 2016. The unaudited pro forma condensed combined statements of income for the year ended December 31, 2015 and the six months ended June 30, 2016 assume that the Acquisition occurred on January 1, 2015.

The audited Special Purpose Financial Statements (Statement of Assets Acquired as of December 31, 2015, Related Statement of Revenues and Direct Expenses for the year ended December 31, 2015 and the Notes thereto) and unaudited Special Purpose Interim Financial Statements (Statement of Assets Acquired as of June 30, 2016, Related Statement of Revenues and Direct Expenses for the six months ended June 30, 2016 and 2015 and the Notes thereto) have been prepared in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board ("IFRS"); the Company did not identify any material differences between the accounting policies used for the acquired products under IFRS and U.S. GAAP, as such, we have concluded that no additional adjustments to the historical amounts were necessary.

The unaudited pro forma condensed combined financial information have been prepared by the Company in accordance with the Article 11 of Regulation S-X, and subject to change and is not necessarily indicative of the results that would have been achieved had the Acquisition been completed as of the dates indicated or that may be achieved in future periods. The Company believes the fair values recognized for the assets acquired are based on reasonable estimates and assumptions. Preliminary fair value estimates may change as additional information becomes available. There can be no assurance that the final determination will not result in material changes from these preliminary amounts.

The unaudited pro forma condensed combined statements of income do not include any pro forma adjustments to reflect operational efficiencies, expected cost savings or economies of scale which may be achievable or the impact of the effects of any non-recurring costs or one-time transaction-related costs. The historical financial information has been adjusted in the accompanying unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the Acquisition, (2) are factually supportable and (3) with respect to the unaudited Special Purpose Statements of Revenues and Direct Expenses relating to the acquired products, expected to have continuing impact on the combined results of operations.

PDL BIOPHARMA, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
As of June 30, 2016
(in thousands)

	The Company Historical	Acquired Products Historical	Pro form Adjustments		Pro forma Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ 115,854	$ —	$ —		$ 115,854
Short-term restricted cash	105,938	—	(105,938)	(a)	—
Receivables from licensees and other	2,881	—	—		2,881
Notes receivable	95,359	—	—		95,359
Prepaid and other current assets	673	—	—		673
Total current assets	320,705	—	(105,938)		214,767
Property and equipment, net	18	—	—		18
Investments - other	75,000	—	—		75,000
Royalty rights - at fair value	339,338	—	—		339,338
Intangible assets, net	—	73,004	167,566	(b)	240,570
Goodwill	—	—	3,735	(b)	3,735
Notes and other receivables, long-term	276,823	—	—		276,823
Long-term deferred tax assets	25,707	—	—		25,707
Other assets	11,600	—	(4,000)	(a)	7,600
Total assets	$ 1,049,191	$ 73,004	$ 61,363		$ 1,183,558
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 1,073	$ —	$ —		$ 1,073
Anniversary payment	—	—	87,007	(b)	87,007
Accrued liabilities	11,738	—	—		11,738
Accrued income taxes	9,793	—	—		9,793
Total current liabilities	22,604	—	87,007		109,611
Convertible notes payable	232,847	—	—		232,847
Contingent consideration	—	—	47,360	(b)	47,360
Other long-term liabilities	55,088	—	—		55,088
Total liabilities	310,539	—	134,367		444,906
Commitments and contingencies					
Stockholders' equity:					
Preferred stock	—	—	—		—
Common stock	1,655	—	—		1,655
Additional paid-in capital	(116,542)	—	—		(116,542)
Accumulated other comprehensive income	—	—	—		—
Retained earnings	853,539	—	—		853,539
Total stockholders' equity	738,652	—	—		738,652
Total liabilities and stockholders' equity	$ 1,049,191	$ —	$ 134,367		$ 1,183,558

See notes to to unaudited pro forma condensed combined financial statements which are an integral part of these financial statements.

PDL BIOPHARMA, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF INCOME
(in thousands, except per share data)

	The Company Year Ended December 31, 2015	Acquired Products Year Ended December 31, 2015	Pro forma Adjustments		Pro forma Combined
Revenues:					
Royalties from Queen et al. patents	$ 485,156	$ —	$ —		$ 485,156
Royalty rights - change in fair value	68,367	—	—		68,367
Net revenue	—	153,581	—		153,581
Interest revenue	36,202	—	—		36,202
License and other	723	—	—		723
Total revenues	590,448	153,581	—		744,029
Operating expenses:					
Cost of goods sold	—	62,457	24,057	(c)	86,514
General and administrative	36,090	—	—		36,090
Marketing and sales	—	3,455	—		3,455
Development	—	27,323	—		27,323
Other expense	—	1,600	—		1,600
Loss on extinguishment of notes receivable	3,979	—	—		3,979
Total operating expenses	40,069	94,835	24,057		158,961
Operating income	550,379	58,746	(24,057)		585,068
Non-operating expense, net:					
Interest and other income, net	368	—	—		368
Interest expense	(27,059)	—	—		(27,059)
Gain on extinguishment of debt	6,450	—	—		6,450
Total non-operating expense, net	(20,241)	—	—		(20,241)
Income before income taxes	530,138	58,746	(24,057)		564,827
Income tax expense (benefit)	197,343	—	4,336	(d)	201,679
Net income	$ 332,795	$ 58,746	$ (28,393)		$ 363,148
Net income per share					
Basic	$ 2.04	$ —	$ —		$ 2.22
Diluted	$ 2.03	$ —	$ —		$ 2.22
Weighted average shares outstanding					
Basic	163,386	—	—		163,386
Diluted	163,554	—	—		163,554
Cash dividend declared per common share	$ 0.60	$ —	$ —		$ 0.60

See notes to unaudited pro forma condensed combined financial statements which are an integral part of these financial statements.

PDL BIOPHARMA, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF INCOME
(in thousands, except per share data)

	The Company Six Months Ended June 30, 2016	Acquired Products Six Months Ended June 30, 2016	Pro forma Adjustments		Pro forma Combined
Revenues:					
Royalties from Queen et al. patents	$ 135,687	$ —	$ —		$ 135,687
Royalty rights - change in fair value	(27,957)	—	—		(27,957)
Net revenue	—	72,794	—		72,794
Interest revenue	16,307	—	—		16,307
License and other	134	—	—		134
Total revenues	124,171	72,794	—		196,965
Operating expenses:					
Cost of goods sold	—	57,670	12,029	(c)	69,699
General and administrative	16,797	—	—		16,797
Marketing and sales	—	592	—		592
Development	—	3,473	—		3,473
Other income and expense	—	(8)	—		(8)
Acquisition-related costs	2,959	—	(2,959)	(a)	—
Total operating expenses	19,756	61,727	9,070		90,553
Operating income	104,415	11,067	(9,070)		106,412
Non-operating expense, net:					
Interest and other income, net	242	—	—		242
Interest expense	(9,011)	—	—		(9,011)
Total non-operating expense, net	(8,769)	—	—		(8,769)
Income before income taxes	95,646	11,067	(9,070)		97,643
Income tax expense (benefit)	35,611	—	915	(d)	36,526
Net income	$ 60,035	$ 11,067	$ (9,985)		$ 61,117
Net income per share					
Basic	$ 0.37	$ —	$ —		$ 0.37
Diluted	$ 0.37	$ —	$ —		$ 0.37
Weighted average shares outstanding					
Basic	163,729	—	—		163,729
Diluted	163,920	—	—		163,920
Cash dividend declared per common share	$ 0.10	$ —	$ —		$ 0.10

See notes to unaudited pro forma condensed combined financial statements which are an integral part of these financial statements.

1. Preliminary Determination of the Fair Values of Acquired Assets

The unaudited pro forma condensed combined financial information reflects a total purchase price of approximately $244.3 million which was determined as follows:

(Amounts in thousands)		
Consideration paid in cash at closing	$	109,938
Discounted anniversary payment		87,007
Fair value of contingent consideration		47,360
Purchase price	$	244,305

The contingent consideration was measured at fair value and recognized as of the acquisition date. The Company determined the acquisition date fair value of the contingent consideration obligation based on an income approach derived from Tekturna®, Tekturna HCT®, Rasilez® and Rasilez HCT® product line revenue estimates and a probability assessment with respect to the likelihood of achieving (a) the level of net sales or (b) generic product launch that would trigger the contingent payments. The acquisition date fair value of contingent consideration linked to the achievement of the net sales targets is $6.2 million. The acquisition date fair value of contingent consideration linked to the non-achievement of a generic product launch is $41.2 million.

The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in fair value measurement accounting. The key assumptions in determining the fair value are the discount rate and the probability assigned to the potential milestones being achieved. At each reporting date, the Company will re-measure the contingent consideration obligation to estimated fair value. Any changes in the fair value of the contingent consideration will be recognized in operating expenses until the contingent consideration arrangement is settled.

The Acquisition was accounted for using the acquisition method of accounting. Under the acquisition method of accounting, the Company has recognized net tangible and intangible assets acquired based upon their respective estimated fair values as of the acquisition date. The table below shows the preliminary fair values assigned to the assets acquired.

The following table summarizes the fair values of the identifiable assets acquired and liabilities assumed at the acquisition date:

(Amounts in thousands)		
Acquired product rights	$	216,690
Customer relationships		23,880
Goodwill		3,735
Net fair value of assets acquired	$	244,305

Identifiable intangible assets representing acquired product rights valued at $216.7 million, and customer relationships valued at $23.9 million. The acquired product rights represent developed technology of products approved for sales in the market, which we refer to as marketed products, and have finite useful lives. They are amortized on a straight line basis over a weighted average of 10.0 years. These estimates will be adjusted accordingly if the final identifiable intangible asset valuation generates results, including corresponding useful lives and related amortization methods, which differ from the preliminary estimates, or if the above scope of intangible assets is modified.

As of the effective date of the Acquisition, the identifiable intangible assets are required to be measured at fair value and these assets could include assets that are not intended to be used or sold or that are intended to be used in a manner other than their highest and best use. For purposes of the valuation, it is assumed that all assets will be used in the manner that represents the highest and best use of those assets, but it is not assumed that any market synergies will be achieved. The consideration of synergies has been excluded because they are not considered to be factually supportable.

The fair value of identifiable assets is determined primarily using the “income method,” which starts with a forecast of all expected future cash flows. Some of the more significant assumptions inherent in the development of intangible asset values, from the perspective of a market participant, include: the amount and timing of projected future cash flows (including net revenue, cost of product sales, research and development costs, sales and marketing expenses, income tax expense, capital expenditures and working capital requirements) as well as estimated contributory asset charges; the discount rate selected to measure the risks inherent in the future cash flows; and the assessment of the asset’s life cycle and the competitive trends impacting the asset, among other factors.

Goodwill represents expected synergies resulting from other intangible assets that do not qualify for separate recognition. Goodwill is calculated as the difference between the acquisition date fair value of the consideration expected to be transferred and the values assigned to the assets acquired. Goodwill is not amortized but tested for impairment on an annual basis or when indications for impairment exist.

2. Description of Pro Forma Adjustments

(a) Represents the use of cash deposited into an escrow account and creditable exclusivity payment over the amount of the initial purchase price of $109,938,000 ($105,938,000 short-term restricted cash and $4,000,000 other assets) that was paid upon closing of the Acquisition and reversal of acquisition-related transaction costs of $2,959,000 (including advisory, legal and valuation fees) incurred through June 30, 2016. The acquisition-related transaction costs are expensed as incurred yet have a deferred tax impact based on their expected tax deductibility.

(b) Represents the recording of the acquisition date fair values of the intangible assets, goodwill, contingent consideration and anniversary payment based on the allocation of the purchase price paid by the Company, and the reversal of historical cost of other intangible assets, as presented in the unaudited Special Purpose Quarterly Statements of Assets Acquired as of June 30, 2016 of the Tekturna®, Tekturna HCT®, Rasilez® and Rasilez HCT® product line.

(c) Represents recording of amortization expenses on intangible assets recognized in connection with the Acquisition. The acquired product rights and customer relationships intangible assets recognized in the Acquisition are amortized on a straight line basis over the useful life of 10 years.

(d) Represents (a) an adjustment to income tax expense for the acquired products at the statutory tax rate of Ireland (12.5%), (b) an income tax benefit on the amortization of intangible assets at the statutory tax rate of Ireland (12.5%) for the six months ended June 30, 2016 and for the year ended December 31, 2015 and (c) an adjustment to income tax expense for the reversal of acquisition-related transaction costs at the statutory rate of the United States (35.0%) for the six months ended June 30, 2016.

3. Earnings Per Share

Basic net income per share is calculated by dividing the net income by the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share is calculated by dividing the net income by the weighted-average number of shares of common stock outstanding during the period, plus potentially dilutive common shares, consisting of restricted stock awards and convertible debt. The Company uses the treasury-stock method to compute diluted earnings per share with respect to its restricted stock awards. The Company uses the if-converted method to compute diluted earnings per share with respect to its convertible debt. No shares were issued in connection with the Acquisition.