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

# FORM 8-K

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported): November 10, 2014

# 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))

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

On November 10, 2014, PDL BioPharma, Inc. (the Company) issued a press release announcing the financial results for the third quarter ended September 30, 2014. A copy of this earnings release is attached hereto as Exhibit 99.1. The Company will host an earnings call and webcast on November 10, 2014, during which the Company will discuss its financial results for the third quarter ended September 30, 2014.

**Item 7.01 Regulation FD Disclosure.**

*Presentation Materials*

On November 10, 2014, the Company posted to its website a set of presentation materials that it will use during its earnings call and webcast to assist participants with understanding the Company's financial results. A copy of this presentation is attached hereto at Exhibit 99.2.

*Information Sheet*

On November 10, 2014, the Company distributed to analysts covering the Company's securities a summary of certain information regarding the Company's net income, dividends, recent transactions and licensed product development and sales (the Information Sheet) to assist those analysts in valuing the Company's securities. The Information Sheet and its associated tables are attached hereto as Exhibit 99.3.

*Limitation of Incorporation by Reference*

In accordance with General Instruction B.2. of Form 8-K, the information in this report, including the exhibits, is furnished pursuant to Items 2.02 and 7.01 and shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section.

*Cautionary Statements*

This filing and its exhibits include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Important factors that could impair the Company's royalty assets or business are disclosed in the "Risk Factors" contained in the Company's Annual Report on Form 10-K, as updated by subsequent quarterly reports, filed with the Securities and Exchange Commission. All forward-looking statements are expressly qualified in their entirety by such factors. We do not undertake any duty to update any forward-looking statement except as required by law.

**Item 9.01 Financial Statements and Exhibits.**

| Exhibit No. | Description |
|---|---|
| 99.1 | Press Release |
| 99.2 | Presentation |
| 99.3 | Information Sheet |

**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.
(Company)

By: /s/ Peter S. Garcia
Peter S. Garcia
Vice President and Chief Financial Officer

Dated: November 10, 2014

**Exhibit Index**

| Exhibit No. | Description |
|---|---|
| 99.1 | Press Release |
| 99.2 | Presentation |
| 99.3 | Information Sheet |

**Exhibit 99.1**

**Contacts:**

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**PDL BioPharma Announces Third Quarter 2014 and Year to Date Financial Results**

**-Third Quarter Revenues Increased 64 Percent-**

INCLINE VILLAGE, NV, November 10, 2014 - PDL BioPharma, Inc. (PDL) (NASDAQ: PDLI) today reported financial results for the third quarter and nine months ended September 30, 2014.

Total revenues for the third quarter of 2014 increased approximately 64 percent to $164.6 million from $100.2 million in the third quarter of 2013. Revenues for the third quarter of 2014 include $123.9 million in royalty payments from PDL's licensees to the Queen et al. patents, $27.6 million in net royalty payments from acquired royalty rights and a change in fair value of the royalty rights asset, and $13.1 million in interest revenue from notes receivable debt financings to late-stage healthcare companies. The revenue growth in the third quarter of 2014 includes the effect of the flat royalty rate on the Genentech related products in 2014 versus a tiered rate in 2013. The third quarter 2014 royalty payments received from PDL's licensees to the Queen et al. patents were for worldwide net sales in the second quarter 2014.

In the second quarter of 2014, PDL recorded a change in accounting related to its acquisition of royalty rights from Depomed. As part of this change, PDL has elected to measure these royalty right assets at fair value. The change in fair value along with net cash royalties received from Depomed and Viscogliosi Brothers are currently presented as a component of "royalty rights - change in fair value" in PDL's income statements. Of the $27.6 million recognized in "royalty rights - change in fair value" for the quarter ended September 30, 2014, $32.3 million were net cash royalty receipts from Depomed and Viscogliosi Brothers.

Total revenues for the first nine months of 2014 increased 35 percent to $464.2 million, compared with $344.3 million for the first nine months of 2013. The increase for the nine month period of 2014 over 2013 is primarily driven by the addition of the royalty payments from PDL's purchase of Depomed's diabetes-related royalties, increased royalties in the first three quarters of 2014 related to sales of Avastin®, Herceptin®, Xolair®, Kadcyla®, Perjeta®, Tysabri® and Actemra®, along with a higher fixed royalty rate in 2014 over the blended fixed and tiered 2013 rate, a $23.2 million increase in interest revenue related to acquisitions of new revenue generating assets, and a $5.0 million retroactive payment in first quarter of 2014 related to our settlement agreement with Genentech, partially offset by a higher foreign exchange loss and higher rebate paid to Novartis AG for Lucentis.

Operating expenses in the third quarter of 2014 were $5.7 million, compared with $7.9 million in the third quarter of 2013. Operating expenses in the first nine months of 2014 were $17.2 million, compared with $21.9 million in the first nine months of 2013. The decreases in operating expenses for the three and nine months ended September 30, 2014, compared to the three and nine months ended September 30, 2013, were primarily due to a decrease in litigation legal expenses, partially offset by an increase in due diligence professional services and compensation.

Net income in the third quarter of 2014 was $102.2 million, or $0.61 per diluted share, as compared with net income in the third quarter of 2013 of $56.2 million, or $0.36 per diluted share. Net income for the first nine months of 2014 was $267.2 million, or $1.62 per diluted share, as compared with net income in the first nine months of 2013 of $203.4 million, or $1.31 per diluted share.

Net cash provided by operating activities in the first nine months of 2014 was $223.2 million, compared with $208.5 million in the first nine months of 2013. PDL had cash, cash equivalents and investments in the aggregate of $284.5 million and $99.5 million at September 30, 2014, and December 31, 2013, respectively. The increase was primarily attributable to net cash provided by the proceeds from the issuance of the February 2018 Notes of $300.0 million, proceeds from royalty rights of $81.7 million, proceeds from the issuance of warrants of $11.4 million, and cash generated by operating activities of $223.2 million, offset in part by cash advanced on notes receivable of $215.0 million, purchase of call options for $31.0 million, repurchase of a portion of the Series 2012 Notes for $29.9 million, payment of dividends of $72.1 million, repayment of a portion of the Term Loan of $56.3 million, purchase of royalty rights - at fair value of $15.5 million, and payment of debt issuance costs related to the February 2018 Note issuance of $9.3 million.

**Recent Developments**

***Royalty Acquisition***
On November 6, 2014, PDL acquired a portion of all royalty payments of the University of Michigan's ("U-M") worldwide royalty interest in Cerdelga™ (eliglustat) for $65.6 million. Under the terms of the royalty agreement, PDL will receive 75 percent of all royalty payments due under U-M's license agreement with Genzyme until expiration of the licensed patents, excluding any patent term extension. Cerdelga, an oral therapy for adult patients with Gaucher disease type 1, was developed by Genzyme, a Sanofi company. Cerdelga was approved by the U.S. Food and Drug Administration (FDA) on August 19, 2014. In addition to the recent FDA approval, marketing applications for Cerdelga are under review by the European Medicines Agency and other regulatory authorities.

***2014 Dividends***
On January 29, 2014, PDL's Board of Directors declared regular quarterly dividends of $0.15 per share of common stock, payable on March 12, June 12, September 12 and December 12 of 2014 to all stockholders who own shares of PDL on March 5, June 5, September 5 and December 5 of 2014, the record dates for each of the dividend payments, respectively. On September 12, 2014, PDL paid the third quarterly dividend to stockholders of record totaling $24.0 million using earnings generated in the third quarter of 2014.

**Revenue Guidance for the Fourth Quarter of 2014**
As previously announced, PDL will continue to provide revenue guidance for each quarter in the third month of that quarter. Fourth quarter 2014 revenue guidance will be provided in December 2014.

**Conference Call Details**
PDL will hold a conference call to discuss financial results at 4:30 p.m. Eastern Time, November 10, 2014. To access the live conference call via phone, please dial (800) 668-4132 from the United States and Canada or (224) 357-2196 internationally. The conference ID is 27682794. Please dial in approximately 10 minutes prior to the start of the call. A telephone replay will be available beginning approximately one hour after the call through November 16, 2014, and may be accessed by dialing (855) 859-2056 from the United States and Canada or (404) 537-3406 internationally. The replay passcode is 27682794.

To access the live and subsequently archived webcast of the conference call, go to the Company's website at http://www.pdl.com and go to "Events & Presentations." Please connect to the website at least 15 minutes prior to the call to allow for any software download that may be necessary.

**About PDL BioPharma, Inc.**

PDL BioPharma manages a portfolio of patents and royalty assets, consisting primarily of its Queen et al. antibody humanization patents and license agreements with various biotechnology and pharmaceutical companies. PDL pioneered the humanization of monoclonal antibodies and, by doing so, enabled the discovery of a new generation of targeted treatments for cancer and immunologic diseases for which it receives significant royalty revenue. PDL is currently focused on intellectual property asset management, acquiring new income generating assets, and maximizing value for its shareholders.

The company was formerly known as Protein Design Labs, Inc. and changed its name to PDL BioPharma, Inc. in 2006. PDL was founded in 1986 and is headquartered in Incline Village, Nevada.

PDL provides non-dilutive growth capital and financing solutions to late-stage public and private healthcare companies and offers immediate financial monetization of royalty streams to companies, academic institutions, and inventors. PDL has deployed approximately $780 million to date. PDL evaluates its investments based on the quality of the income generating assets and potential returns on investment.

NOTE: PDL BioPharma and the PDL BioPharma logo are considered trademarks of PDL BioPharma, Inc.

**Forward-looking Statements**

This press release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Each of these forward-looking statements involves risks and uncertainties. Actual results may differ materially from those, express or implied, in these forward-looking statements. Important factors that could impair the value of the Company's royalty assets, restrict or impede the ability of the Company to invest in new royalty bearing assets and limit the Company's ability to pay dividends are disclosed in the risk factors contained in the Company's Annual Report on Form 10-K, as updated by subsequent quarterly reports, filed with the Securities and Exchange Commission. All forward-looking statements are expressly qualified in their entirety by such factors. We do not undertake any duty to update any forward-looking statement except as required by law.

**PDL BIOPHARMA, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME DATA**
**(Unaudited)**
**(In thousands, except per share amounts)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Revenues | | | | |
| Royalties from Queen et al. patents | $ 123,916 | $ 96,314 | $ 355,008 | $ 331,778 |
| Royalty rights - at fair value | 27,602 | — | 73,807 | — |
| Interest revenue | 13,076 | 2,864 | 34,760 | 11,516 |
| License and other | — | 1,000 | 575 | 1,000 |
| Total revenues | 164,594 | 100,178 | 464,150 | 344,294 |
| Operating Expenses | | | | |
| General and administrative expenses | 5,686 | 7,925 | 17,188 | 21,894 |
| Operating income | 158,908 | 92,253 | 446,962 | 322,400 |
| Non-operating expense, net | | | | |
| Interest and other income, net | 75 | 53 | 207 | 202 |
| Interest expense | (9,387) | (6,118) | (29,770) | (18,169) |
| Loss on extinguishment of debt | — | — | (6,143) | — |
| Total non-operating expense, net | (9,312) | (6,065) | (35,706) | (17,967) |
| Income before income taxes | 149,596 | 86,188 | 411,256 | 304,433 |
| Income tax expense | 47,866 | 29,963 | 144,588 | 100,995 |
| Net income | $ 101,730 | $ 56,225 | $ 266,668 | $ 203,438 |
| Net income per share | | | | |
| Basic | $ 0.63 | $ 0.40 | $ 1.70 | $ 1.45 |
| Diluted | $ 0.61 | $ 0.36 | $ 1.61 | $ 1.31 |
| Shares used to compute income per basic share | 160,268 | 139,848 | 157,274 | 139,830 |
| Shares used to compute income per diluted share | 166,894 | 154,593 | 165,141 | 155,366 |
| Cash dividends declared per common share | $ — | $ — | $ 0.60 | $ 0.60 |

**PDL BIOPHARMA, INC.**
**CONDENSED CONSOLIDATED BALANCE SHEET DATA**
**(Unaudited)**
**(In thousands)**

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Cash, cash equivalents and investments | $ 284,454 | $ 99,540 |
| Total notes receivable | $ 418,578 | $ 195,048 |
| Total assets | $ 973,263 | $ 543,955 |
| Total term loan payable | $ 18,720 | $ 74,397 |
| Total convertible notes payable | $ 474,181 | $ 320,883 |
| Total stockholders' equity | $ 401,501 | $ 113,489 |

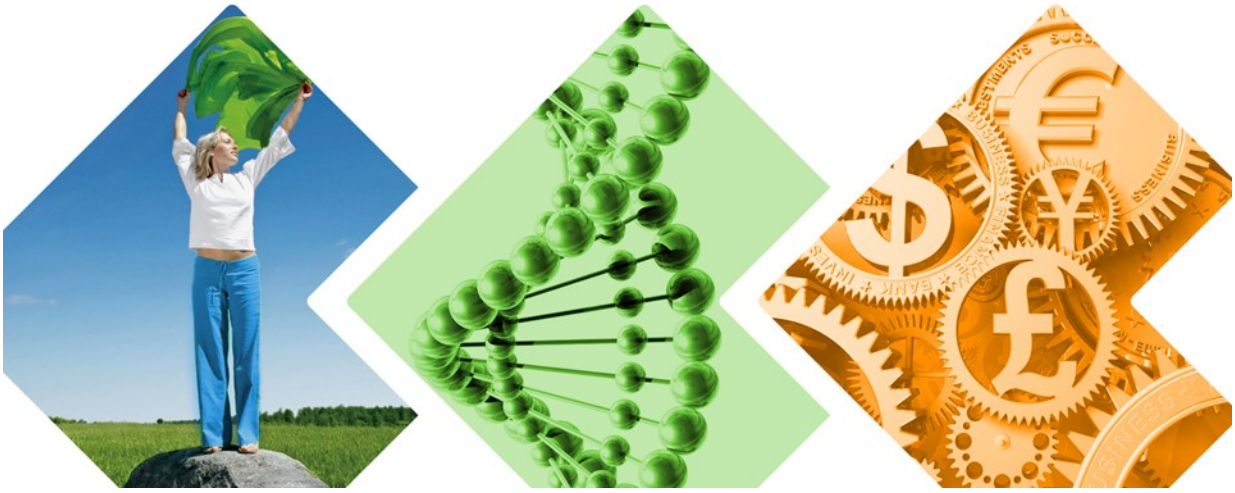
**PDL BIOPHARMA, INC.**
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW DATA**
**(Unaudited)**
**(In thousands)**

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2014 | 2013 |
| Net income | $ 266,668 | $ 203,438 |
| Adjustments to reconcile net income to net cash provided by operating activities | (51,089) | 9,433 |
| Changes in assets and liabilities | 7,968 | (4,336) |
| Net cash provided by operating activities | $ 223,547 | $ 208,535 |

**Exhibit 99.2**

# Third Quarter 2014
# FINANCIAL RESULTS CONFERENCE CALL

November 10, 2014



# FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements, including PDL's expectations with respect to its future royalty revenues, expenses, net income, and cash provided by operating activities. Each of these forward-looking statements involves risks and uncertainties. Actual results may differ materially from those, express or implied, in these forward-looking statements. Factors that may cause differences between current expectations and actual results include, but are not limited to, the following:

- The expected rate of growth in royalty-bearing product sales by PDL's existing licensees;
- The ability of PDL's licensees to receive regulatory approvals to market and launch new royalty-bearing products and whether such products, if launched, will be commercially successful;
- The productivity of acquired income generating assets may not fulfill our revenue forecasts and, if secured by collateral, we may be undersecured and unable to recuperate our capital expenditures in the transaction;
- Changes in any of the assumptions on which PDL's projected revenues are based;
- Changes in foreign currency rates;
- Positive or negative results in PDL's attempt to acquire income generating assets;
- The outcome of litigation or disputes; and
- The failure of licensees to comply with existing license agreements, including any failure to pay royalties due.

Other factors that may cause PDL's actual results to differ materially from those expressed or implied in the forward-looking statements in this presentation are discussed in PDL's filings with the SEC, including the "Risk Factors" sections of its annual and quarterly reports filed with the SEC. Copies of PDL's filings with the SEC may be obtained at the "Investors" section of PDL's website at www.pdl.com. 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 PDL's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based for any reason, except as required by law, even as new information becomes available or other events occur in the future. All forward-looking statements in this presentation are qualified in their entirety by this cautionary statement.

## Top Priority Remains Acquiring Additional Assets

- Top priority remains bringing in additional income-generating assets to support dividends
- Have committed over $300 million in 2014
- PDL is attracting top quality assets
- Goal: To be the financial partner of choice to leading life science companies and other institutions seeking to access non-dilutive capital by monetizing their royalty assets



PDL BioPharma

# $65 Million Royalty Acquisition with U-Michigan

- Completed royalty acquisition of Cerdelga™ for $65.6 million
- PDL to receive 75% of all royalty payments due under U-M's license agreement with Genzyme
- Cerdelga—Genzyme's oral therapy for adult patients with Gaucher disease type 1
- Cerdelga approved by FDA in August 2014. EMA approval pending.

Royalty Acquisition

UNIVERSITY OF MICHIGAN

$65,600,000
November 2014



PDL BioPharma

# Income Generating Assets Scorecard

## Current Investments:

| | | |
|---|---|---|
| Royalty Acquisition<br>Viscogliosi Bros., LLC<br>$15,500,000<br>June 2014 | Senior Secured Note Purchase<br>kaléo<br>$150,000,000<br>April 2014 | Senior Secured Financing<br>Paradigm Spine<br>$75,000,000<br>February 2014 |
| Senior Secured Financing<br>Direct Flow Medical, Inc.<br>$50,000,000<br>November 2013 | Senior Secured Financing<br>Durata Therapeutics<br>$70,000,000<br>October 2013 | Royalty Acquisition<br>Depomed<br>$240,500,000<br>October 2013 |
| Senior Secured Financing<br>LENSAR<br>$60,000,000<br>October 2013 | Senior Secured Financing/ Royalty Transaction<br>AVINGER<br>$40,000,000<br>April 2013 | Royalty Transaction/ Senior Secured Financing<br>Wellstat Diagnostics, LLC<br>$44,000,000<br>November 2012 |
| Royalty Transaction/ Senior Secured Financing<br>AxoGen<br>$20,800,000<br>October 2012 | | |

- 12 Transactions to date
- $780MM+ deployed
- $300MM+ committed year-to-date 2014
- 1 Matured Transaction (Merus Labs)

## New Q3 14 Investment:

Royalty Acquisition
University of Michigan
$65,600,000
November 2014

## Concluded Investments:

Senior Secured Financing
Merus Labs
$55,000,000
July 2012



PDL BioPharma

# Third Quarter Ended September 30, 2014 Overview

| (In thousands, except per share amounts) | Three Months Ended September 30, 2014 | 2013 | Nine Months Ended September 30, 2014 | 2013 |
|---|---|---|---|---|
| Royalties from Queen et al. patents | $ 123,916 | $ 96,314 | $ 355,008 | $ 331,778 |
| Royalty rights - change in fair value | 27,602 | - | 73,807 | - |
| Interest revenue | 13,076 | 2,864 | 34,760 | 11,516 |
| License and other | - | 1,000 | 575 | 1,000 |
| Total revenues | 164,594 | 100,178 | 464,150 | 344,294 |
| G&A expenses | 5,686 | 7,925 | 17,188 | 21,894 |
| Operating income | 158,908 | 92,253 | 446,962 | 322,400 |
| Interest and other income, net | 75 | 53 | 207 | 202 |
| Interest expense | (9,387) | (6,118) | (29,770) | (18,169) |
| Loss on extinguishment of debt | - | - | (6,143) | - |
| Income before income taxes | 149,596 | 86,188 | 411,256 | 304,433 |
| Income tax expense | 47,361 | 29,963 | 144,083 | 100,995 |
| Net income | $ 102,235 | $ 56,225 | $ 267,173 | $ 203,438 |
| Net income per share - Basic | $ 0.64 | $ 0.40 | $ 1.70 | $ 1.45 |
| Net income per share - Diluted | $ 0.61 | $ 0.36 | $ 1.62 | $ 1.31 |

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Cash, cash equivalents and investments | $ 284,454 | $ 99,540 |
| Total notes receivable | $ 418,578 | $ 195,048 |
| Total assets | $ 979,869 | $ 543,955 |
| Total term loan payable | $ 18,720 | $ 74,397 |
| Convertible notes payable | $ 474,181 | $ 320,883 |
| Total stockholders's equity | $ 402,006 | $ 113,489 |



PDL BioPharma

# Investment Highlights

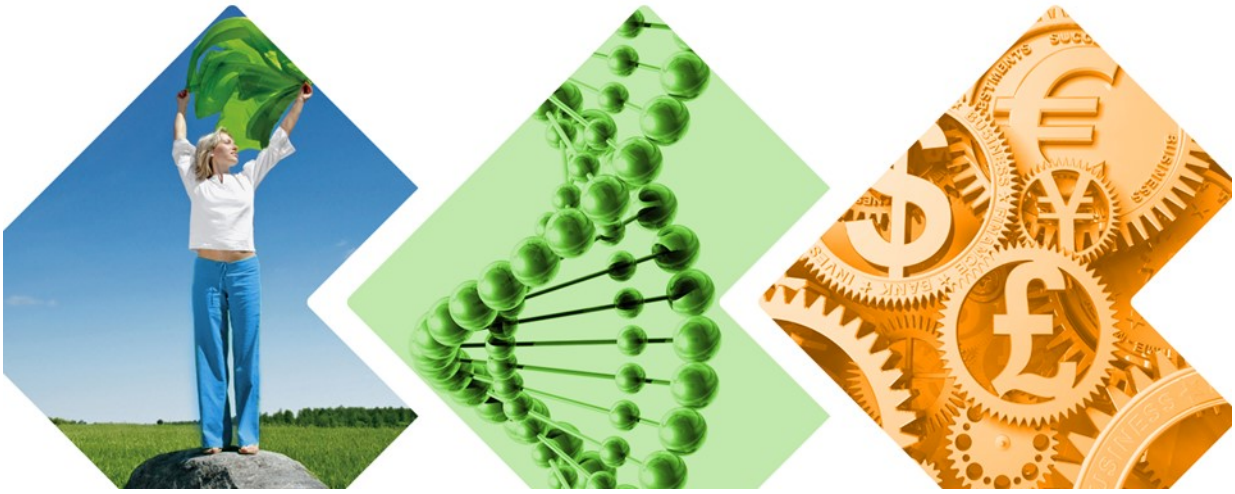
- **Strong historic revenue growth from Queen licensed products**
  - Potential for additional indications from existing products and new product approvals, such as Kadcyla and Gazyva.
  - Increased certainty as to applicable royalty rate and duration of royalties from Genentech/Roche settlement.
- **Twelve income generating deals to date deploying about $780 million in capital with potential for additional deals**
- **Greater certainty as to duration of royalty income and significantly reduced burn with Genentech/Roche settlement**
- **Liquidity – volume averages ~3.2 million shares/day**
- **Return to shareholders**
  - Since 2009, paid special or regular dividends totaling $5.62/share.
  - In 2014, paid regular, quarterly dividend of $0.15/share on March 12, June 12 and September 12, and will pay additional dividends on December 12.



PDL BioPharma

PDL BioPharma

# QUESTION AND ANSWER SESSION



# PDL BioPharma, Inc.
# Q3 2014
# November 10, 2014

Following are some of the key points regarding PDL's third quarter 2014 financial and business results.

**Net Income**
Net income in the third quarter of 2014 was $102.2 million, or $0.61 per diluted share, as compared with net income in the third quarter of 2013 of $56.2 million, or $0.36 per diluted share. Net income for the first nine months of 2014 was $267.2 million, or $1.62 per diluted share, as compared with net income in the first nine months of 2013 of $203.4 million, or $1.31 per diluted share.

**Royalty Acquisition**
On November 6, 2014, PDL acquired a portion of all royalty payments of the University of Michigan's ("U-M") worldwide royalty interest in Cerdelga™ (eliglustat) for $65.6 million. Under the terms of the royalty agreement, PDL will receive 75 percent of all royalty payments due under U-M's license agreement with Genzyme until expiration of the licensed patents, excluding any patent term extension. Cerdelga, an oral therapy for adult patients with Gaucher disease type 1, was developed by Genzyme, a Sanofi company. Cerdelga was approved by the U.S. Food and Drug Administration (FDA) on August 19, 2014. In addition to the recent FDA approval, marketing applications for Cerdelga are under review by the European Medicines Agency and other regulatory authorities.

**2014 Dividends**
On January 29, 2014, PDL's Board of Directors declared regular quarterly dividends of $0.15 per share of common stock, payable on March 12, June 12, September 12 and December 12 of 2014 to all stockholders who own shares of PDL on March 5, June 5, September 5 and December 5 of 2014, the record dates for each of the dividend payments, respectively. On September 12, 2014, PDL paid the third quarterly dividend to stockholders of record totaling $24.0 million using earnings generated in the third quarter of 2014.

**Updates on Approved Royalty Bearing Products related to Queen et al. patents**

*Avastin® (bevacizumab):*
- On October 16, 2014, Genentech/Roche reported that YTD worldwide sales were CHF 4.749 billion and increased by 6%.
  - EU: Strong growth driver by further uptake in **ovarian and breast cancer**.
  - US: Continued increase in **metastatic colorectal cancer**.
  - Japan: Increased demand in **colorectal, breast and ovarian cancers** as well as **glioblastoma**.
  - International: Launches for **ovarian cancer** and uptake in **colorectal cancer**.
- On August 14, 2014, Genentech announced US approval for the treatment of persistent, recurrent or metastatic **cervical cancer** in combination with chemotherapy.
- On July 21, 2014, Genentech announced that its application for approval for the treatment of recurrent platinum-resistant **ovarian cancer** in US had been granted priority review with a PDUFA date of November 19, 2014.
- On August 6, 2014, Roche reported EU approval for the treatment of **ovarian cancer** that is resistant to platinum-based chemotherapy.

*Herceptin® (trastuzumab):*
- On October 16, 2014, Genentech/Roche reported that YTD worldwide sales were CHF4.679 billion and increased by 7%.
  - Positive growth in all regions driven by higher volumes/prolonged treatment times.
  - US: Continued growth in first line metastatic HER2+ **breast cancer**.
  - EU: Strong demand in Germany, Spain and UK.
  - Japan: Increased usage in combination with Perjeta in HER2+ breast cancer, as well in **gastric cancer**.
  - International: Growth driven by China and Brazil.

*Lucentis® (ranibizumab):*
- On Oct. 16, 2014, Genentech/Roche reported that YTD US sales were CHF1.260 billion and increased by 5%.
- On October 28, 2014, Novartis reported that 3Q14 ex-US sales were $614 million and increased by 7%.

- On August 7, 2014, Genentech filed in US for approval for treatment of **diabetic retinopathy**.
  - Diabetic retinopathy is the leading cause of new cases of blindness of working-age people.
- October 17, 2014, Regeneron announced top line results from a three-arm trial comparing its drug Eylea with Avastin and Lucentis in patients with **diabetic macular edema** which showed a greater change in best corrected visual acuity in patients treated with Eylea compared those treated with either Avastin or Lucentis.

*Xolair® (omalizumab):*
- On October 16, 2014, Genentech/Roche reported that YTD US sales were CHF 701 million and increased by 24%.
- On October 28, 2014, Novartis reported that 3Q14 ex-US sales were $207 million and increased by 39%.
- In March 2014, both Genentech/Roche and Novartis reported US and EU had approvals, respectively, for treatment of **chronic idiopathic urticaria**.
- On September 26, 2014, FDA updated the label to warn about a slightly increased risk of cardiovascular and cerebrovascular events as well as a potential risk of cancer.

*Tysabri® (natalizumab):*
- On October 22, 2014, Biogen Idec reported that 3Q14 worldwide sales were $501 million.

*Actemra® (tocilizumab):*
- On October 16, 2014, Genentech/Roche reported that YTD worldwide sales were CHF 897 million and increased by 24% year over year.
  - EU: Continued growth driven by strong monotherapy patient shares in all lines with encouraging subcutaneous adoption.
  - US: Growth is driven by strong IV demand and subcutaneous patient share uptake (~80% of new patients).
  - Subcutaneous formulation approved in US and EU in October 2013 and April 2014, respectively.
- On September 8, 2014, Roche announced EU approval for treatment of patients with early **rheumatoid arthritis**.

*Perjeta® (pertuzumab):*
- On October 16, 2014, Genentech/Roche reported YTD worldwide sales were CHF 633 million and increased by 255% year over year.
  - Growth driven by continued strong uptake in first and second line metastatic HER2+ **breast cancer** and in the neoadjuvant setting in the US.
- On September 28, 2014, Genentech/Roche announced that final data from Phase 3 study in patients with previously untreated HER2+ metastatic breast cancer who were treated with Perjeta, Herceptin and docetaxel lived a median of 56.5 months compared to 40.8 months for patients treated with Herceptin and docetaxel. Median overall survival of almost five years is the longest observed to date in patients with metastatic HER2+ breast cancer.

*Kadcyla® (TDM-1 or ado-trastuzumab emtansine):*
- On October 16, 2014, Genentech/Roche reported YTD worldwide sales were CHF 371 million and increased by 148%.
  - Strong uptake in second line metastatic HER2+ **breast cancer**.
- MARIANNE results expected in 4Q14.

*Gazyva™ (Obinutuzumab or GA101):*
- On October 16, 2014, Genentech/Roche announced YTD worldwide sales of CHF 32 million.
- Gazyva was approved in the US on November 1, 2013, for previously untreated **chronic lymphocytic leukemia** (CLL) in combination with chlorambucil.
- On July 29, 2014, Roche announced EU approval for first line treatment of CLL with chlorambucil.

**Updates on Acquired Royalties from Depomed**

- Current royalty bearing products include:
  - Glumetza (U.S, sold by Santarus / Salix)
  - Glumetza (Canada, sold by Valeant Pharmaceuticals)
  - Glumetza (Korea, sold by LG Life Sciences)
  - Janumet XR (world-wide, Sold by Merck)
- Additional products for which we may receive milestones and royalties
  - Combination of Invokana® (canagliflozin) and extended-release metformin (Janssen Pharmaceutica)
  - Two investigational fixed-dose combinations of drugs and extended-release metformin (Boehringer Ingelheim)
- Since inception of the transaction (October 2013) to date we have received $93.7 million in cash from this transaction, which includes $82.5 million in cash for the year to date September 30, 2014.

**Forward-looking Statements**
This document contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Each of these forward-looking statements involves risks and uncertainties. Actual results may differ materially from those, express or implied, in these forward-looking statements. Important factors that could impair the value of the Company's royalty assets, restrict or impede the ability of the Company to invest in new income generating assets and limit the Company's ability to pay dividends are disclosed in the risk factors contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission, as updated by subsequent filings. All forward-looking statements are expressly qualified in their entirety by such factors. We do not undertake any duty to update any forward looking statement except as required by law.

**Queen et al. Royalty Revenue by Product ($ in 000's) ***

| Avastin | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | 38,122 | 38,924 | 38,864 | — | 115,910 |
| 2013 | 33,234 | 46,720 | 32,224 | 32,287 | 144,464 |
| 2012 | 23,215 | 41,670 | 25,955 | 30,041 | 120,882 |
| 2011 | 22,283 | 41,967 | 23,870 | 22,886 | 111,006 |
| 2010 | 16,870 | 44,765 | 29,989 | 24,922 | 116,547 |
| 2009 | 13,605 | 35,161 | 21,060 | 15,141 | 84,966 |
| 2008 | 9,957 | 30,480 | 19,574 | 12,394 | 72,405 |
| 2007 | 8,990 | 21,842 | 17,478 | 9,549 | 57,859 |
| 2006 | 10,438 | 15,572 | 15,405 | 12,536 | 53,952 |

| Herceptin | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | 36,646 | 38,292 | 39,407 | — | 114,345 |
| 2013 | 30,287 | 47,353 | 30,961 | 33,038 | 141,640 |
| 2012 | 25,702 | 44,628 | 30,433 | 28,307 | 129,070 |
| 2011 | 25,089 | 42,209 | 31,933 | 21,812 | 121,042 |
| 2010 | 23,402 | 38,555 | 27,952 | 25,441 | 115,350 |
| 2009 | 16,003 | 32,331 | 26,830 | 18,615 | 93,779 |
| 2008 | 14,092 | 34,383 | 28,122 | 20,282 | 96,880 |
| 2007 | 19,035 | 28,188 | 22,582 | 14,802 | 84,608 |
| 2006 | 15,142 | 19,716 | 21,557 | 20,354 | 76,769 |

| Lucentis | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | 17,390 | 16,777 | 16,883 | — | 51,050 |
| 2013 | 12,032 | 30,066 | 13,536 | 12,127 | 67,760 |
| 2012 | 10,791 | 27,938 | 12,552 | 11,097 | 62,377 |
| 2011 | 8,878 | 24,313 | 12,157 | 10,750 | 56,099 |
| 2010 | 7,220 | 19,091 | 10,841 | 8,047 | 45,198 |
| 2009 | 4,621 | 12,863 | 8,123 | 6,152 | 31,759 |
| 2008 | 3,636 | 11,060 | 7,631 | 4,549 | 26,876 |
| 2007 | 2,931 | 6,543 | 6,579 | 3,517 | 19,570 |
| 2006 | — | — | 289 | 3,335 | 3,624 |

| Xolair | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | 8,886 | 9,099 | 10,442 | — | 28,427 |
| 2013 | 5,930 | 10,025 | 7,334 | 7,330 | 30,619 |
| 2012 | 5,447 | 8,609 | 6,504 | 6,145 | 26,705 |
| 2011 | 4,590 | 7,621 | 5,916 | 5,823 | 23,949 |
| 2010 | 3,723 | 6,386 | 4,980 | 4,652 | 19,741 |
| 2009 | 2,665 | 5,082 | 4,085 | 3,722 | 15,553 |
| 2008 | 1,488 | 4,866 | 3,569 | 2,927 | 12,850 |
| 2007 | 1,684 | 3,942 | 3,332 | 2,184 | 11,142 |
| 2006 | 2,263 | 2,969 | 3,041 | 2,495 | 10,768 |

| Perjeta | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | 3,375 | 4,385 | 5,157 | — | 12,917 |
| 2013 | 340 | 1,414 | 748 | 879 | 3,381 |
| 2012 | — | — | 58 | 250 | 308 |

**Queen et al. Royalty Revenue by Product ($ in 000's) ***

| Kadcyla | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | 1,934 | 2,491 | 3,048 | — | 7,473 |
| 2013 | — | 551 | 830 | 859 | 2,240 |

| Tysabri | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | 12,857 | 13,350 | 16,048 | — | 42,255 |
| 2013 | 12,965 | 13,616 | 11,622 | 12,100 | 50,304 |
| 2012 | 11,233 | 12,202 | 11,749 | 12,255 | 47,439 |
| 2011 | 9,891 | 10,796 | 11,588 | 11,450 | 43,725 |
| 2010 | 8,791 | 8,788 | 8,735 | 9,440 | 35,754 |
| 2009 | 6,656 | 7,050 | 7,642 | 8,564 | 29,912 |
| 2008 | 3,883 | 5,042 | 5,949 | 6,992 | 21,866 |
| 2007 | 839 | 1,611 | 2,084 | 2,836 | 7,370 |
| 2006 | — | — | — | 237 | 237 |

| Actemra | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | 3,446 | 3,932 | 4,419 | — | 11,797 |
| 2013 | 2,631 | 2,816 | 2,939 | 3,744 | 12,131 |
| 2012 | 1,705 | 2,074 | 2,145 | 2,462 | 8,385 |
| 2011 | 913 | 1,136 | 1,401 | 1,460 | 4,910 |
| 2010 | 1,587 | 237 | 315 | 688 | 2,827 |
| 2009 | 585 | 537 | 909 | 1,197 | 3,228 |
| 2008 | 44 | — | 146 | 369 | 559 |
| 2007 | 32 | — | — | 17 | 49 |
| 2006 | — | — | — | — | — |

| Gazyva | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | 51 | 283 | 325 | — | 659 |

| Entyvio | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | — | — | 153 | — | 153 |

*** As reported to PDL by its licensees**

**Totals may not sum due to rounding**

**Q1 2014 royalty revenue by product above do not include a $5 million payment received from Genentech in Q1 2014 for a retroactive settlement payment from 2013.**

**Queen et al. Reported Net Sales Revenue by Product ($ in 000's) ***

| Avastin | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | 1,786,912 | 1,838,764 | 1,828,900 | — | 5,454,576 |
| 2013 | 1,653,108 | 1,694,678 | 1,746,135 | 1,819,877 | 6,913,798 |
| 2012 | 1,502,757 | 1,573,727 | 1,551,327 | 1,662,977 | 6,290,788 |
| 2011 | 1,597,461 | 1,582,705 | 1,581,095 | 1,469,994 | 6,231,255 |
| 2010 | 1,506,788 | 1,596,892 | 1,594,707 | 1,646,218 | 6,344,605 |
| 2009 | 1,345,487 | 1,295,536 | 1,439,730 | 1,514,053 | 5,594,806 |
| 2008 | 980,715 | 1,084,930 | 1,180,427 | 1,239,382 | 4,485,454 |
| 2007 | 678,068 | 746,587 | 797,013 | 875,084 | 3,096,752 |
| 2006 | 439,318 | 516,052 | 570,551 | 592,897 | 2,118,817 |

| Herceptin | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | 1,731,564 | 1,801,990 | 1,854,452 | — | 5,388,006 |
| 2013 | 1,681,574 | 1,744,145 | 1,681,860 | 1,726,551 | 6,834,130 |
| 2012 | 1,515,255 | 1,625,313 | 1,663,695 | 1,650,495 | 6,454,759 |
| 2011 | 1,391,568 | 1,559,975 | 1,642,898 | 1,432,771 | 6,027,211 |
| 2010 | 1,270,846 | 1,349,512 | 1,300,934 | 1,409,310 | 5,330,602 |
| 2009 | 1,210,268 | 1,133,993 | 1,226,435 | 1,278,626 | 4,849,323 |
| 2008 | 1,105,426 | 1,195,215 | 1,211,982 | 1,186,806 | 4,699,428 |
| 2007 | 891,761 | 949,556 | 979,602 | 1,015,033 | 3,835,952 |
| 2006 | 529,585 | 659,719 | 761,099 | 803,576 | 2,753,979 |

| Lucentis | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | 818,376 | 789,483 | 794,503 | — | 2,402,362 |
| 2013 | 1,203,179 | 1,171,423 | 1,200,791 | 1,212,651 | 4,788,045 |
| 2012 | 1,079,092 | 1,086,543 | 1,097,541 | 1,109,695 | 4,372,871 |
| 2011 | 887,757 | 943,418 | 1,052,809 | 1,075,015 | 3,958,999 |
| 2010 | 721,967 | 698,890 | 745,376 | 804,684 | 2,970,917 |
| 2009 | 462,103 | 469,736 | 555,296 | 615,212 | 2,102,347 |
| 2008 | 363,615 | 393,682 | 460,167 | 454,922 | 1,672,386 |
| 2007 | 224,820 | 219,579 | 299,995 | 322,300 | 1,066,695 |
| 2006 | — | — | 10,689 | 157,742 | 168,431 |

| Xolair | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | 425,243 | 428,171 | 491,372 | — | 1,344,786 |
| 2013 | 341,309 | 365,778 | 391,900 | 401,333 | 1,500,321 |
| 2012 | 310,234 | 314,638 | 347,796 | 340,431 | 1,313,100 |
| 2011 | 267,754 | 277,642 | 310,874 | 314,911 | 1,171,182 |
| 2010 | 228,859 | 225,878 | 251,055 | 263,389 | 969,179 |
| 2009 | 184,669 | 181,086 | 211,006 | 219,693 | 796,454 |
| 2008 | 137,875 | 169,521 | 177,179 | 183,753 | 668,329 |
| 2007 | 129,172 | 130,700 | 144,250 | 147,754 | 551,876 |
| 2006 | 95,241 | 99,354 | 112,608 | 118,002 | 425,204 |

| Perjeta | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | 158,809 | 206,333 | 242,700 | — | 607,842 |
| 2013 | 34,008 | 55,076 | 66,353 | 87,949 | 243,386 |
| 2012 | — | — | 5,080 | 25,000 | 30,079 |

**Queen et al. Reported Net Sales Revenue by Product ($ in 000's) ***

| Kadcyla | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | 91,031 | 117,212 | 143,414 | — | 351,657 |
| 2013 | — | 21,459 | 73,626 | 85,906 | 180,991 |

| Tysabri | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | 428,561 | 442,492 | 534,946 | — | 1,405,999 |
| 2013 | 434,677 | 451,358 | 387,407 | 403,334 | 1,676,776 |
| 2012 | 374,430 | 401,743 | 391,623 | 408,711 | 1,576,508 |
| 2011 | 329,696 | 356,876 | 388,758 | 381,618 | 1,456,948 |
| 2010 | 293,047 | 287,925 | 293,664 | 316,657 | 1,191,292 |
| 2009 | 221,854 | 229,993 | 257,240 | 285,481 | 994,569 |
| 2008 | 129,430 | 163,076 | 200,783 | 233,070 | 726,359 |
| 2007 | 30,468 | 48,715 | 71,972 | 94,521 | 245,675 |
| 2006 | — | — | — | 7,890 | 7,890 |

| Actemra | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | 114,865 | 124,736 | 147,285 | — | 386,886 |
| 2013 | 87,703 | 91,374 | 97,961 | 124,815 | 401,852 |
| 2012 | 56,662 | 66,624 | 71,505 | 82,053 | 276,843 |
| 2011 | 30,433 | 35,370 | 46,709 | 48,671 | 161,183 |
| 2010 | 52,908 | 5,405 | 10,493 | 22,919 | 91,725 |
| 2009 | 19,504 | 17,920 | 30,313 | 39,888 | 107,625 |
| 2008 | 1,452 | 1,377 | 5,981 | 12,305 | 21,115 |
| 2007 | — | — | — | 1,137 | 1,137 |

| Gazyva | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | 3,095 | 8,697 | 11,531 | — | 23,323 |

| Entyvio | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| 2014 | — | — | 5,347 | — | 5,347 |

*** As reported to PDL by its licensee**
**Totals may not sum due to rounding**