



# Annual Meeting of Stockholders

June 9, 2010



# Key Information

- Company: PDL BioPharma
- Ticker: PDLI (NASDAQ)
- Location: Incline Village, Nevada
- Employees: Less than 10
- 2009 Revenues: \$318 million
- 2009 Expenses: \$21 million
- 2009 Dividends: \$0.50/sh, \$0.50/sh, \$1.67/sh
- 2010 Dividends: \$0.50/share on April 1<sup>st</sup><sup>1</sup> and \$0.50/share on October 1<sup>st</sup><sup>2</sup>
- Shares O/S<sup>3</sup>: 119,526,000
- Avg. Daily Vol.: ~3 million shares

1. Record holders as of March 15<sup>th</sup>; 2. Record holders as of September 15<sup>th</sup>; 3. Not fully diluted.

# 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 relative mix of royalty-bearing Genentech products manufactured and sold outside the U.S. versus manufactured or sold in the U.S.;
- The ability of our licensees to receive regulatory approvals to market and launch new royalty-bearing products and whether such products, if launched, will be commercially successful;
- Changes in any of the other assumptions on which PDL's projected royalty revenues are based;
- The outcome of pending litigation, interferences or disputes; and
- The failure of licensees to comply with existing license agreements, including any failure to pay royalties due.

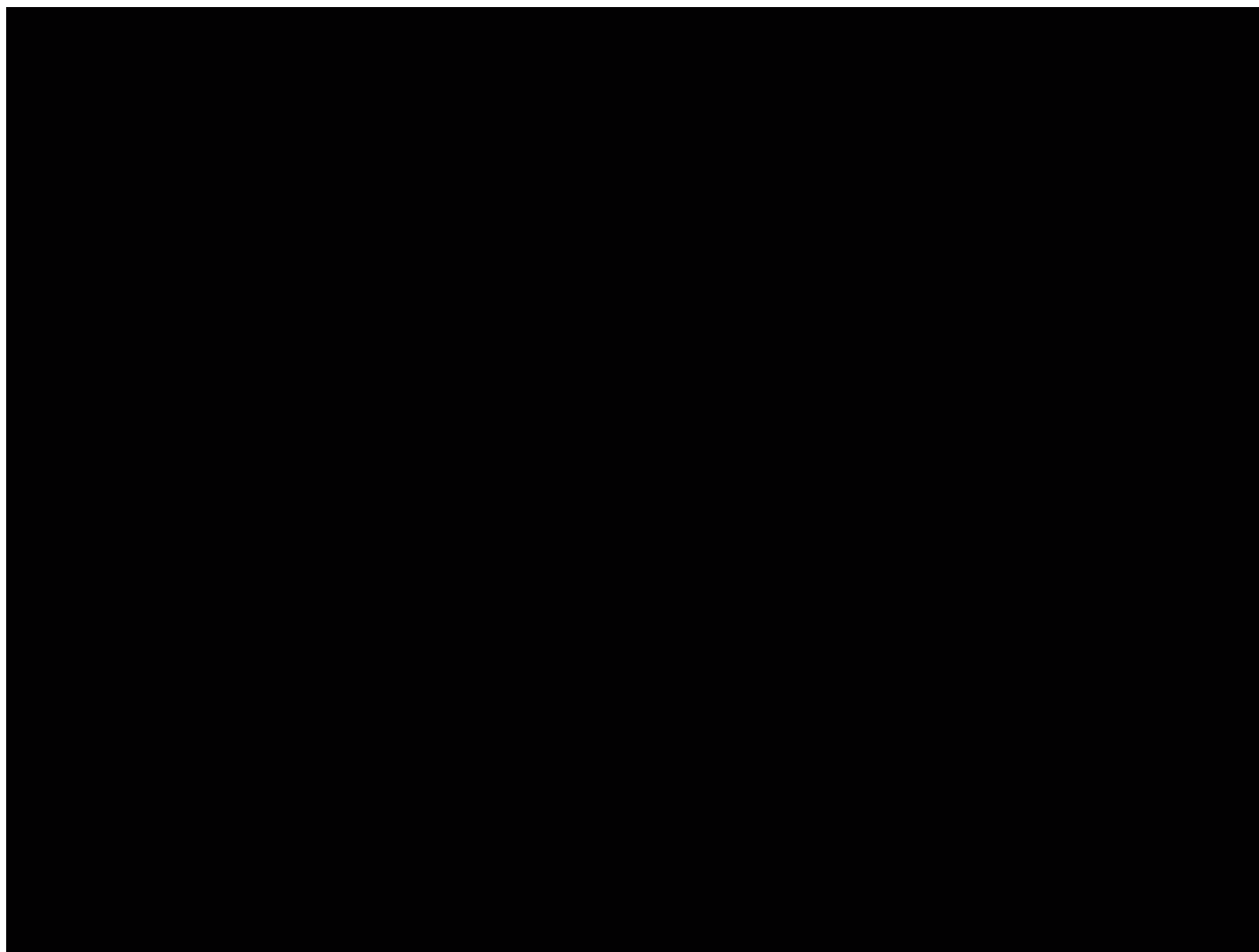
Other factors that may cause PDL's actual results to differ materially from those expressed or implied in the forward-looking statements in this presentation are discussed in PDL's filings with the SEC, including the "Risk Factors" sections of its annual and quarterly reports filed with the SEC. Copies of PDL's filings with the SEC may be obtained at the "Investors" section of PDL's website at [www.pdl.com](http://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.

# Overview of PDL BioPharma

# Company Background

- **PDL pioneered the humanization of monoclonal antibodies which enabled the discovery of a new generation of targeted treatments for cancer and immunologic diseases**
- **PDL's primary assets are its antibody humanization patents and royalty assets which consist of its Queen et al. patents and license agreements**
- **Licensees consist of large biotechnology and pharmaceutical companies including Roche/Genentech/Novartis, Elan/BiogenIDEC, Pfizer/Wyeth/J&J and Chugai**

# Antibody Humanization Technology



## 2009 Performance

- **PDL is a highly profitable company with revenue in 2009 in of \$318 million and fewer than 10 employees**
- **PDL is domiciled in state of Nevada in US where there is no state corporate income tax**
- **PDL's mission is to improve shareholder return**
  - We paid three dividends of \$0.50/share in April, \$0.50/share in October and \$1.67/share in December totaling \$2.67 in 2009
  - Our goal is to pay dividends annually & we have declared two dividends of \$0.50 each/share in 2010
  - We signed one new license under the Queen et al. patents in 2009 and are seeking new licenses in 2010
  - We do not invest in R&D or in operating companies

# Corporate Governance

## Management

- **John McLaughlin**  
President & CEO
- **Christine Larson**  
VP & CFO
- **Christopher Stone**  
VP, General Counsel &  
Secretary
- **Karen Wilson**  
VP of Finance

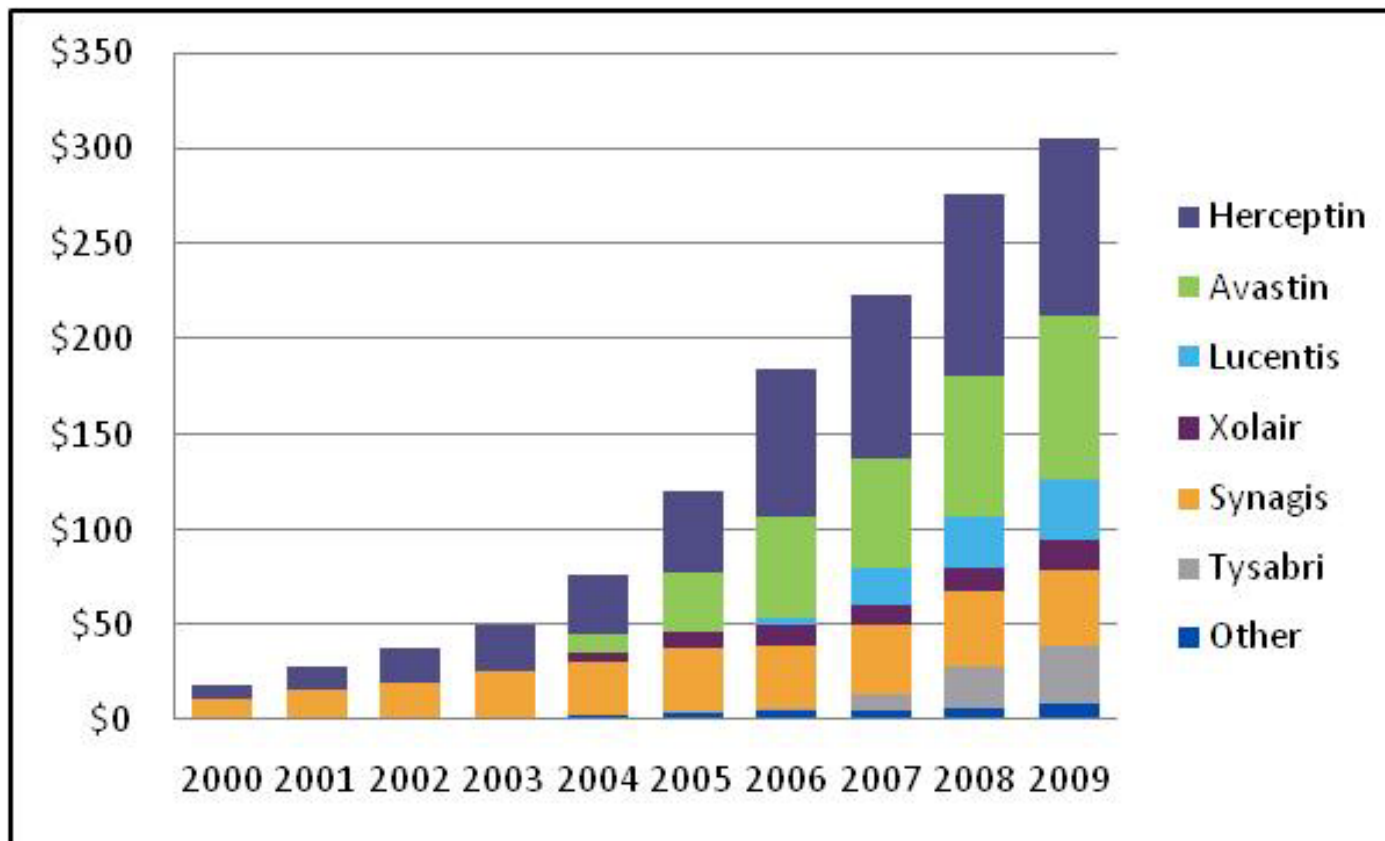
## Board of Directors

- **Fred Frank**  
Lead Director
- **Joseph Klein**
- **Jody Lindell**
- **John McLaughlin**
- **Paul Sandman**
- **Harold Selick**

# Royalty Revenue & Products

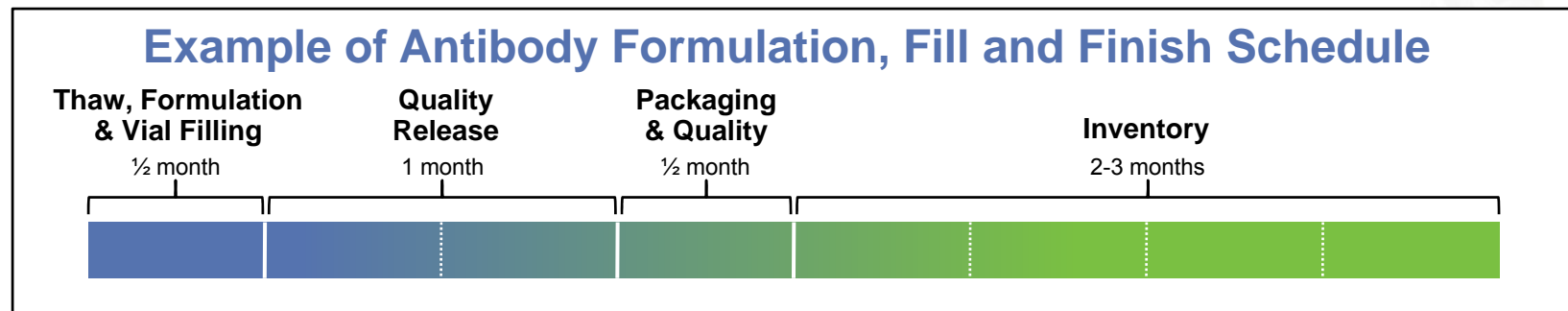
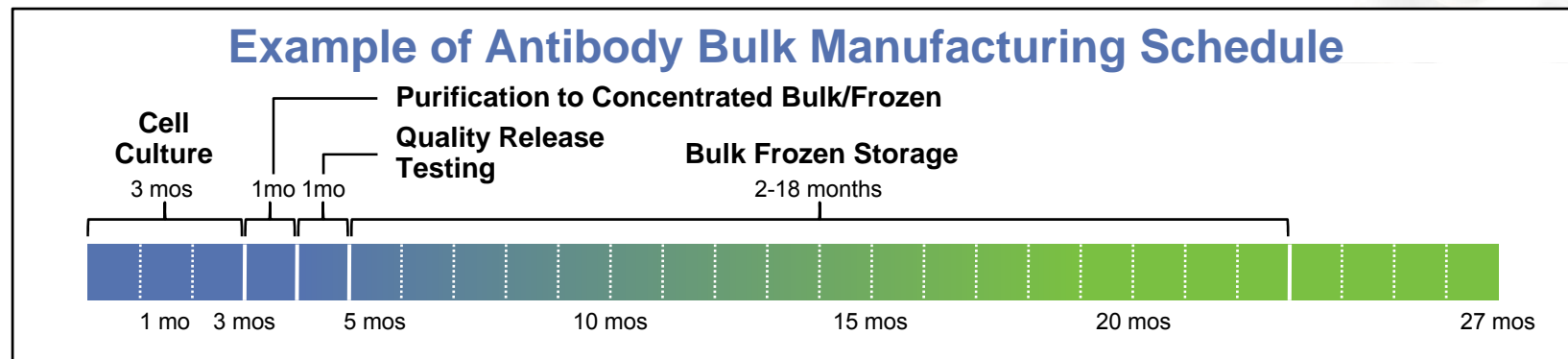
# Royalty Revenue & Licensed Products

## PDL Royalties by Product (\$ in millions)



# Royalties: When Licensed Product is Made or Sold

- **PDL's revenues consist of royalties generated on sales of licensed products**
  - Sold before the expiration of the Queen et al. patents in 2013/14
  - or
  - Made prior to the expiration of the Queen et al. patents and sold anytime thereafter



# Genentech/Roche Royalties \*

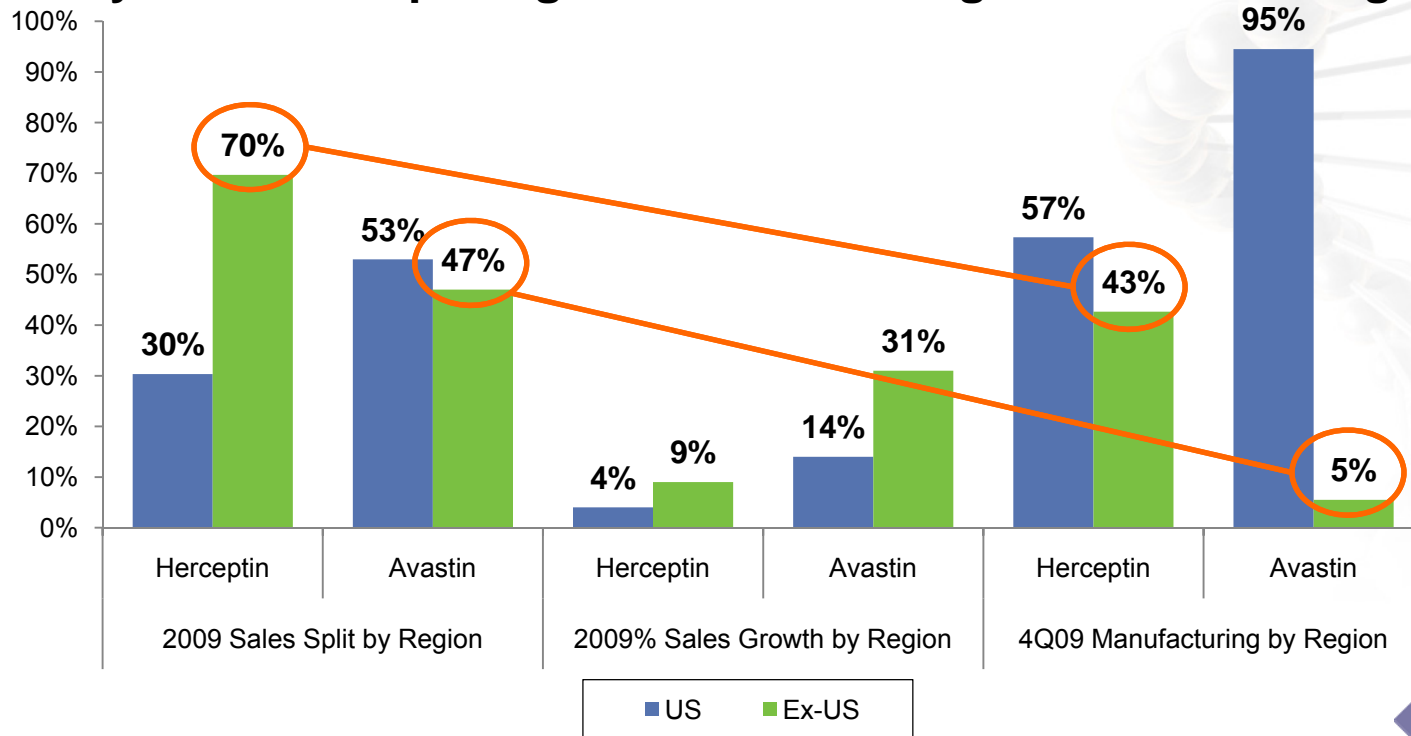
Product Made in US	
Net Sales up to \$1.5 Billion	3.0%
Net Sales Between \$1.5 Billion and \$2.5 Billion	2.5%
Net Sales Between \$2.5 Billion and \$4.0 Billion	2.0%
Net Sales Over \$4.0 Billion	1.0%
Product Made and Sold Ex-US	
All Sales	3.0%

\* Excludes royalties for Actemra / RoActemra

- In 2009, only 12% of Genentech/Roche sales was ex-US manufactured and sold product
- In Q1-2010, 19% of Genentech/Roche sales was ex-US manufactured and sold product
- Average royalty rate on all Genentech/Roche products under Genentech license was 1.69% in 2009








# Genentech/Roche—Future Manufacturing

- **Roche has begun to move some manufacturing ex-US**
  - Two new plants in Singapore (CHO = antibody and e. coli = antibody fragment)
    - E. coli (Lucentis) to transfer to Singapore in 2011/12
  - Production at Penzburg (Herceptin) and Basel (Avastin) plants
- **Roche says it will complete global restructuring of manufacturing in 2010**



# Genentech / Roche – US & EU Filings

2009	2010	2011	2012
<b>Avastin</b> + docetaxel mBC 1L (US)	<b>Avastin</b> mBC 2L	<b>Avastin</b> Recurrent ovarian ca platinum sensitive	<b>Avastin</b> BC adj HER2-
<b>Avastin</b> +STD chemo mBC 1L	<b>Avastin</b> CC adj	<b>Avastin + Herceptin</b> mBC HER2+ 1L	<b>Herceptin</b> SC formulation (EU)
<b>Herceptin</b> Gastric ca HER+ (EU)	<b>Avastin</b> Ovarian ca 1L	<b>Pertuzumab<sup>1</sup></b> mBC HER2+	<b>GA 101<sup>1</sup></b> CLL
<b>Lucentis</b> Retinal vein occlusion (US)	<b>Herceptin</b> Gastric ca HER2+ (US)	<b>Lucentis</b> Diabetic macular edema (US)	<b>T-DM1</b> mBC HER2+ 2L
	<b>T-DM1</b> mBC HER2+ 3L (US)		<b>Actemra</b> subcutaneous

 Avastin	 Actemra
 Herceptin	 Pertuzumab <sup>1</sup>
 Lucentis	 GA-101 <sup>1</sup>
 T-DM1	<sup>1</sup> : Not a licensed product

# Commercial Products

Licensee	Product	Status	Indications
Roche (Genentech)	Avastin	Approved  Phase 3	Colorectal Cancer NSCLC Metastatic Breast Cancer Glioblastoma Metastatic Renal Cell Ovarian Cancer Gastric Prostate Cancer Adjuvant settings
	Herceptin	Approved	Breast HER2+ Cancer HER2+ Stomach and Gastro-Esophageal cancers
	Lucentis	Approved sBLA Phase 3	AMD RVO DME
	Xolair	Approved sBLA	Moderate-Severe Asthma Pediatric Asthma
Elan	Tysabri	Approved	Multiple Sclerosis
Roche/Chugai	Actemra	Approved	Rheumatoid Arthritis
MedImmune	Synagis Motavizumab	Approved BLA	Prevention of Lower Respiratory Tract Infection caused by RSV

Licensed
  Unlicensed

# Development Stage

Licensee	Product	Status	Indications
Roche (Genentech)	Trastuzumab-DM1	Phase 2 & 3	Breast HER2+ Cancer
	Ocrelizumab	Phase 2 & 3	Relapsing Remitting Multiple Sclerosis
	Pertuzumab	Phase 1b/2	Metastatic HER2+ Breast Cancer
Elan/J&J/Pfizer	Bapineuzumab	Phase 3	Alzheimer's Disease
Lilly	Solanezumab	Phase 3	Alzheimer's Disease
	Teplizumab	Phase 3	Newly Diagnosed Type 1 Diabetes
Merck	Datoluzumab	Phase 2	Metastatic Colorectal Cancer
Seattle Genetics	Lintuzumab	Phase 2/3	Acute Myeloid Leukemia
Abbott/Biogen Idec	Daclizumab	Phase 3	Relapsing Remitting Multiple Sclerosis
Eisai	Farletuzumab	Phase 3	Ovarian Cancer

Licensed
  Unlicensed

# Legal Matters and Debt

# Legal Matters

- **Genentech**
  - In 2003, settlement agreement resolved all disputes regarding infringement of the Genentech products and the validity and enforceability of our patents
  - Multiple product licenses with tiered royalty structure
- **Alexion**
  - Settlement in December 2008 stipulated infringement, validity and enforceability of PDL patents and no future contest of PDL patents
  - License for Soliris in exchange for \$25 million and option for 4 new licenses at 4% royalty
- **MedImmune**
  - In 2008, MEDI initiated litigation seeking declaratory judgment of patent invalidity and non-infringement and a lower royalty rate based on its “most favored licensee” (MFL) rights
    - PDL believes that it has no obligation to offer a lower royalty rate to MEDI under the MFL clause
  - PDL is suing MEDI for patent infringement because PDL has cancelled the MEDI license agreement due to MEDI’s failure to pay all royalties due and blockage of PDL’s exercise of its contractual rights
  - Trial in January 2011
- **UCB/Celltech**
  - US Patent Office has declared two interference proceedings between certain claims of Queen et al. patents and pending claims of Adair et al. patent
  - UCB/Celltech is the assignee of the Adair et al. patent

# Converts and Securitization Note

- **\$116 million 2.75% convertible subordinated notes due August 2023**
  - Repurchased \$50 million in 2009 and \$84 million in Q2-2010
  - Conversion rate is 177.1594 shares / \$1,000 face amount (\$5.64/share)
  - Holders have a put right in August 2010, August 2013, and August 2018
    - August 2010 put can be for cash or stock, at noteholders' discretion
    - Subsequent puts are cash or stock at PDL's discretion
  - Price as of May 8<sup>th</sup> was ~ 111 vs. stock price of \$5.90
- **\$228 million 2.00% convertible senior notes due February 2012**
  - Repurchased \$22 million in 2009
  - Conversion rate is 128.318 shares / \$1,000 face amount (\$7.79/share)
  - Price as of May 8<sup>th</sup> was ~ 95 vs. stock price of \$5.90
- **\$300 million 10.25% note with expected maturity of December 2012**
  - Securitized by 60% of 5-year NPV of Genentech royalties
  - Anticipated final maturity is December 2012; legal maturity is March 2015
  - After final maturity, securitized Genentech royalties return to PDL
  - Distributed \$200 million as special dividend of \$1.67/share in December 2009
  - Retained \$100 million for royalty purchases

# Optimizing Stockholder Return

# Optimizing Stockholder Return

- **Continuously evaluating alternatives**
  - Dividends
  - Purchase of commercial stage, royalty generating assets
  - Convertible note buyback
    - **Bought back \$84 million worth of 2023 Notes to increase shareholder return in Q2-2010**
  - Share repurchase
  - Company sale
  - Do not expect to securitize any more assets in 2010

# High Dividend Yield with Upside Optionality

- **Inventory on hand at Queen et al. patent expiry 12/2014**
- **Change in manufacturing US / ex-US mix for Roche/Genentech resulting in higher average royalty rates**
- **New Phase 2/3 indications with existing commercial products**
- **Phase 2/3 pipeline products**
  - Solanezumab (Alzheimer's disease)
  - Bapineuzumab (Alzheimer's disease)
  - Teplizumab (newly diagnosed Type 1 Diabetes)
- **New product licenses**
  - Genentech exercised 4 options in December 2008
  - New licensees
- **Purchase new, high-yielding royalty assets**

# Investment Rationale

- **Strong revenue growth from approved products**
- **Potential for additional indications from existing products, new product approvals and new royalty assets**
- **Significantly reduced expenses with no R&D burn**
- **Liquidity - volume averages 3 million shares / day**
- **Return to stockholders**
  - Declared three special cash dividends totaling \$2.67/share in 2009
  - Paid special cash dividend of \$0.50/share on April 1<sup>st</sup>
  - Will pay special cash dividend of \$0.50/share on October 1<sup>st</sup>