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Valeant Pharmaceuticals International, Inc.
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Filed by: Pershing Square Capital Management, L.P.

Subject Company: Valeant Pharmaceuticals International, Inc.

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Information regarding the names and interests in Allergan and Valeant of Valeant and persons related to Valeant who may be deemed participants in any solicitation of Allergan or Valeant shareholders in respect of a Valeant proposal for a business combination with Allergan is available in the additional definitive proxy soliciting materials in respect of Allergan filed with the SEC by Valeant on April 21, 2014 and May 28, 2014. Information regarding the names and interests in Allergan and Valeant of Pershing Square and persons related to Pershing Square who may be deemed participants in any solicitation of Allergan or Valeant shareholders in respect of a Valeant proposal for a business combination with Allergan is available in the preliminary proxy statements. The additional definitive proxy soliciting material referred to in this paragraph and the preliminary proxy statements can be obtained free of charge from the sources indicated above.

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the ultimate outcome of any possible transaction between Valeant and Allergan, including the possibilities that Valeant will not pursue a transaction with Allergan and that Allergan will reject a transaction with Valeant;

if a transaction between Valeant and Allergan were to occur, the ultimate outcome and results of integrating the operations of Valeant and Allergan, the ultimate outcome of Valeant's pricing and operating strategy applied to Allergan and the ultimate ability to realize synergies;

the effects of the business combination of Valeant and Allergan, including the combined company's future financial condition, operating results, strategy and plans;

the effects of governmental regulation on Valeant's and Allergan's business or potential business combination transaction;

ability to obtain regulatory approvals and meet other closing conditions to the transaction, including all necessary stockholder approvals, on a timely basis;

Valeant's and Allergan's ability to sustain and grow revenues and cash flow from operations in their respective markets and to maintain and grow their respective customer bases, the need for innovation and the related capital expenditures and the unpredictable economic conditions in the United States and other markets;

the impact of competition from other market participants;

the development and commercialization of new products;

the availability and access, in general, of funds to meet Valeant's and Allergan's debt obligations prior to or when they become due and to fund their operations and necessary capital expenditures, either through (i) cash on hand, (ii) free cash flow, or (iii) access to the capital or credit markets;

Valeant's and Allergan's ability to comply with all covenants in their respective indentures and credit facilities any violation of which, if not cured in a timely manner, could trigger a default of their respective other obligations under cross-default provisions; and

the risks and uncertainties detailed by Valeant and Allergan with respect to their respective businesses as described in their respective reports and documents filed with the SEC.

All forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by this cautionary statement. Readers are cautioned not to place undue reliance on any of these forward-looking statements. These forward-looking statements speak only as of the date hereof. None of Pershing Square or any of its affiliates or associates, or any of their respective directors, officers, employees, agents, shareholders or advisors undertakes any obligation to update any of these forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect actual outcomes.

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Background of the Transaction

In September 2013, we hired Bill Doyle as a Consultant

Massachusetts Institute of Technology; SB Engineering, 1984

Harvard Business School; MBA, 1992

McKinsey & Company; 1992-1995

Johnson & Johnson; 1995-2000

WFD Ventures LLC; 2002-present

In February 2014, Bill Doyle introduced Valeant CEO Mike

Pearson to Pershing Square

Pershing Square begins due diligence on Valeant

Allergan
~\$50bn market cap specialty pharmaceutical
company
Leader in aesthetics, dermatology, and
ophthalmology
Pershing Square forms JV with Valeant to assist in
Allergan merger
Between February 25th and April 21st, Pershing
Square acquired 9.7% of Allergan at an average
cost of \$128/share representing 28% of capital
measured at cost
On April 22
nd
, Valeant announced offer of \$48.30 in
cash and 0.83 shares of Valeant common stock for
each Allergan share, representing approximately

40% premium to the unaffected share price of
\$116.63
3
3

4

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Pershing Square Due Diligence on Valeant

Reviewed public company information for Valeant

On February 9

th

, 2014 we executed a confidentiality agreement with

Valeant, which allowed us to conduct substantial due diligence

In-person meeting with board of directors

Extensive management interviews

Selective local due diligence at the country level

Review of parent and regional business plans

Review of historical and projected organic growth by business unit and region

Review of business development pipeline

Review of R&D pipeline

Review of global tax structure

Review of bear thesis

Highly decentralized

Local managers determine product mix, pricing & distribution strategy

Culture of cost efficiency

Management incentives aligned with shareholders

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Why We Like Valeant

Low % of products
with patent cliffs

Low product
concentration risk

Lower price and
reimbursement risk

Durable Products and
Cash Flows

High-growth
categories
High-growth
geographies
New products
Lower-risk, higher-
return R&D
Platform for
accretive
acquisitions
Share buybacks
Growth
Shareholder-Friendly
Capital Allocation
Superior Operating Model
Management
is
focused
on
creating
shareholder
value

Conservatively underwrite attractive returns
Target 20% unlevered IRR, before tax synergies (est. 30%
after-tax)
Target < 6-year payback
Assign no value to the target's pipeline
Rapid integration with synergies at or exceeding budget
Have met or exceeded synergy budget on all announced
acquisitions
Typically, ~80% of synergies achieved within first year

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Valeant's Acquisitions Have Created Value

Valeant

has

a

track

record

of

allocating

the

majority

of
free
cash
flow
to
value-creating
acquisitions

Source: Management interviews

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An investment in Valeant shares on the day Mike Pearson became CEO has appreciated to 26x its initial value in six years including dividend reinvestment

2,649%

Valeant total shareholder return from 2/1/2008 to 5/30/2014

Valeant's History of Shareholder Value Creation

2/1/08: Mike

Pearson

appointed CEO;

Valeant share

6/20/10:

Announced

merger with

Biovail

9/3/12: Announced
acquisition of
Medicis for \$2.6bn

5/27/13:
Announced
acquisition of
Bausch & Lomb
for \$8.7bn

Note:

Chart
shows
the
total
shareholder
return
with
the
initial
share
price
indexed
to
100%
for
an
investment
in
Valeant
Pharmaceuticals
International,
the
entity
that
merged
into
Biovail
Corporation
on
September
28,
2010.
Subsequent
to
this
transaction,
Biovail
Corporation
changed
its
name

to
Valeant
Pharmaceuticals
International,
Inc.
Chart
assumes
that
the
special
dividend
of
\$16.77
paid
to
legacy
Valeant
shareholders
at
closing
of
the
merger
and
the
special
dividend
of
\$1.00
paid
to
new
Valeant
shareholders
on
December
22,
2010
were
both
immediately
reinvested
in
new
Valeant
(fka
Biovail)
common
stock.
4/22/14:

Announced
initial
offer
to
acquire
Allergan

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Structure of the Transaction

Pershing Square and Valeant formed a co-bidder entity

The co-bidder entity was formed with the intent to

Make an investment in Allergan

Assist Valeant in consummating a merger between Valeant and Allergan

Valeant invested the HSR limit of \$75.9mm and Pershing

Square contributed 100% of the entity's remaining capital

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Allergan Investment Thesis

Allergan has a strong track record of organic growth driven by a portfolio of market leading products, including the fast-growing Botox franchise

Allergan has a poor track record of capital allocation and cost management

Given the strategic overlap between Valeant and Allergan's product portfolios and Valeant's superior cost structure, operating model and capital allocation strategy, we believe a merger between Valeant and

Allergan has the potential to create enormous shareholder value

Limited downside

We invested in Allergan at a valuation that reflected the fair value of the business, assuming no improvements in operations or a transaction

Strategic rationale of a Valeant/Allergan merger

10
\$167
Stock
price
performance
of
AGN
from
2/25/2014
to
5/30/2014
Note:
The
performance
of
AGN's
stock
price
is
provided
for

illustrative
purposes
only
and
is
not
an
indication
of
future
returns
of
the
Pershing
Square
funds.
Allergan: Timeline of Events

Source:
Bloomberg.
(1)
Calculated
from
February
25,
2014
through
May
30,
2014.
2/25/14: Pershing
Square begins
its purchases of
AGN shares
4/11/14: Pershing
Square begins its
rapid accumulation
program
4/22/14: Valeant
announces offer to
acquire AGN for 0.83
VRX shares and \$48.30
per share in cash
5/12/14: AGN Board
rejects initial VRX offer
5/28/14: VRX raises
offer to include
\$58.30 per share in
cash and adds a
contingent value

right for DARPIn

5/30/14: VRX raises offer to include
\$72.00 per share in cash, with
Pershing Square accepting 100% of
its consideration in VRX stock
based on May 29 closing prices

11

May 30

th

Revised Offer

Increased cash from \$58.30 to \$72 per share of Allergan

Allergan shareholders will also receive 0.83 shares of Valeant for each share of Allergan

On May 30

th

Valeant Revised Its Offer to Allergan Shareholders

Pershing Square's All-Stock Election

On May 30

th

, conditioned on Valeant increasing its offer, Pershing

Square agreed to receive 100% equity consideration in a merger

Pershing Square will receive 1.22659 shares of Valeant for each of its Allergan shares and no cash in the event the transaction closes

Pershing Square's All-Stock Election Improves

Terms of the Transaction for Others

Pershing Square's stock election increases cash available for other shareholders by \$6.65 per share

Valeant has agreed to distribute \$20bn of cash consideration to Allergan shareholders

As an owner of 9.5%

(1)

of Allergan's shares, Pershing Square's all-stock election increases the amount of cash available to other shareholders by \$1.8bn or \$6.65 per share

(1) 9.5% represents the total shares owned less the shares that Pershing Square owns on behalf of Valeant.

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Why Pershing Square Agreed To Elect All Stock

By agreeing to convert our shares to Valeant stock at current prices, in substance, we are purchasing almost 50% more shares of Valeant at the current market price, and foregoing the cash consideration in the Valeant deal

Pershing Square has confidence in the value creation opportunity of the combination

All-stock election

creates

greater

value

for

non-Pershing

Allergan

shareholders

\$587mm of immediate value contribution

\$1.8bn (\$6.65 per share) increase in cash available to other shareholders

Likely increases probability of transaction consummation and reduces time to closure

14
14
Pershing Square's Stock Election
Demonstrates Confidence in the Transaction
Valued
at
Valeant's
May
30
th
closing
price,
Pershing
Square's
all
stock
election
is
worth
\$19.96
per

share
less
than
the
cash
and
stock
proposal
offered
to
other
Allergan
shareholders
Pershing
Square
All Stock
Cash +
Stock
Pershing Square's election is
worth a substantial discount
to the cash & stock proposal
offered to other investors
Equity Consideration
Calculation
Ratio of the May 29
th
closing
stock prices of Valeant and
Allergan

1
Source = Management estimate Valeant June 2nd
presentation,

2
Source = Management estimate Valeant May 28th
presentation

15
By Electing All-Stock, Pershing Square is Better
Off if Valeant is >\$180 at the Time of Closing

If
Valeant's
stock
price
is
>\$180
at
the
close
of
the

transaction,
Pershing
Square's
all-stock
election
will
be
more
valuable
than
the
cash
and
stock
proposal
offered
to
other
shareholders

Pershing
Square
All Stock
Cash +
Stock

Pershing Square's stock election
is worth the same as the cash &
stock proposal offered to other
investors

Equity Consideration
Calculation

$\$10.85 \times 16.8 \text{ p/e} = \182 per share

Blended Unaffected 2014 P/E Multiple = 16.8x
2

Pro-Forma 2014 EPS = \$10.85

1

16
Favorable Risk/Reward At Current Allergan Prices
Given
the
superior
value
of
Valeant's
May
30
th
proposal,
we
believe
it is very unlikely that Allergan remains an independent company
The Standalone
option is unlikely
The White Knight
possibility
While we believe it is unlikely, it is possible that a third party could

make an offer that is superior to the Valeant proposal
If a third-party deal is consummated, we are required to share 15%
of our profit with Valeant

The Valeant transaction offers substantial upside

At \$182

(1)

per Valeant share, the Pershing Square all-stock election

is worth \$222 per Allergan share, or 33% more than the current

Allergan stock price

(1)

Unaffected

2014

EPS

multiple

of

16.8x

sourced

from

Valeant's

May

28

th

presentation.

2014

Pro-Forma

EPS

estimate

of

\$10.73

based

on

adjustments

to

Valeant's

May

28

th

presentation

to

account

for

revised

transaction

terms.

Valeant's

Unaffected

stock

price

of

\$116.63
is
AGN's
share
price
the
day
before
Pershing
began
its
rapid
accumulation
program

Yesterday,
June
2,
2014,
Pershing
Square
Launched
the
Special
Meeting
Solicitation
Process
June
2
nd
:

Preliminary
proxy
filed
with
SEC
June
12
th

June
22
nd
:
SEC
comment
period
(10

20
days)
June
14
th

June
24
th
:
Proxy
materials
printed
(2
days)
June
16
th

June
26
th
:
Proxy
materials
mailed
(2
days)
June
30
th

July
24
th
:
Special
Meeting
solicitation
and
delivery
of
25+%
support
to
company
(2
to
4
weeks);
contemporaneously,
file
Special
Meeting
proxy
with
SEC
(10

20
day
comment
period)
July
7
th

July
31
st
:
Company
confirms
solicitation
is
compliant
(1
week)
Special Meeting Date
We
believe
the

earliest
date
allowing
for
shareholders
to
properly
consider
the
Special
Meeting
proxy
would
be
one
month
after
the
company
confirms
our
solicitation:
Aug
7
th

Sept
1
st
The
company
can
delay
the
Special
Meeting
up
to
120
days,
a
delay
of
up
to
Nov.
4
th
-
Nov.

28
th
17