PERSHING SQUARE HOLDINGS, LTD.

UNAUDITED CONDENSED INTERIM FINANCIAL REPORT

Six Months Ended June 30, 2016

Contents

Chairman's Statement

INTRODUCTION

This interim financial report covers the period from January 1, 2016 to June 30, 2016. During this period, assets under management ("AUM")[1,2] of Pershing Square Holdings, Ltd. ("PSH" or the "Company") decreased from $5.2 billion to $4.1 billion due to adverse investment performance.

INVESTMENT PERFORMANCE

For the period January 1, 2016 through June 30, 2016, the Company returned -21.1% net of fees[3]. From July 1, 2016 through August 23, 2016 the Company returned 7.0% net of fees, bringing YTD performance through August 23, 2016 to -15.5%.

The majority of the period's negative performance was driven by the Company's investment in Valeant Pharmaceuticals International, Inc. Valeant's challenges, which began in 2015, continued into 2016. The delayed filing of its 2015 and first quarter 2016 financial statements eroded investor confidence and led to additional declines in the share price. In March 2016, Bill Ackman, CEO/portfolio manager of Pershing Square Capital Management, L.P., the investment manager of the Company ("PSCM" or the "Investment Manager"), and Steve Fraidin, vice chairman of the Investment Manager, joined the Valeant board to help lead the process of stabilizing and rebuilding the company. Subsequently, the board oversaw a process to ensure that the financial statements were filed and brought current, led the search for a new CEO, and recruited new board members.

On July 15, 2016, the Federal Trade Commission ("FTC") reached a settlement with Herbalife that requires the company to restructure its U.S. business operations and pay $200 million to compensate consumers. The FTC's charges support the Investment Manager's contention that Herbalife is an illegal pyramid scheme, but stopped short of using those specific words. Surprisingly, Herbalife shares initially rallied on the news, but have subsequently declined, and the investment continues to be a modest detractor to our year-to-date performance. The Investment Manager believes the changes which the FTC has imposed on Herbalife's business will lead to a significant fall in the profitability and valuation of the company.

During the period, the Investment Manager reduced its position in Zoetis, and on August 4, 2016 it sold its entire position in Canadian Pacific Railways in an underwritten offering freeing up substantial free cash for investment.

The Investment Manager's Report on pages 4-14 contains information on performance attribution for the period, more details about Valeant, Herbalife and Canadian Pacific as well as an update on developments at the rest of the portfolio companies. The Investment Manager believes that the value of these companies is not fully reflected in the current share prices. For an up-to-date Net Asset Value ("NAV"), please refer to our website, www.pershingsquareholdings.com, where we publish our NAV on a weekly basis.

PSH BONDS

Just over a year ago, in June 2015, the Company issued $1 billion aggregate principal amount of Senior Notes due July 15, 2022 at an interest rate of 5.5% per annum which is payable semi-annually (the "Bonds"). The proceeds from the offering were used to make investments and hold assets in accordance with the Company's investment policy. At issuance, the Bonds received a BBB rating with a stable outlook from Standard & Poor's Rating Services ("S&P") and a BBB+ rating with a stable outlook from Fitch Ratings, Inc. ("Fitch").

On October 27, 2015, S&P changed its outlook to negative in response to the decline in NAV and related increase in PSH's debt-to-total assets ratio. In March 2016, S&P reaffirmed its BBB rating but placed the Bonds on a Credit Watch Negative list due to the slide in Valeant's share price. In July 2016, S&P removed the Bonds from its Credit Watch Negative list but maintained its negative outlook. In contrast, Fitch has reaffirmed its BBB+ rating and stable outlook a number of times since issuance, most recently in June 2016.

During August 2016, the Bonds have traded around par, having recovered from a low of $85 on March 15, 2016.

As of July 31, 2016, the Company's Total Indebtedness to Total Capital Ratio[4] was 19.1%. The principal covenants of the Bonds limit the incurrence of debt or distributions to shareholders when this ratio is greater than or equal to one third. Unlike margin debt, the Bonds do not have mark-to-market covenants which could require forced sales when equity prices decline.

While the leverage of the bond issue has amplified losses during the period as the portfolio declined in value, the Board and PSCM believe that a prudent amount of long-term, cost-effective leverage should enhance the long-term returns to PSH shareholders.

HIGH WATER MARK

As reported in the 2015 Annual Report, the terms of PSH's investment management agreement with PSCM have a "high water mark" feature such that investors in PSH only pay incentive fees on increases in the NAV above the highest NAV at which an incentive fee has previously been charged. As a result, PSH investors will not incur incentive fees until PSH's NAV exceeds $26.37 per share.

CORPORATE GOVERNANCE

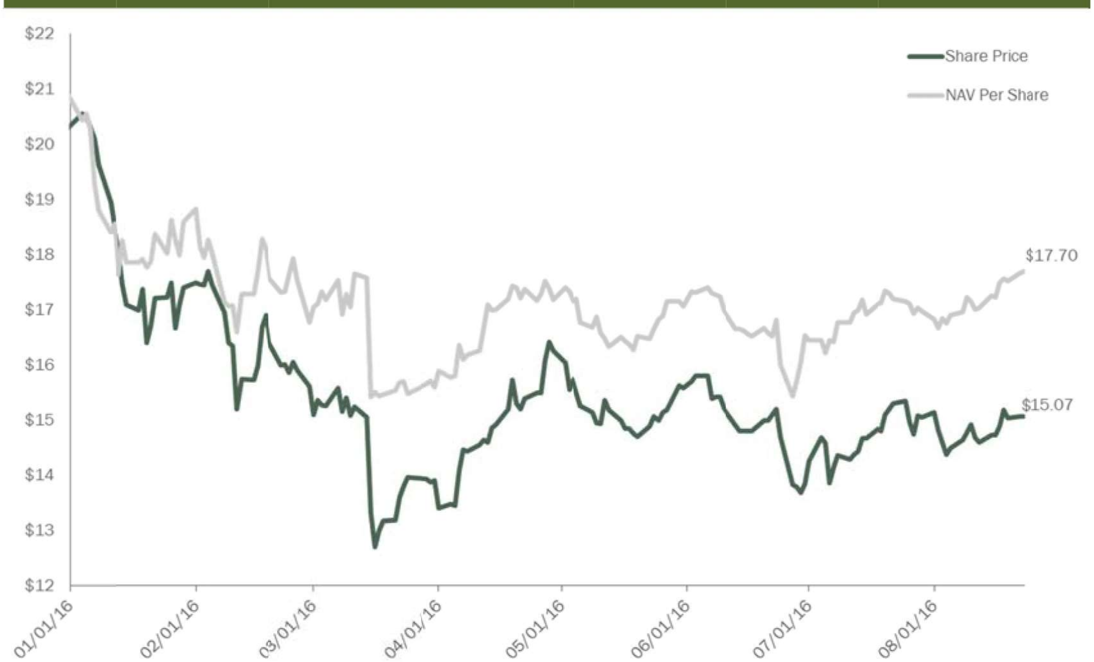
The Board continues to assess and monitor the risks faced by the Company as set forth in the Report of the Directors in the 2015 Annual Report and Note 13 to the 2015 Audited Financial Statements. The Company's risk matrix was reviewed with the Investment Manager and updated in July 2016.

PREMIUM AND DISCOUNT

The Board monitors the trading activity of the Company's shares on a regular basis. The Company publishes its NAV per share weekly on its website together with monthly performance reports and transparency reports disclosing certain information with respect to the Company's underlying positions, which are predominantly in large cap listed companies. The Board and the Investment Manager believe that this transparency should help the Company's shares trade (over the long term) at or above NAV.

In the period from January 1, 2016 to July 31, 2016, the Company's shares traded in a wide range relative to NAV from a premium that reached 4.4% in early January to a maximum discount of -18.1% in March. The average discount to NAV over the period was -9.5%. Since July 31, 2016, the increase in the NAV has been greater than the increase in the share price, leading to a widening of the discount. This is discussed further in the Investment Manager's report.

PSH NAV vs. Trading Price (January 1, 2016 – August 23, 2016)



The Board will continue to monitor the performance of the Company's share price versus NAV per share and the Investment Manager is committed to an ongoing, pro-active global investor relations effort.

I look forward to reporting to you again in our 2016 Annual Report.

/s/ Anne Farlow
Anne Farlow
Chairman of the Board
August 26, 2016

1 "AUM" is the NAV of the Company without taking into effect accrued and/or crystallized incentive fees and any accrued portion of the Offset Amount as of the end of a period. The "Offset Amount" is equal to the fees and other costs of the placing and admission of the shares in the IPO, commissions paid to placement agents and other formation and offering expenses incurred during the private phase of the Company plus accrued interest of 4.25% per annum.

2 "NAV" means the value of the Company's portfolio securities, cash and other assets less its liabilities (including any accrued incentive fees and the accrued portion of the Offset Amount), as determined by PSCM in accordance with its valuation policy and procedures, and in accordance with applicable accounting principles (except that the net asset value of the Company attributable to Management Shares issued from time to time will not be classified as liabilities for purposes of calculating NAV).

3 Past performance is not a guarantee of future results. Net returns include the reinvestment of all dividends, interest, and capital gains and reflect the deduction of, among other things, brokerage commissions, administrative expenses, management fees and incentive fees (if any). Performance results provided herein also assume an investor has been invested in the Company since inception and participated in any "new issues" as such term is defined under Rules 5130 and 5131 of FINRA.

4 For the purposes of this report, "Total Indebtedness", "Total Capital" and "Total Indebtedness to Total Capital Ratio" have the meaning given to these terms under the Indenture, dated June 26, 2015, between, among others, the Company, as the issuer, and The Bank of New York Mellon, as Trustee, Paying Agent, Registrar and Transfer Agent (the "Indenture"). As defined in the Indenture, "Indebtedness" reflects indebtedness (i) in respect of borrowed money, (ii) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof), (iii) representing capital lease obligations, (iv) representing the balance deferred and unpaid of the purchase price of any property or services (excluding accrued expenses and trade payables in the ordinary course of business) due more than one year after such property is acquired or such services are completed or (v) in respect of PSH's capital stock that is repayable or redeemable, pursuant to a sinking fund obligation or otherwise, or preferred stock of any of PSH's future subsidiaries. "Indebtedness" does not include, among other things, PSH's NAV attributable to any Management Shares (whether or not the Management Shares are accounted for as liabilities) or hedging obligations or other derivative transactions and any obligation to return collateral posted by counterparties in respect thereto. Under the Indenture, the amount of any Indebtedness outstanding as of any date is the principal amount thereof. "Total Indebtedness" reflects the total amount of Indebtedness of PSH and its consolidated subsidiaries (if any), plus, in respect of unconsolidated subsidiaries and affiliated special investment vehicles ("SPVs") (if any), the amount of Indebtedness of the relevant subsidiary or affiliated SPV on a proportionate basis. Under the Indenture, Total Indebtedness excludes margin debt that does not exceed 10% of PSH's Total Capital. "Total Capital" reflects the sum of PSH's NAV and its Total Indebtedness.

Investment Manager's Report

Dear Pershing Square Holdings, Ltd. Shareholder,

Below we provide PSH's performance since its inception. The period of the last twelve months has been the worst period of performance by a wide margin since the inception of the strategy on January 1, 2004. Performance has improved substantially in the last few weeks with significant progress at Valeant and increases in the value of other holdings bringing year-to-date performance through August 23, 2016 to -15.5%.

Pershing Square Holdings, Ltd. Performance vs. the S&P 500		
	PSH Net Return (1)	**S&P 500**(3)
2013	9.6%	32.4%
2014	40.4%	13.7%
2015	(20.5)%	1.4%
YTD through June 30, 2016	(21.1)%	3.8%
Q3 through August 23, 2016	7.0%	4.5%
YTD through August 23, 2016	(15.5)%	8.5%
January 2013 – August 23, 2016 (2)		
Cumulative (Since Inception)	3.3%	65.5%
Compound Annual Return	0.9%	14.7%

Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal. Please see accompanying footnotes on page 14.

We recognize that the last twelve months have been extremely challenging for PSH investors. As the largest individual investors in PSH and in the private funds that are managed side by side with PSH, we have also borne substantial losses. We are working diligently to maximize the value of our existing holdings and to identify new opportunities for profitable investment. I am encouraged by our recent progress and look forward to updating you with additional developments as they occur.

In the following Portfolio Update section, we discuss each of our portfolio investments in detail. You will note that our portfolio companies are demonstrating strong and/or improving performance which has contributed to their recent stock price appreciation. In light of recent stock price appreciation and the existence of other potential investment opportunities, we have elected to sell a substantial portion of our investment in Zoetis and all of our investment in Canadian Pacific which, when combined with a portfolio sizing adjustment to Mondelez, has freed up a substantial amount of capital for new investments. As a result, the majority of the investment team's time is currently being spent actively researching potential new commitments.

The progress noted in the Portfolio Update below has begun to be reflected in performance. From the bottom (March 15, 2016) when PSH was down 26.4% year to date, NAV per share has risen from $15.42 to $17.70 (August 23, 2016), a 14.8% increase bringing year-to-date performance to -15.5%. PSH's stock price has underperformed the increase in NAV as the discount to NAV (currently 14.9%) has expanded slightly over that time period. We are cognizant of the substantial discount to NAV at which PSH trades, which we believe has been driven by a loss of confidence by some PSH investors as a result of events at Valeant. We expect that our recent progress at Valeant, further increases in NAV, coupled with the identification of one or more new investments will contribute to the closing of the discount.

PERFORMANCE ATTRIBUTION[(4)]

Below are the attributions to gross performance of the portfolio of the Company through June 30, 2016.

Winners	
Air Products & Chemicals, Inc.	1.2%
Restaurant Brands International Inc.	1.1%
All Other Positions	1.0%
Total Winners	3.3%

Losers	
Valeant Pharmaceuticals International, Inc.	(17.8)%
Platform Specialty Products Corporation	(1.3)%
Currency Derivatives	(1.3)%
Herbalife Ltd.	(1.2)%
Nomad Foods Limited	(1.0)%
All Other Positions	(1.1)%
Total Losers	(23.7)%
Total Winners and Losers YTD through June 30, 2016	**(20.4)%**

Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal. Please see accompanying footnotes on page 14.

PORTFOLIO UPDATE

Air Products and Chemicals, Inc. (APD)

Air Products' recent quarterly results marked the eighth straight quarter of double-digit EPS growth as APD continues its impressive transformation under CEO Seifi Ghasemi and his team.

APD's fiscal year third quarter earnings per share of $1.92 were up 16% while currency-adjusted EPS growth was 19%. These impressive results were driven by currency-adjusted sales growth of 4% and operating margins which were up 340 basis points (bps) to 23.0%. Sales growth was driven by 4% volume growth, largely due to volume contributions from growth investments, and flat pricing. Margins increased across each major operating segment, including each region for industrial gases as well as the non-core Versum materials technology business. We believe this broad-based operating improvement is a testament to the cultural impact Seifi has had on APD along with the benefits of the company's decentralized operating model which has empowered local operating executives to drive performance and unlock the company's latent potential.

On the strength of these strong results and its near-term outlook, APD increased the lower end of its fiscal year earnings guidance by $0.05 to $7.45 to $7.55, which at the midpoint reflects 14% growth over the prior year despite modest foreign exchange headwinds.

While APD has made significant progress improving its operating margin from ~15.5% to ~23% since our investment, and now has a consolidated operating margin in-line with best-in-class peer Praxair, we believe that APD has additional opportunities to extract operating efficiencies. Adjusted for non-core businesses, APD's industrial gas margins remain substantially below Praxair's. Management has provided guidance which suggests that APD can extract $225 million of additional operating efficiencies over the next three years.

The company remains enthusiastic about the growth capex opportunities for large on-site air separation units and hydrogen facilities, businesses in which APD has strong leadership positions. Seifi and his team are disciplined about investing capital in growth capex projects that meet appropriate return hurdles.

Air Products' plan to sell and spin off its non-core materials technology and electronics materials businesses is also progressing as planned. Subsequent to its announced spin off of these businesses as a newly formed company named Versum, the company announced the sale of the materials technology segment of the business to Evonik for 16 times EBITDA, a price that will yield an attractive ~12 times EBITDA net price for Air Products' shareholders after the company pays taxes on the gain from the sale of this business. APD is proceeding with the planned spinoff of the remaining electronics materials business in the coming months. The electronics business, which produced FY 2015 sales and EBITDA of $1 billion and $302 million, respectively, is a leading provider of materials and delivery systems equipment to the semiconductor industry and has strong secular growth prospects due to the proliferation of consumer electronics devices around the world. The electronics business has meaningfully improved its operating margins and competitive positioning under CEO Guillermo Novo and his team, and is well positioned to be a successful independent company.

Overall, we expect APD to continue to deliver double-digit EPS growth for the next several years as it extracts additional cost efficiencies, brings on-stream growth capex projects, drives organic performance, and allocates capital to acquisitions, growth capex or the repurchases of its shares in a manner which maximizes returns for investors. We believe the company's long-term outlook remains robust and its shares remain at a discount to their intrinsic value.

Fannie Mae (FNMA) / Freddie Mac (FMCC)

Fannie and Freddie's underlying earnings progressed modestly in the second quarter as their core mortgage guarantee businesses improved due to an increase in the guarantee-fee rate and lower credit costs. Their non-core investment portfolios continued to be reduced, which is leading them to a safer and more capital-light business model. As in recent quarters, reported earnings remained volatile due to non-cash-accounting-based derivative losses in the non-core investment portfolio. As a result of the derivative losses and the continued Net Worth Sweep, the companies remain at risk of being required to draw capital from the Treasury, as a result of the requirement to pay dividends to Treasury under the Net Worth Sweep of more than $125 billion in excess of the original 10% dividend agreement. As the risk of capital draws from the Treasury increases, we believe that Congress will become increasingly focused on seeking a permanent resolution for Fannie and Freddie.

In the litigation, the government recently released additional documents which further support shareholder claims. From the documents, it is clear that high-level government officials were aware that the GSEs were expecting to become highly profitable just prior to the implementation of the Net Worth Sweep, which runs contrary to the government's contemporaneous public statements that the GSEs were in a "death spiral." In fact, private emails of key government officials show that the government intended to implement the Net Worth Sweep as a measure to prevent the GSEs from recapitalizing themselves and exiting conservatorship. Both of these points directly contradict key claims the government made on and after implementing the Net Worth Sweep and as a defense to the litigation. In addition, the courts rejected the government's request to have individual lawsuits consolidated as a multi-district litigation and sent to Judge Lamberth. This allows each case to continue to proceed separately and be evaluated on its individual merits, which improves the likelihood of a favorable legal outcome for shareholders.

We believe a new administration, which did not implement the Net Worth Sweep, will be more conducive to implementing a sensible resolution for Fannie and Freddie which benefits all stakeholders including tax payers, home owners and shareholders.

Herbalife Ltd. (HLF) Short

We have made substantial progress with our short position in Herbalife. On July 15, 2016, after a more than two-year investigation, the FTC found that Herbalife has been operating illegally, misleading consumers about the potential profitability of its so-called business opportunity, among other extremely critical findings. The FTC's settlement with Herbalife avoided using the words "pyramid scheme" to describe its business, but found that the company had all of the hallmarks of other pyramid schemes it has prosecuted recently. The FTC's findings confirm each of our principal allegations against the company.

The FTC stated that it chose to settle with Herbalife to avoid an extended period of litigation and to bring relief to consumers more rapidly. While Herbalife has to-date successfully spun the terms of the settlement as a victory for the company, the facts speak differently as the market appears to have recently begun to understand. While Herbalife stock rose more than 20% on the initial announcement of the settlement, it has declined since that time, and is now trading at approximately the same price as before the announcement.

Under the terms of the FTC settlement, the company is being required to totally restructure its business and compensate its distributors only for "profitable retail sales" to consumers who are not distributors pursuing the business opportunity (other than for a limited carve out for personal consumption of the product by distributors). In light of the fact that the FTC found little if any evidence of profitable retail sales, it is difficult to understand how the company can continue to motivate and recruit distributors to replace the more than 2,000,000 who quit each year when these aspiring distributors realize they cannot make money. As a result, we expect Herbalife to collapse as distributors leave as a result of the newly restructured compensation arrangements and required changes in marketing practices. While it is difficult to estimate a precise time frame for the company's demise, we believe it will not be years. We have already described the Complaint and Settlement Agreement in detail during our July 20, 2016 conference call and presentation which is available on the PSH website, www.pershingsquareholdings.com. In summary, the FTC findings make clear that Herbalife is a pyramid scheme.

A comparison of the FTC's findings about Herbalife with previous FTC pyramid scheme prosecutions reveals similar and often nearly identical language. The FTC Complaint alleged that Herbalife participants are "primarily compensated for successfully recruiting" new participants and not for selling products, the defining attribute of a pyramid scheme which has been alleged in each of the most recent FTC pyramid scheme cases. Exhibit I, which starts on page 32 of this report, compares the FTC's allegations against Herbalife and other companies the FTC deemed to be pyramid schemes. Most notably, the count against Herbalife for Unfair Practices closely mirrors the Illegal Pyramid counts in previous cases. It is clear from Exhibit I that the FTC found Herbalife to be an illegal pyramid scheme and alleged the necessary findings to support that charge but, as part of the settlement, agreed to avoid using the phrase "pyramid scheme." FTC Chairwoman Ramirez's public comments corroborate this conclusion.

We believe the implementation of the Settlement Agreement – the most comprehensive business model reform required by the FTC against any multi-level marketing company – will cause Herbalife's U.S. business to collapse and contribute to the eventual failure of the entire company. The settlement represents Herbalife's agreement to engage in a "top to bottom"[i] restructuring of its business model in the United States. Key elements include:

- Compensation to distributors is limited to verifiable, "Profitable Retail Sales"[ii];
- Present compensation levels remain only if 80% or more of U.S. sales are verifiable, "Profitable Retail Sales";
- At least two-thirds of rewards paid by Herbalife to distributors must be based on Profitable Retail Sales of Herbalife products that are tracked and verified;
- Qualification purchases are prohibited;
- Misleading income claims are prohibited; and
- An Independent Compliance Auditor will be hired to oversee compensation plan changes for a period of seven years.

Since the day of the FTC settlement announcement, Herbalife has orchestrated a coordinated media campaign to misrepresent the findings of the FTC and the inevitable business impact of the relief demanded by the FTC.

On August 3, 2016, Herbalife reported its second quarter financial results. On the conference call, Herbalife management was consistently upbeat and bullish on the prospects for the business in the face of the FTC settlement, noting "these changes are good for our company," and "we have the greatest confidence in our ability to comply with the agreement and continue to grow our business in the U.S. and around the world." Management's latest commentary is a continuation of prior misrepresentations.

Herbalife's 10Q provided revised disclosure pertaining to the FTC settlement and updated risk disclosures. It struck a more balanced, and at times cautionary, tone compared with management commentary on the call, noting that "there is no guarantee that we will be able to fully comply with the Consent Order," and "[t]he impact of the Consent Order on our business … could be significant." All the same, the 10Q reiterated that Herbalife "neither admitted nor denied the allegations in the FTC's complaint[iii] in agreeing to the terms of the Consent Order," and repeated the company line that "we do not believe the Consent Order changes our business model as a direct selling

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[i] https://www.ftc.gov/news-events/blogs/business-blog/2016/07/its-no-longer-business-usual-herbalife-inside-look-200

[ii] FTC v. Herbalife International of America, Inc., et al. (July 15, 2016). Stipulation to Entry of Order for Permanent Injunction and Monetary Judgment at p.5.

[iii] FTC v. Herbalife International of America, Inc., et al. (July 15, 2016). Case No.2:16-cv-05217, Complaint for Permanent Injunction and Other Equitable Relief.

company." The 10Q included new language noting that the Consent Order does not prevent "other third-parties from bringing actions against us, whether in the form of other state, federal or foreign regulatory investigations or proceedings, or private litigation, any of which could lead to, among other things, monetary settlements, fines, penalties or injunctions."

At a minimum, we believe the injunctive relief demanded by the FTC is likely to significantly weigh on Herbalife's financial performance in the coming quarters. Moreover, we believe that the FTC complaint and settlement provide a roadmap for other state Attorneys General and regulators in 93 other countries around the world to seek similar relief and to enforce similar protections for their consumers.

Despite a bleak financial outlook, Herbalife is trading at ~13.5x the midpoint of management's revised 2016 guidance ($4.50 to $4.80) or ~16 times 2016 guidance excluding certain items (which we believe are ongoing costs to the business but which Herbalife management inappropriately adds back). The implied multiple represents an even higher multiple of 2017 earnings, as Herbalife's future earnings are likely to be significantly lower as changes to the business model reduce the company's earnings power. These estimates exclude additional fines and/or the impact of additional injunctive relief that may arise from other regulatory agencies.

Herbalife stock price hit a recent high in the low $70s per share on the day of the settlement, but has declined to less than $62 currently. Putting aside the short case for Herbalife, it has become extremely difficult to comprehend the logic behind the bull case on Herbalife.

The bulls had believed that the FTC settlement would exonerate the company and otherwise not require any material changes to the company's business practices. This is definitively false based on the FTC Settlement and Order.

Second, the bulls believed that the company would announce a large leveraged recap at the time of a settlement. When pressed about buybacks on the recent earnings call, the CFO demurred and reminded investors about the maturity of its credit facility in March 2017 and the $1.15 billion out-of-the-money convertible debt issue which is due within three years. We do not believe that banks and/or bondholders are likely to be willing to provide a material amount of debt financing to Herbalife in light of the FTC findings, and without knowing the revenues, earnings, and cash flow implications of the FTC's required business changes, which will not be fully implemented until May of next year.

Third, China, which has been the growth engine of the company in recent years, showed dramatically decelerated growth for the quarter calling into question its sustainability. Herbalife management stated that investors are likely to see "a significantly lower growth rate going forward" and that they do not believe China's growth rate is "sustainable at the current levels."[iv]

Fourth, long-only institutional investors appear to be exiting, with Fidelity, a long-time shareholder selling nearly 40% of its holdings as disclosed in its recently updated 13G filing. Fidelity will not be required to notify the market of additional sales until mid-November. Capital Research has also been a substantial seller. In light of the FTC's findings of wrongdoing, we do not believe that legitimate institutional investors will continue to own Herbalife. The substantial majority of other holders appear to be fast-money investors who we believe mistakenly bought on the announced settlement, betting on a buyback, when more than 50% of the float on that day changed hands at prices nearly 20% above current levels.

Lastly, at current prices it is difficult to make a compelling argument for owning Herbalife even if one does not believe it is a pyramid scheme. The stock trades at about a 50 percent multiple premium to legitimate supplement retailers like GNC, which, unlike Herbalife, is not being required to completely change the way it compensates its distributors as well as its marketing practices.

While it has been a long road, we see multiple paths to an eventually successful outcome with this investment.

[iv] Herbalife Q1'2016 Conference Call, John DeSimone

The Howard Hughes Corporation (HHC)

HHC's second quarter report highlighted the continued progress it is making across all of its initiatives and business segments.

Net operating income ("NOI") from HHC's operating assets increased from $28.5 million to $36.3 million year-over-year as recently developed properties continue to stabilize. HHC held steady its projected annual stabilized NOI estimate (excluding the South Street Seaport) of $215 million after increasing it from $203 million at year-end. Land sales closed in its Master Planned Communities ("MPC") segment decreased from $47 million to $34 million year-over-year in Q2 due to weakness at Woodlands in Houston and timing of superpad sales. The housing market in Summerlin remains strong as demonstrated by $48 million in land sales at The Summit, which is HHC's luxury golf course joint venture development within Summerlin. The Woodlands, which develops and sells lots at the upper end of the Houston residential market continues to experience a slowdown in housing activity. HHC saw increased activity, land sale closings and absorption rates at Bridgeland due to stronger demand for more affordable lots in Houston.

At the Ward Village in Honolulu, construction of the Waiea and Anaha condo towers continues on plan. Over 85% of the total square feet available for sale is now under contract at both the Waiea and Anaha condos. The 174-unit Waiea condo is expected to be completed by year-end, at which point HHC will begin to generate a significant amount of cash flow from condo closings. Anaha, a 317-unit project, is expected to be completed by the second quarter of 2017. In February 2016, HHC began construction of Ae'o, the third of four mixed-use residential towers planned for the first phase of the Ward Village development. Whole Foods has pre-leased a substantial portion of the retail space at the base of this tower, which is scheduled for completion in late 2018. Pre-sales are ongoing at the 466-unit Ae'o tower with 45% of the total residential square feet available for sale under contract. The fourth condo tower, the 424-unit Ke Kilohana, sold 90% of its units in five days (in April 2016). Ke Kilohana is a workforce residential tower with 375 of its units designated for local residents. Total construction costs for all four towers are expected to be $1.45 billion of which HHC has incurred $523 million.

While HHC did not announce any new material developments at the South Street Seaport in Q2, we are optimistic about the potential for significant value creation at the Seaport.

Mondelez International (MDLZ)

On June 30, 2016, press reports, which were later confirmed, stated that Mondelez had made an offer to acquire The Hershey Company for $107 per share in a half-cash, half-stock transaction. While an acquisition of Hershey would certainly strengthen Mondelez's confectionery presence in North America, whether or not a deal creates value for shareholders depends on the price paid, the acquisition currency used and, as importantly, the potential for significant cost savings at Hershey.

We believe that Mondelez shares are currently undervalued, and that the issuance of Mondelez stock at current prices to fund the acquisition of Hershey would likely be costly for Mondelez shareholders. More importantly, if Mondelez were to acquire Hershey or any other company, management must continue to be accountable for its own target of 17% to 18% operating profit margins by 2018 at the existing Mondelez business, excluding the impact or benefit of any acquisitions. We expect that shareholders would find it unacceptable for an acquisition of Hershey by Mondelez to delay or derail the productivity and cost savings transformation currently underway at the company.

On July 27, 2016, Mondelez reported second quarter 2016 results. Underlying organic growth was generally in-line with Mondelez's categories at 2.5%, including volume growth of nearly 1% which was a sequential acceleration of 60 basis points from the first quarter. While we believe that the long-term outlook for the global snacks categories in which Mondelez participates remains robust, the company is currently facing short-term headwinds from slowing emerging market economies.

Operating profit margins expanded by 265 basis points to 15% in the quarter driven primarily by a 200 basis point reduction in overhead costs as a percentage of sales reflecting the implementation of zero-based budgeting as well as an increase in gross margin reflecting the company's supply chain transformation. Year-to-date, the company continues to show progress with its significant cost savings opportunity and productivity initiatives.

Nomad Foods (NOMD)

Nomad, the packaged frozen food company, announced second quarter results on August 25, 2016. Revenue for the quarter declined 3.8% on a like-for-like basis, excluding foreign currency changes. This marked the third straight quarter of sequential improvement in revenue trends. Margins and cash flow remained strong. The company reiterated its guidance for continued sequential revenue improvement throughout the year and €200 million of cash flow.

Nomad stock trades at ~9 times management's cash flow guidance per share, less than half the price of other packaged food businesses. We believe the company is taking the right actions to stabilize and enhance the business while integrating its recent Findus acquisition and working to deliver anticipated synergies.

Platform Specialty Products Corporation (PAH)

Platform's earnings declined in the second quarter as positive results in Performance Solutions, increased cost synergies, and strong growth in the International Ag Solutions were offset by a significant decline in the North American Ag Solutions business and increased corporate costs.

Platform's organic revenue increased 1% as Ag Solutions grew 5% and Performance Solutions revenue declined 2%. Ag Solutions achieved double-digit growth outside of North America (more than 80% of segment revenue), which was offset by a more than 40% decline in North America. The decline in North America resulted from the continued reduction in distributor channel inventories, decreased demand for pesticides due to lower pest pressures, and lower market share. The company stated that it has made changes to its sales force and product development initiatives and expects these efforts to improve business results over time. Performance Solutions' organic revenue declined primarily due to weakness in the electronics market in Asia, which the company noted should return to growth in the second half of the year.

Platform's organic EBITDA was down nearly 6%, as the growth in Performance Solutions and cost synergies were more than offset by the decline in Ag Solutions and higher corporate costs. In Performance Solutions, organic EBITDA increased 4%, as an improved sales mix of higher-margin products and cost synergies more than offset an increase in corporate expenses. In Ag Solutions, organic EBITDA declined 15%, as the higher sales mix of lower-margin products and the declines in the relatively higher-margin North American business more than offset increased cost synergies. Reported EBITDA declined 10% due to the negative headwinds from FX. As a result, EPS declined 36% due to the negative impact of financial leverage.

While Platform delivered mixed performance for the quarter, we are starting to see business progress under Platform's new CEO Rakesh Sachdev. We think highly of Rakesh and believe he possesses the necessary leadership qualities and experience to improve the performance of Platform.

Restaurant Brands International Inc. (QSR)

Restaurant Brands reported another strong quarter of underlying earnings in the second quarter of 2016. The company continued to deliver strong net unit growth at both concepts while substantially improving Tim Hortons' cost structure. Same-store-sales growth decelerated from prior quarters against a backdrop of slowing growth for the U.S. fast-food industry.

Same-store-sales for the quarter grew nearly 1% at Burger King and 3% at Tim Hortons. Same-store-sales for Burger King's U.S. business declined 1% in the second quarter, due in part to the industry slowdown and a tough comparison against nearly 8% growth in last year's second quarter. Over time, we expect Burger King's U.S. same-store sales to increase at a healthy rate as the company narrows the sales gap with its key U.S. competitors. Net units grew 4% and the development pipeline remains strong. As a result of same-store-sales and net unit growth, Restaurant Brands' organic revenue grew 4%.

The company continued to reduce Tim Hortons' overhead costs and improve margins in its franchised operations and distribution businesses. As a result of strong top-line trends and cost reduction initiatives, Restaurant Brands grew organic EBITDA 16% this quarter. Although the strengthening USD remained a headwind, Restaurant Brands' reported EBITDA grew 12%.

Valeant Pharmaceuticals International (VRX)

At the time of our last financial report in March, Steve Fraidin and I had just joined the board of Valeant in an attempt to stabilize and enhance our investment in the company. Since we joined the board, the company has hired Joe Papa, an extremely capable and talented CEO, the substantial majority of the board has been replaced, the company has returned to filing its financial reports in a timely fashion, its bank debt has been successfully modified to substantially reduce the risk of covenant default, a highly credible and experienced CFO, Paul Herendeen, and General Counsel, Christina Ackermann, have joined the company, a new strategy and new financial reporting structure have been announced, and approximately $8 billion of assets are being evaluated for potential disposition.

As a result of the above developments, we believe that Valeant has been successfully stabilized and is on the path to recovery. While we still expect the occasional negative press article about the company due to the ongoing government investigations and civil litigation, continued business progress should begin to focus investors and the public's attention on the company's high quality brands and products and its mission to improve patients' lives. With improved business performance, cash generation and leverage reduction, we expect Valeant's stock price to increase substantially from current levels.

Valeant reported Adjusted EBITDA of $1.09 billion in the quarter and Adjusted EPS of $1.40. This represented sequential improvement vs. Q1 as the business continues to stabilize following the disruption from the events of the fall / winter of 2015.

Management reaffirmed full year 2016 guidance of $4.80 to $4.95 billion of Adjusted EBITDA and Adjusted EPS of $6.60 to $7.00. On the earnings call, management discussed some of the key factors which are likely to accelerate growth through the end of the year including: increased profitability in dermatology, an acceleration in script growth at Salix (principally Xifaxan), emerging markets growth, the launch of Relistor Oral and traditional seasonality in the business.

Management announced specific actions the company has taken in recent weeks to return the dermatology business to profitable growth, including progress in improving the Walgreens distribution arrangement (beginning August 5, 2016), the launch of a coupon program for independent pharmacies (June 27th), a new prior authorization program administered by CoverMyMeds (August 4, 2016) and enhanced pharmacist training and education. Each of these initiatives should help improve the profitability of the dermatology franchise which has been challenged in recent quarters. On the earnings call, management discussed a plan to reduce the cost structure in-line with the current revenue base driven by consolidation of duplicative functions, vendor rationalization and other efficiencies.

The company introduced a new financial reporting structure which will be rolled out later this year. The business will now be aligned across three verticals: (1) Bausch + Lomb / International ("Durable Growth"), (2) Branded Rx ("Growth") and (3) U.S. Diversified Products ("Cash Generating"). This new disclosure provides a more logical and informative description of Valeant's different businesses, which when coupled with greater disclosure, provides investors with a more complete understanding of Valeant's growth trajectory, business durability and quality. Because Valeant's higher quality growth businesses – which represent 80% of revenue – are expected to grow rapidly, while the company's lower quality businesses – which currently represent 20% of revenues – are declining, over time Valeant's overall growth rate and business quality and cash flow durability should improve. This should lead investors to pay a higher valuation for the company over time.

In conjunction with the new reorganization, Valeant announced promotions of current executives and the hiring of three new executives: Christina Ackermann (EVP, General Counsel), Scott Hirsch (SVP, Business Strategy and Communications) and Sam Eldessouky (SVP, Corporate Controller and Chief Accounting Officer). On August 22, 2016, Valeant announced that Paul Herendeen, previously the CFO of Zoetis, would become CFO of the company. We think Paul is a superb choice in light of his long-term track record as a public company CFO in the specialty pharmaceutical industry, including his experience in turnarounds, highly leveraged situations, and his recent tenure at Zoetis where he led a substantial cost reduction initiative. We were very impressed with the work Paul did at Zoetis and are delighted to be working with him at Valeant.

Management reiterated its expectation to substantially reduce leverage in the coming months. The company expects to reduce debt by more than $5 billion over the next 18 months funded primarily by cash flow and to a lesser extent by asset sales. Management announced that it had identified non-core assets which represent a transaction value of

~$8 billion or 11 times EBITDA (based on comparable assets sales and/or unsolicited indications of interest) which are being evaluated for divestment. Valeant owns a large collection of highly marketable assets which, due to the highly acquisitive and well-capitalized nature of the pharma sector, should be able to achieve attractive transaction values in our view.

Lastly, management noted that while the company is projected to be in compliance with its financial maintenance covenants under the bank debt through 2016 at current guidance, the "cushion is not as large" as management would like it to be. As a result, the company has negotiated a favorable modification of its bank credit facilities to reduce EBITDA maintenance covenants and permit a greater amount of asset sales.

There is still a lot more work to do, but we are pleased with the company's progress over the last several months.

Zoetis Inc. (ZTS)

Zoetis delivered another exceptional quarter of performance. Organic revenue growth was +4%, driven by +13% growth in Zoetis' companion animal segment. Excluding the revenue impact of the company's operational efficiency initiatives, organic revenue growth was 9%. Management's execution of its operational efficiency initiative continues to be excellent. SG&A as a percentage of sales fell by 180bps in the quarter, year-over-year and gross margins expanded 240bps. While we have sold a substantial portion of our investment to raise capital for new investments, we continue to believe that Zoetis' history of strong organic growth and margin expansion will continue.

Foreign Currency

In order to hedge currency exposure with respect to certain portfolio companies with non-U.S. revenues and earnings, we may enter into forward contracts or purchase currency options. For example, we have historically hedged substantial portions of Canadian Pacific's and Restaurant Brands' Canadian Dollar exposures.

Exited Positions

Canadian Pacific Railway Limited (CP)

On August 4, 2016 we sold our remaining 9.8 million shares of Canadian Pacific. This sale marked the end of our five-year investment in CP, which was a noteworthy success. I have agreed to continue on the board up until the next annual meeting or until qualified replacement directors have joined the board.

We initiated our investment in Canadian Pacific in the fall of 2011. Prior to our investment, CP had meaningfully underperformed its closest competitor, Canadian National ("CN"), and the other North American railroads in nearly all key operating measures for more than a decade, a performance deficit best illustrated by CP's operating margin of 19%, or about half of CN's 37% margins at the time. As a result of this underperformance, CP's shares had languished behind competitors and its potential for many years.

After performing due diligence on the Company for several months, we concluded that CP's network and assets had no structural deficiencies relative to competitors, and that with proper leadership and an operational transformation we believed that CP could produce margins approaching industry-best levels, an achievement which would lead to substantial improvements in earnings and cash flow and drive significant long-term shareholder value. These views were in stark contrast to the incumbent management team's and board's assertions that CP was structurally limited, an opinion which was widely accepted by the investment community due to years of the company's poor performance. During our research we learned about, and eventually developed a relationship with, Hunter Harrison, a legendary railroad executive who had twice before doubled the margins and transformed industry-lagging railroads. We were confident Hunter could repeat this feat for a third time if given the opportunity to fix CP.

We bought a 14% ownership stake in CP and subsequently engaged with CP's Chairman, CEO, and board of directors to explain our views on the company's underperformance and its potential for improvement under Hunter's leadership. We stated our and Hunter's view that under his leadership CP's margins could conservatively improve to 35% over four years or by 2015.

Despite our well-researched views and plans to create long-term shareholder value by installing Hunter Harrison as CEO, CP's legacy board resisted our suggestions and backed the status quo. We therefore had no choice but to run a proxy contest to solicit the support of shareholders to decide the path forward for their company. We proposed to CP's shareholders the nomination of seven new directors, including two Pershing Square representatives. In May 2012, all seven of our director nominees were elected to the CP board, each with the support of at least 85% of CP's shareholders. The six CP directors who received the fewest votes, including CP's incumbent chairman and its CEO, resigned from the board, and the new board proceeded to launch a search for a new CEO. The board shortly thereafter unanimously chose to elect Hunter Harrison as CEO.

Hunter and his successor Keith Creel proceeded to make rapid improvements to the business. Operating margins improved at a faster pace and to better levels than we had communicated to investors with CP delivering a 39% margin in 2015 and an expected 41% margin in 2016 based on the company's guidance. As a result, the company's cash flow grew rapidly allowing CP to substantially increase its investment in the railroad, improving the network, which along with the railroad's newly implemented precision scheduled operating model allowed for a dramatic improvement in service to customers.

As a result of Hunter's, Keith's and the team's efforts, CP's earnings power has more than tripled since our investment and its share price has increased from the day-before our investment price of $46 CAD (and our average cost of $56 CAD) to $197 CAD per share[v] currently. While activist investors are often accused of focusing on shareholder value at the expense of creditors – this has not been the case with Pershing Square – CP's bonds over the course of our involvement have been rerated from barely BBB-/Baa3 to BBB+/Baa1 today, and its pension deficit, when we joined the board of more than $1 billion, is now in surplus.

Today, CP has a strong board and management team, has become a best-in class-operator, serves its customers with better and more timely service, has a much better maintained and significantly enhanced network, and is thus built to thrive over the long term. During our tenure at CP, all stakeholders have benefited enormously. We are incredibly grateful to Hunter and entire management team and board at CP for achieving these remarkable results.

ORGANIZATION UPDATE

Recent events have reminded us of the importance and potential impact of legal, regulatory, reputational, and political issues on our portfolio companies. While we have always considered these factors in analyzing and monitoring investments, we believe our investment process would be enhanced by having a member of the investment team who is entirely dedicated to focusing on these issues with respect to existing holdings and new investments. Jenna Dabbs recently joined the investment team to take on this role. Jenna has been a member of the legal team since January 2015. Previously Jenna spent eight years with the Department of Justice in the Southern District of New York as a Federal Prosecutor.

Jordan Rubin, a member of the investment team, will be departing shortly to pursue a startup venture outside the investment management industry. We wish Jordan great success in his new venture.

Thank you for your continued support. Please feel free to contact the Investor Relations team or me if you have questions about any of the above.

Sincerely,

William A. Ackman

[v] The performance of Canadian Pacific share price is provided for illustrative purposes only and is not an indication of future returns of PSH.

FOOTNOTES TO INVESTMENT MANAGER'S REPORT

1 Net returns include the reinvestment of all dividends, interest, and capital gains and reflect the deduction of, among other things, brokerage commissions, administrative expenses, management fees and historical or accrued incentive fees (if any). Performance results provided herein also assume an investor has been invested in the Company since inception and participated in any "new issues" as such term is defined under Rules 5130 and 5131 of FINRA.

2 The inception date for the Company is December 31, 2012. The performance data presented on page 4 for the S&P 500 under "Cumulative (Since Inception)" is calculated from December 31, 2012.

3 The S&P 500 ("index") has been selected for purposes of comparing the performance of an investment in the Company with a well-known, broad-based equity benchmark. The statistical data regarding the index has been obtained from Bloomberg and the returns are calculated assuming all dividends are reinvested. The index is not subject to any of the fees or expenses to which PSH is subject. PSH is not restricted to investing in those securities which comprise this index, its performance may or may not correlate to this index and it should not be considered a proxy for this index. The volatility of an index may materially differ from the volatility of PSH's portfolio. The S&P 500 is comprised of a representative sample of 500 U.S. large cap companies. The index is an unmanaged, float-weighted index with each stock's weight in the index in proportion to its float, as determined by Standard & Poor's. The S&P 500 index is proprietary to and is calculated, distributed and marketed by S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC), its affiliates and/or its licensors and has been licensed for use. S&P® and S&P 500®, among other famous marks, are registered trademarks of Standard & Poor's Financial Services LLC. © 2016 S&P Dow Jones Indices LLC, its affiliates and/or its licensors. All rights reserved.

4 This report reflects the attributions to performance of the portfolio of the Company. Positions with performance attributions of at least 50 basis points are listed above separately, while positions with performance attributions of 50 basis points or less are aggregated.

The attributions presented herein are based on gross returns which do not reflect deduction of certain fees or expenses charged to the Company, including, without limitation, management fees and accrued incentive fee (if any). Inclusion of such fees and expenses would produce lower returns than presented here.

In addition, at times, PSCM may engage in hedging transactions to seek to reduce risk in the portfolio, including investment specific hedges that do not relate to the underlying securities of an issuer in which the Company is invested. The gross returns reflected herein (i) include only returns on the investment in the underlying issuer and the hedge positions that directly relate to the securities that reference the underlying issuer (e.g., if the Company was long Issuer A stock and also purchased puts on Issuer A stock, the gross return reflects the profit/loss on the stock and the profit/loss on the put); (ii) do not reflect the cost/benefit of hedges that do not relate to the securities that reference the underlying issuer (e.g., if the Company was long Issuer A stock and short Issuer B stock, the profit/loss on the Issuer B stock is not included in the gross returns attributable to the investment in Issuer A); and (iii) do not reflect the cost/benefit of portfolio hedges. Performance with respect to currency hedging related to a specific issuer is included in the overall performance attribution of such issuer. All other currency positions are aggregated.

The performance attributions to the gross returns provided herein are for illustrative purposes only. The securities on this list may not have been held by the Company for the entire calendar year. All investments involve risk including the loss of principal. It should not be assumed that investments made in the future will be profitable or will equal the performance of the securities on this list. It should not be assumed that investments made in the future will be profitable. Past performance is not indicative of future results. Please refer to the net performance figures presented on page 4.

Limitations of Performance Data

Past performance is not necessarily indicative of future results. All investments involve risk including the loss of principal. This report does not constitute a recommendation, an offer to sell or a solicitation of an offer to purchase any security or investment product. This report contains information and analyses relating to all publicly disclosed positions above 50 basis points in the Company's portfolio during 2016. PSCM may currently or in the future buy, sell, cover or otherwise change the form of its investment in the companies discussed in this report for any reason. PSCM hereby disclaims any duty to provide any updates or changes to the information contained here including, without limitation, the manner or type of any PSCM investment.

Forward-Looking Statements

This report also contains forward-looking statements, which reflect PSCM's views. These forward-looking statements can be identified by reference to words such as "believe", "expect", potential", "continue", "may", "will", "should", "seek", "approximately", "predict", "intend", "plan", "estimate", "anticipate" or other comparable words. These forward-looking statements are subject to various risks, uncertainties and assumptions. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. Should any assumptions underlying the forward-looking statements contained herein prove to be incorrect, the actual outcome or results may differ materially from outcomes or results projected in these statements. None of the Company, PSCM or any of their respective affiliates undertakes any obligation to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by applicable law or regulation.

Statement of the Directors

The Directors are responsible for preparing this unaudited report and condensed interim financial statements, which have been reviewed but not audited by an independent auditor, and are required to:

- Prepare the unaudited condensed interim financial statements in accordance with Disclosure and Transparency Rules ("DTR") 4.2.4R and International Accounting Standard 34: *Interim Financial Reporting*;
- Include a fair review of the information required by DTR 4.2.7R, being important events that have occurred during the period and their impact on the unaudited report and condensed interim financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year;
- Include a fair review of information required by DTR 4.2.8R, being related party transactions that have taken place during the period which have had a material effect on the financial position or performance of the Company;
- Prepare the unaudited report and condensed interim financial statements in accordance with applicable Dutch law.

The Directors confirm that the unaudited report and condensed interim financial statements comply with the above requirements.

Conformity statement pursuant to section 5:25d paragraph 2(c) of the Dutch Financial Supervision Act (Wet op het financieel toezicht):

The Board of Directors is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for:

- Selecting suitable accounting policies and applying them consistently;
- For making judgments and estimates that are reasonable; and
- Establishing and maintaining internal procedures which ensure that all major financial information is known to the Board of Directors, so that the timeliness, completeness and correctness of the external financial reporting are assured.

As required by section 5:25d paragraph 2(c) of the Dutch Financial Supervision Act (Wet op het financieel toezicht), the Directors confirm that to the best of their knowledge:

- The Company's unaudited condensed interim financial statements for the period ended June 30, 2016 give a true and fair view of the assets, liabilities, financial position and loss of the Company for the period; and
- The interim report for the period ended June 30, 2016 includes a true and fair review of the information for the Company required pursuant to article 5:25d, paragraphs 8 and 9 of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

/s/ Anne Farlow
Anne Farlow
Chairman of the Board
August 26, 2016

/s/ Richard Battey
Richard Battey
Director
August 26, 2016

Independent Review Report to Pershing Square Holdings, Ltd.

INTRODUCTION

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the six months ended June 30, 2016 which comprises the Condensed Interim Statement of Financial Position, Condensed Interim Statement of Comprehensive Income, Condensed Interim Statement of Changes in Net Assets Attributable to Management Shareholders, Condensed Interim Statement of Changes in Equity, Condensed Interim Statement of Cash Flows and the related notes 1 to 11. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

DIRECTORS' RESPONSIBILITY

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with International Accounting Standards 34, "Interim Financial Reporting".

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting".

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended June 30, 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34.

/s/ Ernst & Young LLP
Ernst & Young LLP
Guernsey
August 26, 2016

Condensed Interim Statement of Financial Position

(Stated in United States Dollars)

	Notes	June 30, 2016 Unaudited	December 31, 2015 Audited
Assets			
Cash and cash equivalents		$ 1,482,995,358	$ 420,414,449
Due from brokers		611,287,347	594,122,857
Trade and other receivables		9,097,242	9,171,399
Financial assets at fair value through profit or loss			
Investments in securities	4	2,850,646,549	5,356,209,177
Derivative financial instruments	4	886,520,852	499,385,851
Total assets		**$ 5,840,547,348**	**$ 6,879,303,733**
Liabilities			
Due to brokers		$ 100,376,134	$ 132,377,617
Trade and other payables		3,350,008	2,698,530
Financial liabilities at fair value through profit or loss			
Securities sold, not yet purchased	4	422,185,904	387,055,112
Derivative financial instruments	4	184,558,677	125,974,203
Bonds	10	1,012,630,757	1,014,688,599
Liabilities excluding net assets attributable to management shareholders		1,723,101,480	1,662,794,061
Net assets attributable to management shareholders	6	145,869,997	183,368,504
Total liabilities		**1,868,971,477**	**1,846,162,565**
Equity			
Share capital	6	6,003,372,824	6,003,372,824
Accumulated deficit		(2,031,796,953)	(970,231,656)
Total equity(1)		**3,971,575,871**	**5,033,141,168**
Total liabilities and equity		**$ 5,840,547,348**	**$ 6,879,303,733**
Net assets attributable to Public Shares		$ 3,971,470,570	$ 5,033,007,719
Public Shares in issue		240,128,546	240,128,546
Net assets per Public Share		$ 16.54	$ 20.96
Net assets attributable to Management Shares		$ 145,869,997	$ 183,368,504
Management Shares in issue		8,500,796	8,500,796
Net assets per Management Share		$ 17.16	$ 21.57
Net assets attributable to Class B Shares		$ 105,301	$ 133,449
Class B Shares in issue		5,000,000,000	5,000,000,000
Net assets per Class B Share		$ 0.00002	$ 0.00003

(1) Total equity of the Company is comprised of the aggregate net asset values of all Public Shares and Class B Shares. Under IFRS, non-redeemable Management Shares are classified as financial liabilities rather than equity. See Note 2 on page 23 for further details.

The accompanying notes form an integral part of these condensed interim financial statements.

Condensed Interim Statement of Comprehensive Income

(Stated in United States Dollars)

	Notes	2016 Unaudited	2015 Unaudited
Investment gains and losses			
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss		$ (975,372,033)	$ 313,225,056
Net realized gain/(loss) on commodity interests		(43,520,906)	(1,062,782)
Net change in unrealized gain/(loss) on commodity interests (net of brokerage commissions of $424,043 (2015: $350,480))		(25,880,864)	(1,747,612)
	4	(1,044,773,803)	310,414,662
Income			
Dividend income		26,367,140	17,314,215
Interest income		401,777	71,400
		26,768,917	17,385,615
Expense			
Management fees	8	(32,918,265)	(48,490,289)
Incentive fees	8	–	(39,027,062)
Interest expense		(34,033,199)	(7,348,666)
Professional fees		(6,325,700)	(12,783,737)
Other expenses		(489,472)	(750,803)
		(73,766,636)	(108,400,557)
Profit/(loss) for the period before tax attributable to equity and management shareholders		**(1,091,771,522)**	**219,399,720**
Withholding tax (dividends)		(7,292,282)	(4,035,936)
Profit/(loss) for the period attributable to equity and management shareholders		**(1,099,063,804)**	**215,363,784**
Profit/(loss) attributable to management shareholders		(37,498,507)	10,471,709
Profit/(loss) for the period attributable to equity shareholders		**$ (1,061,565,297)**	**$ 204,892,075**
Earnings per share (basic & diluted) [(1)]			
Public Shares		$ (4.42)	$ 0.85
Class B Shares		$ (0.00)	$ 0.00

All the items in the above statement are derived from continuing operations.

There is no other comprehensive income for the periods ended June 30, 2016 and June 30, 2015.

(1) EPS is calculated using the profit/(loss) for the period attributable to equity shareholders divided by the weighted average shares outstanding over the period.

The accompanying notes form an integral part of these condensed interim financial statements.

Condensed Interim Statement of Changes in Net Assets Attributable to Management Shareholders

(Stated in United States Dollars)

		Net Assets Attributable to Management Shareholders
As at December 31, 2015	$	183,368,504
Profit/(loss) attributable to management shareholders		(37,498,507)
As at June 30, 2016 (Unaudited)	**$**	**145,869,997**

		Net Assets Attributable to Management Shareholders
As at December 31, 2014	$	227,226,260
Profit/(loss) attributable to management shareholders		10,471,709
As at June 30, 2015 (Unaudited)	**$**	**237,697,969**

The accompanying notes form an integral part of these condensed interim financial statements.

Condensed Interim Statement of Changes in Equity

(Stated in United States Dollars)

	Share Capital	Accumulated deficit	Total Equity
As at December 31, 2015[(1)]	**$ 6,003,372,824**	**$ (970,231,656)**	**$ 5,033,141,168**
Total profit/(loss) for the period attributable to equity shareholders	-	(1,061,565,297)	(1,061,565,297)
As at June 30, 2016 (Unaudited)[(1)]	**$ 6,003,372,824**	**$ (2,031,796,953)**	**$ 3,971,575,871**

	Share Capital	Retained Earnings	Total Equity
As at December 31, 2014[(1)]	**$ 6,003,372,824**	**$ 329,773,983**	**$ 6,333,146,807**
Total profit/(loss) for the period attributable to equity shareholders	-	204,892,075	204,892,075
As at June 30, 2015 (Unaudited)[(1)]	**$ 6,003,372,824**	**$ 534,666,058**	**$ 6,538,038,882**

(1) Total equity of the Company is comprised of the aggregate net asset values of all Public Shares and Class B Shares. Under IFRS, non-redeemable Management Shares are classified as financial liabilities rather than equity. See Note 2 on page 23 for further details.

The accompanying notes form an integral part of these condensed interim financial statements.

Condensed Interim Statement of Cash Flows

(Stated in United States Dollars)

	Notes	2016 Unaudited	2015 Unaudited
Cash flows from operating activities			
Profit/(loss) for the period attributable to equity and management shareholders		$ (1,099,063,804)	$ 215,363,784
Adjustments to reconcile changes in profit/(loss) for the period to net cash flows:			
Bond interest expense	10	28,321,996	786,925
Bond interest paid	10	(30,402,778)	–
(Increase)/decrease in operating assets:			
Due from brokers		(17,164,490)	(102,117,391)
Trade and other receivables		74,157	(1,018,298)
Investments in securities	4	2,505,562,628	257,030,568
Derivative financial instruments	4	(387,135,001)	46,314,901
Increase/(decrease) in operating liabilities:			
Due to brokers		(32,001,483)	(62,194,297)
Trade and other payables		674,418	(69,777,668)
Securities sold, not yet purchased	4	35,130,792	(81,202,687)
Derivative financial instruments	4	58,584,474	(5,867,266)
Net cash (used in)/from operating activities		**1,062,580,909**	**197,318,571**
Cash flows from financing activities			
Proceeds from issuance of the Bonds	10	–	1,000,000,000
Expenses relating to issuance of the Bonds	10	–	(10,863,610)
Net cash (used in)/from financing activities		**–**	**989,136,390**
Net change in cash and cash equivalents		1,062,580,909	1,186,454,961
Cash and cash equivalents at beginning of period		420,414,449	565,809,913
Cash and cash equivalents at end of period		**$ 1,482,995,358**	**$ 1,752,264,874**
Supplemental disclosure of cash flow information			
Cash paid during the period for interest		$ 36,742,691	$ 6,538,490
Cash received during the period for interest		$ 377,838	$ 53,659
Cash received during the period for dividends		$ 26,174,917	$ 15,738,937
Cash deducted during the period for withholding taxes		$ 7,264,926	$ 3,631,022

The accompanying notes form an integral part of these condensed interim financial statements.

Notes to the Condensed Interim Financial Statements

1. CORPORATE INFORMATION

Organization

The Company was incorporated with limited liability under the laws of the Bailiwick of Guernsey on February 2, 2012. It became a registered open-ended investment scheme, under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 and the Registered Collective Investment Scheme Rules 2008 (issued by the Guernsey Financial Services Commission, the "GFSC"), on June 27, 2012, and commenced operations on December 31, 2012.

On October 2, 2014, the GFSC approved the conversion of the Company into a registered closed-ended investment scheme under the Protection of Investors Law and the 2008 Rules.

The Company's registered office is at 1st Floor, Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey, Channel Islands.

The latest traded price of the Public Shares is available on Reuters, Bloomberg and Euronext Amsterdam. A copy of the Prospectus of the Company is available from the Company's registered office and on the Company's website (www.pershingsquareholdings.com).

Investment Objective

The Company's investment objective is to preserve capital and to seek maximum, long-term capital appreciation commensurate with reasonable risk. The Company seeks to achieve its investment objective through long and short positions in equity or debt securities of public U.S. and non-U.S. issuers (including securities convertible into equity or debt securities), derivative instruments and any other financial instruments that the Investment Manager believes will achieve the Company's investment objective.

Investment Manager

The Company has appointed PSCM as its investment manager pursuant to an agreement between the Company and PSCM. The Investment Manager has responsibility, subject to the overall supervision of the Board of Directors, for the investment of the Company's assets in accordance with the strategy set forth in the Prospectus. The Company delegates certain administrative functions relating to the management of the Company to PSCM. William A. Ackman is the managing member of PS Management GP, LLC, the general partner of PSCM.

Board of Directors

The Chairman of the Board is Anne Farlow. The other independent, non-executive Directors are Richard Battey, Jonathan Kestenbaum and William Scott. Nicholas Botta, the Chief Financial Officer and a partner of the Investment Manager, is also a non-executive Director.

Audit Committee

The Company has an audit committee (the "Audit Committee") that is comprised of Ms Farlow and Messrs Battey, Kestenbaum and Scott. Mr Battey was appointed as Chairman of the Audit Committee. The Audit Committee's responsibilities may include, but are not limited to, the appointment of external auditors, discussion and agreement with the external auditors as to the nature and scope of the audit, review of the scope, results and cost effectiveness of the audit and the independence and objectivity of the external auditor, review of the external auditors' letter of engagement and management letter and review of the key procedures adopted by the Company's service providers. The Audit Committee reports regularly and makes such recommendations as it deems appropriate to the Board on any matter within its remit.

Prime Brokers

Pursuant to prime broker agreements, Goldman Sachs & Co. and UBS Securities LLC (the "Prime Brokers") both serve as custodians and primary clearing brokers for the Company.

Administrator and Sub-Administrator

Pursuant to an administration and sub-administration agreement dated April 2, 2012, Elysium Fund Management Limited (the "Administrator") and Morgan Stanley Fund Services (Bermuda) Ltd. (the "Sub-Administrator") have been appointed as administrator and sub-administrator, respectively, to the Company. The Administrator provides certain administrative and accounting services including the maintenance of the Company's accounting and statutory records.

The Administrator delegates certain of these services to the Sub-Administrator. The Administrator and Sub-Administrator receive customary fees, plus out of pocket expenses, based on the nature and extent of services provided.

Notes to the Condensed Interim Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The condensed interim financial statements of the Company for the six months ended June 30, 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The accounting principles used to prepare these unaudited condensed interim financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are consistent with those set out in the notes to the annual financial statements for the year ended December 31, 2015. The condensed interim financial statements have been prepared on a historical-cost basis, except for financial assets and financial liabilities designated at fair value through profit or loss that have been measured at fair value. The unaudited condensed interim financial statements do not include all of the information and disclosures required for full annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2015.

After making reasonable inquiries and assessing all data relating to the Company's liquidity, particularly its holding of cash and Level 1 assets, the Investment Manager and the Directors believe that the Company is well placed to manage its business risks, has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Company. For these reasons, they have adopted the going concern basis in preparing the annual and condensed interim financial statements.

Net Assets Attributable to Management Shareholders

Non-redeemable Management Shares can be converted into a variable number of Public Shares based upon the net asset values as of the last day of each calendar month and are therefore classified as financial liabilities in accordance with IFRS. At no time can non-redeemable Management Shares be redeemed in cash at the option of the management shareholders. Net assets attributable to Management Shares are accounted for on an amortized cost basis at the net asset value calculated in accordance with IFRS. The change in the net assets attributable to Management Shares, other than that arising from share issuances or conversions, is recognized in the condensed interim statement of comprehensive income.

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The following relevant standards, which have been issued by the IASB, have an effective date after the date of these condensed interim financial statements:

International Accounting Standards (IAS/IFRS)	Description	Effective Date
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018

The Directors have chosen not to early adopt the above standards and amendments and other standards issued by the IASB which have an effective date after the date of these condensed interim financial statements. The Directors do not anticipate that these standards and amendments would have an impact on the Company's annual and condensed interim financial statements in the period of initial application, with the exception of IFRS 9. However, a full assessment of the standards and amendments has not yet been performed.

Notes to the Condensed Interim Financial Statements (continued)

4. FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss:

	June 30, 2016	December 31, 2015
Financial assets at fair value through profit or loss		
Investments in securities	$ 2,850,646,549	$ 5,356,209,177
Derivative financial instruments	886,520,852	499,385,851
Financial assets at fair value through profit or loss	**$ 3,737,167,401**	**$ 5,855,595,028**

Financial liabilities at fair value through profit or loss:

	June 30, 2016	December 31, 2015
Financial liabilities at fair value through profit or loss		
Securities sold, not yet purchased	$ 422,185,904	$ 387,055,112
Derivative financial instruments	184,558,677	125,974,203
Financial liabilities at fair value through profit or loss	**$ 606,744,581**	**$ 513,029,315**

Net changes in fair value of financial assets and financial liabilities through profit or loss:

	6 Months Ended June 30, 2016			6 Months Ended June 30, 2015		
	Realized	Unrealized	Total Gains/(Losses)	Realized	Unrealized	Total Gains/(Losses)
Financial assets						
Designated at fair value through profit or loss	$ 95,073,049	$ (810,204,067)	**$ (715,131,018)**	$ 779,276,893	$ (323,109,722)	**$ 456,167,171**
Financial liabilities						
Designated at fair value through profit or loss	(42,833,669)	9,261,514	**(33,572,155)**	(56,291,848)	(111,653,361)	**(167,945,209)**
Derivative financial instruments	(320,703,502)	24,632,872	**(296,070,630)**	6,242,340	15,950,360	**22,192,700**
Net changes in fair value	$ (268,464,122)	$ (776,309,681)	**$ (1,044,773,803)**	$ 729,227,385	$ (418,812,723)	**$ 310,414,662**

5. FAIR VALUE OF ASSETS AND LIABILITIES

Fair Value Hierarchy

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgment and considers factors specific to the asset or liability. Financial instruments are recognized at fair value and categorized in the following table based on:

Level 1 – Inputs are unadjusted quoted prices in active markets at the measurement date. The assets and liabilities in this category will generally include equities listed in active markets, treasuries (on the run) and listed options.

Level 2 – Inputs (other than quoted prices included in Level 1) are obtained directly or indirectly from observable market data at the measurement date. The assets and liabilities in this category will generally include fixed income securities, OTC options, total return swaps, credit default swaps, foreign currency forward contracts and certain other derivatives. Also, included in this category are the Company's investments in affiliated entities valued at the net asset value, which can be redeemed by the Company as of the measurement date, or within 90 days of the measurement date.

Level 3 – Inputs, including significant unobservable inputs, reflect the Company's best estimate of what market participants would use in pricing the assets and liabilities at the measurement date. The assets and liabilities in this category will generally include private investments and certain other derivatives.

Notes to the Condensed Interim Financial Statements (continued)

5. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

Recurring Fair Value Measurement of Assets and Liabilities

	June 30, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000	$000	$000	$000	$000
Financial Assets:								
Equity Securities:								
Common Stock	$2,755,082	$ -	$ -	$2,755,082	$5,268,514	$ -	$ -	$ 5,268,514
Preferred Stock	5,911	232	-	6,143	5,688	150	-	5,838
Investment in Affiliated Entity	-	89,422 ④	-	89,422	-	81,858 ④	-	81,858
Derivative Contracts:								
Currency Call/Put Options Purchased	-	18,776 ①	-	18,776	-	106,915 ①	-	106,915
Equity Forwards	-	-	-	-	-	20,768 ①	-	20,768
Equity Options Purchased	-	800,717 ①	-	800,717	682	282,014 ①	-	282,696
Foreign Currency Forward Contracts	-	3,501 ①	-	3,501	-	40,780 ①	-	40,780
Total Return Swaps	-	18,246 ②	-	18,246	-	2,664 ②	-	2,664
Warrants	-	-	45,280 ③	45,280	-	-	45,562 ③	45,562
Total	$2,760,993	$ 930,894	$ 45,280	$3,737,167	$5,274,884	$ 535,149	$ 45,562	$ 5,855,595

	June 30, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000	$000	$000	$000	$000
Financial Liabilities:								
Equity Securities:								
Common Stock	$ 422,186	$ -	$ -	$ 422,186	$ 387,055	$ -	$ -	$ 387,055
Derivative Contracts:								
Credit Default Swaps	-	192 ①	-	192	-	400 ①	-	400
Currency Call/Put Options Written	-	298 ①	-	298	-	9,556 ①	-	9,556
Equity Options Written	-	179,693 ①	-	179,693	-	52,730 ①	-	52,730
Total Return Swaps	-	4,376 ②	-	4,376	-	63,288 ②	-	63,288
Net assets attributable to management shareholders	-	-	145,870 ⑤	145,870	-	-	183,369 ⑤	183,369
Total	$ 422,186	$ 184,559	$ 145,870	$ 752,615	$ 387,055	$ 125,974	$ 183,369	$ 696,398

① Level 2 securities include OTC currency call/put options, equity options, equity forwards, foreign currency forward contracts and credit default swap contracts that are fair valued by the Investment Manager using prices received from an independent third-party valuation agent. The fair values of these securities may consider, but are not limited to, the following inputs by the independent third-party valuation agent: current market and contractual prices from market makers or dealers, market standard pricing models that consider the time value of money, volatilities of the underlying financial instruments and/or current foreign exchange forward and spot rates. The independent third-party valuation agent uses widely recognized valuation models for determining fair values of OTC derivatives. The most frequently applied valuation techniques include forward pricing, option models and swap models, using present value calculations. The significant inputs into their valuation models are market observable and are included within Level 2.

② Level 2 securities include total return swap contracts that are fair valued by the Investment Manager using market observable inputs. The fair values of these securities may consider, but are not limited to, the following inputs: market price of the underlying security, notional amount, expiration date, fixed and floating interest rates, payment schedules and/or dividends declared.

③ Level 3 investments include warrants that are fair valued by the Investment Manager using prices obtained from an independent third-party valuation agent. The independent third-party valuation agent utilizes proprietary models to determine fair value. The valuation agent's modeling may consider, but is not limited to, the following inputs: amount and timing of cash flows, current and projected financial performance, volatility of the underlying securities' stock price, dividend yields and/or interest rates. The valuation committee of the Investment Manager considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods be applied to support the valuation arising from the method discussed. Any material changes in valuation methods are discussed and agreed with the Board of Directors.

④ This relates to the Company's investment in PS V International, Ltd. ("PS V") as discussed in Note 9. The Company's investment in PS V includes 99.53% and 99.52% of Level 1 securities and 0.47% and 0.48% of other assets and liabilities that are outside the scope of IFRS 13 as of the six months ended June 30, 2016 and the year ended 2015, respectively.

⑤ Net assets attributable to management shareholders are classified as Level 3 and are valued based on their net asset value. In assessing the appropriateness of net asset value as a basis for fair value, consideration is given to the need for adjustments to that net asset value based on a variety of factors including liquidity and the timeliness and availability of accurate financial information. No such adjustments were deemed necessary. The movements for the period are disclosed in the condensed interim statement of changes in net assets attributable to management shareholders.

Notes to the Condensed Interim Financial Statements (continued)

5. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

The Company's cash and cash equivalents and short-term receivables and payables are recorded at carrying value which approximates fair value. The Bonds are classified as Level 1 financial liabilities and the carrying value of the Bonds is discussed further in Note 10.

Some of the Company's investments in Level 1 securities represent a significant proportion of the Company's portfolio. If such investments were sold or covered in their entirety, it might not be possible to sell them at the quoted market price which IFRS requires to be used in determining their fair value. Many factors affect the price that could be realized for large investments. The Investment Manager believes that it is difficult to accurately estimate the potential discount or premium to the quoted market prices that the Company would receive or realize if investments that represent a significant proportion of the Company's portfolio were sold or covered.

Transfers Between Levels

Transfers between levels during the period are determined and deemed to have occurred at each financial statement reporting date. There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements of material significance since the last financial statement reporting date.

Level 3 Reconciliation

The following table summarizes the change in the carrying amounts associated with Level 3 investments for the period ended June 30, 2016 and the year ended December 31, 2015.

		Warrants
Balance at December 31, 2014	$	57,652,072
Total gains and losses in profit or loss		(12,090,283)
Balance at December 31, 2015	**$**	**45,561,789**
Total gains and losses in profit or loss		(282,197)
Balance at June 30, 2016	**$**	**45,279,592**
Total unrealized gains and losses for the period included in profit or loss for assets held at June 30, 2016	$	(282,197)
Total unrealized gains and losses for the year included in profit or loss for assets held at December 31, 2015	$	(12,090,283)

All gains and losses from Level 3 securities during the period/year are recognized in the net gain/(loss) on financial assets and financial liabilities at fair value through profit or loss in the condensed interim statement of comprehensive income.

6. SHARE CAPITAL

Authorized and Issued Capital

The Board of the Company is authorized to issue an unlimited number of Public Shares, Class B Shares, Management Shares, and such other shares, classes of shares or series as determined by the Board. All of the Company's share classes participate pro rata in the profits and losses of the Company based upon the share class's ownership of the Company at the time of such allocation.

Class B Shares are held by PS Holdings Independent Voting Company Limited ("VoteCo") which was established as a limited liability company with the sole objective to vote in the interest of the Company's shareholders as a whole. Class B Shares at all times carry 50.1% of the aggregate voting power in the Company. The Investment Manager has no affiliation with VoteCo. VoteCo is wholly owned by a trust established for the benefit of one or more charitable organizations.

The Investment Manager waived the management fee and/or the incentive fee with respect to shares issued to certain shareholders, including the Investment Manager itself and certain members, partners, officers, managers, employees or affiliates of the Investment Manager or certain other shareholders. Such persons hold Management Shares.

Lock-up

Mr. Ackman and other members of the management team and officers of the Investment Manager have each agreed with the Company to a lock-up of ten years commencing from October 1, 2014, of their aggregate Management Shares, less amounts (i) attributable to any sales required to pay taxes on income generated by the Company; (ii) required to be sold due to regulatory constraints, including, without limitation, sales required due to ownership limits; or (iii) attributable to sales following separation of employment from the Investment Manager. Under the terms of the lock-up arrangement, shares subject to lock up may from time to time be transferred to affiliates, provided that the transferee agrees to be subject to the remaining lock-up period.

As of June 30, 2016, total Management Shares outstanding were 8,500,796 with a value of $145,869,997 (December 31, 2015: $183,368,504).

Notes to the Condensed Interim Financial Statements (continued)

6. SHARE CAPITAL (continued)

Share Conversion

Subject to the terms of the lock-up agreements, holders of Management Shares will be entitled to convert into Public Shares at the current NAV as of the last day of each calendar month upon such days' prior written notice to the Company as the Board may determine.

Voting Rights

The holders of Public Shares have the right to receive notice of, attend and vote at general meetings of the Company.

Each Public Share and Management Share carries such voting power so that the aggregate issued number of Public Shares and Management Shares carries 49.9% of the total voting power of the aggregate number of voting shares in issue. Each Public Share carries one vote and each Management Share carries such voting power so that the total voting power of the Public Shares and Management Shares are pro-rated in accordance with their respective net asset values. Each Class B Share carries such voting power so that the aggregate issued number of Class B Shares carries 50.1% of the aggregate voting power in the Company.

Distributions

The Board may at any time declare and pay dividends (or interim dividends) based upon the financial position of the Company. No dividends shall be paid in excess of the amounts permitted by the Companies (Guernsey) Law, 2008 and without the prior consent of the Board and the Investment Manager. No dividends have been declared or paid for the periods ended June 30, 2016 and June 30, 2015.

The net asset values per share by class and shares outstanding as of June 30, 2016 and December 31, 2015, were as follows:

Class	Issuance Date	Shares Outstanding June 30, 2016	NAV per Share June 30, 2016	Shares Outstanding December 31, 2015	NAV per Share December 31, 2015
Management Shares	December 31, 2012	8,500,796.00	$ 17.16	8,500,796.00	$ 21.57
Public Shares	October 1, 2014	240,128,546.00	$ 16.54	240,128,546.00	$ 20.96
Class B Shares	October 1, 2014	5,000,000,000.00	$ 0.00	5,000,000,000.00	$ 0.00

The Public Shares, Management Shares and Class B Shares transactions for the six month period ended June 30, 2016 and the year ended December 31, 2015 were as follows:

	Management Shares	Public Shares	Class B Shares
Shares as of December 31, 2015	8,500,796.00	240,128,546.00	5,000,000,000.00
Issuance of Shares	-	-	-
Shares as of June 30, 2016	8,500,796.00	240,128,546.00	5,000,000,000.00

	Management Shares	Public Shares	Class B Shares
Shares as of December 31, 2014	8,500,796.00	240,128,546.00	5,000,000,000.00
Issuance of Shares	-	-	-
Shares as of December 31, 2015	8,500,796.00	240,128,546.00	5,000,000,000.00

Notes to the Condensed Interim Financial Statements (continued)

6. SHARE CAPITAL (continued)

Capital Management

The Company's capital currently consists of Public Shares which are listed on Euronext Amsterdam, non-redeemable Management Shares which can be converted into Public Shares, and Class B Shares (as more fully described above). The proceeds from the Bonds which were issued on June 26, 2015 and are listed on the Irish Stock Exchange are being used to make investments in accordance with the Company's investment policy (as more fully described in Note 10).

The Company's general objectives for managing capital are:

- To continue as a going concern;
- To maximize its total return primarily through the capital appreciation of its investments; and
- To minimize the risk of an overall permanent loss of capital.

To the extent the Investment Manager deems it advisable and provided that there is no legal, tax or regulatory constraints, the Company is authorized to manage its capital through various methods, including, but not limited to: (i) repurchases of Public Shares and (ii) further issuances of shares, provided that the Board only intends to exercise its authority to issue new shares if such shares are issued at a value not less than the estimated prevailing NAV per share (or under certain other specified circumstances). As discussed above, the Investment Manager has also imposed a ten-year lock-up on certain holders of Management Shares, subject to certain exceptions, though this lock-up and conversion do not affect the capital resources available to the Company.

7. COMMITMENTS AND CONTINGENCIES

PSH, PSCM, PS Fund 1, LLC and other related and unrelated parties are defendants in a class action lawsuit entitled *In re Allergan, Inc. Proxy Violation Securities Litigation*, Case No. 8:14-cv-2004-DOC, pending in the U.S. District Court for the Central District of California, relating to their investment in Allergan, Inc. The court file in the case is available to the public. Plaintiffs allege the defendants violated federal securities laws in their trading in Allergan common shares and related derivatives. Defendants believe they have meritorious defenses to plaintiffs' claims. Under the court's schedule, a trial, if needed, would not commence until September 2017. At this time, it is not possible to predict the outcome of the case, nor, if the case results in an adverse outcome, to estimate the magnitude or timing of any such result, or the apportionment of any liability among the various defendants.

Other than above and as noted in the annual financial statements for the year ended December 31, 2015, there were no other commitments or contingencies as of June 30, 2016 and December 31, 2015.

8. INVESTMENT MANAGEMENT AND INCENTIVE FEES

The Investment Manager receives management and incentive fees from the Company pursuant to an Investment Management Agreement, which is an executory contract under paragraph 3 of IAS 37 as discussed in Note 3 of the annual financial statements for the year ended December 31, 2015.

Management Fee

The Investment Manager receives a quarterly management fee payable in advance each quarter in an amount equal to 0.375% (1.5% per annum) of the net assets (before any accrued incentive fee) attributable to fee-paying shares. The fee-paying shares of the Company are the Public Shares and the Class B shares.

Incentive Fee

Prior to the IPO of the Public Shares (which took place on October 1, 2014), the Investment Manager received an annual incentive fee in an amount equal to 16% of the net profits attributable to the fee-paying shares of the Company, subject to a loss carryforward.

Since the IPO, the Investment Manager has been entitled to receive a 16% incentive fee with respect to all fee-paying shareholders, subject to a loss carryforward, which may be further reduced by the Additional Reduction (defined below). Accordingly, the incentive fee can be no higher than 16% of the net profits attributable to the fee-paying shares of the Company, but it may eventually be lower.

The "Additional Reduction" is equal to 20% of the aggregate performance allocation and incentive fees earned by the Investment Manager and its affiliates in respect of the same calculation period on the gains of all other current and certain future funds managed by the Investment Manager or any of its affiliates.

The 16% incentive fee minus the Additional Reduction is defined as the "Variable Performance Fee" under the Investment Management Agreement.

Notes to the Condensed Interim Financial Statements (continued)

8. INVESTMENT MANAGEMENT AND INCENTIVE FEES (CONTINUED)

In the computation of the incentive fee, the Company agreed that an amount called the "Offset Amount" will offset the Additional Reduction until the Offset Amount is fully reduced to zero. Until then, the incentive fee will equal (a) the Variable Performance Fee plus (b) the lesser of the Additional Reduction and the Offset Amount. Once the Offset Amount is fully reduced to zero, the incentive fee will equal the Variable Performance Fee. There are no circumstances in which any portion of the Offset Amount would become payable for a year without a positive 16% incentive fee and Additional Reduction for that year. Furthermore, the Company has no obligation to pay any remaining portion of the Offset Amount if the Company or the Investment Manager terminates the Investment Management Agreement or the Company liquidates.

The Offset Amount was initially set at the level of the Placing Fees (as defined below) plus a yield of 4.25% per annum.

"Placing Fees" refers to the fees and other costs of the Placing and Admission of the Public Shares, commissions paid to placement agents and other formation and offering expenses incurred during the private phase of the Company that the Investment Manager bore pursuant to the Investment Management Agreement. The Placing Fees were $120 million in the aggregate at the time of the IPO.

As of June 30, 2016 and December 31, 2015, the Offset Amount was approximately $108.5 million and $106.4 million, respectively.

The Variable Incentive Fee for any period cannot be less than zero, but any negative amount due to the Additional Reduction will be carried forward and available to reduce the 16% incentive fee for future periods (subject to any offset by the Offset Amount). In the event that any such carried-forward amount is still available after offsetting any 16% incentive fee that may crystallize upon the dissolution of the Company or the termination of the Investment Management Agreement, such amount will be forfeited.

Since the Company had no net profits and thus no incentive fee accrued for the period ended June 30, 2016 and year ended 2015 but the Additional Reduction was $1.1 million for such periods, the $1.1 million of Additional Reduction will be carried forward to reduce any incentive fee in future years, subject to any offset by the Offset Amount.

For the six month period ended June 30, 2016, the Investment Manager earned $32,918,265 of management fees and no incentive fee. For the six month period ended June 30, 2015, the Investment Manager earned $48,490,289 of management fees and had an incentive fee accrual of $39,027,062.

9. RELATED PARTY DISCLOSURES

The relationship between the Company and the Investment Manager and the fees earned are disclosed in Note 8. In addition, the Investment Manager and related parties to the Investment Manager hold Management Shares, the rights of which are disclosed in Note 6.

The Investment Manager may seek to effect rebalancing transactions from time to time pursuant to policies that are intended to result in the Company and the affiliated entities managed by the Investment Manager generally holding investment positions on a proportionate basis relating to their respective adjusted net asset values, which are equal to each of the entities' net asset values plus any accrued (but not crystallized) incentive fees, any deferred compensation payable to the Investment Manager to the extent such deferred compensation is determined by reference to the performance of such entity, and the net proceeds of any outstanding long-term debt, including the current portion thereof (which in the case of the Company, includes the net proceeds from the bond offering as further discussed below in Note 10). Rebalancing transactions involve either the Company purchasing securities or other financial instruments held by one or more affiliated entities or selling securities or other financial instruments to one or more affiliated entities. These transactions are subject to a number of considerations including, but not limited to, cash balances and liquidity needs, tax, regulatory, risk and other considerations, which may preclude these transactions from occurring or limit their scope at the time of the transactions.

As of June 30, 2016 and December 31, 2015, the Company had an investment in PS V with a capital balance of $89,421,537 and $81,857,614, respectively.

The investment in PS V represents an ownership in PS V of 12.54% and 12.47% at June 30, 2016 and December 31, 2015, respectively, which is included in investments in securities in the condensed interim statement of financial position and classified as a Level 2 security in the fair value hierarchy in Note 5.

Notes to the Condensed Interim Financial Statements (continued)

9. RELATED PARTY DISCLOSURES (continued)

At June 30, 2016 and December 31, 2015, PS V distributed capital of $325,065 and $306,432, respectively, to the Company and such distributions are recorded in the condensed interim statement of financial position as trade and other receivables. These distributions of capital relate to dividend income from PS V's investment in Air Products and Chemicals, Inc. common shares.

The Investment Manager has determined that the investment in PS V is fair valued in accordance with IFRS and the Company's accounting policy. No fair value adjustments need to be made for trading restrictions.

The Company is not charged a management fee or incentive fee in relation to its investment in PS V.

In the normal course of business, the Company and its affiliates make concentrated investments in portfolio companies where the aggregate beneficial holdings of the Company and its affiliates may be in excess of 10% of one or more portfolio companies' classes of outstanding securities. At such ownership levels, a variety of securities laws may, under certain circumstances, restrict or otherwise limit the timing, manner and volume of disposition of such securities. In addition, with respect to such securities, the Company and its affiliates may have disclosures or other public reporting obligations with respect to acquisitions and/or dispositions of such securities.

At June 30, 2016 and December 31, 2015 the Company and its affiliates had beneficial ownership in excess of 10% of the outstanding common equity securities of Nomad Foods Limited, Platform Specialty Products Corporation, Restaurant Brands International Inc. and The Howard Hughes Corporation. William A. Ackman is a director of Canadian Pacific Railway Ltd. and the chairman of the board of The Howard Hughes Corporation. Paul Hilal, a former member of PSCM's investment team, was also a director of Canadian Pacific Railway Ltd. until January 26, 2016. Ryan Israel, a member of PSCM's investment team, is a board member of Platform Specialty Products Corporation. William F. Doyle, a former member of PSCM's investment team, was also a board member of Zoetis Inc. until May 12, 2016. Brian Welch, a member of PSCM's investment team is a board member of Nomad Foods Limited. Stephen Fraidin, vice chairman of PSCM, and William A. Ackman joined the board of Valeant Pharmaceuticals International, Inc. effective March 9, 2016 and March 21, 2016, respectively.

For the six month period ended June 30, 2016, the independent Directors' fees in relation to their services for the Company were $163,768 of which $76,564 were payable as of June 30, 2016. For the six month period ended June 30, 2015, the independent Directors' fees in relation to their services for the Company were $186,245 of which $89,094 were payable as of June 30, 2015.

10. BONDS

On June 26, 2015, the Company issued at par $1,000,000,000 in Senior Notes at 5.5% due 2022. The Bonds will mature at par on July 15, 2022 and pay a fixed rate interest coupon of 5.5% per annum, which is paid semi-annually. The Bonds are listed on the Irish Stock Exchange. The proceeds from the offering were in U.S. Dollars and were used to make investments or hold assets in accordance with the Company's investment policy.

The Company has the option to redeem all or some of the Bonds prior to June 15, 2022, at a redemption price equal to the greater of (1) 100% of the principal amount of the Bonds to be redeemed or (2) the sum of the present values of the remaining scheduled principal and interest payments (exclusive of accrued and unpaid interest to the date of redemption) on the Bonds to be redeemed, discounted to the redemption date on a semi-annual basis using the applicable treasury rate plus 50 basis points, plus accrued and unpaid interest. If the Company redeems all or some of the Bonds on or after June 15, 2022, the redemption price will equal 100% of the principal amount of the Bonds to be redeemed plus accrued and unpaid interest.

The fair value of the Bonds as of June 30, 2016 and December 31, 2015, based upon market value at that time, was $962,500,000 and $942,500,000, respectively. In accordance with IAS 39, the Bonds' carrying value as of June 30, 2016 and December 31, 2015, in the amount of $1,012,630,757 and $1,014,688,599, respectively, on the condensed interim statement of financial position is representative of amortized cost and the transaction costs of the Bonds issued in the amount of $14,502,332 were capitalized and are to be amortized over the life of the Bonds using the effective interest method.

Notes to the Condensed Interim Financial Statements (continued)

10. BONDS (CONTINUED)

		2016
At December 31, 2015	$	1,014,688,599
Write-off of Bond issue costs		22,940
Finance costs for the period		28,321,996
Bond coupon payment during the period		(30,402,778)
At June 30, 2016	**$**	**1,012,630,757**

Finance costs for the period:		
Bond interest expense	$	27,299,113
Amortization of Bond issue costs incurred as finance costs		1,022,883
Interest expense	**$**	**28,321,996**

		2015
At December 31, 2014	$	-
Bonds issued		1,000,000,000
Bond issue costs		(14,525,272)
Finance costs for the period		29,213,871
At December 31, 2015	**$**	**1,014,688,599**

Finance costs for the year:		
Bond interest expense	$	28,171,374
Amortization of Bond issue costs incurred as finance costs		1,042,497
Interest expense	**$**	**29,213,871**

The Bonds are subject to the following transfer restrictions: (i) each holder of the Bonds is required to be either (a) a qualified institutional buyer ("QIB") as defined in Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act") who is also a qualified purchaser ("QP") as defined in Section 2(a)(51) of the U.S. Investment Company Act, as amended (the "Investment Company Act") or (b) a non-U.S. person, provided that, in each case, such holder can make the representations set forth in the Listing Particulars, dated June 24, 2015, (ii) the Bonds can only be transferred to a person that is a QIB/QP in a transaction that is exempt from the registration requirements of the Securities Act pursuant to Rule 144A or to a non-U.S. person in an offshore transaction that is not subject to the registration requirements of the Securities Act pursuant to Regulation S, or to the Company, and (iii) the Company has the right to force any holder who is not a QIB/QP or a non-U.S. person to sell its Bonds.

11. EVENTS AFTER THE REPORTING PERIOD

The Investment Manager has evaluated the need for disclosures and/or adjustments resulting from subsequent events during the period between the end of the reporting period and the date of authorization of the condensed interim financial statements. This evaluation together with the Directors' review thereof did not result in any additional subsequent events that necessitated disclosures and/or adjustments.

Exhibit I

<u>Herbalife FTC Allegations vs. FTC Allegations in Recent Pyramid Scheme Cases</u>

Although the FTC's Complaint against Herbalife does not include the phrase "pyramid scheme" (we believe because the phrase was negotiated out as part of the settlement), the allegations in the Complaint clearly describe a pyramid scheme. Indeed, comparing the allegations against Herbalife to allegations in other recent FTC cases explicitly charging pyramid schemes, one can find many similarities, and oftentimes identical or close-to-identical phrasing in the critical and controlling element of the FTC charges. In each of the cases below, except for Herbalife, the FTC explicitly accused the Defendant company of being a pyramid scheme.

Herbalife[1]	Vemma[2]	Fortune Hi-Tech[3]	BurnLounge[4]
"Defendants represent, expressly or by implication, that Herbalife Distributors are likely to earn substantial income […]." ¶ 16.	"Defendants assert that consumers can earn significant income and rewards though Vemma […]." ¶ 33.	"FHTM claims to pay its Reps lucrative bonuses and commissions once they satisfy certain sales and recruiting requirements." ¶ 22.	"Defendants have represented that substantial incomes are made by BurnLounge Moguls." ¶ 33.
"Defendants' compensation program incentivizes not retail sales, but the recruiting of additional participants who will fuel the enterprise by making wholesale purchases of product." ¶ 17.	"Defendants' business model depends upon recruiting individuals to participate in Vemma as Affiliates and encouraging them to purchase Vemma Products in connection with such participation, rather than selling products to ultimate-user consumers." ¶ 15.	"In reality, since at least 2001, FHTM has been operating an illegal pyramid scheme... To the extent that Reps can make any income, this income results primarily from recruiting new consumers to become FHTM Reps and not from the sale of products or services." ¶ 23.	"The Mogul Bonus rewards a participant for his recruitment efforts as well as the recruitment efforts of his downline." ¶ 23.
"[T]he small minority of Distributors who receive substantial income through Herbalife are primarily compensated for successfully recruiting large numbers of business opportunity participants who purchase Herbalife product." ¶ 19.	"Defendants teach Affiliates to give away the products as samples and to concentrate their efforts on recruiting new participants." ¶ 29	"FHTM's recruitment bonuses dwarf the potential commissions available for product and service sales." ¶ 42.	"Consistent with the incentives of the BurnLounge compensation plan which favor recruitment over music sales, the efforts of Defendants in promoting and training others to promote BurnLounge emphasizes recruitment over sales of digital music." ¶ 31.

[1] Complaint for Permanent Injunction and Other Equitable Relief, Federal Trade Commission v. Herbalife International of America, Inc., 2:16-cv-05217 (C.D. Cal. July 15, 2016).
[2] Complaint for Permanent Injunction and Other Equitable Relief, Federal Trade Commission v. Vemma Nutrition Company et al., CV-15-01578-PHX-JJT (D. Ariz. Aug. 17, 2015).
[3] Complaint for Permanent Injunction and Other Equitable Relief, Federal Trade Commission et al. v. Fortune Hi-Tech Marketing, Inc., 13-cv-578 (N.D. Ill. Jan. 24, 2013).
[4] Complaint for Permanent Injunction and Other Equitable Relief, Federal Trade Commission v. BurnLounge, Inc. et al., 2:07-cv-03654-GW-FMO (C.D. Cal. June 12, 2007).

Exhibit I

Herbalife[1]	Vemma[2]	Fortune Hi-Tech[3]	BurnLounge[4]
"[T]he small minority of Distributors who receive substantial income through Herbalife are primarily compensated for successfully recruiting large numbers of business opportunity participants who purchase Herbalife product." ¶ 19.	"Affiliates do not primarily earn bonuses for actual sales of Vemma Products. Instead, Vemma rewards Affiliates for personally purchasing Vemma Products to maintain bonus eligibility, and for recruiting others who likewise purchase Vemma Products to maintain bonus eligibility." ¶ 61.	"To the extent that Reps can make any income, this income results primarily from recruiting new consumers to become FHTM Reps and not from the sale of products or services." ¶ 23.	"The BurnLounge compensation program is based primarily on providing payments to participants for the recruitment of new participants, not on the retail sale of products or services." ¶ 30.
"The overwhelming majority of Herbalife Distributors who pursue the business opportunity make little or no money, and a substantial percentage lose money." ¶ 20.	"[T]he vast majority of Affiliates make no money. Vemma's compensation plan, further discussed below, and its corresponding marketing activities dictate that at any particular time, the majority of Affiliates lose money." ¶ 44.	"FHTM has been operating an illegal pyramid scheme... the vast majority of FHTM's Reps make little or no money." ¶ 23.	"In contrast to the claims of profitability, the compensation plan used by BurnLounge mathematically dictates that at any particular time the majority of Moguls will spend more money to participate in BurnLounge than they have earned through their involvement with the company[…]." ¶ 34.
"Defendants represent, expressly or by implication, that consumers who become Herbalife Distributors are likely to earn substantial income… purported disclaimers, which often appear in small print, do not alter the net impression created by Defendants' misleading representations, namely, that Distributors are likely to earn substantial income." ¶¶ 21-22.	"Through their sales and marketing activities, Defendants misrepresent the nature and income potential of Vemma." ¶ 20.	"In contrast to the claims of profitability, the compensation plan used by FHTM is designed so that, at any particular time, the majority of Reps will spend more money to participate in FHTM than they earn through their involvement with the company, and the majority of Reps will not make the substantial incomes represented." ¶ 50.	"Defendants have failed to adequately disclose that the majority of Moguls will not make the substantial incomes represented." ¶ 35.

Exhibit I

Herbalife[1]	Vemma[2]	Fortune Hi-Tech[3]	BurnLounge[4]
"Defendants foster an illusion that Distributors can make significant full-time or part-time income from retail sales." ¶ 57.	"In fact, the likelihood of Affiliates earning profits on retail sales is minimal. While Vemma states that Affiliates may keep profits they earn by selling Vemma Products, Vemma offers no meaningful discounts or incentives to encourage such behavior." ¶ 62.	"FHTM promotes its business by misrepresenting in various ways that FHTM is a good way for average people to make substantial income and achieve financial independence." ¶ 51.	
"[I]n truth the only way to achieve wealth from the Herbalife business opportunity is to recruit other Distributors. Purchases by these recruited Distributors, referred to as a 'downline,' generate rewards for the sponsoring Distributor." ¶ 81.	"Overall, the key determinate of an Affiliate's income, and thus the activity incentivized by the compensation plan, is the recruitment of Affiliates into the Affiliate's downline teams, who then recruit other Affiliates, and so on." ¶ 61.	"FHTM's recruitment bonus rewards a Rep for his or her recruitment efforts, as well as the recruitment efforts of his or her downline recruits." ¶ 40.	"The BurnLounge compensation program is based primarily on providing payments to participants for the recruitment of new participants, not on the retail sale of products or services." ¶ 30.
"To become a Distributor, an individual must pay either $59.50 or $92.25, plus tax and shipping, to purchase a starter pack called an 'International Business Pack,' the contents of which have varied over time but which have included an Herbalife tote bag; samples of various Herbalife products; literature about Herbalife's products; sales aids (such as a 'Presentation Book' and buttons the distributor is supposed to wear to advertise Herbalife)…" ¶ 107.	"First, the individual should become an Affiliate by purchasing an 'Affiliate Pack,' which costs approximately $500 or $600 and which contains a mixture of various Vemma Products, audio and video recordings, print materials, and Vemma branded items." ¶ 22.	"Managers are strongly encouraged to immediately purchase either 'starter packs' or 'bundles,' which contain various FHTM health and beauty products, as well as other products and services offered by FHTM." ¶ 28.	"Participants join BurnLounge through the purchase of product packages, of which there are three: (1) the Basic Package, which sells for $29.95 per year; (2) the Exclusive Package for $129.95 per year plus $8 per month; and (3) the VIP Package for $429.95 per year plus $8 per month. More expensive packages provide the participant with an increased ability to earn rewards through the BurnLounge compensation program." ¶ 13.
"The details of Defendants' compensation program are complex and convoluted, and involve specialized terminology and concepts." ¶ 109.	"Vemma's compensation plan includes many confusing and convoluted rules and requirements, and some bonuses or rewards impose additional restrictions or limitations." ¶ 52.	"FHTM's complicated and convoluted compensation plan ensures that the vast majority of FHTM's Reps make little or no money." ¶ 23.	

Exhibit I

Herbalife[1]	Vemma[2]	Fortune Hi-Tech[3]	BurnLounge[4]
"Higher status levels are obtained by meeting threshold requirements of 'Volume Points,' which are accumulated by purchasing greater quantities of products…The amount of the 'Royalty Override' percentage that a given participant earns each month depends on the participant's 'Total Volume' for that month." ¶¶ 113-125.	"There are several levels of Affiliates, and Affiliates' rank and bonus eligibility is generally determined by the number of 'points' they earn during a specified period. Points are earned through product purchases." ¶ 46.	"FHTM assigns a 'point' value to most of the products and services it offers. In most cases, FHTM Reps must buy or sell products and services comprising a minimum required number of points to be eligible to obtain commissions and bonuses." ¶ 29.	"All participants in BurnLounge can earn reward points under the BurnLounge compensation program for selling product packages and digital music. Participants can redeem the points for purchases through their on-line stores. Only participants who become Moguls can convert the points into dollars." ¶ 16.
"Defendants' compensation plan gives participants a powerful incentive to recruit more participants, because recruiting a downline entitles a participant to receive multiple different types of payments directly from Defendants." ¶ 120.	"Defendants emphasize recruitment over product sales and stress the importance of recruiting new participants into the Vemma program." ¶ 21.	"More than 85% of the compensation paid to FHTM Reps is tied directly to recruiting new members." ¶ 43.	"BurnLounge provides much larger rewards for recruiting than for sales of digital music and thus provides greater incentives to participants to recruit than to sell music to ultimate users." ¶ 29.
"Higher-level Distributors who are eligible to receive reward payments frequently buy Herbalife products in order to meet the thresholds for obtaining these rewards, rather than to satisfy consumer demand." ¶ 142.	"Defendants reward Affiliates for recruiting and for purchasing products to maintain bonus eligibility rather than for selling products to ultimate-user consumers." ¶ 63.	"FHTM instructs its Reps to purchase sufficient products and services through FHTM to be eligible for bonuses, and to spend their time recruiting others to become Reps." ¶ 37.	

Exhibit I

Herbalife[1]	Vemma[2]	Fortune Hi-Tech[3]	BurnLounge[4]
"**COUNT I** **Unfair Practices** As alleged above, Defendants promote participation in Herbalife, a multi-level marketing program, which has a compensation structure that incentivizes business opportunity participants to purchase product, and to recruit new business opportunity participants to purchase product, in order to advance in the marketing program rather than in response to actual retail demand.… Defendants' practices as described in Paragraph 153 above constitute unfair acts or practices in violation of Section 5 of the FTC Act, 15 U.S.C. §§ 45(a) and 45(n)." ¶¶ 153-155.	"**COUNT I** **Illegal Pyramid** As alleged above, Defendants promote participation in Vemma, which has a compensation program based primarily on providing payments to participants for the recruitment of new participants, not on the retail sale of products or services, thereby resulting in a substantial percentage of participants losing money. Defendants' promotion of this type of scheme, often referred to as a pyramid scheme, constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C.§ 45(a)." ¶¶ 66-67.	"**COUNT I** **Illegal Pyramid** As alleged above, Defendants promote participation in FHTM, which has a compensation program based primarily on providing payments to participants for the recruitment of new participants, not on the retail sale of products or services, thereby resulting in a substantial percentage of participants losing money. Defendants' promotion of this type of scheme, often referred to as a pyramid scheme, constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a)." ¶¶ 65-66.	"**COUNT I** As alleged in Paragraphs 12 through 35, the Defendants promote participation in BurnLounge, which has a compensation program based primarily on providing payments to participants for the recruitment of new participants, not on the retail sale of products or services, thereby resulting in a substantial percentage of participants losing money. Defendants' promotion of this type of scheme, often referred to as a pyramid scheme, constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a)." ¶¶ 36-37.
"In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of the right to participate in the Herbalife program, Defendants have represented, directly or indirectly, expressly or by implication, that consumers who become Herbalife Distributors are likely to earn substantial income. In truth and in fact, in numerous instances in which Defendants have made the representations set forth in Paragraph 156 of this Complaint, consumers who become Herbalife Distributors are not likely to earn substantial income." ¶¶ 156-157.	"In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of the right to participate in the Vemma program, Defendants have represented, directly or indirectly, expressly or by implication, that consumers who become Vemma Affiliates are likely to earn substantial income. In truth and in fact, in numerous instances in which Defendants have made the representations set forth in Paragraph 68 of this Complaint, consumers who become Vemma Affiliates are not likely to earn substantial income." ¶¶ 68-69.	"In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of the right to participate-in the FHTM program, Defendants represent, directly or indirectly, expressly or by implication, that consumers who become FHTM Reps are likely to earn substantial income. In truth and in fact, in numerous instances in which Defendants have made the representation set forth in Paragraph 67 of this Complaint, consumers who become FHTM Reps have not earned substantial income." ¶¶ 67-68.	"In connection with the offering and sale of the right to participate in the BurnLounge program, Defendants represent, expressly or by implication, that consumers who become BurnLounge Moguls are likely to make substantial income. In truth and in fact, in numerous instances, consumers who become BurnLounge Moguls are not likely to make substantial income." ¶¶ 38-39.

Exhibit I

Herbalife[1]	Vemma[2]	Fortune Hi-Tech[3]	BurnLounge[4]
"By furnishing Herbalife Distributors with promotional materials to be used in recruiting new participants that contain false and misleading representations, Defendants have provided the means and instrumentalities for the commission of deceptive acts and practices." ¶ 161.	"By furnishing Vemma Affiliates with promotional materials to be used in recruiting new participants that contain false and misleading representations, Defendants have provided the means and instrumentalities for the commission of deceptive acts and practices." ¶ 75.	"By furnishing FHTM Reps with promotional materials to be used in recruiting new participants that contain false and misleading representations, Defendants have provided the means and instrumentalities for the commission of deceptive acts and practices." ¶ 70.	