



Pershing Square Holdings Ltd. Releases 2018 Semiannual Financial Statements

LONDON--Pershing Square Holdings, Ltd. (LN:PSH) (LN:PSHD) (NA:PSH) today released its Semiannual Financial Statements which includes the Investment Manager's Report to Shareholders. The report is now available on PSH's website, <https://www.pershingsquareholdings.com/company-reports/financialstatements/>.

In addition, please find the full text of the report below.

About Pershing Square Holdings, Ltd.

Pershing Square Holdings, Ltd. (LN:PSH) (NA:PSH) is an investment holding company structured as a closed ended fund that makes concentrated investments principally in North American companies.

This is a disclosure according to Article 17 of the EU Market Abuse Regulation (Regulation 596/2014/EU)

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Chairman's Statement

INTRODUCTION

This interim financial report of Pershing Square Holdings, Ltd. ("PSH" or the "Company") covers the period from January 1, 2018 to June 30, 2018.

INVESTMENT PERFORMANCE

I am pleased to report that for the half year and year-to-date, the Company's NAV¹ per share increased by 6.7%^{2,3} and 12.7%^{2,3}, respectively, outpacing both the S&P 500 and FTSE 250 indices. The returns were principally generated from investment performance, and were enhanced by the Company's recently completed own-share tender offer.

This positive investment performance follows a number of important steps taken by Pershing Square Capital Management, L.P. (the "Investment Manager", or "PSCM") to refocus the firm on its core investment principles. The Investment Manager's Report on page 3 provides a detailed discussion about developments in the portfolio since our last communication. For an up-to-date NAV, please refer to our website at www.pershingsquareholdings.com where, on a weekly basis, we publish the Company's NAV and performance.

As a reminder, the terms of PSH's investment management agreement with PSCM have a "high water mark" feature such that investors in PSH only pay performance fees on increases in the NAV above the highest NAV at which a performance fee has previously been charged. As a result, PSH investors will not incur performance fees until PSH's NAV exceeds \$26.37 per share. It is now \$19.62 per share as of August 7, 2018.

NEW INVESTMENTS

In the first half of 2018, the Company announced two new investments in United Technologies Corporation ("UTX") and Lowe's Companies, Inc. ("LOW"). Both investments have been positive contributors to year-to-date performance and are well aligned with PSCM's core

investment principles.

CORPORATE ACTIONS

PSH shares have traded at a substantial discount to NAV over the last two or so years. In order to take advantage of the discount for the benefit of long term shareholders of PSH and to provide liquidity for shareholders seeking to sell their holdings, the Company sought approval from shareholders at the 2018 Annual General Meeting ("AGM") for a \$300 million own-share tender offer (the "Tender Offer"). The Company also required approval from shareholders to remove the 4.99% ownership limit. The Tender Offer was executed at a 20.5% discount to NAV, which caused NAV per share to accrete by 2.1% and reduced the free float (which we define as shares held by owners not affiliated to the Investment Manager) by 9.5%.

The Company also introduced a U.S. dollar share quotation on the London Stock Exchange ("LSE"), which should reduce transaction costs for shareholders who wish to trade PSH on the LSE in U.S. dollars. While none of these actions is a panacea for reducing or eliminating the current discount, the Board expects that, when combined with sustained strong investment performance, they will assist in creating shareholder value.

ACQUISITION OF PSH SHARES BY WILLIAM ACKMAN AND AFFILIATES

On July 10, 2018, the Company announced that, since the Tender Offer was completed in May 2018, PSCM CEO William Ackman, PSH Board Member and PSCM President Nicholas Botta, all members of the Pershing Square Investment Team, other PSCM employees and members of the PSCM advisory board combined purchased more than \$300 million of PSH Public Shares. When added to the own-share tender, this has had the effect of reducing PSH's effective free float by 18.3% since May 2018. This is one of the largest insider purchases ever of a FTSE company. The Board is pleased to see such a strong commitment from the Investment Manager.

I look forward to reporting to you again in our 2018 Annual Report.

/s/ Anne Farlow

Anne Farlow
Chairman of the Board
August 9, 2018

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- 1 "NAV" means the value of the Company's portfolio securities, cash and other assets less its liabilities (including any accrued performance fees and the accrued portion of the Potential 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).
 - 2 Calculated with respect to Public Shares only. In May 2018, the Company purchased and cancelled 22,271,714 Public Shares pursuant to the tender offer announced on April 25, 2018 (the "Tender Offer"). The positive impact on performance due to the Tender Offer is reflected herein.
 - 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 performance fees (if any). Performance results provided herein also assume an investor has been invested in the Company since inception.

Investment Manager's Report

HISTORICAL PERFORMANCE

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%
2016	(13.5)%	11.9%
2017	(4.0)%	21.8%
YTD through June 30, 2018	6.7%	2.6%
Q3 through August 7, 2018	5.6%	5.3%
YTD through August 7, 2018	12.7%	8.1%

January 2013 – August 7, 2018 ⁽²⁾

Cumulative (Since Inception)	14.4%	124.8%
Compound Annual Return	2.4%	15.4%

PERFORMANCE ATTRIBUTION⁽⁴⁾

Below are the attributions to gross performance of the portfolio of the Company through June 30, 2018.

Contributors		Detractors	
Chipotle Mexican Grill, Inc.	5.6%	Herbalife Ltd.	(3.3)%
Automatic Data Processing, Inc.	5.1%	Federal National Mortgage Association	(2.3)%
Lowe's Companies Inc.	1.3%	Federal Home Loan Mortgage Corporation	(1.0)%
Platform Specialty Products Corporation	0.7%	All Other Detractors	(1.4)%
Accretion (Relating to Share Buyback and Tender Offer)	2.1%		
All Other Contributors	0.7%		
Total Contributors		Total Detractors	(8.0)%
Total Contributors and Detractors through June 30, 2018			7.5%

Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal. Please see accompanying footnotes on page 11.

Positions with performance attributions of 50 basis points or more are listed above separately, while positions with performance attributions of less than 50 basis points are aggregated.

The table below reflects the net performance of Pershing Square, L.P. ("PSLP"), the Pershing Square fund with the longest track record, since inception. We present the PSLP track record using its historical performance fee of 20%.

Pershing Square, L.P. Performance vs. the S&P 500

	PSLP Net Return ^(1,5)	S&P 500 ⁽³⁾
2004	42.6%	10.9%
2005	39.9%	4.9%
2006	22.5%	15.8%
2007	22.0%	5.5%
2008	(13.0)%	(37.0)%
2009	40.6%	26.5%
2010	29.7%	15.1%
2011	(1.1)%	2.1%
2012	13.3%	16.0%
2013	9.7%	32.4%
2014	36.9%	13.7%
2015	(16.2)%	1.4%
2016	(9.6)%	11.9%
2017	(1.6)%	21.8%
YTD through June 30, 2018	5.5%	2.6%
Q3 through August 7, 2018	4.3%	5.3%
YTD through August 7, 2018	10.1%	8.1%
2004 – August 7, 2018 ⁽²⁾		
Cumulative (Since Inception)	553.3%	246.7%
Compound Annual Return	13.7%	8.8%

Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal. Please see accompanying footnotes on page 11.

LETTER TO SHAREHOLDERS

Dear Pershing Square Holdings, Ltd. Shareholder:

We made substantial progress in the first half of 2018 which has continued year-to-date. Our portfolio companies continue to report strong results, leading to significant share price appreciation and improved NAV per share performance. Driven by positive second quarter performance, NAV in the first half of 2018 increased from \$17.41 to \$18.58, a 6.7% increase. Year-to-date performance, through August 7th, has increased to 12.7% (NAV per share is now \$19.62) compared with 8.1% for the S&P 500 and 1.3%⁽⁶⁾ for the FTSE 250 over the same period. In May, the Company completed an own-share tender for \$300 million of PSH public shares which was followed by insider purchases of more than \$300 million of PSH shares. It is clear from these actions that we and the Board believe that PSH is undervalued. Management's increased ownership means that our interests are now aligned with yours to an even greater extent.

Our portfolio is comprised of long-term investments in large capitalization, simple, predictable, free-cash-flow-generative, high-quality, dominant companies with catalysts for shareholder value creation. Often, we are the catalyst for value recognition, using our influential position as a large, or the largest, shareholder often with representation on the board of directors to effectuate necessary changes.

We have disclosed new investments in United Technologies Corporation (UTX) and Lowe's Companies, Inc. (LOW). UTX is a leading industrial holding company which owns a number of high-quality businesses in three distinct divisions: (i) Aerospace systems (UTAS) and engines (Pratt & Whitney), (ii) Otis Elevator Company, and (iii) Climate, Controls and Security (CC&S), which all benefit from favorable long-term growth trends and recurring long-term cash flows. Each of these businesses has materially different capital requirements, competitive characteristics, and investor constituencies, and we believe that they will be more likely to achieve fair value as independent companies. We have had a constructive engagement with UTX management who are considering various strategic alternatives to unlock value.

Lowe's, which we discuss in greater detail below, is a leading U.S. home improvement retailer whose performance deteriorated versus Home Depot, its direct competitor, over the last decade. The company recently named Marvin Ellison president and CEO, effective July 2, 2018. As a senior executive at Home Depot – Mr. Ellison was head of U.S. stores – he helped lead Home Depot's operational improvements and outperformance versus Lowe's over the last decade. Lowe's profit margins and sales productivity are substantially lower than Home Depot's, and it trades at a substantially lower earnings multiple. We expect that Mr. Ellison can close the performance gap, and the market will revalue Lowe's accordingly.

PORTFOLIO UPDATE

Automatic Data Processing, Inc. (ADP)

ADP hosted its first Analyst Day since 2015 this past quarter. At the Analyst Day, the company committed to achieving 7% to 9% revenue growth and pre-tax operating margins of 23% to 25% by FY 2021. These projections represent substantial increases to management's prior guidance. The new margin targets imply annual earnings-per-share growth of 16% to 19% over the next three fiscal years, with a FY 2021 earnings target of approximately \$7 per share. We believe there continues to be a significant opportunity for ADP to exceed the new FY 2021 ~\$7 guidance, and for future accelerated progress thereafter, which we discussed in detail in a letter we published following the Analyst Day, available here: <https://www.businesswire.com/news/home/20180619006504/en/Pershing-Square-Sends-Communication-Investors-ADP>

Earlier this month, ADP reported fiscal Q4 results and introduced FY 2019 guidance. Fiscal Q4 results were strong, evidenced by accelerating year-over-year bookings growth (+18%), robust top-line growth (+8% as reported, +6% organic growth) and significant margin expansion. EPS was up 39% year-over-year, helped by ~400 basis points of net-economic margin expansion (excluding pass-throughs and float income growth) and the benefits of corporate tax reform.

More significantly, the company introduced FY 2019 guidance. ADP projected "economic" revenue growth of 5% to 7% (excluding non-economic Professional Employer Organization ("PEO") pass-throughs), continued operational margin expansion, and increased float income, with EPS projected to grow 13% to 15% over FY 2018 (*pro forma* for a recently adopted accounting change, ASC 606). Based on current guidance, ADP should realize \$5.12 to \$5.21 of Adjusted EPS for FY 2019. While we believe current guidance is a positive step towards ADP's long-term FY 2021 targets, there continues to be a significant opportunity for additional operational margin expansion in the coming years as ADP closes the gap in Employer Service relative to its structural potential.

At the June Analyst Day, CFO Jan Siegmund, who is held in high regard by shareholders, announced that he would be leaving the company when a replacement is identified. We believe the hiring of a new CFO with operational expertise in executing business transformations would be well received by shareholders.

Chipotle Mexican Grill, Inc. (CMG)

Chipotle held a special investor call in late June during which the new management team, led by CEO Brian Niccol, outlined its strategic plan to drive both a successful turnaround and long-term growth. To enable the organization to deliver on its new strategy, management is undertaking a people and culture transformation with the aim of making the company more disciplined, results-focused, and "scrappy." The initial stages of this transformation include the establishment of a new corporate headquarters in Southern California and the closure of the Denver and New York offices, the elimination of two management layers to streamline decision-making, and the addition of experienced external talent in marketing, menu, digital, analytics, and human resources.

Management is also revamping the company's approach to innovation and marketing. New initiatives will pass through a "stage-gate" process in which the company tests, learns, and iterates on each initiative so that management is highly confident in the probability of each new initiative's success before a national rollout. The company will shift its marketing from an inefficient field-based, promotion-driven approach to a centralized strategy that aims to elevate Chipotle from a food brand to a purpose-driven lifestyle brand. Management is investing in a foundational customer research project, the results of which will inform various innovation and marketing initiatives including Chipotle's first-ever ongoing loyalty program that the company plans to test later this year and launch nationally in 2019.

In the near-term, management is focused on improving operational execution as well as accelerating progress in digital, both of which contributed to the second quarter 2018 results that Chipotle reported on July 26th. Same-store sales increased 3.3% in Q2, an improvement from the prior quarter, driven by 5.1% average check growth and a 1.8% decline in transactions. Management raised its outlook for full year same-store sales growth from low-single digits growth to low to mid-single digits growth. Restaurant margins were 19.7%, up nearly one percentage point from the prior year quarter, as decreased food costs as a percentage of sales more than offset wage inflation. Progress in improving both the crew member and guest experience was evident from lower hourly employee turnover, a meaningful decline in guest complaints, and higher guest satisfaction scores. To further improve throughput and consistency of execution, management is continuing to roll out new training materials and is redesigning its sales forecasting and labor scheduling tools.

Chipotle's digital sales grew 33% in Q2, up from 20% in Q1, and now account for 10.3% of total sales. Delivery sales quadrupled in the quarter as the company launched a new national partnership with third-party delivery provider DoorDash and added the ability to order

delivery in the Chipotle mobile app. The company will further expand its delivery and catering capabilities over the coming quarters and is accelerating the rollout of its technology-enabled second make-line over the entire store base by the end of 2019, up from roughly 500 stores today, and 1,000 stores by the end of 2018. The second make-line is a competitive advantage for Chipotle as it enables the business to handle rapid growth in digital sales without any impact on front-line throughput or the in-restaurant experience. Chipotle experienced its highest digital sales day ever on July 31st thanks to robust consumer demand for its National Avocado Day promotion, which also helped to increase awareness and downloads of Chipotle's mobile app.

Restaurant Brands International Inc. (QSR)

Restaurant Brands' second quarter results showed continued earnings growth as performance at Burger King and Popeyes remained strong, offset somewhat by muted results at Tim Hortons. QSR reported strong unit growth of 6%, as Burger King units increased 6%, Popeyes 7% and Tim Hortons 3%. QSR announced a master franchise agreement to open 1,500 Tim Hortons restaurants in China over the next decade (30% of current Tim's units), which should accelerate the brand's long-term unit growth. Same-store sales this quarter grew 2% at Burger King due to strength in promotional offers and product innovation. Popeyes' same-store sales grew 3% as the brand is experiencing the benefits of a more value-focused menu. Tim Hortons' same-store sales were flat as growth in breakfast foods and cold beverages was offset by weakness in baked goods and brewed coffee.

QSR is working on a variety of initiatives that should improve same-store sales at Tim Hortons. Recently, the brand launched all-day breakfast. The company's consumer surveys suggest this could have a meaningful impact on sales as 60% of guests said they would likely buy a breakfast sandwich after 12pm, and one-third said they would likely increase the frequency of their visits. Tim Hortons is also developing a kids' menu and a loyalty program which management expects to introduce within the next few quarters.

Organic EBITDA grew 4%, as Burger King's grew 6%, Popeyes' grew 28%, and Tim Hortons' declined 1%. Growth at Burger King continues to reflect progress in strong same-store sales, net unit growth and margin enhancement. Popeyes' growth primarily reflects improved cost efficiencies. The decline at Tim Hortons resulted from lapping the prior year's sales of new equipment related to the launch of the espresso-based drinks platform, which will no longer be a headwind in future quarters. Overall, QSR's reported EBITDA grew 6% due to organic growth and a 2% benefit from a weaker USD. EPS grew more than 30% due primarily to the lower financing costs associated with the repayment of the Berkshire preferred stock at the end of last year.

Lowe's Companies, Inc. (LOW)

Lowe's is a leading U.S. home improvement retailer with an advantaged business model in a category that is positioned for continued growth. The home improvement category operates as an oligopoly, and Lowe's significant market presence results in a scale advantage that allows it to be a convenient and low-cost provider of home improvement products across its more than 2,000 stores and fully integrated mobile and online platform. We believe that Lowe's has strong future growth prospects as continued growth of the housing market should drive home improvement spending over the next several years. The increasing repair and maintenance requirements of the aging U.S. housing stock should contribute to sales growth over the longer term.

We have avoided investing in retail for nearly five years, but we believe the home improvement category is well insulated from the threat of online competitors, as a significant amount of the company's products are either difficult and/or expensive to ship due to their size (e.g., lumber and building materials, live plants), regulatory constraints (e.g., paint), installation requirements (e.g., appliances) or are uneconomic to ship due to the combination of their low price point and heavy weight (e.g., nuts and bolts, concrete). Moreover, a physical store presence is a competitive advantage in the home improvement category as customers frequently consult with store employees as part of their purchase process. Customers often prefer to see the product before they purchase it, or they drive to the store because they have an immediate need for the product. As a result, the home improvement category has one of the lowest levels of e-commerce penetration in retail. While we expect overall e-commerce competition in the category to remain relatively limited in the future, Lowe's online business is growing rapidly with a market share similar to its overall market share.

We previously invested in Lowe's in 2011 due to our belief that the market did not appreciate the rapid earnings growth that would likely result from an improvement in the housing market following the financial crisis. Shortly after we initiated our investment in 2011, the stock price appreciated significantly, and we exited our position to allocate capital to other opportunities. While Lowe's earnings and share price continued to increase thereafter, since that time, Lowe's has materially underperformed its closest competitor, Home Depot.

Prior to the financial crisis, Lowe's same-store sales growth outpaced Home Depot's and had similar profit margins to its direct competitor. Since the crisis, Lowe's has fallen far behind. Lowe's has averaged 3% same-store sales growth compared with 5% at Home Depot, resulting in a sales gap which has widened to nearly 20%. Lowe's profit margins are now nearly 500 basis points less than Home Depot.

In response to growing shareholder dissatisfaction earlier this year, Lowe's appointed three new directors to its board, and announced a search for a new CEO. One of the new directors, David Batchelder, formerly a board member at Home Depot, was appointed to lead the CEO search committee. We initiated our investment shortly after Lowe's announced the CEO search process, premised on our belief that there were several strong CEO candidates available, including a number with experience in the Home Depot transformation. At the end of May, Lowe's announced that Marvin Ellison, a former senior executive at Home Depot, would become CEO. Marvin was the leading candidate on our list of potential CEO recruits as we believe he has the relevant experience leadership qualities, and skill set to close the operational gap. Marvin started at Lowe's in July and has already redesigned the organizational structure to more closely resemble Home Depot's, and has hired several former senior Home Depot executives for key roles. We expect Marvin will announce a detailed plan to improve performance, likely at the company's Analyst Day in December.

After appreciating 15% from our cost, Lowe's currently trades at ~18 times our estimate of this year's earnings, which do not yet reflect any impact from the management change. Home Depot trades at more than 21 times analyst estimates of this year's earnings, as the market has rewarded the company's historically strong execution with a premium multiple. We believe there is large upside potential to Lowe's if it can narrow the performance gap with Home Depot as it is likely that closing the performance gap will cause the market to reward the company with an increased multiple on higher earnings that reflect the company's underlying business quality and growth potential.

We believe that the Lowe's situation is reminiscent of our investment in Canadian Pacific. At the time of our investment in CP, it had underperformed Canadian National for more than a decade, and management claimed that structural differences and weather explained the company's underperformance. We disagreed, believing that a different management approach would substantially improve the company's performance. We were able to recruit Hunter Harrison, the former CEO of CN, to CP, who in a few short years turned CP into one of the best performing railroads in North America, rivalling CN. Mr. Ellison is off to a fast start assembling a new senior executive team to organize the Lowe's turnaround. We look forward to watching him perform.

United Technologies Corporation (UTX)

UTX's second quarter earnings showed strong organic revenue growth of 6%, led by growth in the aerospace businesses of 10%. Organic revenue growth has been above 5% for the last four consecutive quarters. The company raised its guidance for 2018 EPS for the second time this year. UTX now expects full year organic revenue growth of between 5% and 6% and EPS growth (before the impact of the Rockwell Collins acquisition) of 7% to 9%.

Despite significant profit growth in its aerospace businesses, UTX's operating profit was roughly flat compared with the prior year due to a decline in earnings from the commercial businesses (CC&S and Otis). In the aerospace businesses, UTAS organic revenues increased 8% and operating profits grew 17%. Pratt & Whitney organic revenues increased 12% and operating profit grew 8% due to the initial losses associated with ramp-up of the GTF engine program.

In its commercial businesses, CC&S organic revenues grew 4% but operating profit was flat as input costs and new product investments increased. Otis organic revenues grew 3% but operating profit declined 11%, partly due to continued price and mix pressure in China and one-time costs. Offsetting these weaker results were strong growth in equipment orders, a leading indicator of future revenue, which grew 8% for CC&S and 10% for Otis.

We believe the divergent performance of the aerospace and commercial businesses further reinforces the logic of a business separation of UTX's subsidiaries, as the strength in the aerospace business is not being appropriately reflected in UTX's stock price, which trades at only 16 to 17 times our estimate of this year's earnings (pro-forma for the Rockwell Collins acquisition). UTX's CEO, Greg Hayes, stated on the earnings call that "all options are on the table" to maximize long-term shareholder value including a three-way split of the company and/or potential business divestitures. Management reiterated that the acquisition of Rockwell Collins is expected to close in the third quarter and that the company will announce the results of its strategic review in the fourth quarter.

Mondelez International, Inc. (MDLZ)

Mondelez reported second quarter 2018 results on July 25th, with sales growth, margins, and earnings all ahead of consensus expectations. Underlying organic sales growth was approximately 2% excluding a net benefit from lapping volume declines related to a cyberattack in the prior year quarter and other one-time items. Volume and product mix contributed 50 basis points to underlying growth, with the balance coming from pricing. Global sales growth for the snacks categories in which Mondelez operates has improved from approximately 2% in 2017 to just over 3% in the first half of this year. The company attributed the gap between the 3% growth of its categories and its 2% underlying organic growth to share losses in their Brazil and US gum businesses, as well as an inventory trade reduction in US cookies and crackers that should be transitory. Management sees this gap closing as it implements strategies to address its share losses in Brazil and the US, and as net share gains in all other markets accelerate.

Operating profit margin expanded by 130 basis points to 16.7%, driven by a 60 basis point improvement in gross margin due to productivity savings, volume leverage, and lower input costs, as well as a 70 basis point reduction in overhead costs as a percentage of sales due to continued implementation of zero-based budgeting. EPS grew 17% as reported, or 15% on a constant-currency basis, driven primarily by operating performance as well as share repurchases and higher income from the company's coffee joint ventures. Management raised full year organic sales growth guidance from an increase of 1% to 2% to the high end of that range, and reiterated guidance for a 17% operating profit margin including an increase in gross margin, and double-digit EPS growth on a constant-currency basis. As we have noted previously, MDLZ is one of the few CPG companies that is still able to deliver relatively strong performance in the current operating environment.

The Howard Hughes Corporation (HHC)

The Howard Hughes Corporation (HHC) continues to make progress creating long-term value across its collection of unique and irreplaceable real estate assets.

In its Operating Asset segment, HHC increased its estimated stabilized net operating income (NOI) target to \$309 million, which represents a compound annual growth rate of 29% over the past three years. The growth in NOI has come from organic development opportunities on HHC's existing land assets. To date, HHC has only developed a fraction of its 50 million sq. ft. of vertical development entitlements, providing a development pipeline for decades to come. As a growing percentage of HHC's enterprise value is represented by stabilized, cash-flow-generative real estate assets, it should become easier for investors to underwrite the value of its assets, which we believe will attract more traditional real estate-oriented investors to the HHC story.

In its Ward Village Hawaii 60-acre coastal development, HHC has nearly sold all of its condo inventory at its four existing condo towers. These four towers have a total projected cost of \$1.5 billion and an estimated 30% profit margin. HHC launched pre-sales of its new 751-unit condo tower offering (A'ali'i) in January and has already pre-sold 67% of the units at July month end, highlighting the significant future opportunity at Ward Village as 75% of its entitlements remain.

At the South Street Seaport in NYC, HHC launched its summer 2018 concert series at its spectacular rooftop venue, which we believe will enhance the visibility of this unique and valuable asset to the community. In Summerlin Las Vegas, HHC continued its pace of strong land sales at its master planned community (MPC). HHC's MPCs in Houston, Texas, and Columbia, Maryland, continue to perform well with ongoing commercial real estate development generating attractive yields on cost. Lastly, HHC celebrated the ground breaking of its 53-story, 1.4 million sq. ft. Class A office development at 110 North Wacker in Chicago. The total estimated cost of the project is over \$750 million,

more than \$700 million of which is financed with third-party debt and equity, structured so that HHC retains the majority of the equity upside while minimizing risk.

Platform Specialty Products Corporation (PAH)

In July, Platform announced the sale of its Ag Solutions business for \$4.2 billion in cash to UPL Corp. Limited, an Indian agrochemical company, a price which represents full value for the business. The transaction will significantly reduce the company's leverage levels from six times EBITDA to less than 2.5 times and will result in a more focused business with attractive growth and cash flow characteristics. Platform also announced a \$750 million share repurchase authorization (~20% of company's current market value) conditioned upon the closing of the transaction, which it expects to occur in late 2018 or early 2019.

In August, Platform reported another quarter of strong earnings growth. Organic revenue increased 7% and organic EBITDA grew 8%. Performance Solutions organic revenue grew 5% due to broad-based growth across its regions and end markets. Organic EBITDA grew 10% due to margin expansion resulting from strong sales growth of higher margin products and cost savings from supply chain initiatives. Ag Solutions organic revenue grew 10% due to strength in the Latin and North American markets. Organic EBITDA grew 6% as margins declined due to input cost inflation that was partially offset by price increases and cost savings. Overall, Platform's EBITDA grew 10% due to a 2% boost from foreign exchange and EPS grew 30%.

While Platform's share price has increased ~25% this year, it still trades at a discount to the peer set in light of its high leverage and transaction uncertainty until deal closure. If Platform were to trade at a multiple that is similar to its peers after the closing of the Ag Solutions sale, the company's shares should appreciate significantly from current levels.

Fannie Mae (FNMA) / Freddie Mac (FMCC)

Fannie and Freddie reported continued earnings growth in their core single-family guarantee businesses in the second quarter. Guarantee fees charged on newly issued mortgage backed securities continued to increase along with the size of their guarantee portfolios, while underlying credit losses remained modest. Both enterprises have now increased their capital reserves to the \$3 billion per entity limit imposed by Treasury in December, and plan to pay a combined \$6.1 billion in dividends to Treasury under the net worth sweep by September 30th. Inclusive of these upcoming payments, Treasury will have received a total of \$286 billion in dividends on its Senior Preferred Stock investment, which is \$94 billion more than its cumulative cash investment of \$191 billion. This represents an annualized cash-on-cash return to the government of nearly 11%, above the bargained for 10% interest rate. This return reflects no value for Treasury's warrants to purchase 79.9% of the common stock of both entities, which we believe should be worth in excess of \$150 billion if Fannie and Freddie exit conservatorship and are recapitalized.

In June, FHFA, Fannie and Freddie's primary regulator, released draft proposed capital rules for the enterprises that would apply once they exit conservatorship. Overall, we are encouraged that FHFA is soliciting feedback from market participants regarding adequate capital levels for the entities, which have been near zero since conservatorship began nearly a decade ago. In order to raise the large amount of private capital that will eventually be needed to recapitalize the enterprises, we believe that all final capital rules should avoid complexity and procyclicality, as well as balance the requirement for a fortress balance sheet with the need to deliver market returns to investors, and affordable mortgage rates to consumers.

Other than the draft capital rules, the last three months were relatively uneventful with regard to housing finance reform efforts, but we expect activity to resume in earnest after midterm elections in November. Last week, the government filed an omnibus motion to dismiss in 12 cases asserting an unconstitutional taking and related claims. Given the lengthy briefing schedule, we would expect a decision sometime in the late spring or summer of 2019.

We are pleased with the progress of our portfolio companies and the markets' growing recognition of their undervaluation. While a few months of strong performance is too short a period to judge our performance, we believe that PSH is back on track.

Please contact the investor relations team at ir@persq.com if you have any questions about any of the above. Thank you for your continued support.

Sincerely,

William A. Ackman

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 performance fees (if any). Performance results provided herein also assume an investor that has been invested in the Company since inception. Depending on the timing of a specific investment, net performance for an individual investor may vary from the net performance stated herein. Net performance is a geometrically linked, time-weighted calculation. From May 2, 2017 to January 2, 2018, the Company engaged in a share buyback program whereby its buyback agent repurchased Public Shares subject to certain limitations. In May 2018, the Company purchased and cancelled 22,271,714 Public Shares pursuant to the Tender Offer announced on April 25, 2018. Any positive impact on performance due to these share buybacks and the Tender Offer is reflected herein. Performance data for 2018 is estimated and unaudited.
- 2 The inception date for the Company is December 31, 2012 and the inception date for PSLP is January 1, 2004. The performance data presented on pages 3 to 4 for the S&P 500 under "Cumulative (Since Inception)" is calculated from December 31, 2012 or January 1, 2004, as applicable.
- 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 the Company is subject. The Company 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 the Company'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. © 2018 S&P Dow Jones Indices LLC, its affiliates and/or its licensors. All rights reserved.

- 4 This table reflects the attributions to performance of the portfolio of the Company. Positions with performance attributions of at 50 basis points or more are listed above separately, while positions with performance attributions of less than 50 basis points 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 performance 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 these lists may not have been held by the Company for the entire period. 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 these lists. 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 3.

- 5 PSLP's performance results are presented as it is the Pershing Square fund with the longest track record and substantially the same investment strategy to the Company. The inception date for PSLP is January 1, 2004. In 2004, Pershing Square earned a \$1.5 million (approximately 3.9%) annual management fee and PSLP's general partner earned a performance allocation equal to 20% above a 6% hurdle from PSLP, in accordance with the terms of the limited partnership agreement of PSLP then in effect. That limited partnership agreement was later amended to provide for a 1.5% annual management fee and 20% performance allocation effective January 1, 2005. The net returns for PSLP set out herein reflect the different fee arrangements in 2004, and subsequently, except that the tranche of interests subject to a 30% performance allocation and a 5% hard hurdle (non-cumulative) issued on January 1, 2017 is not reflected in the returns. In addition, pursuant to a separate agreement, in 2004 the sole unaffiliated limited partner paid Pershing Square an additional \$840,000 for overhead expenses in connection with services provided unrelated to PSLP, which have not been taken into account in determining PSLP's net returns. To the extent that such overhead expenses had been included as fund expenses, net returns would have been lower.
- 6 The return of the FTSE 250 is quoted in pound sterling as is customary, not in the Company's or S&P's base currency of USD.

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 2018. 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 and Statement of Principal Risks

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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, 2018 give a true and fair view of the assets, liabilities, financial position and profit of the Company for the period; and
- The interim report for the period ended June 30, 2018 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).

STATEMENT OF PRINCIPAL RISKS

The Company is subject to a number of risks specific to its investment activities, structure and operations, as well as risks relating to general market conditions. The Board has adopted procedures and controls for the ongoing assessment, monitoring and mitigation of material risks and reviews the management of these risks at each quarterly Board meeting. The Board believes that the risks listed below are the principal risks faced by the Company:

- Risks related to Investment Activities
- Use of leverage
- Regulatory risks
- Reputational risk
- Business continuity
- Shares trade at a significant discount to NAV
- Market risk
- Counterparty credit risk

Further details of each of these risks and how they are mitigated are discussed in the Report of the Directors within the Company's Annual Report for the year ended December 31, 2017. The Board believes these risks are applicable to the six-month period ended June 30, 2018 and the remaining six months of the current financial year.

/s/ Anne Farlow

Anne Farlow
Chairman of the Board
August 9, 2018

/s/ Richard Battey

Richard Battey
Director
August 9, 2018

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, 2018 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 12. 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 the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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 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, 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

/s/ Ernst & Young LLP

Ernst & Young LLP

Guernsey

August 9, 2018

Condensed Interim Statement of Financial Position

(Stated in United States Dollars)

	Notes	June 30, 2018 Unaudited	December 31, 2017 Audited
Assets			
Cash and cash equivalents		\$ 1,122,177,458	\$ 1,082,102,874
Due from brokers		159,127,033	710,597,200
Trade and other receivables		16,613,145	18,520,293
Financial assets at fair value through profit or loss			
Investments in securities	4	3,720,080,794	3,140,815,503
Derivative financial instruments	4	436,986,198	744,454,840
Total assets		\$ 5,454,984,628	\$ 5,696,490,710
Liabilities			
Due to brokers		\$ 290,720,000	\$ 340,795,000
Trade and other payables		1,650,270	91,121,135
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	4	31,331,235	6,192,314
Bonds	10	1,016,369,873	1,015,427,736
Liabilities excluding net assets attributable to management shareholders		1,340,071,378	1,453,536,185
Net assets attributable to management shareholders	6	383,478,171	156,268,350

Total liabilities	1,723,549,549	1,609,804,535
Equity		
Share capital	6 5,407,330,220	5,927,042,332
Accumulated deficit	(1,675,895,141)	(1,840,356,157)
Total equity⁽¹⁾	3,731,435,079	4,086,686,175
Total liabilities and equity	\$ 5,454,984,628	\$ 5,696,490,710
Net assets attributable to Public Shares	\$ 3,731,316,780	\$ 4,086,575,831
Public Shares in issue	200,822,397	234,716,810
Net assets per Public Share	\$ 18.58	\$ 17.41
Net assets attributable to Management Shares	\$ 383,478,171	\$ 156,268,350
Management Shares in issue	19,324,427	8,500,796
Net assets per Management Share	\$ 19.84	\$ 18.38
Net assets attributable to Special Voting Share	\$ 118,299	\$ 110,344
Special Voting Share in issue	1	1
Net assets per Special Voting Share	\$ 118,299.24	\$ 110,343.92

(1) Total equity of the Company is comprised of the aggregate net asset values of all Public Shares and the Special Voting Share as of June 30, 2018 and December 31, 2017. Under IFRS, Management Shares are classified as financial liabilities rather than equity. See Note 2 on page 22 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	2018 Unaudited	2017 Unaudited
Investment gains and losses			
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss		\$ 195,147,441	\$ (41,014,177)
Net realized gain/(loss) on commodity interests		(877,163)	(12,717,493)
Net change in unrealized gain/(loss) on commodity interests (net of brokerage commissions of \$44,690 (2017: \$0))		1,007,068	419,293
	4	<u>195,277,346</u>	<u>(53,312,377)</u>
Income			
Dividend income		43,287,822	26,720,018
Interest income		2,245,271	491,147
Other income		21,036	-
		<u>45,554,129</u>	<u>27,211,165</u>
Expense			
Interest expense		(30,185,704)	(31,917,276)
Management fees	8	(26,790,210)	(32,214,384)
Professional fees		(3,396,214)	(6,939,704)
Other expenses		(807,187)	(1,185,334)
		<u>(61,179,315)</u>	<u>(72,256,698)</u>
Profit/(loss) before tax attributable to equity and management shareholders		179,652,160	(98,357,910)
Withholding tax (dividends)		(6,833,852)	(4,706,591)
Profit/(loss) attributable to equity and management shareholders		172,818,308	(103,064,501)
Amounts attributable to management shareholders		8,357,292	(2,579,996)
Profit/(loss) attributable to equity shareholders		\$ 164,461,016	\$ (100,484,505)
Earnings per share (basic & diluted) ⁽¹⁾			
Public Shares		\$ 0.72	\$ (0.42)
Special Voting Share		\$ 7,955.32	\$ (2,684.25)

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

There is no other comprehensive income for the periods ended June 30, 2018 and June 30, 2017.

(1) Earnings per share is calculated using the profit/(loss) for the period attributable to equity shareholders divided by the weighted average shares outstanding with respect to such share class over the period. See Note 11 for further details.

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)

	<u>Notes</u>	<u>Net Assets Attributable to Management Shareholders</u>
As at December 31, 2017		\$ 156,268,350
Amounts attributable to management shareholders		8,357,292
Conversion from Management Shares to Public Shares	6	(5,561,191)
Conversion from Public Shares to Management Shares	6	220,491,008
Accretion from share buybacks ⁽¹⁾		3,922,712
As at June 30, 2018 (Unaudited)		<u><u>\$ 383,478,171</u></u>
		<u>Net Assets Attributable to Management Shareholders</u>
As at December 31, 2016		\$ 161,137,460
Amounts attributable to management shareholders		(2,579,996)
As at June 30, 2017 (Unaudited)		<u><u>\$ 158,557,464</u></u>

(1) From May 2, 2017 to January 2, 2018, the Company engaged in a share buyback program whereby its buyback agent repurchased Public Shares subject to certain limitations. All repurchased Public Shares were subsequently cancelled. In May 2018, the Company purchased and cancelled 22,271,714 Public Shares pursuant to the Tender Offer. See Note 6 for further details. This amount includes the accretion relating to both the share buyback program and the Tender Offer that is allocated to the Management Shares.

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)

	<u>Notes</u>	<u>Share Capital</u>	<u>Accumulated Deficit</u>	<u>Total Equity</u>
As at December 31, 2017⁽¹⁾		\$ 5,927,042,332	\$ (1,840,356,157)	\$ 4,086,686,175
Total profit/(loss) attributable to equity shareholders		-	164,461,016	164,461,016
Share buybacks ⁽²⁾		(304,782,267)	-	(304,782,267)
Conversion from Management Shares to Public Shares	6	5,561,181	-	5,561,181
Conversion from Public Shares to Management Shares	6	(220,491,026)	-	(220,491,026)
As at June 30, 2018 (Unaudited)⁽¹⁾		<u><u>\$ 5,407,330,220</u></u>	<u><u>\$ (1,675,895,141)</u></u>	<u><u>\$ 3,731,435,079</u></u>
		<u>Share Capital</u>	<u>Accumulated Deficit</u>	<u>Total Equity</u>
As at December 31, 2016⁽¹⁾		\$ 6,003,372,824	\$ (1,647,738,262)	\$ 4,355,634,562
Total profit/(loss) attributable to equity shareholders		-	(100,484,505)	(100,484,505)
Share buybacks ⁽²⁾		(16,348,204)	-	(16,348,204)
As at June 30, 2017 (Unaudited)⁽¹⁾		<u><u>\$ 5,987,024,620</u></u>	<u><u>\$ (1,748,222,767)</u></u>	<u><u>\$ 4,238,801,853</u></u>

- (1) Total equity of the Company is comprised of the aggregate net asset values of all Public Shares and the Special Voting Share. Under IFRS, Management Shares are classified as financial liabilities rather than equity. See Note 2 on page 22 for further details.
- (2) From May 2, 2017 to January 2, 2018, the Company engaged in a share buyback program whereby its buyback agent repurchased Public Shares subject to certain limitations. All repurchased Public Shares were subsequently cancelled. In May 2018, the Company purchased and cancelled 22,271,714 Public Shares pursuant to the Tender Offer. See Note 6 for further details. This amount includes the accretion relating to both the share buyback program and the Tender Offer that is allocated to the Public Shares and the Special Voting Share.

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	2018 Unaudited	2017 Unaudited
Cash flows from operating activities			
Profit/(loss) for the period attributable to equity and management shareholders		\$ 172,818,308	\$ (103,064,501)
Adjustments to reconcile changes in profit/(loss) for the period to net cash flows:			
Bond interest expense	10	28,442,137	28,388,276
Bond interest paid ⁽¹⁾	10	(27,500,000)	(27,500,000)
(Increase)/decrease in operating assets:			
Due from brokers		551,470,167	(212,990,105)
Trade and other receivables		1,907,148	(337,287)
Investments in securities	4	(579,265,291)	(366,987,815)
Derivative financial instruments	4	307,468,642	48,077,674
Increase/(decrease) in operating liabilities:			
Due to brokers		(50,075,000)	241,691,182
Trade and other payables		(89,470,865)	2,497,659
Securities sold, not yet purchased	4	-	195,911,855
Derivative financial instruments	4	25,138,921	(169,576,385)
Net cash from/(used in) operating activities		340,934,167	(363,889,447)
Cash flows from financing activities			
Purchase of Public Shares	6	(300,859,583)	(16,348,204)
Net cash from/(used in) financing activities		(300,859,583)	(16,348,204)
Net change in cash and cash equivalents		40,074,584	(380,237,651)
Cash and cash equivalents at beginning of period		1,082,102,874	2,076,161,696
Cash and cash equivalents at end of period		\$ 1,122,177,458	\$ 1,695,924,045
Supplemental disclosure of cash flow information			
Cash paid during the period for interest		\$ 28,984,806	\$ 30,489,588
Cash received during the period for interest		\$ 2,047,395	\$ 381,793
Cash received during the period for dividends		\$ 44,406,907	\$ 27,543,710
Cash deducted during the period for withholding taxes		\$ 7,521,369	\$ 4,977,818

- (1) In accordance with the amendments to IAS 7, the Company's net debt reconciliation related to the Company's bonds (the "Bonds") is further detailed in Note 10.

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, Euronext Amsterdam and the London Stock Exchange (“LSE”).

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 occasionally 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 investment management agreement (the “IMA”). 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 Company’s investment policy set forth in the Company’s Annual Report for the year ended December 31, 2017. 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 Company’s Board of Directors is comprised of Nicholas Botta, President and a partner of the Investment Manager, Anne Farlow, Richard Battey, Bronwyn Curtis, William Scott and Richard Wohanka, all of whom are non-executive Directors. Anne Farlow is the Chairman of the Board. Bronwyn Curtis and Richard Wohanka were elected by the Company’s shareholders to the Board of Directors at the Company’s AGM on April 24, 2018. In addition, on February 12, 2018, Jonathan Kestenbaum retired as a non-executive Director of the Company. Jonathan Kestenbaum had served as an independent non-executive Director of the Company since 2014.

Audit Committee

The Audit Committee consists of the independent Directors of the Company. Mr Battey is the Chairman of the Audit Committee. Effective July 30, 2018, Ms Curtis and Mr Wohanka were appointed to the Audit Committee. The principal duties of the Audit Committee are to monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and formal announcements relating to the Company’s financial performance, and reviewing and reporting to the Board on significant financial reporting issues and judgments communicated to the Committee by the auditor. The Audit Committee’s responsibilities also include, but are not limited to, recommendations to the Board regarding the appointment, reappointment and removal of the external auditor, discussion and agreement with the external auditor as to the nature and scope of the audit, and review of the results and cost effectiveness of the audit and the independence and objectivity of the external auditor. The Audit Committee reports regularly and makes such recommendations as it deems appropriate to the Board on any matter within its remit.

Management Engagement Committee

The Board has established a Management Engagement Committee to adhere to the principles of the UK Corporate Governance Code in connection with the listing of the Public Shares on the LSE. The Management Engagement Committee reviews the performance of the Investment Manager in the management of the Company’s affairs and the terms of engagement and performance of the Company’s other key service providers, and then reports and makes recommendations to the full Board. It is comprised of the independent Directors of the Company. Until his retirement as a Director on February 12, 2018, Jonathan Kestenbaum was the Chairman of the Management Engagement Committee. William Scott has been appointed to succeed Jonathan Kestenbaum as the Chairman of the Management Engagement Committee.

Nomination Committee

The Board has established a Nomination Committee to adhere to the principles of the UK Corporate Governance Code in connection with the listing of the Public Shares on the LSE. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, succession planning for Director departures and identifying and nominating suitable candidates to fill vacancies, taking into account the challenges and opportunities facing the Company and the skills, knowledge and experience needed on the Board. The Nomination Committee reports its recommendations to the full Board. It is comprised of the independent Directors of the Company. Effective July 30, 2018, Ms Curtis and Mr Wohanka were appointed to the Nomination Committee. Ms Farlow is the Chairman of the Nomination Committee.

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.

Additional Quotation on LSE

On May 2, 2017, the Company announced that its Public Shares had been admitted to the Official List of the UK Listing Authority and had commenced trading on the Premium Segment of the Main Market of the LSE. On May 29, 2018, the Company introduced an additional USD quotation on the LSE alongside the Company’s existing quotations. As a result, shareholders are able to trade Public Shares on both Euronext Amsterdam and the LSE with shares quoted and traded in USD on Euronext Amsterdam and USD and Sterling on the LSE.

Amendments to the Company’s Articles of Incorporation

At the AGM, shareholders voted to remove the 4.99% ownership limit from the Company’s Articles of Incorporation (the “Articles”). Removal of the ownership limit provides the Company with the flexibility to undertake Company share repurchases without the concern that repurchases will cause any individual shareholder who owns less than 5% of the Company prior to such repurchase to own more than 5% afterwards.

Shareholders also voted at the AGM to amend the Articles to permit the conversion of Public Shares acquired by persons who are otherwise eligible to hold Management Shares into Management Shares, on a net asset value for net asset value basis as at each month end. Holders of Management Shares were already entitled to convert Management Shares into Public Shares.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The condensed interim financial statements of the Company for the six months ended June 30, 2018 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 IFRS as issued by the IASB and are consistent with those set out in the notes to the annual financial statements for the year ended December 31, 2017, with the exception of IFRS 9, Financial Instruments which replaced IAS 39, Financial Instruments: Recognition and Measurement, as discussed further in Note 3. The condensed interim financial statements have been prepared on a historical-cost basis, except for certain financial assets and financial liabilities measured 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, 2017.

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

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 Management Shares be redeemed in cash at the option of the management shareholders. Net assets attributable to Management Shares are measured at the redemption amount based on the net asset value of the Company 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 Company has adopted IFRS 9 as of its effective date of January 1, 2018. Based on the Company’s assessment and as discussed in further detail in Note 4 of the annual financial statements for the year ended December 31, 2017, the implementation of this new standard does not have a significant impact on the Company’s financial statements. The Company has chosen to take advantage of the option not to restate comparatives.

i) Classification and measurement

The Company will continue to measure all investments in securities and derivatives at fair value through profit or loss in accordance with the Solely Payments of Principal and Interest test as required under IFRS 9. As discussed further in Note 10, the Bonds are held at amortized cost.

ii) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its debt securities held at amortized cost, loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all receivables. Given that receivables' balances are typically not material, the Company expects the impact of future credit losses to be negligible.

iii) Hedge accounting

The Company does not currently designate any hedges as effective hedging relationships which qualify for hedge accounting, therefore this does not impact the financial statements.

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

Financial assets at fair value through profit or loss:

	June 30, 2018	December 31, 2017
Financial assets at fair value through profit or loss		
Investments in securities	\$ 3,720,080,794	\$ 3,140,815,503
Derivative financial instruments	436,986,198	744,454,840
Financial assets at fair value through profit or loss	\$ 4,157,066,992	\$ 3,885,270,343

Financial liabilities at fair value through profit or loss:

	June 30, 2018	December 31, 2017
Financial liabilities at fair value through profit or loss		
Derivative financial instruments	\$ 31,331,235	\$ 6,192,314
Financial liabilities at fair value through profit or loss	\$ 31,331,235	\$ 6,192,314

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

	6 Months Ended June 30, 2018			6 Months Ended June 30, 2017		
	Realized	Unrealized	Total Gains/(Losses)	Realized	Unrealized	Total Gains/(Losses)
Financial assets						
Measured at fair value through profit or loss	\$ 171,906,086	\$ 109,371,081	\$ 281,277,167	\$ (1,529,014,253)	\$ 1,820,151,269	\$ 291,137,016
Financial liabilities						
Measured at fair value through profit or loss	-	-	-	(1,274,665)	(182,885,857)	(184,160,522)
Derivative financial instruments	(88,904,439)	2,904,618	(85,999,821)	29,541,471	(189,830,342)	(160,288,871)
Net changes in fair value	\$ 83,001,647	\$ 112,275,699	\$ 195,277,346	\$ (1,500,747,447)	\$ 1,447,435,070	\$ (53,312,377)

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.

5. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Recurring Fair Value Measurement of Assets and Liabilities

	June 30, 2018				December 31, 2017			
	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 (Measured at Fair Value):								
Common Stock	\$3,353,096	\$ -	\$ -	\$ 3,353,096	\$2,872,982	\$ -	\$ -	\$2,872,982
Investment in Affiliated Entity	-	319,107 ³	-	319,107	-	256,821 ³	-	256,821
Preferred Stock	47,405	473	-	47,878	10,983	30	-	11,013
Derivative Contracts (Held for Trading):								
Currency Call/Put Options Purchased	-	824 ¹	-	824	-	131 ¹	-	131
Equity Options Purchased	-	403,272 ¹	-	403,272	-	686,227 ¹	-	686,227
Foreign Currency Forward Contracts	-	6,737 ¹	-	6,737	-	-	-	-
Index Options Purchased	-	-	-	-	-	402 ¹	-	402
Total Return Swaps	-	26,153 ²	-	26,153	-	57,695 ²	-	57,695
Total	\$3,400,501	\$756,566	\$ -	\$ 4,157,067	\$2,883,965	\$ 1,001,306	\$ -	\$3,885,271

	June 30, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial Liabilities:								
Derivative Contracts (Held for Trading):								
Foreign Currency Forward Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	741 ¹	\$ -	\$ 741
Total Return Swaps	-	31,331 ²	-	31,331	-	5,452 ²	-	5,452
Net assets attributable to management shareholders	-	-	383,478 ⁴	383,478	-	-	156,268 ⁴	156,268
Total	\$ -	\$ 31,331	\$383,478	\$ 414,809	\$ -	\$ 6,193	\$ 56,268	\$ 162,461

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

² Level 2 financial instruments include total return swap contracts that are fair valued by the Investment Manager using market observable inputs. The fair values of these financial instruments may reflect, 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 This figure relates to the Company's investment in Pershing Square VI International, L.P. ("PS VI") as of the period ended June 30, 2018, as discussed in Note 9. The Company's investment in PS VI included 42.41% and 46.05% of Level 1 financial instruments, 57.56% and 53.01% of Level 2 financial instruments and 0.03% and 0.94% of other assets and liabilities that are outside the scope of IFRS 13 as of the period ended June 30, 2018 and the year ended December 31, 2017, respectively. The level of underlying investments had no impact in the level used for the investment held by the Company. See the fair value measurement discussion in Note 2 of the Company's annual financial statements for the year ended December 31, 2017 for the Company's valuation policy related to investments in affiliated entities.

⁴ Net assets attributable to management shareholders are classified as Level 3 and are valued based on their net asset value which approximates carrying value. In assessing the appropriateness of net asset value as a basis for fair value, consideration is given to the need for adjustments to 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.

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 fair 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, 2018 and the year ended December 31, 2017.

	Warrants
Balance at December 31, 2016	\$ 44,660,268
Transfers*	(49,193,147)
Total gains and losses in profit or loss	4,532,879
Balance at December 31, 2017	<u>\$ -</u>
Balance at June 30, 2018	<u><u>\$ -</u></u>
Total unrealized gains and losses for the year included in profit or loss for assets held at December 31, 2017	<u>\$ -</u>
Total unrealized gains and losses for the period included in profit or loss for assets held at June 30, 2018	<u><u>\$ -</u></u>

* During the year ended December 31, 2017, the transfer from Level 3 to Level 1 related to the cashless conversion of the warrants to common stock shares of The Howard Hughes Corporation.

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 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.

The Company currently has outstanding the Public Shares, the Special Voting Share and the Management Shares.

In connection with the listing of the Public Shares on the LSE, the Company exchanged the Class B Shares held by PS Holdings Independent Voting Company Limited ("VoteCo"), a limited liability company with the sole objective to vote in the best interest of the Company's shareholders as a whole, for a Special Voting Share. The Special Voting Share at all times carries 50.1% of the aggregate voting power in the Company (except for certain matters set forth in the LSE listing rules on which it may not vote). 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 performance fee with respect to Management Shares, which were issued to certain shareholders, including certain members, partners, officers, managers, employees or affiliates of the Investment Manager or certain other shareholders.

Lock-up

In connection with the Company's IPO, Mr. Ackman and other members of the management team and officers of the Investment Manager have each entered into a lock-up arrangement with the Company (the "Lock-Up Deed") whereby their aggregate Management Shares held at the time of the IPO are subject to a lock-up of ten years commencing from October 1, 2014, other than sales of Management Shares (i) required to pay taxes on income generated by the Company; (ii) required due to regulatory constraints; or (iii) following separation of employment from the Investment Manager. Management Shares subject to the Lock-Up Deed may from time to time be transferred to affiliates, provided that the transferee agrees to be subject to the remaining lock-up period. On August 9, 2018, the Company amended the Lock-Up Deed to clarify that parties to the Lock-Up Deed may sell the specific Management Shares they held at the time of the IPO, so long as they continue to hold at least as many Management Shares in the aggregate as they held at the time of the IPO (or, if the Management Shares have been converted, so long as they hold at least as many shares of the class such Management Shares were converted into). At the time of the IPO, 8,335,440 Management Shares were subject to the Lock-Up Deed.

Share Conversion

Subject to the terms of the lock-up agreements, holders of Management Shares are 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.

During the six month period ended June 30, 2018, a holder of Management Shares converted 287,464 Management Shares into 306,738 Public Shares.

As a result of amendments to the Articles approved by shareholders at the AGM, Public Shares acquired by persons who are otherwise eligible to hold Management Shares can be converted into Management Shares, on a net asset value for net asset value basis as at each month end. The Management Shares resulting from these conversions are not subject to the lock-up described above.

Since the AGM, holders of Management Shares (i.e., persons associated with the Investment Manager) have converted 11,867,000 Public Shares into 11,111,095 Management Shares.

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. The Special Voting Share carries 50.1% of the aggregate voting power in the Company. The Special Voting Share and the Management Shares may not vote on certain matters specified in the LSE listing rules.

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, 2018 and June 30, 2017.

The Public Shares, Management Shares and Class B Shares / Special Voting Share transactions for the six-month period ended June 30, 2018 and the year ended December 31, 2017 were as follows:

	Management Shares	Public Shares	Special Voting Share
Shares as of December 31, 2017	8,500,796	234,716,810	1
Issuance of Shares	-	-	-
Share Buybacks*	-	(22,334,151)	-
Conversion Out	(287,464)	(11,867,000)	-
Conversion In	11,111,095	306,738	-
Shares as of June 30, 2018	19,324,427	200,822,397	1

	Management Shares	Public Shares	Class B Shares	Special Voting Share
Shares as of December 31, 2016	8,500,796	240,128,546	5,000,000,000	-
Issuance of Shares	-	-	-	-
Share Buybacks	-	(5,411,736)	-	-
Conversion Out	-	-	(5,000,000,000)	-
Conversion In	-	-	-	1
Shares as of December 31, 2017	8,500,796	234,716,810	-	1

*Share Buybacks include 62,437 shares purchased in the original share buyback program that commenced in May 2017 and 22,271,714 shares purchased in the Tender Offer in May 2018.

Capital Management

The Company's capital currently consists of Public Shares which are listed on Euronext Amsterdam and the LSE, Management Shares which can be converted into Public Shares, and the Special Voting Share (as more fully described on page 25). 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 of the annual financial statements for the year ended December 31, 2017).

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 are 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). At the AGM, shareholders renewed the Company's authority to engage in share buybacks up to a maximum of 14.99% of the Public Shares in issue and, as part of this authority, approved the Tender Offer. The Company launched the Tender Offer on April 25, 2018 and closed the Tender Offer on May 10, 2018. A total of 22,271,714 Public Shares were acquired by the Company in the Tender Offer at a price of \$13.47 per Public Share and subsequently were cancelled. Depending on market conditions and other considerations, the Company may decide to utilize the remaining amount of the share buyback authority to acquire Public Shares in the market. If utilized fully, the remaining authority would permit the Company to purchase 12,902,976 Public Shares.

As discussed on page 25, the Investment Manager has also imposed a ten-year lock-up on certain holders of Management Shares, subject to certain exceptions. This lock-up does not affect the capital resources available to the Company.

7. COMMITMENTS AND CONTINGENCIES

PSH, PSCM, PS Fund 1, LLC and other related parties (the "Pershing Square Parties") and Valeant Pharmaceuticals International, Inc. and other related parties (the "Valeant Parties") are defendants in two class action lawsuits entitled *In Re Allergan, Inc. Proxy Violation Securities Litigation*, Case No. 8:14-cv-2001- DOC ("Stock Class Action"), and *In re Allergan, Inc. Proxy Violation Derivatives Litigation*, Case No. 2:17-cv-04776 DOC ("Derivatives Class Action"), both pending in the U.S. District Court for the Central District of California, relating to the investment by the Pershing Square Parties in Allergan, Inc. ("Allergan"), and alleging violations of federal securities laws relating to trading in Allergan common shares and related derivatives.

During the year ended December 31, 2016, the Company reserved \$29,176,480 towards any potential liability. On December 28, 2017, in consultation with counsel and expert mediators, defendants entered into full settlements in principle in both cases for a total payment of \$290 million, of which the Company and three affiliated entities managed by the Investment Manager (the "Core Funds") are to bear \$193.75 million. PSH's allocable share of the total amount was \$86,396,342, leading it to reserve an additional \$57,219,862 as of December 31, 2017. These reserves are included in Trade and Other Payables in the Company's statement of financial position as of December 31, 2017. The settlements were paid by the Core Funds during January 2018 and are held in escrow pending final approval by the court. At a hearing on June 12, 2018, the Court indicated that it will grant final approval of the full settlement, subject to issuance of a written order which has not yet been entered.

Other than the above and as noted in the annual financial statements for the year ended December 31, 2017, there were no other commitments or contingencies as of June 30, 2018 and December 31, 2017.

8. INVESTMENT MANAGEMENT AND PERFORMANCE FEES

The Investment Manager receives management fees and performance fees, if any, from the Company pursuant to the IMA.

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 performance fee) attributable to fee-paying shares. The fee-paying shares of the Company are the Public Shares and the Special Voting Share.

For the period ended June 30, 2018 and the year ended December 31, 2017, the Investment Manager earned management fees from the Company of \$26,790,210 and \$63,211,761, respectively.

The Investment Manager has chosen to reduce the management fees paid by the Pershing Square funds which incurred litigation expenses in connection with the settlement of the Allergan Stock Class Action and Derivative Class Action for eight consecutive quarters beginning with the management fee payable on April 1, 2018 by a total of \$32.2 million. This amount accounts for the amount that incentive fees would have been reduced by had Allergan-related settlement expenses been incurred in 2014 contemporaneously with gains from the Allergan investment. The reduced fees will be allocated among the Core Funds based upon the amount of settlement reserves previously recognized by the Core Funds at the year ended 2016 and the year ended 2017. The Company will be allocated \$14.4 million of this reduction.

Performance Fee

Generally, the Investment Manager receives an annual performance fee in an amount equal to 16% of the net profits attributable to the fee-paying shares of the Company (the "16% performance fee") minus the Additional Reduction (defined below). Such annual performance fee is defined as the "Variable Performance Fee" in the IMA. The Variable Performance Fee cannot be higher than the 16% performance fee, but it may, as a result of the Additional Reduction, be lower (although it can never be a negative amount).

The "Additional Reduction" is an amount equal to (i) the lesser of the 16% performance fee and the Potential Reduction Amount (defined below), offset (up to such lesser amount) by (ii) the then current portion of the Potential Offset Amount.

The "Potential Reduction Amount" is equal to (i) 20% of the aggregate performance fees and allocation earned by the Investment Manager and its affiliates in respect of the same calculation period on the gains of current and certain future funds managed by the Investment

Manager or any of its affiliates plus (ii) if the Potential Reduction Amount for the previous calculation period exceeded the 16% performance fee, the excess amount (which is in effect carried forward).

The "Potential Offset Amount" refers to the fees and other costs of the offering and admission on Euronext Amsterdam of the Public Shares and the commissions paid to placement agents and other formation and offering expenses incurred prior to the IPO of the Company that were, in each case, borne by the Investment Manager pursuant to the IMA. The Potential Offset Amount will be reduced by each dollar applied to reduce the Additional Reduction, until it is fully reduced to zero.

The Potential Offset Amount equalled \$120 million in the aggregate at the time of the IPO. As of June 30, 2018 and December 31, 2017, after giving effect to the offset of the Potential Reduction Amount in the year ended December 31, 2014, the Potential Offset Amount was approximately \$100.8 million.

The Potential Offset Amount is not a Company obligation but instead is a component used in the calculation of the Variable Performance Fee. Thus, if the Company or the Investment Manager terminates the IMA or the Company liquidates and the Company pays the Variable Performance Fee that may crystallize in connection therewith, the Company has no obligation to pay any remaining portion of the Potential Offset Amount.

For the period ended June 30, 2018 and the year ended December 31, 2017, the Investment Manager did not earn any performance fee from the Company.

Since the Company has no performance fee accrued for the period ended June 30, 2018 and the year ended December 31, 2017, but the Potential Reduction Amount was \$2.9 million and \$2.9 million, respectively, in those periods/years, those amounts will be carried forward to calculate the Additional Reduction and reduce any Variable Performance Fee in future years, subject to any offset by the Potential Offset Amount.

Termination

The IMA automatically renews annually, except that it may be terminated (a) as of December 31st of any year upon four months' prior written notice by either party, subject, in the case of termination by the Company, to approval by a 66 2/3% vote (by voting power) of the holders of the then outstanding voting shares of the Company, together with a 66 2/3% vote (by voting power) of the holders of the then outstanding Public Shares; and (b) in case of dissolution or liquidation of either party or if a receiver or provisional liquidator or administrator or similar officer is appointed over any of the assets of such party or if either party commits a material breach of its obligations under the IMA and such breach remains uncured for more than 30 calendar days after the notice thereof delivered to the party in breach by the other party in accordance with the IMA.

The termination of the IMA at any time will be a crystallisation event, which will result in the Variable Performance Fee described above being payable.

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) performance fees, 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.

The Company has an investment in PS VI as discussed in Note 3 of the annual financial statements for the year ended December 31, 2017. As of June 30, 2018 and December 31, 2017, the Company's capital balance in PS VI was \$319,107,237 and \$256,820,746, respectively, and represents an ownership in PS VI of 37.05% and 36.43%, respectively. The Company's investment in PS VI is included in investments in securities in the condensed interim statement of financial position. The Company is not charged a management fee or performance fee in relation to its investment in PS VI.

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, 2018 the Company and its affiliates had beneficial ownership in excess of 10% of the outstanding common equity securities of Chipotle Mexican Grill, Inc., and Platform Specialty Products Corporation. At December 31, 2017, in addition to the above companies, the Company and its affiliates had beneficial ownership in excess of 10% of Restaurant Brands International Inc. and The Howard Hughes Corporation. William A. Ackman is the chairman of the board of The Howard Hughes Corporation. Ali Namvar, a member of PSCM's investment team until April 1, 2018, is a board member of Chipotle Mexican Grill, Inc. Ryan Israel, a member of PSCM's investment team, is a board member of Platform Specialty Products Corporation.

William A. Ackman, Nicholas Botta, and other PSCM affiliates purchased 14,640,723, 850,000 and 141,809 Public Shares, respectively, in the market after completion of the Tender Offer and prior to June 30, 2018. Of these amounts, 11,000,000, 850,000 and 17,000, respectively, were converted into Management Shares as of June 30, 2018, as discussed in Note 6. William A. Ackman and members of PSCM's investment team and advisory board have since purchased an additional 5,009,748 and 17,349 Public Shares, respectively.

For the six-month period ended June 30, 2018, the independent Directors' fees in relation to their services for the Company were \$154,893, none of which were payable as of June 30, 2018. For the six-month period ended June 30, 2017, the independent Directors' fees in relation to their services for the Company were \$146,185 of which \$74,422 were payable as of June 30, 2017.

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 U.S. 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, 2018 and December 31, 2017, based upon market value at that time, was \$1,006,250,000 and \$1,042,500,000, respectively. In accordance with IFRS 9, the Bonds' carrying value as of June 30, 2018 and December 31, 2017, in the amount of \$1,016,369,873 and \$1,015,427,736, respectively, in the condensed interim statement of financial position is representative of amortized cost and the transaction costs of the Bonds issued. The transaction costs of \$14,502,332 were capitalized and are to be amortized over the life of the Bonds using the effective interest method.

	2018
At December 31, 2017	\$ 1,015,427,736
Finance costs for the period	28,442,137
Bond coupon payment during the period	(27,500,000)
At June 30, 2018	<u>\$ 1,016,369,873</u>

Finance costs for the period:	
Bond interest expense	\$ 27,416,446
Amortization of Bond issue costs incurred as finance costs	1,025,691
Interest expense	<u>\$ 28,442,137</u>

	2017
At December 31, 2016	\$ 1,013,552,905
Finance costs for the year	56,874,831
Bond coupon payment during the year	(55,000,000)
At December 31, 2017	<u>\$ 1,015,427,736</u>

Finance costs for the year:	
Bond interest expense	\$ 54,823,788
Amortization of Bond issue costs incurred as finance costs	2,051,043
Interest expense	<u>\$ 56,874,831</u>

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 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. EARNINGS PER SHARE

Basic and diluted earnings per share ("EPS") is calculated by dividing the profit/(loss) for the period/year attributable to the Public Shares and the Special Voting Share over the weighted average number of Public Shares and the Special Voting Share outstanding, respectively (noting that the calculation for the Special Voting Share EPS in 2017 includes the Class B Shares prior to the conversion into the Special Voting Share). In accordance with IFRS, the weighted average shares outstanding calculated for the Public Shares and the Special Voting Share were 228,307,055 and 1, respectively for the period ended June 30, 2018, and the weighted average shares outstanding calculated for the Public Shares and the Special Voting Share were 239,947,210 and 1, respectively for the period ended June 30, 2017.

As discussed in Note 1, all Class B Shares converted to 1 Special Voting Share on May 2, 2017. Therefore, the profit/(loss) of the Class B Shares for the period from January 1, 2017 to May 1, 2017, including the profit/(loss) of the Special Voting Share from May 2, 2017 to June 30, 2017, was divided over 1 Special Voting Share as presented on the condensed interim statement of comprehensive income to show one EPS as a whole for the six months ended June 30, 2017.

12. 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.

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