



2011

DRIVING CHANGE

Valeant Annual Report

COMPANY OVERVIEW

Valeant Pharmaceuticals International, Inc. (NYSE/TSX:VRX) is a multinational specialty pharmaceutical company that develops and markets prescription and non prescription pharmaceutical products that make a meaningful difference in patients' lives. Valeant's primary focus is principally in the areas of dermatology and neurology.

The Company's growth strategy is to acquire, develop and commercialize new products through strategic partnerships, and build on the company's strength in dermatology and neurology. Valeant plans to strategically expand its pipeline by adding new compounds or products through product or company acquisitions and will maximize its pipeline through strategic partnering to optimize its research and development assets and strengthen ongoing internal development capabilities.

Valeant's strategic markets are primarily in the United States, Canada, Central and Eastern Europe, Latin America, Australia and South East Asia. Headquartered in Montreal, Quebec, Valeant has approximately 7,000 employees worldwide.

FORWARD-LOOKING STATEMENTS

In addition to current and historical information, this Annual Report contains forward-looking statements, including, without limitation, statements regarding our future operation and goals, our five-year strategic plan, anticipated cash flows, the growth and future development of the company and its business units, our ability to continue our performance and growth, our ability to increase sales growth or maintain market share of our products, product launches and extensions and expansion into different markets, our ability and success in integrating acquired businesses and/or products, our strategy regarding products and the development and approval of pipeline products. Words such as "expects," "anticipates," "intends," "plans," "should," "could," "would," "may," "will," "believes," "estimates," "potential," or "continue" or similar language identify forward-looking statements. Forward-looking statements involve known and unknown risks and uncertainties. Our actual results may differ materially from those contemplated by the forward-looking statements. Factors that might cause or contribute to these differences include, but are not limited to, risks and uncertainties discussed in our most recent annual or quarterly report filed with the U.S. Securities and Exchange Commission, which factors are incorporated herein by reference. You should consider these in evaluating our prospects and future financial performance. These forward-looking statements are made as of the date of this report. We disclaim any obligation to update or alter these forward-looking statements in this report or the other documents to reflect actual outcomes.

Non-GAAP Information

To supplement the financial measures prepared in accordance with generally accepted accounting principles (GAAP), the Company uses non-GAAP financial measures that exclude certain items, such as amortization of inventory step-up, stock-based compensation step-up, restructuring and acquisition-related costs, acquired in-process research and development ("IPR&D"), legal settlements, amortization and other non-cash charges, amortization of deferred financing costs, debt discounts and ASC 470-20 (FSP APB 14-1) interest, loss on extinguishment of debt, and (gain) loss on investments, net, and adjusts tax expense to cash taxes. Management uses non-GAAP financial measures internally for strategic decision making, forecasting future results and evaluating current performance. By disclosing non-GAAP financial measures, management intends to provide investors with a meaningful, consistent comparison of the company's core operating results and trends for the periods presented. Non-GAAP financial measures are not prepared in accordance with GAAP; therefore, the information is not necessarily comparable to other companies and should be considered as a supplement to, not a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP.

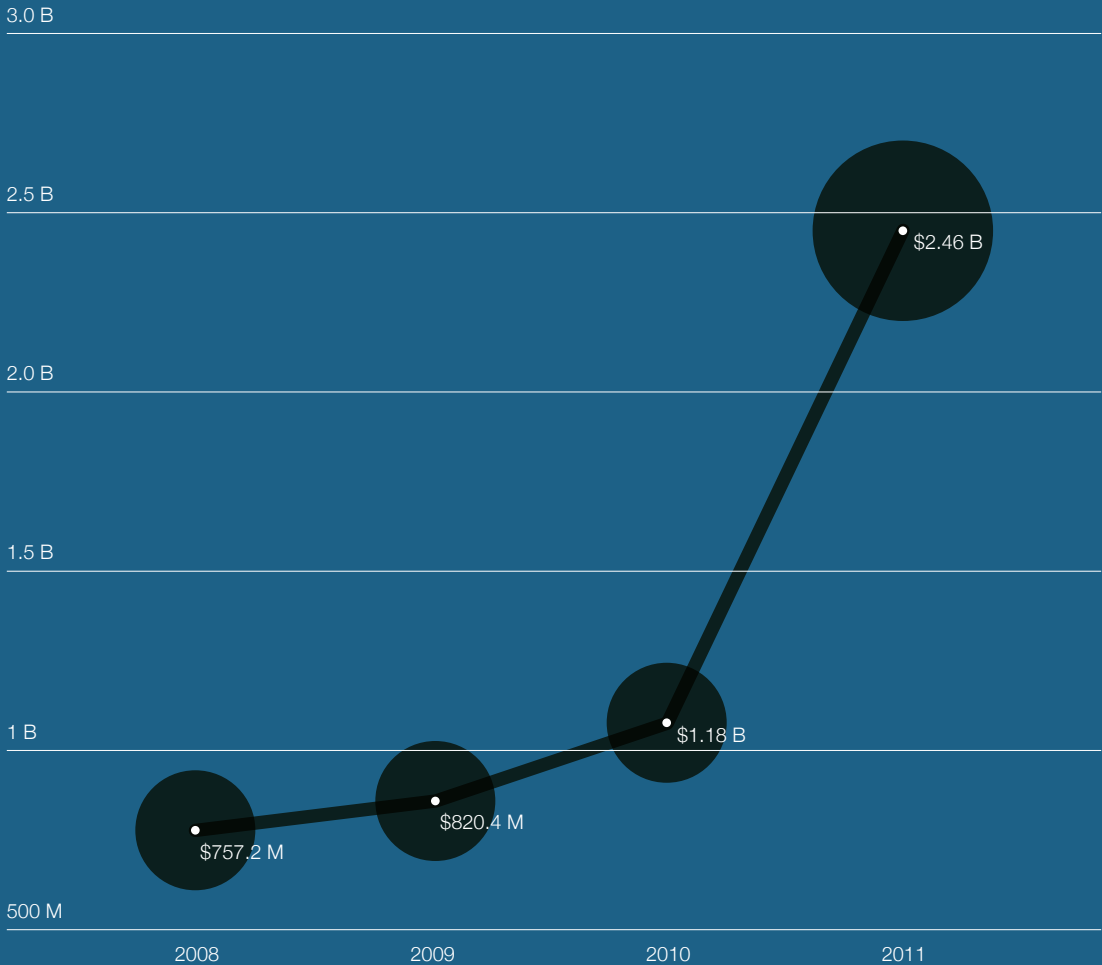
WE STRIVE TO CREATE
POSITIVE CHANGE FOR OUR
SHAREHOLDERS, PATIENTS,
EMPLOYEES AND CUSTOMERS
BY GROWING OUR CURRENT
PRODUCTS AND BUSINESSES
AND CONTINUING TO ADD TO
OUR PORTFOLIO THROUGH
TARGETED ACQUISITIONS
IN AN EVER CHANGING
MARKETPLACE.

REVENUE

34%

*As a result of the Biovail's merger with Valeant, revenue reflects Biovail standalone operations as they existed prior to the completion of the merger and combined Valeant's results only for the period subsequent to the completion of the merger on September 28, 2010.

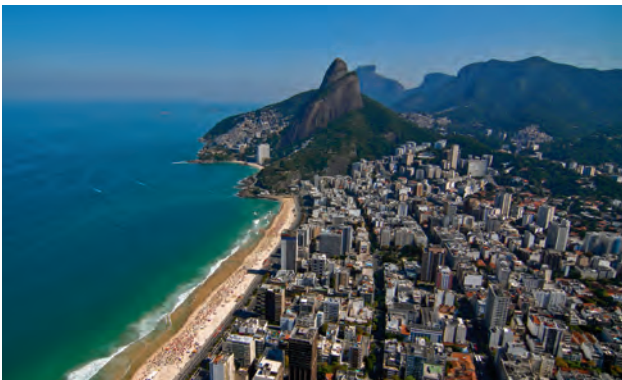
We increased revenue 34% from Fourth Quarter 2010 to Fourth Quarter 2011*.



1

WE OPERATE A PORTFOLIO THAT IS DIVERSIFIED ACROSS GEOGRAPHIC AND THERAPEUTIC LINES.

The classic pharmaceutical strategy is to discover and develop global products by focusing on large therapeutic categories in highly populated regions such as the U.S., Western Europe, Japan, India and China. At Valeant, we are focused on creating a diversified business model that includes investing in select international markets with strong growth potential, and broad product portfolios with limited patent risk. We avoid markets where there is competitive intensity from large pharmaceutical companies or areas where market growth has slowed and we have a limited ability to build scale and market presence. We believe that by targeting underserved, niche markets and compounds, Valeant can successfully execute our growth business model in the years to come and thereby create value for all our stakeholders.



We concentrate on creating a diversified business model that includes investing in select markets with strong growth potential.

2

WE BELIEVE SPEED AND LACK OF BUREAUCRACY IS OUR GREATEST ADVANTAGE.

Change within the pharmaceutical industry is slow. At Valeant, we believe that by embracing a fact-based managerial process without redundant layers of decision-making, the best ideas will rapidly rise to the surface and we can make good decisions quickly. Our strategy is about being prudent: if things are working, then you invest behind them, and if they aren't, make changes. Our employees operate within a truly low-cost environment with clear accountabilities and well-defined performance metrics. We pride ourselves on treating our financial resources as if we were owners, which of course, we are.



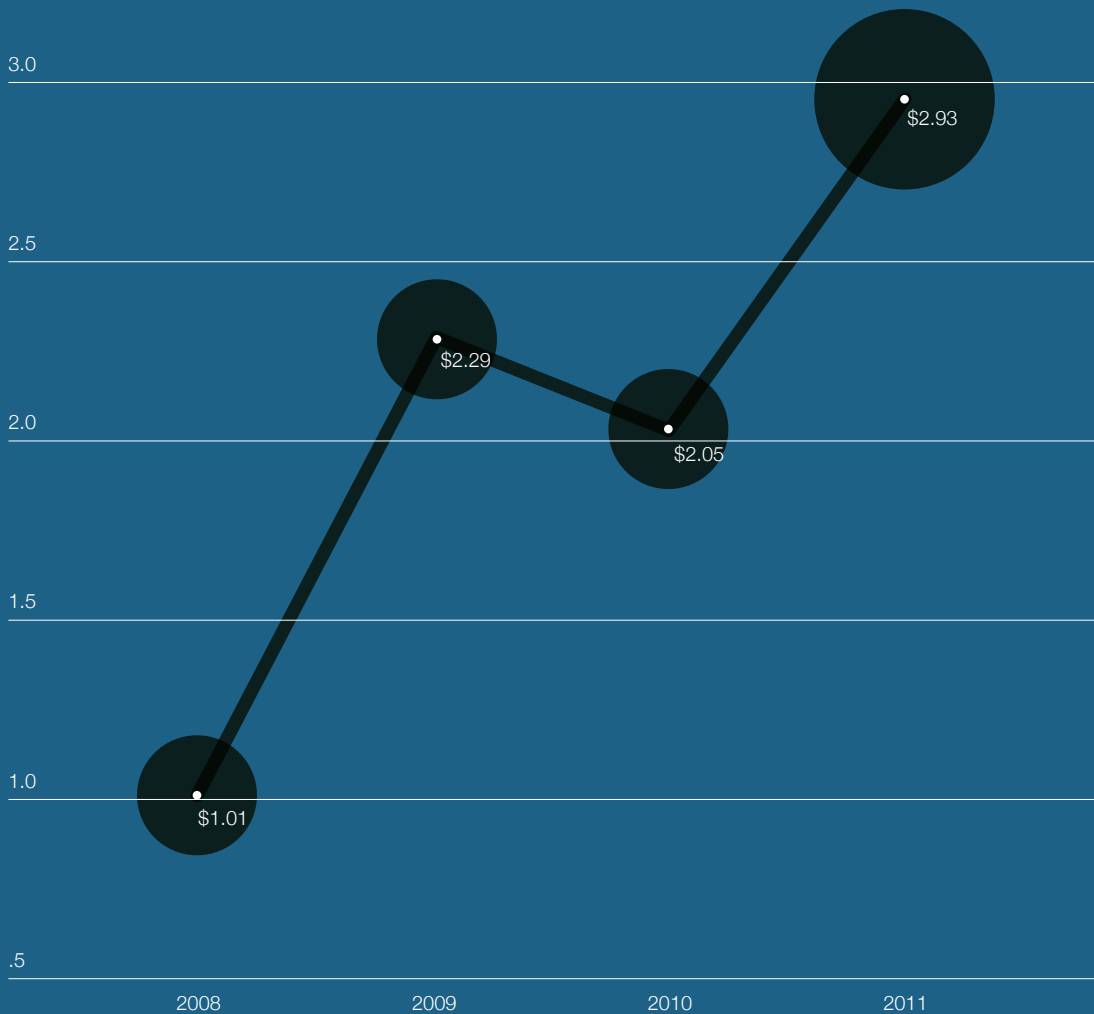
Our employees operate within a truly low-cost environment with clear accountabilities and well-defined performance metrics.

CASH EPS

88%

*As a result of the Biovail's merger with Valeant, Cash EPS reflects Biovail standalone operations as they existed prior to the completion of the merger and combined Valeant's results only for the period subsequent to the completion of the merger on September 28, 2010.

We increased Cash EPS 88% from Fourth Quarter 2010 to Fourth Quarter 2011*.

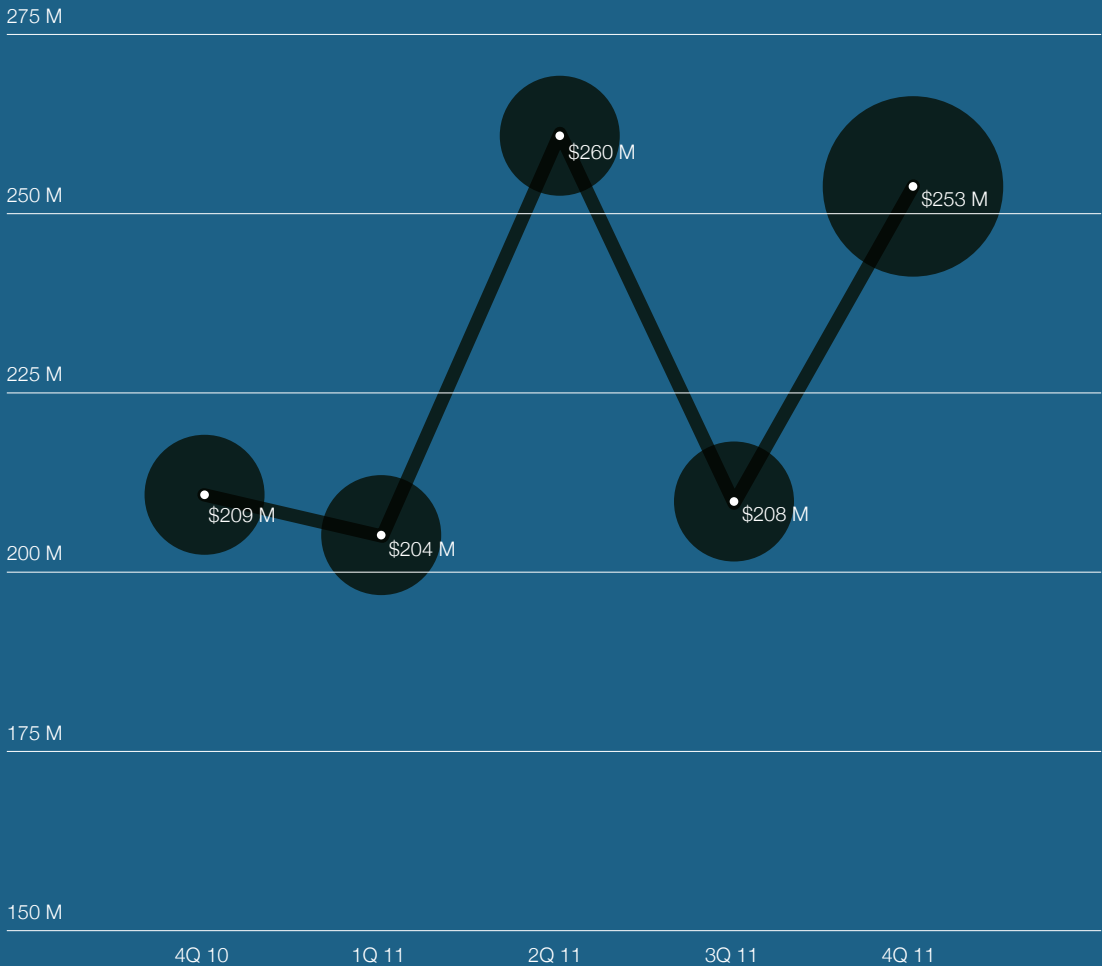


ADJUSTED CASH FLOW

*As a result of the Biovail's merger with Valeant, adjusted cash flow reflects Biovail standalone operations as they existed prior to the completion of the merger and combined Valeant's results only for the period subsequent to the completion of the merger on September 28, 2010.

22%

We increased adjusted cash flow 22% from Fourth Quarter 2010 to Fourth Quarter 2011*.



3

WE DO NOT BET ON SCIENCE, BUT ON MANAGEMENT.

In recent years, the productivity of traditional research and development has slowed, creating pressure for pharmaceutical companies to fund high-risk R&D projects in order to cover this shortfall. At Valeant, we believe in helping patients by acquiring established products that are time-tested, thereby utilizing both our scale and commercial capabilities, and our experienced management teams, to then successfully grow these products. Each of our general managers is experienced at building strong businesses and bringing good products to market.



We help our patients live better lives by acquiring established products that are time tested.

ACQUISITION TIME LINE

| | TRANSACTION | COUNTRY |
|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2008 | <ul style="list-style-type: none"> * Coria Laboratories, Ltd. * DermaTech Pty Ltd. * Dow Pharmaceutical Sciences, Inc. ** Prestwick Pharmaceuticals, Inc. | <ul style="list-style-type: none"> U.S. Australia U.S. U.S. |
| 2009 | <ul style="list-style-type: none"> * Reckitt Benckiser (Australia) Pty Limited (Assets) * EMO-FARM Ltd. ** Tetrabenzine * Wellbutrin XL * Tecnofarma S.A. de C.V. * Blau Farma Sp. z o.o * Private Formula Holdings International Pty Limited * Laboratoire Dr. Renaud | <ul style="list-style-type: none"> Australia Poland Worldwide Rights U.S. Mexico Poland Australia Canada |
| 2010 | <ul style="list-style-type: none"> * Refissa * Instituto Terapeutico Delta Ltda. * Ultravate * Bunker Industria Farmaceutica Ltda. * Vital Science Corp. * Aton Pharma, Inc. Hamilton's Suncare & Hamilton's Skin Therapy | <ul style="list-style-type: none"> U.S. Brazil Canada Brazil Canada U.S. Australia |
| 2011 | <ul style="list-style-type: none"> PharmaSwiss S.A. Zovirax Cholestagel Aczone Ganehill Pty Limited AB Sanitas Elidel / Xerese Dermik Ortho Dermatologics (Assets) Zuacta Afexa Life Sciences, Inc. Fleming and Company (Assets) iNova | <ul style="list-style-type: none"> Europe U.S./Canada Canada Canada Australia Europe U.S./Canada/Mexico U.S./Canada U.S. Canada Canada U.S. Australia |
| 2012 | <ul style="list-style-type: none"> Probiotica Laboratorios Ltda. Eyeteck Inc. Pele Nova Biotecnologia S.A. (Minority Interest) Gerot Lannach (Assets) Natur Produkt International, JSC Pedinol Pharmacial, Inc. Atlantis Pharma | <ul style="list-style-type: none"> Brazil U.S./Canada Brazil Russia/(CIS) Russia U.S. Mexico |

* Acquired by Legacy Valeant Pharmaceuticals International

** Acquired by Legacy Biovail Corporation

| Therapeutic Area | Date Announced |
|----------------------------------------------|----------------|
| Dermatology | September 08 |
| Over-The-Counter/Dermatology | November 08 |
| Research and Development/Dermatology | December 08 |
| Neurology/Other | September 08 |
| Over-The-Counter/Dermatology | April 09 |
| Over-The-Counter/Dermatology | May 09 |
| Neurology/Other | May 09 |
| Neurology/Other | May 09 |
| Branded Generic | July 09 |
| Branded Generic | October 09 |
| Cosmeceutical/Over-The-Counter | September 09 |
| Cosmeceutical | December 09 |
| Dermatology | March 10 |
| Dermatology/Over-The-Counter/Branded Generic | March 10 |
| Dermatology | March 10 |
| Branded Generic/Over-The-Counter | April 10 |
| Over-The-Counter/Dermatology | April 10 |
| Neurology/Orphan Drugs/Ophthalmology | April 10 |
| Over-The-Counter | April 10 |
| Branded Generics | February 11 |
| Dermatology | February 11 |
| Neurology/Other | February 11 |
| Dermatology | February 11 |
| Over-The-Counter | April 11 |
| Branded Generic/Over-The-Counter | May 11 |
| Dermatology | June 11 |
| Dermatology | June 11 |
| Dermatology | June 11 |
| Dermatology | June 11 |
| Over-The-Counter | August 11 |
| Neurology/Other | December 11 |
| Branded Generic/Over-The-Counter | December 11 |
| Over-The-Counter | February 12 |
| Ophthalmology | February 12 |
| Biotech | March 12 |
| Branded Generics | March 12 |
| Over-The-Counter | March 12 |
| Podiatry | April 12 |
| Branded Generics | April 12 |

DEAR SHAREHOLDER;

Thank you for your interest in Valeant Pharmaceuticals International, Inc. We believe that Valeant is a unique pharmaceutical company and we are excited that you have taken the step to better understand both our strategy and operating philosophy. Valeant's primary strategy is to leverage our speed, scale, financial strength and disciplined approach to business development to pursue substantial growth opportunities and generate long-term value for all of our shareholders.

Our strategy and philosophy are both simple and powerful. They are anchored in diversified operating units led by empowered entrepreneurs – who will be rewarded for growing their businesses, their cash flows, and building leadership positions in the marketplace. Our dual engines of growth will be superior execution of well-thought-through business plans and continued new growth opportunities via disciplined acquisitions. We will do “more with less” than our competitors.

Our vision for the new Valeant is to become the leading specialty pharmaceutical company in the world. We will measure our success primarily through our returns to our shareholders. We will have a balanced and diversified portfolio of businesses: in terms of types of products – branded pharmaceuticals, over-the-counter (OTC) products, branded and unbranded generics; therapeutic areas - dermatology, neurology, and ophthalmology; and geographies - U.S., Canada, Central and Eastern Europe, Latin America, Australia, South East Asia and South Africa. We will measure ourselves in terms of overall growth, cash earnings, and adjusted cash flow from operations. Our portfolio will evolve and over time, we would expect to both enter and

exit geographies, therapeutic areas, and potentially product forms. We will continue to seek out high-growth, high-profit markets where we expect to have a competitive advantage, and exit markets where growth and profitability are not as attractive.

We also have a different approach to R&D than other pharmaceutical companies in that we don't bet purely on science for our future growth. We like to buy in-line products that we think we can grow and take the development risk out of the equation. We prefer to access our innovation through acquiring companies and products. And where we do invest in R&D, it is primarily focused on dermatology and ophthalmology, where the risk-reward profile actually works from a standpoint of our Company's philosophy. We also seek partners for our significant development efforts, thereby reducing our R&D expenditures as compared to our peers. While there are many remarkable pharmaceutical companies involved in discovering new compounds, overall, internal R&D for the pharmaceutical industry has not proven to be a good return for most companies over the last decade.

U.S. DERMATOLOGY

Valeant's U.S. dermatology business continues to be a key strength and our growth further solidifies our position as a significant player in this therapeutic area. Not only does dermatology have what we believe is an attractive risk and reward profile, we believe there's room for a focused, smaller player like Valeant. We have acquired several attractive assets in the past few years that have bolstered our presence in this therapeutic class, across our geographic markets, and we will continue to look for other assets that will continue this growth. Dermik and Ortho

Dermatologics are two acquisitions in 2011 that cemented our position as a leader in dermatology in the U.S. We try to avoid playing in the same areas as the big pharmaceutical companies, and focus our efforts on specialty areas like dermatology, where we can compete with a dedicated sales and marketing footprint. Our operating philosophy is based on a business model that centers on multiple, diverse products that generate between \$15 million and \$50 million in revenue per year.

Our U.S. Dermatology segment generates product revenues from both specialty pharmaceutical and OTC products. Our principle dermatology products include: Zovirax® Ointment, Xerese®, Elidel®, Acanya®, Atralin®, Carac®, Renova® and Retin-A Micro®, and CeraVe®.

NEUROLOGY AND OTHER

Our other main U.S. business segment is Neurology and Other, which consists of legacy products such as Wellbutrin XL®, Xenazine® and Cardizem® CD. Although demand for these products is declining, our goal is to manage this business segment to be a flat-to-slowly declining business that generates reliable cash flows for our Company. Our management approach to this portfolio, a very lean infrastructure with minimal support in non-field force promotion and targeted improvements in formulation, has worked well for these smaller specialty-focused legacy brands. Managing our Neurology and Other segment to maximize our cash flows remains a key priority in 2012 and beyond.

Although Wellbutrin XL, Xenazine, and legacy Valeant tail products remain the largest products in this segment, we are excited to see the entry of Potiga™/Trobalt™ into the market and believe this compound offers a unique growth opportunity. In the U.S., Potiga was approved in June 2011 and received appropriate Drug Enforcement Administration (DEA) scheduling in November 2011. Trobalt launched

in Europe in May 2011 and is now commercially available in several countries including the United Kingdom, Germany and Switzerland through our development partner, GlaxoSmithKine. We are currently planning to launch Potiga to the U.S. market in the second quarter of 2012, again through our partner, GlaxoSmithKine. As for our extended-release formulation, a lead candidate has been identified for progression into clinical evaluation.

EMERGING MARKETS

Our Emerging Markets segment includes our historical business units in Latin America, Central and Eastern Europe and we recently established new growth platforms in South East Asia, South Africa and Russia, through several strategic transactions completed in 2011 and early 2012. Our recent acquisition of iNova at the end of 2011, and our expansion into South East Asia and South Africa, necessitated the realignment of our segments in 2012 as we began to manage our businesses differently.

We have combined our branded generics businesses in Europe and Latin America, which is primarily Mexico and Brazil, into one Emerging Markets segment that will also include our operations in South East Asia and South Africa. We view our entry into the markets of Russia, South East Asia, and South Africa as exciting new growth platforms and we are eager to explore these new opportunities.

Our footprint is purposefully international, yet not global. We intentionally do not operate in a number of markets, such as Western Europe, Japan, China and India, which are the strategic focus of other pharmaceutical companies. We continue to explore and invest in other territories that we believe are high-quality and growing and in which we believe we can achieve success with our business model. Pursuing these opportunities in the select regions that larger pharmaceutical companies are not focusing on is

another key element of our operating philosophy. For example, building critical mass in Central and Eastern Europe was our focus in 2011, where we made two sizable acquisitions, PharmaSwiss and Sanitas, and we now operate in over 20 Central and Eastern European countries primarily in branded generics and OTC products.

CANADA/AUSTRALIA

Valeant is the largest multinational pharmaceutical company headquartered in Canada. Our Canadian operations are the classic specialty pharmaceutical business where most of our products are in-licensed from other companies. We continue to grow our critical mass in terms of our field force infrastructure, which allows us to call on any specialty, including primary care.

This business is predominantly derived from prescription products with the largest brands consisting of Wellbutrin XL®, Cesamet® and Tiazac® XC. We are in the process of establishing a prescription dermatology business in Canada, and the acquisition of Dermik gives us a head start in this endeavor. Our OTC business in Canada is also growing and was initially built around our acquisitions of Vital Science and Laboratoire Dr. Renaud completed in 2009 and 2010, respectively. In addition, the acquisition of Afexa in 2011 will add nicely to our OTC segment with the addition of the well-known COLD-FX to our portfolio.

Valeant Australia has primarily been an OTC business with a strong focus in dermatology. With the addition of iNova in December 2011, we now have a diversified product portfolio in Australia that more closely mirrors the rest of our markets. Australia's OTC business now has a leading pharmacy presence in cold and cough, a therapeutic skin-care line, and sun care, which balances out the seasonal nature of each business. The iNova acquisition also brings a prescription business with a well-regarded sales

force and a substantial presence in the weight-loss arena. We expect to continue to ramp up our efforts to create new line extensions for Australia's OTC products and hope to see regulatory approval of a few prescription products as well. Our key expectation for 2012 is to successfully integrate iNova and the Valeant operations in Australia.

LOOKING FORWARD

At Valeant, we expect to continue our evolution into a stronger, more focused company, with our efforts positioning us to reap rewards now and in years to come. As we move forward, we will continue to pave the way for growth through the steadfast execution of our strategy that balances diverse specialties with a focused approach. We consistently look for unique opportunities in both therapeutic classes and geographic locations that other pharmaceutical companies might avoid, and we believe that the success we have achieved so far will generate more opportunities in the future. Our strong results demonstrate the strength of our base business and our ability to deliver revenue growth, earnings and cash flows. Our ability to deliver solid results is a testament to our team's ability to effectively manage our cost structure and discover new and exciting opportunities to invest in. We hope to continue to build on our past successes and look forward to new opportunities emerging for Valeant in 2012 and beyond.

Finally, I would like to personally thank Valeant's employees and shareholders for everyone's continued support as we work together towards building the most successful pharmaceutical company in the world.



J. Michael Pearson
Chairman and Chief Executive Officer

BOARD OF DIRECTORS

J. Michael Pearson

Chairman and Chief Executive Officer
Valeant Pharmaceuticals International, Inc.

Robert A. Ingram

Lead Director, Valeant Pharmaceuticals
International, Inc.

Partner, Hatteras Venture Partners
Committees: Nominating and Corporate
Governance, Talent and Compensation

Ronald H. Farmer

Managing Director of Mosaic Capital Partners

Committees: Operations, Talent and
Compensation

Theo Melas-Kyriazi

Chief Financial Officer, Levitronix LLC

Committees: Operations (Chairperson),
Finance and Transactions, Audit and Risk

G. Mason Morfit

Partner, ValueAct Capital

Committees: Finance and Transactions
(Chairperson), Operations, Talent and
Compensation

Dr. Laurence E. Paul

Founding Principal, Laurel Crown Capital LLC

Committees: Finance and Transactions,
Operations, Talent and Compensation

Robert N. Power

Corporate Director

Committees: Talent and Compensation
(Chairperson), Nominating and Corporate
Governance, Operations

Norma A. Provencio

President and Owner, Provencio Advisory
Services Inc.

Committees: Audit and Risk (Chairperson),
Special Independent (Chairperson),
Operations

Lloyd M. Segal

Equity Partner, Persistence Capital Partners

Committees: Nominating and Corporate
Governance (Chairperson), Finance
and Transactions

Katharine B. Stevenson

Corporate Director

Committees: Audit and Risk, Finance
and Transactions, Nominating and
Corporate Governance

MANAGEMENT TEAM

J. Michael Pearson

Chairman and Chief Executive Officer

Howard B. Schiller

Executive Vice President and Chief
Financial Officer

Rajiv De Silva

President, Valeant Pharmaceuticals
International, Inc. and Chief Operating
Officer, Specialty Pharmaceuticals

Robert Chai-Onn

Executive Vice President, General Counsel,
Corporate Secretary and Corporate
Business Development

Brian M. Stolz

Executive Vice President of Administration
and Chief Human Capital Officer

Dr. Susan T. Hall, Ph.D.

Senior Vice President, Global Head of
Research and Development

Richard K. Masterson

President and Chief Operating Officer of
Valeant International (Barbados) SRL

CORPORATE INFORMATION

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PricewaterhouseCoopers LLP

INVESTOR AND MEDIA RELATIONS

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no cost by contacting:

Laurie W. Little

Vice President, Investor Relations
(949) 461-6002
ir@valeant.com

Email updates are also available
through the Investor Relations page
at Valeant's website at www.valeant.com.

STOCK EXCHANGES

New York Stock Exchange and Toronto
Stock Exchange
NYSE/TSX Trading Symbols
Common Stock: VRX

PRINCIPAL TRANSFER AGENT & REGISTRAR

Valeant Pharmaceuticals International,
Inc.'s designated transfer agent is Cana-
dian Stock Transfer. The transfer agent
is responsible for maintaining all records
of registered stockholders (including
change of address, telephone number,
and name), canceling or issuing stock
certificates and resolving problems
related to lost, destroyed or stolen certifi-
cates. If you are a registered stockholder
of Valeant Pharmaceuticals International,
Inc. and need to change your records
pertaining to stock, please contact the
Transfer Agent listed below:

Canadian Stock Transfer
P.O. Box 700
Station B
Montreal, QC H3B 3K3
Canada
Fax: 888-249-6189

PHONE (for all security transfer inquiries):
1-800-387-0825 or 416-682-3860

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