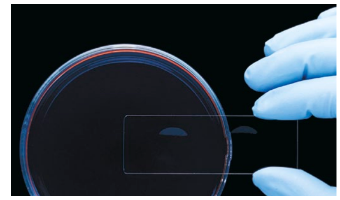
# Innovation



BOTOX RESTASIS

# for

JUVÉDERM

# the

TAZORAC OZURDEX

NATRELLE ACZONE

# future

LATISSE

BOTOX COSMETIC

LUMIGAN

ALLERGAN

At Allergan, innovation is more than coming up with new ideas or developing new products. It's about innovating for the future – understanding the needs of our patients, consumers and physicians, adapting to the evolving changes of the health care industry and advancing our business in the face of challenging economic times.

Innovation is the foundation of Allergan; it defines who we are as a company and is the key to how we will continue striving to satisfy the unmet needs of our customers worldwide. In 2012, we invested nearly $1 billion, a rate above industry standard, in one of the most robust product pipelines in the specialty pharmaceutical market. We're expanding and improving our Research & Development (R&D) facilities to enhance clinical development programs so we can continue to rapidly bring products to market across the world. We're committed to improving, with a goal of further strengthening, our presence in the industry, whether that be via internal discovery and development, acquiring products, in-licensing compounds, partnering with other companies or acquiring other companies to grow our product portfolio or bring a new product to market. At Allergan, we are constantly improving, striving to build a better tomorrow – we're **innovating for the future**.

# To Our Investors

**Delivering Value**

Consistent with our historical, long-term performance, we were able to deliver very good results in 2012, in line with our ongoing aspiration of growing revenues in local currencies around 10% per annum and growing annual adjusted Earnings per Share in the mid-teen percentages. For 2012, we reported strong 9.1% revenue growth in local currencies and 6.8% in U.S. Dollars, as sales were impacted by the weakness of some important foreign currencies such as the Euro and the Brazilian Real. Adjusted Diluted Earnings per Share increased 15.1%[1] in 2012 over 2011, even as we continued to invest vigorously into R&D, increasing those expenditures to $927 million and by 8% versus 2011 on an adjusted basis.

Our operating performance should be judged in the context of the squeeze to contain health care costs being applied by governments primarily in the United States and Europe. In 2012, Allergan absorbed $114 million (on a pre-tax equivalent basis) of contributions to U.S. Health care Reform and $36 million in price reductions mandated by various European governments and South Korea, representing an incremental $20 million increase over 2011. Given the mixed state of the world economy, we are pleased that our consumer-facing businesses in the field of medical aesthetics grew around double digits.

Thanks to a streamlined and modern network of manufacturing facilities – our main pharmaceutical plants being in Ireland, Texas and Brazil, and medical device manufacturing being concentrated in Costa Rica and France – along with rising volumes, capacity utilization and targeted investments in efficiency, we were able to reduce our manufacturing costs by approximately 5% versus 2011. This contributed to a record gross margin for the company at over 86% of sales in 2012.

We are pleased that our strong revenue growth is built on a platform of diverse products and countries. In fact, almost all of our operating regions – U.S. pharmaceuticals and Canada; Europe, Africa and Middle East; Latin America; and Asia Pacific – grew revenues at close to or above double digits in local currencies. The only unit with low sales growth was our Allergan Medical business unit in the United States, which was affected by a 27% decline in the obesity intervention business as well as the entry of a competitor to BOTOX® Cosmetic early in the year.

**Dynamic Portfolio Management**

A key long-term strategy to maintain Allergan's strength is to regularly and dispassionately reevaluate the contribution of each business to our overall value-creation goals and dynamically rebalance our portfolio. This was the case when, in 2002, we executed a spin-off of our lower growth legacy businesses, contact lens solutions and cataract surgery products, into a new company, Advanced Medical Optics (AMO). Now, following a review of strategic options, our Board of Directors in February 2013, formally committed to pursue the sale of our obesity intervention business, and we currently expect to execute a signed agreement during the first half of 2013. In 2012, sales of the LAP-BAND® System and ORBERA® overseas declined 20% in local currencies versus 2011, driven by the drastic decline of the patient self-paid market in the United States during the economic downturn, as well as by high co-pays demanded by insurance companies for those patients with coverage. In Europe, we have been affected by similar governmental austerity pricing pressures.

Whilst the LAP-BAND® System and ORBERA® enjoy strong profitability and very high market shares, the business does not offer scale to leverage. In each of our other medical specialties – ophthalmology, medical aesthetics, medical dermatology, neurosciences and urology – our particular strategic strength is not only high market share, but also breadth in our product range.

Given our strong and record operating cash flow in 2012 – we generated almost $1.5 billion in cash on a pre-dividend basis – we are constantly evaluating the acquisition and in-licensing of new assets, focusing on differentiated products and technologies in growing market segments and areas where we have particular knowledge.

To this end, we were delighted to acquire SkinMedica, Inc. in December 2012. SkinMedica has been the fastest growing company in the U.S. physician dispensed skin care category, with annual sales of approximately $70 million. SkinMedica's products are only sold through the physician channel and enjoy a strong reputation by doctors and their patients. We believe that we can

[1] Calculated by adding to reported 2012 adjusted net earnings the benefit of the R&D tax credit for 2012 of approximately $17.3 million, or $0.06 diluted earnings per share, that was signed into law in January 2013.

**Major Product Approvals**

| PRODUCT | INDICATION[1] | COUNTRY |
|---|---|---|
| **BOTOX® (onabotulinumtoxinA)[2]** | Treatment of overactive bladder with symptoms of urinary incontinence, urgency and frequency in adults who have had an inadequate response to or are intolerant of an anticholinergic medication | United States, Ireland, Germany, Austria, Finland and Estonia |
| **AIPHAGAN® P (brimonidine tartrate ophthalmic solution) 0.1%** | Reduction of intraocular pressure (IOP) in patients with ocular hypertension and/or glaucoma | Japan |
| **NATRELLE® (silicone gel-filled breast implants and Style 133 tissue expanders)** | Women undergoing breast augmentation, revision or reconstructive surgery | Japan |
| **NATRELLE® 410[3] Highly Cohesive Anatomically Shaped Silicone-Filled Breast Implants** | Women undergoing breast augmentation, revision or reconstructive surgery | United States |
| **LUMIGAN® (bimatoprost ophthalmic solution) 0.03% in single dose containers, preservative-free formulation** | Reduction of elevated intraocular pressure (IOP) in adults with chronic open-angle glaucoma and ocular hypertension, for patients who require a preservative-free treatment | European Union |

In 2012, Allergan secured 150+ approvals for a variety of products and indications in dozens of countries worldwide.

[1] Specific indication verbiage varies by country.
[2] Approved January 18, 2013.
[3] Approved February 20, 2013.

**David E.I. Pyott, CBE**
Chairman of the Board, President & Chief Executive Officer

# Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

## Real-Time Litigation Alerts

Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

## Advanced Docket Research

With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

## Analytics At Your Fingertips

Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

## API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

**LAW FIRMS**

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

**FINANCIAL INSTITUTIONS**

Litigation and bankruptcy checks for companies and debtors.

**E-DISCOVERY AND LEGAL VENDORS**

Sync your system to PACER to automate legal marketing.

**WHAT WILL YOU BUILD?** | **sales@docketalarm.com** | **1-866-77-FASTCASE**