

| In millions, except per share data | Year Ended December 31, | | | | |
|--|-------------------------|-----------|-----------|-----------|-----------|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| STATEMENT OF OPERATIONS HIGHLIGHTS (As reported under U.S. GAAP) | | | | | |
| Product net sales | \$3,010.1 | \$2,319.2 | \$2,045.6 | \$1,755.4 | \$1,385.0 |
| Total revenues | 3,063.3 | 2,342.6 | 2,058.9 | 1,780.8 | 1,435.8 |
| Research and development | 1,055.5 | 388.3 | 342.9 | 762.6 | 232.7 |
| (Loss) earnings from continuing operations | (127.4) | 403.9 | 377.1 | (52.5) | 64.0 |
| Earnings from discontinued operations | — | — | — | — | 11.2 |
| Net (loss) earnings | (127.4) | 403.9 | 377.1 | (52.5) | 75.2 |
| Basic (loss) earnings per share: | | | | | |
| Continuing operations | (0.87) | 3.08 | 2.87 | (0.40) | 0.49 |
| Discontinued operations | — | — | — | — | 0.09 |
| Diluted (loss) earnings per share: | | | | | |
| Continuing operations | (0.87) | 3.01 | 2.82 | (0.40) | 0.49 |
| Discontinued operations | — | — | — | — | 0.08 |
| Dividends per share | 0.40 | 0.40 | 0.36 | 0.36 | 0.36 |
| ADJUSTED AMOUNTS ^(a) | | | | | |
| Adjusted earnings from continuing operations | 547.2 | 453.3 | 368.8 | 305.2 | 252.3 |
| Adjusted basic earnings per share: | | | | | |
| Continuing operations | 3.72 | 3.46 | 2.81 | 2.34 | 1.95 |
| Adjusted diluted earnings per share: | | | | | |
| Continuing operations | 3.66 | 3.38 | 2.75 | 2.30 | 1.92 |
| NET SALES BY PRODUCT LINE | | | | | |
| Specialty Pharmaceuticals: | | | | | |
| Eye Care Pharmaceuticals | \$1,530.6 | \$1,321.7 | \$1,137.1 | \$ 999.5 | \$ 827.3 |
| BOTOX®/Neuromodulators | 982.2 | 830.9 | 705.1 | 563.9 | 439.7 |
| Skin Care | 125.7 | 120.2 | 103.4 | 109.3 | 90.2 |
| Subtotal Pharmaceuticals | 2,638.5 | 2,272.8 | 1,945.6 | 1,672.7 | 1,357.2 |
| Other (primarily contract sales) | — | 46.4 | 100.0 | 82.7 | 27.8 |
| Total specialty pharmaceuticals | 2,638.5 | 2,319.2 | 2,045.6 | 1,755.4 | 1,385.0 |
| Medical Devices: | | | | | |
| Breast Aesthetics | 177.2 | — | — | — | — |
| Obesity Intervention | 142.3 | — | — | — | — |
| Facial Aesthetics | 52.1 | — | — | — | — |
| Total medical devices | 371.6 | — | — | — | — |
| Total product net sales | \$3,010.1 | \$2,319.2 | \$2,045.6 | \$1,755.4 | \$1,385.0 |
| PRODUCT SOLD BY LOCATION | | | | | |
| Domestic | 67.4% | 67.5% | 69.1% | 70.4% | 70.6% |
| International | 32.6% | 32.5% | 30.9% | 29.6% | 29.4% |

(a) The adjusted amounts in 2006 exclude income tax benefits of \$11.7 million related to the resolution of uncertain tax positions and favorable recovery of previously paid state income taxes, an income tax benefit of \$17.2 million related to a change in valuation allowance associated with a refund claim filed in 2006 for a prior tax year, an income tax benefit of \$2.8 million related to a change in estimated income taxes on 2005 dividend repatriation, and income tax expenses of \$1.6 million related to intercompany transfers of trade businesses and net assets, and the after-tax effects of the following: 1) \$579.3 million charge for in-process research and development related to the acquisition of Inamed Corporation (Inamed), 2) \$58.6 million amortization of acquired intangible assets related to the acquisition of Inamed, 3) \$47.9 million related to Inamed fair-market value inventory adjustment roll out, 4) \$13.5 million restructuring charge and \$20.7 million of integration and transition costs related to the Inamed integration, 5) \$28.5 million contribution to The Allergan Foundation, 6) \$8.6 million restructuring charge and \$6.2 million of transition/duplicate operating costs related to the streamlining of the Company's European operations, 7) \$0.6 million restructuring charge related to the scheduled termination of the Company's manufacturing and supply agreement with Advanced Medical Optics, 8) \$4.9 million reversal of interest income on previously paid state income taxes and \$4.9 million reversal of interest expense related to the resolution of uncertain tax positions, 9) \$2.7 million of costs to settle a contingency involving non-income taxes in Brazil, 10) \$0.4 million reversal of restructuring charge related to the streamlining of the Company's operations in Japan, 11) \$0.1 million of costs related to the acquisition of Groupe Corneal Laboratoires, and 12) \$0.3 million unrealized loss on derivative instruments.

The adjusted amounts in 2005 exclude income taxes of \$49.6 million related to the repatriation of foreign earnings that had been previously permanently reinvested outside the United States, and income tax benefits of \$24.1 million related to the resolution of uncertain tax positions and an additional benefit for state income taxes of \$1.4 million, and the after-tax effects of the following: 1) \$28.8 million restructuring charge and \$5.6 million of transition/duplicate operating costs related to the streamlining of the Company's European operations, 2) \$12.9 million restructuring charge related to the scheduled termination of the Company's manufacturing and supply agreement with Advanced Medical Optics, 3) \$7.9 million gain on the sale of a distribution business in India, 4) \$7.3 million reduction in interest expense related to the resolution of uncertain income tax positions and \$2.1 million of interest income related to previously paid state income taxes, 5) \$5.7 million gain on the sale of assets previously used in contract manufacturing activities, 6) \$2.3 million restructuring

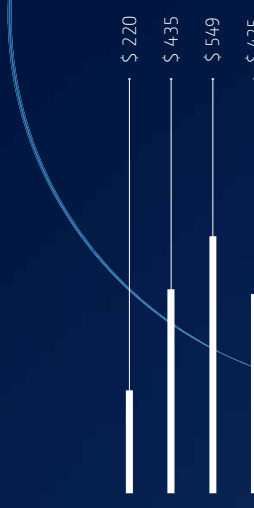
charge related to the streamlining of the Company's operations in Japan, 7) \$0.6 million gain on the sale of a former manufacturing plant in Argentina, 8) \$0.8 million gain on the sale of a third party equity investment, 9) \$3.6 million gain on the termination of the Vitrase collaboration agreement with ISTA pharmaceuticals, 10) \$3.0 million buy-out of a license agreement with Johns Hopkins University, 11) \$0.4 million in costs related to the acquisition of Inamed, and 12) \$1.1 million unrealized gain on derivative instruments.

The adjusted amounts in 2004 exclude the favorable recovery of \$6.1 million of previously paid state income taxes and the after-tax effects of the following: 1) income of \$2.4 million from a patent infringement settlement, 2) \$7.0 million restructuring charge related to the scheduled termination of the Company's manufacturing and supply agreement with Advanced Medical Optics, 3) \$0.4 million unrealized loss on derivative instruments, and 4) income of \$11.5 million from a technology transfer fee and a revised Vitrase collaboration agreement with ISTA Pharmaceuticals.

The adjusted amounts in 2003 exclude the after-tax effects of the following: 1) \$179.2 million charge for in-process research and development related to the purchase of Oculex Pharmaceuticals, Inc., 2) \$278.8 million charge for in-process research and development related to the purchase of Bardeen Sciences Company, LLC, 3) \$0.4 million reversal of restructuring charge and asset write-offs, net related to the 2002 spin-off of the Company's ophthalmic surgical and contact lens care businesses, 4) \$0.3 million unrealized loss on derivative instruments, and 5) \$0.9 million charge for the early extinguishment of convertible debt.

The adjusted amounts in 2002 exclude the after-tax effects of the following: 1) \$118.7 million in litigation settlement costs, 2) net costs of \$100.3 million associated with the 2002 spin-off of the Company's ophthalmic surgical and contact lens care businesses to Advanced Medical Optics which consist of restructuring charge and asset write-offs of \$63.5 million, duplicate operating expenses of \$42.5 million and gain of \$5.7 million on sale of a facility, 3) \$30.2 million loss on the other than temporary impairment of equity investments, 4) \$1.7 million unrealized loss on derivative instruments, 5) net gain of \$1.0 million from partnering agreements, and 6) \$11.7 million charge for the early extinguishment of convertible debt.

The foregoing presentation contains certain non-GAAP financial measures and non-GAAP adjustments. For a reconciliation of these non-GAAP financial measures to GAAP financial measures, please refer to pages 2 and 3 of this Annual Report.



CASH FLOW FROM OPERATIONS (in millions of dollars)



CUMULATIVE TO Allergan Inc.

The 17 companies included are: Celgene Corp., Cephalon, Genentech Inc., Genzyme, MedImmune Inc., Mentor

Condensed Consolidated Statement of Operations and Reconciliation of Non-GAAP Financial Measures

| In millions, except per share data | | Year |
|--|--|------------|
| | | GAAP |
| REVENUES | | |
| Specialty pharmaceuticals product net sales | | \$2,638.5 |
| Medical devices product net sales | | 371.6 |
| Product net sales | | 3,010.1 |
| Other revenues | | 53.2 |
| Research service revenues | | — |
| Total | | 3,063.3 |
| OPERATING COSTS AND EXPENSES | | |
| Cost of product sales (excludes amortization of acquired intangible assets) | | 575.7 |
| Cost of research services | | — |
| Selling, general and administrative | | 1,333.4 |
| Research and development | | 1,055.5 |
| Amortization of acquired intangible assets | | 79.6 |
| Legal settlement | | — |
| Restructuring charge (reversal) and asset write-offs | | 22.3 |
| Operating (loss) income | | (3.2) |
| Interest income | | 48.9 |
| Interest expense | | (60.2) |
| Gain (loss) on investments | | 0.3 |
| Unrealized (loss) gain on derivative instruments, net | | (0.3) |
| Other, net | | (5.0) |
| | | (16.3) |
| (Loss) earnings from continuing operations before income taxes and minority interest | | (19.5) |
| Provision for income taxes | | 107.5 |
| Minority interest | | 0.4 |
| (Loss) earnings from continuing operations | | \$ (127.4) |
| Basic (loss) earnings per share: | | |
| Continuing operations | | \$ (0.87) |
| Diluted (loss) earnings per share: | | |
| Continuing operations | | \$ (0.87) |
| Total product net sales | | \$3,010.1 |

"GAAP" refers to financial information presented in accordance with generally accepted accounting principles in the United States.

In this Annual Report, Allergan included historical non-GAAP financial measures, as defined in Regulation G promulgated by the Securities and Exchange Commission, with respect to the year ended December 31, 2006, as well as the corresponding periods for 2005 through 2002. Allergan believes that its presentation of historical non-GAAP financial measures provides useful supplementary information to investors. The presentation of historical non-GAAP financial measures is not meant to be considered in isolation from or as substitute for results prepared in accordance with accounting principles generally accepted in the United States.

In this Annual Report, Allergan reported the non-GAAP financial measure "adjusted net earnings" and related "adjusted earnings per share" - both basic and diluted. Allergan uses adjusted earnings to enhance the investor's overall understanding of the financial performance and prospects for the future of Allergan's core business activities. Adjusted earnings is one of the primary indicators management uses for planning and forecasting in future periods, including trend analysis and analyzing the core operating performance of Allergan's business from period to period without the effect of the non-core business items indicated. Management uses adjusted earnings to prepare operating budgets and forecasts and to measure Allergan's performance against those budgets and forecasts on a corporate and segment level. Allergan also uses adjusted earnings for evaluating management performance for compensation purposes.

Despite the importance of adjusted earnings in analyzing Allergan's underlying business, the budgeting and forecasting process and designing incentive compensation, adjusted earnings has no standardized meaning defined by GAAP. Therefore, adjusted earnings has limitations as an analytical tool, and should not be considered in isolation, or substituted for analysis of Allergan's results as reported under GAAP. Allergan strongly encourages investors to compare net earnings (loss) determined under GAAP as compared to adjusted net earnings, and to perform their own analysis as appropriate.

To Our Investors

A YEAR OF TRANSFORMATION

In 2006, Allergan recorded the largest increase in sales in any one year in over 50 years of our operations, with an increase of almost \$700 million over 2005 sales. At approximately \$3 billion, sales increased 30 percent over 2005. In addition to achieving our primary sales and cost synergy goals for the integration of the Inamed Corporation, we are particularly pleased by the continued strong organic growth of our pharmaceutical businesses, with organic sales increasing 18 percent over 2005.⁽¹⁾ Expansion occurred on a broad front: Our eye care pharmaceuticals product line, BOTOX[®] Cosmetic and BOTOX[®] therapeutic all grew by double digits in all operating regions: North America, Europe, Latin America and Asia Pacific.

Diluted Earnings Per Share (EPS) for 2006 were \$3.66, adjusted for several items principally related to the accounting treatment of the acquisition of Inamed, merger-related integration and transition costs, and the restructuring of our pharmaceutical operations in Europe. This EPS result marked an increase of 18 percent over the adjusted EPS result for 2005,⁽²⁾ even as we continued to invest vigorously in the company's long-term growth and innovation.

In 2006, we invested \$476 million in research and development (R&D), excluding the \$579 million in-process R&D charge related to the Inamed acquisition and adjusted for other smaller non-GAAP items, which marked an increase of 22 percent over 2005.⁽³⁾ Operating cash flow post-capital expenditures was a strong \$616 million, compared to \$346 million in 2005, which has led to a high cash balance of \$1.4 billion at year end and a net debt position of only \$339 million after our expenditure of \$1.4 billion in cash on the Inamed acquisition. This strong balance sheet gives us ample flexibility for acquisitions and in-licensing activities in the future.

ACQUISITION OF INAMED AND LEADERSHIP IN MEDICAL AESTHETICS

As we have grown our BOTOX[®] Cosmetic franchise, we held a long-standing strategic interest in medical aesthetics, a fast-growing category driven by consumers' universal desire to enhance their personal appearance.

In March, we completed the acquisition of Inamed for a consideration of approximately \$3.4 billion, and in January 2007 completed the follow-on acquisition of Groupe Corn el Laboratoires in France, the inventor of our JUV DERM[™] line of dermal fillers, for approximately \$220 million.

By marrying our leading BOTOX[®] Cosmetic franchise with the breast aesthetics and dermal filler product lines from these two companies, we realized our goal of establishing Allergan as the largest medical aesthetics company in the world.

The approval of JUV DERM[™] by the U.S. Food and Drug Administration (FDA) in June and the landmark approvals of our INAMED[®] Silicone-Filled Breast Implants by Health Canada in October and the FDA in November, have validated both our acquisition strategy as well as our financial model for the Inamed acquisition.

With the acquisition of Inamed, we also acquired two promising obesity intervention products, LAP-BAND[®] Adjustable Gastric Banding System and the BIB[™] BioEnterics[®] Intra-gastric Balloon. Given the obesity crisis in the developed world, these products, which offer lower cost and less invasive surgical alternatives

(1) Excludes the impact of BOTOX[®] sales in Japan of \$38.8 million in 2005. GAAP sales growth of pharmaceutical products was 16 percent in 2006.

(2) Adjustments to GAAP diluted earnings per share used to calculate diluted earnings per share, adjusted for non-GAAP items, include the aggregate non-GAAP adjustments, net of tax, detailed on pages 2 and 3 in this Annual Report, and for the purpose of calculating the increase in adjusted EPS of 18 percent in 2006 compared to 2005, also excludes the \$0.21 per share impact of expensing stock options in 2006. GAAP diluted loss per share was \$0.87 in 2006 compared to GAAP diluted earnings per share of \$3.01 in 2005.

(3) Adjustments to GAAP research and development expense used to calculate research and development expense, adjusted for non-GAAP items, include \$579.3 million of in-process research and development expense, \$0.2 million of integration and transition costs related to the Inamed acquisition and

Allergan Accolades

BOTOX®: BLOCKBUSTER STATUS AND BEYOND

With BOTOX®, Allergan has demonstrated the ability to not only create and grow a remarkably versatile and therapeutically distinguished platform. In 2006, BOTOX® achieved true blockbuster status by joining the exclusive ranks of pharmaceutical products to achieve sales greater than \$1 billion in sales. Sales recorded by Allergan were \$982 million, to which we can add GlaxoSmithKline's (GSK) sales of BOTOX® in Japan and China.

Excluding Japan, Allergan's sales of BOTOX® increased by 24 percent, marking a reacceleration from the 18 percent growth rate achieved in 2005.⁽⁵⁾ Both the cosmetic and therapeutic franchises enjoyed robust growth across a broad range of countries in all continents. Our therapeutic business continued a similar trend to 2005, enjoying 17 percent growth. With 32 percent growth, our cosmetic business demonstrated significant acceleration.⁽⁶⁾ We attribute this faster sales growth to the creation of two separately focused sales and marketing organizations over the course of the last two years. At the beginning of 2006, we also doubled both our therapeutic and aesthetic sales forces in the United States.

These initiatives have enabled us to dedicate ourselves to the very different needs of the therapeutic and aesthetic customer groups. Given our economies of scale in medical aesthetics, we have continued this process of separation and focus worldwide as part of the integration of Inamed.

6 Our market share of the top 10 global markets remained steady at 91 percent, despite the entry of new competitors, due principally to market share gains in Europe in both the aesthetic and therapeutic franchises.⁽⁷⁾

Our skin care business, with sales of \$126 million, grew 5 percent with TAZORAC® strengthening its position as the most potent topical retinoid available for the treatment of psoriasis and acne. TAZORAC® was the only branded topical retinoid

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