
“OUR
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FINANCIAL SUMMARY

In millions, except per share data	2009	Year Ended December 31, 2008	2007	2006	2005
STATEMENT OF OPERATIONS HIGHLIGHTS					
(As reported under U.S. GAAP)					
Product net sales	**$4,447.6**	$4,339.7	$3,879.0	$3,010.1	$2,319.2
Total revenues	**4,503.6**	4,403.4	3,938.9	3,063.3	2,342.6
Research and development	**706.0**	797.9	718.1	1,055.5	388.3
Earnings (loss) from continuing operations	**623.8**	564.7	487.0	(127.0)	406.8
Loss from discontinued operations	**—**	—	(1.7)	—	—
Net earnings (loss) attributable to noncontrolling interest	**2.5**	1.6	0.5	0.4	2.9
Net earnings (loss) attributable to Allergan, Inc.	**$ 621.3**	$ 563.1	$ 484.8	$ (127.4)	$ 403.9
Net basic earnings (loss) per share attributable to Allergan, Inc. stockholders	**$ 2.05**	$ 1.85	$ 1.59	$ (0.43)	$ 1.54
Net diluted earnings (loss) per share attributable to Allergan, Inc. stockholders	**2.03**	1.84	1.57	(0.43)	1.51
Dividends per share	**0.20**	0.20	0.20	0.20	0.20
ADJUSTED AMOUNTS [a]					
Adjusted net earnings attributable to Allergan, Inc.	**$ 849.8**	$ 786.5	$ 672.9	$ 547.2	$ 453.3
Adjusted net basic earnings per share attributable to Allergan, Inc. stockholders	**$ 2.80**	$ 2.59	$ 2.21	$ 1.86	$ 1.73
Adjusted net diluted earnings per share attributable to Allergan, Inc. stockholders	**2.78**	2.57	2.18	1.83	1.69
NET SALES BY PRODUCT LINE					
Specialty Pharmaceuticals:					
Eye Care Pharmaceuticals	**$2,100.6**	$2,009.1	$1,776.5	$1,530.6	$1,321.7
BOTOX®/Neuromodulator	**1,309.6**	1,310.9	1,211.8	982.2	830.9
Skin Care	**208.0**	113.7	110.7	125.7	120.2
Urologics	**65.6**	68.6	6.0	—	—
Subtotal pharmaceuticals	**3,683.8**	3,502.3	3,105.0	2,638.5	2,272.8
Other (primarily contract sales)	**—**	—	—	—	46.4
Total specialty pharmaceuticals	**3,683.8**	3,502.3	3,105.0	2,638.5	2,319.2
Medical Devices:					
Breast Aesthetics	**287.5**	310.0	298.4	177.2	—
Obesity Intervention	**258.2**	296.0	270.1	142.3	—
Facial Aesthetics	**218.1**	231.4	202.8	52.1	—
Core medical devices	**763.8**	837.4	771.3	371.6	—
Other	**—**	—	2.7	—	—
Total medical devices	**763.8**	837.4	774.0	371.6	—
Total product net sales	**$4,447.6**	$4,339.7	$3,879.0	$3,010.1	$2,319.2
PRODUCT SOLD BY LOCATION					
Domestic	**65.4%**	64.6%	65.7%	67.4%	67.5%
International	**34.6%**	35.4%	34.3%	32.6%	32.5%

The information for 2008 and 2007 in this Annual Report has been retrospectively adjusted to reflect the impact of the adoption in the first quarter of 2009 of updates to Financial Accounting Standards Board guidance related to the accounting for convertible debt instruments that may be settled fully or partially in cash upon conversion. The information for 2006 and 2005 was not retrospectively adjusted.

(a) The adjusted amounts in 2009 exclude a net expense of $4.1 million for a change in estimated income taxes related to pre-acquisition periods associated with business combinations and uncertain tax positions included in prior year income tax filings and an income tax benefit of $6.7 million related to foreign research and development tax credits received for tax years prior to 2008, and the after-tax effects of the following: 1) $124.4 million amortization of acquired intangible assets related to business combinations and asset acquisitions; 2) $78.6 million compensation expense from stock option modifications, $42.2 million restructuring charges and $2.3 million asset impairments and accelerated depreciation costs related to the restructuring plan announced in February 2009; 3) $24.5 million non-cash interest expense associated with amortization of convertible debt discount; 4) $24.6 million net gain on the sale of investments; 5) $10.0 million for an upfront payment for the in-licensing of technology that has not achieved regulatory approval; 6) $8.4 million restructuring charges and $14.5 million for the rollout of capitalized employee retention termination benefits and accelerated depreciation costs and one-time termination benefits related to the phased closure of the Arklow, Ireland, breast implant manufacturing plant; 7) $32.2 million of external costs associated with responding to the U.S. Department of Justice (DOJ) subpoena; 8) $14.0 million gain on settlement of a manufacturing and distribution agreement related to an eye care pharmaceuticals product; 9) $18.0 million contribution to The Allergan Foundation; 10) $5.3 million of loss on the extinguishment of convertible debt; 11) a $0.3 million restructuring charge reversal related to the phased closure of the Fremont, California, collagen manufacturing plant and $0.6 million of restructuring charges related to the streamlining of the Company's European operations; 12) $0.4 million of integration and transition costs related to the acquisition of Groupe Cornéal Laboratoires (Cornéal); 13) $0.8 million for the fair market value inventory adjustment rollout and $0.4 million of transaction related costs associated with the acquisition of Samil Allergan Ophthalmic Joint Venture Company; and 14) $13.6 million unrealized loss on derivative instruments.

The adjusted amounts in 2008 exclude a $2.4 million U.S. state and federal deferred tax benefit related to the legal entity integration of the acquisitions of Esprit Pharma Holding Company, Inc. (Esprit) and Inamed Corporation (Inamed), a $3.8 million negative tax impact from non-deductible losses associated with the liquidation of corporate-owned life insurance contracts, and the after-tax effects of the following: 1) $129.6 million amortization of acquired intangible assets related to business combinations and asset acquisitions; 2) $68.7 million for upfront payments for technologies that have not achieved regulatory approval; 3) $27.2 million restructuring charges and $10.0 million of termination benefits, asset impairments and accelerated depreciation costs related to the phased closure of the Arklow, Ireland breast implant manufacturing plant; 4) $3.4 million restructuring charges and $0.9 million gain on sale of technology and fixed assets related to the phased closure of the Fremont, California, collagen manufacturing plant; 5) $6.6 million of restructuring charges and $1.5 million of integration and transition costs related to the acquisition of Cornéal; 6) $4.1 million of restructuring charges related to the streamlining of the Company's European operations and the acquisition of EndoArt SA (EndoArt); 7) $11.7 million rollout of fair market value inventory adjustment and $0.7 million of integration and transition costs related to the acquisition of Esprit; 8) $25.7 million of external costs associated with responding to the DOJ subpoena; 9) $13.2 million settlement related to the termination of a distribution agreement in Korea; 10) $5.6 million impairment of intangible asset related to the phase-out of a collagen product; 11) $0.6 million of transaction costs related to ACZONE®; 12) $24.9 million non-cash interest expense associated with amortization of convertible debt discount and related non-cash selling, general and administrative expenses of $0.1 million; and 13) $14.8 million unrealized gain on derivative instruments.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND RECONCILIATION OF NON-GAAP ADJUSTMENTS

In millions, except per share data	Year Ended December 31, 2009			Year Ended December 31, 2008		
	GAAP	Non-GAAP Adjustments	Adjusted	GAAP	Non-GAAP Adjustments	Adjusted
REVENUES						
Specialty pharmaceuticals product net sales	$3,683.8	$ —	$3,683.8	$3,502.3	$ —	$3,502.3
Medical devices product net sales	763.8	—	763.8	837.4	—	837.4
Product net sales	4,447.6	—	4,447.6	4,339.7	—	4,339.7
Other revenues	56.0	—	56.0	63.7	—	63.7
Total	4,503.6	—	4,503.6	4,403.4	—	4,403.4
OPERATING COSTS AND EXPENSES						
Cost of sales (excludes amortization of acquired intangible assets)	750.9	(20.2) [a][b][c]	730.7	761.2	(20.6) [q][r][s]	740.6
Selling, general and administrative	1,921.5	(91.9) [a][c][d][e][f][g][h]	1,829.6	1,856.1	(47.3) [r][s][t][u][v][w][x]	1,808.8
Research and development	706.0	(31.1) [a][b][i]	674.9	797.9	(69.0) [r][y][z][aa][ab]	728.9
Amortization of acquired intangible assets	146.3	(124.4) [j]	21.9	150.9	(129.6) [j]	21.3
Restructuring charges and asset write-offs, net	50.9	(50.9) [k]	—	41.3	(41.3) [k]	—
Operating income (loss)	928.0	318.5	1,246.5	796.0	307.8	1,103.8
Interest income	7.0	—	7.0	33.5	—	33.5
Interest expense	(76.9)	24.5 [l]	(52.4)	(85.5)	24.9 [x]	(60.6)
Unrealized (loss) gain on derivative instruments, net	(13.6)	13.6 [m]	—	14.8	(14.8) [m]	—
Gain on investments, net	24.6	(24.6) [n]	—	—	—	—
Other, net	(20.6)	5.3 [o]	(15.3)	3.4	—	3.4
	(79.5)	18.8	(60.7)	(33.8)	10.1	(23.7)
Earnings (loss) from continuing operations before income taxes	848.5	337.3	1,185.8	762.2	317.9	1,080.1
Provision for income taxes	224.7	108.8 [p]	333.5	197.5	94.5 [ac]	292.0
Earnings (loss) from continuing operations	623.8	228.5	852.3	564.7	223.4	788.1
Loss from discontinued operations	—	—	—	—	—	—
Net earnings (loss) attributable to noncontrolling interest	2.5	—	2.5	1.6	—	1.6
Net earnings (loss) attributable to Allergan, Inc.	$ 621.3	$ 228.5	$ 849.8	$ 563.1	$ 223.4	$ 786.5
Net earnings (loss) per share attributable to Allergan, Inc. stockholders						
Basic	$ 2.05	$ 0.75	$ 2.80	$ 1.85	$ 0.74	$ 2.59
Diluted	$ 2.03	$ 0.75	$ 2.78	$ 1.84	$ 0.73	$ 2.57
Total product net sales	$4,447.6	$ 106.4 [bf]	$4,554.0	$4,339.7	$ (49.5) [bf]	$4,290.2

The information for 2008 and 2007 in this Annual Report has been retrospectively adjusted to reflect the impact of the adoption in the first quarter of 2009 of updates to Financial Accounting Standards Board guidance related to the accounting for convertible debt instruments that may be settled fully or partially in cash upon conversion. The information for 2006 and 2005 was not retrospectively adjusted.

"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, 2009, as well as the corresponding periods for 2008 through 2005. Allergan believes that its presentation of historical non-GAAP financial measures provides useful supplementary information to investors regarding its operational performance because it enhances an investor's overall understanding of the financial performance and prospects for the future of Allergan's core business activities by providing a basis for the comparison of results of core business operations between current, past and future periods. The presentation of historical non-GAAP financial measures is not meant to be considered in isolation from or as a substitute for results as reported under GAAP.

In this Annual Report, Allergan reported the non-GAAP financial measures "non-GAAP earnings attributable to Allergan, Inc." and all of its subcomponents and related "non-GAAP basic and diluted earnings per share attributable to Allergan, Inc. stockholders." Allergan uses non-GAAP earnings to enhance the investor's overall understanding of the financial performance and prospects for the future of Allergan's core business activities. Non-GAAP earnings is one of the primary indicators management uses for planning and forecasting in future periods, including trending 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 non-GAAP 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 non-GAAP earnings for evaluating management performance for compensation purposes.

Despite the importance of non-GAAP earnings in analyzing Allergan's underlying business, the budgeting and forecasting process and designing incentive compensation, non-GAAP earnings has no standardized meaning defined by GAAP. Therefore, non-GAAP earnings has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of Allergan's results as reported under GAAP. Some of these limitations are:

- it does not reflect cash expenditures, or future requirements, for expenditures relating to restructurings, and certain acquisitions, including severance and facility transition costs associated with acquisitions;
- it does not reflect gains or losses on the disposition of assets associated with restructuring and business exit activities;
- it does not reflect the tax benefit or tax expense associated with the items indicated;
- it does not reflect the impact on earnings of charges or income resulting from certain matters Allergan considers not to be indicative of its on-going operations; and
- other companies in Allergan's industry may calculate non-GAAP earnings differently than it does, which may limit its usefulness as a comparative measure.

Allergan compensates for these limitations by using non-GAAP earnings only to supplement net earnings (loss) on a basis prepared in conformance with GAAP in order to provide a more complete understanding of the factors and

currency sales. Constant currency sales represent current year reported sales adjusted for the translation effect of changes in average foreign currency exchange rates between the current year and the corresponding prior year. Allergan calculates the currency effect by comparing adjusted current year reported amounts, calculated using the monthly average foreign exchange rates for the corresponding prior year, to the actual current year reported amounts. Management refers to growth rates in constant currency so that sales results can be viewed without the impact of changing foreign currency exchange rates, thereby facilitating period to period comparisons of Allergan's sales. Generally, when the dollar either strengthens or weakens against other currencies, the growth at constant currency rates will be higher or lower, respectively, than growth reported at actual exchange rates.

Reporting sales performance using constant currency sales has the limitation of excluding currency effects from the comparison of sales results over various periods, even though the effect of changing foreign currency exchange rates has an actual effect on Allergan's operating results. Investors should consider these effects in their overall analysis of Allergan's operating results.

(a) Compensation expense from stock option modifications related to the restructuring plan announced in February 2009 of $78.6 million, consisting of cost of sales of $5.0 million, selling, general and administrative expenses of $52.6 million and research and development expenses of $21.0 million.
(b) Rollout of retention termination benefits and accelerated depreciation costs capitalized in inventory of $14.4 million included in cost of sales and one-time termination benefits of $0.1 million included in research and development expenses related to the phased closure of the Arklow, Ireland, breast implant manufacturing facility.
(c) Fair market value inventory adjustment rollout of $0.8 million included in cost of sales and transaction related costs of $0.4 million included in selling, general and administrative expenses related to the acquisition of Samil Allergan Ophthalmic Joint Venture Company.
(d) External costs of approximately $32.2 million associated with responding to the U.S. Department of Justice (DOJ) subpoena announced in a company press release on March 3, 2008.
(e) Asset impairments and accelerated depreciation costs related to the 2009 restructuring plan of $2.3 million.
(f) Integration and transition costs related to the acquisition of Groupe Cornéal Laboratoires (Cornéal) of $0.4 million.
(g) Contribution to The Allergan Foundation of $18.0 million.
(h) Gain on settlement of a manufacturing and distribution agreement of $14.0 million related to an eye care pharmaceuticals product.
(i) Upfront payment of $10.0 million for a license and development agreement with Pieris AG for technology that has not achieved regulatory approval.
(j) Amortization of acquired intangible assets related to business combinations and asset acquisitions.
(k) Net restructuring charges.
(l) Non-cash interest expense associated with amortization of convertible debt discount.
(m) Unrealized (loss) gain on the mark-to-market adjustment to derivative instruments.
(n) Net gain on sale of investments.
(o) Loss on extinguishment of convertible debt.
(p) Total tax effect for non-GAAP pre-tax adjustments of $(106.2) million, a net expense of $4.1 million for a

Strategically Prepared for the Health Care Market of the Coming Decade

TO OUR INVESTORS

Business conditions in the first half of 2009 were even more challenging than at the end of 2008. This, in combination with the changing dynamics of today's health care environment, has required all companies to take a critical look at their business operations and make adjustments in order to continue providing optimal health care solutions for patients while building stockholder value. We have used this period of great challenge as a catalyst for change, to retool our organization's skill sets and business practices and to make tough strategic trade-offs to help Allergan emerge from the recession as a lean, fit and adaptable company. We have refreshed our thinking about the way we do business and have sharpened our perspective on the best way to meet the needs of all our stakeholders, starting with the patients who depend on us most for safe, high-quality products. **With patients top of mind, innovation to advance patient care and the strengthening of our informational systems and educational initiatives were key areas of focus for Allergan in 2009.** Coupled with operational flexibility and efficiencies, smart business thinking, and the ability to set clear priorities and follow through on them, our core values have guided us on the path toward continued growth.

In 2009 we generated sales growth of 2.5 percent in U.S. Dollars and 4.9 percent in local currencies, with a decline in sales of 4.7 percent in U.S. Dollars in the first half of the year versus the prior year but, with the bottoming out of many economies around the globe, a much stronger growth of 10.0 percent in U.S. Dollars in the second half of the year. This was aided by the weakness of the U.S. Dollar relative to other currencies and a lapping effect compared to the weak end of 2008. At the beginning of the year, we provided investors with an expected range for adjusted Diluted Earnings per Share (EPS) growth of 5–7 percent. Applying great operating discipline, the final result was 8.2 percent growth versus 2008. *[A reconciliation between Generally Accepted Accounting Principles (GAAP) Diluted EPS and adjusted Diluted EPS is on pages 4–5.]* With the credit and liquidity shock at the end of 2008, we paid more attention to cash flow generation than ever before. The results were excellent, with operating cash flow of $1,113 million, and a post-capital expenditure net cash flow of $1,017 million, a record in the history of Allergan and comfortably surpassing our results prior to the recession.

With hindsight, it was sound thinking that in early 2009 we prepared for the worst with a restructuring in February that reduced our global headcount by approximately 460 employees (or 5 percent), primarily in the United States and Europe where the economies were most affected by the recession. We also instituted broad cost containment measures, renegotiated terms with our principal vendors, subjecting any use of consultants and contractors to rigorous management scrutiny, and evaluated every possible way to create efficiencies while ensuring that we stayed on course with our business strategy and commitments to physicians and patients. Regarding manufacturing, we were able to reduce the average cost of product produced by 4 percent versus 2008 by applying a host of techniques from renegotiating raw material contracts, improving line speeds and yields, and applying overall principles of Lean Manufacturing to our processes. Our intent was to preserve essential expenditures in Research and Development (R&D) and higher return sales and marketing programs, while leveraging investments made during the earlier years of buoyant growth. The restructuring was concentrated and targeted in two areas: the urology sales force in the United States, where we made the strategic decision to withdraw from a direct detailing presence in the general practitioner channel; and in marketing support functions in the United States and Europe. We also benefited from a decision made in early 2008 to close our breast implant manufacturing facility in Arklow, Ireland, and concentrate all global production in our existing, expanded low-cost facility in Costa Rica.

The global recession had varying impacts on different operating regions but particularly on our different product lines, which served to demonstrate the benefits of our diversity both in terms of business areas, products and geographies. For the full year, based on internal information and assumptions, approximately 72 percent of Allergan's sales were derived from products reimbursed by private insurers or government payors around the world, and 28 percent were based on cash paid electively by consumers for medical aesthetics procedures. This compares to a two-thirds/one-third percentage mix prior to the recession, a shift because elective cash pay products were subject to cutbacks in consumer spending and, as became quite clear in

DOCKET ALARM

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