ALLERGAN 1999 ANNUAL REPORT

FINANCIAL OVERVIEW

In millions, except per share data	Year Ended December 31, 1999	1998
Income Statement Highlights		
Product net sales	$1,406.2	$1,261.7
Net earnings (loss)	188.2	(90.2)
Basic earnings (loss) per share	1.42	(0.69)
Diluted earnings (loss) per share	1.39	(0.69)
Dividends per share	0.28	0.26
Adjusted amounts [1]		
Net earnings	174.3	134.0
Basic earnings per share	1.32	1.02
Diluted earnings per share	1.29	1.02

(1) The adjusted amounts in 1999 exclude the after tax effect of 1) $9.6 million in restructuring credits which increased operating income in 1999, 2) $1.4 million in asset gains, reducing write-offs recorded in 1998, which increased operating income in 1999, 3) gain on sales of investments of $14.0 million, 4) the contribution to The Allergan Foundation of $6.9 million, 5) income of $9.5 million, net of expenses of $5.9 million from partnering agreements, and 6) certain one-time costs totaling $1.9 million included in operating income in 1999.

The adjusted amounts in 1998 exclude $171.4 million in expense resulting from the dividend to shareholders of stock in ASTI, and the after-tax effect of: 1) $74.8 million in restructuring charges charged to operating expense in 1998, 2) $58.5 million in asset write-offs charged to operating expense in 1998, 3) gain on sales of investments, net of write-offs of certain investments, of $54.1 million, 4) the contribution to The Allergan Foundation of $11.0 million, and 5) income of $12.9 million from partnering agreements included in operating expense in 1998.

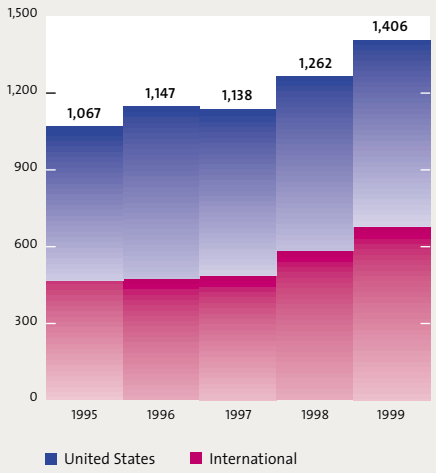
(2) The adjusted amounts used in the earnings per share graph above for 1997 include a $16.5 million decrease in income taxes associated with the buy back of Allergan Ligand Retinoid Therapeutics, Inc. (ALRT) and the after tax effect of 1) $12.4 million in gains on sale of investments, 2) $9.6 million in income from sales of product rights, 3) $7.5 million in income from settlement of a product related lawsuit, and 4) $4.9 million in settlement costs, severance, and costs related to the buy back of ALRT.

The adjusted amounts used in the earnings per share graph for 1996 exclude the after-tax effect of $70.1 million in restructuring charges and $7.4 million in asset write-offs charged to operating expense in 1996.

The adjusted amount used in the earnings per share graph for 1995 excludes a $50.0 million contribution to Allergan Ligand Retinoid Therapeutics, Inc., charged to operating expense in 1995.

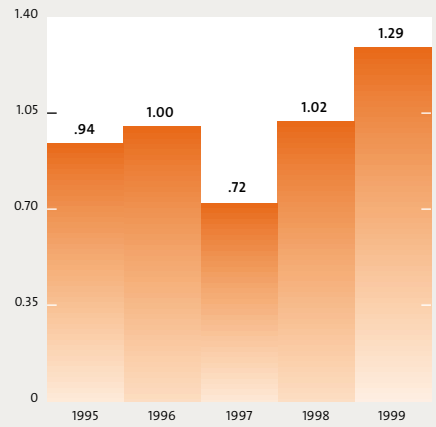
Net Sales

In millions of dollars



Diluted Earnings Per Share As Adjusted[1,2]

In dollars

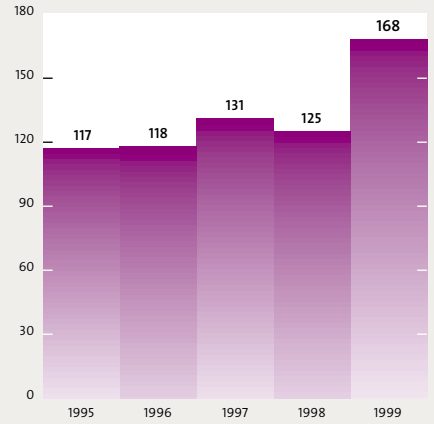


In millions	Year Ended December 31, 1999	1998	% Change
Net Sales by Product Line			
Specialty Pharmaceuticals			
Eye Care Pharmaceuticals	$ 571.2	$ 505.3	13%
Skin Care	76.6	80.6	(5)% (1)
BOTOX/Neuromuscular	175.8	125.3	40%
Total	823.6	711.2	16%
Medical Devices and OTC Product Lines			
Ophthalmic Surgical	222.9	193.6	15%
Contact Lens Care	359.7	356.9	1%
Total	582.6	550.5	6%
Total Product Net Sales	$1,406.2	$1,261.7	11% (1)
Product Sales by Location			
Domestic	48.1%	46.2%	
International	51.9%	53.8%	
Employee Data			
Number of employees	5,969	5,972	0%

(1) Excluding the effects of products divested in 1999, Skin Care sales increased by 14% from 1998, and Total Product Net Sales increased 13% from 1998.

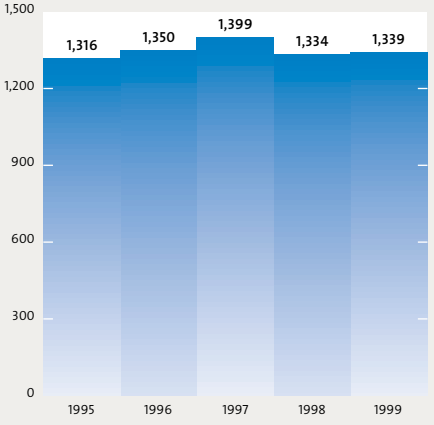
Research and Development

In millions of dollars



Total Assets

In millions of dollars



LIFT HERE FOR MORE INFORMATION

COMPANY PROFILE

Allergan, Inc., headquartered in Irvine, California, is a technology-driven, global health care company providing eye care and specialty pharmaceutical products worldwide. Allergan develops and commercializes products in the eye care pharmaceutical, ophthalmic surgical device, over-the-counter contact lens care, movement disorder, and dermatological markets that deliver value to its customers, satisfy unmet medical needs, and improve patients' lives.

Founded in 1948, Allergan has approximately 6,000 employees worldwide with 1999 sales of more than $1.4 billion. With 50 years of operations, Allergan has earned a reputation as an innovative leader in therapeutics with "firsts" such as:

- PREDNEFRIN, the first ophthalmic steroid/decongestant
- HERPLEX, the first anti-viral approved by the U.S. FDA
- ALBALON, the first hydro-ocular constrictor
- OCUFEN, the first nonsteroidal approved for eyes
- AMO PHACOFLEX II, the first foldable intraocular lens approved by the U.S. FDA
- TAZORAC/ZORAC, the first topical receptor selective retinoid approved for psoriasis
- ARRAY, the first multifocal foldable silicone intraocular lens approved by the U.S. FDA

OUR MISSION

To develop a unique level of understanding of our customers in order to implement operational strategies that provide the greatest value for our customers and stakeholders. ▪ We will become partner of choice for ever better health care through the value of our technological innovation, industry leadership, partnering skills and relationships, worldwide infrastructure, research, and manufacturing capabilities.

OUR VISION

We are an innovative, technology driven, global health care company focused on eye care and specialty therapeutic products that deliver value to customers, satisfy unmet medical needs, and improve patients' lives.

Review of 1999

Last year was another gratifying year for all of Allergan's stakeholders alike – stockholders, employees, customers, and patients. In 1999 Allergan's stock again performed strongly, rising by 54% and exceeding all relevant stock market peer indices. Allergan's stock market capitalization has trebled in two short years since 1997 to $6.7 billion.

In terms of price/earnings ratios, Allergan is now valued in line with high performing, large-cap U.S. pharmaceutical companies, which reflects Allergan's robust growth rate and consistency in results coupled with our fully integrated business model: from research, development, regulatory affairs, manufacturing, all the way through to global marketing and sales operations. With a 2-for-1 split of the stock in December, the Board of Directors has underlined its confidence in the outlook for continuing strong performance.

Looking back, it is noteworthy that the strategies established in mid-1998 have been fully upheld and even further refined, leading to ever-greater depth of insight and appropriate market action. In fact we have exceeded all of the key objectives that were laid out in those strategies. All of this has added up to earnings per share, excluding the impact of one-time items and split adjusted, increasing by 26.5% from $1.02 in 1998 to $1.29 in 1999. This improvement in profitability has not been at the detriment of sales growth, which has accelerated, at constant currency rates, from 13.3% in 1998 to 15.5% in 1999 (excluding the effect of divested skin care products in 1999). In addition, we are pleased to report that Allergan's return on equity, excluding the impact of one-time items, improved from 11.2% in 1997 to 27.5% in 1999, moving us more in line with large U.S. pharmaceutical companies.

As the balance of this report makes clear, all of this success was founded upon the efficient discovery and delivery of novel medical products that are valued by our customers and that improve the quality of patients' lives. This is the core and focus of our entrepreneurial endeavors.

David E. I. Pyott, President and Chief Executive Officer and Herbert W. Boyer, Chairman of the Board

We are pleased to report that Allergan's return on equity improved from 11.2% in 1997 to 27.5% in 1999.

The New Allergan

In January 2000, Allergan celebrates its 50th anniversary since its initial operations in a Los Angeles pharmacy. The New Allergan operates very much in the same entrepreneurial style as the young Allergan.

In 1999 we executed the Restructuring Plan, announced in September 1998, on time and exceeding the established targets, closing four manufacturing plants and reducing our administrative overheads by approximately 30%, liberating 3 percentage points on a return-on-sales basis. With the exception of a major pharmaceutical plant in Puerto Rico, which will be closed on time in the first half of 2001, the restructuring phase is complete.

Today, all of our focus and resources are directed at the real goal of sustainable growth – through innovation and growing our market share in the growing markets in which we operate. The Restructuring Plan has enabled us to reinvest the considerable savings into new marketing programs, expanded sales forces, and significantly increased investments in R&D whilst still growing earnings over 25% per year. We achieved this with our global workforce of 6,000 – slightly less than at the end of 1997 when it stood at 6,100, but which is now carefully rebalanced in favor of the long-term growth of the business.

R&D expenditure in 1999 increased appreciably, demonstrating our commitment to delivering new products and therapies. It also delivered four major regulatory filings with the U.S. FDA. These U.S. filings were supplemented by many filings and approvals in Europe, Japan, and other key countries. Benchmarking our performance in clinical development demonstrates that our cycle time from the start of Phase III projects to filing of products for market approval with regulatory agencies is at a world-class level. Our already strong internal R&D pipeline is complemented by focused in-licensing activities. We are proud that we have gained market share – on a worldwide basis – in each of our five businesses. In the ophthalmic pharmaceutical market, Allergan moved up into the No. 2 position with our sights now firmly set on unequivocal global leadership.

We have been able to increase the gross margin in every single business due to the launch of innovative products, justifying higher prices; sales mix management within each individual business; increased volume and better leverage through a more focused plant network; and broad-based efficiency programs established in our Strategic Plan in 1998. This has resulted in substantial aggregate gross margin improvements from 67.7% of sales in 1998 to 71.1% in 1999, with the fourth quarter of 1999 hitting a record high of 73.4%.

The strong operating performance would not have been possible without further strengthening of an already solid organization. Within each of the four operating Regions (North America, Europe/Middle East/Africa, Asia-Pacific, and Latin America), management teams are tightly focused on the differing requirements of the individual businesses: ophthalmic pharmaceuticals, ophthalmic surgical, consumer eye care, BOTOX, and North American skin care. In 1999, the output of these teams was further enhanced by improved global coordination of the individual business strategies and programs and by selective management hires from outside Allergan as well as by internal promotions.

Whilst management is clearly committed to delivering shareholder value, we are also sensitive to our responsibilities of giving something back to the local community and charities. To this end, The Allergan Foundation was established in 1998 with an initial funding of $11 million and has been further endowed with funds to stand at approximately $18 million at the end of 1999.

Finally, in reviewing our performance, we are proud that, as the Allergan team, we have delivered consistently on the stated objectives and that we have created a company that provides great opportunities and job satisfaction for our associates. Renewed focus on the customer and success has reinvigorated the Allergan culture of high work intensity and performance. We are gratified that several of our programs of excellence have been recognized in our industry, as described on page 9, "A Year of Excellence."

Outlook for 2000

During an election year in the United States, much debate will ensue about the nature of a new Medicare prescription drug benefit – coverage, premiums, self pay regulations, and formulary access. In this context, it is a useful reminder that the price per day of ophthalmic drugs is, and has been historically, rather low compared to many systemic therapies. With the exception of drugs for glaucoma, where the elderly are the predominant users, many of Allergan's prescription drugs are consumed by age groups of patients who will not be eligible in any new Medicare benefit. In addition, we will benefit from our other businesses that are not touched by the Medicare debate, thus significantly limiting our exposure to the political outcome.

For 2000 we foresee a further acceleration in sales growth both in the United States and abroad and further market share gains. ALPHAGAN continues to gain prescription share in the United States and all major countries as it is

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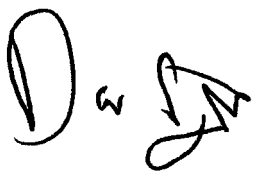
increasingly used by ophthalmologists as the first and only agent to treat glaucoma. In 2000 we will complete the introduction of ALPHAGAN to all major markets in the world. BOTOX sales have been accelerating thanks to important regulatory approvals in Europe, Japan, and other key countries, and the emergence of new clinical indications.

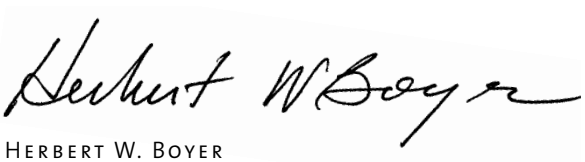
Key new product launches will occur in 2000: ALOCRIL, indicated for allergy, and our second-generation acrylic intraocular lens, SENSAR, which has enjoyed great success in Europe, will both be introduced to the U.S. market. Through co-promotion agreements and expansion of our own sales teams, our ophthalmology and dermatology products will be made available to new customer audiences such as pediatricians and general practitioners.

We will continue to drive efficiencies both in our manufacturing network, sales forces, and staffs, and by harnessing the power of our globally implemented enterprise software system, SAP. Our intense pace of regulatory filings both in the United States and abroad will be maintained.

Our continued success in 1999 came as a result of the efforts and dedication of our talented employees across the world and the innovativeness and high quality of our products. We wish to recognize our employees' major contributions. As a company we constantly remind ourselves that we are employed to introduce new therapies to address the unmet medical needs of our patients and to better serve our customers. We wish to thank you, our shareholders, for your support and look forward to providing continued top quartile value creation in the coming year and beyond.



DAVID E. I. PYOTT
President and Chief Executive Officer



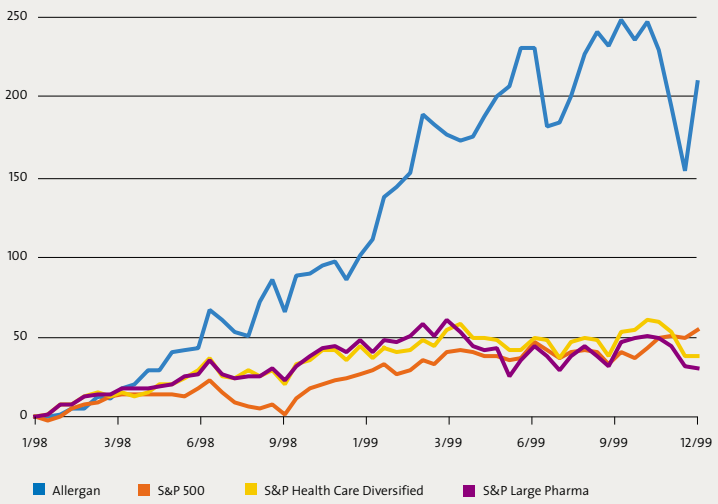
HERBERT W. BOYER
Chairman of the Board

Proven Performance

Substantial Shareholder Value Creation

1999 saw Allergan's stock rise 54%, continuing the exceptional performance begun in 1998. In each of the last two years, Allergan's stock appreciation has outperformed all relevant indices. In 1999 Allergan has exceeded the S&P by 34%, diversified healthcare by 59%, and the large-cap pharmaceutical index by 66%. Over the last two years, Allergan's market capitalization has trebled from $2.2 billion at the end of 1997 to $6.7 billion at the end of 1999, hitting a peak in October of $7.7 billion. Reflecting on this performance and its confidence in the future, the Allergan Board of Directors approved a 2-for-1 stock split, which was effective in December 1999. This split brought the share price more in line with the rest of the pharmaceutical sector and made share ownership more affordable for the retail investor.

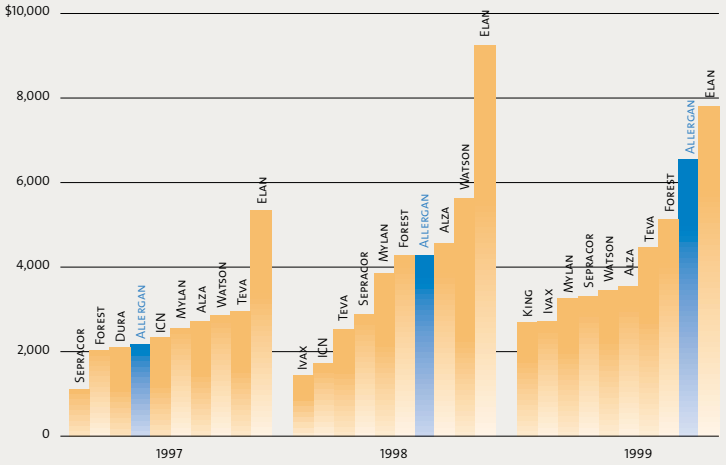
Comparative Price Appreciation
Allergan vs. S&P 500 vs. S&P Health Care Diversified vs. S&P Large Pharma



From Laggard to Leader

This performance improvement has significantly enhanced Allergan's relative market value in the specialty pharmaceutical segment. In 1997, Allergan ranked in the bottom half of what many analysts call the specialty pharma universe. Allergan's growth coupled with consistent performance improvement has increased relative value such that the Company ranked second at the end of 1999, just two years later.

Selected Specialty Pharmaceutical Market Capitalization
In millions of dollars

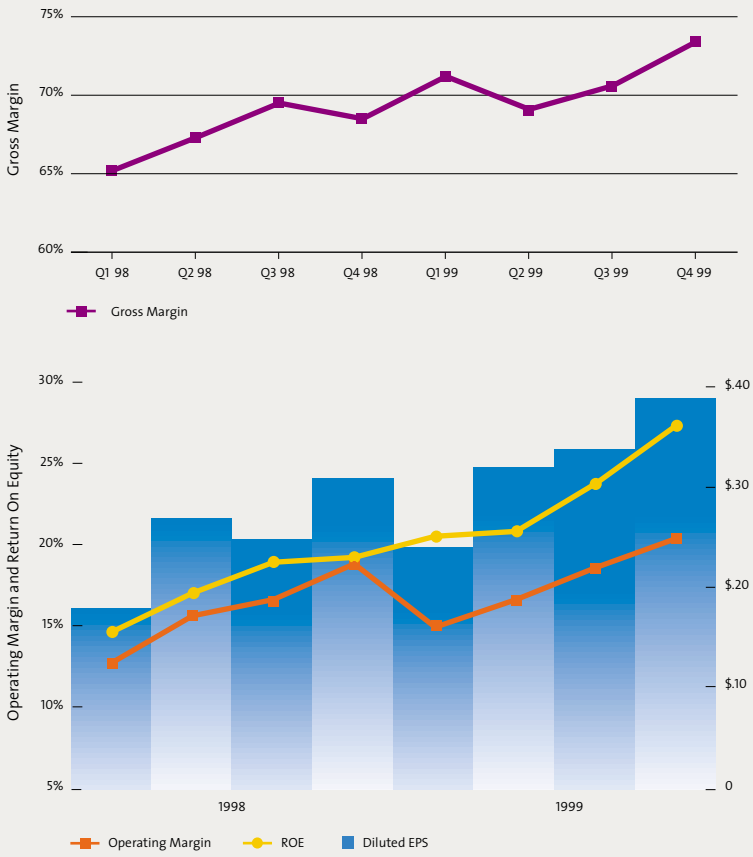


Improving Economics Drive Value Creation

Improving fundamental economics have complemented Allergan's strong revenue growth. Over the past two years, there has been steady upward movement in operating profit, excluding the impact of one-time items, from $136.8 million to $250.8 million, driven by improving gross margins and a G&A restructuring effort initiated in 1998. Specifically, on an annualized basis, gross margin has improved 3.4 percentage points from 67.7% in 1998 to 71.1% in 1999, hitting a high in the fourth quarter of 73.4%. The 1999 gross margin improvement is the result of a number things: successful consolidation of manufacturing facilities, higher margin pharmaceutical mix, increased leverage of fixed costs, and ongoing cost reduction and efficiency programs. Based on continued mix shift and improving leverage and scale in both manufacturing and SG&A, Allergan's operating margin is expected to continue to expand.

From an earnings per share (EPS) and return on equity (ROE) perspective, the improvements are even more noticeable. Excluding the impact of one-time items, EPS (post-split) increased by 26.5% to $1.29 in 1999 from $1.02 in 1998. Similarly ROE, excluding the impact of one-time items, has improved from 19.3% in the fourth quarter of 1998 to 27.5% in the fourth quarter of 1999, an 8.2-percentage-point improvement.

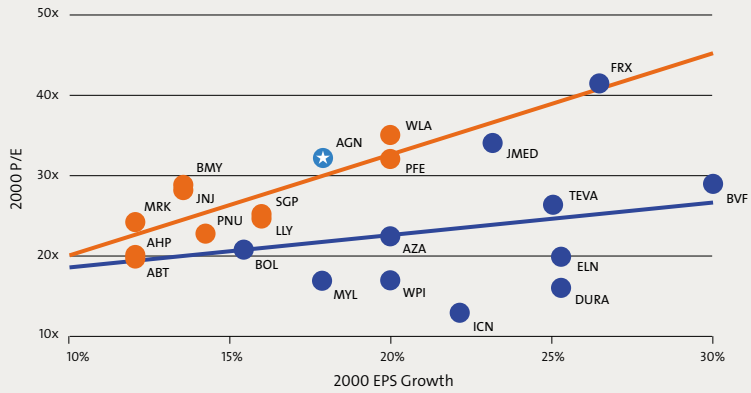
Improving Business Fundamentals and Performance



Valued as a Large-Cap Pharma With Mid-Cap Growth

Traditionally, specialty pharma (mid-cap) companies have provided better growth but with some limitations in economics or consistency relative to the large-cap pharmaceutical cohort. And, as a result, specialty pharma price/earnings (PE) to growth rate ratios have been lower than those of the large U.S. pharmaceutical companies. As the Company has delivered growth above the average for market cap, margin expansion, and consistency (beating consensus earnings for eight straight quarters), the market has placed a PE on Allergan consistent with much larger/higher capitalization pharmaceutical companies. In fact, Allergan's PE, excluding the impact of one-time items, was in the high 30s and low 40s for much of the middle and latter part of 1999, closing 1999 with a 38.6 PE.

Projected EPS Growth vs. P/E



Allergan

Major Pharma – US

ABT	Abbott Laboratories
AHP	American Home Products Corp.
BMY	Bristol Myers Squibb
JNJ	Johnson & Johnson
LLY	Eli Lilly & Co.
MRK	Merck & Co., Inc.
PFE	Pfizer, Inc.
PNU	Pharmacia & Upjohn, Inc.
SGP	Schering Plough Corp.
WLA	Warner-Lambert Company

Specialty Pharma

AZA	Alza Corporation
BOL	Bausch and Lomb, Inc.
BVF	Biovail Corporation
DURA	Dura Pharmaceuticals, Inc.
ELN	Elan Corp., plc
FRX	Forest Laboratories, Inc.
ICN	ICN Pharmaceuticals, Inc.
JMED	Jones Pharma, Inc.
MYL	Mylan Laboratories, Inc.
TEVA	Teva Pharmaceuticals
WPI	Watson Pharmaceuticals

A Tradition of Excellence in Innovation

ALLERGAN
50 Years of Growth & Innovation

Gavin S. Herbert, Jr.
Founder and Chairman Emeritus

The father-son team of Gavin Herbert, Sr. and Gavin Herbert, Jr., seen here during the 1970s.

On January 27, 2000, we celebrated the 50th Anniversary of the founding of Allergan. One key lesson we learned early was the importance of new and differentiated products.

Although success was modest by today's standards, Allergan's first two products provided new therapies for the treatment of ocular allergy and inflammation.

CORTEFRIN was the first topical steroid formulated for ophthalmic use and led to the introduction of several new generations of ophthalmic steroids. Allergan's focus on the eye care market has resulted in a continuous flow of innovative new products over the last five decades.

The process called for setting high standards for products and listening carefully to our customers about their needs. Each member of the team, past and present, knows the importance of "active listening" and the effect that it has on new product development.

The key ingredient, of course, for the Company's success is the quality of the individuals who have made it all possible. Bright, dedicated, and energetic team members whose commitment to excellence is the key to building Allergan in the next century.

We continue to expand our research and development efforts with a further significant increase in funding budgeted for the year 2000. The Board of Directors has approved a significant expansion of the research and development facilities in Irvine, which currently occupy 391,000 square feet. New construction will add an additional 132,000 square feet over the next four years.

From that first product named Allergan, to the new products of the 21st century, including ALPHAGAN, BOTOX, TAZORAC, ARRAY, and many more, Allergan has become a leader in specialty pharmaceuticals because of all the people who made it possible – medical practitioners, investors, and customers.

Simply stated, Allergan's future looks promising. The research and development pipeline is exciting, and the development of new innovative products, as always, will be the key to Allergan's next 50 years.

– GAVIN S. HERBERT, JR.

A Year of Excellence

1999 was a year of positive recognition for Allergan as the Company received a number of awards and commendations relating to a variety of business products and activities. The following summarizes a number of these accolades.

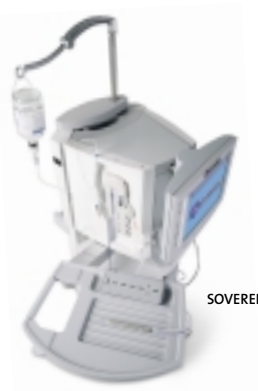
Innovative Business Model

The Company's business model, utilizing state-of-the-art information technology to streamline its operational environment and reduce processing and operating costs, has become part of the permanent research collection of the Smithsonian's National Museum of American History. This innovative implementation, based on the SAP software system, is the first of its type within the pharmaceutical industry and integrates many of the 12 separate European business units into a single unified business support unit with a pan-European service center, freeing local country organizations to focus on customer relationships.

Smithsonian's National Museum of American History

Pioneering Work in Supply Chain Management

The Company won the top award for its pioneering work in supply chain management at the *Financial Times of London* 1999 Global Pharmaceutical Industry Awards. This prestigious award acknowledges Allergan's establishment of best practices in its implementation of leading-edge re-engineering processes in supply chain management in the global pharmaceutical industry.



SOVEREIGN System

Product Design Excellence and Innovation

The recently launched SOVEREIGN System, a complement to Allergan's existing line of phacoemulsification products, has been acclaimed by receiving three major awards: the Medical Design Excellence Award, the Industrial Design Excellence Award (IDEA), and *I.D. Magazine*'s 45th I.D. Annual Design Award Review for its innovative design. The engineering and design aspects of the SOVEREIGN offer surgeons state-of-the-art equipment that delivers optimum results in cataract removal.

Rx Eye Sales Force Ratings

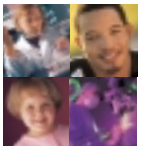
As compared against peer companies, the U.S. and Canadian sales forces have performed exceptionally well. In the United States, the sales force was in 1998 ranked No. 1 by ophthalmologists in medical knowledge and customer service (Source: Scott Levin). And in 1999, both the U.S. and Canadian sales forces were ranked No. 1 in quality (Scott Levin and Canada Market Research).

Best Consumer Products in Year 2000

The Taiwan Consumer Association has named COMPLETE and OXYSEPT 1 STEP B-12 as "Best Consumer Products in Year 2000."


No. 2 in Global Eye Care
BOTOX – 40.3% Increase in Sales versus 1998
ALPHAGAN – No. 1 Growing Glaucoma Brand
No. 1 Contact Lens Care Company in Europe and Japan
OCUFLOX – No. 1 Ophthalmic Anti-infective
No. 2 in Global Surgical Market
ACULAR – No. 1 NSAID in the United States
REFRESH – No. 1 Artificial Tear
No. 1 Eye Care Sales Forces in the United States and Canada

GROWING MARKET SHARE IN GROWING MARKETS



We are proud that we have gained market share – on a worldwide basis – in each of our five businesses. In the ophthalmic pharmaceutical market, Allergan moved up into the No. 2 position with our sights now firmly set on unequivocal global leadership.

– **David E. I. Pyott**
From his Letter to Investors
1999 Annual Report

Globally, the market for ophthalmic products is $4.2 billion annually, of which $1.6 billion is generated in the United States. On a global basis, Allergan in 1999 seized the No. 2 position in this market and is gaining ground as growth of the Company's eye care products outperforms the market growth. Further, over the last year, Allergan's market share has increased from 11.4% to 11.8%.

Allergan offers a broad portfolio of products with significant sales in all key segments of the ophthalmic market. Allergan's flagship glaucoma product, ALPHAGAN, has been a key driver of Allergan's growth in this area. About 48% of Allergan's eye care prescription sales are for the treatment of glaucoma, by far the largest eye care market segment. Other key products include OCUFLOX, ACULAR, REFRESH, and other dry eye products.

In the United States, Allergan is a true market leader in glaucoma: ALPHAGAN is the No. 1 product in terms of growth among the leading brands, OCUFLOX is the No. 1 anti-infective prescribed by ophthalmologists, ACULAR is the No. 1 nonsteroidal anti-inflammatory, and REFRESH is the No. 1 artificial tear.

A strong focus over the past year has been to enhance Allergan's market coverage. From a quantitative perspective, Allergan has the largest worldwide sales force dedicated to serving ophthalmologists and is still adding resources. For instance, in the United States, Allergan has recently deployed a new special account team to work with teaching hospitals and has expanded the national accounts team, which secures formulary approvals of new products and undertakes other partnerships with managed care organizations.

Finally, the Company is expanding, with new representatives and through collaborations with external companies, and coverage of other key customers such as pediatricians, general practitioners, and optometrists. Surgeons, conducting cataract and refractive surgery, are presented with a range of not only leading ophthalmic pharmaceuticals but also leading surgical devices and lenses from Allergan.

Qualitatively, Allergan's eye care sales force is the very best. In fact, U.S. ophthalmologists ranked Allergan's sales force No. 1 in medical knowledge and customer service in 1998. And both the Canadian and United States sales force achieved this distinction in 1999.

Allergan's objective is to be No. 1 or 2 in all key segments of the eye care prescription market – a "moving target" as the market continues to expand with the aging of the world's population, new therapies and treatments, and opening up of new geographic markets.

To keep pace with the market growth and increase market share, Allergan is making significant and growing investments in research and development. The Company is actively developing new treatments for the most important ophthalmic conditions, such as glaucoma, neuroprotection, dry eye, and retinal diseases like macular degeneration, and supplementing internal research through in-licensing products or compounds for these and other key ophthalmic disease areas. With these efforts, Allergan is well positioned to continue and accelerate its success in the eye care pharmaceutical business. The Company has significantly enhanced the life-cycle management programs for key products to maximize their value over time and ensure the Company's long-term position in the market. Finally, through strengthened marketing efforts, Allergan is expanding the demand for and availability of its products.

By October 1999 and a short three years after launch, ALPHAGAN, Allergan's premier glaucoma therapy, was the first eye prescription product in Allergan's history to exceed yearly sales of $100 million in the United States. ALPHAGAN is also Allergan's biggest eye care prescription product, is the second-largest glaucoma brand in the United States, and the fourth largest glaucoma product in the world.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ALLERGAN
15 mL
Alphagan®
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ophthalmic solutio
0.2% Sterile


Ocuflox®
(ofloxacin
ophthalmic
Solution) 0.3%


Alocril™


ALLERGAN
NDC 0023-2181-10
ACULAR®
(ketorolac tromethamine ophthalmic solution) 0.5
sterile
10 mL
ALLERGAN
ACULAR®
0.5%
sterile
EXP MAY 01

During 1999, ALPHAGAN realized massive growth – 62.2%, at constant currency rates, in sales and 2.7 points in global market share.

With ALPHAGAN's success and an impressive pipeline of other glaucoma products, Allergan has become a major and enduring force in the glaucoma category.

ALPHAGAN targets a worldwide glaucoma and ocular hypertension market of nearly 67 million people, with $1.7 billion in annual global sales. Glaucoma is the largest segment, about 40%, of the total ophthalmic pharmaceutical market.

During 1999, ALPHAGAN realized massive growth – 62.2%, at constant currency rates – in sales and won 2.7 points in global glaucoma market share. With the 1999 launch of ALPHAGAN in Italy, the product is now available in all major worldwide markets except Japan. It is approved in approximately 50 countries and, over the past year, has also received regulatory approvals in China, Croatia, Cyprus, the Dominican Republic, Egypt, Hungary, India, Italy, Taiwan, Trinidad, Uruguay, and Vietnam. In Japan the Company is developing ALPHAGAN in cooperation with Japan's largest ophthalmic company.

ALPHAGAN represents the first alpha$_2$-agonist approved for the long-term treatment of elevated intraocular pressure (IOP) in patients with glaucoma and ocular hypertension. In several animal models, ALPHAGAN has also been shown to maintain the health of optic nerve cells, which die in glaucoma and cause vision loss (neuroprotective effect). This may represent a new approach to the treatment of glaucoma, if proven in human studies. A key to the success of ALPHAGAN is found in the benchmarks by which every therapeutic agent is measured – *efficacy and safety*. ALPHAGAN provides proven IOP-lowering efficacy comparable to timolol, the topical nonselective beta-blocker considered the "gold standard" for the treatment of elevated IOP in patients with glaucoma and ocular hypertension. With its excellent efficacy profile, along with key safety advantages over beta-blockers and other glaucoma treatments, ALPHAGAN continues to make significant inroads into the worldwide glaucoma market.

As Allergan moves forward, it will continue to emphasize the key performance and safety advantages ALPHAGAN has demonstrated over topical beta-blockers and other therapeutic agents. Due to these advantages, ALPHAGAN is rapidly becoming a first-line choice among ophthalmologists worldwide and continues to grow its major share of the adjunctive glaucoma market. With a continuing ramp-up in sales in recently launched countries and the continued rollout in the remaining worldwide markets and the significant marketing and sales investments into ALPHAGAN, this product will continue to be a key driver of Allergan's growth in the eye care prescription area.

ACULAR®

As surgical techniques continue to improve and cause less post-operative inflammation, treatment in the ophthalmic anti-inflammatory market continued to shift away from corticosteroids and toward the use of nonsteroidal anti-inflammatory drugs (NSAIDS) in 1999. Allergan gained 2.8 market share points, increasing its already strong No. 1 position in this segment. ACULAR (ketorolac tromethamine ophthalmic solution, 0.3%) is the global market-leading product in this category, controlling over 30% of the worldwide market and 68% of the U.S. market for NSAIDS.

Ophthalmologists tend to view most NSAID products as being associated with only one or two uses. ACULAR's success is largely due to its image as a safe and efficacious product in a broad range of uses, including allergy, photophobia, post-surgical pain, and post-surgical inflammation. The variety of indications also accounts for the fact that nearly a third of prescriptions written for ACULAR come from audiences outside of ophthalmology in the United States. The product offering in 3 mL, 5 mL, 10 mL bottles, and preservative-free unit-doses make it convenient for doctors to select the right size for the indication needed. In Europe, the strategy is to profile ACULAR's efficacy in pain and allergy to differentiate it from Allergan's other leading NSAID, OCUFEN.

In August of 1999, the American Society of Cataract and Refractive Surgery (ASCRS) issued a warning letter to physicians citing increased incidence of corneal melts in patients using topical NSAIDs and advised physicians to discontinue use of these products. Further investigation indicated that the vast majority of the corneal melts being reported to the ASCRS were associated

with a generic version of diclofenac, a frequently prescribed NSAID that had been introduced in 1998. Allergan responded with a letter to physicians assuring them of ACULAR's outstanding record of safety with over 5 million prescriptions filled since its launch in 1993. Interestingly, while total prescriptions for ophthalmic NSAIDs fell by 20% in the months following the ASCRS warning letter, prescriptions for ACULAR continued to grow throughout 1999. This is viewed as a testament to the confidence with which physicians attest to the safety and reliability of this product.

Global expansion of the ACULAR franchise continued as well, with approvals in nine countries being achieved in 1999.

While the ophthalmic anti-infective market has been growing at about 5% per year over the past several years, Allergan outpaced the market in this segment, growing at 21% in 1999. Leading the charge in this success story is Allergan's flagship quinolone anti-infective product, OCUFLOX (ofloxacin ophthalmic solution, 0.3%). Indicated for use in bacterial conjunctivitis and corneal ulcers, OCUFLOX's success can be attributed to its excellent susceptibility profile and bacterial kill rates versus competitive products, plus a superior formulation in terms of comfort, safety, and ocular penetration.

First launched in the United States in 1993, OCUFLOX has become the most prescribed ocular anti-infective by ophthalmologists. The strategy for growth in this segment involves gaining access to alternative prescribing audiences, as well as global expansion through the launch of OCUFLOX into new markets.

In September of 1999, Allergan entered into a multi-year agreement with McNeil Consumer Healthcare, a subsidiary of Johnson & Johnson, to promote OCUFLOX to pediatricians in the United States. Pediatricians write almost 30% of all ophthalmic anti-infective prescriptions in this market. McNeil's sales force has experience in successfully launching FLOXIN, the otic version of ofloxacin to this audience. OCUFLOX will be of particular interest to pediatricians due to its speed of action compared to traditional anti-infectives such as tobramycin. Faster cures will allow children with bacterial conjunctivitis to return to school more quickly. The agreement with McNeil gives Allergan access to the largest target audience for anti-infective products while maintaining focus of its own sales force on its key customer, the ophthalmologist.

A similar opportunity for growth of this product exists in Europe, where Allergan markets ofloxacin under the brand name EXOCIN in selected markets. EXOCIN was launched in Spain this past year, expanding Allergan's anti-infective European sales.

The ophthalmic allergy market in the United States has been enjoying unprecedented growth over the past two years, largely due to new competitive product launches and expansion of the market via direct-to-consumer marketing. It is an extremely competitive market with 11 branded products available to treat ocular allergy. Total allergy prescriptions grew by 38% in 1999.

Allergan's participation in this market has been spearheaded for the past seven years by ACULAR, the only nonsteroidal anti-inflammatory drug approved to treat the itch associated with this common affliction. With increasing competition, Allergan will respond by launching early in 2000 an additional product, ALOCRIL (nedocromil sodium, 2% ophthalmic solution), a fast acting allergy treatment that provides patient relief with twice-a-day dosing.

Allergic conjunctivitis consists of an early phase mediated by mast cells and a late phase that results from the recruitment and activation of inflammatory cells. ALOCRIL is a mast cell stabilizer that also decreases chemotaxis and activation of secondary inflammatory cells. Thus, it is able to inhibit both the early and late phases of the allergic response. By stabilizing the mast cell membrane, ALOCRIL inhibits the release of as many as 30 chemicals from the cell. Some of these chemicals, for example histamine, are directly responsible for the early phase response, while others recruit inflammatory cells needed for the late phase response. ALOCRIL's anti-inflammatory properties independently prevent the late phase inflammatory cells from releasing further damaging chemicals.

First launched in the United States in 1993, OCUFLOX has become the most prescribed ocular anti-infective by ophthalmologists.

In 1999, worldwide growth of the REFRESH brand exceeded 34%, at constant currency rates.

Allergan will actively promote ALOCRIL not only to ophthalmologists but also other groups of professionals treating allergies: pediatricians; primary care physicians including general practitioners and family practitioners; allergists; and optometrists.

Restasis **Dry eye sufferers currently have only palliative remedies for their discomfort available to them. Artificial tears, the mainstay of treatment for these patients, add moisture to the ocular surface and increase lubrication of the eyelids to ease the suffering. However, this relief of symptoms is relatively short-lived and inadequate for patients with moderate to severe dry eye disease.**

While Allergan has long been regarded as the leader and innovator in the development and marketing of artificial tear and lubricant products, the Company recognized years ago the need for a therapeutic treatment for this often debilitating disease.

The development of RESTASIS (cyclosporine ophthalmic emulsion, 0.05%) is the culmination of 10 years worth of diligent efforts researching the underlying pathophysiology of dry eye disease and developing the first therapeutic product intended to treat this condition. Allergan scientists worked in close collaboration with thought leaders in clinical practice and academia to define the dry eye disease process and identify methods to intervene therapeutically. Dry eye disease has been demonstrated to result from an immune-based inflammatory process. RESTASIS prevents the activation of T-cells on the ocular surface and in the lacrimal glands, thus breaking the cycle of inflammation in dry eye disease. The result is a reduction in ocular inflammation that brings the patient relief of the signs and symptoms of dry eye disease.

RESTASIS is a groundbreaking product that, if approved by the U.S. FDA and other global regulatory agencies, would create an entirely new market segment in ophthalmic pharmaceuticals, i.e., dry eye therapeutics. Allergan's continued efforts into defining the disease and developing new products for dry eye disease ensure its continued leadership of this newly emerging field.

Refresh Tears® **Allergan, which pioneered the development of the artificial tears category, is the No. 1 company worldwide. Eye practitioners prescribe Allergan's tear products more than any others, due to the Company's unique formulations, which have been developed to enhance the duration and extent of corneal protection from dryness and irritation and to more closely resemble the human tear.**

Given growing environmental factors that can cause eye dryness, such as pollution, increased computer usage, etc., and an aging population, Allergan has looked to build on its leadership position in the growing artificial tears market. Through additional investment in 1999, worldwide growth of the REFRESH brand has exceeded 34%, at constant currency rates. Major initiatives are underway globally to further exploit these trends, as Allergan looks to provide the best and most complete product offerings in this area to meet the needs of patients and increase physician and consumer familiarity.

Allergan markets a variety of artificial tear products for various needs, under a range of brand names worldwide, led by REFRESH. In the United States, the REFRESH brand includes: REFRESH PLUS, the category unit dose leader; REFRESH TEARS, the No. 1 multi-dose product; REFRESH P.M., for overnight relief of dry eye; and CELLUVISC, the most often prescribed product for severe dry eye. Other Allergan brands marketed around the world include LERIN, LIQUID TEARS, and LACRI-LUBE.

In the United States, marketing investment was increased to provide greater support to practitioners, as well as launch new consumer-directed programs, taking advantage of some consumers' self-selection of tears in the retail stores. Utilizing the theme, "dry eye relief plus protection," consumer advertising was introduced for the first time. Additionally, new direct mail and pharmacist-directed initiatives were implemented. Combined, these efforts increased the Company's leading market share, despite significant new competitive introductions into the market.


BOTULINUM
TOXIN TYPE A
BOTOX®
Purified Neurotoxin Complex
100 UNITS

Allergan's BOTOX (Botulinum Toxin Type A) Purified Neurotoxin Complex is used in the treatment of certain neuromuscular disorders, which are characterized by involuntary muscle contractions or spasms.

BOTOX®

1999 Key Milestones and Successes

Global sales revenue for BOTOX in 1999 was $175.8 million, an increase of 43.5% over 1998, at constant currency rates, which marks an acceleration over the three-year Compound Annual Growth Rate of 37.8%. Global market share is estimated at 88%, an increase of nearly 2% versus 1998. Allergan's leadership has been driven by a major expansion of clinical development in support of new regulatory approvals.

Approvals and Submissions

Currently, the approved indications for BOTOX in the United States are for the treatment of blepharospasm and strabismus in people 12 years of age and over. In 1999, the Company worked to expand the approved indications for BOTOX in the United States. A supplemental application for the treatment of cervical dystonia was filed as an orphan drug with the U.S. regulatory agency. Upon FDA approval, Allergan will be entitled to seven years of exclusive marketing rights in the United States for this indication for the botulinum toxin serotype A.

Internationally, the Company continued to pursue expanded indications for BOTOX, which has been approved in 67 countries outside of the United States for various indications including the treatment of cervical dystonia, hemifacial spasm, and lower limb spasticity in pediatric cerebral palsy patients, two years of age or older. As of the end of 1999, BOTOX use for cervical dystonia has been approved in 39 countries including Canada and major European countries. In addition, it has been approved for the treatment of lower limb spasticity in pediatric cerebral palsy patients, two years of age or older, in 31 countries including Canada and Australia. Recently, the Company received approval from the authorities in Switzerland to market BOTOX for the treatment of upper limb spasticity associated with debilities occurring after a stroke and from the Japanese authorities for hemifacial spasm. Subsequent filings throughout Europe are expected during 2000.

Neuro-Rehabilitation Market

During the first half of 1999, the Company initiated in the United States Phase III clinical development programs in cerebral palsy, which is designated as an orphan indication by the FDA, and also adult spasticity.

Pain Market

Significant increase in BOTOX clinical development programs occurred during 1999 in the area of pain management. A Phase III clinical development program was initiated within the United States and Europe for the treatment of low back pain associated with muscle spasm. In addition, following successful proof of concept studies, further clinical development of BOTOX for the treatment of migraine headache continued in Phase II. The Company expects to initiate a pivotal Phase III program for the indication during late 2000. Furthermore, an Investigational New Drug Application (IND) for BOTOX was filed with regulatory agencies within North America and several European countries for the treatment of chronic tension-type headache. Study enrollment is expected to begin in early 2000.

Dermatological Market

In 1999, the Company completed enrollment in its Phase III clinical development program for BOTOX within North America for cosmetic brow furrows. A supplemental application for the brow furrow indication is expected to be filed during late 2000. In addition, a pivotal Phase III clinical development program was initiated in Europe for the treatment of axillary hyperhidrosis. Regulatory submissions within Europe are expected during late 2000.

Bulk Toxin

The Company manufactures its own bulk toxin raw material necessary to produce BOTOX under GMP conditions and has initiated major expansion at its Irish facility to meet the forecast of rapidly growing demand. The new source of bulk toxin provides the lowest amount of protein exposure to patients, thus minimizing the chance of patients developing neutralizing antibodies to the toxin.

Publications and New Clinical Use

In 1999, no fewer than 200 publications on the therapeutic uses and basic properties of BOTOX have appeared in the medical literature supporting the advancement of botulinum toxin research. Clinical investigations have been reported in the use of BOTOX in numerous indications including, but not limited to, spasticity, cerebral palsy, cervical dystonia, hemifacial spasm, hyperhidrosis, achalasia, headache, strabismus, spasmodic dysphonia, back pain, gastrointestinal disorders, and cosmetic enhancements. Moreover, Allergan-sponsored BOTOX research has been presented at numerous professional meetings in the United States, Europe, and throughout the world. Some of the more important communications include the presentation of the results of the first controlled, multi-center study of the use of BOTOX in the prevention of migraine at the American Academy of Neurology meeting and a *New England Journal of Medicine* article on the use of BOTOX in the treatment of anal fissure. Several important presentations of preclinical studies, which favorably compared BOTOX to other forms of botulinum toxin, appeared at meetings of the American Academy of Neurology and the International Conference on Basic and Therapeutic Aspects of Botulinum and Tetanus Toxins.

A comprehensive supplement was published by the *European Journal of Neurology* on recent advances in BOTOX research presented at the Fourth European Botulinum Toxin Symposium. Manuscripts describing Allergan-sponsored research on the use of BOTOX in cerebral palsy have been accepted by the *Journal of Physical Medicine and Rehabilitation*, the *Journal of Pediatric Orthopedics*, and *Gait and Posture*. Manuscripts on tension-type headache and myofascial pain have also been accepted by the journals *Pain Digest* and *Pain*, respectively. In addition, articles on the use of BOTOX in migraine (*Headache*), clubfoot (*Child Neurology*), and spasticity (*Journal of Therapy and Rehabilitation*) have been submitted for publication and are expected to appear in print in the year 2000. Finally, abstracts on the Company's most recent research on BOTOX have been submitted for presentation at major American and international conferences in 2000.

Allergan's leadership has been driven by a major expansion of clinical development in support of new regulatory approvals.

The global cataract surgery market is $1.4 billion in which Allergan is the second largest company in its chosen areas of competition. Allergan grew at 15.3% over the prior year, outpacing the 3% growth of the overall global market as Allergan is focused on the attractive and highest growth area of foldable intraocular lenses (IOLs).

The cataract surgery market is comprised of three major elements. Phacoemulsification machines are used to remove the cloudy contents of the eye's natural lens and to clean the remaining lens capsule. Intraocular lenses are implanted into the lens capsule to restore vision. Accessories, such as implantation devices, and disposables, such as tubing, viscoelastics, blades, knives, and sutures, make up the rest of the market.

Allergan's strategy is to focus on the high technology and high margin segments of the cataract and refractive surgery markets. Allergan has concentrated resources on foldable intraocular lenses and advanced phacoemulsification devices and now offers an unmatched product line of foldable IOLs (silicone monofocal, silicone multifocal, and acrylic monofocal); a range of implantation devices; and a family of phacoemulsification machines.

All of the world's markets are transitioning from flat PMMA or perspex lenses to foldable intraocular lenses that require only small incisions in the eye of 2.5 to 3.5 mm. Patient comfort is enhanced by these small incisions and risk of trauma and astigmatism, induced by suturing, is reduced. In the United States, about 80% of the market is made up of foldables; Europe is now at a conversion rate of close to 60%. Other regions of the world lag further behind as phacoemulsification technology is introduced and surgeon experience is built.

During 1999 the Company closed two manufacturing plants on time and within cost targets, consolidated global production into one plant in Puerto Rico, significantly lowered its cost of goods, and reinvested much of the savings into substantially expanded sales forces in key geographic markets. The Company was rewarded by market share gains in all of the top eight global markets. With its commitment to R&D, Allergan believes that, in its areas of focus, it has the strongest R&D pipeline in the industry.

Silicone IOLs

Allergan, with its PhacoFlex II monofocal IOLs and ARRAY Multifocal IOL, holds the No. 1 position in the foldable silicone segment with over 50% of the world market share. Allergan developed a proprietary second-generation silicone material that allows insertion of the IOL through an incision as small as 2.6 mm. One of the key elements leading to the increased use of Allergan's silicone IOL product line is The UNFOLDER Implantation System, which provides consistent, predictable delivery of the IOL into the lens capsule.

As a first in the industry, the FDA has approved, for this second-generation silicone material, a labeling claim of lower incidence of posterior chamber opacification (PCO) or secondary cataracts, less visual acuity loss, and lower Nd: YAG rates. PCO results from the growth of residual cells across the back of the lens capsule. It causes a gradual loss of vision and can necessitate a secondary surgical intervention (Nd: YAG).

Array

Sales of the ARRAY Multifocal IOL increased 37%, at constant currency rates, in 1999. Monofocal IOLs provide vision at one distance (usually far), and patients need reading glasses for near. The ARRAY, with a patented series of optical zones, provides a range of vision from near to far and reduces the patient's dependence on glasses. Both in clinical studies and in actual use, just less than half of patients were able to eliminate their use of reading glasses except for the closest work. Sales of ARRAY in the United States


SOVEREIGN
SOVEREIGN

Allergan's strategy is to focus on the high technology and high margin segments of the cataract and refractive surgery markets.

accelerated this year thanks to an innovative direct-to-consumer campaign designed to raise awareness of the disabling effects of cataracts and the availability of multifocal technology. A significant barrier to higher sales of the ARRAY in the United States has been a low reimbursement rate from the Health Care Financing Administration (HCFA), which does not cover the additional cost of this new technology lens for the purchasing surgeon. In late 1999, HCFA published a regulation concerning compensation for new technology IOLs (NTIOL) and raising reimbursements. NTIOL status for the ARRAY and higher reimbursement is expected in early 2000.

AMO Sensar™ The SENSAR is a second-generation acrylic IOL. It was launched in Europe in mid-1998 and has captured in its first year more than one fifth of the European market for acrylic IOLs without compromising sales of Allergan's silicone products. Unlike first-generation acrylics, SENSAR does not require warming before insertion, does not develop vacuoles over time, and does not cause bothersome edge glare. It can be implanted using The UNFOLDER Sapphire Series implantation device.

SENSAR received FDA approval in the United States in February 2000, and Ministry of Health approval in Japan is expected to be received in early 2001.

TheUnfolder® Surgeons report that The UNFOLDER provides exquisite controlled release of the lens inside the eye. It delivers the lens when and where the surgeon wants it – inside the eye's capsular bag. This is particularly important with difficult cases – torn zonules for example. Delivery of the IOL is consistent and predictable, thus avoiding the problem of damaged lenses or cracked cartridges.

Phacoemulsification

Phacoemulsification refers to breaking down the dense, opaque contents of the diseased lens into tiny particles for removal through a small incision. Ultrasound, generated by the rapid motion of a small titanium tip, breaks down the cataract. Fluid and vacuum pull the particles out of the lens capsule. Phacoemulsification is a delicate process that requires removal of the lens contents without damaging the lens capsule.

Allergan's phacoemulsification product line grew significantly in 1999, gaining market share. Allergan has the largest family of products in the market, the PRESTIGE, DIPLOMAX, and newly introduced SOVEREIGN. Fluid Management in and out of the eye is a hallmark of Allergan technology. First introduced with the PRESTIGE in 1993, it includes a sensor that dynamically monitors conditions inside the eye. This stabilizes the eye and reduces the risk of surgical complications. Well-controlled cutting power is made possible by microprocessors that deliver the precise amount of ultrasound power needed at any given moment. First introduced with the DIPLOMAX, microprocessors allow the surgeon a wide range of programming options.

SOVEREIGN™ Launched in 1999 across the world, SOVEREIGN incorporates advanced sensor technology to control the flow of fluid and microprocessors to control the ultrasound energy. The response during surgery is rapid – three times as fast as you can blink an eye. The result is much lower use of ultrasound to remove the cataract and greater safety for the ocular tissues, and thus excellent patient outcomes. SOVEREIGN is recognized by leading cataract surgeons as a breakthrough technology.

In 1999, SOVEREIGN received a Design Distinction award from *I.D. Magazine*, a Medical Design Award from the Medical Marketing Association, and a Gold Award – the top honor – from the Industrial Designers Society of America. The Gold Award was shared with Designworks/USA (a BMW subsidiary), the Industrial Design consulting firm that developed the product form, usability, graphical user interface and styling. Designworks/USA partnered with Allergan in the development of SOVEREIGN with a strong focus on a "user-friendly" design that would fit the needs of the surgeon.

In early 2000, Allergan will introduce a new family of ultrasonic titanium tips called LAMINAR FLOW tips. This tip, combined with the new SI-55 silicone lens, will set a new benchmark in cataract surgery, allowing insertion of the IOL through a sutureless incision size as small as 2.5 mm.

Renewed focus on contact lens care as a core business unit began to show positive results in 1999. Following several years of decline, the business was restored to growth with sales increasing during the last three quarters of the year and for the year in total, showing improved performance in virtually all regions.

The worldwide contact lens care market remains a robust $1.4 billion business, despite the growth in refractive surgery and disposable contact lenses. The market has been evolving in response to changing lens modalities, i.e., more frequent replacement lenses, and consumer interest in more convenient lens care regimens. This has resulted in higher growth in the one-bottle, multi-purpose solution segment, and the decline in hydrogen peroxide solutions and ancillary items. Allergan is committed to taking a leadership position in offering the best products to address these changing market dynamics.

Allergan is the No. 2 contact lens care company in the world and is No. 1 in Europe and Japan (excluding heat-based system products). Its leading worldwide brands include COMPLETE, CONSEPT F, OXYSEPT 1 STEP, ULTRACARE, ULTRAZYME, and TOTAL CARE.

In 1999 Allergan began implementation of the new strategic direction for the contact lens care business, established the previous year. The Company added new management and increased the level of promotional spending on a global basis, with a focus on increasing market share, especially in high growth potential markets.

The turnaround of the contact lens care business involves several key strategic initiatives. Realizing cost efficiencies within manufacturing and promotional spending has generated additional funds for greater investment in marketing. Such funds are being used to increase support with eye care professionals as well as expand consumer-directed programs, including direct mail and advertising.

Greater emphasis has also been placed on developing new products and formula improvements that leverage Allergan's expertise in eye care, especially in dry eye treatment technology. 1999 saw the expansion of the COMPLETE brand ComfortPLUS and OXYSEPT 1 STEP formula upgrades into most of the world's markets, and the launch of COMPLETE into Japan.

COMPLETE, Allergan's multi-purpose solution for all soft contact lenses, has shown dramatic growth, especially with the upgraded ComfortPLUS formulation. COMPLETE's easy-to-use proprietary formulation has been specifically developed to provide for longer, more comfortable lens wear. This has been validated in the marketplace, where the new product is preferred by a growing number of practitioners and consumers who appreciate and recognize its superior comfort.

Given its strong product attributes, worldwide growth of COMPLETE is one of the major priorities for the contact lens care business. Increased marketing expenditures have been allocated for the brand in order to increase awareness and trial by both consumers and practitioners.

New marketing initiatives have been developed to demonstrate the benefits of the product to the professional, as a means of improving patient satisfaction/retention, and helping to build the practice. Building upon a strong professional foundation, additional resources have been spent on efforts aimed directly to consumers, to improve their recognition of COMPLETE, and provide inducement for trial. Utilizing the global strategy, markets in almost all regions have used television or print advertising to communicate the brand's merits.

Results of the new strategy and execution have been very positive. COMPLETE enjoyed a strong year of growth in volume and share in 1999. Worldwide, the brand clearly outpaced its competitors and the multi-purpose solution segment, growing at a rate of 22.6% versus 7.9% for the market. In the United States, where COMPLETE was advertised for the first time, it was by far the fastest growing multi-purpose solution, increasing sales 31% or 10 times the market rate. In Europe, where advertising was similarly introduced, the growth of 16% also outpaced the market. Following regulatory approval in Japan, COMPLETE was launched there in the second quarter of 1999 with strong professional and consumer-based marketing programs. Given Allergan's long-standing leadership position in the chemical segment with CONSEPT F, the investment in and success of COMPLETE in Japan is a major corporate priority within the total contact lens care business.


Consept
毎日のこすり洗い、煮沸が不要
Consept
Consept-F
Cleaning and Disinfecting System
for Soft Contact Lenses


ALLERGAN
OXYSEPT®
1STEP
Disinfecting So
and Neutralize
ALLERGAN
OXYSEPT®
1STEP
Disinfecting
Solution


AZELEX®


M.D. Forté®


AZELEX
(azelaic acid cream) 20%
50 grams
TAZORAC®
(tazarotene topical gel)
100 grams
For Dermatologic Use Only

To further the new strategic plan for skin care, the Company has focused all of its commercial resources on the U.S. and Canadian markets while out-licensing key technology in Europe and divesting certain products in other regions of the world.

Furthermore, in the United States, commercialization efforts are now exclusively focused on the high growth markets of topical acne and psoriasis medications and physician recommended aesthetic skin care products. Combined, these three focus markets generated over $900 million in 1999 and grew by over 18%.

The core products in the portfolio, TAZORAC, AZELEX, and MD FORTE, continued to compete very favorably in these U.S. based focus markets as their combined ex-factory sales grew at greater than twice the market rate in 1999. As a result, Allergan's market share position in these combined markets grew substantially.

In Europe, the Middle East, and Africa, Allergan entered into commercialization partnerships for TAZORAC/ZORAC (ZORAC is the registered brand for tazarotene outside North America) with two leading dermatological companies, Pierre Fabre Dermatologie and Bioglan Pharma PLC. Allergan intends to establish similar partnerships in Japan, the rest of Asia, and Latin America. Furthermore in 1999, the Company divested MD FORMULATIONS, a line of alpha hydroxy acid products sold through aestheticians and, therefore, outside the Company's area of focus. Finally, Allergan divested AQUA GLYCOLIC, NAFTIN, ERYGEL, and ERYMAX, which had not been detailed by the sales force and, in some cases, were exposed to competition from generics.

TAZORAC® The cornerstone of the Allergan skin care business is now TAZORAC, a topical selective retinoid approved for both acne and psoriasis and the only such product with that unique dual indication. TAZORAC has been shown to be highly effective in treating both diseases and has continued to receive enthusiastic acceptance by practitioners and patients alike. During 1999, Allergan began detailing TAZORAC for the acne indication to dermatologists throughout the United States, having previously only promoted the product for psoriasis. The acne market is more than three times larger than the psoriasis market. Significant investments in 1998 in clinical studies comparing TAZORAC with competitive products yielded highly useful publications in the most respected dermatology journals in 1999.

In order to cover primary care physicians, who generate roughly 60% of the acne and psoriasis prescriptions, the Company utilized a dedicated contract sales force. In the dermatologist specialist channel, a co-promotion partnership with 3M Pharmaceuticals was established in late 1999. It will increase reach and improve service.

The result of these key actions was significant growth acceleration in the prescriptions written for TAZORAC, which doubled from the start to the finish of the year. Lastly, in late 1999 a New Drug Application (NDA) for a cream formulation for the psoriasis indication for TAZORAC was filed. It will allow the expansion of TAZORAC usage to additional patient skin types. TAZORAC Cream is also in late-stage clinical development for the two additional indications of acne and photo damage.

AZELEX® The other core products in the skin care line are AZELEX, indicated for mild to moderate acne, and MD FORTE, a physician recommended line of aesthetic skin care products that contain alpha hydroxy acids for reducing the appearance of fine facial lines and wrinkles. The sales of both products grew faster than 25% over the previous year at constant currency rates. As it is common for practitioners to treat the multi-factorial disease of acne with more than one medication, many of our patients use both TAZORAC and AZELEX in combination.

With the continued success of TAZORAC leading the way, and Allergan's strong research and development programs, the Company is highly encouraged by the growth prospects for the skin care line.

Role of Corporate Business Development in Creating Stockholder Value

To ensure continual development of new therapeutic products and to produce optimal stockholder value from each product, pharmaceutical companies cannot limit the sourcing of new product and technology ideas to only internal research programs. The success of pharmaceutical companies will be increasingly dependent on the development of external R&D alliances concerning novel technologies found in academia, smaller biotechnology companies, and the pipelines of other pharmaceutical companies.

Corporate business development plays an integral role in helping identify new technology or product opportunities as well as facilitating the creation of the appropriate alliances to allow companies to improve the quality and quantity of new products in their R&D pipelines and, ultimately, in their commercial portfolios.

Corporate business development activities also help pharmaceutical companies generate sales and earnings growth through the creation of commercial partnerships for marketed products. The results of such promotional alliances are increasingly recognized in the industry as an important method to create stockholder value, as they allow companies to access new or unfamiliar territories or physician audiences in a more cost-effective manner.

In 1999, Allergan Corporate Development was extremely successful in helping identify and add new technologies to the Company's already impressive pipeline of future products, and in establishing commercial collaborations to market certain products into territories or to alternative physician audiences that historically were not accessed through direct sales efforts.

R&D Technology and Product Collaborations

During 1999, Allergan was very active in establishing early stage R&D collaborations and later stage product in-licensing arrangements intended to increase the future product pipeline.

Early Stage Collaborations

- ACADIA Pharmaceuticals Inc. – targeting development of novel compounds for treating glaucoma.
- XOMA LLC and XOMA Ireland Limited – targeting development of novel ophthalmic anti-infective compositions.
- Cytochroma, Inc. – targeting development of novel dermatological products that utilize compounds that inhibit endogenous retinoic acid catabolism.

Late-Stage Development Collaborations/In-Licenses

- Boehringer Ingelheim-GmbH – in-licensing of the development and marketing rights to epinastine, an ocular antihistamine currently in late Phase II clinical development.

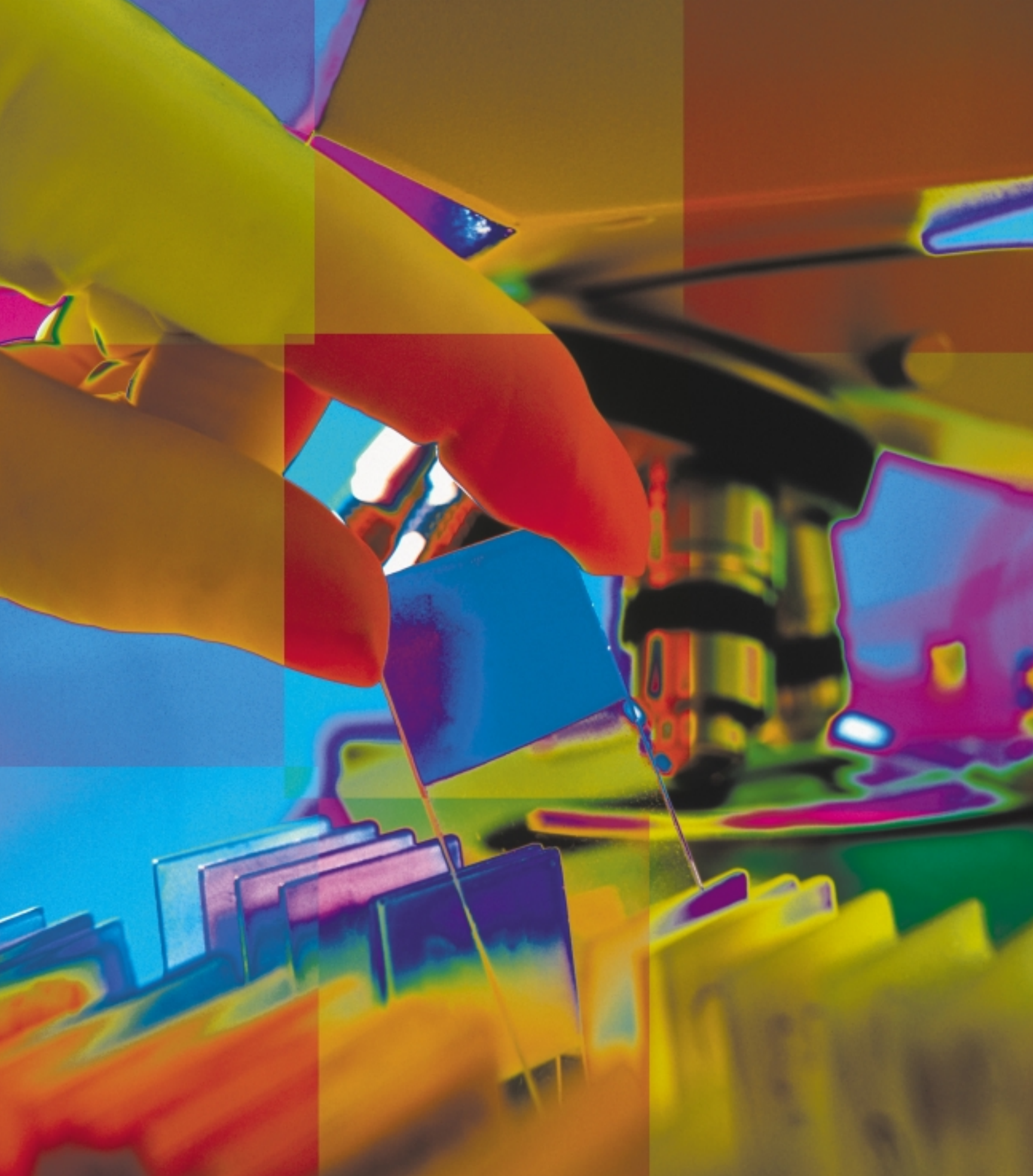
Supplementing Distribution Channels and Reaching Alternative Audiences

During the past year, Allergan initiated several collaborations designed to successfully penetrate non-core audiences as well as supplement the Company's efforts in certain traditional physician audiences.

- McNeil Healthcare – a multi-year agreement to promote OCUFLOX to pediatricians in the United States.
- Bioglan and Pierre Fabre – two promotional alliances in Europe to generate value from ZORAC sales without incurring the costs associated with the creation and maintenance of a European skin care sales infrastructure.
- 3M Pharmaceuticals – a co-promotional relationship that will dramatically increase the Company's ability to effectively promote TAZORAC for acne to dermatologists in the United States.

Divesting to Create Focus and Incremental Value

Finally, in keeping with an "out with the old, in with the new" philosophy, Allergan Corporate Development was very active this year in divesting older skin care product lines NAFTIN, AQUA GLYCOLIC, and MD FORMULATIONS in order to create sales focus and incremental bottom line returns as well as to help offset the costs associated with acquiring rights to new product technologies.



Efficiency in delivering new products that meet customer needs is the focus of the Company's Research & Development efforts. Once again, in 1999 Allergan grew its investment in R&D at a rate exceeding revenue and profit growth, excluding the impact of one-time items.

This major investment in the future is supporting a broad range of programs including the discovery of innovative new medicines for sight threatening diseases such as age related macular degeneration and glaucoma; many new uses for neurotoxins; lenses and equipment to improve the outcome of cataract surgery; and contact lens care systems which deliver better comfort and convenience.

During 1999, Allergan's R&D team increased in size by 180 to approximately 920. Further evidence of the Company's strong commitment to future growth in R&D was the approval by the Board of Directors of a $70 million R&D facility expansion on the Irvine campus. Focusing on innovation, productivity, and quality, this team has developed a strong research and development pipeline that will provide a steady flow of new products to improve the quality of life of Allergan's customers.

Development

The development team had a very productive year, as evidenced by key regulatory approvals and the successful advancement of numerous products through the various stages of development. ALOCRIL, an eye drop for the treatment of ocular allergy, was approved by the FDA, and the first approval for the use of BOTOX to treat spasticity was received in Switzerland.

The New Drug Application (NDA) and Marketing Authorization Application (MAA) for RESTASIS, the first therapeutic agent for the treatment of dry eye, were submitted, as was the NDA for a new cream formulation of tazarotene, Allergan's topical retinoid for the treatment of psoriasis. Additionally, a Product License Application (PLA) supplement for BOTOX for the treatment of cervical dystonia was submitted to the FDA.

Enrollment of 1,200 patients in the Phase III program for the hypotensive lipids AGN 190124 for the reduction of intraocular pressure connected with glaucoma was completed on schedule. Promising Phase II data on BOTOX for the prevention of migraine headache was presented at the American Academy of Neurology. SOVEREIGN, the Company's next generation phacoemulsification system, was launched in the United States, Europe, and Japan.

Research

Leveraging the rapid advances of molecular biology and genomics, the Discovery Research Team made great advances in identifying the medicines of tomorrow. Focusing on selectivity for specific receptors allowed Allergan to identify potential drugs with improved efficiency and reduced side effect profiles. New development candidates for glaucoma and cancer were identified. Lead compounds that prevent new blood vessel formation, which causes some forms of age related macular degeneration, were characterized. By utilizing the modern tools for drug discovery – genomics, high throughput screening, and combinatorial chemistry – R&D will continue to improve efficiency in bringing innovative new medicines to the market.

Collaborations

An important component of Allergan's R&D strategy is the formation and management of productive collaborations. During 1999, four new technology collaborations were executed to complement Allergan's internal expertise. Agreements were signed with Axys Advanced Technologies, Inc., in the field of combinatorial chemistry; XOMA for ophthalmic anti-infectives; Boehringer Ingelheim for epinastine, an allergy compound; Cytochroma, Inc. for dermatology products; and CyDex, Inc. for drug delivery technology.

The collaboration with ACADIA Pharmaceuticals Inc. in the area of functional high throughput screening led to the identification of two development compounds for glaucoma. Allergan extended its research collaboration with Cambridge NeuroScience, Inc. in the area of neuroprotection. In an out-licensing and development collaboration with Warner-Lambert Company in the area of retinoids for the treatment of metabolic diseases such as Type II Diabetes, progress was made toward the selection of a development candidate.

During 1999 Allergan scientists continued to innovate in many therapeutic areas leading to an increasingly exciting portfolio of opportunities.

TECHNOLOGY PIPELINE

Product	Disease/Market	Development Status
OPHTHALMIC PHARMACEUTICAL		
Androgen Tear	Dry Eye	Early Phase Development
Epinastine	Ocular Allergy	Early Phase Development
Brimonidine + Timolol	Glaucoma/Ocular Hypertension	Late Phase Development
Brimonidine X	Glaucoma/Ocular Hypertension	Late Phase Development
Hypotensive Lipids AGN 192024	Glaucoma/Ocular Hypertension	Late Phase Development
Memantine	Glaucoma/Neuroprotection	Late Phase Development
RESTASIS (Europe)	Moderate/Severe Dry Eye	MAA Filed
RESTASIS	Moderate/Severe Dry Eye	NDA Filed
ALOCRIL	Allergic Conjunctivitis	Approved
NEUROMUSCULAR		
BOTOX	Migraine	Early Phase Development
BOTOX	Brow Furrow	Late Phase Development
BOTOX (Europe)	Hyperhidrosis	Late Phase Development
BOTOX (U.S.)	Juvenile Cerebral Palsy	Late Phase Development
BOTOX	Pain/Lower Back Spasm	Late Phase Development
BOTOX (U.S.)	Upper Limb Spasticity	Late Phase Development
BOTOX (Europe)	Upper Limb Spasticity	Late Phase Development
BOTOX (Japan)	Cervical Dystonia	Late Phase Development
BOTOX (U.S.)	Cervical Dystonia	PLA Filed
BOTOX (Japan)	Hemifacial Spasm	Approved
OPHTHALMIC SURGICAL		
ARRAY (Japan)	Multifocal IOL	Filed
SENSAR (Japan)	Foldable Acrylic IOL	Filed
SENSAR (U.S.)	Foldable Acrylic IOL	Approved
CONTACT LENS CARE PRODUCTS (CLCP)		
COMPLETE Upgrade (Global)	CLCP	Development
OXYSEPT 1-STEP (Japan)	CLCP	Filed
COMPLETE Upgrade (Japan)	CLCP	Filed
SKIN CARE		
Tazarotene Oral	Acne/Psoriasis	Early Phase Development
Tazarotene Oral	Oncology	Early Phase Development
RAR Antagonist AGN 194310	Mucocutaneous Dryness	Early Phase Development
Tazarotene Cream	Photodamage/Acne	Late Phase Development
Tazarotene Cream	Psoriasis	NDA Filed

Pioneering Vision-Sparing Technology

Glaucoma is the world's second leading cause of blindness. It is a multi-factorial disease in which an important risk factor is high intraocular pressure (IOP) compared to the population average. The standard of care for the treatment of glaucoma is directed at lowering IOP. The goal is to decrease the likelihood of disease progression or vision loss. IOP lowering treatments (drugs/surgery) have been demonstrated to be beneficial to many but not all patients. The disease can worsen despite patient compliance or good IOP control. Medical therapy albeit important in managing patients does not prevent progression of glaucomatous damage in many patients. These findings have led scientists in the visual sciences to test novel approaches to better preserve vision in glaucoma patients by focusing on the cell that dies selectively in glaucoma, the retinal ganglion cell (RGC).

Allergan is pursuing innovative new concepts both to improve current IOP lowering drugs (e.g., ocular hypotensive lipids and alpha-2 agonists) and investing in future compounds that can prevent vision loss (e.g., memantine) to address the unmet needs of glaucoma patients. The therapeutic concept of neuroprotection or vision sparing is potentially a breakthrough in how patients will be treated in the future.

AGN 192024 belongs to a new generation of compounds called ocular hypotensive lipids. It is a potent IOP lowering compound that is in late-stage development. The finding that AGN 192024 does not bind to any known prostanoid receptor suggests that it represents a new approach to lowering IOP.

Allergan's alpha-2 receptor agonist technology is led by ALPHAGAN. Since its launch in 1996, ALPHAGAN has become an important drug in the management of glaucoma. In addition to ALPHAGAN's IOP lowering efficacy, laboratory studies continue to support the concept that activation of the alpha-2 receptor pathway can upregulate a survival pathway that results in neuroprotection of RGCs. A successor product to ALPHAGAN is in late stage development to continue to improve ways ALPHAGAN can continue to contribute to glaucoma treatment. In addition, the next generation alpha-2 agonist (AGN 195795) is in early stage development. AGN 195795 is a subtype selective alpha-2 receptor agonist identified in collaboration with our partner in high throughput screening, ACADIA Pharmaceuticals.

Memantine is in late stage clinical development for protection against the progressive loss of retinal ganglion cells in glaucoma. It is an antagonist of N-methyl-D-aspartate (NMDA) type of glutamate receptor. In laboratory studies, exposure of RGCs to excessive glutamate can kill these neurons. Studies by leading researchers have shown that excessive glutamate accumulation can occur in the eyes of glaucoma patients. Memantine has been shown to block glutamate's ability to activate the NMDA receptor and protect RGCs from dying. Therefore, memantine is being tested in Phase III studies to see if it prevents vision loss in glaucoma patients. This is a pioneering study since vision function is the end point. Therefore, this study will be of longer duration than the typical IOP study given the very slow progression of the disease in human subjects. To continue to promote Allergan's research in the area of neuroprotection, the Company has extended its research collaboration with Cambridge NeuroScience, Inc.

In summary, Allergan's technology focus in glaucoma continues to be on the unmet medical needs of improved vision preservation, with reduced risk of side effects and convenience.

Etiology and Pathophysiology of Dry Eye

Over the past 10 years, the Ocular Surface Disease Research Program at Allergan has focused on understanding the etiology and pathophysiology of dry eye. This potentially debilitating disease affects millions of people worldwide. Until recently the only treatment for this disease was palliative through the use of artificial tears to lubricate the ocular surface. The research performed at Allergan, independently and in collaboration with investigators from various academic institutions throughout the world, has changed the understanding of this disease. It is now known that dry eye is an autoimmune based inflammation of the lacrimal (tear secreting) glands and the ocular surface. Immune T-cells infiltrate these tissues and secrete pro-inflammatory cytokines, which create a chronic inflammation and alteration of ocular surface nerve function. The resulting disease process eventually causes the death of normal tear secreting cells within the lacrimal glands.

Research has yielded definitive evidence that the use of immunomodulating agents such as cyclosporine will effectively reduce the autoimmune-based inflammation and prevent T-cell

activation within these tissues. It also prevents the death of lacrimal tear secreting cells. This allows the ocular surface to heal and relieves the symptoms felt by the patient. This groundbreaking discovery has led to the development of RESTASIS, which represents the first therapeutic for dry eye which addresses the disease based on its pathophysiology and not just lubrication of the ocular surface.

Allergan has established itself as the world leader in this area, and research will continue to pursue therapeutics to treat the many inflammatory diseases of the ocular surface.

Retinoids

Allergan has established a preeminent leadership position in the areas of retinoid research and development. Allergan's research in retinoids is characterized by strong drug design and medicinal chemistry efforts driven by sophisticated molecular level assays and vigorous biological research efforts in dermatology, cancer, and metabolic disease. This research has resulted in a variety of novel receptor subtype and function selective retinoids, which are being investigated for potential applications in diabetes, acne, photodamage, inflammatory skin diseases, and cancer. This basic research has also uncovered several new therapeutic targets for these retinoids.

In order to further leverage Allergan's cutting-edge technology, the Company has established R&D collaborations with Warner-Lambert Company and Sankyo Company Ltd. in the area of metabolic disease and Cytochroma, Inc. in the areas of photodamage and acne as well as research collaborations with several universities. Allergan's retinoid technology is protected by a comprehensive intellectual property position that includes over 100 U.S. patents. The retinoid program currently has two drugs (a RAR antagonist for dermatology and RAR*a*-specific agonist for cancer) in clinical development and is positioned to provide one to two development candidates each year.

Neurotoxins – Pursuing New Applications and Building on 10 Years of Clinical Use

The *Clostridial botulinum* neurotoxin serotype A utilized in BOTOX is the first identified and the most widely characterized of the seven available serotypes (A, B, C1, D, E, F, G). It is also the most potent. Based on over 10 years of clinical experience worldwide and an excellent record of safety, BOTOX doses (in units) used to treat patients are the lowest of all the commercial preparations. These doses therefore deliver the lowest amount of neurotoxin protein to the patient and thereby reduce the risk of losing the beneficial effects of therapy due to the production of antibodies against the toxin protein.

The potent clinical effects of BOTOX are due to the sensitivity of humans to serotype A and the high quality of the neurotoxin used. The bacteria, *Clostridium botulinum*, normally produce the neurotoxin as a single-chain molecule. Protease(s) produced by the bacteria cleave the single-chain protein to form the active molecule. Each strain of *C. botulinum* produces different serotypes of neurotoxins with varying degrees of neurotoxin activation. For example, serotype B is found predominately in the inactive form and must be manipulated to increase the percentage of active material. Even so, a significant amount of inactive material is unavoidable in any clinical preparation of type B toxin. In contrast, serotype A (used for BOTOX) is produced predominately as the active form with very little inactive material.

The high quality botulinum toxin type A purified neurotoxin complex used to manufacture BOTOX is key to its focal efficacy, duration of action, and safety. The safety of BOTOX is due to attributes: firstly, its potency, which allows the physicians to inject very small amounts (units) into the target muscles and, secondly, to the controlled diffusion characteristics of the product. Physicians have used BOTOX to treat the smallest to the largest muscles, confident that the pharmacological effect will be localized and not cause an unwanted systemic effect.

INDEPENDENT AUDITORS' REPORT

The Board of Directors of Allergan, Inc.:

We have audited, in accordance with generally accepted auditing standards, the consolidated balance sheets of Allergan, Inc. as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1999 not presented herein; and in our report dated January 24, 2000, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Costa Mesa, CA
February 11, 2000

KPMG LLP

REPORT OF MANAGEMENT

Management is responsible for the preparation and integrity of the condensed consolidated financial information appearing in this Annual Report. The consolidated financial statements are presented in Exhibit A to the Company's Proxy Statement. The consolidated financial statements were prepared in conformity with generally accepted accounting principles appropriate in the circumstances and, accordingly, include some amounts based on management's best judgments and estimates. Financial information in this Annual Report is consistent with that in the consolidated financial statements.

Management is responsible for maintaining a system of internal control and procedures to provide reasonable assurance, at an appropriate cost/benefit relationship, that assets are safeguarded and that transactions are authorized, recorded and reported properly. The internal control system is augmented by a program of internal audits and appropriate reviews by management, written policies and guidelines, careful selection and training of qualified personnel and a written Code of Ethics adopted by the Board of Directors, applicable to all employees of the Company and its subsidiaries. Management believes that the Company's system of internal control provides reasonable assurance that assets are safeguarded against material loss from unauthorized use or disposition and that the financial records are reliable for preparing financial statements and other data and for maintaining accountability for assets.

The Audit Committee of the Board of Directors, composed solely of Directors who are not officers or employees of the Company, meets with the independent auditors, management and internal auditors periodically to discuss internal accounting controls, auditing and financial reporting matters. The Committee reviews with the independent auditors the scope and results of the audit effort. The Committee also meets with the independent auditors without management present to ensure that the independent auditors have free access to the Committee.

The independent auditors, KPMG LLP, were recommended by the Audit Committee of the Board of Directors and selected by the Board of Directors. KPMG LLP was engaged to audit the 1999, 1998 and 1997 consolidated financial statements of Allergan, Inc. and its subsidiaries and conducted such tests and related procedures as deemed necessary in conformity with generally accepted auditing standards. The opinion of the independent auditors, based upon their audits of the consolidated financial statements, is contained in Exhibit A to the Company's Proxy Statement.

January 24, 2000

David E. I. Pyott
President and Chief Executive Officer

Eric K. Brandt
Corporate Vice President and Chief Financial Officer

Dwight J. Yoder
Senior Vice President, Controller and Principal Accounting Officer

CONDENSED CONSOLIDATED BALANCE SHEETS

In millions, except share data	As of December 31, 1999	1998
Assets		
Current assets		
Cash and equivalents	$ 162.9	$ 181.6
Trade receivables, net	253.2	226.1
Inventories	130.7	123.3
Other current assets	150.7	130.2
Total current assets	697.5	661.2
Investments and other assets	160.8	179.2
Property, plant and equipment, net	330.3	324.9
Goodwill and intangibles, net	150.5	169.1
Total assets	$1,339.1	$1,334.4
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable	$ 85.3	$ 48.5
Accounts payable	80.5	67.0
Accrued compensation	52.3	64.8
Other accrued expenses	118.4	148.8
Income taxes	83.4	39.4
Total current liabilities	419.9	368.5
Long-term debt	208.8	201.1
Other liabilities	75.8	68.8
Commitments and contingencies		
Minority interest	0.1	–
Stockholders' equity		
Preferred stock, $.01 par value; authorized 5,000,000 shares; none issued	–	–
Common stock, $.01 par value; authorized 150,000,000 shares; issued 134,255,000 and 67,133,000 shares	1.3	0.7
Additional paid-in capital	245.5	223.0
Accumulated other comprehensive loss	(49.3)	(4.3)
Retained earnings	651.1	516.3
	848.6	735.7
Less treasury stock, at cost (4,436,000 and 1,016,000 shares)	(214.1)	(39.7)
Total stockholders' equity	634.5	696.0
Total liabilities and stockholders' equity	$1,339.1	$1,334.4

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

In millions, except per share data	Year Ended December 31, 1999	1998	1997
Product sales			
Net sales	$1,406.2	$1,261.7	$1,138.0
Cost of sales	406.4	407.0	399.3
Product gross margin	999.8	854.7	738.7
Research services			
Research service revenues, primarily from related parties	46.2	34.4	11.0
Cost of research services	43.3	32.1	10.4
Research services margin	2.9	2.3	0.6
Selling, general and administrative	587.9	525.2	459.1
Technology fees from related party	(6.1)	(11.2)	–
Research & development	168.4	125.4	131.2
Restructuring charges (credit)	(9.6)	74.8	–
Asset write-offs (credit)	(1.4)	58.5	–
Contribution to ASTI	–	171.4	–
Operating income (loss)	263.5	(87.1)	149.0
Interest income	14.3	11.7	8.9
Interest expense	(15.1)	(16.4)	(8.9)
Gain on investments, net	14.0	54.1	12.4
Contribution to Allergan Foundation	(6.9)	(11.0)	–
Other, net	(0.8)	(9.0)	(4.3)
Earnings (loss) before income taxes and minority interest	269.0	(57.7)	157.1
Provision for income taxes	80.7	32.8	29.0
Minority interest	0.1	(0.3)	(0.2)
Net earnings (loss)	$ 188.2	$ (90.2)	$ 128.3
Basic earnings (loss) per common share	$ 1.42	$ (0.69)	$ 0.98
Diluted earnings (loss) per common share	$ 1.39	$ (0.69)	$ 0.97

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

in millions	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Unearned Compensation	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Total	Comprehensive Income (loss)
Balance December 31, 1996	67.2	$0.7	$227.7	$(22.1)	$ 7.1	$574.8	(1.7)	$(38.4)	$749.8	
Comprehensive income										
Net earnings						128.3			128.3	128.3
Other comprehensive income, net of tax										
Foreign currency translation adjustments										(9.0)
Unrealized gains on investments										13.6
Other comprehensive income					4.6				4.6	4.6
Comprehensive income										$ 132.9
Dividends ($0.52 per share)						(33.8)			(33.8)	
Stock options exercised			1.0			0.1	0.8	18.3	19.4	
Activity under other stock plans			(1.0)	(1.3)		1.5	0.2	4.2	3.4	
Adjustment in reporting of subsidiaries						(0.1)			(0.1)	
Purchases of treasury stock							(1.2)	(34.0)	(34.0)	
Expense of compensation plans				3.8					3.8	
Balance December 31, 1997	67.2	0.7	227.7	(19.6)	11.7	670.8	(1.9)	(49.9)	841.4	
Comprehensive loss										
Net loss						(90.2)			(90.2)	(90.2)
Other comprehensive income, net of tax										
Foreign currency translation adjustments										(2.1)
Unrealized losses on investments										(13.9)
Other comprehensive loss					(16.0)				(16.0)	(16.0)
Comprehensive loss										$(106.2)
Dividends ($0.52 per share)						(34.1)			(34.1)	
Dividend of ASTI stock						(28.6)			(28.6)	
Stock options exercised			12.7			(2.9)	1.5	39.2	49.0	
Activity under other stock plans	(0.1)		(1.1)	(1.1)		2.2	0.2	3.9	3.9	
Adjustment in reporting of subsidiaries						(0.9)			(0.9)	
Purchases of treasury stock							(0.8)	(32.9)	(32.9)	
Expense of compensation plans				4.4					4.4	
Balance December 31, 1998	67.1	0.7	239.3	(16.3)	(4.3)	516.3	(1.0)	(39.7)	696.0	
Comprehensive income										
Net earnings						188.2			188.2	188.2
Other comprehensive income, net of tax										
Foreign currency translation adjustments										(42.1)
Unrealized loss on investments										(2.9)
Other comprehensive loss					(45.0)				(45.0)	(45.0)
Comprehensive income										$ 143.2
Two for one stock split affected as a dividend	67.2	0.6				(0.6)	(1.0)			
Dividends ($0.28 per share)						(37.0)			(37.0)	
Stock options exercised			22.2			(17.8)	1.0	46.6	51.0	
Activity under other stock plans			(0.1)	(5.4)		4.5	1.3	4.3	3.3	
Adjustment in reporting of subsidiaries						(2.5)			(2.5)	
Purchase of treasury stock							(4.7)	(225.3)	(225.3)	
Expense of compensation plans				5.8					5.8	
Balance December 31, 1999	134.3	$1.3	$261.4	$(15.9)	$(49.3)	$651.1	(4.4)	$(214.1)	$634.5	

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions	Year Ended December 31, 1999	1998	1997
Cash flows provided by operating activities			
Net earnings (loss)	$ 188.2	$ (90.2)	$ 128.3
Non-cash items included in net earnings			
Depreciation and amortization	73.8	76.5	68.8
Amortization of prepaid royalties	8.6	10.3	11.0
Deferred income taxes	(7.1)	(40.4)	(7.1)
Gain on sale of investments	(14.0)	(54.1)	(12.4)
Contribution to Allergan Foundation	6.9	11.0	–
Loss (gain) on sale of assets	(0.2)	4.3	2.2
Expense of compensation plans	10.0	8.1	7.2
Minority interest	0.1	(0.3)	(0.2)
Restructuring charge (credit)	(9.6)	74.8	–
Asset write-offs (credit)	(1.4)	58.5	–
Adjustment in reporting of foreign subsidiaries	(2.5)	(0.9)	(0.1)
Changes in assets and liabilities			
Trade receivables	(31.8)	(40.1)	44.4
Inventories	(6.9)	18.8	(18.7)
Accounts payable	11.2	(15.8)	9.0
Income taxes	66.3	9.7	(12.8)
Accrued liabilities	(27.9)	37.3	(3.6)
Other	(9.4)	(14.8)	(6.2)
Net cash provided by operating activities	254.3	52.7	209.8
Cash flows from investing activities			
Additions to property, plant and equipment	(63.3)	(50.6)	(64.4)
Proceeds from sale of property, plant and equipment	13.7	8.8	10.4
Proceeds from sale of investments	33.8	57.0	12.4
Other, net	(37.2)	(27.0)	(42.3)
Net cash used in investing activities	(53.0)	(11.8)	(83.9)
Cash flows from financing activities			
Dividends to stockholders	(37.0)	(33.8)	(33.4)
ASTI dividend	–	(28.6)	–
Increase (decrease) in notes payable	0.6	(32.9)	(35.0)
Sale of stock to employees	28.8	36.0	18.6
Net borrowings (repayments) under commercial paper obligations	4.5	(1.1)	25.6
Long-term debt borrowings	17.7	60.4	6.3
Repayments of long-term debt	(2.7)	(3.0)	(2.6)
Payments to acquire treasury stock	(225.3)	(32.9)	(34.0)
Net cash used in financing activities	(213.4)	(35.9)	(54.5)
Effect of exchange rates on cash and equivalents	(6.6)	(4.3)	(2.5)
Net increase (decrease) in cash and equivalents	(18.7)	0.7	68.9
Cash and equivalents at beginning of year	181.6	180.9	112.0
Cash and equivalents at end of year	$162.9	$ 181.6	$180.9
Supplemental disclosure of cash flow information			
Cash paid during the year for			
Interest (net of amount capitalized)	$ 13.4	$ 14.3	$ 13.5
Income taxes	$ 33.2	$ 65.8	$ 46.1

Herbert W. Boyer, Ph.D., 63, Elected Chairman of the Board of Allergan, Inc. in 1998; Board member since 1994. Dr. Boyer is a founder of Genentech, Inc. and a Director since 1976. A former Professor of Biochemistry at the University of California at San Francisco, Dr. Boyer is a recipient of the 1993 Helmut Horten Research Award, the National Medal of Science from President Bush, the National Medal of Technology, and the Albert Lasker Basic Medical Research Award. He is an elected Member of the National Academy of Sciences and a Fellow in the American Academy of Arts and Sciences.

Ronald M. Cresswell, Hon. D.Sc., F.R.S.E., 65, Elected to the Board in 1998. Prof. Cresswell retired in 1999 as Senior Vice President and Chief Scientific Officer for Warner-Lambert Company. Prof. Cresswell was formerly Vice President and Chairman, Parke-Davis Pharmaceutical Research, a Warner-Lambert Company. Prof. Cresswell served as Chief Operating Officer of Laporte Industries and in a broad range of research and development positions at Burroughs Wellcome, culminating in being the main board member for global research and development. He is a non-executive Director of Nycomed Amersham and a Fellow of the Royal Society of Edinburgh. Prof. Cresswell is a member of the American Chemical Society and the New York Academy of Sciences and is the former Chairman of the Science and Regulatory Executive Committee of the Pharmaceutical Research and Manufacturers of America (PhRMA).

Handel E. Evans, 65, Elected to the Board in 1989. Independent consultant providing services principally to the pharmaceutical industry. He also serves as Chairman of Equity Growth Research Ltd., an internet company publishing investment research reports. Mr. Evans is the founder and former Executive Chairman of Pharmaceutical Marketing Service Inc. and Walsh International Inc., companies providing data, marketing, and software services to the pharmaceutical industry. Mr. Evans was also a co-founder of IMS International Inc., the leading pharmaceutical information supplier.

Michael R. Gallagher, 54, Elected to the Board in 1998. Chief Executive Officer and a Director of Playtex Products, Inc. Previously, Chief Executive Officer/North America for Reckitt & Colman PLC; President and Executive Officer of Eastman Kodak's subsidiary, L&F Products; and President of the Lehn & Fink Consumer Products Division at Sterling Drug. Mr. Gallagher is a Director of the Grocery Manufacturers Association.

William R. Grant, 75, Elected to the Board in 1989. Chairman and co-founder of Galen Associates, Inc., a venture capital firm in the health care industry. Mr. Grant has over 40 years of experience in the investment banking and risk-capital fields, including substantial experience in the health care industry. Mr. Grant is a Director of MiniMed, Inc.; Ocular Sciences, Inc.; Vasogen Inc.; Quest Diagnostics Incorporated; and Westergaard.com, Inc. Mr. Grant is a member of the General Electric Equity Advisory Board, Trustee of the Center for Blood Research (Harvard), and Trustee Emeritus of the Mary Flagler Cary Charitable Trust.

Gavin S. Herbert, 67, Founder of Allergan, Inc., and Chairman Emeritus since 1996. Elected to the Board in 1950. Served as Chief Executive Officer for 30 years and as Chairman from 1977 to 1996. Mr. Herbert is Chairman and Founder of Regenesis Bioremediation Products and a Director of Beckman Coulter, Inc., Research to Prevent Blindness, and the Doheny Eye Institute. He also is a Life Trustee of the University of Southern California.

Lester J. Kaplan, Ph.D., 49, Elected to the Board in 1994. Corporate Vice President and President, Research and Development and Global BOTOX for Allergan, Inc. Dr. Kaplan is a Director of Acadia Pharmaceuticals, Inc., Allergan Specialty Therapeutics, Inc., and the Orange County Performing Arts Center. He is a member of the Advisory Board of Pediatric Cancer Research Foundation (PCRF) and Healthcare Ventures.

Karen R. Osar, 50, Elected to the Board in 1998. Senior Vice President and Chief Financial Officer of Westvaco Corporation, a producer of packaging, paper, and specialty chemicals, since November 1999. She formerly served as Vice President and Treasurer of Tenneco, Inc., a global packaging and auto parts manufacturer, and as Managing Director of the investment banking group at J.P. Morgan & Company. She is a Director of BNY Hamilton Funds and is on the Board of Trustees of Manhattanville College.

David E. I. Pyott, 46, Elected to the Board and joined Allergan in 1998. President and Chief Executive Officer of Allergan, Inc. He served as Head of the Nutrition Division and a member of the Executive Committee of Novartis AG. A member of the Executive Board of Pharmaceutical Research and Manufacturers of America and a Director of the California Healthcare Institute, Avery Dennison Corporation, and Edwards Lifesciences Corporation, the former Cardiovascular Division of Baxter International, Inc. expected to be spun off from Baxter in 2000. Mr. Pyott is also a member of the Directors' Board of the University of California (Irvine) Graduate School of Management and also serves on their Executive Committee.

(From left to right) Ronald M. Creswell, Henry Wendt, Karen R. Osar, Leonard D. Schaeffer, Herbert W. Boyer, David E. I. Pyott, Michael R. Gallagher, Gavin S. Herbert, Louis T. Rosso, Lester J. Kaplan, William R. Grant, and Handel E. Evans.

Louis T. Rosso, 66, Elected to the Board in 1989. Chairman Emeritus and former Chairman of the Board of Beckman Coulter, Inc., a manufacturer of laboratory instruments. Mr. Rosso also served as Chairman and Chief Executive Officer of Beckman Instruments, Inc. and Vice President of SmithKline Beckman Corporation. He is a member of the Board of Trustees of the St. Joseph Heritage Healthcare Foundation and the Keck Graduate Institute of Applied Life Sciences at the Claremont Colleges.

Leonard D. Schaeffer, 54, Elected to the Board in 1993. Chairman of the Board of Blue Cross of California, a health insurance organization, since 1989 and Chief Executive Officer since 1986. He is also the Chairman of the Board and Chief Executive Officer of WellPoint Health Networks Inc. Mr. Schaeffer was the Administrator of the U.S. Health Care Financing Administration (HCFA). He is Chairman of the Board of the National Health Foundation and the National Institute for Health Care Management, and a member of the Institute of Medicine.

Henry Wendt, 66, Elected to the Board in 1989. Chairman of Global Health Care Partners, a unit of DLJ Merchant Banking, specializing in private equity investment in health care. He was formerly Chairman of the Board of SmithKline Beecham PLC. Mr. Wendt is a Director of Atlantic Richfield Co., The Egypt Investment Company, and West Marine Products. He is a Trustee of the Trilateral Commission and Trustee Emeritus of the American Enterprise Institute. He also was awarded the Japanese Order of the Rising Sun and named Honorary Commander of the British Empire.

EXECUTIVE COMMITTEE

David E. I. Pyott, 46 – Allergan President and Chief Executive Officer. Mr. Pyott became President and Chief Executive Officer in January 1998. Previously he was Head of the Nutrition Division and a member of the Executive Committee of Novartis AG from 1995 through 1997. Mr. Pyott has 19 years of international experience in nutrition and health care. He joined Allergan in 1998.

F. Michael Ball, 44 – Corporate Vice President and President, North America Region and Global Eye Rx Business. He was the former President of Syntex Inc. Canada and Senior Vice President of Syntex Laboratories. Mr. Ball has over 18 years of health care experience in the marketing and sales of pharmaceutical products. He joined Allergan in 1995.

Eric K. Brandt, 37 – Corporate Vice President and Chief Financial Officer. Mr. Brandt joined Allergan from the Boston Consulting Group where over the prior 10 years he progressively rose to the position of Vice President and Partner, and a senior member of the BCG Health Care practice. At BCG, Mr. Brandt was involved in high level consulting engagements with top global pharmaceutical, managed care, and medical device companies, focusing on corporate finance, shareholder value, and post-merger integration. He joined Allergan in 1999.

David A. Fellows, 43 – Corporate Vice President and President, Asia Pacific Region. He also served as Director of Marketing for Allergan Canada and Senior Vice President of Global Pharmaceutical Strategic Marketing. Mr. Fellows has 20 years of pharmaceutical sales, marketing, and business development experience. He joined Allergan in 1980.

Lester J. Kaplan, Ph.D., 49 – Corporate Vice President and President, Research & Development and Global BOTOX. Dr. Kaplan has 21 years' experience conducting and managing research and development programs in the pharmaceutical industry. He joined Allergan in 1983.

George M. Lasezkay, Pharm. D., J.D., 48 – Corporate Vice President, Corporate Development. Dr. Lasezkay brings more than 11 years' international and domestic legal experience, as well as 11 years' experience in hospital pharmacy practice, clinical pharmacokinetics consultation, clinical research, and pharmacy education. He joined Allergan in 1989.

Nelson R. A. Marques, 48 – Corporate Vice President and President, Latin America Region. Mr. Marques brings 23 years' experience in pharmaceuticals and health care coupled with extensive knowledge of eye care marketing and sales in Latin America. He joined Allergan in 1998.

Left to right: Nelson R. A. Marques, James V. Mazzo, Lester J. Kaplan, David E. I. Pyott, David A. Fellows, F. Michael Ball, Jacqueline Shiavo, Francis R. Tunney, Eric K. Brandt, and George M. Lasezkay.

James V. Mazzo, 42 – Corporate Vice President and President, Europe/Africa/Middle East Region and Global Consumer Eye Care Marketing. Mr. Mazzo has over 19 years of sales, marketing, and management experience with Allergan in the United States, Canada, and Europe. He also served as General Manager for Allergan S.p.A. in Italy. He joined Allergan in 1980.

Jacqueline Schiavo, 51 – Corporate Vice President, Worldwide Operations. Ms. Schiavo has more than 27 years' experience in pharmaceutical and health care products manufacturing, quality assurance, and research and development. She joined Allergan in 1980.

Francis R. Tunney, Jr., J.D., 52 – Corporate Vice President - Administration, General Counsel and Secretary. Mr. Tunney joined Allergan in 1985 and has 26 years' international and domestic legal experience with Allergan and other pharmaceutical and high-tech companies.

OTHER CORPORATE OFFICERS

Jeffrey L. Edwards – Senior Vice President Treasury/Tax/Investor Relations

James M. Hindman – Senior Vice President, Controller (2000) and Principal Accounting Officer (effective April 2000)

Douglas S. Ingram – Associate General Counsel and Assistant Secretary

Martin A. Voet – Associate General Counsel and Assistant Secretary

Aimee S. Weisner – Corporate Counsel and Assistant Secretary

Dwight J. Yoder – Senior Vice President, Controller (1999) and Principal Accounting Officer (through March 2000)

Corporate Headquarters

2525 Dupont Drive
P.O. Box 19534
Irvine, CA 92623-9534
(714) 246-4500
E-mail: corpinfo@allergan.com
Internet: www.allergan.com

Transfer Agent, Registrar and Dividend Disbursing Agent, Duplicate Mailings

First Chicago Trust Company of New York,
a division of Equiserve
P.O. Box 2500
Jersey City, NJ 07303
(201) 324-1644
E-mail: fctc@em.fcnbd.com
Internet: www.equiserve.com

Investor Relations Contact

Jeffrey L. Edwards
Sr. V.P. Treasury / Tax / Investor Relations
Phone: (714) 246-4636
Fax: (714) 246-4800
E-mail: corpinfo@allergan.com

Annual Meeting of Stockholders

The Annual Meeting of Stockholders of Allergan, Inc. will be held at The Irvine Marriott Hotel, 18000 Von Karman Avenue, Irvine, CA 92612, on April 26, 2000, at 10:00 a.m.

Form 10-K

A copy of Allergan, Inc.'s Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, is available through the Company's Web site at www.allergan.com or without charge by contacting:

Investor Relations

Allergan, Inc.
P.O. Box 19534
Irvine, CA 92623-9534
Phone: (714) 246-4636
Fax: (714) 246-4800
E-mail: corpinfo@allergan.com

Dividend Reinvestment and Stock Purchase Plan

The plan allows Allergan stockholders to reinvest their dividends or invest cash in Allergan stock without brokerage commissions or service charges. If you are interested in joining the plan or would like more information, you may request a prospectus from:

First Chicago Trust Company of New York
Dividend Reinvestment Plan / Allergan, Inc.
P.O. Box 2598
Jersey City, NJ 07303-2598

Market Prices of Common Stock and Dividends

The following table shows the quarterly price range of the common stock and the cash dividends declared per share during the period listed.

Calendar quarter	1999			1998		
	Low	High	Div.	Low	High	Div.
First	31 11/16	48 41/64	$.07	15 7/8	19 1/2	$.065
Second	41 5/16	55 1/2	$.07	18 5/8	23 25/32	$.065
Third	42 1/32	57 3/8	$.07	22 5/8	31 7/16	$.065
Fourth	41	57 13/16	$.07	26 23/32	33 1/4	$.065

Allergan common stock is listed on the New York Stock Exchange and is traded under the symbol "AGN." In newspapers, stock information is frequently listed as "Alergn." All stock prices above have been adjusted to account for Allergan's two-for-one stock split, effected as a stock dividend on December 9, 1999.

The approximate number of stockholders of record was 8,300 as of January 31, 2000.

On January 25, 2000, the Board declared a cash dividend of $0.08 per share, payable March 10, 2000 to stockholders of record on February 18, 2000.

Trademarks

All product names appearing in capital letters are trademarks or service marks that are owned by, licensed to, promoted by, or distributed by Allergan, Inc., its subsidiaries, or affiliates. The following Allergan trademarks appear in this report: Acular†, Albalon, Alocril, Alphagan, AMO PhacoFlex II, Array, Azelex, BOTOX, Celluvisc, ComfortPLUS, Complete, Consept F, Diplomax, Exocin, Herplex, Lacrilube, Laminar, Lerin, Liquifilm Tears, M.D. Forte, Naftin, Ocufen, Ocuflox, Oxysept, Prednefrin, Prestige, Refresh, Refresh Plus, Refresh Tears, Refresh P.M., Restasis, Sensar, Sovereign, Tazorac, Total Care, Ultracare, Ultrazyme, Unfolder, and Zorac. Other trademarks appearing in this report include Floxin, a registered trademark owned by Johnson & Johnson; M.D. Formulations, a registered trademark owned by MDF Acquisition Corp.; and Aqua Glycolic, a registered trademark owned by Merz Pharmaceuticals LLC.

† Acular is a registered trademark licensed from Syntex (U.S.A.), Inc.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: Except for historical information, the matters discussed in this annual report are forward-looking and involve risks and uncertainties, including but not limited to economic, competitive, governmental, and technological factors affecting the Company's research and development efforts, markets, products, prices, and other factors discussed in greater detail in the Company's filings with the Securities and Exchange Commission, including the 2000 Proxy Statement and the Annual Report on Form 10-K, and in press releases.

DESIGNED BY LUIS ALVARADO DESIGN

ALLERGAN

50 Years of Growth & Innovation