

UNIQUELY

FOCUSED



COMPANY PROFILE

Allergan, Inc., with headquarters in Irvine, California, is a global specialty pharmaceutical company that develops and commercializes innovative products for the ophthalmology, neuromodulator, dermatology and other specialty markets. In addition to its discovery-to-development research programs, Allergan has global marketing and sales capabilities in over 100 countries that deliver value to our customers, satisfy unmet medical needs and improve patients' lives. Driven by technology and innovation, Allergan addresses the needs of patients around the world with approximately 5,000 employees, a global research and development infrastructure and three state-of-the-art manufacturing plants.

OUR VISION/OUR MISSION

To continue as an innovative, technology driven, global health care company focused on pharmaceuticals in specialty markets that deliver value to customers, satisfy unmet medical needs and improve patients' lives.

To become the 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. To develop a level of understanding of our customers in order to implement operational strategies that provide the greatest value for our customers and stockholders.

FINANCIAL OVERVIEW

In millions, except per share data	Year Ended December 31,				
	2004	2003	2002	2001	2000
STATEMENT OF OPERATIONS HIGHLIGHTS					
(As reported under U.S. GAAP)					
Product net sales	\$2,045.6	\$1,755.4	\$1,385.0	\$1,142.1	\$992.1
Gross profit	1,658.9	1,435.1	1,163.3	944.0	794.4
Research and development	345.6	763.5	233.1	227.5	165.7
Earnings (loss) from continuing operations	377.1	(52.5)	64.0	171.2	165.9
Earnings from discontinued operations	–	–	11.2	54.9	49.2
Net earnings (loss)	377.1	(52.5)	75.2	224.9	215.1
Basic earnings (loss) per share:					
Continuing operations	2.87	(0.40)	0.49	1.30	1.27
Discontinued operations	–	–	0.09	0.42	0.38
Diluted earnings (loss) per share:					
Continuing operations	2.82	(0.40)	0.49	1.29	1.24
Discontinued operations	–	–	0.08	0.40	0.37
Dividends per share	0.36	0.36	0.36	0.36	0.32
ADJUSTED AMOUNTS ^(a)					
Adjusted earnings from continuing operations	368.8	305.2	252.3	207.7	166.6
Adjusted basic earnings per share:					
Continuing operations	2.81	2.34	1.95	1.58	1.27
Adjusted diluted earnings per share:					
Continuing operations	2.75	2.30	1.92	1.55	1.25
NET SALES BY PRODUCT LINE					
Specialty Pharmaceuticals:					
Eye Care Pharmaceuticals	\$1,137.1	\$ 999.5	\$ 827.3	\$ 753.7	\$683.9
BOTOX/Neuromodulators	705.1	563.9	439.7	309.5	239.5
Skin Care	103.4	109.3	90.2	78.9	68.7
Total Pharmaceutical Sales	1,945.6	1,672.7	1,357.2	1,142.1	992.1
Other (primarily contract sales)	100.0	82.7	27.8	–	–
Total Net Sales	\$2,045.6	\$1,755.4	\$1,385.0	\$1,142.1	\$992.1
PRODUCTS SOLD BY LOCATION					
Domestic	69.1%	70.4%	70.6%	67.0%	63.4%
International	30.9%	29.6%	29.4%	33.0%	36.6%

^(a) The adjusted amounts in 2004 exclude the favorable recovery of \$6.5 million of previously paid state income taxes and the after-tax effects of the following: 1) income of \$2.4 million from a patent infringement settlement, 2) \$7.0 million restructuring charge primarily related to the scheduled termination of the Company's manufacturing and supply agreement with Advanced Medical Optics, 3) \$0.4 million unrealized loss on derivative instruments, 4) income of \$5.0 million from a technology transfer fee, and 5) \$6.5 million of income from a revised Vitrase collaboration agreement with ISTA Pharmaceuticals.

The adjusted amounts in 2003 exclude the after-tax effects of the following: 1) \$179.2 million charge for in-process research and development related to the purchase of Oculex Pharmaceuticals, Inc., 2) \$278.8 million charge for in-process research and development related to the purchase of Bardeen

Sciences Company, LLC, 3) \$0.4 million reversal of restructuring charge and asset write-offs, net related to the 2002 spin-off of the Company's ophthalmic surgical and contact lens care businesses, 4) \$0.3 million unrealized loss on derivative instruments, and 5) \$0.9 million charge for the early extinguishment of convertible debt.

The adjusted amounts in 2002 exclude the after-tax effects of the following: 1) \$118.7 million in litigation settlement costs, 2) net costs of \$100.3 million associated with the 2002 spin-off of the Company's ophthalmic surgical and contact lens care businesses to Advanced Medical Optics which consist of restructuring charge and asset write-offs of \$63.5 million, duplicate operating expenses of \$42.5 million and gain of \$5.7 million on sale of a facility, 3) \$30.2 million loss on the other than

CASH FLOW FROM OPERATIONS* (IN MILLIONS OF DOLLARS)

* As reported, including discontinued operations

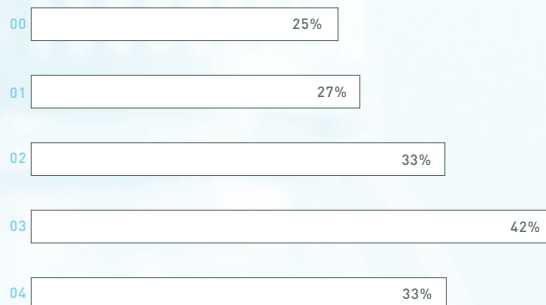


CASH, NET OF DEBT* (IN MILLIONS OF DOLLARS)

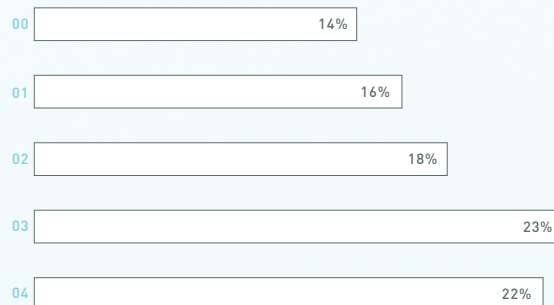
* As reported, including discontinued operations



RETURN ON EQUITY (ADJUSTED FOR NON-GAAP ITEMS)**



RETURN ON CAPITAL (ADJUSTED FOR NON-GAAP ITEMS)**



** Adjustments to GAAP net earnings (loss) used to calculate return on equity, adjusted for non-GAAP items, and return on capital, adjusted for non-GAAP items, include the aggregate non-GAAP adjustments, net of tax, detailed on the next two pages of this annual report. Return on equity using GAAP net earnings (loss) was 34%, (7)%, 9%, 23% and 25% for 2004, 2003, 2002, 2001 and 2000, respectively. Return on capital using GAAP net earnings (loss) was 22%, (4)%, 5%, 14% and 14% for 2004, 2003, 2002, 2001 and 2000, respectively.

temporary impairment of equity investments, 4) \$1.7 million unrealized loss on derivative instruments, 5) net gain of \$1.0 million from partnering agreements, and 6) \$11.7 million charge for the early extinguishment of convertible debt.

The adjusted amounts in 2001 exclude the \$40.0 million charge for in-process research and development related to the purchase of Allergan Specialty Therapeutics, Inc. and the after-tax effects of the following: 1) \$6.2 million restructuring charge and asset write-off reversal consisting of \$1.7 million restructuring charge reversal and a \$4.5 million gain on sale of a facility reducing the write-offs recorded in 1998, 2) income of \$1.5 million from a partnering agreement, 3) \$4.5 million loss on the permanent impairment of equity investments, 4) \$2.0 million gain on the sale of divested pharmaceutical products

in Brazil, 5) \$4.2 million unrealized gain on derivative instruments, and 6) \$4.4 million associated with the 2002 spin-off of the Company's ophthalmic surgical and contact lens care businesses.

The adjusted amounts in 2000 exclude the after-tax effects of the following: 1) a \$0.2 million restructuring charge, 2) \$1.3 million gain on the sale of investments, and 3) \$2.0 million in expenses from partnering agreements.

The foregoing presentation contains certain non-GAAP financial measures and non-GAAP adjustments. For a reconciliation of these non-GAAP financial measures to GAAP financial measures, please refer to the next two pages of this annual report.

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

In millions, except per share amounts	Year Ended December 31, 2004			Year Ended December 31, 2003		
	GAAP	Non-GAAP Adjustments	Adjusted	GAAP	Non-GAAP Adjustments	Adjusted
PRODUCT SALES						
Net sales – pharmaceutical only	\$1,945.6	\$ –	\$1,945.6	\$1,672.7	\$ –	\$1,672.7
Non-pharmaceutical sales (primarily contract sales)	100.0	–	100.0	82.7	–	82.7
Total	2,045.6	–	2,045.6	1,755.4	–	1,755.4
Cost of sales – pharmaceutical only	301.6	–	301.6	242.5	–	242.5
Cost of sales – non pharmaceutical	85.1	–	85.1	77.8	–	77.8
Product gross margin	1,658.9	–	1,658.9	1,435.1	–	1,435.1
Research services margin	–	–	–	1.5	–	1.5
Selling, general and administrative	778.9	2.4 ^(a)	781.3	697.2	–	697.2
Research & development	345.6	–	345.6	763.5	[458.0] ^(e)	305.5
Legal settlement	–	–	–	–	–	–
Technology fees from related party	–	–	–	–	–	–
Restructuring charge (reversal) and asset write-offs	7.0	[7.0] ^(b)	–	[0.4]	0.4 ^(f)	–
Operating income (loss)	527.4	4.6	532.0	[23.7]	457.6	433.9
Interest income	14.1	–	14.1	13.0	–	13.0
Interest expense	[18.1]	–	[18.1]	[15.6]	–	[15.6]
Gain (loss) on investments	0.3	–	0.3	–	–	–
Unrealized gain (loss) on derivative instruments, net	[0.4]	0.4 ^(c)	–	[0.3]	0.3 ^(c)	–
Other, net	8.8	[11.5]	[2.7]	[2.9]	0.9 ^(g)	[2.0]
	4.7	[11.1]	[6.4]	[5.8]	1.2	[4.6]
Earnings (loss) from continuing operations before income taxes and minority interest	532.1	[6.5]	525.6	[29.5]	458.8	429.3
Provision for income taxes	154.0	1.8 ^(d)	155.8	22.2	101.1 ^(h)	123.3
Minority interest	1.0	–	1.0	0.8	–	0.8
Earnings from continuing operations	\$ 377.1	\$ [8.3]	\$ 368.8	\$ [52.5]	\$ 357.7	\$ 305.2
Basic earnings (loss) per share: Continuing operations	\$ 2.87	\$ [0.06]	\$ 2.81	\$ [0.40]	\$ 2.74	\$ 2.34
Diluted earnings (loss) per share: Continuing operations	\$ 2.82	\$ [0.07]	\$ 2.75	\$ [0.40]	\$ 2.70	\$ 2.30
Total Net Sales	\$2,045.6	\$[41.9] ^(v)	\$2,003.7	\$1,755.4	\$ [45.9] ^(v)	\$1,709.5

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

In this annual report, Allergan included historical non-GAAP financial measures, as defined in Regulation G promulgated by the Securities and Exchange Commission, with respect to the year ended December 31, 2004, as well as the corresponding periods for 2003 through 2000. Allergan believes that its presentation of historical non-GAAP financial measures provides useful supplementary information to investors. The presentation of historical non-GAAP financial measures is not meant to be considered in isolation from or as substitute for results prepared in accordance with accounting principles generally accepted in the United States.

In this annual report, Allergan reported the non-GAAP financial measure of "adjusted earnings" and related "adjusted earnings per share." Allergan uses adjusted earnings to enhance the investor's overall understanding of the financial performance and prospects for the future of Allergan's core business activities. Specifically, Allergan believes that a report of adjusted earnings provides consistency

between its current, past and future periods. Adjusted earnings is one of the primary indicators management uses for planning and forecasting in future periods. Allergan also uses adjusted earnings for evaluating management performance for compensation purposes.

In this annual report, Allergan reported the non-GAAP financial measures of return on equity, adjusted for non-GAAP items, and return on capital, adjusted for non-GAAP items. Allergan uses return on equity, adjusted for non-GAAP items, and return on capital, adjusted for non-GAAP items, to enhance the investor's overall understanding of the financial returns on equity and capital for Allergan's core business activities.

In this annual report, Allergan also reported sales performance using the non-GAAP financial measure of constant currency sales. Constant currency sales represent current period reported sales adjusted for the translation effect of changes in average foreign currency exchange rates between the current period and the corresponding period in the prior year. Allergan calculates the currency effect by comparing adjusted current period reported amounts, calculated using the monthly average foreign

Year Ended December 31, 2002			Year Ended December 31, 2001			Year Ended December 31, 2000		
GAAP	Non-GAAP Adjustments	Adjusted	GAAP	Non-GAAP Adjustments	Adjusted	GAAP	Non-GAAP Adjustments	Adjusted
\$1,357.2	\$ -	\$1,357.2	\$1,142.1	\$ -	\$1,142.1	\$992.1	\$ -	\$ 992.1
27.8	-	27.8	-	-	-	-	-	-
1,385.0	-	1,385.0	1,142.1	-	1,142.1	992.1	-	992.1
191.4	(3.7) ⁽ⁱ⁾	187.7	198.1	-	198.1	197.7	-	197.7
30.3	-	30.3	-	-	-	-	-	-
1,163.3	3.7	1,167.0	944.0	-	944.0	794.4	-	794.4
3.7	-	3.7	4.2	-	4.2	3.5	-	3.5
623.8	(39.2) ^(j)	584.6	481.0	(2.9) ⁽ⁿ⁾	478.1	410.3	1.3 ^(s)	411.6
233.1	(4.7) ^(k)	228.4	227.5	(40.0) ^(o)	187.5	165.7	(2.0) ^(t)	163.7
118.7	(118.7) ^(l)	-	-	-	-	-	-	-
-	-	-	(0.7)	-	(0.7)	(3.1)	-	(3.1)
62.4	(62.4) ^(f)	-	(1.7)	1.7 ^(p)	-	0.2	(0.2) ^(u)	-
129.0	228.7	357.7	242.1	41.2	283.3	224.8	0.9	225.7
15.8	-	15.8	30.6	-	30.6	23.9	-	23.9
(17.4)	-	(17.4)	(18.1)	-	(18.1)	(16.2)	-	(16.2)
(30.2)	30.2 ^(q)	-	(4.5)	4.5 ^(q)	-	0.8	-	0.8
(1.7)	1.7 ^(c)	-	4.2	(4.2) ^(c)	-	-	-	-
(5.7)	1.0 ^(m)	(4.7)	6.0	(6.5) ^(r)	(0.5)	2.3	-	2.3
(39.2)	32.9	(6.3)	18.2	(6.2)	12.0	10.8	-	10.8
89.8	261.6	351.4	260.3	35.0	295.3	235.6	0.9	236.5
25.1	73.3 ^(h)	98.4	88.5	(1.5) ^(h)	87.0	69.1	0.2 ^(h)	69.3
0.7	-	0.7	0.6	-	0.6	0.6	-	0.6
\$ 64.0	\$ 188.3	\$ 252.3	\$ 171.2	\$ 36.5	\$ 207.7	\$165.9	\$ 0.7	\$ 166.6
\$ 0.49	\$ 1.46	\$ 1.95	\$ 1.30	\$ 0.28	\$ 1.58	\$ 1.27	\$ -	\$ 1.27
\$ 0.49	\$ 1.43	\$ 1.92	\$ 1.29	\$ 0.26	\$ 1.55	\$ 1.24	\$0.01	\$ 1.25
\$1,385.0	\$ 6.5 ^(v)	\$1,391.5	\$1,142.1	\$ 28.8 ^(v)	\$1,170.9	\$992.1	\$24.1 ^(v)	\$1,016.2

exchange rates for the corresponding period in the prior year, to the actual current period reported amounts. Management refers to growth rates in constant currency so that sales results can be viewed without the impact of changing foreign currency exchange rates, thereby facilitating period to period comparisons of Allergan's sales. Generally, when the dollar either strengthens or weakens against other currencies, the growth at constant currency rates will be higher or lower, respectively, than growth reported at actual exchange rates.

(a) Income from a patent infringement settlement. (b) Restructuring charge related primarily to the scheduled termination of the Company's manufacturing and supply agreement with Advanced Medical Optics. (c) Unrealized loss on the mark-to-market adjustment to derivative instruments. (d) Favorable recovery of previously paid state income taxes and the tax effect for non-GAAP adjustments. (e) In-process research and development charges related to the acquisition of Bardeen Sciences Company, LLC and Oculex Pharmaceuticals, Inc. (f) Restructuring charge (reversal) and asset write-offs, net related to the spin-off of Advanced Medical Optics. (g) Loss on early extinguish-

ment of debt. (h) Tax effect for non-GAAP adjustments. (i) Duplicate operating expenses of \$2.6 million and restructuring charge and asset write-offs of \$1.1 million related to the spin-off of Advanced Medical Optics. (j) Duplicate operating expenses incurred related to the spin-off of Advanced Medical Optics. (k) Duplicate operating expenses of \$0.7 million and partnering collaboration expense of \$4.0 million. (l) Legal settlement regarding LUMIGAN. (m) Partnering deal settlement of \$5.0 million, gain on sale of facility (spin-related) of \$5.7 million and loss on early extinguishment of debt of \$11.7 million. (n) Duplicate operating expenses of \$4.4 million related to the spin-off of Advanced Medical Optics, net of income of \$1.5 million from a partnering agreement. (o) In-process research and development charge related to the acquisition of Allergan Specialty Therapeutics, Inc. (p) Restructuring charge reversal related to the 1998 restructuring charge. (q) Mark-to-market loss on investments and related third party collaborations. (r) Gain on sale of facility (1998 restructuring-related) of \$4.5 million and \$2.0 million gain on the sale of divested pharmaceutical products in Brazil. (s) Gain on sale of investments. (t) Partnering agreement expenses. (u) Final restructuring charge adjustment related to the 1996 restructuring charge. (v) The adjustment to measure sales using constant currency.

ALLERGAN

A UNIQUE SPECIALTY PHARMACEUTICAL COMPANY FOCUSED ON GROWTH & INNOVATION

Results. I am pleased to report on another successful year of delivering innovations to meet the needs of our patients around the world. Total sales for the first time crossed the \$2 billion dollar threshold in 2004, with revenues from our pharmaceuticals line increasing 16% in an industry challenged by slowing growth rates and a more difficult operating environment. Diluted earnings per share, adjusted for certain transaction gains and losses and final restructuring associated with the 2002 spin-off of our medical device businesses to Advanced Medical Optics (AMO), increased by 20%, again placing us in the top quartile of performers in the pharmaceutical and biotechnology industries.

A year of many achievements. Our robust sales growth was driven by a wide range of products – BOTOX®, BOTOX® Cosmetic, RESTASIS®, LUMIGAN®, ZYMAR®, ELESTAT™ and ACULAR® – an unusual strength amongst companies of our size category in the pharmaceutical industry. We are also proud that we were once again able to gain market share in each of our product market categories.

Growth was again led by BOTOX®, which continues to demonstrate its enormous versatility based on its multiple indications, over 15 year history of safe and effective use by physicians in millions of patients, and approved sale in approximately 75 countries around the globe. Overall sales of BOTOX® achieved \$705 million, increasing by approximately 25% over 2003. Sales of BOTOX® Cosmetic, also marketed under the VISTABEL® brand in Europe, increased by approximately 30% over 2003 as part of a global mega trend of the “Baby Boomer” generation’s desire to not only feel good but look good. Whilst BOTOX® enjoys fame as being the wrinkle treatment and is one of the best known pharmaceutical brands in the world, the cosmetic indication, in fact, only accounts for 42% of worldwide sales. Strong growth of BOTOX® in therapeutic indications was registered at approximately 20% as BOTOX® continues to enjoy expanding use in many indications around the world.

In ophthalmology, Allergan was again the fastest growing global company in the world, increasing in-market sales by approximately

12% in the first 9 months of 2004 in a market expanding by 7%, according to IMS Health global data. Particularly good progress was made in the United States, with the value of prescriptions written by ophthalmologists for Allergan products being about 50% higher than that of the nearest branded competitor. As the original therapeutic dry eye product in the world, RESTASIS® ophthalmic emulsion was established as a key new therapeutic option for practitioners to supplement the use of artificial tears and reached \$100 million in sales in its first full year on the market. LUMIGAN® ophthalmic solution, the most effective agent in lowering intra-ocular pressure (IOP), achieved \$233 million in 2004 sales, increasing by approximately 28% in a global glaucoma market that grew 8%.

Our dermatology business suffered a disappointment in 2004. Allergan’s R&D has one of the best track records in the industry for success measured in terms of the number of compounds entering the clinic relative to the number of market approvals, and has not experienced a non-approvable letter for a decade. We were disappointed by the FDA’s decision to accord “non-approvable” status to our application for tazarotene oral although the FDA Dermatologic and Ophthalmic Drugs Advisory Committee and the Drug Safety and Risk Primary Management Committee had in fact found that the compound achieved its primary efficacy endpoints in the treatment of moderate to severe psoriasis. We remain committed to seeking a resolution of this matter by working with the FDA to secure an approval, and eventually providing tazarotene oral as a new alternative to topical and biological treatments for physicians and their patients. Market research clearly indicates that psoriasis is a disease that represents an area of major unmet needs in terms of improved efficacy and reduced side effects.

Ex-factory sales of our in-line dermatology products were also disappointing, declining by approximately 5%. This was primarily due to an excess of in-channel inventory of TAZORAC® cream and gel at the retail pharmacy level at the beginning of the year, which is difficult to detect from all sources of available market data. In terms of in-market



sales, however, TAZORAC® grew 12% which made it the fastest growing topical retinoid in the market to treat acne in the United States. As an organization, we enjoyed a very strong position in the dermatology and plastic surgery specialist markets in 2004, being one of the top three companies, based on sales of BOTOX® Cosmetic, TAZORAC® cream and gel, and our other dermatology products.

Unfortunately, setbacks such as tazarotene oral occur in the high risk, high reward pharmaceutical industry. In developing corporate strategy and managing a business for long-term success, it is a question of how an organization deals with reversals. Our reaction has been to galvanize management and employees to focus on the products and tools at our disposal to continue to produce great results and great success. We believe that we are already seeing the benefits of this focus, just as we saw the benefits for the BOTOX® brand after the 2002 spin-off of AMO. We also take great pleasure in observing the success of the AMO team in their single-minded focus on what is their core medical device business.

Focus on Innovation. As the only driver of long-term success, our foremost efforts and attention are directed to creating innovation and value for our physicians and patients. During 2004 we invested almost \$350 million in R&D, an increase of approximately 13% versus 2003, excluding in-process R&D acquisition costs, and a sector leading 18% of pharmaceutical sales. We also invested 40% of sales in Selling, General & Administrative Expenses (SG&A), which places Allergan at the top of the pharmaceutical industry in terms of our resources dedicated to selling and marketing. Administrative expenses as a component of SG&A were comfortably below 8% of sales. Thanks to these continued strong investments, we achieved some notable successes in 2004.

The approval in the United States for BOTOX® for hyperhidrosis, a disease afflicting some 1.3 million Americans, marked a breakthrough new treatment option. We are working to build this market – making patients aware of this treatment, training physicians and securing reimbursement. In the area of BOTOX® Cosmetic we are training physicians in all the continents of the world where this indication is approved to improve their treatment techniques and to organize their practices for delivering customer satisfaction. In early 2005 we secured for VISTABEL® positive opinions – the precursor to commercialization licenses – in an additional 12 European Union countries. At year end, we secured

agreement with the FDA on the protocols for studying BOTOX® in the treatment of migraine in large Phase III clinical trials.

As a world first in the treatment of dry eye disease, we harnessed the power of consumer advertising in the United States to make patients aware of the availability of RESTASIS® as a powerful medication to treat dry eye. LUMIGAN® solidified its position as the most efficacious agent in the world for lowering IOP to treat glaucoma and achieved the status of being a first-line treatment option in the European Union. In our attempts to address more than just IOP, we continue to invest heavily in our pioneering clinical studies in memantine, which if proven effective, would be the first approved agent to directly protect the optic nerve from glaucomatous damage. We are also continuing our studies in humans on the neuroprotective properties of ALPHAGAN® ophthalmic solution, our other world leading glaucoma product. In order to provide greater convenience and compliance to our patients, we started successfully marketing COMBIGAN®, a fixed combination of ALPHAGAN® and timolol, in Canada and Brazil. Moreover, in early 2005 we secured approval for COMBIGAN® in Switzerland as the first European market, and are awaiting action by other key agencies in the United States and the European Union. ZYMAR®, a new potent fourth generation fluoroquinolone for treating ocular infections, was established as the No. 1 choice of American ophthalmologists and was launched in several key Latin American markets. ELESTAT™ was launched in Europe and was established as a leading allergy product in the United States by our partner, Inspire Pharmaceuticals. Addressing the area of retinal diseases, which are currently the leading cause of blindness in the developed world, we made great strides in progressing our programs for macular edema with POSURDEX®, which utilizes the unique technology from Oculex Pharmaceuticals which we acquired in 2003, our bioerodable delivery system and triamcinolone, a collaboration with the National Eye Institute.

Moving our earlier stage innovative technology to the next decisive phase, we filed Investigational New Drug (IND) applications with the FDA in 2004, both for our proton pump inhibitor pro-drug for the treatment of gastrointestinal heartburn, as well as for an alpha adrenergic agonist for neuropathic pain.

Focus on Efficiency & Effectiveness. Focus on innovation is no longer the only means to secure long-term success in an industry where ever greater cost pressures are building up in the healthcare

2004: A year of many achievements.

systems around the world. For this reason, we at Allergan also place great emphasis on driving efficiency and effectiveness in all of our functions. Since 1997 we have substantially expanded productivity, having increased sales per capita by more than threefold. Unusual in our industry, one in two Allergan personnel today work in either R&D or in our salesforces – the two drivers of growth. These massive productivity gains were possible as we consolidated our manufacturing into only three plants, where we continue to invest heavily, and streamlined our overhead structures. This process continues as we announced further streamlining of our European business in early 2005, which will lead to greater concentration of our R&D into the United States and the United Kingdom and leaner back-office functions. New clinical development processes and metrics are in place not only to maintain Allergan's status as one of the fastest in the industry but also to lower the costs of our clinical studies. In 2005, these measures are expected to help us save about \$15 million in clinical development costs where the savings will be reinvested back into additional quantities of new studies. In manufacturing, we utilize Six Sigma and lean manufacturing techniques in our three plants. Constant training of our top-rated salesforces is designed not only to improve customer satisfaction but also to increase the number of calls per day and per year, harnessing state-of-the-art information technology.

Efficiency and effectiveness are evident in our financial metrics. Return on equity at year end, adjusted for non-GAAP items, was 33% versus an industry benchmark of 20% and return on capital, adjusted for non-GAAP items, moved up to 22% from 14% in 2000 and versus an industry average of 15%. We ended the year with a record low for days of sales outstanding (DSO) of 40 days and low inventories of 79 days on hand (DOH). At year end, Allergan held an aggregate cash position of about \$900 million, and just over \$300 million in terms of cash net of debt, an increase of roughly \$400 million in one year. This should provide us flexibility for future strategic transactions.

Focusing on our Future. By combining the best elements of biotechnology and specialty pharmaceutical industry models, Allergan is well equipped to face and address the challenges of our industry. Our discovery research capabilities, as evidenced by our platform technologies in the areas of neurotoxins, alpha agonists for the treatment of pain, tyrosine kinase inhibitors for age-related macular degeneration and sodium channel blockers for neurologic disorders, are a reflection of the entrepreneurial and innovative culture at Allergan, and

make us a unique specialty pharmaceutical company more akin to the best of the profitable biotechnology companies. Given the escalating prices to acquire or license early stage products in the market, driven by the demand from "Big Pharma" and "Big Biotech" for new products, these technologies are key assets of value in Allergan's portfolio.

As we embark on 2005, our clinical development staff is focusing on those key projects that are anticipated to deliver new product approvals in the next two to three years and our commercial teams are focusing their financial and human resources on the key product growth drivers. The mid-year appointment of Dr. Scott Whitcup, an ophthalmologist, retina specialist, internist, and former Clinical Director at the National Eye Institute, to lead Allergan's R&D function, has already brought new approaches, building on the best practices of prior years, to accelerating certain clinical programs and to focusing efforts in discovery research to rapidly bring compounds into the clinic.

I wish to thank the many hard working and talented Allergan employees around the globe that contributed to making 2004 another successful year. In a pharmaceutical industry facing unprecedented change, I wish to acknowledge the support and counsel of our exceptional Board of Directors. I thank, in particular, Dr. Lester Kaplan who retired from Allergan's management and Board in 2004 after having built our R&D organization over a 20 year career with the Company; and Prof. Ronald Cresswell, formerly Chief Scientific Officer of Warner Lambert, who retired from the Board for health reasons. The recent additions to our Board have further strengthened our global pharmaceutical industry experience and perspective: Prof. Trevor Jones, who served as the Director General of the British Pharmaceutical Industry Association and hitherto main board director responsible for R&D at Wellcome; and Robert Ingram, Vice Chairman Pharmaceuticals of GlaxoSmithKline, who has spent his entire career in the industry. Finally, I wish to thank our shareholders for their continuing loyalty and support.



David E. I. Pyott

Chairman of the Board, President and Chief Executive Officer



BOARD OF DIRECTORS

HERBERT W. BOYER, Ph.D., 68 – Vice Chairman of the Board since 2001, served as Chairman from 1998 to 2001; 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 National Medal of Science from President George H. W. 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. Dr. Boyer serves on the Board of the Scripps Research Institute.

HANDEL E. EVANS, 70 – Elected to the Board in 1989. Former Chairman of Equity Growth Research Ltd., a company providing financial services in Europe that was acquired by Libertas Capital in 2004. Mr. Evans has over 40 years of experience in the pharmaceutical industry and was the founder and former Executive Chairman of Pharmaceutical Marketing Service Inc., Source Informatics Ltd. and Walsh International Inc., companies providing marketing services to the pharmaceutical industry. Mr. Evans was also a co-founder of IMS International Inc., the leading pharmaceutical information supplier. Mr. Evans is a Director of Cambridge Laboratories Ltd. and Chairman of the Trustees of British Urological Foundation. Mr. Evans was previously a Director of Smithkline Beecham Plc. and IMS International Inc.

MICHAEL R. GALLAGHER, 59 – Elected to the Board in 1998. In 2004, Mr. Gallagher retired as Chief Executive Officer and as a Director of Playtex Products, Inc. Prior to joining Playtex in 1995, Mr. Gallagher was Chief Executive Officer/North America for Reckitt & Colman PLC; President and Chief 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 member of the Board of Advisors of the Haas School of Business, University of California, Berkeley and the Board of Trustees of St. Luke's School.

GAVIN S. HERBERT, 72 – 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 Regenesys Bioremediation Products and a Director of Research to Prevent Blindness, and the Doheny Eye Institute. Mr. Herbert also serves on the Board of The Richard Nixon Library and Birthplace Foundation, the Advisory Board for the Foundation of the American Academy of Ophthalmology, and the CEO Roundtable on Cancer. Mr. Herbert is Chairman of Roger's Gardens, Vice Chairman of the Beckman Foundation, and a Life Trustee of the University of Southern California.

ROBERT A. INGRAM, 62 – Mr. Ingram was appointed to the Board in January 2005. Since January 2003, Mr. Ingram has been the Vice Chairman Pharmaceuticals of GlaxoSmithKline plc, a corporation involved in the research, development, manufacturing and sale of pharmaceuticals. Mr. Ingram was the Chief Operating Officer and President, Pharmaceutical Operations of GlaxoSmithKline plc from January 2001 until his retirement in January 2003. Prior to that, he was Chief Executive Officer of Glaxo Wellcome plc from October 1997 to December 2000; and Chairman of Glaxo Wellcome Inc., Glaxo Wellcome plc's United States subsidiary, from January 1999 to December 2000. Mr. Ingram is also Chairman of the Board of OSI Pharmaceuticals, Inc., a biotechnology company, and a director of Edwards Lifesciences Corporation, Lowe's Companies, Inc., Nortel Networks, Mysis plc, Valeant Pharmaceuticals International, and Wachovia Corporation. In addition, he is Chairman of the American Cancer Society Foundation and the CEO Roundtable on Cancer.

TREVOR M. JONES, Ph.D., 62 – Appointed to the Board in July 2004. From 1994 to 2004, Prof. Jones was the Director General of the Association of the British Pharmaceutical Industry (ABPI). From 1987 to 1994, Prof. Jones was a main board director at Wellcome plc. Prof. Jones received his bachelor of pharmacy degree and Ph.D. from the University of London and is currently Vice Chairman of Council at King's College, London. He has also gained an honorary doctorate from the University of Athens as well as honorary doctorates in science from the Universities of Strathclyde, Nottingham, Bath and Bradford in the United Kingdom. Furthermore, he was recognized in the Queen's Honors List and holds the title of a Commander of the British Empire. He is also a fellow of the Royal Society of Chemistry, a fellow of The Royal Pharmaceutical Society, and an honorary fellow of the Faculty of Pharmaceutical Medicine of the Royal College of Physicians. Prof. Jones is Chairman of the Board of Directors of ReNeuron Limited and a Board member of Merlin Biosciences' Funds I and II and NextPharma Technologies Holdings Ltd. Mr. Jones is also a founder and Board member of the Geneva-based public-private partnership, Medicines for Malaria Venture.



KAREN R. OSAR, 55 – Elected to the Board in 1998. Since July 2004 Ms. Osar has served as Executive Vice President and Chief Financial Officer of Crompton Corporation, a global producer and marketer of specialty chemicals, polymer products and processing equipment. She previously served as Senior Vice President and Chief Financial Officer of MeadWestvaco Corporation, a producer of packaging, paper, school and office supplies, and specialty chemicals, since the merger of the Mead Corporation and Westvaco Corporation in January 2002 until April 2003. Prior to the merger, she served as Senior Vice President and Chief Financial Officer of Westvaco Corporation since November 1999. Ms. Osar formerly served as Vice President and Treasurer of Tenneco, Inc., which was 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 of Encore Medical Corporation.

DAVID E. I. PYOTT, 51 – Elected to the Board and joined Allergan in 1998. Chairman of the Board, President and Chief Executive Officer of Allergan, Inc. Previously, he served as Head of the Nutrition Division and a member of the Executive Committee of Novartis AG. He is a member of the Board of Directors of Avery Dennison Corporation, Edwards Lifesciences Corporation, Pacific Mutual Holding Company, the ultimate parent company of Pacific Life, and Pacific LifeCorp, the parent stock holding company of Pacific Life. Mr. Pyott serves on the Board and the Executive Committee of the California Healthcare Institute; and the Directors' Board of the University of California (Irvine) Graduate School of Management. He also serves as a member of the Board of the Pan-American Ophthalmological Foundation, the International Council of Ophthalmology Foundation and as a member of the Advisory Board for the Foundation of the American Academy of Ophthalmology.

RUSSELL T. RAY, 57 – Elected to the Board in 2003. Managing Partner of HLM Venture Partners, a private equity firm that provides venture capital to health care information technology, health care services and medical technology companies. Prior to joining HLM Venture Partners in 2003, Mr. Ray was a Managing Director and Global Co-Head of Health Care Investment Banking at Credit Suisse First Boston Corporation, where he focused on providing strategic and financial advice to life sciences, health care services and medical device companies. Prior to joining Credit Suisse First Boston in 1999, Mr. Ray spent twelve years at Deutsche Bank and its predecessor entities BT Alex. Brown and Alex. Brown and Sons as Global Head of Health Care Investment Banking. Mr. Ray is a Director of Pondaray Enterprises, Inc. and The Friends School of Baltimore.

LOUIS T. ROSSO, 71 – Elected to the Board in 1989. Chairman Emeritus of Beckman Coulter, Inc., a manufacturer of laboratory instruments, and was its Chairman of the Board until his retirement in 1999. 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, a member of the Board of Directors of Regenesis Bioremediation Company and Trustee Emeritus and Senior Advisor to the President of the Keck Graduate Institute of Applied Life Sciences at the Claremont Colleges.

STEPHEN J. RYAN, M.D., 64 – Elected to the Board in 2002. Dr. Ryan is the President of the Doheny Eye Institute and the Grace and Emery Beardsley Professor of Ophthalmology at the University of Southern California's Keck School of Medicine. Dr. Ryan was the Dean of the Keck School of Medicine and Senior Vice President for Medical Care of the University of Southern California from 1991 until 2004. Dr. Ryan is a Member of the Institute of Medicine of the National Academy of Sciences. He is a member and past president of numerous ophthalmological organizations such as the Association of University Professors of Ophthalmology and the Macula Society. He is the founding President of the Alliance for Eye and Vision Research (AEVR).

LEONARD D. SCHAEFFER, 59 – Elected to the Board in 1993. Since November 2004, Mr. Schaeffer has served as Chairman of the Board of WellPoint, Inc., an insurance organization created by the combination of WellPoint Health Networks Inc. and Anthem, Inc., which owns Blue Cross of California, Blue Cross Blue Shield of Georgia, Blue Cross and Blue Shield of Missouri, Blue Cross Blue Shield of Wisconsin, Anthem Life Insurance Company, Health Link and Unicare. From 1992 until 2004, Mr. Schaeffer served as 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. He is Chairman of the Board of the National Institute for Health Care Management, and a member of the Institute of Medicine.



EXECUTIVE COMMITTEE

DAVID E.I. PYOTT, 51 – Chairman of the Board, President and Chief Executive Officer. Mr. Pyott joined Allergan 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 over 20 years of international experience in nutrition and health care and has worked in Austria, Germany, the Netherlands, Spain, Switzerland, Malaysia and Singapore. Mr. Pyott holds a diploma in German and European Law from the Europa Institute at the University of Amsterdam, a master of arts degree from the University of Edinburgh, and an M.B.A. from the London Business School.

F. MICHAEL BALL, 49 – Executive Vice President and President, Pharmaceuticals. Born in Canada, Mr. Ball was educated in the U.K. and U.S. before receiving his BSc and M.B.A. from Queen's University in Canada. He is the former President of Syntex Inc. Canada and Senior Vice President of Syntex Laboratories USA, where he served on Syntex Corporation's Management Committee. Mr. Ball has over 20 years of international health care experience in the marketing and sales of pharmaceutical products. He joined Allergan in 1995.

ERIC K. BRANDT, 42 – Executive Vice President, Finance, Strategy and Corporate Development. Mr. Brandt joined Allergan in May 1999. In addition to his responsibilities as Principal Financial Officer, Mr. Brandt served as President of the Consumer Eye Care Business during 2001. Prior to joining Allergan, he was Vice President and Partner at Boston Consulting Group. Prior to his departure from BCG, Mr. Brandt led BCG's operations practice in North America and was a senior member of the BCG health care practice. While at BCG, Mr. Brandt led significant manufacturing and supply chain assignments for several major pharmaceutical companies and 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. Mr. Brandt has a bachelor of science in chemical engineering from MIT and an M.B.A. from the Harvard Business School.

DOUGLAS S. INGRAM, J.D. 42 – Executive Vice President, General Counsel and Secretary. Mr. Ingram joined Allergan from Gibson, Dunn & Crutcher in 1996. Mr. Ingram has over 16 years of experience in the management of domestic and international legal affairs. Mr. Ingram is responsible for all of the Corporation's legal matters on a global basis, is the Secretary to Allergan's Board of Directors, and manages Allergan's Regulatory Affairs Department, Compliance and Internal Audit Department, Corporate Communications Department and Global Trade

Compliance Department. He also serves as Allergan's Chief Ethics Officer. Mr. Ingram received his juris doctorate from the University of Arizona in 1988, graduating summa cum laude and Order of the Coif.

JACQUELINE SCHIAVO, 56 – Executive Vice President, Global Technical Operations. Ms. Schiavo has more than 30 years of experience in pharmaceutical and health care products manufacturing, quality assurance, and research and development. Ms. Schiavo is responsible for Allergan's worldwide network of manufacturing plants and third party suppliers. She holds a bachelor of science degree in microbiology from Cornell University and an M.B.A. from Pepperdine University. She joined Allergan in 1980.

SCOTT M. WHITCUP, M.D., 45 – Executive Vice President, Research and Development. Dr. Whitcup joined Allergan in 2000. Prior to joining Allergan, Dr. Whitcup served as the Clinical Director of the National Eye Institute (NEI). At the NEI, Dr. Whitcup's leadership was vital in building the clinical research program and developing new therapies for ophthalmic diseases. Dr. Whitcup graduated from Cornell University and Cornell University Medical College. He completed residency training in internal medicine at UCLA and ophthalmology at Harvard University as well as fellowship training in immunology at the National Institutes of Health (NIH). Dr. Whitcup is a faculty member at the Jules Stein Eye Institute/David Geffen School of Medicine at UCLA.

ROY J. WILSON, 49 – Executive Vice President, Human Resources. Mr. Wilson joined Allergan in April 2004 as Executive Vice President, Human Resources. Prior to joining Allergan, Mr. Wilson held positions with Texas Instruments, Schlumberger Ltd., and Pearle Vision, where he served as the Senior Vice President and Chief Administrative Officer, and Compaq Computer, where he served as Vice President of Human Resources. Mr. Wilson also served as the Senior Vice President of Human Resources and Administration at BMC Software. From 2001 to 2004, Mr. Wilson successfully managed a human capital consulting firm centered on executive compensation, organizational effectiveness and merger and acquisition activities. Mr. Wilson holds a bachelor of science degree from Syracuse University.

OTHER EXECUTIVE OFFICER

JAMES F. BARLOW (not pictured)

Vice President, Corporate Controller and Principal Accounting Officer

CORPORATE OVERVIEW AND STOCKHOLDERS' INFORMATION

CORPORATE HEADQUARTERS

Allergan, Inc.
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

EquiServe Trust Company, N.A.
P.O. Box 43069
Providence, RI 02940-3069
(800) 446-2617
Hearing Impaired # TDD: (800) 952-9245
Internet: www.equiserve.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, 2005, at 10:00 a.m.

FORM 10-K

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

INVESTOR RELATIONS

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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:

EquiServe Trust Company, N.A.
Dividend Reinvestment Plan/Allergan, Inc.
P.O. Box 43081
Providence, RI 02940-3081

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	2004			2003		
	High	Low	Div	High	Low	Div
First	\$90.21	\$75.65	\$.09	\$71.53	\$56.60	\$.09
Second	92.61	83.13	.09	81.55	66.81	.09
Third	90.36	69.05	.09	81.80	75.82	.09
Fourth	82.10	66.78	.09	81.48	71.65	.09

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."

The approximate number of stockholders of record was 6,200 as of February 8, 2005.

TRADEMARKS

Except as set forth below, all product names appearing in capital letters are trademarks or service marks that are owned by, licensed to, or promoted by Allergan, Inc., its subsidiaries or affiliates. The following Allergan trademarks appear in this report: ALPHAGAN, BOTOX, BOTOX Cosmetic, COMBIGAN, ELESTAT, LUMIGAN, POSURDEX, RESTASIS, TAZORAC, VISTABEL, and ZYMAR.

ACULAR is a registered trademark of Roche Palo Alto LLC.

Allergan, for the year ending December 31, 2004, continued its proud tradition of placement in the top quartile for environmental health and safety performance within its pharmaceutical company peer group. More information on its 2004 performance worldwide can be found by accessing the corporate information section at www.allergan.com and pulling down the "About Allergan" section and clicking on the "Responsibility" section.

1 This Annual Report was printed on recycled paper.



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