REGAL ENTERTAINMENT GROUP
Form 8-K
March 02, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): **February 28, 2006**

Regal Entertainment Group

(Exact Name of Registrant as Specified in Charter)

Delaware	**001-31315**	**02-0556934**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

7132 Regal Lane, Knoxville, Tennessee 37918

(Address of Principal Executive Offices) (Zip Code)

Registrant s telephone number, including area code: **865-922-1123**

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

Restricted Stock Agreement

On March 1, 2006, pursuant to the Regal Entertainment Group (the Company) 2002 Stock Incentive Plan (the Plan), the Company adopted a form of Restricted Stock Agreement (the Award Agreement) to be used as the template for future restricted stock grants awarded under the Plan, unless otherwise determined by the Compensation Committee of the Board of Directors (the Committee). The form of Award Agreement is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

Director Compensation Arrangements

On March 1, 2006, the Committee approved a compensation policy for the Company s Directors. A Summary of Director Compensation Arrangements is attached hereto as Exhibit 10.2 and is incorporated herein by reference.

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

On February 28, 2006, Philip F. Anschutz announced his intention to resign from the Board of Directors of the Company effective at the Company s next annual meeting of shareholders on May 10, 2006. A copy of the press release announcing Mr. Anschutz s intention to resign is attached hereto as Exhibit 99.1

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

N/A

(b) Pro forma financial information.

N/A

(c) Shell company transactions.

N/A

(d) Exhibits.

Exhibit No.	Description
10.1	Form of Restricted Stock Agreement for use under the Regal Entertainment Group 2002 Stock Incentive Plan.
10.2	Summary of Director Compensation Arrangements.
99.1	Press Release dated March 1, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

REGAL ENTERTAINMENT GROUP

Date: March 2, 2006

By: /s/ Amy E. Miles
Name: Amy E. Miles
Title: Chief Financial Officer

EXHIBIT INDEX

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> and *Acuvail*®, a reduction in expenses related to the filing in the third quarter of 2009 of the sBLA with the FDA for the use of *Botox*® to treat chronic migraine, and a reduction in development expenses for *Latisse*®, partially offset by an increase in expenses for the development of *Juvéderm*® Ultra XC and Ultra Plus XC with lidocaine and the development of urology products, primarily apaziquone.

R&D expenses increased $79.8 million, or 11.1%, to $797.9 million in 2008, or 18.4% of product net sales, compared to $718.1 million, or 18.5% of product net sales in 2007. R&D expenses in 2008 included a charge of $41.5 million for an upfront payment for the in-licensing of apaziquone, a charge of $13.9 million for an upfront payment for the in-licensing of *Sanctura XR*® product rights in Canada, where the product has not yet achieved regulatory approval, a charge of $7.0 million for an upfront payment for the in-licensing of pre-clinical drug compounds to treat diseases of the eye from Polyphor Ltd. and a charge of $6.3 million for an upfront payment for the in-licensing of preclinical drug compounds to treat diseases of the eye from Asterand plc. R&D expenses in 2007 included a charge of $72.0 million for in-process research and development assets acquired in the EndoArt acquisition. In-process research and development represents an estimate of the fair value of purchased in-process technology as of the date of acquisition that had not reached technical feasibility and had no alternative future uses in its current state. Excluding the effect of the charges described above, R&D expenses increased by $83.1 million, or 12.9%, to $729.2 million in 2008, or 16.8% of product net sales, compared to $646.1 million, or 16.7% of product net sales, in 2007. The increase in R&D expenses in dollars, excluding the charges described above, was primarily a result of higher rates of investment in our eye care pharmaceuticals for next-generation products and line extensions as well as increased spending on *Botox*® for OAB and benign prostate hyperplasia programs, *Latisse*®, alpha agonists for the treatment of neuropathic pain and breast implant follow-up studies, partially offset by a reduction in expenses related to memantine and *Botox*® for the treatment of chronic migraine. The increase in R&D expenses, excluding the charges described above, as a percentage of product net sales in 2008 compared to 2007 was primarily due to the 12.9% increase in R&D expenses relative to the lower percentage increase in product net sales during the same period.

Amortization of Acquired Intangible Assets

Amortization of acquired intangible assets decreased $4.6 million to $146.3 million in 2009, or 3.3% of product net sales, compared to $150.9 million, or 3.5% of product net sales in 2008. The decrease in amortization expense in dollars and as a percentage of product net sales is primarily due to a decline in amortization expense associated with customer relationships acquired in connection with our 2006 acquisition of Inamed, the majority of which became fully amortized at the end of the first quarter of 2009, partially offset by an increase in the balance of other intangible assets subject to amortization, primarily related to our July 2008 purchase of the *Aczone*® developed technology and a December 2008 milestone payment related to *Latisse*®.

Amortization of acquired intangible assets increased $29.6 million to $150.9 million in 2008, or 3.5% of product net sales, compared to $121.3 million, or 3.1% of product net sales in 2007. The increase in amortization expense in dollars and as a percentage of product net sales is primarily due to an increase in the balance of intangible assets subject to amortization, primarily related to our October 2007 Esprit acquisition and July 2008 purchase of the *Aczone*® developed technology.

Restructuring Charges and Integration Costs

Restructuring charges in 2009 were $50.9 million, consisting of $42.2 million related to the 2009 restructuring plan, $8.4 million related to the restructuring and phased closure of the Arklow facility and

Table of Contents

$0.3 million of other restructuring charges. Restructuring charges in 2008 were $41.3 million, consisting of $27.2 million related to the restructuring and phased closure of the Arklow facility, $6.6 million related to the restructuring and integration of the Cornéal operations and $7.5 million of other restructuring charges. Restructuring charges in 2007 were $26.8 million, consisting of $16.6 million related to the restructuring and integration of the Cornéal operations, $9.2 million related to restructuring and integration of the Inamed operations and $1.0 million of other restructuring charges.

2009 Restructuring Plan

On February 4, 2009, we announced a restructuring plan that involved a workforce reduction of approximately 460 employees, primarily in the United States and Europe. The majority of the employees affected by the restructuring plan were U.S. urology sales and marketing personnel as a result of our decision to focus on the urology specialty and to seek a partner to promote *Sanctura XR®* to general practitioners, and marketing personnel in the United States and Europe as we adjusted our back-office structures to a reduced short-term sales outlook for some businesses. The restructuring plan also included modest workforce reductions in other functions as we re-engineered our processes to increase efficiency and productivity.

As part of the restructuring plan, we modified the outstanding stock options issued in our February 2008 full-round employee stock option grant. The stock options were originally granted with an exercise price of $64.47 with a standard four year graded vesting term, a ten year contractual term, and standard 90 day expiration upon termination of employment provisions. These options were modified to be immediately vested in full and to remove the 90 day expiration upon termination of employment provision. Because the modified awards became fully vested and there was no future derived service period, all unamortized compensation expense related to the original grant and the additional compensation expense attributable to the modification of the awards was recognized in full on the modification date.

In addition, the contractual provisions of outstanding stock options, other than the February 2008 full-round employee stock option grant, held by employees impacted by the workforce reduction were modified to extend the stock option expiration dates. Under the original contractual provisions, outstanding stock options held by employees involved in a workforce reduction automatically become fully vested upon termination of employment and the stock options expire after the earlier of 90 days from termination of employment or the remaining stock option contractual term. Under the modified terms, stock options for the impacted employees will expire after the earlier of three years from termination of employment or the remaining contractual term. All unamortized compensation expense related to the original stock option awards plus the incremental compensation expense associated with the modifications will be recognized ratably from the modification date to the employees expected termination date. The fair value of the modifications to all share-based awards was generally estimated using a lattice model. The total incremental pre-tax compensation expense associated with the modifications attributable to the 2009 restructuring plan was $11.0 million.

We began to record costs associated with the 2009 restructuring plan in the first quarter of 2009 and substantially completed all activities related to the restructuring plan in the second quarter of 2009. The restructuring charges primarily consist of employee severance and other one-time termination benefits. During 2009, we recorded pre-tax restructuring charges of $42.2 million and recognized a total of $78.6 million related to employee stock option modifications, consisting of $5.0 million of cost of sales, $52.6 million in SG&A expenses and $21.0 million in R&D expenses, and recognized $2.3 million of asset write-offs and accelerated depreciation costs in SG&A expenses.

Table of Contents

The following table presents the restructuring charges related to the 2009 restructuring plan during 2009:

	Employee Severance	Other	Total
		(in millions)	
Net charge during 2009	$ 32.6	$ 9.6	$ 42.2
Spending	(26.6)	(7.8)	(34.4)
Balance at December 31, 2009 (included in Other accrued expenses)	$ 6.0	$ 1.8	$ 7.8

Restructuring and Phased Closure of Arklow Facility

On January 30, 2008, we announced the phased closure of our breast implant manufacturing facility at Arklow, Ireland and the transfer of production to our manufacturing plant in Costa Rica. The Arklow facility was acquired by us in connection with our 2006 acquisition of Inamed and employed approximately 360 people. As of March 31, 2009, all production activities at the Arklow facility had ceased. Certain employee retention termination benefits and accelerated depreciation costs related to inventory production in Arklow were capitalized to inventory as incurred and recognized as cost of sales in the periods the related products were sold.

We began to record costs associated with the closure of the Arklow manufacturing facility in the first quarter of 2008 and substantially completed all activities related to the restructuring and phased closure of the Arklow facility in the third quarter of 2009. As of December 31, 2009, we have recorded cumulative pre-tax restructuring charges of $35.6 million, cumulative costs for the rollout of capitalized employee termination benefits and accelerated depreciation costs related to inventory production of $23.2 million and cumulative costs related to one-time termination benefits and asset impairments of $1.3 million. The restructuring charges primarily consist of employee severance, one-time termination benefits, contract termination costs and other costs related to the closure of the Arklow manufacturing facility. During 2009 and 2008, we recorded $8.4 million and $27.2 million of pre-tax restructuring charges, respectively. During 2009, we recognized $14.4 million of cost of sales for the rollout of capitalized employee retention termination benefits and accelerated depreciation costs related to inventory production and $0.1 million of R&D expenses related to one-time termination benefits. During 2008, we recognized $8.8 million of cost of sales for the rollout of capitalized employee retention termination benefits and accelerated depreciation costs related to inventory production, $0.9 million of SG&A expenses and $0.3 million of R&D expenses related to one-time termination benefits and asset impairments.

The following table presents the restructuring activities related to the phased closure of the Arklow facility through December 31, 2009:

	Employee Severance	Contract Termination Costs	Other	Total
		(in millions)		
Net charge during 2008	$ 20.5	$ 5.6	$ 1.1	$ 27.2
Spending	(7.2)	(0.5)	(1.0)	(8.7)
Foreign exchange translation effects	(1.8)	(0.6)		(2.4)
Balance at December 31, 2008	11.5	4.5	0.1	16.1
Net charge during 2009	3.4	4.1	0.9	8.4
Spending	(13.9)	(5.2)	(0.5)	(19.6)
Foreign exchange translation effects	(0.7)	0.1	0.1	(0.5)
Balance at December 31, 2009 (included in Other accrued expenses)	$ 0.3	$ 3.5	$ 0.6	$ 4.4

Table of Contents

Other Restructuring Activities and Integration Costs

Included in 2009 are a $0.3 million restructuring charge reversal related to the closure of our collagen manufacturing facility in Fremont, California, which was substantially completed in the fourth quarter of 2008, and $0.6 million of restructuring charges for an abandoned leased facility related to the fiscal year 2005 restructuring and streamlining of our European operations.

Included in 2008 are $3.4 million of restructuring charges related to the closure of our collagen manufacturing facility in Fremont, California, $4.0 million of restructuring charges for an abandoned leased facility related to the fiscal year 2005 restructuring and streamlining of our European operations, $6.6 million of restructuring charges related to our 2007 acquisition of Cornéal and $0.1 million of restructuring charges related to our 2007 acquisition of EndoArt.

Included in 2007 are $7.5 million of restructuring charges related to our 2006 acquisition of Inamed, $1.7 million of restructuring charges related to the closure of our collagen manufacturing facility in Fremont, California, $1.0 million of restructuring charges for an abandoned leased facility related to the fiscal year 2005 restructuring and streamlining of our European operations and $16.6 million of restructuring charges related to our 2007 acquisition of Cornéal.

Included in 2009 are $0.4 million of SG&A expenses related to transaction costs associated with our Samil acquisition and $0.4 million of SG&A expenses related to integration costs associated with our Cornéal acquisition. Included in 2008 are $0.1 million of cost of sales and $2.1 million of SG&A expenses related to integration costs associated with our acquisitions of Esprit and Cornéal. Included in 2007 are $0.2 million of cost of sales and $14.5 million of SG&A expenses related to integration costs associated with our acquisitions of Esprit, Cornéal, EndoArt and Inamed.

Operating Income

Management evaluates business segment performance on an operating income basis exclusive of general and administrative expenses and other indirect costs, restructuring charges, in-process R&D expenses, amortization of identifiable intangible assets related to business combinations and asset acquisitions and certain other adjustments, which are not allocated to our business segments for performance assessment by our chief operating decision maker. Other adjustments excluded from our business segments for purposes of performance assessment represent income or expenses that do not reflect, according to established Company-defined criteria, operating income or expenses associated with our core business activities.

For 2009, general and administrative expenses, other indirect costs and other adjustments not allocated to our business segments for purposes of performance assessment consisted of general and administrative expenses of $299.1 million, compensation expense from stock option modifications of $78.6 million and asset impairments and accelerated depreciation costs of $2.3 million related to the 2009 restructuring plan, costs associated with the DOJ investigation relating to sales and marketing practices in connection with *Botox*® of approximately $32.2 million, termination benefits and accelerated depreciation costs related to the phased closure of the Arklow facility of $14.5 million, a contribution to The Allergan Foundation of $18.0 million, an upfront payment for the in-licensing of technology that has not achieved regulatory approval of $10.0 million, integration and transition costs related to the Cornéal acquisition of $0.4 million, a purchase accounting fair market value inventory adjustment of $0.8 million and transaction costs of $0.4 million related to our joint venture investment in Korea, a gain on the settlement of a manufacturing and distribution agreement related to an eye care pharmaceuticals product of $14.0 million, and other net indirect costs of $14.4 million.

For 2008, general and administrative expenses, other indirect costs and other adjustments not allocated to our business segments for purposes of performance assessment consisted of general and administrative expenses of $317.5 million, charges of $68.7 million for upfront payments for technologies that have not achieved

Table of Contents

regulatory approval, costs associated with the DOJ investigation relating to sales and marketing practices in connection with *Botox*® of approximately $25.7 million, a $13.2 million charge related to the termination of a distribution agreement in Korea, a purchase accounting fair market value inventory adjustment related to the Esprit acquisition of $11.7 million, termination benefits, asset impairments and accelerated depreciation costs related to the phased closure of the Arklow facility of $10.0 million, impairment of an intangible asset of $5.6 million related to the phase out of a collagen product, integration and transition costs related to the acquisitions of Esprit and Cornéal of $2.2 million, transaction costs related to the *Aczone*® asset acquisition of $0.6 million, gains on the sale of technology and fixed assets related to the phased closure of the Fremont facility of $0.9 million, and other net indirect costs of $20.9 million.

For 2007, general and administrative expenses, other indirect costs and other adjustments not allocated to our business segments for purposes of performance assessment consisted of general and administrative expenses of $292.2 million, integration and transition costs related to the Esprit, EndoArt, Cornéal and Inamed acquisitions of $14.7 million, $6.4 million of expenses associated with the settlement of a patent dispute, $2.3 million of expenses associated with the settlement of a pre-existing unfavorable distribution agreement between Cornéal and one of our subsidiaries, purchase accounting fair market value inventory adjustments related to the Esprit and Cornéal acquisitions of $3.3 million and other net indirect costs of $18.1 million.

The following table presents operating income for each reportable segment for the years ended December 31, 2009, 2008 and 2007 and a reconciliation of our segments operating income to consolidated operating income:

	2009	2008	2007
		(in millions)	
Operating income:			
Specialty pharmaceuticals	$ 1,370.8	$ 1,220.1	$ 1,047.9
Medical devices	189.2	222.0	207.1
Total segments	1,560.0	1,442.1	1,255.0
General and administrative expenses, other indirect costs and other adjustments	456.7	475.2	337.0
In-process research and development			72.0
Amortization of acquired intangible assets(a)	124.4	129.6	99.9
Restructuring charges	50.9	41.3	26.8
Total operating income	$ 928.0	$ 796.0	$ 719.3

(a) Represents amortization of identifiable intangible assets related to business combinations and asset acquisitions and related capitalized licensing costs, as applicable.

Our consolidated operating income for the year ended December 31, 2009 was $928.0 million, or 20.9% of product net sales, compared to consolidated operating income of $796.0 million, or 18.3% of product net sales in 2008. The $132.0 million increase in consolidated operating income was due to a $107.9 million increase in product net sales, a $10.3 million decrease in cost of sales, a $91.9 million decrease in R&D expenses and a $4.6 million decrease in amortization of acquired intangible assets, partially offset by a $7.7 million decrease in other revenues, a $65.4 million increase in SG&A expenses and a $9.6 million increase in restructuring charges. Our consolidated operating income in 2009 includes charges totaling $78.6 million for compensation costs associated with the modifications of certain employee stock options related to our 2009 restructuring plan.

Our specialty pharmaceuticals segment operating income in 2009 was $1,370.8 million, compared to operating income of $1,220.1 million in 2008. The $150.7 million increase in our specialty pharmaceuticals segment operating income was due primarily to an increase in product net sales of our eye care pharmaceuticals and skin care product lines and a decrease in selling and R&D expenses, partially offset by increased investments in promotion activities and a small increase in marketing expenses.

78

Table of Contents

Our medical devices segment operating income in 2009 was $189.2 million, compared to operating income of $222.0 million in 2008. The $32.8 million decrease in our medical devices segment operating income was due primarily to the $73.6 million decrease in product net sales across all product lines, partially offset by an overall decrease in promotion, selling and marketing expenses.

Our consolidated operating income for the year ended December 31, 2008 was $796.0 million, or 18.3% of product net sales, compared to consolidated operating income of $719.3 million, or 18.5% of product net sales in 2007. The $76.7 million increase in consolidated operating income was due to a $460.7 million increase in product net sales and a $3.8 million increase in other revenues, partially offset by an $88.0 million increase in cost of sales, a $175.9 million increase in SG&A expenses, a $79.8 million increase in R&D expenses, a $29.6 million increase in amortization of acquired intangible assets and a $14.5 million increase in restructuring charges.

Our specialty pharmaceuticals segment operating income in 2008 was $1,220.1 million, compared to operating income of $1,047.9 million in 2007. The $172.2 million increase in our specialty pharmaceuticals segment operating income was due primarily to an increase in product net sales of our eye care pharmaceuticals and *Botox*® product lines and lower total segment promotion expenses, partially offset by an increase in selling and marketing expenses, primarily due to increased sales personnel costs and additional marketing expenses to support our expanded selling efforts and new products, including new urologics products acquired in the Esprit acquisition, and an increase in R&D expenses.

Our medical devices segment operating income in 2008 was $222.0 million, compared to operating income of $207.1 million in 2007. The $14.9 million increase in our medical devices segment operating income was due primarily to an increase in product net sales across all product lines and an overall decrease in promotion expenses, partially offset by increased investments in spending for selling and marketing activities, primarily increased sales personnel costs, and an increase in R&D expenses.

Non-Operating Income and Expenses

Total net non-operating expense in 2009 was $79.5 million compared to $33.8 million in 2008. Interest income in 2009 was $7.0 million compared to interest income of $33.5 million in 2008. The decrease in interest income was primarily due to a decrease in average interest rates earned on all cash equivalent balances earning interest of approximately 2.3 percentage points, partially offset by higher average cash equivalent balances earning interest of approximately $351.0 million in 2009 compared to 2008. Interest income in 2008 also included $3.5 million of statutory interest income related to income taxes. Interest expense decreased $8.6 million to $76.9 million in 2009 compared to $85.5 million in 2008, primarily due to $14.3 million recognized as an offset to interest expense in 2009 as the interest rate differential under our $300.0 million notional amount fixed to variable interest rate swap agreement compared to $7.9 million recognized as an offset to interest expense in 2008. Additionally, interest expense also decreased due to a decrease in average outstanding borrowings in 2009 compared to 2008. During 2009, we recorded a net unrealized loss on derivative instruments of $13.6 million compared to a net unrealized gain of $14.8 million in 2008. During 2009, we recorded a net gain of $24.6 million on the sale of third party equity investments. Other, net expense was $20.6 million in 2009, consisting primarily of $15.3 million in net realized losses from foreign currency transactions and a loss of $5.3 million on the extinguishment of a portion of our 1.50% Convertible Senior Notes due 2026, or 2026 Convertible Notes. Other, net income was $3.4 million in 2008, consisting primarily of $2.9 million in net realized gains from foreign currency transactions.

Total net non-operating expense in 2008 was $33.8 million compared to $54.9 million in 2007. Interest income in 2008 was $33.5 million compared to interest income of $65.3 million in 2007. The decrease in interest income was primarily due to lower average cash equivalent balances earning interest of approximately $147.0 million and a decrease in average interest rates earned on all cash equivalent balances earning interest of approximately 2.4 percentage points in 2008 compared to 2007, partially offset by $3.5 million of statutory

Table of Contents

interest income related to income taxes recorded in 2008. Interest expense decreased $9.1 million to $85.5 million in 2008 compared to $94.6 million in 2007, primarily due to $7.9 million recognized in 2008 as the interest rate differential under our $300.0 million notional amount fixed to variable interest rate swap agreement compared to $0.3 million recognized in 2007 and a decrease in average outstanding borrowings in 2008 compared to 2007. During 2008, we recorded a net unrealized gain on derivative instruments of $14.8 million compared to a net unrealized loss of $0.4 million in 2007. Other, net income was $3.4 million in 2008, consisting primarily of $2.9 million in net realized gains from foreign currency transactions. Other, net expense was $25.2 million in 2007, consisting primarily of $25.0 million in net realized losses from foreign currency transactions.

Income Taxes

Our effective tax rate in 2009 was 26.5% compared to the effective tax rate of 25.9% in 2008. Included in our operating income for 2009 are a $24.6 million net gain on the sale of investments, a $14.0 million gain on the settlement of a manufacturing and distribution agreement, a $5.3 million loss on the extinguishment of a portion of our 2026 Convertible Notes, restructuring charges of $50.9 million, a charge of $78.6 million related to the modification of certain employee stock options in conjunction with our 2009 restructuring plan, the rollout of retention termination benefits and accelerated depreciation costs capitalized in inventory and expenses for one-time termination benefits related to the closure of our Arklow, Ireland breast implant manufacturing facility of $14.5 million, a $10.0 million charge for an upfront payment for technology that has not achieved regulatory approval, and a $18.0 million contribution to The Allergan Foundation. In 2009, we recorded income tax expense of $9.4 million related to the net gain on the sale of investments, $3.9 million related to the gain on the settlement of a manufacturing and distribution agreement and $0.8 million related to the loss on the extinguishment of a portion of our 2026 Convertible Notes. We recorded income tax benefits of $10.2 million related to the restructuring charges, $27.5 million related to the modification of certain employee stock options, $1.5 million related to the costs described above related to the closure of our breast implant manufacturing facility in Arklow, Ireland, $0.7 million related to an upfront payment for technology that has not achieved regulatory approval, and $6.9 million related to the contribution to The Allergan Foundation. Also included in the provision for income taxes in 2009 is a net expense of $4.1 million for a change in estimated taxes related to pre-acquisition periods associated with business combinations and uncertain tax positions included in prior year income tax filings and $6.7 million of income tax benefit related to foreign R&D tax credits received for tax years prior to 2008. Excluding the impact of the total pre-tax charges of $138.7 million and the total net income tax benefit of $35.3 million for the items discussed above, our adjusted effective tax rate for 2009 was 26.3%. We believe that the use of an adjusted effective tax rate provides a more meaningful measure of the impact of income taxes on our results of operations because it excludes the effect of certain items that are not included as part of our core business activities. This allows investors to better determine the effective tax rate associated with our core business activities.

Table of Contents

The calculation of our adjusted effective tax rate for the year ended December 31, 2009 is summarized below:

	2009 (in millions)
Earnings from continuing operations before income taxes, as reported	$ 848.5
Net gain on sale of investments	(24.6)
Gain on settlement of a manufacturing and distribution agreement	(14.0)
Loss on extinguishment of a portion of the 2026 Convertible Notes	5.3
Restructuring charges	50.9
Charges related to the modification of certain employee stock options	78.6
Rollout of retention termination benefits and accelerated depreciation and expenses for one-time termination benefits related to the closure of our Arklow, Ireland breast implant manufacturing facility	14.5
Upfront payment of technology that has not achieved regulatory approval	10.0
Contribution to The Allergan Foundation	18.0
	$ 987.2
Provision for income taxes, as reported	$ 224.7
Income tax benefit (provision) for:	
Net gain on sale of investments	(9.4)
Gain on settlement of a manufacturing and distribution agreement	(3.9)
Loss on extinguishment of a portion of the 2026 Convertible Notes	(0.8)
Restructuring charges	10.2
Charges related to the modification of certain employee stock options	27.5
Rollout of retention termination benefits and accelerated depreciation and expenses for one-time termination benefits related to the closure of our Arklow, Ireland breast implant manufacturing facility	1.5
Upfront payment of technology that has not achieved regulatory approval	0.7
Contribution to The Allergan Foundation	6.9
Change in estimated taxes related to pre-acquisition periods associated with business combinations and uncertain tax positions included in prior year income tax filings	(4.1)
Foreign R&D tax credits received for tax years prior to 2008	6.7
	$ 260.0
Adjusted effective tax rate	26.3%

Our effective tax rate in 2008 was 25.9% compared to the effective tax rate of 26.7% in 2007. Included in our operating income for 2008 are pre-tax charges of $68.7 million for upfront payments for technologies that have not achieved regulatory approval, an $11.7 million charge to cost of sales associated with the Esprit purchase accounting fair market value inventory adjustment rollout, a $13.2 million charge for a settlement related to the termination of a distribution agreement in Korea, a $5.6 million charge for the impairment of an intangible asset related to the phase out of a collagen product and total restructuring charges of $41.3 million. In 2008, we recorded income tax benefits of $21.6 million related to the upfront payments for technologies that have not achieved regulatory approval, $4.6 million related to the Esprit purchase accounting fair market value inventory adjustment rollout, $1.3 million related to the charge for a settlement related to the termination of a distribution agreement in Korea, $2.0 million related to the impairment of an intangible asset, $4.7 million related to the total restructuring charges and $2.4 million related to deferred tax benefits related to the legal entity integration of Esprit and Inamed. In 2008, our tax provision was also affected by a $5.5 million negative income tax impact from non-deductible losses associated with the liquidation of corporate-owned life insurance contracts previously used to fund our executive deferred compensation program. Excluding the impact of the total pre-tax

Table of Contents

charges of $140.5 million and the total net income tax benefit of $31.1 million for the items discussed above, our adjusted effective tax rate for 2008 was 25.3%.

The calculation of our adjusted effective tax rate for the year ended December 31, 2008 is summarized below:

	2008 (in millions)
Earnings from continuing operations before income taxes, as reported	$ 762.2
Upfront payments for technologies that have not achieved regulatory approval	68.7
Esprit fair market value inventory rollout	11.7
Settlement related to the termination of a distribution agreement in Korea	13.2
Impairment of an intangible asset	5.6
Restructuring charges	41.3
	$ 902.7
Provision for income taxes, as reported	$ 197.5
Income tax benefit (provision) for:	
Upfront payments for technologies that have not achieved regulatory approval	21.6
Esprit fair market value inventory rollout	4.6
Settlement related to the termination of a distribution agreement in Korea	1.3
Impairment of an intangible asset	2.0
Restructuring charges	4.7
Deferred tax benefit from the legal entity integration of Esprit and Inamed	2.4
Negative tax impact from non-deductible losses associated with the liquidation of corporate-owned life insurance contracts	(5.5)
	$ 228.6
Adjusted effective tax rate	25.3%

Our effective tax rate in 2007 was 26.7%. Included in our operating income for 2007 are pre-tax charges of $72.0 million for in-process research and development acquired in the EndoArt acquisition, a $3.3 million charge to cost of sales associated with the combined Esprit and Cornéal purchase accounting fair market value inventory adjustment rollouts, $2.3 million of expenses associated with the settlement of a pre-existing unfavorable distribution agreement between Cornéal and one of our subsidiaries, total integration and transition costs of $14.7 million related to the Esprit, EndoArt, Cornéal and Inamed acquisitions, total restructuring charges of $26.8 million and a legal settlement cost of $6.4 million. In 2007, we recorded income tax benefits of $1.3 million related to the combined Esprit and Cornéal purchase accounting fair market value inventory adjustment rollouts, $3.6 million related to the total integration and transition costs, $8.0 million related to the total restructuring charges and $2.5 million related to the legal settlement cost. We did not record any income tax benefit for the in-process research and development charges or the expenses associated with the settlement of the pre-existing unfavorable distribution agreement between Cornéal and one of our subsidiaries. Also included in the provision for income taxes in 2007 is $1.6 million of tax benefit related to state income tax refunds resulting from the settlement of tax audits. Excluding the impact of the total pre-tax charges of $125.5 million and the total net income tax benefit of $17.0 million for the items discussed above, our adjusted effective tax rate for 2007 was 24.6%.

Table of Contents

The calculation of our adjusted effective tax rate for the year ended December 31, 2007 is summarized below:

	2007 (in millions)
Earnings from continuing operations before income taxes, as reported	$ 664.4
In-process research and development expense	72.0
Esprit and Cornéal fair market value inventory rollouts	3.3
Settlement of pre-existing unfavorable distribution agreement with Cornéal	2.3
Total integration and transition costs	14.7
Restructuring charges	26.8
Legal settlement cost	6.4
	$ 789.9
Provision for income taxes, as reported	$ 177.4
Income tax benefit for:	
Esprit and Cornéal fair market value inventory rollouts	1.3
Total integration and transition costs	3.6
Restructuring charges	8.0
Legal settlement cost	2.5
State income tax refunds	1.6
	$ 194.4
Adjusted effective tax rate	24.6%

The increase in the adjusted effective tax rate to 26.3% in 2009 compared to the adjusted effective tax rate in 2008 of 25.3% is primarily due to the increase in the mix of earnings in higher tax rate jurisdictions, including the United States, which resulted from the increase in net sales of our eye care pharmaceutical products, and the decrease in the mix of net sales and related operating profits of *Botox*® as a percentage of our total product net sales and operating income in 2009 compared to 2008. Additionally, the adjusted effective tax rate increased in 2009 compared to 2008 due to the negative tax rate effect from lower R&D expense deductions in the United States in 2009 compared to 2008. The increase in the adjusted effective tax rate in 2009 compared to 2008 was partially offset by the beneficial tax rate effect of decreased interest income in the United States.

The increase in the adjusted effective tax rate to 25.3% in 2008 compared to the adjusted effective tax rate in 2007 of 24.6% is primarily due to an increase in the mix of earnings in higher tax rate jurisdictions, partially offset by the beneficial tax rate effect of increased deductions for the amortization of acquired intangible assets associated with the Esprit acquisition and *Aczone*® asset purchase and the beneficial tax rate effect of decreased interest income in the United States.

Earnings from Continuing Operations

Our earnings from continuing operations in 2009 were $623.8 million compared to earnings from continuing operations of $564.7 million in 2008. The $59.1 million increase in earnings from continuing operations was primarily the result of the increase in operating income of $132.0 million, partially offset by the increase in net non-operating expense of $45.7 million and the increase in the provision for income taxes of $27.2 million.

Our earnings from continuing operations in 2008 were $564.7 million compared to earnings from continuing operations of $487.0 million in 2007. The $77.7 million increase in earnings from continuing operations was primarily the result of the increase in operating income of $76.7 million and the decrease in net non-operating expense of $21.1 million, partially offset by the increase in the provision for income taxes of $20.1 million.

83

Table of Contents

Net Earnings Attributable to Noncontrolling Interest

Our net earnings attributable to noncontrolling interest for our majority-owned subsidiaries were $2.5 million in 2009, $1.6 million in 2008 and $0.5 million in 2007.

Liquidity and Capital Resources

We assess our liquidity by our ability to generate cash to fund our operations. Significant factors in the management of liquidity are: funds generated by operations; levels of accounts receivable, inventories, accounts payable and capital expenditures; the extent of our stock repurchase program; funds required for acquisitions and other transactions; funds available under our credit facilities; and financial flexibility to attract long-term capital on satisfactory terms.

Historically, we have generated cash from operations in excess of working capital requirements. The net cash provided by operating activities was $1,113.3 million in 2009 compared to $682.5 million in 2008 and $793.2 million in 2007. Cash flow from operating activities increased in 2009 compared to 2008 primarily as a result of a net decrease in cash required to fund changes in net operating assets and liabilities, principally trade receivables, inventories, accounts payable and other liabilities, partially offset by an increase in cash used to fund payments of income taxes, and an increase in cash from net earnings from operations, including the effect of adjusting for non-cash items. We paid pension contributions of $12.9 million in 2009 compared to $84.5 million in 2008. We increased our pension contributions in 2008 primarily due to the negative impact on the value of assets in our funded pension plans due to the decline in the fair value of global equity securities and our desire to maintain certain minimum asset values relative to projected benefit obligations.

Cash flow from operating activities decreased in 2008 compared to 2007 primarily as a result of a net increase in cash required to fund changes in net operating assets and liabilities, principally trade receivables, inventories, accounts payable and other liabilities, partially offset by an increase in earnings from operations, including the effect of adjusting for non-cash items. We paid pension contributions of $84.5 million in 2008 compared to $23.2 million in 2007.

Net cash used in investing activities was $98.7 million in 2009 compared to $459.7 million in 2008 and $833.8 million in 2007. In 2009, we paid $12.8 million, net of cash acquired, to acquire our joint venture investment in Korea, and invested $95.8 million in new facilities and equipment and $26.6 million in capitalized software. In 2009, we purchased an office building contiguous to our main facility in Irvine, California for approximately $20.7 million. We assumed a mortgage of $20.0 million and paid $0.7 million in cash. Additionally, we paid $3.3 million for an intangible asset as part of the settlement of a manufacturing and distribution agreement related to an eye care pharmaceuticals product. In 2009, we received $28.2 million from the sale of equity investments and $11.6 million related to contractual purchase price adjustments to our 2007 acquisitions of Cornéal and Esprit. We currently expect to invest between $170.0 million and $190.0 million in capital expenditures for manufacturing and administrative facilities, manufacturing equipment and other property, plant and equipment during 2010.

In 2008, we paid approximately $150.1 million primarily for the acquisition of assets related to *Aczone*®, and invested $190.8 million in new facilities and equipment and $56.3 million in capitalized software. In 2008, we purchased a manufacturing facility that was previously leased by us for approximately $23.0 million and an office building contiguous to our main facility in Irvine, California for approximately $15.3 million. Additionally, we capitalized $69.8 million as intangible assets including a buyout payment of contingent licensing obligations related to *Sanctura*® products and milestone payments related to expected annual *Restasis*® net sales and the FDA approval of *Latisse*® in the United States. In 2008, we collected a combined total of $6.1 million from the sale of assets that we acquired as a part of the Esprit acquisition and the 2007 sale of the ophthalmic surgical device business that we acquired as a part of the Cornéal acquisition.

Table of Contents

In 2007, we paid $683.7 million, net of cash acquired, for the acquisitions of Esprit, EndoArt and Cornéal, and invested $142.5 million in new facilities and equipment and $30.7 million in capitalized software. Additionally, we capitalized $10.0 million as intangible assets in connection with a milestone payment related to *Restasis*® and an upfront licensing payment related to urologics products incurred subsequent to the Esprit acquisition. In 2007, we received $23.9 million from the sale of the ophthalmic surgical device business and $9.2 million primarily from a final installment payment related to the 2006 sale of our Mougins, France facility.

Net cash used in financing activities was $181.5 million in 2009 compared to $262.8 million in 2008 and $182.4 million in 2007. In 2009, we repurchased 2.0 million shares of our common stock for $105.5 million, paid $98.3 million to repurchase $100.3 million principal amount of our 2026 Convertible Notes and paid $60.6 million in dividends. This use of cash was partially offset by $12.1 million in net borrowings of notes payable, $63.5 million received from the sale of stock to employees and $7.3 million in excess tax benefits from share-based compensation. In 2008, we repurchased 4.0 million shares of our common stock for $230.1 million, had net repayments of notes payable of $34.7 million and paid $60.7 million in dividends. This use of cash was partially offset by $51.6 million received from the sale of stock to employees and $11.1 million in excess tax benefits from share-based compensation. In 2007, we repurchased approximately 3.0 million shares of our common stock for $186.5 million, had net repayments of notes payable of $108.5 million and paid $60.8 million in dividends. This use of cash was partially offset by $137.4 million received from the sale of stock to employees and $36.0 million in excess tax benefits from share-based compensation.

Effective February 2, 2010, our board of directors declared a cash dividend of $0.05 per share, payable March 12, 2010 to stockholders of record on February 19, 2010.

We maintain an evergreen stock repurchase program. Our evergreen stock repurchase program authorizes us to repurchase our common stock for the primary purpose of funding our stock-based benefit plans. Under the stock repurchase program, we may maintain up to 18.4 million repurchased shares in our treasury account at any one time. At December 31, 2009, we held approximately 3.1 million treasury shares under this program. Effective January 1, 2010, our current Rule 10b5-1 plan authorizes our broker to purchase our common stock traded in the open market pursuant to our evergreen stock repurchase program. The terms of the plan set forth a maximum annual limit of 4.0 million shares to be repurchased, certain quarterly maximum and minimum volume limits, and the plan is cancellable at any time in our sole discretion and in accordance with applicable insider trading laws.

Our 2026 Convertible Notes pay interest semi-annually on the principal amount of the notes at a rate of 1.50% per annum and are convertible, at the holder s option, at an initial conversion rate of 15.7904 shares per $1,000 principal amount of notes. In certain circumstances the 2026 Convertible Notes may be convertible into cash in an amount equal to the lesser of their principal amount or their conversion value. If the conversion value of the 2026 Convertible Notes exceeds their principal amount at the time of conversion, we will also deliver common stock or, at our election, a combination of cash and common stock for the conversion value in excess of the principal amount. We are permitted to redeem the 2026 Convertible Notes from and after April 5, 2009 to April 4, 2011 if the closing price of our common stock reaches a specified threshold, and will be permitted to redeem the 2026 Convertible Notes at any time on or after April 5, 2011. Holders of the 2026 Convertible Notes will also be able to require us to redeem the 2026 Convertible Notes at the principal amount on April 1, 2011, April 1, 2016 and April 1, 2021 or upon a change in control of us. The 2026 Convertible Notes mature on April 1, 2026, unless previously redeemed by us or earlier converted by the note holders.

Our 5.75% Senior Notes due 2016, or 2016 Notes, were sold at 99.717% of par value with an effective interest rate of 5.79%, pay interest semi-annually at a rate of 5.75% per annum, and are redeemable at any time at our option, subject to a make-whole provision based on the present value of remaining interest payments at the time of the redemption. The aggregate outstanding principal amount of the 2016 Notes is due and payable on April 1, 2016, unless earlier redeemed by us.

Table of Contents

At December 31, 2009, we had a committed long-term credit facility, a commercial paper program, a medium-term note program, an unused shelf registration statement that allows us to issue additional securities, including debt securities, in one or more offerings from time to time, a real estate mortgage and various foreign bank facilities. Our committed long-term credit facility expires in May 2012. The termination date can be further extended from time to time upon our request and acceptance by the issuer of the facility for a period of one year from the last scheduled termination date for each request accepted. The committed long-term credit facility allows for borrowings of up to $800 million. The commercial paper program also provides for up to $600 million in borrowings. Borrowings under the committed long-term credit facility and medium-term note program are subject to certain financial and operating covenants that include, among other provisions, maximum leverage ratios. Certain covenants also limit subsidiary debt. We believe we were in compliance with these covenants at December 31, 2009. At December 31, 2009, we had no borrowings under our committed long-term credit facility, $25.0 million in borrowings outstanding under the medium-term note program, $20.0 million in borrowings outstanding under the real estate mortgage, $18.1 million in borrowings outstanding under various foreign bank facilities and no borrowings under the commercial paper program. Commercial paper, when outstanding, is issued at current short-term interest rates. Additionally, any future borrowings that are outstanding under the long-term credit facility will be subject to a floating interest rate. We may from time to time seek to retire or purchase our outstanding debt.

At December 31, 2009, we had net pension and postretirement benefit obligations totaling $137.4 million. Future funding requirements are subject to change depending on the actual return on net assets in our funded pension plans and changes in actuarial assumptions. In 2010, we expect to pay pension contributions of between $30.0 million and $40.0 million for our U.S. and non-U.S. pension plans and between $1.0 million and $2.0 million for our other postretirement plan.

On January 15, 2010, we completed the acquisition of Serica Technologies, Inc., a medical device company focused on the development of biodegradable silk-based scaffolds for use in tissue regeneration, including breast augmentation, revision and reconstruction and bariatric applications, for an aggregate purchase price of approximately $70.0 million.

A significant amount of our existing cash and equivalents are held by non-U.S. subsidiaries. We currently plan to use these funds in our operations outside the United States. Withholding and U.S. taxes have not been provided for unremitted earnings of certain non-U.S. subsidiaries because we have reinvested these earnings indefinitely in such operations. At December 31, 2009, we had approximately $2,184.5 million in unremitted earnings outside the United States for which withholding and U.S. taxes were not provided. Tax costs would be incurred if these funds were remitted to the United States.

We believe that the net cash provided by operating activities, supplemented as necessary with borrowings available under our existing credit facilities and existing cash and equivalents, will provide us with sufficient resources to meet our current expected obligations, working capital requirements, debt service and other cash needs over the next year.

Inflation

Although at reduced levels in recent years and at the end of 2009, inflation continues to apply upward pressure on the cost of goods and services that we use. The competitive and regulatory environments in many markets substantially limit our ability to fully recover these higher costs through increased selling prices. We continually seek to mitigate the adverse effects of inflation through cost containment and improved productivity and manufacturing processes.

Foreign Currency Fluctuations

Approximately 34.6% of our product net sales in 2009 were derived from operations outside the United States, and a portion of our international cost structure is denominated in currencies other than the U.S. dollar. As

Table of Contents

a result, we are subject to fluctuations in sales and earnings reported in U.S. dollars due to changing currency exchange rates. We routinely monitor our transaction exposure to currency rates and implement certain economic hedging strategies to limit such exposure, as we deem appropriate. The net impact of foreign currency fluctuations on our sales was a decrease of $106.4 million in 2009 and an increase of $49.5 million and $87.4 million in 2008 and 2007, respectively. The 2009 sales decrease included $37.8 million related to the euro, $20.9 million related to the UK pound, $11.0 million related to the Brazilian real, $10.6 million related to the Canadian dollar, $8.5 million related to the Mexican peso, $6.0 million related to the Australian dollar and $11.6 million related to other Latin American and Asian currencies. The 2008 sales increase included $49.0 million related to the euro, $8.0 million related to the Brazilian real, $1.2 million related to other Latin American currencies and $0.6 million related to the Canadian dollar, partially offset by decreases of $8.7 million related to the UK pound and $0.6 million related to Asian currencies. The 2007 sales increase included $44.5 million related to the euro, $11.7 million related to the Brazilian real, $8.3 million related to the Australian dollar, $8.2 million related to the Canadian dollar, $8.2 million related to the U.K. pound and $6.5 million related to other Asian and Latin American currencies. See Note 1, Summary of Significant Accounting Policies, in the notes to the consolidated financial statements listed under Item 15 of Part IV of this report, Exhibits and Financial Statement Schedules, for a description of our accounting policy on foreign currency translation.

Contractual Obligations and Commitments

The table below presents information about our contractual obligations and commitments at December 31, 2009:

	Payments Due by Period				
	Less than One Year	1-3 Years	3-5 Years	More than Five Years	Total
			(in millions)		
Notes payable, convertible notes and long-term debt obligations(a)	$ 18.1	$ 642.3	$	$ 818.6	$ 1,479.0
Operating lease obligations	51.3	61.2	29.0	36.7	178.2
Purchase obligations	215.2	130.0	121.4	13.8	480.4
Pension minimum funding(b)	34.9	63.3	55.8		154.0
Other long-term obligations		34.2		137.0	171.2
Total	$ 319.5	$ 931.0	$ 206.2	$ 1,006.1	$ 2,462.8

(a) Excludes the interest rate swap fair value adjustment of $30.4 million at December 31, 2009.

(b) For purposes of this table, we assume that we will be required to fund our U.S. and non-U.S. funded pension plans based on the minimum funding required by applicable regulations. In determining the minimum required funding, we utilize current actuarial assumptions and exchange rates to forecast estimates of amounts that may be payable for up to five years in the future. In management s judgment, minimum funding estimates beyond a five year time horizon cannot be reliably estimated. Where minimum funding as determined for each individual plan would not achieve a funded status to the level of local statutory requirements, additional discretionary funding may be provided from available cash resources.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

In the normal course of business, our operations are exposed to risks associated with fluctuations in interest rates and foreign currency exchange rates. We address these risks through controlled risk management that includes the use of derivative financial instruments to economically hedge or reduce these exposures. We do not enter into financial instruments for trading or speculative purposes. See Note 12, Financial Instruments, in the notes to the consolidated financial statements listed under Item 15 of Part IV of this report, Exhibits and Financial Statement Schedules, for activities relating to interest rate and foreign currency risk management.

87

Table of Contents

To ensure the adequacy and effectiveness of our interest rate and foreign exchange hedge positions, we continually monitor our interest rate swap positions and foreign exchange forward and option positions both on a stand-alone basis and in conjunction with our underlying interest rate and foreign currency exposures, from an accounting and economic perspective.

However, given the inherent limitations of forecasting and the anticipatory nature of the exposures intended to be hedged, we cannot assure you that such programs will offset more than a portion of the adverse financial impact resulting from unfavorable movements in either interest or foreign exchange rates. In addition, the timing of the accounting for recognition of gains and losses related to mark-to-market instruments for any given period may not coincide with the timing of gains and losses related to the underlying economic exposures and, therefore, may adversely affect our consolidated operating results and financial position.

Interest Rate Risk

Our interest income and expense is more sensitive to fluctuations in the general level of U.S. interest rates than to changes in rates in other markets. Changes in U.S. interest rates affect the interest earned on our cash and equivalents, interest expense on our debt as well as costs associated with foreign currency contracts.

On January 31, 2007, we entered into a nine-year, two-month interest rate swap with a $300.0 million notional amount with semi-annual settlements and quarterly interest rate reset dates. The swap receives interest at a fixed rate of 5.75% and pays interest at a variable interest rate equal to 3-month LIBOR plus 0.368%, and effectively converts $300.0 million of the $800.0 million aggregate principal amount of our 2016 Notes to a variable interest rate. Based on the structure of the hedging relationship, the hedge meets the criteria for using the short-cut method for a fair value hedge. The investment in the derivative and the related long-term debt are recorded at fair value. At December 31, 2009 and 2008, we recognized in our consolidated balance sheets an asset reported in Investments and other assets and a corresponding increase in Long-term debt associated with the fair value of the derivative of $30.4 million and $61.9 million, respectively. The differential to be paid or received as interest rates change is accrued and recognized as an adjustment of interest expense related to the 2016 Notes. During 2009, 2008 and 2007, we recognized $14.3 million, $7.9 million and $0.3 million, respectively, as a reduction of interest expense due to the differential to be received.

In February 2006, we entered into interest rate swap contracts based on 3-month LIBOR with an aggregate notional amount of $800.0 million, a swap period of 10 years and a starting swap rate of 5.198%. We entered into these swap contracts as a cash flow hedge to effectively fix the future interest rate for our 2016 Notes. In April 2006, we terminated the interest rate swap contracts and received approximately $13.0 million. The total gain is being amortized as a reduction to interest expense over a 10 year period to match the term of the 2016 Notes. As of December 31, 2009, the remaining unrecognized gain, net of tax, of $4.9 million is recorded as a component of accumulated other comprehensive loss.

At December 31, 2009, we had approximately $18.1 million of variable rate debt. If interest rates were to increase or decrease by 1% for the year, annual interest expense, including the effect of the $300.0 million notional amount of the interest rate swap entered into on January 31, 2007, would increase or decrease by approximately $3.2 million. Commercial paper, when outstanding, is issued at current short-term interest rates. Additionally, any future borrowings that are outstanding under the long-term credit facility will be subject to a floating interest rate. Therefore, higher interest costs could occur if interest rates increase in the future.

Table of Contents

The tables below present information about certain of our investment portfolio and our debt obligations at December 31, 2009 and 2008.

	December 31, 2009 Maturing in							
	2010	2011	2012	2013	2014	Thereafter	Total	Fair Market Value
	(in millions, except interest rates)							
ASSETS								
Cash Equivalents:								
Commercial Paper	$ 574.6	$	$	$	$	$	$ 574.6	$ 574.6
Weighted Average Interest Rate	0.16%						0.16%	
Foreign Time Deposits	156.9						156.9	156.9
Weighted Average Interest Rate	0.23%						0.23%	
Other Cash Equivalents	1,108.6						1,108.6	1,108.6
Weighted Average Interest Rate	0.31%						0.31%	
Total Cash Equivalents	$ 1,840.1	$	$	$	$	$	$ 1,840.1	$ 1,840.1
Weighted Average Interest Rate	0.26%						0.26%	
LIABILITIES								
Debt Obligations:								
Fixed Rate (US$)	$	$ 617.3	$ 25.0	$	$	$ 818.6	$ 1,460.9	$ 1,547.3
Weighted Average Interest Rate		5.59%	7.47%			5.78%	5.73%	
Other Variable Rate (non-US$)	18.1						18.1	18.1
Weighted Average Interest Rate	2.59%						2.59%	
Total Debt Obligations(a)	$ 18.1	$ 617.3	$ 25.0	$	$	$ 818.6	$ 1,479.0	$ 1,565.4
Weighted Average Interest Rate	2.59%	5.59%	7.47%			5.78%	5.69%	
INTEREST RATE DERIVATIVES								
Interest Rate Swaps:								
Fixed to Variable (US$)	$	$	$	$	$	$ 300.0	$ 300.0	$ 30.4
Average Pay Rate						0.62%	0.62%	
Average Receive Rate						5.75%	5.75%	

(a) Total debt obligations in the consolidated balance sheet at December 31, 2009 include debt obligations of $1,479.0 million and the interest rate swap fair value adjustment of $30.4 million.

	December 31, 2008 Maturing in							
	2009	2010	2011	2012	2013	Thereafter	Total	Fair Market Value
	(in millions, except interest rates)							
ASSETS								
Cash Equivalents:								
Commercial Paper	$ 414.1	$	$	$	$	$	$ 414.1	$ 414.1
Weighted Average Interest Rate	3.76%						3.76%	
Foreign Time Deposits	88.2						88.2	88.2
Weighted Average Interest Rate	1.65%						1.65%	
Other Cash Equivalents	506.9						506.9	506.9
Weighted Average Interest Rate	1.42%						1.42%	
Total Cash Equivalents	$ 1,009.2	$	$	$	$	$	$ 1,009.2	$ 1,009.2
Weighted Average Interest Rate	2.40%						2.40%	
LIABILITIES								
Debt Obligations:								
Fixed Rate (US$)	$	$	$ 685.2	$ 25.0	$	$ 798.4	$ 1,508.6	$ 1,511.9
Weighted Average Interest Rate			5.59%	7.47%		5.79%	5.73%	
Other Variable Rate (non-US$)	4.4						4.4	4.4
Weighted Average Interest Rate	3.14%						3.14%	
Total Debt Obligations(a)	$ 4.4	$	$ 685.2	$ 25.0	$	$ 798.4	$ 1,513.0	$ 1,516.3
Weighted Average Interest Rate	3.14%		5.59%	7.47%		5.79%	5.72%	

INTEREST RATE DERIVATIVES							
Interest Rate Swaps:							
Fixed to Variable (US$)	$	$	$	$	$ 300.0	$ 300.0	$ 61.9
Average Pay Rate					1.80%	1.80%	
Average Receive Rate					5.75%	5.75%	

(a) Total debt obligations in the consolidated balance sheet at December 31, 2008 include debt obligations of $1,513.0 million and the interest rate swap fair value adjustment of $61.9 million.

Table of Contents

Foreign Currency Risk

Overall, we are a net recipient of currencies other than the U.S. dollar and, as such, benefit from a weaker dollar and are adversely affected by a stronger dollar relative to major currencies worldwide. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar, may negatively affect our consolidated revenues or operating costs and expenses as expressed in U.S. dollars.

From time to time, we enter into foreign currency option and forward contracts to reduce earnings and cash flow volatility associated with foreign exchange rate changes to allow our management to focus its attention on our core business issues. Accordingly, we enter into various contracts which change in value as foreign exchange rates change to economically offset the effect of changes in the value of foreign currency assets and liabilities, commitments and anticipated foreign currency denominated sales and operating expenses. We enter into foreign currency option and forward contracts in amounts between minimum and maximum anticipated foreign exchange exposures, generally for periods not to exceed 18 months.

We use foreign currency option contracts, which provide for the sale or purchase of foreign currencies to offset foreign currency exposures expected to arise in the normal course of our business. While these instruments are subject to fluctuations in value, such fluctuations are anticipated to offset changes in the value of the underlying exposures.

All of our outstanding foreign currency option contracts are entered into to reduce the volatility of earnings generated in currencies other than the U.S. dollar, primarily earnings denominated in the Canadian dollar, Mexican peso, Australian dollar, Brazilian real, euro and Korean won. Current changes in the fair value of open foreign currency option contracts are recorded through earnings as Unrealized gain (loss) on derivative instruments, net while any realized gains (losses) on settled contracts are recorded through earnings as Other, net in the accompanying consolidated statements of earnings. The premium costs of purchased foreign exchange option contracts are recorded in Other current assets and amortized to Other, net over the life of the options.

All of our outstanding foreign exchange forward contracts are entered into to offset the change in value of certain intercompany receivables or payables that are subject to fluctuations in foreign currency exchange rates. The realized and unrealized gains and losses from foreign currency forward contracts and the revaluation of the foreign denominated intercompany receivables or payables are recorded through Other, net in the accompanying consolidated statements of earnings.

Table of Contents

The following table provides information about our foreign currency derivative financial instruments outstanding as of December 31, 2009 and 2008. The information is provided in U.S. dollars, as presented in our consolidated financial statements:

	December 31, 2009		December 31, 2008	
	Notional Amount (in millions)	Average Contract Rate or Strike Amount	Notional Amount (in millions)	Average Contract Rate or Strike Amount
Foreign currency forward contracts:				
(Receive U.S. dollar/pay foreign currency)				
Euro	$ 53.5	1.45	$ 67.9	1.36
Canadian dollar			12.9	1.24
Japanese yen	1.0	89.19	3.0	90.43
Australian dollar	11.7	0.90	17.3	0.67
New Zealand dollar	0.7	0.72	0.5	0.55
Swiss franc	19.8	1.04	10.6	1.16
	$ 86.7		$ 112.2	
Estimated fair value	$ 0.8		$ (3.6)	
Foreign currency forward contracts:				
(Pay U.S. dollar/receive foreign currency)				
Korean won	$ 4.3	1398.00	$ 12.8	1411.27
Euro	43.6	1.45	50.5	1.36
	$ 47.9		$ 63.3	
Estimated fair value	$ 0.2		$ 2.7	
Foreign currency sold put options:				
Canadian dollar	$ 59.1	1.05	$ 48.4	1.04
Mexican peso	16.7	13.40	5.7	14.17
Australian dollar	41.0	0.89	29.1	0.75
Brazilian real	29.7	1.85	21.6	2.10
Euro	138.7	1.49	99.6	1.45
Korean won	11.0	1172.94		
Japanese yen			12.1	90.76
	$ 296.2		$ 216.5	
Estimated fair value	$ 14.0		$ 24.3	

Item 8. ***Financial Statements and Supplementary Data***

The information required by this Item is incorporated herein by reference to the financial statements set forth in Item 15 of Part IV of this report, Exhibits and Financial Statement Schedules.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

91

Table of Contents

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, and that such information is accumulated and communicated to our management, including our Principal Executive Officer and our Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Our management, including our Principal Executive Officer and our Principal Financial Officer, does not expect that our disclosure controls or procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Also, we have investments in certain unconsolidated entities. As we do not control or manage these entities, our disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those we maintain with respect to our consolidated subsidiaries.

We carried out an evaluation, under the supervision and with the participation of our management, including our Principal Executive Officer and our Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2009, the end of the annual period covered by this report. The evaluation of our disclosure controls and procedures included a review of the disclosure controls and procedures objectives, design, implementation and the effect of the controls and procedures on the information generated for use in this report. In the course of our evaluation, we sought to identify data errors, control problems or acts of fraud and to confirm the appropriate corrective actions, including process improvements, were being undertaken.

Based on the foregoing, our Principal Executive Officer and our Principal Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective and were operating at the reasonable assurance level.

Further, management determined that, as of December 31, 2009, there were no changes in our internal control over financial reporting that occurred during the fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our management report on internal control over financial reporting and the report of our independent registered public accounting firm on our internal control over financial reporting are contained in Item 15 of Part IV of this report, Exhibits and Financial Statement Schedules.

Item 9B. ***Other Information***

None.

Table of Contents

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

For information required by this Item regarding our executive officers, see Item 1 of Part I of this report, Business.

The information to be included in the sections entitled Election of Directors and Corporate Governance in the Proxy Statement to be filed by us with the Securities and Exchange Commission no later than 120 days after the close of our fiscal year ended December 31, 2009 (the Proxy Statement) is incorporated herein by reference.

The information to be included in the section entitled Section 16(a) Beneficial Ownership Reporting Compliance in the Proxy Statement is incorporated herein by reference.

The information to be included in the section entitled Code of Business Conduct and Ethics in the Proxy Statement is incorporated herein by reference.

We have filed, as exhibits to this report, the certifications of our Principal Executive Officer and Principal Financial Officer required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

On May 26, 2009, we submitted to the New York Stock Exchange the Annual CEO Certification required pursuant to Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

Item 11. ***Executive Compensation***

The information to be included in the sections entitled Executive Compensation, Non-Employee Directors Compensation and Organization and Compensation Committee Report in the Proxy Statement is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information to be included in the section entitled Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters in the Proxy Statement is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information to be included in the sections entitled Certain Relationships and Related Person Transactions and Corporate Governance in the Proxy Statement is incorporated herein by reference.

Item 14. ***Principal Accounting Fees and Services***

The information to be included in the section entitled Independent Registered Public Accounting Firm s Fees in the Proxy Statement is incorporated herein by reference.

Table of Contents

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) 1. *Consolidated Financial Statements and Supplementary Data:*

The following financial statements are included herein under Item 8 of Part II of this report, Financial Statements and Supplementary Data :

(a) 2. *Financial Statement Schedules:*

All other schedules have been omitted for the reason that the required information is presented in the financial statements or notes thereto, the amounts involved are not significant or the schedules are not applicable.

Table of Contents

(a) 3. *Exhibits:*

EXHIBIT INDEX

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of Allergan, Inc., as filed with the State of Delaware on May 22, 1989 (incorporated by reference to Exhibit 3.1 to Allergan, Inc. s Registration Statement on Form S-1 No. 33-28855 filed on May 24, 1989)
3.2	Certificate of Amendment of Certificate of Incorporation of Allergan, Inc. (incorporated by reference to Exhibit 3 to Allergan, Inc. s Report on Form 10-Q for the Quarter ended June 30, 2000)
3.3	Certificate of Amendment of Restated Certificate of Incorporation of Allergan, Inc. (incorporated by reference to Exhibit 3.1 to Allergan, Inc. s Current Report on Form 8-K filed on September 20, 2006)
3.4	Allergan, Inc. Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to Allergan, Inc. s Current Report on Form 8-K filed on October 7, 2008)
4.1	Form of Stock Certificate for Allergan, Inc. Common Stock, par value $0.01 (incorporated by reference to Exhibit 4.2 to Allergan, Inc. s Annual Report on Form 10-K for the Fiscal Year ended December 31, 2008)
4.2	Indenture, dated as of April 12, 2006, between Allergan, Inc. and Wells Fargo Bank, National Association relating to the $750,000,000 1.50% Convertible Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to Allergan, Inc. s Current Report on Form 8-K filed on April 12, 2006)
4.3	Indenture, dated as of April 12, 2006, between Allergan, Inc. and Wells Fargo Bank, National Association relating to the $800,000,000 5.75% Senior Notes due 2016 (incorporated by reference to Exhibit 4.2 to Allergan, Inc. s Current Report on Form 8-K filed on April 12, 2006)
4.4	Form of 1.50% Convertible Senior Note due 2026 (incorporated by reference to (and included in) the Indenture dated as of April 12, 2006 between Allergan, Inc. and Wells Fargo Bank, National Association at Exhibit 4.1 to Allergan, Inc. s Current Report on Form 8-K filed on April 12, 2006)
4.5	Form of 5.75% Senior Note due 2016 (incorporated by reference to (and included in) the Indenture dated as of April 12, 2006 between Allergan, Inc. and Wells Fargo Bank, National Association at Exhibit 4.2 to Allergan, Inc. s Current Report on Form 8-K filed on April 12, 2006)
4.6	Registration Rights Agreement, dated as of April 12, 2006, among Allergan, Inc., Banc of America Securities LLC and Citigroup Global Markets Inc., as representatives of the Initial Purchasers named therein, relating to the $750,000,000 1.50% Convertible Senior Notes due 2026 (incorporated by reference to Exhibit 4.3 to Allergan, Inc. s Current Report on Form 8-K filed on April 12, 2006)
4.7	Registration Rights Agreement, dated as of April 12, 2006, between Allergan, Inc. and Morgan Stanley & Co. Incorporated, as representative of the Initial Purchasers named therein, relating to the $800,000,000 5.75% Senior Notes due 2016 (incorporated by reference to Exhibit 4.4 to Allergan, Inc. s Current Report on Form 8-K filed on April 12, 2006)
10.1	Form of Director and Executive Officer Indemnity Agreement (incorporated by reference to Exhibit 10.1 to Allergan, Inc. s Annual Report on Form 10-K for the Fiscal Year ended December 31, 2006)

Table of Contents

Exhibit No.	Description
10.2	Amended and Restated Form of Allergan, Inc. Change in Control Agreement (applicable to certain employees hired on or before December 4, 2006) (incorporated by reference to Exhibit 10.2 to Allergan, Inc. s Annual Report on Form 10-K for the Fiscal Year ended December 31, 2008)
10.3	Amended and Restated Form of Allergan, Inc. Change in Control Agreement (applicable to certain employees hired on or after December 4, 2006) (incorporated by reference to Exhibit 10.3 to Allergan, Inc. s Annual Report on Form 10-K for the Fiscal Year ended December 31, 2008)
10.4	Allergan, Inc. 2003 Nonemployee Director Equity Incentive Plan (incorporated by reference to Appendix A to Allergan, Inc. s Proxy Statement filed on March 14, 2003)
10.5	First Amendment to Allergan, Inc. 2003 Nonemployee Director Equity Incentive Plan (incorporated by reference to Appendix A to Allergan, Inc. s Proxy Statement filed on March 21, 2006)
10.6	Second Amendment to Allergan, Inc. 2003 Nonemployee Director Equity Incentive Plan (incorporated by reference to Exhibit 10.14 to Allergan, Inc. s Report on Form 10-Q for the Quarter ended March 30, 2007)
10.7	Amended Form of Restricted Stock Award Agreement under the Allergan, Inc. 2003 Nonemployee Director Equity Incentive Plan, as amended (incorporated by reference to Exhibit 10.15 to Allergan, Inc. s Report on Form 10-Q for the Quarter ended March 30, 2007)
10.8	Amended Form of Non-Qualified Stock Option Award Agreement under the Allergan, Inc. 2003 Nonemployee Director Equity Incentive Plan, as amended (incorporated by reference to Exhibit 10.16 to Allergan, Inc. s Report on Form 10-Q for the Quarter ended March 30, 2007)
10.9	Allergan, Inc. Deferred Directors Fee Program, amended and restated as of July 30, 2007 (incorporated by reference to Exhibit 10.4 to Allergan, Inc. s Report on Form 10-Q for the Quarter ended September 28, 2007)
10.10	Allergan, Inc. 1989 Incentive Compensation Plan (as amended and restated November 2000) (incorporated by reference to Exhibit 10.5 to Allergan, Inc. s Annual Report on Form 10-K for the Fiscal Year ended December 31, 2000)
10.11	First Amendment to Allergan, Inc. 1989 Incentive Compensation Plan (as amended and restated November 2000) (incorporated by reference to Exhibit 10.51 to Allergan, Inc. s Report on Form 10-Q for the Quarter ended September 26, 2003)
10.12	Second Amendment to Allergan, Inc. 1989 Incentive Compensation Plan (as amended and restated November 2000) (incorporated by reference to Exhibit 10.7 to Allergan, Inc. s Annual Report on Form 10-K for the Fiscal Year ended December 31, 2004)
10.13	Form of Certificate of Restricted Stock Award Terms and Conditions under the Allergan, Inc. 1989 Incentive Compensation Plan (as amended and restated November 2000) (incorporated by reference to Exhibit 10.8 to Allergan, Inc. s Annual Report on Form 10-K for the Fiscal Year ended December 31, 2004)
10.14	Allergan, Inc. Employee Stock Ownership Plan (Restated 2008) (incorporated by reference to Exhibit 10.15 to Allergan, Inc. s Annual Report on Form 10-K for the Fiscal Year ended December 31, 2008)

Table of Contents

Exhibit No.	Description
10.15	First Amendment to Allergan, Inc. Employee Stock Ownership Plan (Restated 2008) (incorporated by reference to Exhibit 10.16 to Allergan, Inc. s Report on Form 10-Q for the Quarter ended September 30, 2009)
10.16	Allergan, Inc. Savings and Investment Plan (Restated 2008) (incorporated by reference to Exhibit 10.16 to Allergan, Inc. s Annual Report on Form 10-K for the Fiscal Year ended December 31, 2008)
10.17	First Amendment to Allergan, Inc. Savings and Investment Plan (Restated 2008) (incorporated by reference to Exhibit 10.17 to Allergan, Inc. s Annual Report on Form 10-K for the Fiscal Year ended December 31, 2008)
10.18	Second Amendment to Allergan, Inc. Savings and Investment Plan (Restated 2008) (incorporated by reference to Exhibit 10.18 to Allergan, Inc. s Report on Form 10-Q for the Quarter ended June 30, 2009)
10.19	Third Amendment to Allergan, Inc. Savings and Investment Plan (Restated 2008) (incorporated by reference to Exhibit 10.20 to Allergan, Inc. s Report on Form 10-Q for the Quarter ended September 30, 2009)
10.20	Fourth Amendment to Allergan, Inc. Savings and Investment Plan (Restated 2008) (incorporated by reference to Exhibit 10.21 to Allergan, Inc. s Report on Form 10-Q for the Quarter ended September 30, 2009)
10.21	Allergan, Inc. Pension Plan (Restated 2008) (incorporated by reference to Exhibit 10.18 to Allergan, Inc. s Annual Report on Form 10-K for the Fiscal Year ended December 31, 2008)
10.22	First Amendment to Allergan, Inc. Pension Plan (Restated 2008) (incorporated by reference to Exhibit 10.23 to Allergan, Inc. s Report on Form 10-Q for the Quarter ended September 30, 2009)
10.23	Allergan, Inc. Supplemental Executive Benefit Plan and Supplemental Retirement Income Plan (Restated 2008) (incorporated by reference to Exhibit 10.19 to Allergan, Inc. s Annual Report on Form 10-K for the Fiscal Year ended December 31, 2008)
10.24	Allergan, Inc. 2006 Executive Bonus Plan (incorporated by reference to Appendix B to Allergan, Inc. s Proxy Statement filed on March 21, 2006)
10.25	Allergan, Inc. 2010 Executive Bonus Plan Performance Objectives
10.26	Allergan, Inc. 2010 Management Bonus Plan
10.27	Allergan, Inc. Executive Deferred Compensation Plan (2009 Restatement) (incorporated by reference to Exhibit 10.23 to Allergan, Inc. s Annual Report on Form 10-K for the Fiscal Year ended December 31, 2008)
10.28	Allergan, Inc. 2008 Incentive Award Plan (incorporated by reference to Appendix A to Allergan, Inc. s Proxy Statement filed on March 20, 2008)
10.29	Form of Non-Qualified Stock Option Grant Notice for Non-Employee Directors under the Allergan, Inc. 2008 Incentive Award Plan (incorporated by reference to Exhibit 10.4 to Allergan, Inc. s Current Report on Form 8-K filed on May 6, 2008)

Table of Contents

Exhibit No.	Description
10.30	Form of Non-Qualified Stock Option Grant Notice for Non-Employee Directors under the Allergan, Inc. 2008 Incentive Award Plan (as amended February 2010)
10.31	Form of Non-Qualified Stock Option Grant Notice for Employees under the Allergan, Inc. 2008 Incentive Award Plan (incorporated by reference to Exhibit 10.5 to Allergan, Inc. s Current Report on Form 8-K filed on May 6, 2008)
10.32	Form of Non-Qualified Stock Option Grant Notice for Employees under the Allergan, Inc. 2008 Incentive Award Plan (as amended February 2010)
10.33	Form of Restricted Stock Award Grant Notice for Non-Employee Directors under the Allergan, Inc. 2008 Incentive Award Plan (incorporated by reference to Exhibit 10.10 to Allergan, Inc. s Current Report on Form 8-K filed on May 6, 2008)
10.34	Form of Restricted Stock Award Grant Notice for Non-Employee Directors under the Allergan, Inc. 2008 Incentive Award Plan (as amended February 2010)
10.35	Form of Restricted Stock Award Grant Notice for Employees under the Allergan, Inc. 2008 Incentive Award Plan (incorporated by reference to Exhibit 10.11 to Allergan, Inc. s Current Report on Form 8-K filed on May 6, 2008)
10.36	Form of Restricted Stock Award Grant Notice for Employees under the Allergan, Inc. 2008 Incentive Award Plan (as amended February 2010)
10.37	Form of Restricted Stock Award Grant Notice for Employees (Management Bonus Plan) under the Allergan, Inc. 2008 Incentive Award Plan (incorporated by reference to Exhibit 10.12 to Allergan, Inc. s Current Report on Form 8-K filed on May 6, 2008)
10.38	Form of Restricted Stock Award Grant Notice for Employees (Management Bonus Plan) under the Allergan, Inc. 2008 Incentive Award Plan (as amended February 2010)
10.39	Distribution Agreement, dated as of March 4, 1994, among Allergan, Inc. and Merrill Lynch & Co. and J.P. Morgan Securities Inc. (incorporated by reference to Exhibit 10.14 to Allergan, Inc. s Annual Report on Form 10-K for the Fiscal Year ended December 31, 1993)
10.40	Amended and Restated Credit Agreement, dated as of March 31, 2006, among Allergan, Inc. as Borrower and Guarantor, the Banks listed therein, JPMorgan Chase Bank, as Administrative Agent, Citicorp USA Inc., as Syndication Agent and Bank of America, N.A., as Document Agent (incorporated by reference to Exhibit 10.1 to Allergan, Inc. s Current Report on Form 8-K filed on April 4, 2006)
10.41	First Amendment to Amended and Restated Credit Agreement, dated as of March 16, 2007, among Allergan, Inc., as Borrower and Guarantor, the Banks listed therein, JPMorgan Chase Bank, as Administrative Agent, Citicorp USA Inc., as Syndication Agent and Bank of America, N.A., as Document Agent (incorporated by reference to Exhibit 10.13 to Allergan, Inc. s Report on Form 10-Q for the Quarter ended March 30, 2007)
10.42	Second Amendment to Amended and Restated Credit Agreement, dated as of May 24, 2007, among Allergan, Inc., as Borrower and Guarantor, the Banks listed therein, JPMorgan Chase Bank, as Administrative Agent, Citicorp USA Inc., as Syndication Agent and Bank of America, N.A., as Document Agent (incorporated by reference to Exhibit 10.4 to Allergan, Inc. s Report on Form 10-Q for the Quarter ended June 29, 2007)

Table of Contents

Exhibit No.	Description
10.43	Purchase Agreement, dated as of April 6, 2006, among Allergan, Inc. and Banc of America Securities LLC, Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, as representatives of the initial purchasers named therein, relating to the $750,000,000 1.50% Convertible Senior Notes due 2026 (incorporated by reference to Exhibit 10.1 to Allergan, Inc. s Current Report on Form 8-K filed on April 12, 2006)
10.44	Purchase Agreement, dated as of April 6, 2006, among Allergan, Inc. and Banc of America Securities LLC, Citigroup Global Markets Inc., Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated, relating to the $800,000,000 5.75% Senior Notes due 2016 (incorporated by reference to Exhibit 10.2 to Allergan, Inc. s Current Report on Form 8-K filed on April 12, 2006)
10.45	Stock Sale and Purchase Agreement, dated as of October 31, 2006, among Allergan, Inc., Allergan Holdings France, SAS, Waldemar Kita, the European Pre-Floatation Fund II and the other minority stockholders of Groupe Cornéal Laboratoires and its subsidiaries (incorporated by reference to Exhibit 10.1 to Allergan, Inc. s Current Report on Form 8-K filed on November 2, 2006)
10.46	First Amendment to Stock Sale and Purchase Agreement, dated as of February 19, 2007, among Allergan, Inc., Allergan Holdings France, SAS, Waldemar Kita, the European Pre-Floatation Fund II and the other minority stockholders of Groupe Cornéal Laboratoires and its subsidiaries (incorporated by reference to Exhibit 10.3 to Allergan, Inc. s Report on Form 10-Q for the Quarter ended March 30, 2007)
10.47	Agreement and Plan of Merger, dated as of December 20, 2005, among Allergan, Inc., Banner Acquisition, Inc. and Inamed Corporation (incorporated by reference to Exhibit 99.2 to Allergan, Inc. s Current Report on Form 8-K filed on December 21, 2005)
10.48	Agreement and Plan of Merger, dated as of September 18, 2007, among Allergan, Inc., Esmeralde Acquisition, Inc., Esprit Pharma Holding Company, Inc. and the Escrow Participants Representative (incorporated by reference to Exhibit 2.1 to Allergan, Inc. s Current Report on Form 8-K/A filed on September 24, 2007)
10.49	Purchase Agreement, dated as of June 6, 2008, between Allergan Sales, LLC and QLT USA, Inc. (incorporated by reference to Exhibit 2.1 to Allergan, Inc. s Current Report on Form 8-K filed on June 9, 2008)
10.50	Contribution and Distribution Agreement, dated as of June 24, 2002, between Allergan, Inc. and Advanced Medical Optics, Inc. (incorporated by reference to Exhibit 10.35 to Allergan, Inc. s Report on Form 10-Q for the Quarter ended June 28, 2002)
10.51	Employee Matters Agreement, dated as of June 24, 2002, between Allergan, Inc. and Advanced Medical Optics, Inc. (incorporated by reference to Exhibit 10.37 to Allergan, Inc. s Report on Form 10-Q for the Quarter ended June 28, 2002)
10.52	Transfer Agent Services Agreement, dated as of October 7, 2005, between Allergan, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.57 to Allergan, Inc. s Report on Form 10-Q for the Quarter ended September 30, 2005)
10.53	*Botox*® China License Agreement, dated as of September 30, 2005, among Allergan, Inc., Allergan Sales, LLC and Glaxo Group Limited (incorporated by reference to Exhibit 10.51** to Allergan, Inc. s Report on Form 10-Q for the Quarter ended September 30, 2005)

Table of Contents

Exhibit No.	Description
10.54	*Botox*® Japan License Agreement, dated as of September 30, 2005, among Allergan, Inc., Allergan Sales, LLC and Glaxo Group Limited (incorporated by reference to Exhibit 10.52** to Allergan, Inc. s Report on Form 10-Q for the Quarter ended September 30, 2005)
10.55	Co-Promotion Agreement, dated as of September 30, 2005, among Allergan, Inc., Allergan Sales, LLC and SmithKline Beecham Corporation d/b/a GlaxoSmithKline (incorporated by reference to Exhibit 10.53** to Allergan, Inc. s Report on Form 10-Q for the Quarter ended September 30, 2005)
10.56	*Botox*® Global Strategic Support Agreement, dated as of September 30, 2005, among Allergan, Inc., Allergan Sales, LLC and Glaxo Group Limited (incorporated by reference to Exhibit 10.54** to Allergan, Inc. s Report on Form 10-Q for the Quarter ended September 30, 2005)
10.57	China *Botox*® Supply Agreement, dated as of September 30, 2005, between Allergan Pharmaceuticals Ireland and Glaxo Group Limited (incorporated by reference to Exhibit 10.55** to Allergan, Inc. s Report on Form 10-Q for the Quarter ended September 30, 2005)
10.58	Japan *Botox*® Supply Agreement, dated as of September 30, 2005, between Allergan Pharmaceuticals Ireland and Glaxo Group Limited (incorporated by reference to Exhibit 10.56** to Allergan, Inc. s Report on Form 10-Q for the Quarter ended September 30, 2005)
10.59	Amended and Restated License, Commercialization and Supply Agreement, dated as of September 18, 2007, between Esprit Pharma, Inc. and Indevus Pharmaceuticals, Inc. (incorporated by reference and included as Exhibit C*** to the Agreement and Plan of Merger, dated as of September 18, 2007, among Allergan, Inc., Esmeralde Acquisition, Inc., Esprit Pharma Holding Company, Inc. and the Escrow Participants Representative at Exhibit 2.1 to Allergan, Inc. s Current Report on Form 8-K/A filed on September 24, 2007)
10.60	First Amendment to Amended and Restated License, Commercialization and Supply Agreement, dated as of January 9, 2009, between Allergan USA, Inc. and Indevus Pharmaceuticals, Inc. (incorporated by reference to Exhibit 10.60 to Allergan, Inc. s Annual Report on Form 10-K for the Fiscal Year ended December 31, 2008)
10.61	License, Development, Supply and Distribution Agreement, dated as of October 28, 2008, among Allergan, Inc., Allergan Sales, LLC, Allergan USA, Inc. and Spectrum Pharmaceuticals, Inc.**** (incorporated by reference to Exhibit 10.61 to Allergan, Inc. s Annual Report on Form 10-K for the Fiscal Year ended December 31, 2008)
10.62	First Amendment to License, Development, Supply and Distribution Agreement, dated as of April 20, 2009, among Allergan, Inc., Allergan Sales, LLC, Allergan USA, Inc. and Spectrum Pharmaceuticals, Inc. (incorporated by reference to Exhibit 10.62 to Allergan, Inc. s Report on Form 10-Q for the Quarter ended March 31, 2009)
18	Preferability Letter from Independent Registered Public Accounting Firm (incorporated by reference to Exhibit 18 to Allergan, Inc. s Report on Form 10-Q for the Quarter ended June 30, 2009)
21	List of Subsidiaries of Allergan, Inc.
23.1	Consent of Independent Registered Public Accounting Firm

Table of Contents

Exhibit No.	Description
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
32	Certification of Principal Executive Officer and Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350
101	The following financial statements are from Allergan, Inc. s Annual Report on Form 10-K for the Fiscal Year ended December 31, 2009, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Earnings; (iii) Consolidated Statements of Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements, tagged as blocks of text.

** Confidential treatment was requested with respect to the omitted portions of this Exhibit, which portions have been filed separately with the Securities and Exchange Commission and which portions were granted confidential treatment on December 13, 2005

*** Confidential treatment was requested with respect to the omitted portions of this Exhibit, which portions have been filed separately with the Securities and Exchange Commission and which portions were granted confidential treatment on October 12, 2007

**** Confidential treatment has been requested with respect to the omitted portions of this Exhibit, which portions have been filed separately with the Securities and Exchange Commission and which portions were granted confidential treatment on March 12, 2009

All current directors and executive officers of Allergan, Inc. have entered into the Indemnity Agreement with Allergan, Inc.

Certain vice president level employees, including executive officers, of Allergan, Inc., hired on or before December 4, 2006, are eligible to be party to this Amended and Restated Allergan, Inc. Change in Control Agreement

Certain vice president level employees of Allergan, Inc., hired on or after December 4, 2006, are eligible to be party to this Amended and Restated Allergan, Inc. Change in Control Agreement

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALLERGAN, INC.

By /s/ DAVID E.I. PYOTT
David E.I. Pyott
Chairman of the Board and

Chief Executive Officer

Date: February 26, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Date: February 26, 2010	By	/s/ DAVID E.I. PYOTT David E.I. Pyott *Chairman of the Board and* *Chief Executive Officer*
Date: February 26, 2010	By	/s/ JEFFREY L. EDWARDS Jeffrey L. Edwards *Executive Vice President, Finance and Business Development, Chief Financial Officer* *(Principal Financial Officer)*
Date: February 24, 2010	By	/s/ JAMES F. BARLOW James F. Barlow *Senior Vice President, Corporate Controller* *(Principal Accounting Officer)*
Date: February 26, 2010	By	/s/ HERBERT W. BOYER Herbert W. Boyer, Ph.D., *Vice Chairman of the Board*
Date: February 26, 2010	By	/s/ DEBORAH DUNSIRE Deborah Dunsire, M.D., *Director*
Date: February 26, 2010	By	/s/ MICHAEL R. GALLAGHER Michael R. Gallagher, *Director*
Date: February 23, 2010	By	/s/ GAVIN S. HERBERT Gavin S. Herbert, *Director and Chairman Emeritus*

Date: February 24, 2010	By	/s/ Dawn Hudson
		Dawn Hudson, *Director*
Date: February 26, 2010	By	/s/ Robert A. Ingram
		Robert A. Ingram, *Director*
Date: February 19, 2010	By	/s/ Trevor M. Jones
		Trevor M. Jones, Ph.D., *Director*

Table of Contents

Date: February 26, 2010	By	/s/ Louis J. Lavigne, Jr. Louis J. Lavigne, Jr., *Director*
Date: February 26, 2010	By	/s/ Russell T. Ray Russell T. Ray, *Director*
Date: February 21, 2010	By	/s/ Stephen J. Ryan Stephen J. Ryan, M.D., *Director*
Date: February 26, 2010	By	/s/ Leonard D. Schaeffer Leonard D. Schaeffer, *Director*

Table of Contents

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended, refers to the process designed by, or under the supervision of, our Principal Executive Officer and Principal Financial Officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Allergan;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Allergan are being made only in accordance with authorizations of management and directors of Allergan; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Allergan s assets that could have a material effect on the financial statements.

Allergan s internal control over financial reporting has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report on internal control over financial reporting as of December 31, 2009. Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Management is responsible for establishing and maintaining adequate internal control over financial reporting for Allergan.

Management has used the framework set forth in the report entitled *Internal Control Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of Allergan s internal control over financial reporting. Management has concluded that Allergan s internal control over financial reporting was effective as of December 31, 2009, based on those criteria.

David E.I. Pyott

Chairman of the Board and

Chief Executive Officer

(Principal Executive Officer)

Jeffrey L. Edwards

Executive Vice President, Finance and

Business Development, Chief Financial Officer

(Principal Financial Officer)

February 24, 2010

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Allergan, Inc.

We have audited Allergan, Inc. s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Allergan, Inc. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Allergan, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Allergan, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of earnings, equity, and cash flows for each of the three years in the period ended December 31, 2009 of Allergan, Inc. and our report dated February 26, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Orange County, California

February 26, 2010

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Allergan, Inc.

We have audited the accompanying consolidated balance sheets of Allergan, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of earnings, equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule listed in the Index at Item 15(a)2. These financial statements and the financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Allergan, Inc. at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2009, the Company changed its method of accounting for convertible debt instruments that may be settled fully or partially in cash upon conversion with the adoption of the amendments to the FASB Accounting Standards Codification (ASC) Topic 470-20, *Debt with Conversions and Other Options*, and retroactively adjusted all periods presented in the consolidated financial statements for this change. Also, effective January 1, 2009, the Company changed its method of accounting and financial reporting for noncontrolling ownership interests in subsidiaries held by parties other than the parent with the adoption of FASB ASC Topic 810, *Consolidation*, and retroactively adjusted all periods presented in the consolidated financial statements for this change. In addition, as discussed in Note 10 to the consolidated financial statements, in the first quarter of 2008, the Company adopted the measurement date provision of FASB ASC Topic 715, *Retirement Benefits*, which resulted in the Company changing its measurement date for pension and other postretirement plans from September 30 to December 31.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Allergan, Inc. s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Orange County, California

February 26, 2010

Table of Contents

ALLERGAN, INC.

CONSOLIDATED BALANCE SHEETS

(in millions, except share data)

	As of December 31, 2009	2008
ASSETS		
Current assets:		
Cash and equivalents	$ 1,947.1	$ 1,110.4
Trade receivables, net	576.6	538.4
Inventories	213.9	262.5
Other current assets	368.7	359.3
Total current assets	3,106.3	2,270.6
Investments and other assets	266.7	272.1
Property, plant and equipment, net	808.1	775.4
Goodwill	1,998.3	1,981.8
Intangibles, net	1,357.2	1,491.9
Total assets	$ 7,536.6	$ 6,791.8
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable	$ 18.1	$ 4.4
Accounts payable	204.0	173.9
Accrued compensation	164.3	132.6
Other accrued expenses	382.7	336.7
Income taxes	42.5	49.4
Total current liabilities	811.6	697.0
Long-term debt	874.0	885.3
Long-term convertible notes	617.3	685.2
Deferred tax liabilities	1.4	69.0
Other liabilities	388.4	402.8
Commitments and contingencies		
Equity:		
Allergan, Inc. stockholders equity:		
Preferred stock, $.01 par value; authorized 5,000,000 shares; none issued		
Common stock, $.01 par value; authorized 500,000,000 shares; issued 307,512,000 shares as of December 31, 2009 and 2008	3.1	3.1
Additional paid-in capital	2,730.3	2,596.6
Accumulated other comprehensive loss	(102.8)	(198.7)
Retained earnings	2,356.7	1,842.1
	4,987.3	4,243.1
Less treasury stock, at cost (3,079,000 and 3,424,000 shares as of December 31, 2009 and 2008, respectively)	(164.5)	(192.4)

Total stockholders equity	4,822.8	4,050.7
Noncontrolling interest	21.1	1.8
Total equity	4,843.9	4,052.5
Total liabilities and equity	$ 7,536.6	$ 6,791.8

See accompanying notes to consolidated financial statements.

Table of Contents

ALLERGAN, INC.

CONSOLIDATED STATEMENTS OF EARNINGS

(in millions, except per share amounts)

	Year Ended December 31,		
	2009	2008	2007
Revenues:			
Product net sales	$ 4,447.6	$ 4,339.7	$ 3,879.0
Other revenues	56.0	63.7	59.9
Total revenues	4,503.6	4,403.4	3,938.9
Operating costs and expenses:			
Cost of sales (excludes amortization of acquired intangible assets)	750.9	761.2	673.2
Selling, general and administrative	1,921.5	1,856.1	1,680.2
Research and development	706.0	797.9	718.1
Amortization of acquired intangible assets	146.3	150.9	121.3
Restructuring charges	50.9	41.3	26.8
Operating income	928.0	796.0	719.3
Non-operating income (expense):			
Interest income	7.0	33.5	65.3
Interest expense	(76.9)	(85.5)	(94.6)
Unrealized (loss) gain on derivative instruments, net	(13.6)	14.8	(0.4)
Gain on investments, net	24.6		
Other, net	(20.6)	3.4	(25.2)
	(79.5)	(33.8)	(54.9)
Earnings from continuing operations before income taxes	848.5	762.2	664.4
Provision for income taxes	224.7	197.5	177.4
Earnings from continuing operations	623.8	564.7	487.0
Discontinued operations:			
Loss from discontinued operations, net of applicable income tax benefit of $0.4 million			(0.7)
Loss on sale of discontinued operations, net of applicable income tax benefit of $0.3 million			(1.0)
Discontinued operations			(1.7)
Net earnings	623.8	564.7	485.3
Net earnings attributable to noncontrolling interest	2.5	1.6	0.5
Net earnings attributable to Allergan, Inc.	$ 621.3	$ 563.1	$ 484.8
Basic earnings per share attributable to Allergan, Inc. stockholders:			
Continuing operations	$ 2.05	$ 1.85	$ 1.59
Discontinued operations			
Net basic earnings per share attributable to Allergan, Inc. stockholders	$ 2.05	$ 1.85	$ 1.59

Diluted earnings per share attributable to Allergan, Inc. stockholders:			
Continuing operations	$ 2.03	$ 1.84	$ 1.58
Discontinued operations			(0.01)
Net diluted earnings per share attributable to Allergan, Inc. stockholders	$ 2.03	$ 1.84	$ 1.57

See accompanying notes to consolidated financial statements.

Table of Contents

ALLERGAN, INC.

CONSOLIDATED STATEMENTS OF EQUITY

(in millions, except per share amounts)

	Common Stock		Additional Paid-In Capital	Stockholders Accumulated Other Comprehensive Loss	Equity Retained Earnings	Treasury Stock		Noncontrolling Interest	Total Equity	Comprehensive Income (Loss)
	Shares	Par Value				Shares	Amount			
Balance December 31, 2006	307.5	$ 3.1	$ 2,438.4	$ (127.4)	$ 1,055.7	(3.0)	$ (156.3)	$ 1.5	$ 3,215.0	
Comprehensive income										
Net earnings					484.8			0.5	485.3	$ 485.3
Other comprehensive income, net of tax:										
Pension and postretirement benefit plan adjustments:										
Net gain				38.5						38.5
Amortization				7.5						7.5
Foreign currency translation adjustments				46.9				0.2		47.1
Amortization of deferred holding gains on derivatives designated as cash flow hedges				(0.8)						(0.8)
Unrealized gain on investments				0.5						0.5
Other comprehensive income									92.8	92.8
Comprehensive income										$ 578.1
Dividends ($0.20 per share)					(61.2)				(61.2)	
Stock options exercised			36.0		(76.4)	3.9	213.9		173.5	
Activity under other stock plans					1.1	0.3	15.2		16.3	
Purchase of treasury stock						(3.0)	(186.5)		(186.5)	
Stock-based award activity			56.4		(0.7)	0.2	10.1		65.8	
Adjustment upon adoption of guidance for uncertainty in income taxes					(4.3)				(4.3)	
Dividends to noncontrolling interest								(0.7)	(0.7)	
Balance December 31, 2007	307.5	3.1	2,530.8	(34.8)	1,399.0	(1.6)	(103.6)	1.5	3,796.0	
Comprehensive income										
Net earnings					563.1			1.6	564.7	$ 564.7
Other comprehensive income, net of tax:										
Pension and postretirement benefit plan adjustments:										
Net losses				(125.8)						(125.8)
Amortization				3.9						3.9
Foreign currency translation adjustments				(39.1)				(0.4)		(39.5)
Amortization of deferred holding gains on derivatives designated as cash flow hedges				(0.8)						(0.8)
Unrealized loss on investments				(3.1)						(3.1)
Other comprehensive loss									(165.3)	(165.3)
Comprehensive income										$ 399.4
Adjustment, net of tax, upon adoption of the measurement date provision of guidance for				1.0	(4.6)				(3.6)	

pension and postretirement plans										
Dividends ($0.20 per share)					(61.0)				(61.0)	
Stock options exercised			11.1		(45.5)	1.5	97.4		63.0	
Activity under other stock plans					(6.1)	0.4	26.2		20.1	
Purchase of treasury stock						(4.0)	(230.1)		(230.1)	
Stock-based award activity			54.7		(2.8)	0.3	17.7		69.6	
Dividends to noncontrolling interest								(0.9)	(0.9)	
Balance December 31, 2008	307.5	3.1	2,596.6	(198.7)	1,842.1	(3.4)	(192.4)	1.8	4,052.5	
Comprehensive income										
Net earnings					621.3			2.5	623.8	$ 623.8
Other comprehensive income, net of tax:										
Pension and postretirement benefit plan adjustments:										
Net gain				49.9						49.9
Amortization				8.2						8.2
Foreign currency translation adjustments				37.2				1.7		38.9
Amortization of deferred holding gains on derivatives designated as cash flow hedges				(0.8)						(0.8)
Unrealized gain on investments				1.4						1.4
Other comprehensive income									97.6	97.6
Comprehensive income										$ 721.4
Dividends ($0.20 per share)					(60.9)				(60.9)	
Stock options exercised			7.3		(35.5)	2.2	101.0		72.8	
Activity under other stock plans					(2.6)	0.2	11.5		8.9	
Purchase of treasury stock						(2.0)	(105.5)		(105.5)	
Stock-based award activity			126.4		(7.7)	(0.1)	20.9		139.6	
Noncontrolling interest from an acquisition								16.7	16.7	
Dividends to noncontrolling interest								(1.6)	(1.6)	
Balance December 31, 2009	307.5	$ 3.1	$ 2,730.3	$ (102.8)	$ 2,356.7	(3.1)	$ (164.5)	$ 21.1	$ 4,843.9	

See accompanying notes to consolidated financial statements.

Table of Contents

ALLERGAN, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Year Ended December 31,		
	2009	**2008**	**2007**
Cash flows from operating activities:			
Net earnings	$ 623.8	$ 564.7	$ 485.3
Non-cash items included in net earnings:			
In-process research and development charge			72.0
Depreciation and amortization	262.1	264.4	215.5
Settlement of a pre-existing distribution agreement in a business combination			2.3
Amortization of original issue discount and debt issuance costs	27.5	29.4	28.5
Amortization of net realized gain on interest rate swap	(1.3)	(1.3)	(1.3)
Deferred income tax benefit	(112.8)	(101.0)	(91.0)
Loss on disposal and impairment of assets	3.8	11.5	4.3
Loss on extinguishment of convertible debt	5.3		
Loss on sale of discontinued operations			1.3
Unrealized loss (gain) on derivative instruments	13.6	(14.8)	0.4
Expense of share-based compensation plans	151.9	93.1	81.7
Restructuring charges	50.9	41.3	26.8
Gain on investments, net	(24.6)		
Changes in assets and liabilities:			
Trade receivables	(17.7)	(114.5)	(46.4)
Inventories	67.7	(48.0)	(22.6)
Other current assets	4.9	4.6	(20.7)
Other non-current assets	(20.3)	(2.9)	(34.3)
Accounts payable	22.5	(32.9)	51.8
Accrued expenses	16.2	14.0	32.7
Income taxes	(1.6)	35.3	(18.7)
Other liabilities	41.4	(60.4)	25.6
Net cash provided by operating activities	1,113.3	682.5	793.2
Cash flows from investing activities:			
Acquisitions, net of cash acquired	(12.8)	(150.1)	(683.7)
Additions to property, plant and equipment	(95.8)	(190.8)	(142.5)
Additions to capitalized software	(26.6)	(56.3)	(30.7)
Additions to intangible assets	(3.3)	(69.8)	(10.0)
Contractual purchase price adjustments to prior acquisitions	11.6		
Proceeds from sale of investments	28.2		
Proceeds from sale of business and assets		6.1	23.9
Proceeds from sale of property, plant and equipment		1.2	9.2
Net cash used in investing activities	(98.7)	(459.7)	(833.8)
Cash flows from financing activities:			
Net borrowings (repayments) of notes payable	12.1	(34.7)	(108.5)
Payments to acquire treasury stock	(105.5)	(230.1)	(186.5)
Dividends to stockholders	(60.6)	(60.7)	(60.8)
Repayments of convertible borrowings	(98.3)		
Sale of stock to employees	63.5	51.6	137.4
Excess tax benefits from share-based compensation	7.3	11.1	36.0
Net cash used in financing activities	(181.5)	(262.8)	(182.4)

Effect of exchange rates on cash and equivalents	3.6	(7.5)	11.5
Net increase (decrease) in cash and equivalents	836.7	(47.5)	(211.5)
Cash and equivalents at beginning of year	1,110.4	1,157.9	1,369.4
Cash and equivalents at end of year	$ 1,947.1	$ 1,110.4	$ 1,157.9
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest (net of amount capitalized)	$ 53.7	$ 60.7	$ 63.1
Income taxes, net of refunds	$ 332.6	$ 261.4	$ 238.0

In 2009, the Company acquired an office building contiguous to its main facility in Irvine, California for approximately $20.7 million. The Company assumed a mortgage of $20.0 million and paid $0.7 million in cash.

See accompanying notes to consolidated financial statements.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of Allergan, Inc. (Allergan or the Company) and all of its subsidiaries. All significant intercompany transactions and balances among the consolidated entities have been eliminated from the consolidated financial statements.

Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States and, as such, include amounts based on informed estimates and judgments of management. Actual results could differ materially from those estimates.

Foreign Currency Translation

The financial position and results of operations of the Company s foreign subsidiaries are generally determined using local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rate in effect at each year end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Adjustments arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive loss in equity. Net gains (losses) resulting from foreign currency transactions of approximately $(15.3) million, $2.9 million and $(25.0) million for the years ended December 31, 2009, 2008 and 2007, respectively, are included in Other, net in the Company s consolidated statements of earnings.

Cash and Equivalents

The Company considers cash in banks, repurchase agreements, commercial paper and deposits with financial institutions with maturities of three months or less when purchased and that can be liquidated without prior notice or penalty, to be cash and equivalents.

Investments

The Company has non-marketable equity investments in conjunction with its various collaboration arrangements. The non-marketable equity investments represent investments in start-up technology companies or partnerships that invest in start-up technology companies and are recorded at cost. The non-marketable equity investments are evaluated periodically for impairment. If it is determined that a decline of any investment is other than temporary, then the investment basis would be written down to fair value and the write-down would be included in earnings as a loss.

Inventories

Inventories are valued at the lower of cost or market (net realizable value). Cost is determined by the first-in, first-out method.

Long-Lived Assets

Property, plant and equipment are stated at cost. Additions, major renewals and improvements are capitalized, while maintenance and repairs are expensed. Upon disposition, the net book value of assets is relieved and resulting gains or losses are reflected in earnings. For financial reporting purposes, depreciation is generally provided on the straight-line method over the useful life of the related asset. The useful lives for

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

buildings, including building improvements, range from seven years to 40 years and, for machinery and equipment, three years to 15 years.

Leasehold improvements are amortized over the shorter of their economic lives or lease terms. Accelerated depreciation methods are generally used for income tax purposes.

All long-lived assets are reviewed for impairment in value when changes in circumstances dictate, based upon undiscounted future operating cash flows, and appropriate losses are recognized and reflected in current earnings, to the extent the carrying amount of an asset exceeds its estimated fair value determined by the use of appraisals, discounted cash flow analyses or comparable fair values of similar assets.

Goodwill and Intangible Assets

Goodwill represents the excess of acquisition cost over the fair value of the net assets of acquired businesses. Goodwill has an indefinite useful life and is not amortized, but instead tested for impairment annually. Intangible assets include developed technology, customer relationships, licensing agreements, trademarks, core technology and other rights, which are being amortized over their estimated useful lives ranging from three to 16 years.

In July 2009, the Company changed the timing of the annual impairment testing for goodwill from January 1 to October 1 of each year as a preferable method of accounting. Accordingly, the Company performed its annual impairment assessment of goodwill in both the first and fourth quarters of 2009. The Company decided to adopt this change in timing in order to assess the recorded values of goodwill for potential impairment at a time closer to its fiscal year end reporting date. The Company s management believes this change is preferable in reducing the potential risk that an undetected impairment indicator could occur in between the timing of the Company s annual impairment test and the preparation of its year end financial statements. This change has no effect on reported earnings for any current or prior periods.

Treasury Stock

Treasury stock is accounted for by the cost method. The Company maintains an evergreen stock repurchase program. The evergreen stock repurchase program authorizes management to repurchase the Company s common stock for the primary purpose of funding its stock-based benefit plans. Under the stock repurchase program, the Company may maintain up to 18.4 million repurchased shares in its treasury account at any one time. As of December 31, 2009 and 2008, the Company held approximately 3.1 million and 3.4 million treasury shares, respectively, under this program.

Revenue Recognition

The Company recognizes revenue from product sales when goods are shipped and title and risk of loss transfer to its customers. A portion of the Company s revenue is generated from consigned inventory of breast implants maintained at physician, hospital and clinic locations. These customers are contractually obligated to maintain a specific level of inventory and to notify the Company upon use. Revenue for consigned inventory is recognized at the time the Company is notified by the customer that the product has been used. Notification is usually through the replenishing of the inventory, and the Company periodically reviews consignment inventories to confirm the accuracy of customer reporting.

The Company generally offers cash discounts to customers for the early payment of receivables. Those discounts are recorded as a reduction of revenue and accounts receivable in the same period that the related sale is recorded. The amounts reserved for cash discounts were $3.3 million at December 31, 2009 and 2008,

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

respectively. The Company permits returns of product from most product lines by any class of customer if such product is returned in a timely manner, in good condition and from normal distribution channels. Return policies in certain international markets and for certain medical device products, primarily breast implants, provide for more stringent guidelines in accordance with the terms of contractual agreements with customers. Estimated allowances for sales returns are based upon the Company s historical patterns of product returns matched against sales, and management s evaluation of specific factors that may increase the risk of product returns. The amount of allowances for sales returns recognized in the Company s consolidated balance sheets at December 31, 2009 and 2008 were $41.5 million and $25.3 million, respectively, and are recorded in Other accrued expenses and Trade receivables, net in the Company s consolidated balance sheets. (See Note 5, Composition of Certain Financial Statement Captions.) Historical allowances for cash discounts and product returns have been consistent with the amounts reserved or accrued.

The Company participates in various managed care sales rebate and other incentive programs, the largest of which relates to Medicaid, Medicare and the Department of Veterans Affairs. Sales rebate and other incentive programs also include contractual volume rebate programs and chargebacks, which are contractual discounts given primarily to federal government agencies, health maintenance organizations, pharmacy benefits managers and group purchasing organizations. The Company also offers rebate and other incentive programs for its aesthetic products and certain therapeutic products, including *Botox*® Cosmetic, *Juvéderm*®, *Latisse*®, *Acuvail*® and *Restasis*®, and for certain skin care products. Sales rebates and incentive accruals reduce revenue in the same period that the related sale is recorded and are included in Other accrued expenses in the Company s consolidated balance sheets. (See Note 5, Composition of Certain Financial Statement Captions.) The amounts accrued for sales rebates and other incentive programs were $158.6 million and $102.0 million at December 31, 2009 and 2008, respectively.

The Company s procedures for estimating amounts accrued for sales rebates and other incentive programs at the end of any period are based on available quantitative data and are supplemented by management s judgment with respect to many factors including, but not limited to, current market dynamics, changes in contract terms, changes in sales trends, an evaluation of current laws and regulations and product pricing. Quantitatively, the Company uses historical sales, product utilization and rebate data and applies forecasting techniques in order to estimate the Company s liability amounts. Qualitatively, management s judgment is applied to these items to modify, if appropriate, the estimated liability amounts. Additionally, there is a significant time lag between the date the Company determines the estimated liability and when the Company actually pays the liability. Due to this time lag, the Company records adjustments to its estimated liabilities over several periods, which can result in a net increase to earnings or a net decrease to earnings in those periods.

The Company recognizes license fees, royalties and reimbursement income for services provided as other revenues based on the facts and circumstances of each contractual agreement. In general, the Company recognizes income upon the signing of a contractual agreement that grants rights to products or technology to a third party if the Company has no further obligation to provide products or services to the third party after entering into the contract. The Company defers income under contractual agreements when it has further obligations that indicate that a separate earnings process has not been completed.

Share-Based Compensation

The Company recognizes compensation expense for all share-based awards made to employees and directors. The fair value of share-based awards is estimated at the grant date using the Black-Scholes option-pricing model and the portion that is ultimately expected to vest is recognized as compensation cost over the requisite service period using the straight-line single option method. The fair value of modifications to share-based awards is generally estimated using a lattice model.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Advertising Expenses

Advertising expenses relating to production costs are expensed as incurred and the costs of television time, radio time and space in publications are expensed when the related advertising occurs. Advertising expenses were approximately $185.2 million, $126.0 million and $135.6 million in 2009, 2008 and 2007, respectively.

Income Taxes

The Company recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of the Company s assets and liabilities along with net operating loss and tax credit carryovers. The Company records a valuation allowance against its deferred tax assets to reduce the net carrying value to an amount that it believes is more likely than not to be realized. When the Company establishes or reduces the valuation allowance against its deferred tax assets, its provision for income taxes will increase or decrease, respectively, in the period such determination is made.

Valuation allowances against the Company s deferred tax assets were $4.6 million and $8.4 million at December 31, 2009 and December 31, 2008, respectively. Changes in the valuation allowances, when they are recognized in the provision for income taxes, are included as a component of the estimated annual effective tax rate.

The Company has not provided for withholding and U.S. taxes for the unremitted earnings of certain non-U.S. subsidiaries because it has currently reinvested these earnings indefinitely in these foreign operations. At December 31, 2009, the Company had approximately $2,184.5 million in unremitted earnings outside the United States for which withholding and U.S. taxes were not provided. Income tax expense would be incurred if these funds were remitted to the United States. It is not practicable to estimate the amount of the deferred tax liability on such unremitted earnings. Upon remittance, certain foreign countries impose withholding taxes that are then available, subject to certain limitations, for use as credits against the Company s U.S. tax liability, if any.

Purchase Price Allocation

The purchase price allocation for acquisitions requires extensive use of accounting estimates and judgments to allocate the purchase price to the identifiable tangible and intangible assets acquired, including in-process research and development, and liabilities assumed based on their respective fair values. Additionally, the Company must determine whether an acquired entity is considered to be a business or a set of net assets, because a portion of the purchase price can only be allocated to goodwill in a business combination.

On July 7, 2009, the Company acquired a 50.005% stockholder interest in a joint venture, Samil Allergan Ophthalmic Joint Venture Company (Samil), for approximately $12.8 million, net of cash acquired. On July 11, 2008, the Company acquired all assets relating to *Aczone*® (dapsone) gel 5% for approximately $150.0 million. On October 16, 2007, the Company acquired Esprit Pharma Holding Company, Inc. (Esprit) for an aggregate purchase price of approximately $370.8 million, net of cash acquired. On February 22, 2007, the Company acquired EndoArt SA (EndoArt) for an aggregate purchase price of approximately $97.1 million, net of cash acquired. On January 2, 2007, the Company acquired Groupe Cornéal Laboratoires (Cornéal) for an aggregate purchase price of approximately $209.2 million, net of cash acquired. The Company accounted for the acquisitions of Samil, Esprit, EndoArt and Cornéal as business combinations. The Company accounted for the *Aczone*® acquisition as a purchase of net assets and not as a business combination. The purchase prices for the acquisitions were allocated to tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition dates. The determination of estimated fair values requires significant

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

estimates and assumptions, including but not limited to, determining the timing and estimated costs to complete the in-process projects, projecting regulatory approvals, estimating future cash flows, and developing appropriate discount rates. The Company believes the estimated fair values assigned to the assets acquired and liabilities assumed are based on reasonable assumptions.

Comprehensive Income (Loss)

Comprehensive income (loss) encompasses all changes in equity other than those with stockholders and consists of net earnings (losses), foreign currency translation adjustments, certain pension and other postretirement benefit plan adjustments, unrealized gains or losses on marketable equity investments and unrealized and realized gains or losses on derivative instruments, if applicable. The Company does not recognize U.S. income taxes on foreign currency translation adjustments since it does not provide for such taxes on undistributed earnings of foreign subsidiaries.

Reclassifications and Retrospective Adoptions of Accounting Standards

Certain reclassifications of prior year amounts have been made to conform with the current year presentation.

All prior period information has been retrospectively adjusted to reflect the impact of the adoptions in the first quarter of 2009 of updates to Financial Accounting Standards Board (FASB) guidance related to the accounting for convertible debt instruments that may be settled fully or partially in cash upon conversion and the accounting and financial reporting of noncontrolling ownership interests in subsidiaries held by parties other than the parent.

Recently Adopted Accounting Standards

In June 2009, the FASB issued authoritative guidance that establishes the FASB Accounting Standards Codification as the single source of authoritative U.S. GAAP to be applied by nongovernmental entities and modifies the U.S. GAAP hierarchy to only two levels: authoritative and nonauthoritative. This guidance became effective for interim periods and fiscal years ending after September 15, 2009. The Company adopted the provisions of the guidance in the third quarter of 2009. The adoption did not have a material impact on the Company s consolidated financial statements.

In May 2009, the FASB issued authoritative guidance that establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This guidance became effective for interim periods and fiscal years ending after June 15, 2009. The Company adopted the provisions of the guidance in the second quarter of 2009. The adoption did not have a material impact on the Company s consolidated financial statements.

In April 2009, the FASB issued authoritative guidance that requires publicly traded companies to include in their interim financial reports certain disclosures about the carrying value and fair value of financial instruments previously required only in annual financial statements and to disclose changes in significant assumptions used to calculate the fair value of financial instruments. This guidance became effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for interim reporting periods ending after March 15, 2009. The Company adopted the provisions of the guidance in the first quarter of 2009. The adoption did not have a material impact on the Company s consolidated financial statements.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In December 2008, the FASB issued authoritative guidance that provides guidance on an employer s disclosures about plan assets of a defined benefit pension or other postretirement plan. This guidance requires an employer to disclose information about how investment allocation decisions are made, and to disclose separately for pension plans and other postretirement benefit plans the fair value of each major category of plan assets based on the nature and risks of assets as of each annual reporting date for which a statement of financial position is presented and information that enables users of financial statements to assess the inputs and valuation techniques used to develop fair value measurements of plan assets at the annual reporting date. The disclosures about plan assets are to be provided for fiscal years ending after December 15, 2009. Upon initial adoption, the provisions are not required for earlier periods that are presented for comparative purposes. The Company adopted the provisions of the guidance in the fourth quarter of 2009. The adoption did not have a material impact on the Company s consolidated financial statements.

In November 2008, the FASB issued authoritative guidance that clarifies how to account for acquired intangible assets subsequent to initial measurement in situations in which an entity does not intend to actively use the assets but intends to hold the asset to prevent others from obtaining access to the asset (a defensive intangible asset), except for intangible assets that are used in research and development activities. This guidance requires that a defensive intangible asset be accounted for as a separate unit of accounting and assigned a useful life that reflects the entity s consumption of the expected benefits related to that asset. This guidance became effective for intangible assets acquired on or after December 15, 2008. The Company adopted the provisions of the guidance in the first quarter of 2009. The adoption did not have a material impact on the Company s consolidated financial statements.

In June 2008, the FASB issued authoritative guidance that clarifies the criteria for determining whether certain financial instruments should be classified as derivative instruments or equity instruments. This guidance became effective for fiscal years beginning after December 15, 2008. The Company adopted the provisions of the guidance in the first quarter of 2009 and, as required, evaluated the equity component of its 1.50% Convertible Senior Notes due 2026 (2026 Convertible Notes). The Company determined that the conversion feature of its 2026 Convertible Notes is indexed to its own stock and is therefore classified as an equity instrument.

In May 2008, the FASB issued authoritative guidance that clarifies the accounting for convertible debt instruments that may be settled fully or partially in cash upon conversion. This guidance requires entities to separately measure and account for the liability and equity components of qualifying convertible debt and amortize the value of the equity component to interest cost over the estimated life of the convertible debt instrument. By amortizing the value of the equity component, an entity will effectively recognize interest cost at its non-convertible debt borrowing rate. This guidance also requires re-measurement of the liability and equity components upon extinguishment of a convertible debt instrument, which may result in a gain or loss recognized in the financial statements for the extinguishment of the liability component. This guidance requires retrospective application for all instruments that were outstanding during any periods presented, and became effective for fiscal years beginning after December 15, 2008. The Company adopted the provisions of the guidance on January 1, 2009 and the adoption impacted both current year and historical accounting for its 2026 Convertible Notes, resulting in an increase of $24.5 million in interest expense and a reduction of $9.3 million in the provision for income taxes for 2009, an increase of $24.9 million in interest expense and $0.1 million in selling, general and administrative expenses and a reduction of $9.5 million in the provision for income taxes for 2008, and an increase of $23.2 million in interest expense and $0.1 million in selling, general and administrative expenses and a reduction of $8.8 million in the provision for income taxes for 2007. The adoption also resulted in an $80.4 million increase in additional paid-in capital, a $64.8 million reduction in long-term convertible notes, a $24.9 million increase in deferred tax liabilities, a $0.5 million increase in non-current assets and a $40.0 million decrease in retained earnings as of January 1, 2009. The impact on basic and diluted earnings per share for 2009, 2008 and 2007 is a reduction of $0.05, respectively.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In April 2008, the FASB issued authoritative guidance that amends the guidance for estimating the useful lives of recognized intangible assets and requires additional disclosure related to renewing or extending the useful lives of recognized intangible assets. This guidance became effective for fiscal years and interim periods beginning after December 15, 2008. The Company adopted the provisions of the guidance in the first quarter of 2009. The adoption did not have a material impact on the Company s consolidated financial statements.

In March 2008, the FASB issued authoritative guidance that requires entities to disclose: (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. This guidance became effective for fiscal years and interim periods beginning after November 15, 2008. The Company adopted the provisions of the guidance in the first quarter of 2009. The adoption did not have a material impact on the Company s consolidated financial statements.

In December 2007, the FASB issued authoritative guidance that significantly changes the accounting and reporting requirements for business combination transactions, including capitalization of in-process research and development assets and expensing acquisition costs as incurred. This guidance became effective for business combination transactions occurring in fiscal years beginning after December 15, 2008. The Company adopted the provisions of the guidance in the first quarter of 2009. The adoption did not have a material impact on the Company s consolidated financial statements.

In December 2007, the FASB issued authoritative guidance that changes the accounting and financial reporting of noncontrolling ownership interests in subsidiaries held by parties other than the parent, and the allocation of net income attributable to the parent and the noncontrolling interest. This guidance also establishes disclosure requirements to separately identify the interests of the parent and the interests of the noncontrolling owners. This guidance became effective for fiscal years beginning after December 15, 2008. The Company adopted the provisions of the guidance in the first quarter of 2009. The adoption changed the presentation format of the Company s consolidated statements of earnings and equity and consolidated balance sheets, but did not have an impact on net earnings or equity attributable to the Company s stockholders.

In December 2007, the FASB issued authoritative guidance that defines collaborative arrangements and requires that transactions with third parties that do not participate in the arrangement be reported in the appropriate income statement line items pursuant to existing authoritative accounting literature. Income statement classification of payments made between participants of a collaborative arrangement are to be based on other applicable authoritative accounting literature. If the payments are not within the scope or analogy of other authoritative accounting literature, a reasonable, rational and consistent accounting policy is to be elected. This guidance became effective for fiscal years beginning after December 15, 2008 and was applied as a change in accounting principle to all prior periods retrospectively for all collaborative arrangements existing as of the effective date. The Company adopted the provisions of the guidance in the first quarter of 2009. The adoption did not have a material impact on the Company s consolidated financial statements.

New Accounting Standards Not Yet Adopted

In October 2009, the FASB issued an accounting standards update that requires an entity to allocate arrangement consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices, eliminates the use of the residual method of allocation, and requires the relative-selling-price method in all circumstances in which an entity recognizes revenue of an arrangement with multiple deliverables. This guidance will be effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, which will be the Company s fiscal year 2011, with earlier application permitted. The Company has not yet evaluated the potential impact of adopting this guidance on the Company s consolidated financial statements.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In June 2009, the FASB issued authoritative guidance that requires an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has both the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance, and the obligation to absorb losses or the right to receive benefits of the entity that could potentially be significant to the variable interest entity. This guidance also requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and eliminates the quantitative approach previously required for determining the primary beneficiary. This guidance will be effective for fiscal years beginning after November 15, 2009, which will be the Company s fiscal year 2010. The Company does not expect that the adoption of the guidance will have a material impact on the Company s consolidated financial statements.

Note 2: Acquisitions

Samil Acquisition

On July 7, 2009, the Company and Samil Pharmaceutical Co. Ltd. entered into a joint venture, Samil Allergan Ophthalmic Joint Venture Company (Samil) in Korea by integrating the Samil Eyecare division with the Company s Korean ophthalmology products. In addition, the Company paid approximately $16.7 million ($12.8 million, net of cash acquired) to Samil Pharmaceutical Co. Ltd. to acquire the Company s joint venture investment and received a 50.005% stockholder interest (50% plus one share) in the joint venture. The acquisition was funded from cash and equivalents balances. The Company accounted for the Samil acquisition as a business combination.

In connection with the Samil acquisition, the Company acquired assets with a fair value of $41.4 million, including goodwill of $23.0 million, intangible assets of $5.1 million, cash of $3.9 million and other assets of $9.4 million, and assumed liabilities of $8.1 million. The Company believes the fair values assigned to the assets acquired and liabilities assumed were based on reasonable assumptions.

Aczone® Asset Purchase

On July 11, 2008, the Company completed the acquisition of assets related to *Aczone®* (dapsone) gel 5%, a topical treatment for acne vulgaris, from QLT USA, Inc. (QLT) for approximately $150.0 million. The acquisition was funded from cash and equivalents balances. The Company acquired QLT s right, title and interest in and to the intellectual property, assigned contracts, registrations and inventories related to *Aczone®*, which is approved for sale in both the United States and Canada for the treatment of certain dermatological conditions. The Company accounted for the acquisition as a purchase of net assets.

The Company determined that the assets acquired consist of product rights for developed technology for *Aczone®* of $145.6 million and inventories of $4.4 million. The useful life of the developed technology was determined to be approximately eight years. The Company believes the fair values assigned to the assets acquired were based on reasonable assumptions.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Esprit Acquisition

On October 16, 2007, the Company completed the acquisition of Esprit, a pharmaceutical company based in the United States with expertise in the genitourinary market, for an aggregate purchase price of approximately $370.8 million, net of cash acquired. The acquisition was funded from cash and equivalents balances. Prior to and in anticipation of the acquisition, the Company loaned Esprit $74.8 million in August 2007, the proceeds of which were used by Esprit to fund a milestone payment to a third party and to repay certain outstanding obligations to third-party lenders. The loan was secured by all of Esprit s assets. The loan terms were at fair value. The loan and accrued interest of $0.9 million were effectively settled upon the acquisition with no resulting gain or loss. The Company accounted for the Esprit acquisition as a business combination. In connection with the Esprit acquisition, the Company acquired assets with a fair value of $525.4 million and assumed liabilities of $154.6 million. The Esprit acquisition provides the Company with a dedicated urologics product line within its specialty pharmaceuticals segment. During 2009, the Company received $2.4 million related to a contractual purchase price adjustment, $2.3 million of which was recorded as a reduction to goodwill.

EndoArt SA Acquisition

On February 22, 2007, the Company completed the acquisition of EndoArt, a provider of telemetrically-controlled (or remote-controlled) implants used in the treatment of morbid obesity and other conditions, for an aggregate purchase price of approximately $97.1 million, net of cash acquired. The acquisition consideration was all cash, funded from the Company s cash and equivalents balances. The Company accounted for the EndoArt acquisition as a business combination. In connection with the EndoArt acquisition, the Company acquired assets with a fair value of $98.5 million and assumed liabilities of $1.4 million.

In conjunction with the EndoArt acquisition, the Company recorded an in-process research and development expense of $72.0 million related to EndoArt s *EasyBand*® Remote Adjustable Gastric Banding System in the United States, which had not received approval by the U.S. Food and Drug Administration (FDA) as of the EndoArt acquisition date and had no alternative future use.

Cornéal Acquisition

On January 2, 2007, the Company completed the acquisition of Cornéal, a health care company that develops, manufactures and markets dermal fillers, for an aggregate purchase price of approximately $209.2 million, net of $2.3 million associated with the settlement of a pre-existing unfavorable distribution agreement. The Company recorded the $2.3 million charge at the acquisition date to effectively settle the pre-existing unfavorable distribution agreement between Cornéal and one of the Company s subsidiaries, primarily related to distribution rights for *Juvéderm*® in the United States. Prior to the acquisition, the Company also had a $4.4 million payable to Cornéal outstanding for products purchased under the distribution agreement, which was effectively settled upon the acquisition. The Company accounted for the Cornéal acquisition as a business combination. In connection with the Cornéal acquisition, the Company acquired assets with a fair value of $284.8 million and assumed liabilities of $75.6 million. As a result of the acquisition, the Company obtained the technology, manufacturing process and worldwide distribution rights for *Juvéderm*®, *Surgiderm*® and certain other hyaluronic acid-based dermal fillers. The acquisition was funded from the Company s cash and equivalents balances and its committed long-term credit facility. During 2009, the Company received $9.2 million related to a contractual purchase price adjustment which was recorded as a reduction to goodwill.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pro Forma Results of Operations

The following unaudited *pro forma* operating results for the year ended December 31, 2007 assume the Esprit acquisition had occurred on January 1, 2007, and exclude any *pro forma* charges for inventory fair value adjustments, share-based compensation expense and transaction costs.

	2007 (in millions, except per share amounts)
Product net sales	$ 3,911.9
Total revenues	$ 3,971.8
Earnings from continuing operations attributable to Allergan, Inc.	$ 447.0
Earnings per share from continuing operations attributable to Allergan, Inc. stockholders:	
Basic	$ 1.47
Diluted	$ 1.45

The *pro forma* information is not necessarily indicative of the actual results that would have been achieved had the Esprit acquisition occurred on the indicated date, or the results that may be achieved in the future.

The Company does not consider the acquisitions of Samil, EndoArt or Cornéal to be material business combinations, either individually or in the aggregate. Accordingly, the supplemental *pro forma* operating results presented above do not include any adjustments related to these three acquisitions.

Note 3: Discontinued Operations

On July 2, 2007, the Company completed the sale of the ophthalmic surgical device business that it acquired as a part of the Cornéal acquisition in January 2007, for $28.6 million. The net assets of the disposed business consisted of current assets of $24.3 million, non-current assets of $9.8 million and current liabilities of $4.2 million. The Company recorded a pre-tax loss of $1.3 million ($1.0 million net of tax) associated with the sale.

The following amounts related to the ophthalmic surgical device business have been segregated from continuing operations and reported as discontinued operations through the date of disposition. The Company did not account for its ophthalmic surgical device business as a separate legal entity. Therefore, the following selected financial data for the Company s discontinued operations is presented for informational purposes only and does not necessarily reflect what the net sales or earnings would have been had the business operated as a stand-alone entity. The financial information for the Company s discontinued operations includes allocations of certain expenses to the ophthalmic surgical device business. These amounts have been allocated to the Company s discontinued operations on the basis that is considered by management to reflect most fairly or reasonably the utilization of the services provided to, or the benefit obtained by, the ophthalmic surgical device business.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table sets forth selected financial data of the Company s discontinued operations for 2007.

Selected Financial Data for Discontinued Operations

	(in millions)
Product net sales	$ 20.0
Loss from discontinued operations before income taxes	$ (1.1)
Loss from discontinued operations	$ (0.7)

Note 4: Restructuring Charges and Integration Costs

2009 Restructuring Plan

On February 4, 2009, the Company announced a restructuring plan that involved a workforce reduction of approximately 460 employees, primarily in the United States and Europe. The majority of the employees affected by the restructuring plan were U.S. urology sales and marketing personnel as a result of the Company s decision to focus on the urology specialty and to seek a partner to promote *Sanctura XR*® to general practitioners, and marketing personnel in the United States and Europe as the Company adjusted its back-office structures to a reduced short-term sales outlook for some businesses. The restructuring plan also included modest workforce reductions in other functions as the Company re-engineered its processes to increase efficiency and productivity.

As part of the restructuring plan, the Company modified the outstanding stock options issued in its February 2008 full-round employee stock option grant. The stock options were originally granted with an exercise price of $64.47 with a standard four year graded vesting term, a ten year contractual term, and standard 90 day expiration upon termination of employment provisions. These options were modified to be immediately vested in full and to remove the 90 day expiration upon termination of employment provision. Because the modified awards became fully vested and there was no future derived service period, all unamortized compensation expense related to the original grant and the additional compensation expense attributable to the modification of the awards was recognized in full on the modification date.

In addition, the contractual provisions of outstanding stock options, other than the February 2008 full-round employee stock option grant, held by employees impacted by the workforce reduction were modified to extend the stock option expiration dates. Under the original contractual provisions, outstanding stock options held by employees involved in a workforce reduction automatically become fully vested upon termination of employment and the stock options expire after the earlier of 90 days from termination of employment or the remaining stock option contractual term. Under the modified terms, stock options for the impacted employees will expire after the earlier of three years from termination of employment or the remaining contractual term. All unamortized compensation expense related to the original stock option awards plus the incremental compensation expense associated with the modifications will be recognized ratably from the modification date to the employees expected termination date. The fair value of the modifications to all share-based awards was generally estimated using a lattice model. The total incremental pre-tax compensation expense associated with the modifications attributable to the 2009 restructuring plan was $11.0 million.

The Company began to record costs associated with the 2009 restructuring plan in the first quarter of 2009 and substantially completed all activities related to the restructuring plan in the second quarter of 2009. The restructuring charges primarily consist of employee severance and other one-time termination benefits. During 2009, the Company recorded pre-tax restructuring charges of $42.2 million and recognized a total of $78.6 million related to employee stock option modifications, consisting of $5.0 million of cost of sales, $52.6 million

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

in selling, general and administrative (SG&A) expenses and $21.0 million in research and development (R&D) expenses, and recognized $2.3 million of asset write-offs and accelerated depreciation costs in SG&A expenses.

The following table presents the restructuring charges related to the 2009 restructuring plan during 2009:

	Employee Severance	Other	Total
		(in millions)	
Net charge during 2009	$ 32.6	$ 9.6	$ 42.2
Spending	(26.6)	(7.8)	(34.4)
Balance at December 31, 2009 (included in Other accrued expenses)	$ 6.0	$ 1.8	$ 7.8

Restructuring and Phased Closure of Arklow Facility

On January 30, 2008, the Company announced the phased closure of its breast implant manufacturing facility at Arklow, Ireland and the transfer of production to the Company s manufacturing plant in Costa Rica. The Arklow facility was acquired by the Company in connection with its 2006 acquisition of Inamed Corporation (Inamed) and employed approximately 360 people. As of March 31, 2009, all production activities at the Arklow facility had ceased. Certain employee retention termination benefits and accelerated depreciation costs related to inventory production in Arklow were capitalized to inventory as incurred and recognized as cost of sales in the periods the related products were sold.

The Company began to record costs associated with the closure of the Arklow manufacturing facility in the first quarter of 2008 and substantially completed all activities related to the restructuring and phased closure of the Arklow facility in the third quarter of 2009. As of December 31, 2009, the Company has recorded cumulative pre-tax restructuring charges of $35.6 million, cumulative costs for the rollout of capitalized employee termination benefits and accelerated depreciation costs related to inventory production of $23.2 million and cumulative costs related to one-time termination benefits and asset impairments of $1.3 million. The restructuring charges primarily consist of employee severance, one-time termination benefits, contract termination costs and other costs related to the closure of the Arklow manufacturing facility. During 2009 and 2008, the Company recorded $8.4 million and $27.2 million of pre-tax restructuring charges, respectively. During 2009, the Company recognized $14.4 million of cost of sales for the rollout of capitalized employee retention termination benefits and accelerated depreciation costs related to inventory production and $0.1 million of R&D expenses related to one-time termination benefits. During 2008, the Company recognized $8.8 million of cost of sales for the rollout of capitalized employee retention termination benefits and accelerated depreciation costs related to inventory production, $0.9 million of SG&A expenses and $0.3 million of R&D expenses related to one-time termination benefits and asset impairments.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents the restructuring activities related to the phased closure of the Arklow facility through December 31, 2009:

	Employee Severance	Contract Termination Costs	Other	Total
		(in millions)		
Net charge during 2008	$ 20.5	$ 5.6	$ 1.1	$ 27.2
Spending	(7.2)	(0.5)	(1.0)	(8.7)
Foreign exchange translation effects	(1.8)	(0.6)		(2.4)
Balance at December 31, 2008	11.5	4.5	0.1	16.1
Net charge during 2009	3.4	4.1	0.9	8.4
Spending	(13.9)	(5.2)	(0.5)	(19.6)
Foreign exchange translation effects	(0.7)	0.1	0.1	(0.5)
Balance at December 31, 2009 (included in Other accrued expenses)	$ 0.3	$ 3.5	$ 0.6	$ 4.4

Other Restructuring Activities and Integration Costs

Included in 2009 are a $0.3 million restructuring charge reversal related to the Company s closure of its collagen manufacturing facility in Fremont, California, which was substantially completed in the fourth quarter of 2008, and $0.6 million of restructuring charges for an abandoned leased facility related to the Company s fiscal year 2005 restructuring and streamlining of its European operations.

Included in 2008 are $3.4 million of restructuring charges related to the Company s closure of its collagen manufacturing facility in Fremont, California, $4.0 million of restructuring charges for an abandoned leased facility related to the Company s fiscal year 2005 restructuring and streamlining of its European operations, $6.6 million of restructuring charges related to the Company s 2007 acquisition of Cornéal and $0.1 million of restructuring charges related to the Company s 2007 acquisition of EndoArt SA.

Included in 2007 are $7.5 million of restructuring charges related to the Company s 2006 acquisition of Inamed, $1.7 million of restructuring charges related to the Company s closure of its collagen manufacturing facility in Fremont, California, $1.0 million of restructuring charges for an abandoned leased facility related to the Company s fiscal year 2005 restructuring and streamlining of its European operations and $16.6 million of restructuring charges related to the Company s 2007 acquisition of Cornéal.

Included in 2009 are $0.4 million of SG&A expenses related to transaction costs associated with the Samil acquisition and $0.4 million of SG&A expenses related to integration costs associated with the Cornéal acquisition. Included in 2008 are $0.1 million of cost of sales and $2.1 million of SG&A expenses related to integration costs associated with the acquisitions of Esprit and Cornéal. Included in 2007 are $0.2 million of cost of sales and $14.5 million of SG&A expenses related to integration costs associated with the acquisitions of Esprit, Cornéal, EndoArt and Inamed.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5: Composition of Certain Financial Statement Captions

	December 31, 2009	2008
	(in millions)	
Trade receivables, net		
Trade receivables	$ 627.6	$ 587.6
Less allowance for sales returns medical device products	20.7	17.8
Less allowance for doubtful accounts	30.3	31.4
	$ 576.6	$ 538.4
Inventories		
Finished products	$ 137.9	$ 174.9
Work in process	34.9	36.8
Raw materials	41.1	50.8
	$ 213.9	$ 262.5
Other current assets		
Prepaid expenses	$ 71.2	$ 80.2
Deferred taxes	252.9	238.2
Other	44.6	40.9
	$ 368.7	$ 359.3
Investments and other assets		
Deferred executive compensation investments	$ 56.2	$ 48.4
Capitalized software	87.3	85.8
Prepaid pensions	24.6	0.9
Prepaid royalties	10.0	20.0
Interest rate swap fair value	30.4	61.9
Debt issuance costs	7.5	10.9
Equity investments	5.1	5.9
Other	45.6	38.3
	$ 266.7	$ 272.1
Property, plant and equipment, net		
Land	$ 58.2	$ 51.8
Buildings	737.8	689.4
Machinery and equipment	571.3	535.5
	1,367.3	1,276.7
Less accumulated depreciation	559.2	501.3
	$ 808.1	$ 775.4

Other accrued expenses		
Sales rebates and other incentive programs	$ 158.6	$ 102.0
Restructuring charges	12.6	18.9
Royalties	33.8	52.1
Accrued interest	10.8	13.6
Sales returns specialty pharmaceutical products	20.8	7.5
Product warranties breast implant products	6.7	6.3
Other	139.4	136.3
	$ 382.7	$ 336.7

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	December 31, 2009	2008
	(in millions)	
Other liabilities		
Postretirement benefit plan	$ 41.0	$ 39.0
Qualified and non-qualified pension plans	117.7	156.2
Deferred executive compensation	59.8	51.6
Deferred income	95.0	80.8
Product warranties breast implant products	22.7	23.2
Unrecognized tax benefit liabilities	23.2	22.4
Other	29.0	29.6
	$ 388.4	$ 402.8
Accumulated other comprehensive loss		
Foreign currency translation adjustments	$ 21.3	$ (15.9)
Deferred holding gains on derivative instruments, net of taxes of $3.3 million and $3.8 million for 2009 and 2008, respectively	4.9	5.7
Actuarial losses not yet recognized as a component of pension and postretirement benefit plan costs, net of taxes of $76.9 million and $98.1 million for 2009 and 2008, respectively	(129.0)	(187.1)
Unrealized loss on investments, net of applicable income tax benefit of $1.5 million		(1.4)
	$ (102.8)	$ (198.7)

At December 31, 2009 and 2008, approximately $5.6 million and $11.2 million, respectively, of the Company s finished goods medical device inventories, primarily breast implants, were held on consignment at a large number of doctors offices, clinics and hospitals worldwide. The value and quantity at any one location are not significant. At December 31, 2009, approximately $7.0 million of specific reserves for sales returns related to certain eye care pharmaceutical products genericized during 2009 are included in Accrued sales returns specialty pharmaceutical products.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 6: Intangibles and Goodwill

At December 31, 2009 and 2008, the components of amortizable and unamortizable intangibles and goodwill and certain other related information were as follows:

Intangibles

	December 31, 2009			December 31, 2008		
	Gross Amount	Accumulated Amortization	Weighted Average Amortization Period (in years)	Gross Amount	Accumulated Amortization	Weighted Average Amortization Period (in years)
	(in millions)			(in millions)		
Amortizable Intangible Assets:						
Developed technology	$ 1,396.4	$ (317.2)	14.3	$ 1,390.8	$ (215.0)	14.3
Customer relationships	42.3	(42.0)	3.1	42.3	(37.8)	3.1
Licensing	224.7	(102.3)	10.0	223.5	(78.9)	10.0
Trademarks	27.5	(19.6)	6.3	27.3	(14.9)	6.3
Core technology	191.7	(49.5)	15.2	190.4	(36.5)	15.2
Other	5.6	(0.4)	7.1			
	1,888.2	(531.0)	13.5	1,874.3	(383.1)	13.5
Unamortizable Intangible Assets:						
Business licenses				0.7		
	$ 1,888.2	$ (531.0)		$ 1,875.0	$ (383.1)	

Developed technology consists primarily of current product offerings, primarily saline and silicone gel breast implants, obesity intervention products, dermal fillers, skin care and urologics products acquired in connection with business combinations and asset acquisitions. Customer relationship assets consist of the estimated value of relationships with customers acquired in connection with the Inamed acquisition, primarily in the breast implant market in the United States. Licensing assets consist primarily of capitalized payments to third party licensors related to the achievement of regulatory approvals to commercialize products in specified markets and up-front payments associated with royalty obligations for products that have achieved regulatory approval for marketing. Core technology consists of proprietary technology associated with silicone gel breast implants, gastric bands and intragastric balloon systems acquired in connection with the Inamed acquisition, dermal filler technology acquired in connection with the Cornéal acquisition, gastric band technology acquired in connection with the EndoArt acquisition, and a drug delivery technology acquired in connection with the Company s 2003 acquisition of Oculex Pharmaceuticals, Inc. Other intangible assets consist of acquired product registration rights and distributor relationships.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table provides amortization expense by major categories of acquired amortizable intangible assets for the years ended December 31, 2009, 2008 and 2007, respectively:

	2009	2008	2007
		(in millions)	
Developed technology	$ 101.4	$ 98.7	$ 71.5
Customer relationships	4.2	13.6	13.6
Licensing	23.2	20.9	19.0
Trademarks	4.4	4.8	4.8
Core technology	12.7	12.9	12.4
Other	0.4		
	$ 146.3	$ 150.9	$ 121.3

Amortization expense related to acquired intangible assets generally benefits multiple business functions within the Company, such as the Company s ability to sell, manufacture, research, market and distribute products, compounds and intellectual property. The amount of amortization expense excluded from cost of sales consists primarily of amounts amortized with respect to developed technology and licensing intangible assets.

Estimated amortization expense is $144.2 million for 2010, $140.7 million for 2011, $135.3 million for 2012, $121.1 million for 2013 and $116.2 million for 2014.

Goodwill

	December 31,	
	2009	2008
	(in millions)	
Specialty Pharmaceuticals	$ 73.2	$ 49.2
Medical Devices	1,925.1	1,932.6
	$ 1,998.3	$ 1,981.8

The increase in Specialty Pharmaceuticals goodwill at December 31, 2009 compared to December 31, 2008 is primarily due to the Samil acquisition.

Note 7: Notes Payable and Long-Term Debt

	2009 Average Effective Interest Rate	December 31, 2009	2008 Average Effective Interest Rate	December 31, 2008

		(in millions)		(in millions)
Bank loans	2.59%	$ 18.1	3.14%	$ 4.4
Medium term notes; maturing 2012	7.47%	25.0	7.47%	25.0
Real estate mortgage; maturing 2017	5.65%	20.0		
Senior notes due 2016	5.79%	798.6	5.79%	798.4
Interest rate swap fair value adjustment		30.4		61.9
		892.1		889.7
Less current maturities		18.1		4.4
Total long-term debt		$ 874.0		$ 885.3

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At December 31, 2009, the Company had a committed long-term credit facility, a commercial paper program, a medium-term note program, an unused shelf registration statement that allows the Company to issue additional securities, including debt securities, in one or more offerings from time to time, a real estate mortgage and various foreign bank facilities. The committed long-term credit facility expires in May 2012. The termination date can be further extended from time to time upon the Company s request and acceptance by the issuer of the facility for a period of one year from the last scheduled termination date for each request accepted. The committed long-term credit facility allows for borrowings of up to $800 million. The commercial paper program also provides for up to $600 million in borrowings. Borrowings under the committed long-term credit facility and medium-term note program are subject to certain financial and operating covenants that include, among other provisions, maximum leverage ratios. Certain covenants also limit subsidiary debt. The Company was in compliance with these covenants at December 31, 2009. As of December 31, 2009, the Company had no borrowings under its committed long-term credit facility, $25.0 million in borrowings outstanding under the medium-term note program, $20.0 million in borrowings outstanding under the real estate mortgage, $18.1 million in borrowings outstanding under various foreign bank facilities and no borrowings under the commercial paper program. Commercial paper, when outstanding, is issued at current short-term interest rates. Additionally, any future borrowings that are outstanding under the long-term credit facility will be subject to a floating interest rate. The Company may from time to time seek to retire or purchase its outstanding debt.

On April 12, 2006, the Company completed concurrent private placements of $800.0 million in aggregate principal amount of 5.75% Senior Notes due 2016 (2016 Notes) and $750.0 million in aggregate principal amount of the 2026 Convertible Notes. (See Note 8, Convertible Notes, for a description of the 2026 Convertible Notes.)

The 2016 Notes, which were sold at 99.717% of par value with an effective interest rate of 5.79%, are unsecured and pay interest semi-annually at a rate of 5.75% per annum, and are redeemable at any time at the Company s option, subject to a make-whole provision based on the present value of remaining interest payments at the time of the redemption. The aggregate outstanding principal amount of the 2016 Notes will be due and payable on April 1, 2016, unless earlier redeemed by the Company. The original discount of approximately $2.3 million and the deferred debt issuance costs associated with the 2016 Notes are being amortized using the effective interest method over the stated term of 10 years.

On January 31, 2007, the Company entered into a nine-year, two-month interest rate swap with a $300.0 million notional amount with semi-annual settlements and quarterly interest rate reset dates. The swap receives interest at a fixed rate of 5.75% and pays interest at a variable interest rate equal to 3-month LIBOR plus 0.368%, and effectively converts $300.0 million of the 2016 Notes to a variable interest rate. Based on the structure of the hedging relationship, the hedge meets the criteria for using the short-cut method for a fair value hedge. The investment in the derivative and the related long-term debt are recorded at fair value. At December 31, 2009 and 2008, the Company recognized in its consolidated balance sheets an asset reported in Investments and other assets and a corresponding increase in Long-term debt associated with the fair value of the derivative of $30.4 million and $61.9 million, respectively. The differential to be paid or received as interest rates change is accrued and recognized as an adjustment of interest expense related to the 2016 Notes. During 2009, 2008 and 2007, the Company recognized $14.3 million, $7.9 million and $0.3 million, respectively, as a reduction of interest expense due to the differential to be received.

In February 2006, the Company entered into interest rate swap contracts based on 3-month LIBOR with an aggregate notional amount of $800.0 million, a swap period of 10 years and a starting swap rate of 5.198%. The Company entered into these swap contracts as a cash flow hedge to effectively fix the future interest rate for the 2016 Notes. In April 2006, the Company terminated the interest rate swap contracts and received approximately

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

$13.0 million. The total gain was recorded to accumulated other comprehensive loss and is being amortized as a reduction to interest expense over a 10 year period to match the term of the 2016 Notes. During 2009, 2008 and 2007, the Company recognized $1.3 million, respectively, as a reduction of interest expense due to the amortization of deferred holding gains on derivatives designated as cash flow hedges. These amounts were reclassified from accumulated other comprehensive loss. As of December 31, 2009, the remaining unrecognized gain of $8.2 million ($4.9 million, net of tax) is recorded as a component of accumulated other comprehensive loss. The Company expects to reclassify an estimated pre-tax amount of $1.3 million from accumulated other comprehensive loss as a reduction in interest expense during fiscal year 2010 due to the amortization of deferred holding gains on derivatives designated as cash flow hedges.

No portion of amounts recognized from contracts designated as cash flow hedges was considered to be ineffective during 2009, 2008 and 2007, respectively.

The aggregate maturities of total long-term debt, excluding the interest rate swap fair value adjustment of $30.4 million, for each of the next five years and thereafter are as follows: $18.1 million in 2010; $617.3 million in 2011; $25.0 million in 2012, zero in 2013 and 2014 and $818.6 million thereafter. Interest incurred of $1.0 million in 2009, $1.4 million in 2008 and $1.3 million in 2007 has been capitalized and included in property, plant and equipment.

Note 8: Convertible Notes

In 2006, the Company issued the 2026 Convertible Notes for an aggregate principal amount of $750.0 million. The 2026 Convertible Notes are unsecured and pay interest semi-annually on the principal amount of the notes at a rate of 1.50% per annum. The 2026 Convertible Notes will be convertible into cash and, if applicable, shares of the Company s common stock based on an initial conversion rate of 15.7904 shares of the Company s common stock per $1,000 principal amount of the 2026 Convertible Notes if the Company s stock price reaches certain specified thresholds. As of December 31, 2009, the conversion criteria had not been met. The Company is permitted to redeem the 2026 Convertible Notes from and after April 5, 2009 to April 4, 2011 if the closing price of its common stock reaches a specified threshold, and will be permitted to redeem the 2026 Convertible Notes at any time on or after April 5, 2011. Holders of the 2026 Convertible Notes will also be able to require the Company to redeem the 2026 Convertible Notes on April 1, 2011, April 1, 2016 and April 1, 2021 or upon a change in control of the Company. The 2026 Convertible Notes mature on April 1, 2026, unless previously redeemed by the Company or earlier converted by the note holders.

The Company separately measures and accounts for the liability and equity components of the 2026 Convertible Notes. As of December 31, 2009, the carrying value of the liability component is $617.3 million with an effective interest rate of 5.59%. The difference between the carrying value of the liability component and the principal amount of the 2026 Convertible Notes of $649.7 million is recorded as debt discount and is being amortized to interest expense through the first note holder put date in April 2011.

In the first quarter of 2009, the Company paid $98.3 million to repurchase $100.3 million principal amount of the 2026 Convertible Notes with a carrying value of $92.3 million and a calculated fair value of approximately $97.0 million. The Company recognized a $4.7 million loss on extinguishment of the convertible debt. In addition, the Company wrote off $0.6 million of related unamortized deferred debt issuances costs as loss on extinguishment of the convertible debt. The difference between the amount paid to repurchase the 2026 Convertible Notes and the calculated fair value of the liability component was recognized as a reduction to additional paid in capital, net of the effect of deferred taxes.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9: Income Taxes

The components of earnings from continuing operations before income taxes were:

	Year Ended December 31,		
	2009	2008	2007
	(in millions)		
U.S.	$ 394.3	$ 346.2	$ 364.9
Non-U.S.	454.2	416.0	299.5
Total	$ 848.5	$ 762.2	$ 664.4

The provision for income taxes consists of the following:

	Year Ended December 31,		
	2009	2008	2007
	(in millions)		
Current			
U.S. federal	$ 234.7	$ 207.6	$ 186.0
U.S. state	41.5	46.5	29.8
Non-U.S.	61.3	44.4	52.6
Total current	337.5	298.5	268.4
Deferred			
U.S. federal	(87.8)	(86.8)	(99.8)
U.S. state	(17.7)	(3.0)	8.4
Non-U.S.	(7.3)	(11.2)	0.4
Total deferred	(112.8)	(101.0)	(91.0)
Total	$ 224.7	$ 197.5	$ 177.4

The current provision for income taxes does not reflect the tax benefit of $7.3 million, $11.1 million and $36.0 million for the years ended December 31, 2009, 2008 and 2007, respectively, related to the exercise of employee stock options recorded directly to Additional paid-in capital in the consolidated balance sheets.

The reconciliations of the U.S. federal statutory tax rate to the combined effective tax rate follow:

	2009	2008	2007
Statutory rate of tax expense	35.0%	35.0%	35.0%
State taxes, net of U.S. tax benefit	3.3	4.4	4.0

Tax differential on foreign earnings	(11.2)	(14.4)	(18.6)
U.S. tax effect of foreign earnings and dividends, net of foreign tax credits	1.7	1.6	0.4
Other credits (R&D)	(4.3)	(3.7)	(3.8)
In-process research and development			10.8
Tax audit settlements/adjustments	1.3	2.1	(0.6)
Change in valuation allowance			(0.7)
Other	0.7	0.9	0.2
Effective tax rate	26.5%	25.9%	26.7%

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Withholding and U.S. taxes have not been provided on approximately $2,184.5 million of unremitted earnings of certain non-U.S. subsidiaries because the Company has currently reinvested these earnings indefinitely in such operations, or the U.S. taxes on such earnings will be offset by appropriate credits for foreign income taxes paid. Such earnings would become taxable upon the sale or liquidation of these non-U.S. subsidiaries or upon the remittance of dividends. It is not practicable to estimate the amount of the deferred tax liability on such unremitted earnings. Upon remittance, certain foreign countries impose withholding taxes that are then available, subject to certain limitations, for use as credits against the Company s U.S. tax liability, if any.

The Company and its domestic subsidiaries file a consolidated U.S. federal income tax return. During the first quarter of 2008, the Company completed the federal income tax audit by the U.S. Internal Revenue Service for tax years 2003 and 2004. As a result of the audit, the Company paid a total settlement amount of $21.8 million, of which $14.0 million was paid in 2007 as an advance payment and the remaining $7.8 million was paid during the first quarter of 2008. The Company and its consolidated subsidiaries are currently under examination by the U.S. Internal Revenue Service for tax years 2005 and 2006. During the first quarter of 2009, the Company made an advance payment of $36.0 million to the U.S. Internal Revenue Service. The Company believes the additional tax liability, if any, for such years, will not have a material effect on the financial position of the Company. The Company s acquired subsidiary, Inamed, is currently under examination by the U.S. Internal Revenue Service for the pre-acquisition years 2003 through 2006.

At December 31, 2009, the Company has net operating loss carryforwards in certain non-U.S. subsidiaries, with various expiration dates, of approximately $53.9 million. The Company has U.S. net operating loss carryforwards of approximately $130.0 million which are subject to limitation under section 382 of the Internal Revenue Code. If not utilized, the U.S. federal net operating loss carryforwards will begin to expire in 2026. The Company s subsidiary, Inamed, has a U.S. federal net operating loss carryback of approximately $46.6 million generated in the pre-acquisition year 2006.

The Company has a subsidiary in Costa Rica under a tax incentive grant, which provides that the Company will be exempt from local income tax until the current tax incentive grant expires at the end of 2015.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Temporary differences and carryforwards/carrybacks which give rise to a significant portion of deferred tax assets and liabilities at December 31, 2009 and 2008 are as follows:

	2009	2008
	(in millions)	
Deferred tax assets		
Net operating loss carryforwards/carrybacks	$ 66.4	$ 88.0
Accrued expenses	89.5	74.0
Capitalized expenses	58.4	48.9
Deferred compensation	29.1	27.1
Medicare, Medicaid and other accrued health care rebates	39.7	28.6
Postretirement medical benefits	16.0	16.1
Capitalized intangible assets	54.4	65.3
Deferred revenue	14.2	15.9
Inventory reserves and adjustments	72.2	68.6
Share-based compensation awards	89.2	49.2
Manufacturing, AMT and research credit carryforwards/carrybacks	8.5	3.1
Unbilled costs	21.3	21.0
Pension plans	40.8	54.3
Transaction costs	3.1	3.8
State taxes	11.2	12.9
All other	12.6	16.0
	626.6	592.8
Less: valuation allowance	(4.6)	(8.4)
Total deferred tax assets	622.0	584.4
Deferred tax liabilities		
Discount on convertible notes	11.9	24.9
Interest rate swap	3.2	3.8
Depreciation	13.1	20.8
Developed and core technology intangible assets	343.9	365.8
All other	(1.6)	(0.1)
Total deferred tax liabilities	370.5	415.2
Net deferred tax assets (liabilities)	$ 251.5	$ 169.2

The balances of net current deferred tax assets and net non-current deferred tax liabilities at December 31, 2009 were $252.9 million and $1.4 million, respectively. The balances of net current deferred tax assets and net non-current deferred tax liabilities at December 31, 2008 were $238.2 million and $69.0 million, respectively. Net current deferred tax assets are included in Other current assets in the Company s consolidated balance sheets.

In February 2009, the California Legislature enacted 2009-2010 budget legislation containing various California tax law changes including an election to apply a single sales factor apportionment formula for taxable years beginning on or after January 1, 2011. The Company anticipates making the election and as a result, the state and federal deferred tax assets and deferred tax liabilities were re-determined during the first quarter of 2009 to reflect an adjustment to the resulting tax rate. The impact of the adjustment was an increase to the provision for income taxes of $1.5

million.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Based on the Company s historical pre-tax earnings, management believes it is more likely than not that the Company will realize the benefit of the existing total deferred tax assets at December 31, 2009. Management believes the existing net deductible temporary differences will reverse during periods in which the Company generates net taxable income; however, there can be no assurance that the Company will generate any earnings or any specific level of continuing earnings in future years. Certain tax planning or other strategies could be implemented, if necessary, to supplement income from operations to fully realize recorded tax benefits.

Disclosures for Uncertainty in Income Taxes

The Company classifies interest expense related to uncertainty in income taxes in the consolidated statements of earnings as interest expense. Income tax penalties are recorded in income tax expense, and are not material.

A tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of 2009 and 2008 is as follows:

	2009	2008
	(in millions)	
Balance, beginning of year	$ 47.5	$ 59.6
Gross increase as a result of positions taken in a prior year	20.5	24.0
Gross decrease as a result of positions taken in a prior year	(21.0)	(14.2)
Gross increase as a result of positions taken in current year	0.1	1.2
Decreases related to settlements	(7.8)	(23.1)
Balance, end of year	$ 39.3	$ 47.5

The total amount of unrecognized tax benefits at December 31, 2009 and December 31, 2008 that, if recognized, would affect the effective tax rate is $35.5 million and $42.0 million, respectively.

In 2009, the total amount of interest expense related to uncertainty in income taxes recognized in the Company s consolidated statement of earnings is $5.5 million. The total amount of accrued interest expense related to uncertainty in income taxes included in the Company s consolidated balance sheet is $11.1 million and $12.8 million at December 31, 2009 and 2008, respectively. The change to the accrued interest expense balance between December 31, 2009 and December 31, 2008 is primarily due to a decrease for an advance payment made during the year in connection with the ongoing 2005 and 2006 U.S. Internal Revenue Service income tax audit, partially offset by an increase for the current year interest expense.

The Company expects that during the next 12 months it is reasonably possible that unrecognized tax benefit liabilities related to various audit issues will decrease by approximately $18.0 million to $20.0 million primarily due to settlements of income tax audits in the United States.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tax years remain subject to examination:

Major Jurisdictions	Open Years
U.S. Federal	2005 - 2008
California	2003 - 2008
Brazil	2004 - 2008
Canada	2005 - 2008
France	2007 - 2008
Germany	2006 - 2008
Italy	2005 - 2008
Ireland	2003 - 2008
Spain	2005 - 2008
United Kingdom	2007 - 2008

Note 10: Employee Retirement and Other Benefit Plans

Pension and Postretirement Benefit Plans

The Company sponsors various qualified defined benefit pension plans covering a substantial portion of its employees. In addition, the Company sponsors two supplemental nonqualified plans covering certain management employees and officers. U.S. pension benefits are based on years of service and compensation during the five highest consecutive earnings years. Foreign pension benefits are based on various formulas that consider years of service, average or highest earnings during specified periods of employment and other criteria.

The Company also has one retiree health plan that covers U.S. retirees and dependents. Retiree contributions are required depending on the year of retirement and the number of years of service at the time of retirement. Disbursements exceed retiree contributions and the plan currently has no assets. The accounting for the retiree health care plan anticipates future cost-sharing changes to the written plan that are consistent with the Company s past practice and management s intent to manage plan costs. The Company s history of retiree medical plan modifications indicates a consistent approach to increasing the cost sharing provisions of the plan.

Accounting for Defined Benefit Pension and Other Postretirement Plans

The Company recognizes on its balance sheet an asset or liability equal to the over- or under-funded benefit obligation of each defined benefit pension and other postretirement plan. Actuarial gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost are recognized, net of tax, as a component of other comprehensive income.

In the first quarter of 2008, the Company changed the measurement date for its defined benefit pension and other postretirement plans from September 30 to December 31 in accordance with the authoritative guidance issued by the FASB with regard to measurement dates for pension and other postretirement plans. As a result, the Company recognized an increase of $5.2 million in its net pension liability, an increase of $1.6 million in related deferred income tax assets, a reduction of $4.6 million in its beginning retained earnings and an increase of $1.0 million in accumulated other comprehensive income.

Included in accumulated other comprehensive loss as of December 31, 2009 and 2008 are unrecognized actuarial losses of $202.9 million and $282.1 million, respectively, related to the Company s pension plans. Of the December 31, 2009 amount, the Company expects to recognize approximately $10.2 million in net periodic

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

benefit cost during 2010. Also included in accumulated other comprehensive loss at December 31, 2009 and 2008 are unrecognized prior service credits of $1.7 million and $1.9 million, respectively, and unrecognized actuarial losses of $4.7 million and $5.0 million, respectively, related to the Company s retiree health plan. Of the December 31, 2009 amounts, the Company expects to recognize $0.3 million of the unrecognized prior service credits and $0.1 million of the unrecognized actuarial losses in net periodic benefit cost during 2010.

Components of net periodic benefit cost, change in projected benefit obligation, change in plan assets, funded status, funding policy, fair value of plan assets, estimated future payments and assumptions used to determine net periodic benefit cost are summarized below for the Company s U.S. and major non-U.S. pension plans and retiree health plan.

Net Periodic Benefit Cost

Components of net periodic benefit cost for the years ended 2009, 2008 and 2007 were as follows:

	Pension Benefits			Other Postretirement Benefits		
	2009	2008	2007	2009	2008	2007
	(in millions)					
Service cost	$ 23.0	$ 24.8	$ 24.9	$ 1.6	$ 1.5	$ 1.8
Interest cost	37.3	34.4	30.8	2.4	2.2	2.1
Expected return on plan assets	(42.9)	(41.9)	(36.8)			
Amortization of prior service costs (credits)	0.1			(0.3)	(0.3)	(0.2)
Recognized net actuarial losses	12.6	6.5	11.4	0.1	0.1	0.3
Net periodic benefit cost	$ 30.1	$ 23.8	$ 30.3	$ 3.8	$ 3.5	$ 4.0

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Benefit Obligation, Change in Plan Assets and Funded Status

The table below presents components of the change in projected benefit obligation, change in plan assets and funded status at December 31, 2009 and 2008.

	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
	(in millions)			
Change in Projected Benefit Obligation				
Projected benefit obligation, beginning of year	$ 620.0	$ 578.6	$ 39.9	$ 35.9
Adjustments due to change in measurement date		13.0		0.9
Service cost	23.0	24.8	1.6	1.5
Interest cost	37.3	34.4	2.4	2.2
Participant contributions	1.6	1.7		
Actuarial (gains) losses	(20.5)	(2.1)	(0.3)	0.8
Benefits paid	(13.2)	(12.7)	(1.5)	(1.4)
Plan amendment in 2008		1.3		
Impact of foreign currency translation	7.0	(19.0)		
Projected benefit obligation, end of year	655.2	620.0	42.1	39.9
Change in Plan Assets				
Fair value of plan assets, beginning of year	462.7	547.5		
Adjustments due to change in measurement date		(2.0)		
Actual return on plan assets	89.6	(141.7)		
Company contributions	12.9	84.5	1.5	1.4
Participant contributions	1.6	1.7		
Benefits paid	(13.2)	(12.7)	(1.5)	(1.4)
Impact of foreign currency translation	6.3	(14.6)		
Fair value of plan assets, end of year	559.9	462.7		
Funded status of plans	$ (95.3)	$ (157.3)	$ (42.1)	$ (39.9)

Net accrued benefit costs for pension plans and other postretirement benefits are reported in the following components of the Company s consolidated balance sheet at December 31, 2009 and 2008:

	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
	(in millions)			
Investments and other assets	$ 24.6	$ 0.9	$	$
Accrued compensation	(2.2)	(2.0)	(1.1)	(0.9)

Other liabilities	(117.7)	(156.2)	(41.0)	(39.0)
Net accrued benefit costs	$ (95.3)	$ (157.3)	$ (42.1)	$ (39.9)

The accumulated benefit obligation for the Company s U.S. and major non-U.S. pension plans was $590.2 million and $543.4 million at December 31, 2009 and 2008, respectively.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with a projected benefit obligation in excess of plan assets and pension plans with accumulated benefit obligations in excess of the fair value of plan assets at December 31, 2009 and 2008 were as follows:

	Projected Benefit Obligation Exceeds the Fair Value of Plan Assets		Accumulated Benefit Obligation Exceeds the Fair Value of Plan Assets	
	2009	2008	2009	2008
	(in millions)			
Projected benefit obligation	$ 568.4	$ 606.1	$ 568.4	$ 519.1
Accumulated benefit obligation	513.4	530.5	513.4	455.7
Fair value of plan assets	448.5	448.0	448.5	372.6

The Company s funding policy for its funded pension plans is based upon the greater of: (i) annual service cost, administrative expenses and a seven year amortization of any funded deficit or surplus relative to the projected pension benefit obligations or (ii) local statutory requirements. The Company s funding policy is subject to certain statutory regulations with respect to annual minimum and maximum company contributions. Plan benefits for the nonqualified plans are paid as they come due. In 2010, the Company expects to pay contributions of between $30.0 million and $40.0 million for its U.S. and non-U.S. pension plans and between $1.0 million and $2.0 million for its other postretirement plan (unaudited).

Fair Value of Plan Assets

The Company measures the fair value of plan assets based on the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on a three-tier hierarchy described in Note 13, Fair Value Measurements.

The table below presents total plan assets by investment category as of December 31, 2009 and the classification of each investment category within the fair value hierarchy with respect to the inputs used to measure fair value:

	Total	Level 1	Level 2	Level 3
		(in millions)		
Cash and Equivalents	$ 7.1	$ 7.1	$	$
Equity Securities				
U.S. large-cap growth	41.5	41.5		
U.S mid-cap growth	16.2	16.2		
U.S. small-cap growth	16.0	16.0		
U.S. large-cap index	29.7	29.7		
U.S. large-cap value	39.8	39.8		
International equities	156.1	156.1		
Fixed Income Securities				
U.S. Treasury bonds	18.8		18.8	
Global corporate bonds	160.9		160.9	
International government bonds	2.6		2.6	
International bond funds	54.5	54.5		
Global corporate bond funds	7.7	7.7		

International government bond funds	9.0	9.0		
	$ 559.9	$ 377.6	$ 182.3	$

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company s target asset allocation for both its U.S. and non-U.S. pension plans assets is 50% equity securities and 50% fixed income securities. Risk tolerance on invested pension plan assets is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Investment risk is measured and monitored on an ongoing basis through annual liability measures, periodic asset/liability studies and quarterly investment portfolio reviews.

Assumptions

The weighted-average assumptions used to determine net periodic benefit cost and projected benefit obligation were as follows:

	Pension Benefits			Other Postretirement Benefits		
	2009	2008	2007	2009	2008	2007
For Determining Net Periodic Benefit Cost						
U.S. Plans:						
Discount rate	6.19%	6.25%	5.90%	6.05%	6.25%	5.90%
Expected return on plan assets	8.25%	8.25%	8.25%			
Rate of compensation increase	4.25%	4.25%	4.25%			
Non-U.S. Pension Plans:						
Discount rate	5.71%	5.50%	4.65%			
Expected return on plan assets	6.03%	6.82%	6.43%			
Rate of compensation increase	4.01%	4.13%	4.24%			
For Determining Projected Benefit Obligation						
U.S. Plans:						
Discount rate	6.04%	6.19%		6.09%	6.05%	
Rate of compensation increase	4.25%	4.25%				
Non-U.S. Pension Plans:						
Discount rate	6.16%	5.71%				
Rate of compensation increase	3.25%	4.01%				

Assumed health care cost trend rates have a significant effect on the amounts reported as other postretirement benefits. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-Percentage-Point Increase	1-Percentage-Point Decrease
	(in millions)	
Effect on total service and interest cost components	$ 0.8	$ (0.6)
Effect on postretirement benefit obligation	7.9	(6.3)

The assumed annual health care cost trend rate for the retiree health plan was 9% for 2009, gradually decreasing to 5% in 2016 and remaining at that level thereafter.

For the U.S. qualified pension plan, the expected return on plan assets was determined using a building block approach that considers diversification and rebalancing for a long-term portfolio of invested assets. Historical market returns are studied and long-term historical relationships between equities and fixed income are preserved in a manner consistent with the widely-accepted capital market principle that assets with higher

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

volatility generate a greater return over the long run. Current market factors such as inflation and interest rates are also evaluated before long-term capital market assumptions are determined. The Company s U.S. pension plan assets are managed by outside investment managers using a total return investment approach whereby a mix of equities and debt securities investments are used to maximize the long-term rate of return on plan assets. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. The Company s overall expected long-term rate of return on assets for 2010 is 8.25% for its U.S. funded pension plan.

For non-U.S. funded pension plans, the expected rate of return was determined based on asset distribution and assumed long-term rates of returns on fixed income instruments and equities. The Company s non-U.S. pension plans assets are also managed by outside investment managers using a total return investment approach using a mix of equities and debt securities investments to maximize the long-term rate of return on the plans assets. The Company s overall expected long-term rate of return on assets for 2010 is 5.85% for its non-U.S. funded pension plans.

Estimated Future Benefit Payments

Estimated benefit payments over the next 10 years for the Company s U.S. and major non-U.S. pension plans and retiree health plan are as follows:

	Pension Benefits	Other Postretirement Benefits
	(in millions)	
2010	$ 17.9	$ 1.1
2011	19.9	1.2
2012	22.0	1.3
2013	24.4	1.5
2014	26.7	1.7
2015 2019	184.1	12.0
	$ 295.0	$ 18.8

Savings and Investment Plan

The Company has a Savings and Investment Plan, which allows all U.S. employees to become participants upon employment. In 2009, 2008 and 2007, participants contributions, up to 4% of compensation, generally qualified for a 100% Company match. Effective February 13, 2009, the Company reduced the 100% Company match to up to 2% of compensation. Effective January 1, 2010, the Company increased the 100% Company match to up to 3% of compensation. Company contributions are used to purchase various investment funds at the participants discretion. The Company s cost of the plan was $8.1 million in 2009, $16.9 million in 2008 and $13.8 million in 2007.

In addition, the Company has a Company sponsored retirement contribution program under the Savings and Investment Plan, which provides all U.S. employees hired after September 30, 2002 with at least six months of service and certain other employees who previously elected to participate in the Company sponsored retirement contribution program under the Savings and Investment Plan, a Company provided retirement contribution of 5% of annual pay if they are employed on the last day of each calendar year. Participating employees who receive the 5% Company retirement contribution do not accrue benefits under the Company s defined benefit pension plan.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company s cost of the retirement contribution program under the Savings and Investment Plan was $16.9 million, $17.7 million and $10.4 million in 2009, 2008 and 2007, respectively.

Note 11: Employee Stock Plans

The Company has an incentive award plan that provides for the granting of non-qualified stock options, incentive stock options, stock appreciation rights, performance shares, restricted stock and restricted stock units to officers, key employees and non-employee directors.

Stock option grants to officers and key employees under the incentive award plan are generally granted at an exercise price equal to the fair market value at the date of grant, generally expire ten years after their original date of grant and generally become vested and exercisable at a rate of 25% per year beginning twelve months after the date of grant. Restricted share awards to officers and key employees generally become fully vested and free of restrictions four years from the date of grant, except for restricted stock grants pursuant to the Company s management bonus plan, which generally become fully vested and free of restrictions two years from the date of grant.

Under the terms of the incentive award plan, each eligible non-employee director is granted non-qualified stock options on the date of each regular annual meeting of stockholders at which the directors are to be elected. Non-qualified stock options to non-employee directors become fully vested and exercisable one year from the date of grant. In addition, each eligible non-employee director receives a restricted share award upon election, reelection or appointment to the board of directors. Restricted share awards to non-employee directors generally vest and become free of restrictions at the rate of $33^{1}/_{3}$% per year beginning twelve months after the date of grant.

At December 31, 2009, the aggregate number of shares available for future grant under the incentive award plan for stock options and restricted share awards was approximately 16.3 million shares.

Share-Based Award Activity and Balances

The following table summarizes the Company s stock option activity:

	2009		2008		2007	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
	(in thousands, except option exercise price and fair value data)					
Outstanding, beginning of year	21,238	$ 48.96	18,695	$ 44.50	20,241	$ 41.03
Options granted	5,790	40.73	4,643	63.33	4,067	59.07
Options exercised	(1,835)	35.68	(1,511)	34.35	(3,920)	35.08
Options cancelled	(296)	52.01	(589)	57.41	(1,693)	59.88
Outstanding, end of year	24,897	47.99	21,238	48.96	18,695	44.50
Exercisable, end of year	16,628	48.98	11,481	40.90	9,434	36.76
Weighted average per share fair value of options granted during the year		$15.44		$19.82		$17.27

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The aggregate intrinsic value of stock options exercised in 2009, 2008 and 2007 was $35.9 million, $39.2 million and $106.2 million, respectively.

As of December 31, 2009, the weighted average remaining contractual life of options outstanding and options exercisable are 6.5 years and 5.6 years, respectively, and based on the Company s closing year-end stock price of $63.01 at December 31, 2009, the aggregate intrinsic value of options outstanding and options exercisable are $380.4 million and $239.5 million, respectively. Upon exercise of stock options, the Company generally issues shares from treasury.

The following table summarizes the Company s restricted share activity:

	2009		2008		2007	
	Number of Shares	Weighted Average Grant-Date Fair Value	Number of Shares	Weighted Average Grant-Date Fair Value	Number of Shares	Weighted Average Grant-Date Fair Value
	(in thousands, except fair value data)					
Restricted share awards, beginning of year	678	$ 52.12	559	$ 49.56	525	$ 43.27
Shares granted	455	42.95	362	57.38	201	59.22
Shares vested	(304)	46.49	(210)	53.71	(131)	39.25
Shares cancelled	(15)	58.96	(33)	56.34	(36)	49.19
Restricted share awards, end of year	814	48.99	678	52.12	559	49.56

The total fair value of restricted shares that vested was $12.7 million in 2009 and 2008, respectively, and $7.7 million in 2007.

Valuation and Expense Recognition of Share-Based Awards

The Company accounts for the measurement and recognition of compensation expense for all share-based awards made to the Company s employees and directors based on the estimated fair value of the awards

The following table summarizes share-based compensation expense by award type for the years ended December 31, 2009, 2008 and 2007, respectively:

	2009	2008	2007
		(in millions)	
Employee and director stock options	$ 131.2	$ 62.2	$ 54.5
Employee and director restricted share awards	12.1	11.0	11.3
Stock contributed to employee benefit plans	8.6	19.9	15.9
Pre-tax share-based compensation expense	151.9	93.1	81.7
Income tax benefit	(50.9)	(31.8)	(29.0)
Net share-based compensation expense	$ 101.0	$ 61.3	$ 52.7

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes pre-tax share-based compensation expense by expense category for the years ended December 31, 2009, 2008 and 2007, respectively:

	2009	2008	2007
		(in millions)	
Cost of sales	$ 12.1	$ 8.9	$ 7.4
Selling, general and administrative	101.6	61.4	55.0
Research and development	38.2	22.8	19.3
Pre-tax share-based compensation expense	$ 151.9	$ 93.1	$ 81.7

Share-based compensation expense for 2009 includes $78.6 million of pre-tax compensation expense from stock option modifications related to the 2009 restructuring plan, including incremental pre-tax compensation expense of $11.0 million due to the change in fair value from the modifications, consisting of $5.0 million of cost of sales, $52.6 million in selling, general and administrative expenses and $21.0 million in research and development expenses.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of share-based awards on the original grant date. The determination of fair value using the Black-Scholes option-pricing model is affected by the Company s stock price as well as assumptions regarding a number of highly complex and subjective variables, including expected stock price volatility, risk-free interest rate, expected dividends and projected employee stock option exercise behaviors. Stock options granted during 2009, 2008 and 2007 were valued using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2009	2008	2007
Expected volatility	39.82%	26.89%	26.17%
Risk-free interest rate	1.64%	3.49%	4.52%
Expected dividend yield	0.40%	0.40%	0.49%
Expected option life (in years)	5.71	5.71	4.95

The Company estimates its stock price volatility based on an equal weighting of the Company s historical stock price volatility and the average implied volatility of at-the-money options traded in the open market. The risk-free interest rate assumption is based on observed interest rates for the appropriate term of the Company s stock options. The Company does not target a specific dividend yield for its dividend payments but is required to assume a dividend yield as an input to the Black-Scholes option-pricing model. The dividend yield assumption is based on the Company s history and an expectation of future dividend amounts. The expected option life assumption is estimated based on actual historical exercise activity and assumptions regarding future exercise activity of unexercised, outstanding options.

The Company recognizes shared-based compensation cost over the vesting period using the straight-line single option method. Share-based compensation expense is recognized only for those awards that are ultimately expected to vest. An estimated forfeiture rate has been applied to unvested awards for the purpose of calculating compensation cost. Forfeitures were estimated based on historical experience. These estimates are revised, if necessary, in future periods if actual forfeitures differ from the estimates. Changes in forfeiture estimates impact compensation cost in the period in which the change in estimate occurs.

As of December 31, 2009, total compensation cost related to non-vested stock options and restricted stock not yet recognized was approximately $104.7 million, which is expected to be recognized over the next

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 months (31 months on a weighted-average basis). The Company has not capitalized as part of inventory any share-based compensation costs because such costs were negligible as of December 31, 2009, 2008 and 2007.

Note 12: Financial Instruments

In the normal course of business, operations of the Company are exposed to risks associated with fluctuations in interest rates and foreign currency exchange rates. The Company addresses these risks through controlled risk management that includes the use of derivative financial instruments to economically hedge or reduce these exposures. The Company does not enter into derivative financial instruments for trading or speculative purposes.

The Company has not experienced any losses to date on its derivative financial instruments due to counterparty credit risk.

To ensure the adequacy and effectiveness of its interest rate and foreign exchange hedge positions, the Company continually monitors its interest rate swap positions and foreign exchange forward and option positions both on a stand-alone basis and in conjunction with its underlying interest rate and foreign currency exposures, from an accounting and economic perspective.

However, given the inherent limitations of forecasting and the anticipatory nature of the exposures intended to be hedged, the Company cannot assure that such programs will offset more than a portion of the adverse financial impact resulting from unfavorable movements in either interest or foreign exchange rates. In addition, the timing of the accounting for recognition of gains and losses related to mark-to-market instruments for any given period may not coincide with the timing of gains and losses related to the underlying economic exposures and, therefore, may adversely affect the Company s consolidated operating results and financial position.

Interest Rate Risk Management

The Company s interest income and expense is more sensitive to fluctuations in the general level of U.S. interest rates than to changes in rates in other markets. Changes in U.S. interest rates affect the interest earned on cash and equivalents, interest expense on debt as well as costs associated with foreign currency contracts. For a discussion of the Company s interest rate swap activities, see Note 7, Notes Payable and Long-Term Debt.

Foreign Exchange Risk Management

Overall, the Company is a net recipient of currencies other than the U.S. dollar and, as such, benefits from a weaker dollar and is adversely affected by a stronger dollar relative to major currencies worldwide. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar, may negatively affect the Company s consolidated revenues or operating costs and expenses as expressed in U.S. dollars.

From time to time, the Company enters into foreign currency option and forward contracts to reduce earnings and cash flow volatility associated with foreign exchange rate changes to allow management to focus its attention on its core business issues. Accordingly, the Company enters into various contracts which change in value as foreign exchange rates change to economically offset the effect of changes in the value of foreign currency assets and liabilities, commitments and anticipated foreign currency denominated sales and operating expenses. The Company enters into foreign currency option and forward contracts in amounts between minimum and maximum anticipated foreign exchange exposures, generally for periods not to exceed 18 months. The Company does not designate these derivative instruments as accounting hedges.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company uses foreign currency option contracts, which provide for the sale or purchase of foreign currencies to offset foreign currency exposures expected to arise in the normal course of the Company s business. While these instruments are subject to fluctuations in value, such fluctuations are anticipated to offset changes in the value of the underlying exposures.

Probable but not firmly committed transactions are comprised of sales of products and purchases of raw material in currencies other than the U.S. dollar. A majority of these sales are made through the Company s subsidiaries in Europe, Asia Pacific, Canada and Brazil. The Company purchases foreign exchange option contracts to economically hedge the currency exchange risks associated with these probable but not firmly committed transactions. The duration of foreign exchange hedging instruments, whether for firmly committed transactions or for probable but not firmly committed transactions, generally does not exceed 18 months.

All of the Company s outstanding foreign currency option contracts are entered into to reduce the volatility of earnings generated in currencies other than the U.S. dollar, primarily earnings denominated in the Canadian dollar, Mexican peso, Australian dollar, Brazilian real, euro and Korean won. Current changes in the fair value of open foreign currency option contracts are recorded through earnings as Unrealized gain (loss) on derivative instruments, net while any realized gains (losses) on settled contracts are recorded through earnings as Other, net in the accompanying consolidated statements of earnings. During 2009, 2008 and 2007, the Company recognized realized gains on settled foreign currency option contracts of $10.6 million, $10.6 million and $1.3 million, respectively. The premium costs of purchased foreign exchange option contracts are recorded in Other current assets and amortized to Other, net over the life of the options.

All of the Company s outstanding foreign exchange forward contracts are entered into to offset the change in value of certain intercompany receivables or payables that are subject to fluctuations in foreign currency exchange rates. The realized and unrealized gains and losses from foreign currency forward contracts and the revaluation of the foreign denominated intercompany receivables or payables are recorded through Other, net in the accompanying consolidated statements of earnings. During 2009, 2008 and 2007, the Company recognized total realized and unrealized (losses) gains from foreign exchange forward contracts of $(11.0) million, $19.1 million and $(14.5) million, respectively.

The fair value of outstanding foreign exchange option and forward contracts, collectively referred to as foreign currency derivative financial instruments, are recorded in Other current assets and Accounts payable, respectively. At December 31, 2009 and 2008, foreign currency derivative assets associated with the foreign exchange option contracts of $14.0 million and $24.3 million, respectively, were included in Other current assets. At December 31, 2009, net foreign currency derivative assets associated with the foreign exchange forward contracts of $1.0 million were included in Other current assets. At December 31, 2008, net foreign currency derivative liabilities associated with the foreign exchange forward contracts of $0.9 million were included in Accounts payable.

At December 31, 2009 and 2008, the notional principal and fair value of the Company s outstanding foreign currency derivative financial instruments were as follows:

	2009		2008	
	Notional Principal	Fair Value	Notional Principal	Fair Value
	(in millions)			
Foreign currency forward exchange contracts (Receive U.S. dollar/pay foreign currency)	$ 86.7	$ 0.8	$ 112.2	$ (3.6)
Foreign currency forward exchange contracts (Pay U.S. dollar/receive foreign currency)	47.9	0.2	63.3	2.7
Foreign currency sold put options	296.2	14.0	216.5	24.3

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The notional principal amounts provide one measure of the transaction volume outstanding as of December 31, 2009 and 2008, and do not represent the amount of the Company s exposure to market loss. The estimates of fair value are based on applicable and commonly used pricing models using prevailing financial market information as of December 31, 2009 and 2008. The amounts ultimately realized upon settlement of these financial instruments, together with the gains and losses on the underlying exposures, will depend on actual market conditions during the remaining life of the instruments.

Other Financial Instruments

At December 31, 2009 and 2008, the Company s other financial instruments included cash and equivalents, trade receivables, equity investments, accounts payable and borrowings. The carrying amount of cash and equivalents, trade receivables and accounts payable approximates fair value due to the short-term maturities of these instruments. The fair value of marketable equity investments, notes payable and long-term debt were estimated based on quoted market prices and interest rates. The fair value of non-marketable equity investments which represent investments in start-up technology companies or partnerships that invest in start-up technology companies, are estimated based on the fair value and other information provided by these ventures.

The carrying amount and estimated fair value of the Company s other financial instruments at December 31, 2009 and 2008 were as follows:

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in millions)			
Cash and equivalents	$ 1,947.1	$ 1,947.1	$ 1,110.4	$ 1,110.4
Non-current investments:				
Marketable equity			0.6	0.6
Non-marketable equity	5.1	5.1	5.3	5.3
Notes payable	18.1	18.1	4.4	4.4
Long-term debt	874.0	926.3	885.3	860.9
Long-term convertible notes	617.3	651.4	685.2	712.9

The Company sold all of its marketable equity investments in the third quarter of 2009 and recognized a pre-tax loss of $0.7 million. Marketable equity investments include unrealized holding losses, net of tax, of $1.4 million at December 31, 2008, which are included as a component of Accumulated other comprehensive loss in the consolidated balance sheet. In July 2009, the Company sold a non-marketable equity investment in connection with a third-party tender offer for the business underlying the equity investment and recognized a $25.3 million pre-tax gain. During 2009, 2008 and 2007, the Company recognized unrealized pre-tax holding gains (losses) related to changes in the fair value of marketable equity investments of $2.9 million, $(5.8) million and $0.8 million, respectively, as a component of Other comprehensive income (loss).

Concentration of Credit Risk

Financial instruments that potentially subject the Company to credit risk principally consist of trade receivables. Wholesale distributors, major retail chains and managed care organizations account for a substantial portion of trade receivables. This risk is limited due to the number of customers comprising the Company s customer base, and their geographic dispersion. At December 31, 2009, no single customer represented more than 10% of trade receivables, net. Ongoing credit evaluations of customers financial condition are performed and, generally, no collateral is required. The Company has purchased an insurance policy intended to reduce the

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company s exposure to potential credit risks associated with certain U.S. customers. To date, no claims have been made against the insurance policy. The Company maintains reserves for potential credit losses and such losses, in the aggregate, have not exceeded management s estimates.

Note 13: Fair Value Measurements

The Company measures fair value based on the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on a three-tier hierarchy that prioritizes the inputs used to measure fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of December 31, 2009, the Company has certain assets and liabilities that are required to be measured at fair value on a recurring basis. These include commercial paper and foreign time deposits classified as cash equivalents, other cash equivalents, foreign exchange derivatives and the interest rate swap with a $300.0 million notional amount. These assets and liabilities are classified in the table below in one of the three categories of the fair value hierarchy described above.

	Total	Level 1	Level 2	Level 3
		(in millions)		
Assets				
Commercial paper	$ 574.6	$ 574.6	$	$
Foreign time deposits	156.9	156.9		
Other cash equivalents	1,108.6	1,108.6		
Foreign exchange derivative assets	15.0		15.0	
Interest rate swap derivative asset	30.4		30.4	
	$ 1,885.5	$ 1,840.1	$ 45.4	$
Liabilities				
Interest rate swap derivative liability	$ 30.4	$	$ 30.4	$

Commercial paper, foreign time deposits and other cash equivalents are valued at cost, which approximates fair value due to the short-term maturities of these instruments. Foreign currency derivative assets and liabilities are valued using quoted forward foreign exchange prices and option volatility at the reporting date. The interest rate swap derivative asset and liability are valued using LIBOR yield curves at the reporting date. The Company believes the fair values assigned to its derivative instruments as of December 31, 2009 are based upon reasonable estimates and assumptions.

Note 14: Legal Proceedings

The Company is involved in various lawsuits and claims arising in the ordinary course of business.

Clayworth v. Allergan, et al.

In August 2004, James Clayworth, R.Ph., doing business as Clayworth Pharmacy, filed a complaint entitled Clayworth v. Allergan, *et al.* in the Superior Court of the State of California for the County of Alameda. The

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

complaint, as amended, named the Company and 12 other defendants and alleged unfair business practices, including a price fixing conspiracy relating to the reimportation of pharmaceuticals from Canada. The complaint sought damages, equitable relief, attorneys fees and costs. In January 2007, the court entered a notice of entry of judgment of dismissal against the plaintiffs, dismissing the plaintiffs complaint. On the same date, the plaintiffs filed a notice of appeal with the Court of Appeal of the State of California. In April 2007, the plaintiffs filed an opening brief with the court of appeal. The defendants filed their joint opposition in July 2007, and the plaintiffs filed their reply in August 2007. In May 2008, the court of appeal heard oral arguments and took the matter under submission. In July 2008, the court of appeal affirmed the superior court s ruling, granting the Company s motion for summary judgment. In August 2008, the plaintiffs filed a petition for rehearing with the court of appeal, which the court denied. In September 2008, the plaintiffs filed a petition for review with the Supreme Court of the State of California, which the supreme court granted in November 2008. In February 2009, the plaintiffs filed their opening brief on the merits with the supreme court and defendants filed their answer brief in May 2009. In June 2009, the plaintiffs filed their reply brief on the merits with the supreme court.

Kramer et al. v. Allergan, Inc.

In July 2008, a complaint entitled Kramer, Bryant, Spears, Doolittle, Clark, Whidden, Powell, Moore, Hennessey, Sody, Breeding, Downey, Underwood-Boswell, Reed-Momot, Purdon & Hahn v. Allergan, Inc. was filed in the Superior Court for the State of California for the County of Orange. The complaint makes allegations relating to *Botox*® and *Botox*® Cosmetic including failure to warn, manufacturing defects, negligence, breach of implied and express warranties, deceit by concealment and negligent misrepresentation and seeks damages, attorneys fees and costs. In 2009, the plaintiffs Hennessey, Hahn, Underwood-Boswell, Purdon, Moore, Clark, Reed-Momot and Whidden were dismissed without prejudice. In October 2009, the Company filed a motion for summary judgment against plaintiff Dee Spears, which the court denied in December 2009. The trial related to plaintiff Dee Spears began in January 2010 and is in progress.

Government Investigations

In March 2008, the Company received service of a Subpoena Duces Tecum from the U.S. Attorney, U.S. Department of Justice, Northern District of Georgia, or DOJ. The subpoena requests the production of documents relating to the Company s sales and marketing practices in connection with *Botox*®. In December 2009, the DOJ served us with a Supplemental Subpoena Duces Tecum requesting the production of additional documents relating to certain of the Company s speaker bureau programs.

In September 2009, Allergan received service of process of an Investigative Demand from the Department of Justice for the State of Oregon. The subpoena requests the production of documents relating to our sales and marketing practices in connection with *Aczone*®. In January 2010, the Company received service of a Subpoena Duces Tecum from the Attorney General, State of Delaware. The subpoena requests the production of documents relating to the Company s sales and marketing practices in connection with *Restasis*® and *Acular LS*®.

The Company is involved in various other lawsuits and claims arising in the ordinary course of business. These other matters are, in the opinion of management, immaterial both individually and in the aggregate with respect to the Company s consolidated financial position, liquidity or results of operations.

Because of the uncertainties related to the incurrence, amount and range of loss on any pending litigation, investigation, inquiry or claim, management is currently unable to predict the ultimate outcome of any litigation, investigation, inquiry or claim, determine whether a liability has been incurred or make an estimate of the reasonably possible liability that could result from an unfavorable outcome. The Company believes, however,

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

that the liability, if any, resulting from the aggregate amount of uninsured damages for any outstanding litigation, investigation or claim, other than the inquiry being conducted by the DOJ related to *Botox*® discussed herein and in Note 15, Commitments and Contingencies, will not have a material adverse effect on the Company s consolidated financial position, liquidity or results of operations. However, an adverse ruling in a patent infringement lawsuit involving the Company could materially affect its ability to sell one or more of its products or could result in additional competition. In view of the unpredictable nature of such matters, the Company cannot provide any assurances regarding the outcome of any litigation, investigation, inquiry or claim to which the Company is a party or the impact on the Company of an adverse ruling in such matters. As additional information becomes available, the Company will assess its potential liability and revise its estimates.

Note 15: Commitments and Contingencies

Operating Lease Obligations

The Company leases certain facilities, office equipment and automobiles and provides for payment of taxes, insurance and other charges on certain of these leases. Rental expense was $57.9 million in 2009, $50.9 million in 2008 and $41.9 million in 2007.

Future minimum rental payments under non-cancelable operating lease commitments with a term of more than one year as of December 31, 2009 are as follows: $51.3 million in 2010, $38.5 million in 2011, $22.7 million in 2012, $16.8 million in 2013, $12.2 million in 2014 and $36.7 million thereafter.

Contingencies

During 2009 and 2008, the Company incurred approximately $32.2 million and $25.7 million, respectively, of costs associated with the DOJ s inquiry related to *Botox*® discussed in Note 14, Legal Proceedings. Costs associated with responding to the DOJ investigation during fiscal year 2010 are expected to total approximately $30.0 million to $40.0 million (unaudited). Estimated costs include attorneys fees and costs associated with document production, imaging and information services support. Because of the uncertainties related to the incurrence, amount and range of loss, if any, that might be incurred related to this inquiry, management is currently unable to predict the ultimate outcome or determine whether a liability has been incurred or make an estimate of the reasonably possible liability that could result from an unfavorable outcome associated with this inquiry.

During 2009, the Company established a reserve totaling $9.9 million for a contingent liability associated with regulation changes resulting from a final rule issued by the U.S. Department of Defense (DoD) that placed retroactive and prospective pricing limits on certain branded pharmaceuticals under the TRICARE Retail Pharmacy Program, even though such branded pharmaceuticals have not historically been subject to a contract with the Company. The Company is currently in negotiations with the DoD to seek a waiver of retroactive rebates.

Note 16: Guarantees

The Company s Restated Certificate of Incorporation, as amended, provides that the Company will indemnify, to the fullest extent permitted by the Delaware General Corporation Law, each person that is involved in or is, or is threatened to be, made a party to any action, suit or proceeding by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Company or was serving at the request of the Company as a director, officer, employee or agent of another corporation or of a

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

partnership, joint venture, trust or other enterprise. The Company has also entered into contractual indemnity agreements with each of its directors and executive officers pursuant to which, among other things, the Company has agreed to indemnify such directors and executive officers against any payments they are required to make as a result of a claim brought against such executive officer or director in such capacity, excluding claims (i) relating to the action or inaction of a director or executive officer that resulted in such director or executive officer gaining illegal personal profit or advantage, (ii) for an accounting of profits made from the purchase or sale of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of any state law or (iii) that are based upon or arise out of such director s or executive officer s knowingly fraudulent, deliberately dishonest or willful misconduct. The maximum potential amount of future payments that the Company could be required to make under these indemnification provisions is unlimited. However, the Company has purchased directors and officers liability insurance policies intended to reduce the Company s monetary exposure and to enable the Company to recover a portion of any future amounts paid. The Company has not previously paid any material amounts to defend lawsuits or settle claims as a result of these indemnification provisions. As a result, the Company believes the estimated fair value of these indemnification arrangements is minimal.

The Company customarily agrees in the ordinary course of its business to indemnification provisions in agreements with clinical trials investigators in its drug, biologics and medical device development programs, in sponsored research agreements with academic and not-for-profit institutions, in various comparable agreements involving parties performing services for the Company in the ordinary course of business, and in its real estate leases. The Company also customarily agrees to certain indemnification provisions in its discovery and development collaboration agreements. With respect to the Company s clinical trials and sponsored research agreements, these indemnification provisions typically apply to any claim asserted against the investigator or the investigator s institution relating to personal injury or property damage, violations of law or certain breaches of the Company s contractual obligations arising out of the research or clinical testing of the Company s products, compounds or drug candidates. With respect to real estate lease agreements, the indemnification provisions typically apply to claims asserted against the landlord relating to personal injury or property damage caused by the Company, to violations of law by the Company or to certain breaches of the Company s contractual obligations. The indemnification provisions appearing in the Company s collaboration agreements are similar, but in addition provide some limited indemnification for the collaborator in the event of third party claims alleging infringement of intellectual property rights. In each of the above cases, the terms of these indemnification provisions generally survive the termination of the agreement. The maximum potential amount of future payments that the Company could be required to make under these provisions is generally unlimited. The Company has purchased insurance policies covering personal injury, property damage and general liability intended to reduce the Company s exposure for indemnification and to enable the Company to recover a portion of any future amounts paid. The Company has not previously paid any material amounts to defend lawsuits or settle claims as a result of these indemnification provisions. As a result, the Company believes the estimated fair value of these indemnification arrangements is minimal.

Note 17: Product Warranties

The Company provides warranty programs for breast implant sales primarily in the United States, Europe and certain other countries. Management estimates the amount of potential future claims from these warranty programs based on actuarial analyses. Expected future obligations are determined based on the history of product shipments and claims and are discounted to a current value. The liability is included in both current and long-term liabilities in the Company s consolidated balance sheets. The U.S. programs include the *ConfidencePlus®* and *ConfidencePlus®* Premier warranty programs. The *ConfidencePlus®* program currently provides lifetime product replacement, $1,200 of financial assistance for surgical procedures within ten years of implantation and

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

contralateral implant replacement. The *ConfidencePlus*® Premier program, which normally requires a low additional enrollment fee, generally provides lifetime product replacement, $2,400 of financial assistance for saline breast implants and $3,500 of financial assistance for silicone gel breast implants for surgical procedures within ten years of implantation and contralateral implant replacement. The enrollment fee is deferred and recognized as income over the ten year warranty period for financial assistance. The warranty programs in non-U.S. markets have similar terms and conditions to the U.S. programs. The Company does not warrant any level of aesthetic result and, as required by government regulation, makes extensive disclosures concerning the risks of the use of its products and breast implant surgery. Changes to actual warranty claims incurred and interest rates could have a material impact on the actuarial analysis and the Company s estimated liabilities. A large majority of the product warranty liability arises from the U.S. warranty programs. The Company does not currently offer any similar warranty program on any other product.

The following table provides a reconciliation of the change in estimated product warranty liabilities for the years ended December 31, 2009 and 2008:

	2009	2008
	(in millions)	
Balance, beginning of year	$ 29.5	$ 28.0
Provision for warranties issued during the year	5.5	6.5
Settlements made during the year	(5.6)	(5.8)
Increases in warranty estimates		0.8
Balance, end of year	$ 29.4	$ 29.5
Current portion	$ 6.7	$ 6.3
Non-current portion	22.7	23.2
Total	$ 29.4	$ 29.5

Note 18: Business Segment Information

The Company operates its business on the basis of two reportable segments specialty pharmaceuticals and medical devices. The specialty pharmaceuticals segment produces a broad range of pharmaceutical products, including: ophthalmic products for glaucoma therapy, ocular inflammation, infection, allergy and chronic dry eye; *Botox*® for certain therapeutic and aesthetic indications; skin care products for acne, psoriasis, eyelash growth and other prescription and over-the-counter skin care products; and urologics products. The medical devices segment produces a broad range of medical devices, including: breast implants for augmentation, revision and reconstructive surgery; obesity intervention products, including the *Lap-Band*® System and the *Orbera* Intragastric Balloon System (formerly known as the *BIB*® System); and facial aesthetics products. The Company provides global marketing strategy teams to ensure development and execution of a consistent marketing strategy for its products in all geographic regions that share similar distribution channels and customers.

The Company evaluates segment performance on a revenue and operating income basis exclusive of general and administrative expenses and other indirect costs, restructuring charges, in-process research and development expenses, amortization of identifiable intangible assets related to business combinations and asset acquisitions and certain other adjustments, which are not allocated to the Company s segments for performance assessment by the Company s chief operating decision maker. Other adjustments excluded from the Company s segments for performance assessment represent income or expenses that do not reflect, according to established Company-

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

defined criteria, operating income or expenses associated with the Company s core business activities. Because operating segments are generally defined by the products they design and sell, they do not make sales to each other. The Company does not discretely allocate assets to its operating segments, nor does the Company s chief operating decision maker evaluate operating segments using discrete asset information.

Operating Segments

	2009	2008	2007
		(in millions)	
Product net sales:			
Specialty pharmaceuticals	$ 3,683.8	$ 3,502.3	$ 3,105.0
Medical devices	763.8	837.4	774.0
Total product net sales	4,447.6	4,339.7	3,879.0
Other corporate and indirect revenues	56.0	63.7	59.9
Total revenues	$ 4,503.6	$ 4,403.4	$ 3,938.9
Operating income:			
Specialty pharmaceuticals	$ 1,370.8	$ 1,220.1	$ 1,047.9
Medical devices	189.2	222.0	207.1
Total segments	1,560.0	1,442.1	1,255.0
General and administrative expenses, other indirect costs and other adjustments	456.7	475.2	337.0
In-process research and development			72.0
Amortization of acquired intangible assets (a)	124.4	129.6	99.9
Restructuring charges	50.9	41.3	26.8
Total operating income	$ 928.0	$ 796.0	$ 719.3

(a) Represents amortization of identifiable intangible assets related to business combinations and asset acquisitions and related capitalized licensing costs, as applicable.

Product net sales for the Company s various global product portfolios are presented below. The Company s principal markets are the United States, Europe, Latin America and Asia Pacific. The U.S. information is presented separately as it is the Company s headquarters country. U.S. sales, including manufacturing operations, represented 65.4%, 64.6% and 65.7% of the Company s total consolidated product net sales in 2009, 2008 and 2007, respectively.

Sales to two customers in the Company s specialty pharmaceuticals segment each generated over 10% of the Company s total consolidated product net sales. Sales to Cardinal Health, Inc. for the years ended December 31, 2009, 2008 and 2007 were 13.9%, 12.0% and 11.2%, respectively, of the Company s total consolidated product net sales. Sales to McKesson Drug Company for the years ended December 31, 2009, 2008 and 2007 were 12.8%, 12.3% and 11.1%, respectively, of the Company s total consolidated product net sales. No other country or single customer generates over 10% of the Company s total consolidated product net sales. Other medical devices product net sales consist of sales of ophthalmic surgical devices pursuant to a manufacturing and supply agreement entered into as part of the July 2007 sale of the former Cornéal

ophthalmic surgical device business, which was substantially concluded in December 2007. Net sales for the Europe region also include sales to customers in Africa and the Middle East, and net sales in the Asia Pacific region include sales to customers in Australia and New Zealand.

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Long-lived assets, depreciation and amortization and capital expenditures are assigned to geographic regions based upon management responsibility for such items. The Company estimates that total long-lived assets located in the United States, including manufacturing operations and general corporate assets, are approximately $3,673.2 million and $3,781.0 million as of December 31, 2009 and 2008, respectively.

Product Net Sales by Product Line

	2009	2008	2007
		(in millions)	
Specialty Pharmaceuticals:			
Eye Care Pharmaceuticals	$ 2,100.6	$ 2,009.1	$ 1,776.5
Botox®/Neuromodulators	1,309.6	1,310.9	1,211.8
Skin Care	208.0	113.7	110.7
Urologics	65.6	68.6	6.0
Total Specialty Pharmaceuticals	3,683.8	3,502.3	3,105.0
Medical Devices:			
Breast Aesthetics	287.5	310.0	298.4
Obesity Intervention	258.2	296.0	270.1
Facial Aesthetics	218.1	231.4	202.8
Core Medical Devices	763.8	837.4	771.3
Other			2.7
Total Medical Devices	763.8	837.4	774.0
Total product net sales	$ 4,447.6	$ 4,339.7	$ 3,879.0

Geographic Information

	Product Net Sales		
	2009	2008	2007
		(in millions)	
United States	$ 2,906.0	$ 2,793.2	$ 2,541.3
Europe	857.8	881.9	762.5
Latin America	256.0	262.5	224.2
Asia Pacific	254.0	222.3	196.7
Other	169.6	168.8	147.5
	4,443.4	4,328.7	3,872.2
Manufacturing operations	4.2	11.0	6.8
Total product net sales	$ 4,447.6	$ 4,339.7	$ 3,879.0

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Long-lived Assets		Depreciation and Amortization			Capital Expenditures		
	2009	2008	2009	2008	2007	2009	2008	2007
				(in millions)				
United States	$ 3,255.4	$ 3,389.2	$ 184.2	$ 181.9	$ 147.9	$ 48.6	$ 72.9	$ 49.2
Europe	234.6	252.0	17.9	20.9	18.4	0.9	5.0	5.0
Latin America	25.6	19.9	3.9	3.6	4.2	3.9	5.3	5.1
Asia Pacific	40.3	8.1	2.7	1.7	1.3	1.6	3.3	1.2
Other	4.2	2.5	0.7	0.1	0.1	0.2	2.5	
	3,560.1	3,671.7	209.4	208.2	171.9	55.2	89.0	60.5
Manufacturing operations	421.6	410.9	26.8	34.8	23.8	25.3	56.5	56.6
General corporate	268.9	252.2	25.9	21.4	19.8	15.3	45.3	25.4
Total	$ 4,250.6	$ 4,334.8	$ 262.1	$ 264.4	$ 215.5	$ 95.8	$ 190.8	$ 142.5

Goodwill and intangible assets related to the Samil acquisition completed in 2009 are reflected in the Asia Pacific balance above.

The increase in United States depreciation and amortization for the year ended December 31, 2008 compared to the year ended December 31, 2007 primarily relates to amortization of acquired intangible assets associated with the *Aczone*® asset acquisition and Esprit acquisition.

Note 19: Earnings Per Share

The table below presents the computation of basic and diluted earnings per share:

	Year Ended December 31,		
	2009	2008	2007
	(in millions, except per share amounts)		
Net earnings attributable to Allergan, Inc.:			
Earnings from continuing operations	$ 621.3	$ 563.1	$ 486.5
Loss from discontinued operations			(1.7)
Net earnings attributable to Allergan, Inc.	$ 621.3	$ 563.1	$ 484.8
Weighted average number of shares issued	303.6	304.1	305.1
Net shares assumed issued using the treasury stock method for options and non-vested equity shares and share units outstanding during each period based on average market price	2.2	2.3	3.5
Dilutive effect of assumed conversion of convertible notes outstanding			0.1
Diluted shares	305.8	306.4	308.7
Basic earnings per share attributable to Allergan, Inc. stockholders:			
Continuing operations	$ 2.05	$ 1.85	$ 1.59
Discontinued operations			

Net basic earnings per share attributable to Allergan, Inc. stockholders	$ 2.05	$ 1.85	$ 1.59
Diluted earnings per share attributable to Allergan, Inc. stockholders:			
Continuing operations	$ 2.03	$ 1.84	$ 1.58
Discontinued operations			(0.01)
Net diluted earnings per share attributable to Allergan, Inc. stockholders	$ 2.03	$ 1.84	$ 1.57

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2009, options to purchase 13.2 million shares of common stock at exercise prices ranging from $39.67 to $65.63 per share were outstanding but were not included in the computation of diluted earnings per share because the effect from the assumed exercise of these options calculated under the treasury stock method would be anti-dilutive. There were no potentially diluted common shares related to the Company s 2026 Convertible Notes for the year ended December 31, 2009, as the Company s average stock price for the period was less than the conversion price of the notes.

For the year ended December 31, 2008, options to purchase 11.4 million shares of common stock at exercise prices ranging from $47.32 to $65.63 per share were outstanding but were not included in the computation of diluted earnings per share because the effect from the assumed exercise of these options calculated under the treasury stock method would be anti-dilutive. There were no potentially diluted common shares related to the Company s 2026 Convertible Notes for the year ended December 31, 2008, as the Company s average stock price for the period was less than the conversion price of the notes.

For the year ended December 31, 2007, options to purchase 4.1 million shares of common stock at exercise prices ranging from $48.07 to $65.21 per share were outstanding but were not included in the computation of diluted earnings per share because the effect from the assumed exercise of these options calculated under the treasury stock method would be anti-dilutive.

Note 20: Comprehensive Income (Loss)

The following table summarizes the components of comprehensive income (loss) for the years ended December 31:

	2009			2008			2007		
	Before Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount	Before Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount	Before Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
					(in millions)				
Foreign currency translation adjustments	$ 38.9	$	$ 38.9	$ (39.5)	$	$ (39.5)	$ 47.1	$	$ 47.1
Amortization of deferred holding gains on derivatives designated as cash flow hedges	(1.3)	0.5	(0.8)	(1.3)	0.5	(0.8)	(1.3)	0.5	(0.8)
Pension and postretirement benefit plan adjustments:									
Net gain (loss)	66.7	(17.8)	48.9	(190.3)	64.5	(125.8)	53.7	(15.2)	38.5
Amortization	12.6	(3.4)	9.2	6.5	(2.6)	3.9	11.4	(3.9)	7.5
Unrealized holding gain (loss) on available-for-sale securities	2.9	(1.5)	1.4	(5.8)	2.7	(3.1)	0.8	(0.3)	0.5
Other comprehensive income (loss)	$ 119.8	$ (22.2)	97.6	$ (230.4)	$ 65.1	(165.3)	$ 111.7	$ (18.9)	92.8
Net earnings			623.8			564.7			485.3
Total comprehensive income			721.4			399.4			578.1
Comprehensive income attributable to noncontrolling interest			4.2			1.2			0.7
Comprehensive income attributable to Allergan, Inc.			$ 717.2			$ 398.2			$ 577.4

Table of Contents

ALLERGAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 21: Subsequent Event

On January 15, 2010, the Company completed the acquisition of Serica Technologies, Inc., a medical device company focused on the development of biodegradable silk-based scaffolds for use in tissue regeneration, including breast augmentation, revision and reconstruction and bariatric applications, for an aggregate purchase price of approximately $70.0 million.

Table of Contents

ALLERGAN, INC.

QUARTERLY RESULTS (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
	(in millions, except per share data)				
2009					
Product net sales	$ 994.6	$ 1,118.7	$ 1,127.8	$ 1,206.5	$ 4,447.6
Total revenues	1,007.2	1,130.8	1,141.3	1,224.3	4,503.6
Operating income	82.1	292.5	236.5	316.9	928.0
Earnings from continuing operations before income taxes(a)	63.4	257.0	232.3	295.8	848.5
Net earnings	45.0	176.8	179.2	222.8	623.8
Net earnings attributable to Allergan, Inc.	44.7	176.1	179.0	221.5	621.3
Basic earnings per share attributable to Allergan, Inc. stockholders	0.15	0.58	0.59	0.73	2.05
Diluted earnings per share attributable to Allergan, Inc. stockholders	0.15	0.58	0.58	0.72	2.03
2008					
Product net sales	$ 1,061.0	$ 1,155.8	$ 1,081.9	$ 1,041.0	$ 4,339.7
Total revenues	1,076.6	1,172.0	1,098.2	1,056.6	4,403.4
Operating income	166.0	209.0	237.4	183.6	796.0
Earnings from continuing operations before income taxes(b)	149.5	189.9	233.0	189.8	762.2
Net earnings	107.9	143.8	166.0	147.0	564.7
Net earnings attributable to Allergan, Inc.	107.7	143.4	165.4	146.6	563.1
Basic earnings per share attributable to Allergan, Inc. stockholders	0.35	0.47	0.54	0.48	1.85
Diluted earnings per share attributable to Allergan, Inc. stockholders	0.35	0.47	0.54	0.48	1.84

(a) Includes 2009 pre-tax charges for the following items:

	Quarter				
	First	Second	Third	Fourth	Total
			(in millions)		
Amortization of acquired intangible assets	$ 38.6	$ 35.5	$ 36.0	$ 36.2	$ 146.3
Restructuring charges	42.1	1.0	4.2	3.6	50.9
Compensation expense from stock option modifications related to the 2009 restructuring plan	77.0	0.6	0.7	0.3	78.6
Termination benefits, asset impairments and accelerated depreciation costs related to the phased closure of the Arklow manufacturing facility	4.5	7.2	2.8		14.5
Contribution to The Allergan Foundation			18.0		18.0
External costs associated with responding to the U.S. Department of Justice subpoena	7.8	7.4	8.4	8.6	32.2
Upfront payment for technology that has not achieved regulatory approval			10.0		10.0
Non-cash interest expense associated with amortization of convertible debt discount	6.5	5.9	6.0	6.1	24.5
Loss on extinguishment of convertible debt	5.3				5.3

Gain on settlement of a manufacturing and distribution agreement		(14.0)	(14.0)
Gain on investments, net	(24.6)		(24.6)

Table of Contents

ALLERGAN, INC.

QUARTERLY RESULTS (UNAUDITED) (Continued)

(b) Includes 2008 pre-tax charges for the following items:

	Quarter				
	First	Second	Third	Fourth	Total
			(in millions)		
Amortization of acquired intangible assets	$ 34.9	$ 35.8	$ 39.3	$ 40.9	$ 150.9
Restructuring charges (reversal)	28.4	9.4	(0.2)	3.7	41.3
Integration costs	0.6	1.3	0.1	0.2	2.2
Termination benefits, asset impairments and accelerated depreciation costs related to the phased closure of the Arklow manufacturing facility	0.7	0.3	4.8	4.2	10.0
Esprit fair market value inventory adjustment rollout	6.7	5.0			11.7
External costs associated with responding to the U.S. Department of Justice subpoena		9.0	6.7	10.0	25.7
Upfront payments for technologies that have not achieved regulatory approval		13.9	6.3	48.5	68.7
Settlement of a distribution agreement in Korea				13.2	13.2
Impairment of intangible asset				5.6	5.6
Non-cash interest expense associated with amortization of convertible debt discount	6.1	6.2	6.3	6.3	24.9

Table of Contents

SCHEDULE II

ALLERGAN, INC.

VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 31, 2009, 2008 and 2007

Allowance for Doubtful Accounts Deducted from Trade Receivables	Balance at Beginning of Year	Additions(a)	Deductions(b)	Other(c)	Balance at End of Year
			(in millions)		
2009	$ 31.4	$ 10.8	$ (11.9)	$	$ 30.3
2008	21.4	12.6	(2.6)		31.4
2007	15.8	5.3	(3.4)	3.7	21.4

(a) Provision charged to earnings.

(b) Accounts written off, net of recoveries.

(c) Allowance for doubtful accounts acquired as part of the Esprit and Cornéal acquisitions, net of amounts disposed as part of discontinued operations, as applicable.