PARTICIPANTS

Corporate Participants

James Hindman – Head-Investor Relations
David E. I. Pyott – Chairman, President & Chief Executive Officer
Jeffrey L. Edwards – Chief Financial Officer & EVP-Business Development
Joann Bradley – Head-Investor Relations

Other Participants

Lawrence H. Biegelsen – Analyst, Wells Fargo Advisors LLC
Greg P. Waterman – Analyst, Goldman Sachs & Co.
Gary Nachman – Analyst, Susquehanna Financial Group LLP
Marc Goodman – Analyst, UBS Securities LLC
Douglas D. Tsao – Analyst, Barclays Capital, Inc.
David George Buck – Analyst, Buckingham Research Group, Inc.
Annabel Samimy – Analyst, Stifel, Nicolaus & Co., Inc.
John T. Boris – Analyst, Citigroup Global Markets (United States)
Seamus Fernandez – Analyst, Leerink Swann LLC
Ronny Gal – Analyst, Sanford C. Bernstein & Co. LLC
Gregg Gilbert – Analyst, Bank of America Merrill Lynch
Shibani Malhotra – Analyst, RBC Capital Markets Equity Research
David R. Risinger – Analyst, Morgan Stanley & Co. LLC
Ken Cacciatore – Analyst, Cowen & Co.
Catherine Jayne Arnold – Analyst, Credit Suisse (United States)
Stephen Barr Willoughby – Analyst, Cleveland Research Co.
Frank Henry Pinkerton – Analyst, SunTrust Robinson Humphrey
David A. Amsellem – Analyst, Piper Jaffray, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Hello, and welcome to the Allergan first quarter 2012 earnings call. Following today's presentation, there will be a formal question and answer session. [Operator Instructions] At the request of the company, today's conference is being recorded. If anyone has any objections, you may disconnect at this time. I would like to introduce today's conference host, Mr. Jim Hindman, Senior Vice President, Treasury, Risk and Investor Relations. Sir, you may begin.

James Hindman, Head-Investor Relations

Thank you, Terry. Good morning. With me for today's conference call is David Pyott, Chairman of the Board, President, and Chief Executive Officer; Jeff Edwards, Executive Vice President, Finance and Business Development, Chief Financial Officer; Dr. Scott Whitcup, Executive Vice President, Research and Development, Chief Scientific Officer; and Jim Barlow, Senior Vice President and Corporate Controller.

Before we move ahead, I would like to remind that you certain statements that we will make in this presentation are forward-looking statements. These forward-looking statements reflect Allergan's judgment and analysis only as of today, and actual results may differ materially from current expectations, based on a number of factors affecting Allergan's businesses. Accordingly, you should not place undue reliance on these forward-looking statements. For a more thorough

discussion of the risks and uncertainties associated with the forward-looking statements to be made in this conference call and webcast, we refer you to the disclaimer regarding forward-looking statements that is included in our first quarter 2012 earnings release, which was furnished to the SEC today on Form 8-K, as well as our filings with the SEC referenced in that disclaimer.

We will follow up the question and answer session of this call with a short listen-only segment where we'll provide additional miscellaneous information that relates to our business. Under Regulation FD, in order to be able to discuss this information freely during the quarter, we must be sure that it is in the public domain.

This conference call and the company webcast are being simultaneously broadcast over the Internet, with replays available for one week. You can access this information on our website at www.allergan.com.

At this point, I'd like to turn the call over to David Pyott.

David E. I. Pyott, Chairman, President & Chief Executive Officer

Great. Thanks, Jim. Good morning, ladies and gentlemen.

In the first quarter of this year, Allergan's sales grew versus the first quarter 2011 by 9.0%. Due to the strength of the U.S. dollar relative to many world currencies, especially the euro, by a higher 10.4% in local currencies. We enjoyed strong double-digit growth in many operating regions, namely the U.S. and Canadian Pharmaceuticals businesses, across the total business in Europe, Africa, Middle East, and also in Latin America and Asia Pacific. The U.S. Medical Device business had declining sales due to the filler business, which is explained by the timing of consumer promotions in 2012 and 2011 and due to market conditions for LAP-BAND.

Regarding operating performance, we generated non-GAAP earnings per share of $0.86, marking an increase of 11.7% and at the top end of the range of expectations provided at our last earnings call. For a reconciliation to GAAP numbers, kindly consult our press release. You will note that we have not changed our outlook for sales or earnings for the full year 2012. A few major swing items for the full year are, however, worthy of comment.

On March 9, a U.S. District Court judge in California issued a permanent injunction enjoining Merz from selling or providing XEOMIN or soliciting purchases of XEOMIN in the facial aesthetics market until January 9, 2013. The judge also imposed the same restrictions on XEOMIN in the therapeutic market, unless customers are not identified on court-mandated exclusion lists or customers voluntarily and without solicitation request to purchase the product for therapeutic use, and sworn declarations are submitted so stating. Finally, the judge enjoined Merz from providing or selling dermal filler products or soliciting purchases of dermal filler products until Jan. 9, 2013, except to customers who voluntarily and without solicitation request to purchase the product and sworn declarations are submitted so stating, or unless customers had already purchased product between July 1, 2009, and June 30, 2010. Further exact details of this injunction are to be found in the court order. Given XEOMIN inventory in channel which still had to be used, this did not positively affect BOTOX sales in the quarter but is expected to provide a benefit during the remainder of the year and additionally a small benefit to JUVEDERM sales.

As an offsetting item, the cost of U.S. healthcare reform is now expected to cost us an incremental $20 million, increasing from $90 million in 2011 to an estimated pre-tax equivalent of $110 million in 2012. This is due to increased cost of the so-called doughnut hole relating to primarily our glaucoma product line, and an increase in Allergan's share of the pharmaceutical tax due to our sales growth relative to the rest of the U.S. pharmaceutical industry. Overseas, government-mandated price cuts remain in the range of our planning assumptions.

Regarding SANCTURA XR, a District Court found all claims and patents invalid for obviousness. Whilst we were disappointed about the court's ruling, we believe that we have strong arguments on appeal. Based on the foregoing and our analysis of generic filers, our assumption is that no generic of SANCTURA XR will be commercialized during 2012.

Now commenting on the performance of the individual businesses. Given the [ph] odd-looking (6:06) decline in facial aesthetics, which declined 5.0% year over year and 3.5% in local currencies, I will start with the consumer-facing cash pay businesses. From the facts which I will present, it is clear that we remain very positive about consumer spending in our markets. Dermal fillers declined considerably in the United States, offset by strong double-digit growth internationally. Also recollect that sales in Q1 2011 grew a spectacular 48% versus the first quarter of 2010 and represented the first time that facial aesthetics sales were sequentially higher than the high point of a fourth quarter.

In the U.S., the swing is explained by the timing of our so-called Duet Dividends promotion, whereby we provide incentives to physicians and rebate coupons to their patients to combine orders and treatments of JUVEDERM with BOTOX. In 2011, all orders for this highly successful promotion were in the first quarter. This year, the promotion commenced in the middle of April and lasts throughout the second quarter. In Q2 we've already seen a strong response to this promotion. The 2012 campaign was timed to commence just after the presumed launch of XEOMIN Cosmetic at the American Academy of Dermatology, which took place in the middle of March. Furthermore, physician office inventory of JUVEDERM was drawn down as we launched the new syringe size, the 1 ml, at the same price as the former 0.8 ml syringe, which will no longer be commercialized in the U.S. market.

In our commercial policy, we were clear to customers that we would not be taking back 0.8 ml inventory, thereby encouraging physicians to exhaust old inventory before placing new orders. Ironing out the channel inventory swings created by ourselves, we estimate that the U.S. market in Q1 grew in the low double digits. Sequentially, market share was flat in Q1 at about 39% but up 200 basis points from Q1 of 2011.

Overseas, we also continue to be encouraged by strong market growth, as well as share gains for JUVEDERM. In Europe, syndicated market data shows fourth quarter year-over-year growth at about 16% across the European Union. JUVEDERM's sales in Europe, Australia, and Korea were boosted by physician enthusiasm for VOLUMA with Lidocaine in a 1 ml syringe, which was launched during the quarter. JUVEDERM was also launched in Thailand, and JUVEDERM with Lidocaine in Mexico. In Italy and Spain, extremely strong sales growth in both facial and breast aesthetics point to the resilience of consumer demand for our products. In Canada, we have commenced TV advertising for JUVEDERM in March.

Now moving on to breast aesthetics. Sales increased a very strong 17.0% in dollars and 18.4% in local currencies, with particularly strong performance stemming from Europe and Latin America. Based on extensive feedback from the marketplace, it seems that we have benefited as the clear market leader in Europe from a move to high-quality manufacturers for first-time augmentation surgery. In addition, Allergan implants have been chosen for revision surgery in the wake of the PIP scandal, which had its greatest impact in France and the UK.

Lesser effects were seen in most of the European markets, as well as Latin America and Australia. In the U.S., we enjoyed good growth, not only from healthy growth in market procedures, but also due to the continuing improvement of mix to higher-priced silicone gel products and tissue expanders. With the breadth of our product line, both in implants and tissue expanders, but also across our plastic surgery product line, we feel well prepared to face new competition from Sientra in the U.S.

In Europe, at the Aesthetic Medicine World Congress in Monaco at the end of March, we unveiled a quality-first communications campaign covering not only our breast implants, but also a full range of aesthetics product, building on our heritage as clear category leader in each of our market segments. This campaign encompasses not only media relations but also advertisements in women's magazines.

Regarding BOTOX, the franchise grew 9.4% in dollars and 10.5% in local currencies, with greater double-digit growth on the therapeutic side of the business, thanks to the recently approved indications of chronic migraine, neurogenic overactive bladder, and in the U.S., upper limb spasticity, and more moderate growth on the cosmetics side due to competitive entries.

Regarding worldwide market share for all uses of neuromodulators in Q4 2011, the last period for which we have data available, we estimate that BOTOX enjoyed just over 76% share, down about 300 basis points from Q4 of 2010, given the entry of competitors into new geographic markets. It is, however, very positive that both the therapeutic and aesthetic neuromodulator markets in Q4 year over year continued to grow in the double digits.

Now back to Q1 sales. On the cosmetics side of the business, we were impacted in the U.S. by XEOMIN's 7% to 8% share in the first quarter – this is per our consumer survey – after their prelaunch in October 2011. We were, however, pleased that BOTOX Cosmetic volume share in March moved up to 78% from 75% in February, gaining both against DYSPORT and XEOMIN. A driver was the media and promotional launch of our BOTOX 10-year anniversary campaign, which enabled patients to capture a discount across three treatments. We estimate that the U.S. aesthetic neuromodulator market was growing double digit in Q1. In Europe, we lost limited market share in Southern European countries, where Galderma with AZZALURE and Merz with BOCOUTURE are still in their launch phase, but market growth remains encouraging. Sales across Asia were particularly strong.

Turning to the therapeutic side of the business, growth was particularly strong in the United States, Canada, Latin America, and Asia Pacific. In Europe, we were impacted by government-mandated price cuts, which have the effect of converting gratifying unit growth into low market growth [ph] and value. (13:13) Regarding the trajectory of all BOTOX therapeutic launches, I wish to remind investors that our 20-year experience is that this is always long cycle, even if all the metrics are very positive, as injectors learn the procedure and incorporate BOTOX into regular clinics. Clearly, that takes time.

Since the last earnings call, we are pleased that we've received additional BOTOX Therapeutic approvals. BOTOX for chronic migraine was additionally approved in Hungary, Luxembourg, Israel, Singapore, Costa Rica, Guatemala, and Venezuela and now enjoys licenses in a total of 42 countries. Regarding BOTOX for neurogenic bladder, approvals came through in Australia, Belgium, Norway, Luxembourg, and Spain, with now approvals totaling all together 31 countries.

In the U.S., BOTOX Therapeutic market share remains very high at 93%, with the remaining 7% being shared fairly equally by DYSPORT, MYOBLOC, and XEOMIN. The U.S. chronic migraine launch continues to progress very well, with particularly encouraging feedback from injecting physicians attending the recent American Academy of Neurology, regarding their assessment of patient response to treatment and overall satisfaction. About 5,000 individual physicians of the approximately 10,000 neurologists in the United States have now been trained, and we're beginning to ramp up preceptorships for those customers requesting advanced training. 50% of practicing neurologists injected at least one patient for chronic migraine in the past month.

The last reimbursement gaps are being gradually closed. Regarding access in commercial managed care plans, 91% of all lives now have policy coverage. Accordingly, the volume of insurance verifications continues to rise. And the number of denials to prior authorizations are in a steady decline. We launched an unbranded DTC campaign for patient awareness of the condition

in September of last year and in addition have placed BOTOX branded print advertisements in women's magazines since February. We're also fielding a public relations campaign called "Rewrite Your Day." We're pleased with the number of hits to our websites and the number of patients visiting the Find a Doctor web page.

In Canada, we're also recording good initial sales for chronic migraine where patients have insurance coverage from private rather than government plans. Potentially 80% of the total opportunity in Canada is from the private arena. As we only received Health Canada approval in Q4, we do not yet have coverage from provincial plans.

In the U.S., in the core movement disorders area, which includes the upper limb spasticity indication, we also continued to enjoy double-digit growth. Regarding the neurogenic overactive bladder launch, we're also off to a good start. Just over 1,000 individual physicians have been trained, and we're now launching a proctorship program.

Regarding insurance access, 60% of commercial lives enjoy policy coverage, 82% of Medicare lives, and 96% of Medicaid lives. Clearly age and insurance profiles of spinal cord patients and multiple sclerosis patients are quite different from each other. Outcomes of the insurance verification process are very similar to what we experienced in initial months post launch with chronic migraine. Obviously the next key event in our urology franchise is the expected approvals for idiopathic overactive bladder by both FDA and the European authorities in 2013.

Ophthalmic pharmaceutical sales increased 10.2% year over year in dollars and 12.0% in local currencies, with double-digit growth in North America; Europe, Africa, Middle East; Latin America; and Asia. This is commendable performance considering sales growth is impacted by government-mandated price cuts across a broad range of European countries extending out to Turkey and Korea.

Growth was driven by a wide range of products: RESTASIS, COMBIGAN, LUMIGAN, OZURDEX, and the artificial tears line led by OPTIVE. We've also reached a juncture where the sales reduction from the genericization of ACULAR in the United States and impact on the combined ACULAR-ACUVAIL franchise is minor. The IMS global report for the fourth quarter of 2011 shows the global market growing by only 4%, and excluding retina, the market declining by 1% due to the genericization of XALATAN and COSOPT around the world. In this same period, IMS shows Allergan growing by 8%, in line with Alcon. Clearly Allergan is strongly growing market share in glaucoma and on a small base share in retina with OZURDEX. Share in the artificial tears market was stable.

In the first quarter, we continued to make excellent progress with both LUMIGAN globally and GANFORT overseas. In the U.S., the percentage of new prescriptions written for LUMIGAN 0.01% as a proportion of all LUMIGAN prescriptions passed the 60% mark, and as a franchise continues to grow despite the genericization of XALATAN. Given the success of LUMIGAN 0.01%, U.S. wholesalers and retailers are reducing their stock of LUMIGAN 0.03%. ALPHAGAN also continues to grow in the U.S. despite the availability of generics. RESTASIS remains on a strong growth trajectory in the U.S. and has made a strong impact in its initial launch in Canada. OPTIVE Advanced, a triple-action formula that works on all layers of the tear film, was launched in the U.S. in the quarter and is enjoying strong pickup. The same product was launched under the brand OPTIVE PLUS in Germany, Italy, and Belgium. In France, OPTIVE has been approved and launched as a reimbursed product.

We are pleased with our strong and growing presence overall in emerging markets. In Latin America, we're the fastest-growing multinational ophthalmic company and are the largest ophthalmic company in Brazil. Since the beginning of the year, we've had a lot of activity. LUMIGAN 0.01% was launched in Mexico, OZURDEX in Mexico and Argentina, and ZYMAXID and ACUVAIL under local brands in Brazil. In Russia, ALPHAGAN P and GANFORT were successfully

introduced in January. In China, we're growing very strongly on a small base, driven by our glaucoma and tears products. In India, a market growing by about 15%, we're growing even faster as the strong number one market leader.

Our skin-care franchise grew by a very strong 28.8%, both in dollars and in local currencies. ACZONE is on a strong upswing, with ex-factory sales increasing 66%, and is about to become the number one product in the anti-inflammatory acne category, surpassing DUAC. TAZORAC also had a strong quarter on an ex-factory basis and grew in market at 6.7% on acquisition dollar basis, as reported by IMS VONA.

LATISSE sales declined 8.9% in dollars and by 8.8% in local currencies. This follows the very strong Q4 sales due to the sell-in of a special offer to physicians. In market, we're pleased that we reached a new record level of prescriptions and that consumers have responded well to the repositioning of the product as part of a woman's anti-aging portfolio of products. In Canada, a national TV campaign has driven a record number of consumers to our physician locator. In Latin America, we had good growth in Brazil and Mexico, and launched LATISSE in Chile.

The SANCTURA urology franchise declined 6.0%, as we moved our promotional emphasis to the launch of BOTOX for neurogenic overactive bladder. The obesity intervention line declined 15.5% in dollars and 15.0% in local currencies. In the U.S., we're somewhat encouraged that the rate of decline of the bariatric market is attenuating. In fact, we believe the beginning of this year even grew slightly. The overall market declined 6% in 2011, and only grew, as I stated, 3% to 4% year-to-date February, with the share of banding ranging around 41% since August 2011, with gains in sleeve gastrectomy coming at the expense of bypass procedures. Within the band category, LAP-BAND enjoyed 90% share in February. Now a substantial part of our efforts are directed to improving access to reimbursement, with results expected in 2013.

I will now pass over to Jeff Edwards, who will comment our financial performance.

Jeffrey L. Edwards, Chief Financial Officer & EVP-Business Development

Thanks, David, and good morning to all of you on the call.

First quarter of 2012 represented a good start to the year for Allergan, despite previously discussed pressures relating to U.S. healthcare reform and overseas pricing. Allergan's diversified base of business, as well as its consistent and thoughtful approach of reinvesting in our business, enabled the company to deliver non-GAAP diluted EPS results at the top end of our earnings per share guidance for the quarter. Non-GAAP diluted earnings per share for the first quarter were $0.86, marking an 11.7% increase over 2011 results for the same quarter.

As a reminder, our diluted earnings per share in Q1 2011 includes the beneficial impact of the U.S. R&D tax credit of approximately one penny per share, which did not recur in Q1 2012. Excluding this benefit from the prior year results in adjusted diluted earnings per share growth in Q1 2012 of 13.2%. A reconciliation of all of the adjustments to GAAP earnings is set out in our earnings release.

Excluding the effects of non-GAAP adjustments and amortization of acquired intangibles, Allergan's Q1 2012 gross margin of 85.7% increased 30 basis points when compared to Q1 2011. This year-over-year improvement in gross margin is driven by a number of variables, but primarily attributable to favorable product mix. With respect to the favorability in product mix, the drivers were primarily related to a slightly higher proportion of Pharma products versus Medical Device products and a slightly higher proportion of higher-margin Pharmaceutical products. As sales volumes increased over the remainder of the year, you should expect the cost profiles of our manufacturing process to continue to improve and some improvement in gross profit margin.

The non-GAAP selling, general, and administrative expenses to product net sales ratio for the first quarter was 42.1%, totaling $575 million. The comparable ratio and expense value for the same period in 2011 were 42.6%, and $534 million, respectively. We continue to implement targeted investments to further support our future growth and support the launch of the many products approved in 2010 and 2011. As is historically the case, Allergan's SG&A expense to product mix sales ratio tends to be higher in the first half of the year and moderates during the back half of the year. Our expectation for 2012 is consistent with this historic theme. Non-GAAP research and development expenses were 16.5% of product net sales for the quarter, totaling $225 million, an increase in spend of approximately $27 million over the $198 million or 15.8% of product net sales spent in the first quarter of 2011.

With respect to our balance sheet, consolidated Allergan days sales outstanding was 57 days, while consolidated Allergan inventory days on hand was 122 days. In the first quarter, operating cash flow after CapEx was approximately $186 million. At the end of the first quarter, Allergan's cash and short-term investments, and cash and short-term investments net of debt positions, totaled approximately $2.6 billion and $1 billion, respectively.

Our current net cash position, along with our strong access to external capital, provides Allergan with the continuing capability to make intelligent, productive investments within the selling and marketing and research and development areas of our business. Moreover, this liquidity provides the company with superb latitude and flexibility to pursue strategic opportunities.

With respect to stock repurchase, and as previously disclosed, the company is presently executing against a 10b5-1 plan involving some 6 million shares covering the first half of 2012, with a focus of offsetting the dilutive effect of share-based employee compensation plans. As we move towards the second half of the year, we are likely to either extend this program or continue with periodic open market purchases.

For is the second quarter of 2012, Allergan expects product net sales in the range of $1.45 billion to $1.5 billion and non-GAAP diluted earnings per share to be in the range of $1.04 to $1.06. All full-year expectations for 2012 remain consistent with previous guidance. Allergan estimates full-year product net sales between $5.65 billion and $5.85 billion. And full-year, non-GAAP diluted earnings per share remains between $4.13 and $4.19, which represents growth between 13% and 15%.

To repeat a comment already made by David Pyott, this expectation now includes a full-year, pre-tax equivalent impact of approximately $110 million related to U.S. healthcare reform, which is an increase of approximately $20 million from our previous assumption. This increase reflects the inclusion of our payment expectations relating to the doughnut hole and an increase of our pro rata share of the pharma tax, as several major pharmaceutical industry products move to a generic environment.

As we have previously communicated, our 2012 expectations assume that U.S. R&D tax credit will be renewed in the fourth quarter of 2012, with full-year retroactive benefit impacting Q4 results. For your information, expectations for all other lines of the income statement and specific product sales expectations are included in the current and the prior earnings releases and also remain unchanged.

So with that, operator, I'd like now to open the call to questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. Today's conference call is scheduled to conclude at 9 a.m. Pacific time. To ensure that we are able to accommodate questions from as many participants as possible, we ask that each of you limit yourself to one question. [Operator Instructions] Your first question comes from Larry Biegelsen, Wells Fargo.

<Q – Larry Biegelsen – Wells Fargo Advisors LLC>: Good morning. Thank you for taking the question. I guess I will just ask about the guidance. And the midpoint of the 2Q guidance, I think, is 5% for sales, 10% for EPS. Those numbers are below the full-year midpoints. Is that due to FX, or are there other factors in the second quarter we should be aware of? Thanks.

<A – Jeff Edwards – Allergan, Inc.>: Well, no, I think, as is typically the case, Larry, we put forth a set of numbers that represent our conservative estimates. To the extent we can perform better than that, it's certainly our expectation to perform better than that.

<Q – Larry Biegelsen – Wells Fargo Advisors LLC>: Okay. Thank you very much, Jeff.

Operator: Your next question comes from Greg Waterman, Goldman Sachs.

<Q – Greg Waterman – Goldman Sachs & Co.>: Thanks for taking the question. For the Duet Dividends program, I was hoping could you help us think about the potential magnitude of the Q2 impact. And I guess embedded in this, to what extent can we focus on the first quarter of last year as a useful analog?

<A – David Pyott – Allergan, Inc.>: Yeah, well, I mean, when you look across the history, the swings are really very, very large. If we look at the U.S. figures alone, for last year, the effect of this promotion was an increase of over 40% in sales, Q1 versus Q1. So clearly there's a big rise and fall of what goes into channel. And this year, as I pointed out in my remarks, we compounded that with the switch of the size from 0.8 to 1 ml at the same price, and we made it very clear we weren't taking back the smaller size. So the motivation to stock up was less than zero. And clearly, the sell-in of this promotion, which started in the middle of April, has been very strong. So based on everything we can see, you'll see the flip-around in Q2 with some very major filler growth across the world. So we did this all for promotional reasons, as I stated. It was all due to be timed to just after what we had assumed would be the launch of XEOMIN Cosmetic at the AAD.

<Q – Greg Waterman – Goldman Sachs & Co.>: Great. Thank you very much.

Operator: Your next question comes from Gary Nachman, Susquehanna Financial Group.

<Q – Gary Nachman – Susquehanna Financial Group LLP>: Hi, good morning. David, I think you said U.S. cosmetic market grew double digits in 1Q and Europe was a little lower than that. Just talk about why you're confident that the cosmetic market will continue to be robust for the rest of the year. What sort of signals are you seeing? Thanks.

<A – David Pyott – Allergan, Inc.>: Good. In my prepared remarks, I, in fact, stated that both the U.S. aesthetic neuromodulator market and also the filler market, when you take out all these inventories ups and downs, we estimate that both of them grew double digit. And, in fact, Europe was quite robust as well. Where I tempered my remarks was clearly when our competitors are still moving into new markets; if you've had 80%-plus share historically, unfortunately you've got to lose something. That's just the way life is. And therefore, our job as the category leader is to ensure that the market is growing. And as I stated, even Southern Europe is incredibly encouraging when I look at breast aesthetics, fillers, and neuromodulators. In fact, I ask myself, how good could life be if we could just cancel this economic recession? It would be heavenly. I can only imagine. Although,

clearly, it's something to do with lifestyle of particularly those cultures where people do want to spend even in tough times on their appearance, their apparel, and their lifestyle.

Operator: Your next question comes from Marc Goodman, UBS.

<Q – Marc Goodman – UBS Securities LLC>: Yes. David, can you talk about your comments on obesity a little more? First you said something about reimbursement and you're expecting that to improve next year. So what are you doing to get the obesity improvement? And you also mentioned you thought that the U.S. business started to actually be positive in the first half of the year, first quarter, I think you said. And then the second question is, can you just talk about SG&A in the quarter and just some of the push/pulls just so we understand what were some of the incremental spending and some of the things that you spent less on? Thanks.

<A – David Pyott – Allergan, Inc.>: Yeah, sure. First of all, on obesity, for the first time for a while, we've actually seen total bariatric procedures moving up, just fractionally. We only have data year-to-date February. The other thing we watch, of course, is what is the overall share of bands as part of all bariatric procedures, and that's been pretty flat for about all the time since, from recollection, August of last year, sort of bouncing right around that 40% mark. So what I'd call the various segment shares are beginning to flatten, which is a good thing.

Secondly, my remarks about 2013 was – clearly, when we get policy changes by insurance plans, even if they were to decide, hypothetically, today, in practice they don't actually roll out the new plan coverage until January 1, 2013, and we know this as employees in our own companies as well. Plans tend to change with the calendar year. So all the efforts are going towards improvement of access and also reducing cost of co-pays. And there we're using the health economics data that we have published. So we're not asking for a favor from employers or their insurance plans. We're asking them to do a favor to themselves.

Looking at SG&A, Jeff made the comment that clearly always we start high in the year, because we tend to move up our investments into sales force or new initiatives. If we look at this year, clearly a big investment was made in the launch of chronic migraine and neurogenic bladder, particularly in the U.S., but you could hear from my remarks, in Canada and certain countries in Europe as well. And then DTC, we continued to invest strongly. Clearly migraine is an up item, given that there was no history to that particular spending item. And at the very margin, we had some increased legal expenses, and the biggest single item was the Merz litigation. And looking back, of course, that for once was a good investment in lawyers. We got the result we wanted.

This is me speaking as a former lawyer. Forgive my sense of humor.

<Q – Marc Goodman – UBS Securities LLC>: So can I follow up just on the obesity? So you're saying that you're having success with lowering cost of co-pays, things like that, such that you have more confidence that by 2013, you think these things will play in?

<A – David Pyott – Allergan, Inc.>: Well, all I'm saying is that I'm trying to be really clear. Don't expect magic during this year. Turning a ship like this on policy takes time. That's what I was trying to say.

<A – Jim Hindman – Allergan, Inc.>: Yeah, if we could please keep questions to one per person, we'll be able to get through as many of the analysts as possible. Thank you. Next question.

Operator: Thank you. It comes from Douglas Tsao, Barclays Capital.

<Q – Douglas Tsao – Barclays Capital, Inc.>: Hi, good morning. I was just hoping could you provide some color on what you're seeing in the glaucoma market today. Obviously you indicated that you're not seeing much of an impact from generic XALATAN. One of your other competitors

did indicate they were seeing some impact. As well as we did see a competitive entry recently with a new preservative-free prostaglandin analog.

<A – David Pyott – Allergan, Inc.>: Well, first of all, if we look at overall scripts, as has been in the past, they're increasing slowly. Within the total market, LUMIGAN has not only held its share but is continuing to gain share gradually, and this means across both of the [ph] top (37:49) products, 0.01% and 0.03%. And I think really what's driving this is that, as we saw from the very first launches in Europe and Canada, ophthalmologists really value the benefit that LUMIGAN 0.01% brings. Many doctors – not all of them, of course – have the perception that LUMIGAN is the most potent of the prostaglandin, or prostaglandin analogs, and fortunately with the new product, without the undesirable hyperemia that was associated with probably roughly 10% of the patients with the original 0.03%.

Regarding your question about ZIOPTAN, which is the tafluprost product marketed in this country by Merck, so far the scripts are very low, and we don't really predict that there will be a large market gain for this product, because the pressure-lowering properties are rather weak.

<Q – Douglas Tsao – Barclays Capital, Inc.>: Okay, great. Thank you very much.

Operator: Your next question is from David Buck, Buckingham Research Group.

<Q – David Buck – Buckingham Research Group, Inc.>: Yeah, thanks for taking the question. It's on BOTOX and the outlook and guidance. So if we look at the first quarter, you mentioned, David, there was some impact from Merz during the quarter, and that's now going away. Can you talk about why you decided to keep the $1.75 billion to $1.8 billion guidance, and what's the sense of the impact that you can give us in terms of what the numbers would have been in terms of growth if Merz was not in the market for first quarter? Thanks.

<A – David Pyott – Allergan, Inc.>: Yeah, sure. Well, you can kind of do your own back-of-the-envelope math, because if I'm saying that we think the market grew double digit and in our survey we believe that Merz captured through heavy sampling – which, of course, sampling comes out of us in terms of sales being the market leader – we think that they gained 7% to 8% share. Also, I pointed out, given the injunction only occurred on March 9, clearly the market was full of product, and so we can see this in our numbers. Gradually XEOMIN is disappearing. So what does that all mean? It means we got no benefit in Q1 from the injunction, but we will start seeing the benefit in Q2 and then even greater in Q3 and Q4 and so on.

I think when we get down to the question of outlook, our view was – you can get into what I call microscopic guidance, where I can tell the whole analyst community move up that product by $5 million, move that one down by $3 million, move that one up by $10 million. These numbers are so small this early in the year, it's much simpler just to leave everything the way it is, and we'll give you a much better view on this call three months from now.

<Q – David Buck – Buckingham Research Group, Inc.>: Sure. I guess fair to say, though, that you'd have a lot more confidence in the BOTOX numbers this year?

<A – David Pyott – Allergan, Inc.>: Right. Well, let's remember – and then we'll move on – that BOTOX is – remember I called it the Russian doll? And there are, many, many different franchises, and I gave you a lot of flavor from my commentary how therapeutic is performing even stronger than cosmetic, the reasons why, and when you read the transcripts or re-listen to the playback, you can get lots of nuggets of information on how all these franchises are traveling in different regions in the world.

<Q – David Buck – Buckingham Research Group, Inc.>: Okay.

<A – David Pyott – Allergan, Inc.>: Next question, please.

Operator: Comes from Annabel Samimy, Stifel Nicolaus.

<Q – Annabel Samimy – Stifel, Nicolaus & Co., Inc.>: Hi. I guess in that vein, do you have a sense of the amount of inventory that's out there on the 0.8 ml for the fillers and how long that might take to wash out before you can get the 1 ml out there?

<A – David Pyott – Allergan, Inc.>: Yeah, no, I think on terms of 0.8 ml, that's certainly gone from our inventory. And given the cycle, I would imagine will be completely gone from the market very soon, and the world will have moved on to 1.0 ml in the United States. So this – obviously, when we plan these things, we know how it works, and with hindsight, of course, we knew that we were going to cause this huge roller coaster, and I gave you some clues on my last quarter call that this was coming, but it'll be fine. And as I said, Q2 sales are incredibly strong, given than we're back on promotion and we're restocking the channel.

<Q – Annabel Samimy – Stifel, Nicolaus & Co., Inc.>: Okay, great. Thank you.

Operator: Your next question comes from John Boris, Citigroup Investment Research.

<Q – John Boris – Citigroup Global Markets (United States)>: Thanks for taking the question. On BOTOX Therapeutic, overactive bladder, of the physicians that you mentioned that you've trained, David, you've always indicated that once you've started to create a habit, what was important was to get physicians to start actually using the product. Can you maybe provide some clarity on number of urologists that have used it once, twice, or maybe multiple times, and then the average dose that they've been injecting in overactive bladder? Thanks.

<A – David Pyott – Allergan, Inc.>: Yeah, sure. If you look, at first of all, how many urologists are there in the United States, the answer is somewhere between 5,000 and 6,000. Given that urologists are quite sub-specialized, we think that probably just over half of those are in full market presence candidates for using this product. As I stated in my remarks, we've already trained individually about 1,000 urologists, and of course we also know how many have ordered. This is the beauty of our direct shipments and also understanding very well what disappears into hospital pharmacies. Our sales force knows that they've got to check how much is being actually ordered by the urology department. So all the signs are very, very positive.

In terms of units, the label is 200 U, and of course there's absolutely no reason why the urologist would choose any other than the – than what has been both approved in the label and what is in the medical literature. We hear nothing about people experimenting. There's no reason but just to follow what is science-based medicine.

<Q – John Boris – Citigroup Global Markets (United States)>: David, what percent of the 1,000 ordered?

<A – David Pyott – Allergan, Inc.>: That I'm not going to tell you. But it follows the usual patterns, and it's all very positive. Could we have the next question, please?

Operator: Yes, it comes from Seamus Fernandez, Leerink Swann.

<Q – Seamus Fernandez – Leerink Swann LLC>: Oh, thanks very much. So, David, I was hoping you could just update us on international trends for VOLUMA and if we're seeing actual continued share gains in international markets for VOLUMA. And then how you would anticipate the potential launch of VOLUMA in the U.S. as we move forward into 2013. Thanks.

<A – David Pyott – Allergan, Inc.>: Great. Well, when I look at all the numbers that we can garner, it seems that the world filler market continues to grow in a very strong manner. And in my remarks, I stated for the fourth quarter – because I'm always in time arrears – we from a syndicated piece of research believe that the filler market across all of the European Union – so that's both North, South, and Eastern Europe, all 23 countries – grew 16% in value. So that's very positive, and that was before the launch of VOLUMA plus Lidocaine, where really the product was available in certain countries prior to the big meeting in Monte Carlo in late March, but really the official launch was at the end of March. And the reaction to the product is with great enthusiasm. We know from U.S. physicians that travel overseas and have seen the product – all I can say is eagerly, eagerly await it for the United States market. So I know it's tough on the analyst community with these huge swings of ex-factory sales, but when you piece together all my remarks, all of this has been created by ourselves, and it shows the power of the brand and the power of the promotions.

<Q – Seamus Fernandez – Leerink Swann LLC>: Thank you.

Operator: Your next question comes from Ronny Gal, Sanford Bernstein.

<Q – Ronny Gal – Sanford C. Bernstein & Co. LLC>: Good morning and thank you for taking the questions. I guess this is more of a financial question. You guys generate about $1 billion of free cash flow a year, about $250 million per quarter, and this quarter we're seeing an increase of $50 million in the cash balance. Can you help us understand how the other $200 million were spent? And just a second one if I can sneak it in is can you just remind us what are the 2013 giveback which are built into the healthcare reform law?

<A – Jeff Edwards – Allergan, Inc.>: [indiscernible] (47:28) Okay. So in the first quarter, there was a fair amount of share repurchase activity, Ronny. I believe the number was, what, some 2.6 million shares. And the cost was right around $217 million. So if you're looking for where we spent a fair amount of our cash in the first quarter, that's the answer.

<Q – Ronny Gal – Sanford C. Bernstein & Co. LLC>: Great, thank you.

<A – Jeff Edwards – Allergan, Inc.>: Okay.

Operator: Your next question comes from Gregg Gilbert, Bank of America.

<A – David Pyott – Allergan, Inc.>: Okay, let me finish off the second part of that question on 2013 for cost of U.S. healthcare reform. The only thing that will materially change is the start of the medical device tax, and its impact is very low compared to the pharma side. And obviously we've modeled that out, and we have that in our five-year strategic plan.

So if we could then move on to the question from Gregg Gilbert, please.

Operator: Thank you. Mr. Gilbert, your line is open.

<Q – Gregg Gilbert – Bank of America Merrill Lynch>: Thanks. For David and for Jeff, what's your philosophy on having a net cash position and whether you think that's ideal? Would you say that technology-driven acquisitions would be your first priority for use of cash and borrowing capacity? Thank you.

<A – David Pyott – Allergan, Inc.>: Yeah, absolutely. As enthusiastic as we are about all the great stuff being done in R&D, I'm always a believer in how do you have more shots on goal, just because we live in an inherently risky business, although our track record has been substantially better than many of our peers. And we're always looking for – whether it be licenses or acquisitions, and that's the way we'd really like to deploy our cash. And clearly beyond the fact that we have a

net cash position, we also have very strong credit rating for a company of our size. We just literally reviewed that with our board in the last couple of days.

Operator: Your next question comes from Shibani Malhotra, RBC Capital.

<Q – Shibani Malhotra – RBC Capital Markets Equity Research>: Hi, thank you for taking the question. Just on the Merz product and the impact, David, we know that they are blocked for a year, but how do you think about what happens to the market once they come back in next year, and based on their sampling, I guess, do you have a view on how much share they could take from BOTOX when they do get back, if they do?

<A – David Pyott – Allergan, Inc.>: Well, first of all, clearly when you start and then stop and then start again, that isn't the perfect launch. So clearly we are thinking through what we will do to make a re-entry quite challenging. That's just a normal competitive situation. When we look around the world, the share gains by XEOMIN, really Germany is the only place where they were somewhat successful, and that's their home territory. And as many people know, if one goes back in the eons of time, Merz was the distributor of BOTOX in its day, well over 10 years ago, so they had prior knowledge and customer contact. So obviously we model those things out. And as I've also pointed out, we're not the only competitor. There's DYSPORT as well. And usually what happens is that we tend to rise above the fray, and DYSPORT and XEOMIN tend to compete with one another on price. And that's the way most markets operate. You have the category creator, the leader, that tends to be at some premium, and then the others fight for share to prove their place in the world.

<Q – Shibani Malhotra – RBC Capital Markets Equity Research>: Thank you.

Operator: Your next question comes from David Risinger, Morgan Stanley.

<Q – David Risinger – Morgan Stanley & Co. LLC>: Yes, thanks very much. My question is for Jeff. Jeff, I'm hoping you could just provide some more color on the DSOs, which stepped up sequentially and year over year, and what we should expect for the second quarter with respect to DSOs. Thank you.

<A – Jeff Edwards – Allergan, Inc.>: Yeah, sure. So there's lots of moving parts there, so I'll hit on the biggest components. The single biggest component related to the timing of sales in the quarter. So more later in the quarter obviously results in a higher DSO at the very end of the quarter. Also, as you know, we're growing in emerging markets, and emerging markets tend to come along with higher terms with respect to timing. Also Southern Europe, of course, as you well know, if you think about Spain and Italy and Greece and Portugal, there tends to be a inherent slowness in the speed at which they pay. So if you think about the factors involved in driving that number higher, those are the primary factors. Our expectation is that we see some improvement in the second quarter. We don't provide specific guidance, but based upon what we know today, we're expecting to see some improvement in the rate of turn. That helpful?

<Q – David Risinger – Morgan Stanley & Co. LLC>: Yeah, thank you.

<A – Jeff Edwards – Allergan, Inc.>: Good.

Operator: Your next question comes from Ken Cacciatore, Cowen & Company.

<Q – Ken Cacciatore – Cowen & Co.>: Hi, thanks. A question back on BOTOX and migraine. I was just wondering, David, if you could help us contextualize a little bit when you describe the launch runway, and maybe talk about the confluence of physicians trained and when they get comfortable versus the kind of patient awareness in your DTC? And maybe within that, you've had some time with the product now. Can you give us any sense of what a reasonable penetration rate into the chronic migraine market should be a few years from now? Thanks.

<A – David Pyott – Allergan, Inc.>: Well, when I look at all the metrics that I read, both quantitatively and what I heard qualitatively, both myself and my colleagues, because we spent several days at the American Academy of Neurology, everything is positive about this product. A very high degree of patient satisfaction. When you ask physicians what they think the success ratios are for treatment, it's across the board but it's sort of 65% to 80% – very, very high for any drug therapy that any of us have ever heard. So I think great satisfaction on the physician side.

As I pointed out, and we've known this for 20 years now, the whole cycle of training people and then gradually getting them not only to inject – and did I make the remark that half of all practicing neurologists in the past month had injected at least one patient. So very positive again. But how do you turn, at the bottom end of the quintiles, occasional users into highly frequent users? And we know that. It takes time to get physicians to create a clinic where they spend what – it's all very individual – a whole morning or a whole afternoon doing nothing but BOTOX injections.

On the consumer side, extremely positive. When we look at brand awareness, we're way above all the norms of Madison Avenue, because clearly we metric that as well. Also in other surveys we've seen in terms of physician awareness, within the whole broader market of migraine, we now have the highest awareness of any single product. So also a good leading indicator. And, clearly, I made remarks about the number of patients that have gone on our websites and have even just looked for Find a Doctor in the last couple of months; that's close to 250,000 patients. So what is going into the funnel is very, very positive, and we're beginning to understand better and better over time, what does it take in terms of being on the website, then looking for Find a Doctor, all the way through to being injected. And that's called experience, right? Where you metric over time, and then you get better and better at your predictive model.

<Q – Ken Cacciatore – Cowen & Co.>: Thank you. Very helpful.

Operator: Your next question comes from Catherine Arnold, Credit Suisse.

<Q – Catherine Arnold – Credit Suisse (United States)>: Thanks very much. I was wondering if you could just comment on your market experience with Merz's BELOTERO relative to JUVEDERM, what kind of intelligence you're picking up there? Thanks.

<A – David Pyott – Allergan, Inc.>: Well, we know BELOTERO very well from Europe. Probably its biggest issue is that it has no Lidocaine. And I think, in my view, the market has moved on. Both we and RESTYLANE – a very high percentage of the sales of both products are now with Lidocaine. So it'll be quite challenging, but we'll obviously watch and monitor how things progress. And in the short term, they are restricted from sale to all customers in the manner that I laid out in my initial remarks.

Operator: Your next question comes from Steve Willoughby, Cleveland Research.

<Q – Steve Willoughby – Cleveland Research Co.>: Yes, hi. Thanks for taking the call. I just wondered if you could talk about the European breast implant market, and possibly how much you're benefiting from right now regarding the replacement of implants. Just trying to get an idea of what the overall market's growing versus what you might be benefiting from.

<A – David Pyott – Allergan, Inc.>: Well, getting a read on the exact market growth is quite difficult, given the number of manufacturers. When one counts liberally, there's almost 10. Clearly I know from last year, from our research – meaning the full year 2011 – that in procedures, the European market did grow. Modestly, but it did grow. So going to Q1, we had very strong sales. I think they're – for two reasons. One is, given that we are by far the market leader in breast implants in Europe, we benefited, sadly, for patients where revision surgery had to be conducted. So i.e., a PIP implant was explanted and a new one was put in.

But I think that only explains part of it. I think the second part is that plastic surgeons making their choice had a real move to the quality makers. And of course, one of the biggest stamps of quality in the European market is who is approved in the United States. And clearly at that moment, it was two companies, Mentor and ourselves. And there, as I stated, being the market leader, you tend to have a very strong halo effect to leadership. So really double benefit in terms of first-time primary augmentations as well.

Operator: Your next question comes from Frank Pinkerton, SunTrust.

<Q – Frank Pinkerton – SunTrust Robinson Humphrey>: Hey, great. Thanks for taking the question. Can you just discuss a little bit the other ophthalmology line and especially some of the things that Allergan is doing back of the eye, and when we could see those products potentially broken out to potentially look at future growth? Thank you.

<A – David Pyott – Allergan, Inc.>: Well, of course, the other category is quite large, and I think you can – let me start with artificial tears, because that's the biggest single product line. And of course that's made up of several products of various ages, REFRESH, more recently OPTIVE, and OPTIVE ADVANCED. And I think the best way to think about it is this is a market growing roughly 10% worldwide in. In my remarks, I talked about flat sales in market share – I mean, flat share in Q4. But this was prior to the launch of OPTIVE ADVANCED. So one would assume we will get a benefit looking at history in artificial tears from the value of innovation.

In terms of retina, I think as you can see from our disclosures, once OZURDEX moves comfortably above $100 million, then we'll break it out for you. And hopefully that will be real soon.

<A – Jim Hindman – Allergan, Inc.>: Terry, we have time for one more question.

Operator: Thank you. That'll come from David Amsellem of Piper Jaffray.

<Q – David Amsellem – Piper Jaffray, Inc.>: Okay, thanks. On BOTOX and migraine, can you give us a sense of where you think the mix between U.S. and international sales will ultimately shake out? And will it be similar to the overall U.S., ex-U.S. mix for the overall BOTOX franchise right now? Thanks.

<A – David Pyott – Allergan, Inc.>: Well, there'll be a couple of things going on. First of all, we have a higher price level in the United States than Europe, in particular. I think if one looks at the willingness of payers, access will be easier in this country than many others. And, of course, there will also be an advantage of time, because as we all know, I'm stating the obvious, even once you get an approval of chronic migraine, say, in Spain or the UK, that doesn't mean that the product instantly is available. If we look at the UK, where there's no delay in actual pricing, but if one looks at all drug launches, between NICE and the Scottish Medicines Consortium, they take many quarters to actually convene and review the data and then say are we actually paying for this product through the primary healthcare trusts?

So I think the way to think about this, summing that up, is that the U.S. will be the lion's share, but clearly there are some very interesting markets in Europe, Australia, and Canada. And I did make very positive comments about the Canadian private market already, as an example.

James Hindman, Head-Investor Relations

We would like to thank you for your participation today. If you have any further questions, Joann Bradley, David Nakasone, and I will be available immediately following the call. Joann will now take five minutes to give you market share data.

Joann Bradley, Head-Investor Relations

Thanks, Jim. The following market share data we are providing is Allergan's good-faith estimate based upon the best available sources for data, such as IMS, as well as Allergan's internal estimates. The market size, share, and growth rate information is a moving annual total or trailing 12 months as of the end of December 2012.

The market for ophthalmics is approximately $17.9 billion, growing at a rate of 8%, and Allergan's market share is 15%. The market for glaucoma approximates $5.5 billion. The market is declining at a rate of 4%, and Allergan's share approximates 21%.

The market for ocular allergy approximates $1.6 billion, growing at a rate of 11%, and Allergan's share is approximately 3%. The plain ocular anti-infective market is roughly $1.4 billion, growing at a rate of 4%, and Allergan's share is 8%. The market for ophthalmic non-steroidal anti-inflammatories is about $480 million, growing at a rate of 3%, and Allergan's market share is 9%.

The artificial tears market, inclusive of ointments, is approximately $1.7 billion, growing at a rate of 7%, and Allergan's share is 20%. U.S. topical market for acne and psoriasis is roughly $2.3 billion with an annual growth rate of 8%, and Allergan's share is roughly 9%.

The top 10 markets for neuromodulators are roughly $1.7 billion, growing at a rate of around 14%, and BOTOX has approximately an 84% share. The worldwide market for neuromodulators is roughly $2.2 billion, growing at a rate of about 17%, and BOTOX has approximately a 77% market share.

The worldwide market for dermal facial fillers is roughly $990 million, growing at a rate of around 24%, and Allergan has approximately a 37% share. The worldwide breast aesthetics market for aesthetics and reconstructive is roughly $830 million, growing at a rate of roughly 5%, and Allergan has approximately a 42% share. The worldwide bariatric surgery market for the band and balloon segments only is roughly $270 million, declining at a rate of roughly 23%, and Allergan has approximately a 72% market share.

And that concludes our call for today. Thank you.

Operator: Thank you. Once again, that does conclude the conference call for today. Please disconnect all remaining lines.