

Building momentum.

Building the future.

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Watson Pharmaceuticals, Inc. is a global leader in the development and distribution of pharmaceuticals with a broad portfolio of generic products and a specialized portfolio of branded pharmaceuticals focused on urology, women's health and nephrology/medical. Based on prescriptions dispensed, Watson is the fourth largest pharmaceutical company in the United States. With 18 locations around the world and an eye towards global expansion, Watson is building on our industry leadership in all three of our segments: Generics, Brand and Distribution.

“Our pursuit of
excellence is
changing lives.”

Paul Bisaro
PRESIDENT AND CEO

We are transforming the way we do business at Watson—through an integrated business strategy and the shared values of leadership, accountability and innovation. In 2008, we continued to build momentum as we strengthened our management team, our product pipeline and our international presence.

We approach each opportunity with enthusiasm born from experience. Through collaboration and commitment, we work together worldwide to expand and improve pharmaceutical solutions and help people live better. It is this mission that drives everything we do.

Watson at-a-glance

Watson is pioneering the development, manufacture and distribution of trusted **generics** and specialty **branded** products. We are now the 4th largest pharmaceutical company in the United States.*

Generics

Our Generics portfolio numbers approximately 150 product families and features many difficult-to-replicate formulations. This unique portfolio distinguishes us as one of the premier sources for generics offerings in the United States today.

Brands

Watson’s impressive portfolio of Brand products is specifically targeted to the Urology, Women’s Health and Nephrology/Medical markets, with appeal to Primary and Long Term Care markets.

Distribution

Our Anda Distribution Division distributes more than 8,000 different products and serves approximately 50,000 ship-to locations, making us one of the largest distributors, with an established presence in three out of four pharmacies in the United States.

5,100 employees on 3 continents

\$2.54 billion in revenue

March 2008

We ship our first product from our Goa, India manufacturing facility, following a successful FDA inspection.

May 2008

We file a New Drug Application (NDA) with the FDA for Gelnique™ (oxybutynin chloride) Gel 10%, for the treatment of overactive bladder, following positive data from Phase 3 clinical trials. We subsequently received first cycle approval of Gelnique™ in January 2009.

June 2008

We announce the approval of our Omeprazole 40mg product for the short-term treatment of duodenal ulcers. We launch this product with 180 days of market exclusivity.

October 2008

The FDA approves Rapaflo™ (silodosin), our new fast-acting alpha blocker for benign prostatic hyperplasia (prostate enlargement).

November 2008

The FDA accepts our NDA filing for a six-month formulation of Trelstar® (triptorelin pamoate) for the treatment of advanced prostate cancer. This follows the April launch of Mixject™, an innovative delivery system.

December 2008

We receive FDA approval for our over-the-counter mint-flavored nicotine gum, part of our successful line of generic smoking cessation products.

*Based on total prescriptions written.



To our Shareholders and Employees:

Every growing company reaches a point when it begins to ride its own wave of momentum and when change becomes unstoppable. I think that 2008 became that point for Watson, making today and tomorrow a very exciting time to be connected to this company.

The momentum began with a collective commitment to setting objectives and achieving them. It continued with the progress we made in each of our three divisions, reaching new milestones and igniting a new attitude. And, it culminated in our getting three New Drug Applications (NDAs) accepted by the Food and Drug Administration (FDA).

This level of commitment is becoming a hallmark of Watson. So too are collaboration, innovation and leadership. In every area of our company we are demonstrating our belief that nothing is impossible. This attitude drives us to build a future for our employees, to create value for our shareholders, and to focus on our reason for being in this business—to improve the quality of life for people around the world.

At our global facilities, we are pursuing innovative chemistry that can create better pharmaceuticals. Motivated by the people who rely on Watson products, we are committed to their healthier future as we are guided by our leadership team, our values and our confidence in our capabilities.

Clearly, this has been a year of change, and change is ongoing as we continue to evolve into a stronger, more focused company. Prudent but bold, our efforts throughout 2008 have positioned us to reap multiple rewards now and in years to come.

As President and CEO of Watson, I am honored to be a part of the team that is leading Watson from what it is to what it can be. More importantly, I am proud to work with such committed professionals whose vision and compassion lead them to make a difference in our company and in the products we bring to market. It is by continuously challenging the status quo and seeking new solutions to meet the current and future needs of our customers that we can truly deliver on our vision of helping people live better.

“Prudent but bold, our efforts throughout 2008 have positioned us to reap multiple rewards now and in years to come.”

WATSON TODAY: DIVERSIFIED YET FOCUSED

Twenty-five years after our founding, Watson is one of today's most respected pharmaceutical companies and one of tomorrow's most focused and promising leaders. Boasting a broad portfolio of generics and a specialized portfolio of branded pharmaceuticals, we are a recognized leader in difficult-to-manufacture products and alternative delivery technologies. This, complemented by the strength of a growing distribution division, gives us a highly diversified and integrated business model that is well-suited to leverage opportunities and support future growth.

Our Generics product line, at approximately 150 product families, continues to grow. We have established a robust base from which to operate, with approximately 60 Abbreviated New Drug Applications (ANDAs) pending before the FDA, including our first vertically integrated solid dosage products.

In our Brand business, we have grown to be a major player in urology, women's health and nephrology/medical, with these areas constituting a core strength for Watson.

On the distribution side of the business, our Anda division has become the 4th largest supplier of generic pharmaceuticals in the United States, offering generics, select brands, vaccines, injectables, over-the-counter medications and vitamins from more than 150 suppliers. Add to this our industry-leading expertise in the distribution of controlled substances, and it is clear that Anda is poised for significant growth.

From our Research & Development (R&D) strength to our manufacturing capabilities, from our generics heritage to our increasing brand strength and distribution prowess, Watson is a company with unstoppable momentum. It is how we stand apart from our competitors and how we continue to create value.

AN INCREASINGLY GLOBAL FOCUS

Our vision isn't constrained by geography. Throughout the past year, we took steps to leverage our capabilities across global boundaries, expanding our ability and readiness to participate in world markets.

Watson now operates from 18 facilities and our employees are advancing our agenda across three continents. From the development and manufacture of Active Pharmaceutical Ingredients (API) to next day delivery of finished product to our customers' doors, we are looking at every way to enhance efficiencies across our entire supply chain.

This year, we increased our manufacture of API at our FDA-approved facility in Ambernath, India, outside Mumbai, allowing for vertical integration on selected products. We filed our first ANDAs with pivotal bioequivalence studies conducted in Mumbai, and our finished dose facility in Goa, India came online, allowing us to expand our manufactured volume in India to approximately one billion units in 2008.

But, it is not only our capabilities that are expanding. It is also our vision. We continue to explore growth opportunities internationally to expand the Watson footprint and grow our global presence.

PLACING A TOP PRIORITY ON EXCELLENCE

In 2008, we instituted an operational excellence program at our U.S. manufacturing facilities. Incorporating enterprise resource planning systems, all facets of our business are now integrated, a move that will further enhance our efficiency in the years ahead.

Not only did we institute system-wide programs, but we also resolved facility-specific issues. By mid-2008, we favorably resolved the regulatory situation at our Davie, Florida facility and the FDA lifted the site's Official Action Indicated (OAI) status which had been in place. Almost immediately, we received approvals for products from this facility—including Omeprazole 40 mg, a first-to-file offering, and our generic version of Micro-K® (potassium chloride). And that's just the beginning.

By the end of 2008, we had begun clearing the backlog of ANDAs for compounds we plan to manufacture at the Davie plant. We increased capacity at our Salt Lake City, Utah facility, which focuses on gels and transdermals, including our Fentanyl

“With many of the challenges behind us, and with momentum-building opportunities ahead of us, we are well positioned for 2009 and beyond.”

Transdermal System for chronic pain management, which was a significant contributor in 2008. Looking forward, we are ramping up at our Copiague, New York plant to produce more flavors of our popular nicotine gum line. In each of these moves, we will further utilize our drug delivery expertise and ability to create difficult-to-manufacture products.

With many of the challenges behind us, and with momentum-building opportunities ahead of us, we are well positioned for 2009 and beyond.

OUR STRENGTH IN GENERICS CONTINUES

Developing and marketing generics is our heritage and accounts for approximately 60 percent of our revenue. Our commitment to this business leads us to seek opportunities in line with objectives and to capitalize on those opportunities when we see them. We are proud to have launched 11 new generic products this year, crossing a wide range of therapeutic categories.

In 2008, we took a hard look at our Generics business and pipeline, and focused our attention on those products we believed held the greatest potential for making market inroads. At the same time, we became more aggressive on the Paragraph 4 (PIV) patent front, challenging those brand patents that we believed warranted challenge, enabling us to bring new generic solutions to patients sooner. Of our 60 ANDAs pending with the FDA, approximately 40 are PIVs, including 10 first-to-file opportunities. Additionally, we have numerous contraceptives on file, including an ANDA for generic Seasonique®, a low estrogen extended-regimen oral contraceptive.

We expect that our new generics, along with others in our pipeline, will be important contributors in 2009. And, as the appetite for generics continues to grow and as we become even more vigilant in our pursuit of operational excellence, we anticipate seeing continued improvement in the margins delivered by this division.

WATSON BRANDS TAKE CENTER STAGE

Proprietary brands might be the biggest sign of change at Watson. In 2008, we continued to deliver value through our brand pipeline and we increased our depth of offerings. More importantly, we successfully filed three NDAs in 2008.

In October, we received first cycle approval for Rapaflo™ for the treatment of the signs and symptoms of benign prostatic hyperplasia (BPH). Received in only 10 months, this approval was particularly impressive for a new chemical entity and spoke volumes about the high quality and efficiency of our R&D and Regulatory groups. In November, we had our NDA accepted for a six-month formulation of Trelstar® for the palliative treatment of advanced prostate cancer. And then, as we began 2009, we received approval for Gelnique™, the first and only topical gel for the treatment of overactive bladder (OAB). These, combined with our existing portfolio, give us strong brands in six of the top 10 treatment areas in urology.

Our brand assets in women's health are expanding as well, having completed an agreement with Warner Chilcott for a novel oral contraceptive that is currently in late-stage development, and for Femring® (estradiol acetate vaginal ring), a hormone therapy product that we began promoting to gynecologists in early 2009.

Finally, in nephrology, we are identifying new opportunities in the market and calling on our sales team's expertise to evolve into a full medical field force.

Our impressive brand pipeline reflects our commitment to continue building Watson's Brand business and profitability over the coming years.

DISTRIBUTION STEPS UP ITS GAME

Already highly successful, our Anda Distribution business kicked into a new gear in 2008. Today, Anda is the fourth largest supplier of generic pharmaceuticals in the United States and has begun its evolution from primarily distributing generics to distributing a more diversified product line that includes branded products.

With approximately 50,000 ship-to locations in the United States, and boasting penetration into more than 75 percent of all retail pharmacies, independents and national/regional chains, Anda is a significant asset that provides healthy cash flow while enhancing our cost efficiencies and reinforcing valuable customer relationships. We have plans for Anda's expansion in 2009 and beyond.

FINANCIAL STABILITY PROVIDES FLEXIBILITY

This watershed year demonstrated Watson's continuing stability and financial strength. Importantly, our solid performance was spread across all our divisions as we continued to improve operating margins, generate positive cash flow and increase value to our shareholders.

We ended 2008 with revenue of \$2.54 billion, up 1.6 percent over 2007. Overall gross margin increased to 40.7 percent in 2008 from 39.7 percent in 2007. Net income was \$238 million, or \$2.09 per diluted share, compared to net income of \$141 million, or \$1.27 per diluted share, for the same period of 2007. EBITDA was an impressive \$548 million, with total cash flow from operations of \$417 million, and cash and marketable securities of \$521 million at year end.

With our consistent ability to generate positive cash flow and our strong balance sheet, we have the resources to both invest in our global strategy and R&D programs and to move aggressively in seeking opportunities that support our vision.

KEEPING OUR PROMISES

Perhaps the greatest strength of Watson is our ability to keep our word. We are establishing a history of promises made and promises kept.

In 2008, we built a strong management group and continue to look for talented people to round out our core team. We initiated an effort to rationalize and expand our Generics product line, in part through acquisitions, new first-to-file opportunities and patent challenges. We have done so. We set a goal of continuing

to enhance efficiencies throughout our supply chain. We accomplished that goal and continue the effort. Finally, we promised a focus on our Brand business, and the results have surpassed every expectation. It is likely that, in 2009, we will introduce brands that treat the top three conditions in urology. I can't think of another instance in any specialty area when any company has accomplished this goal.

STEPPING CONFIDENTLY INTO THE FUTURE

As we continue to build momentum on the accomplishments of 2008, we will safeguard our unique balance of expertise and ingenuity, deliberation and action.

In keeping with our innovative approach, we are looking across all stages of generic biologics, both proteins and monoclonal antibodies, to explore the right opportunities for development or acquisition in this vibrant field. In this and other efforts, expertise unique to each of our divisions will be tapped and our supply chain initiative and operational improvements will provide critical support.

Our leadership team and business development experts will continue to analyze opportunities for us to further globalize Watson as a marketing force and bring the value of our products to more people worldwide.

Every product we choose to formulate, manufacture, acquire or distribute has a human story behind it. As we realize Watson's potential, we remain inspired to help people live better. We rely on the hearts and minds of Watson employees who devote themselves daily to this goal.

I wish to thank all of our employees for their many contributions to our success. I also extend my gratitude to our shareholders for their support and trust. Together, we will continue to deliver on the remarkable promise of Watson.



Paul M. Bisaro

PRESIDENT AND CHIEF EXECUTIVE OFFICER

2008 highlights

Years Ended December 31,	2008	2007	2006 ¹	2005	2004
(In thousands, except per share amounts)					
Operating Highlights					
Net revenue	\$2,535,501	\$2,496,651	\$1,979,244	\$1,646,203	\$1,640,551
Gross profit	1,032,679	991,895	745,761	793,789	819,757
Operating income (loss)	358,128	255,660	(422,096)	218,512	265,940
Net income (loss)	238,379	141,030	(445,005)	138,557	150,018
Diluted earnings (loss) per share	2.09	1.27	(4.37)	1.22	1.26
Diluted weighted average shares outstanding	117,723	117,039	101,761	120,021	124,727
Cash flow from operations	416,554	427,178	471,365	325,503	308,269

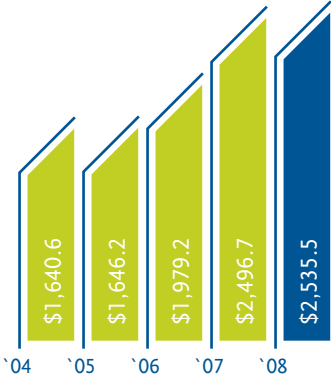
At December 31,	2008	2007	2006 ¹	2005	2004
(In thousands, except per share amounts)					

Financial Position

Working capital	\$ 976,422	\$ 728,849	\$ 571,747	\$1,107,873	\$1,105,507
Total assets	3,677,887	3,472,027	3,760,577	3,077,187	3,231,956
Total debt	877,893	905,649	1,231,204	587,935	587,653
Total stockholders' equity	2,108,585	1,849,465	1,680,388	2,100,469	2,230,690

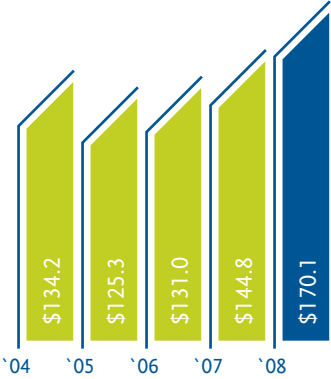
Total Annual Revenue

(In millions)



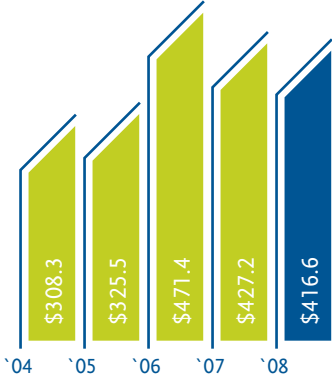
R&D Investment²

(In millions)



Cash Flow from Operations

(In millions)



¹ On November 3, 2006, Watson acquired all the outstanding shares of common stock of Andrx Corporation. 2006 Results reflect \$497.8 million of in-process research and development charges associated with the acquisition.

² 2006 R&D investment excludes \$497.8 million of in-process research and development charges associated with the Andrx acquisition.



Watson employees are leaders, willing to innovate and execute

Leadership occurs on every level at Watson. In this company, leadership means being willing to look at a challenge from a fresh angle and to try the untried if it may enhance the final product. It means setting a high standard for performance and maintaining our historic commitment to quality.

Our employees bring a diversity of relevant backgrounds and perspectives to the job before us. Together, their wide-ranging experience encompasses large pharmaceuticals, specialty brands, generics, distribution, R&D, manufacturing, quality control, and customer service. This combined intelligence—vigorous, comprehensive and forward-thinking—fuels our ability to be strategic and decisive in a competitive environment.

Over the past year, Watson CEO Paul Bisaro continued assembling his executive team. Among the key positions now filled: Chief Financial Officer, Head of Generics R&D, Senior Vice President of Human Resources and Vice President of Brand Marketing. This is the team that will take the company forward in all areas of our mission.





“Watson today
is a company
positioned for
long-term growth.”

Watson is an organization in rapid transition, building on our combined strengths, accomplishments and dedication to help people live better. We have moved from promising change to proving it, from seizing opportunities to creating them. In this spirit of progress and originality, we are preparing to take a larger role on the world stage.

From agility comes strength

Watson continues to grow in industry standing and global influence, sustained by our diversified business model. Our company is organized around a synergy between our Generics and Brand businesses, with both supported by our Distribution expertise. This dynamic framework enables us to grow in all types of market conditions and industry cycles, as well as create effective economies of scale across our operations.

Our business model is strong yet agile, measured yet open to change. It relies on a vigorous and fluid balance of internal product development, selective acquisition of products and businesses, and thoughtful alliances. We will call upon this coordinated strategy as we evolve into an even more competitive global organization.

OUR STRATEGY FOR GROWTH

Today, Watson has operations in North America and Asia. We possess one of the broadest product offerings in the United States generics industry, a highly focused brand portfolio, and an industry-leading distribution network. These tremendous assets are backed by our reputation for responsive, detail-oriented service. While our 5,100 employees worldwide work in different geographies and on different tasks, we are linked by one all-important factor: our resolve to make a profound impact on health and well-being.

This inspiration fuels our strategy for growth. It determines where we decide to manufacture and market our products, the novel technologies we employ, and the difficult formulations in which we have developed an expertise. It powers our emphasis on quality, safety and compliance.

We are moving forward on several levels at once. Our sound financial position gives us the ability to maximize opportunities that present themselves and to create new synergies. This is how we will succeed in reaching out to people around the globe.

Watson today

Our mission

We dedicate ourselves daily to a singular mission: to improve the quality of life for patients around the world through the development and distribution of trusted generics and advanced, specialty branded pharmaceuticals.

Our vision

Our vision is to become for our patients, customers, employees and shareholders, a leader in the worldwide pursuit of trusted generic and specialty branded pharmaceuticals. Through the passion and commitment of our employees, we seek to leverage our technologies in drug development and delivery, as well as our operational expertise, allowing us to help others achieve a better quality of life.

Our culture

At Watson, we believe in the power of new ideas and the rewards that come from pushing the boundaries of knowledge. We embrace managed change, backed by skill and experience. We are willing to reinvent ourselves as an organization when necessary to fulfill our objectives. Most importantly, we view such challenges as opportunities.

As a company, we are working toward the elimination of silos. We encourage open debate and discussion across disciplines, as well as the sharing of information with all who need it to perform at their best. Wherever we are in the world, whatever our individual responsibilities, each of us contributes to the Watson story.

We are the scientist who identifies a better way to deliver a needed therapy. We are the quality assurance specialist who makes that critical safety check, as well as the general manager, the process operator, the chemist and the facilities engineer—each inspired by knowing that what we do matters.

Our core values

As Watson continues to evolve, so have our core values. By continuously measuring ourselves against our values, we can help drive our business success and achieve our corporate vision of helping people live better.

ACCOUNTABILITY We are honest, respectful and forthright in our actions. We adhere to the highest ethical standards of business conduct, protecting the best interests of employees, patients, customers, communities and the environment. We stand behind our products and take ownership of our efforts to bring new, safe and affordable pharmaceutical products to market.

COLLABORATION We have a vision of creating a better future and the humility of knowing that we can't do it alone. We listen and learn from each other regardless of location or function and align ourselves to leverage our collective capabilities.

COMMITMENT We are committed to our patients, customers, employees and shareholders and work to earn their trust and respect every day. We are passionate in our pursuit of excellence, driven by the unyielding desire to execute on our

mission and to achieve our corporate vision. This commitment extends to every one of our operations, allowing us to achieve the highest possible standards in our processes, products and services and providing a safe and rewarding work environment for our employees.

INNOVATION We approach each opportunity with the idea that nothing is impossible, challenging every employee to make a difference in our company and in the products we bring to market. We continuously challenge the status quo and seek new solutions to meet the current and future needs of our patients and customers.

LEADERSHIP We strive to be leaders at all levels of the organization by living our values every day. We constantly seek to improve our personal effectiveness and drive innovation and execution. We recognize and reward the successes of our people and inspire one another to achieve our greatest potential.

We are building a new Watson culture—a culture that will provide us with competitive advantages going forward and set the stage for sustained growth. As we transform Watson and maintain our high standards of performance, we focus on how to demonstrate our values in all we undertake. In doing so, we endeavor to align all Watson employees around a shared way of working together.



Our strategy for success

“Our Brand portfolio offers breakthroughs in thinking and execution.”

Watson's specialty Brand portfolio grew even stronger in 2008, with an unprecedented filing of three NDAs, ongoing clinical studies, and new co-promotion, licensing, and supply agreements. As a result, we are able to offer meaningful solutions to physicians and patients in three important areas of need: urology, women's health and nephrology/medical.

Offering valuable alternatives

NEW UROLOGY OPPORTUNITIES

Driven by our momentum, Watson enters 2009 with significant additions to our urology portfolio: Rapaflo™, for relief of the signs and symptoms of benign prostatic hyperplasia; Gelnique™, for overactive bladder; a six-month formulation of Trelstar® for the palliative treatment of advanced prostate cancer; and Uracyst® (sodium chondroitin sulfate), an investigational product for interstitial cystitis or painful bladder syndrome, now in Phase 2 clinical studies. Also playing a role are our co-promoted products, such as Solvay's Androgel® (testosterone gel), the leading prescribed testosterone therapy nationwide. Together, Watson products address six of the 10 primary conditions that bring people to a urologist.

OPTIONS FOR WOMEN'S HEALTH

Our commitment to women's health remains strong. Recent additions to our Brand portfolio include a novel oral contraceptive currently in late-stage development; and Femring®, a hormone therapy product, which our sales force promotes to gynecologists. We expect to see this market grow throughout 2009 as we explore new ways to offer women compelling alternatives.

With its differentiated products, our expanding Brand business serves to balance possible market fluctuations in the Generics segment, even as it delivers rising revenue.

ADDRESSING CHRONIC KIDNEY DISEASE

Watson has a long-standing relationship with the nephrology community and its patients living with chronic kidney disease—some 20 million Americans. Our focus remains on IV iron therapies, a crucial treatment for the anemia experienced by many patients on dialysis. Ferrlecit® (sodium ferric gluconate complex) has been a foundational Watson product for some time, with more than 10 years of approved clinical use in the United States. Used in combination with erythropoietin or EPO (a hormone produced by the kidney), Ferrlecit® helps bring down the overall cost of therapy. INFeD® (iron dextran injection) also continues to be an effective product in our nephrology product line, and will remain so as we shift focus to serve the institutional medical community.

Brand portfolio

1



Watson now has products on the market, ready for launch, or in late-stage development that tackle the top three reasons why patients visit a urologist: 1) benign prostatic hyperplasia or enlarged prostate, 2) prostate cancer, and 3) overactive bladder. Our focused, safe and effective products hold appeal for urologists, primary care physicians, gynecologists and the long-term care community.

RapaFlo™

Enlargement of the prostate gland, known as benign prostatic hyperplasia or BPH, is the No. 1 reason men visit a urologist in the United States. This condition affects about half of all men in their 50’s and as many as 90 percent of men in their 80’s.

This year, Watson will introduce an exciting alternative for BPH patients: RapaFlo™, our new alpha blocker for treatment of the signs and symptoms of BPH.

In 2008, Watson completed two Phase 3, double-blind, placebo-controlled, multi-center studies of RapaFlo™, as well as a 40-week open label study. Outcomes data demonstrated rapid, strong and sustained efficacy combined with a favorable safety profile. RapaFlo’s™ unique selectivity maximizes prostate activity and is thought to minimize cardiovascular effects and interactions with other therapies, making it an important option for men taking certain medications, including those that lower blood pressure.

The FDA approved RapaFlo™ in October. We are launching this milestone product in first quarter 2009, as we work to serve urology specialists and their patients with therapies that make life with conditions like BPH more comfortable. With an ever-aging Baby Boomer population, the U.S. market for BPH therapies is rising; in 2008, it exceeded \$2.5 billion, a 16 percent jump over 2007.

2



Trelstar®

Prostate cancer is responsible for 25 percent of all new cancer diagnoses in American men. Excluding skin cancer, it is the most common cancer in men in the United States. Approximately 186,300 cases of prostate cancer were identified in 2008, the majority involving men over 65. It is the second most common reason for a visit to a urologist.

In 2008, we filed an NDA for marketing approval of a sustained-release six-month formulation of Trelstar®, designed to suppress the production of testosterone in men with advanced prostate cancer. We anticipate FDA action in the third quarter 2009.

Trelstar®, developed by our partner, Debiopharm Group, is based on a synthetic hormone that suppresses production of testosterone in the testicles. (Growth of the prostate is regulated in part by the level and activity of testosterone.) This longer-duration formulation requires only one injection every 24 weeks. In clinical trials in 2008, it showed comparable efficacy and safety with our marketed Trelstar® one- and three-month formulations. This treatment provides a welcome alternative when surgery or estrogen administration is not indicated or is unacceptable to the patient.

In another innovative move, Watson also launched in 2008 a new Mixject™ drug delivery system for Trelstar®. It features a smaller needle size for greater ease of use by physicians and greater patient comfort.

3



GelNique™

Overactive bladder (OAB) affects more than 33 million adults in the United States—more than diabetes or asthma. More than just an inconvenience, OAB is a disabling medical condition often accompanied by depression, impaired sleep and loss of freedom.

Currently available oral OAB treatments are commonly associated with disruptive and uncomfortable side effects like dry mouth and constipation, often leading to high rates of discontinuation.

Enter Watson’s GelNique™—the first-ever topical gel for the treatment of OAB and an effective, novel, tolerable alternative to oral treatments. GelNique™ is quick-drying, clear and fragrance-free. A small nickel-sized dose—packaged in a convenient, disposable packet and easily rubbed into the skin once daily—controls OAB symptoms for 24 hours.


Because it is not metabolized in the liver in the same way as a tablet, GelNique™ has been proven extremely tolerable in clinical trials, with a low level of side effects, such as dry mouth and constipation.

The OAB market exceeded \$1.8 billion in the United States in 2008, an 8 percent growth over 2007.

Brand Pipeline:

PRODUCT	INDICATION/THERAPEUTIC TARGET	MARKET	PHASE 1	PHASE 2	PHASE 3	FILED	APPROVED
RapaFlo™	Benign prostatic hyperplasia (BPH)	U.S.					
GelNique™	Overactive bladder (OAB)	U.S.					
Trelstar® 22.5 mg	Advanced prostate cancer	U.S.					
Uracyst®	Interstitial cystitis/painful bladder syndrome	U.S.					

Making a difference



“Our Generics portfolio is founded on an enduring commitment.”

Watson's impressive Generics Division—with approximately 150 product families and more than 10 billion units manufactured each year—provides a powerful foundation for our long-term plans and enables us to bring new, safe and affordable products to consumers. In terms of annual prescriptions filled, Watson is now the fourth-largest pharmaceutical company in the United States—and growing.

A trusted leader in treatment options that promote better health

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At Watson, we're proud to know that our top-tier Generics portfolio touches people daily. Whether that means they're planning their family, recovering from illness or kicking a dangerous health habit like smoking, we offer people more pain relief, fewer infections, less anxiety, and more options for living life exactly as they choose.

Watson Generics provide physicians and pharmacists with exceptional choice, value and quality. Our product line encompasses antibiotics, anti-inflammatories and oral contraceptives, as well as alternatives for depression, hypertension, pain management and smoking cessation.

TAKING THE INITIATIVE ON MULTIPLE FRONTS

We are committed to aggressive development of our Generics business. Going into 2009, Watson has approximately 60 ANDAs awaiting action by the FDA. They include at least 10 new generic oral contraceptives, reinforcing our strength in women's health and our increasing role in the profitable contraceptive field.

We are determined to bring needed generics to market as soon as possible to meet patient needs for effective pharmaceuticals that fit their lifestyle. That includes making increased use of Paragraph IV patent challenges and other creative product strategies, including co-promotion, licensing and marketing opportunities.

INVESTING IN TOMORROW'S IDEAS TODAY

Watson's Generics Division enjoys an industry-wide reputation for exceptional quality and consistency. That achievement stems, in part, from our investment in a vigorous program of R&D distinguished by our special expertise in drug delivery systems—including inhalation, patch, cream, gel and gum technologies—as well as our expertise in controlled substances and difficult-to-replicate formulations. Over the long term, we will rely on this knowledge to differentiate ourselves in the marketplace.

The strength of our Generics Division, representing some 60 percent of Watson's total revenue, gives us added flexibility to invest in the most promising opportunities and provide our shareholders with lasting value.

Generics portfolio

We align our R&D hubs with our key manufacturing centers, each of which brings a specific area of expertise to our strength in Generics. In Goa, India we focus on high volume products that benefit from large-scale production or lower cost of goods. In Corona, California we specialize in oral contraceptives and narcotics, while our Davie, Florida plant offers experience in sustained-release technology. This concentrated focus enables us to maximize efficiencies and ensure quality.



Watson Generics provide physicians, pharmacists and patients with exceptional choice, value and quality.



“Our drive for excellence is central to our success.”

Our Anda Distribution business is the 4th largest supplier of generic pharmaceuticals nationwide. Our distribution know-how enables us to provide customers with the quality and responsiveness they trust. It also gives us a wide view of trends in the healthcare industry, so we can anticipate, and sometimes even participate in, activities outside Watson.

Expansive business model

Anda distributes more than 8,000 individual items and serves approximately 50,000 ship-to locations across the United States, including independent retail pharmacies, regional and national drug store chains, alternative care providers and physician offices. Anda's internally developed, proprietary ordering systems put Watson on the leading edge of technology and convenience. As a result, Watson now enjoys a presence in three out of every four pharmacies across the country.

Anda has become the distributor of choice for key generic launches across the industry, thanks to its exceptional performance and product expertise. In 2008, we facilitated the launch of generic versions of Protonix® (pantoprazole sodium), for treatment of acid reflux; Lamictal® (lamotrigine), for epilepsy and bipolar disorder; and Risperdal® (risperidone), for bipolar disorder and schizophrenia. On one recent launch, Anda effectively shipped to more than 18,000 stores on the first day.

Spurred by its successes, our Distribution Division is expanding its business model to include specialty brands and additional segments. It will capitalize on its position as a preferred distributor of controlled substances and on its direct-to-physician network.

Total revenue reached \$606 million in 2008, making this division responsible for 24 percent of Watson's revenue including vital cash flow to support future growth.

RELATIONSHIPS START HERE

At Watson, we place a priority on relationships, as evidenced by our experienced, dedicated telesales force. We currently have more than 150 representatives in our Anda Distribution business serving the needs of our pharmacy customers. Anda's telesales team also supports our Brand business, fulfilling physicians' needs between representative office visits.

“Watson tomorrow
will leverage our
capabilities around
the globe.”

Becoming a multinational force takes groundwork, strategy and readiness. We are expanding our international impact, beginning with our growing global supply chain initiative, exceptional manufacturing capabilities and inventive R&D organization. These assets reflect our increasing value to customers and shareholders alike. In moving forward, our past accomplishments support us as we focus on building the future.

Innovation sets us apart

In cities and countries worldwide, Watson employees work toward a common purpose: developing and marketing pharmaceutical solutions that positively transform everyday life. Watson's 18 diverse facilities encompass five international locations. These gateway locations will serve as jumping off points as we advance our growth strategy outside North America.

Our 94,000-square-foot manufacturing facility in Goa, India has emerged as a major component in this strategy. We already have increased its capacity to 1 billion units, with plans to reach 3 billion units by 2010—eventually transferring about one-third of our manufacturing base from the United States to this facility.

Simultaneously, we reinforce the strength of our portfolio at our facility in Ambarnath, India which focuses on finished dosage formulation and API development and manufacture. In addition, we support the filing of new ANDAs with pilot and pivotal bioequivalence studies at our bioanalytical facility in Mumbai.

Adding to these capabilities are our API manufacturing facilities in Coleraine, Northern Ireland and Changzhou, China; our marketing presence in Shanghai, China, and our specialized facilities across the United States. This diverse infrastructure allows us to lower production costs and more quickly develop the raw materials that support future products and patent challenges.

Throughout our history, Watson has staked out our standing in the industry with a proven ability to bring to market novel treatments that often rely on ingenious delivery systems or require highly specialized manufacturing. Add to that our regulatory and legal experience, and Watson enjoys innate advantages that we plan to exploit as we investigate new opportunities in the field of generic biologics.

Watson tomorrow

Our eyes are on the world

Investing in the science of better medicine requires an enduring commitment of talent and resources—along with a willingness to explore new territories, whether in the laboratory or in the public arena. We currently are analyzing growth opportunities across the globe with the intention of expanding our marketing footprint to help even more people enjoy a better quality of life.

We firmly believe that the Watson portfolio—distinguished by its excellence, efficacy and relevance—holds tremendous worldwide appeal. In the near future, we are weighing possibilities that will augment and globalize Watson’s marketing presence. We are well positioned for making inroads into attractive, high-growth markets.

We will weigh each option for expansion strategically in terms of how well it supports our overall corporate vision. As we extend our global reach—whether to new areas of Europe or other promising markets—we continue to set and maintain ambitious performance goals for ourselves. We never lose sight of our daily determination to earn the trust and respect of our customers and patients through our leadership in providing superior generic and specialty branded pharmaceuticals. We depend on the shared dedication of all Watson employees in this quest.

As we proceed, we are motivated by the possibility that an increasing number of people worldwide will come to associate the Watson name with therapeutic solutions that help them live life more fully—because we’re certain that’s how life is meant to be lived.

The Watson approach to better pharmaceuticals—calling on innovation, safety, affordability and quality—can benefit consumers in every corner of the globe. There are no geographic boundaries to illness or pain. There are no language barriers in the need for improved health and personal freedom or relief from worry and discomfort. This reality empowers us as we build tomorrow’s Watson.



Collaborating worldwide

Management team

BOARD OF DIRECTORS

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President and
Chief Executive Officer

Michael J. Fedida
Registered Pharmacist
Consultant and Owner of Several
Retail Pharmacies

Michel J. Feldman
Member, Seyfarth Shaw LLP

Albert F. Hummel
President,
Pentech Pharmaceuticals, Inc.

Catherine M. Klema
President, Nettleton Advisors LLC

Jack Michelson
Retired Corporate Vice President
and President, Technical Operations,
G.D. Searle

Ronald R. Taylor
President, Tamarack Bay LLC

Andrew L. Turner
Chairman of the Board
Chairman of the Board, EnduraCare
Therapy Management, Inc.

Fred G. Weiss
Managing Director,
FGW Associates, Inc.

SENIOR MANAGEMENT

Paul M. Bisaro
President and
Chief Executive Officer

David A. Buchen
Senior Vice President,
General Counsel and Secretary

Clare A. Carmichael
Senior Vice President,
Human Resources

Mark W. Durand
Senior Vice President and
Chief Financial Officer

Charles D. Ebert, Ph.D.
Senior Vice President,
Research and Development

Thomas R. Giordano
Senior Vice President and
Chief Information Officer

Edward F. Heimers, Jr.
Executive Vice President and
President, Brand Division

Francois A. Menard, Ph.D.
Senior Vice President, Generics
Research and Development

Gordon Munro, Ph.D.
Senior Vice President,
Quality Assurance

Albert Paonessa III
Executive Vice President and
Chief Operating Officer,
Anda Distribution Division

Thomas R. Russillo
Executive Vice President and
President, Generics Division

Corporate information

CORPORATE HEADQUARTERS

311 Bonnie Circle
Corona, California 92880
951-493-5300

COMMON STOCK

Stock symbol: WPI
Listed: New York Stock Exchange

INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP
Orange County, California

STOCKHOLDER INFORMATION

Questions concerning stock
ownership may be directed
to Investor Relations at
Corporate Headquarters.
E-mail: info@watson.com

STOCK TRANSFER AGENT

American Stock Transfer
and Trust Company
59 Maiden Lane
New York, NY 10007
800-937-5449
www.amstock.com

ANNUAL MEETING
OF STOCKHOLDERS

The Annual Meeting of
Stockholders of Watson
Pharmaceuticals, Inc.
will be held at the
Westin South Coast Plaza,
686 Anton Blvd.,
Costa Mesa, CA 92626
on Friday, May 8, 2009
at 9:00 a.m.

PRESS RELEASE INFORMATION

Press releases and other
information are available
on Watson’s Web site at
www.watson.com.

ADDITIONAL INFORMATION

Watson files periodic reports
with the Securities and Exchange
Commission that contain additional
information about the company,
including Watson Pharmaceuticals,
Inc.’s Annual Report on Form
10-K and its Quarterly Reports on
Form 10-Q. Copies are available
on Watson’s corporate Web
site at www.watson.com, within
the Investors section, or at
www.sec.gov, or upon written
request to Investor Relations at the
Corporate Headquarters address.
We have also filed with the New
York Stock Exchange the most
recent Annual CEO Certification
as required by Section 303A.12(a)
of the New York Stock Exchange
Listed Company Manual.

TRADEMARKS

The following Watson
Pharmaceuticals, Inc. trademarks
appear in this report: Androderm,
Gelnique, INFeD, Ferlecit, Oxytrol,
Rapaflo, Trelstar, Uracyst. All other
trademarks are the property of their
registered owners.

FORWARD-LOOKING STATEMENT

Any statements contained in this corporate overview that refer to future events or other non-historical facts are forward-looking statements that reflect Watson’s current perspective of existing trends and information as of the date of this release. Except as expressly required by law, Watson disclaims any intent or obligation to update these forward-looking statements. Actual results may differ materially from Watson’s current expectations depending upon a number of factors affecting Watson’s business. These factors include, among others, the impact of competitive products and pricing; market acceptance of and continued demand for Watson’s products; difficulties or delays in manufacturing; the difficulty of predicting the timing or outcome of FDA or other regulatory agency approvals or actions, if any; patents and other intellectual property rights held by the company and the ability to successfully enforce such rights against third parties; and other risks and uncertainties detailed in Watson’s periodic public filings with the Securities and Exchange Commission, including but not limited to Watson’s Annual Report on Form 10-K for the year ended December 31, 2008.



This annual report is printed on a special make of Mohawk Options 100% PC White. This paper is FSC-certified and made with 100% process chlorine-free post-consumer recycled fiber. This paper has also been made carbon neutral within Mohawk’s production processes by offsetting thermal manufacturing emissions with Verified Emission Reduction Credits (VERs), and by purchasing enough Green-e certified Renewable Wind Power Energy Certificates (RECs) to match 100% of the electricity used in their operations. This paper is also certified by Green Seal.



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