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An enduring, positive impact.

TO OUR STAKEHOLDERS

It is an honor for me to lead Pfizer at this important time for both our company and the industry. I've spent my entire career at Pfizer and during this time I have seen the industry change and evolve in terms of customers' needs, regulatory standards and where growth occurs. Among these changes, one of the most important has been the increasing pressure from payers, governments and society to deliver greater value. That's why I believe there is a fundamental question facing the industry and Pfizer. Simply stated, it is: Do we have a research model that will consistently produce results that improve the lives of patients and create value for shareholders?

Pfizer is answering this fundamental question. We are taking the hard decisions that will improve the performance of our innovative core. We are focusing our R&D on human disease mechanisms in the areas where we believe we can win; we are strengthening our processes inside of research to help ensure we only bring differentiated medicines to market; we are applying rigor in how we manage our portfolio; and we are being disciplined in how we deploy capital. We are choosing the right science to create the next generation of medicines and vaccines that matter most to the people we serve and we are bringing some of the industry's best scientific minds together to solve the most difficult health challenges of our time.

In my first letter to you as Pfizer's CEO, I'll summarize our performance in 2010 and talk about the four imperatives that are driving the actions we are taking to address the challenges we face. I am optimistic about Pfizer's future because I believe we will create value in the short and long term by generating products that are innovative and science-driven, making the right capital allocation decisions, continuing to promote a culture of confidence and trust, and earning respect from society. There has never been a more dynamic or exciting period in Pfizer's history and I look forward to leading our company as we enter this new chapter.

2010: Continuing to Deliver on Our Commitments

In 2010 we met or exceeded our revenue and earnings per share goals. Pfizer had record sales of $67.8 billion, driven by an increasingly diverse portfolio of products. Our Biopharmaceutical organization, focused on prescription-only human health products, delivered $58.5 billion in sales, up 29 percent over 2009. This growth was largely driven by the addition of Wyeth's products. Our Diversified businesses, which include our Animal Health, Consumer Healthcare, Nutrition and Capsugel units, were greatly strengthened by the addition of Wyeth brands and collectively delivered $9.0 billion in sales, up 114 percent over 2009. We also stayed on track to achieve our previously announced, multiyear cost-reduction goal of approximately $4 billion to $5 billion by the end of 2012,[1] achieving more than $2 billion of these cost reductions in 2010.

Pfizer's adjusted diluted earnings per share2 of $2.23 exceeded our guidance for the year. To directly enhance shareholder value, in December 2010 Pfizer's Board of Directors approved an 11 percent increase in the first-quarter 2011 dividend to 20 cents a share and in January 2011 increased the funds authorized for share buybacks to $9 billion. We expect to repurchase approximately $5 billion of common stock during 2011, with the remaining authorized amount available in 2012 and beyond.

IAN C. READ

Named President and CEO and elected to Board of Directors, December 2010

CAREER HIGHLIGHTS

Group President, Worldwide Biopharmaceuticals Businesses, 2006-2010

Led commercial businesses in Europe, Canada, Latin America, Africa and Middle East Regions, 2000-2006

Led Latin America and Canada businesses, 1996-2000

Country Manager of Brazil, 1993-1995

Joined Pfizer in 1978 as an operational auditor, worked primarily in Latin America

Trained as a chemical engineer, certified as a Chartered Accountant

OTHER BOARD MEMBERSHIP

Kimberly-Clark

[1] Based on 2008 average foreign exchange rates, in comparison with the 2008 *pro forma* adjusted total costs (see footnote 2) of legacy Pfizer and legacy Wyeth operations, and not including the impact of the planned reduction in R&D expenditures announced in February 2011.

[2] "Adjusted income" and its components and "adjusted diluted earnings per share (EPS)" are defined as "reported net income" and its components and "reported diluted EPS" excluding purchase-accounting adjustments, acquisition-related costs, discontinued operations and certain significant items. "Adjusted total costs" represents the total of "adjusted cost of sales," "adjusted SI&A expenses" and "adjusted R&D expenses," which are income statement line items prepared on the same basis as and are components of the overall "adjusted income" measure. The definitions of "reported net income" and "reported diluted EPS," certain uses by management of the "adjusted income" measure, and a reconciliation of 2010 "adjusted income" and its components and "adjusted diluted EPS" to 2010 "reported net income" and its components and "reported diluted EPS" are provided in Pfizer's Current Report on Form 8-K dated February 1, 2011. Additional information regarding our 2010 financial performance is provided in Pfizer's Annual Report on Form 10-K for the fiscal year ended December 31, 2010. These reports can be found on www.pfizer.com in the "Investors-SEC Filings" section. The "adjusted income" and its components and "adjusted diluted EPS" measures are not, and should not be viewed as, substitutes for "reported net income" and its components and "reported diluted EPS."

Pfizer also met expectations in 2010 in other key performance indicators that companies in our industry are increasingly adopting. These encompass environmental sustainability, investments in treatments for neglected diseases and improvement in access to medicines.

Robust Sales, Wider Scope, Important Partnerships

We have been working to increase Pfizer's product mix and geographic presence. In 2010 Pfizer had 15 brands that surpassed the $1 billion mark in sales, a record for our industry. Growth in our patented portfolio was driven by important medicines such as Sutent, Lyrica, Prevnar and Enbrel. We widened our geographic scope with a focus on emerging markets, where half of the world's population lives and where there is rising economic wealth. In 2010 our Biopharmaceutical revenues in emerging markets exceeded $8.5 billion,[3] up 41 percent over 2009, and, for the first time, we achieved more than $1 billion of annual revenue in both China and Brazil.

During 2010 close interaction among our development, medical, external affairs and commercialization teams helped boost registrations for Prevnar 13[4] for pediatric use to more than 80 countries and launches to more than 55 countries. This new vaccine, which helps protect infants and young children from pneumococcal disease, became our fourth-largest-selling product in its first full year since its commercial introduction, and is now available to millions of infants and young children in developed, emerging and developing nations.

We also saw developments in our late-stage pipeline during 2010, including the regulatory filing for Prevnar 13 for adult use in the U.S. and European Union, and encouraging late-stage results from our JAK inhibitor, tofacinitib, being developed to treat rheumatoid arthritis and other conditions; from crizotinib, bosutinib and axitinib for certain kinds of cancers; and from apixaban, which we are developing with Bristol-Myers Squibb as a new anticoagulant. We will continue to track these key late-stage assets throughout 2011.

We remained active in striking partnerships and alliances that continue diversifying our product portfolio and geographic reach. Partnerships announced in 2010 included an in-licensing agreement with Biocon designed to provide more alternatives to the world's diabetes patients, and an alliance with Keas that offers personalized care plans directly to patients. We also announced several strategic acquisitions, including King Pharmaceuticals, to supplement our pain-management portfolio and drug-delivery technologies, and Synbiotics Corporation, to provide Pfizer's animal health business with a foothold in the fast-growing veterinary immunodiagnostics sector. We formed a new partnership with Teuto, a Brazilian company that helps us reach more patients in a key emerging market with branded and unbranded generics. We also advanced our partnerships with numerous governments and foundations to increase access to health care, immunize millions of children with the latest pneumococcal vaccine, and help alleviate human suffering from diseases such as malaria and blinding trachoma.

> One of my top priorities is to encourage and maintain a culture where colleagues share their diverse ideas, take initiative, act with an entrepreneurial spirit, give their best each day and believe Pfizer is a great place to work.

[3] Emerging Markets include, but are not limited to, Asia (excluding South Korea and Japan), Latin America, Africa, Central and Eastern Europe, the Middle East, Russia and Turkey.

[4] Known as Prevenar 13 in most markets outside the U.S.

Opportunities, But Also Challenges
We fully recognize the complexity of the challenges we face over the next several years and are prepared to address them by focusing on four imperatives that will allow us to distinguish ourselves from others in our industry.

Imperatives for Building Value

- **Be a Leader in Science and Innovation:** Marshal and manage our deep resources to generate products that are both innovative and science-driven and can profoundly impact health.

- **Continue to Use Our Financial and Commercial Strength to Enhance Competitiveness:** Take the right actions that allocate capital and leverage our commercial strength to produce profitable growth and create value for patients, health care providers, payers and shareholders.

- **Earn Respect from Society:** Enhance credibility and trust by acting with integrity and helping to expand access to health care.

- **Create a Culture of Confidence and Trust:** Develop ourselves as a learning organization, rooted in strong values, and driven by initiative, collaboration and accountability.

Leadership in Science and Innovation
We must create a sustainable platform for growth through science and innovation. Improving the performance of our innovative core is essential, and we are taking decisive steps to do that. In 2010 we centralized our global R&D team under the leadership of Dr. Mikael Dolsten. On February 1, 2011 we announced an acceleration of our R&D strategy, which sharpens our research focus on the areas that give us the best promise of scientific and commercial success. At the center of this strategy, we will sustain or increase our investments in neuroscience; cardiovascular, metabolic and endocrine diseases; oncology; inflammation and immunology; and vaccines. These areas will be augmented by the advantaged technologies delivered by Rinat and CovX, two biotechnology organizations acquired by Pfizer within the past five years. We are also establishing teams dedicated to treatments for pain and sensory disorders, and the advancement of follow-on biologics, also referred to as biosimilars, that are differentiated based on quality, manufacturing platforms and the value offered to patients. This represents a new growth opportunity for Pfizer.

Our mix of research projects is shifting to a greater proportion of large molecules (protein-based biologicals) and conjugate vaccines, where we have strong scientific expertise and higher potential for commercialization. Pfizer's R&D pipeline is rich in Phase I and Phase II entries aimed at important unmet medical needs such as Alzheimer's disease, cancer, pain and vaccines, and backed by more proof of the mechanisms of action than ever before. With biomedical science advancing on all fronts, we are working more collaboratively with academic medical centers and other pharmaceutical and biotech companies in ways that allow us to share risk and gain access to new knowledge and technologies.

Our R&D strategy is designed to strengthen our engine for innovation, provide a better mix of therapeutic approaches, deliver greater numbers of differentiated products, yield a higher return on R&D investment, and build a culture focused more intensely on ownership and accountability.

Strong Financial and Commercial Competitiveness
We are organized around customer-focused business units, which makes us a more adept and responsive organization. The leaders in each business unit know the health care environments they operate in, country by country, understand payers' concerns, and have critical insights about the needs of health care providers and patients. Using this knowledge, and through close collaboration with the research units, these leaders are responsible for making the right decisions on how to best allocate a major portion of our resources, and have accountability for late-stage product development and for making smart investment choices. By ensuring that a deep understanding of customers informs our research, we have become an industry leader in emerging markets and remain competitively positioned in the mature European Union and U.S. markets.

Just as we are moving forward decisively in research, we are also reviewing the value-creation potential of our portfolio of businesses by assessing their worth today and potential for creating value over the next several years. The mere fact that we have size and scale will not be a driver for how we make decisions. We will take the actions that maximize the value created by the business units so that the whole of Pfizer is greater than the sum of our individual parts.

Earning Respect From Society
I firmly believe that credibility—doing what we say we will do, and integrity—doing the right things, enhance respect for Pfizer and open doors for our company around the world. We are a leader in an important sector—health care—and work in one of the world's most complex, highly regulated industries. I know that a Pfizer that is well respected by society will lead to new opportunities that accrue to the benefit of all our stakeholders.

We are earning respect and trust by delivering on our commitments and continuing to listen and learn from our customers and other stakeholders, including groups that monitor our commercial practices. In 2010 we modified a number of our practices to provide more clarity and disclosure on payments that we make to health care professionals to do commissioned research or provide physician education. We also issued a report on our contributions to advancing the UN Millennium Development Goals, which delineate a set of global priorities in alleviating poverty, taking care of the environment and improving maternal and child health.

In 2010 we invested heavily in training for all colleagues on the importance of integrity in all actions. In addition, we are refining a number of our processes to ensure stronger oversight. For example, in 2010 we completed the implementation of a new adverse event reporting system and launched a top-to-bottom recasting of our clinical trial process designed to ensure that we are complying with all applicable laws and regulations.

Creating a Culture of Confidence and Trust
In my 33 years with Pfizer, I have seen firsthand the highly competitive environment we face everywhere we operate. I know that all the major companies in our industry have outstanding talent. It's how we, as leaders, engage that talent that makes the difference.

One of my top priorities is to encourage and maintain a culture where colleagues share their diverse ideas, take initiative, act with an entrepreneurial spirit, give their best each day and believe Pfizer is a great place to work. My message to our colleagues is that they have the opportunity to make a difference in the lives of millions of people while shaping the future of a world-class organization. This great opportunity comes with equally great responsibilities: work with integrity, be accountable for results and deliver for all of our stakeholders.

Milestones
Late in 2010 Jeff Kindler, Pfizer's Chairman and CEO, retired from the company. He helped build much of our current foundation for growth, including our business unit structure and our landmark acquisition of Wyeth. I want to thank Jeff for his passionate leadership during his nine years with Pfizer.

Following Jeff's retirement, the Board determined that the designation of an independent, non-executive Chairman is optimal for the company at the present time and elected independent Director George A. Lorch as Non-Executive Chairman of the Board of Directors. George and I have a close working relationship. I know he will continue to be a strong advocate for Pfizer's shareholders.

Two of our Directors will retire in April 2011. Robert N. Burt, a Director who joined us from the Board of Warner-Lambert, served on nearly all of the Board's key committees, and led the Audit Committee during the critical years when Sarbanes-Oxley regulations went into effect. All of us are grateful for Bob's leadership, insight and dedication to Pfizer.

William C. Steere, Jr., Pfizer's Chairman Emeritus since 2001, has been part of Pfizer for 52 years, joining us as a sales representative in 1959 and climbing the ranks to become Chairman and CEO, serving from 1991 to 2001. He led an era that saw Pfizer move from the 14th largest pharmaceutical company in the world to an unquestioned No. 1, largely on the strength of science and innovation.

Nat Ricciardi, President of Pfizer Global Manufacturing, announced that he will retire effective April 1, 2011. Nat began his 39-year career on the night shift of the Brooklyn plant and rose to lead the world's largest biopharmaceutical production network. I am grateful for Nat's leadership of our respected production and supply team, and especially for his commitment to developing people throughout Pfizer.

GEORGE A. LORCH

Independent Pfizer Director

Elected Non-Executive Chairman of the Board of Directors in December 2010

Elected to Pfizer's Board in 2000 and to Warner-Lambert's Board in 1997

Chairman Emeritus, Armstrong Holdings, 2000 to present

Joined Armstrong World Industries in 1963, rose to become its CEO and President in 1993

EDUCATION

Bachelor of Science, Virginia Polytechnic Institute and State University

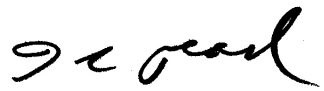
OTHER BOARD MEMBERSHIPS

Autoliv, Williams Companies, Masonite International, Inc. (a non-public company), HSBC Finance Co. and HSBC North America Holding Company (non-public, wholly owned subsidiaries of HSBC LLC)

Commitments Made, Commitments Kept—But More to Do
I invite you to explore our first integrated Annual Review and Corporate Responsibility Report, which is posted to www.pfizer.com and provides more detail on our activities in 2010.

Pfizer had a good year, but we know we have much, much more to do. We will continue to make progress in creating a Pfizer that is both successful and sustainable. We did much in 2010 to manage our costs, reduce our dependence on a few large products, speed up our innovation and bring our products to new markets. We announced additional steps in February 2011 to help put the company on a firm course toward our third century.

I am confident that we are investing in the right areas, taking the right actions and building the right kind of culture. I firmly believe Pfizer has an enduring role to play in meeting humanity's most important priority—better health—and I look forward with great enthusiasm to our future.



Ian C. Read
President and CEO
February 24, 2011

OUR FINANCIAL PERFORMANCE

(THREE-YEAR SUMMARY)

	AS OF AND FOR THE YEAR ENDED DECEMBER 31,				
				% CHANGE	
(MILLIONS, EXCEPT PER COMMON SHARE DATA)	**2010[a]**	2009[a]	2008	10/09	09/08
Revenues	**$ 67,809**	$ 50,009	$ 48,296	36	4
Research & Development expenses	**$ 9,413**	$ 7,845	$ 7,945	20	(1)
Acquisition-related in-process research and development charges	**$ 125**	$ 68	$ 633	84	(89)
Restructuring charges and certain acquisition-related costs	**$ 3,214**	$ 4,337	$ 2,675	(26)	62
Income from continuing operations before provision for taxes on income and noncontrolling interests	**$ 9,422**	$ 10,827	$ 9,694	(13)	12
Net income attributable to Pfizer Inc.	**$ 8,257**	$ 8,635	$ 8,104	(4)	7
Diluted earnings per common share attributable to Pfizer Inc. shareholders	**$ 1.02**	$ 1.23	$ 1.20	(17)	3
Weighted average shares - diluted	**8,074**	7,045	6,750	15	4
Number of common shares outstanding	**8,012**	8,051	6,722	—	20
Working capital	**$ 31,859**	$ 24,445	$ 16,067	30	52
Goodwill & other identifiable intangible assets, net	**$ 101,505**	$ 110,391	$ 39,185	(8)	182
Total assets	**$ 195,014**	$ 212,949	$ 111,148	(8)	92
Total debt[b]	**$ 44,033**	$ 48,662	$ 17,283	(10)	182
Total Pfizer Inc. shareholders' equity	**$ 87,813**	$ 90,014	$ 57,556	(2)	56
Shareholders' equity per common share	**$ 10.96**	$ 11.19	$ 8.56	(2)	31
Cash provided by continuing operating activities	**$ 11,454**	$ 16,587	$ 18,238	(31)	(9)
Property, plant and equipment additions	**$ 1,513**	$ 1,205	$ 1,701	26	(29)
Purchases of common stock	**$ 1,000**	—	$ 500	100	(100)
Cash dividends paid	**$ 6,088**	$ 5,548	$ 8,541	10	(35)

[a] Legacy Wyeth operations are included for a full year in 2010. In accordance with our domestic and international year-ends, includes approximately two-and-a-half months of Wyeth's U.S. operations and approximately one-and-a-half months of Wyeth's international operations in 2009.

[b] Our short-term borrowings are rated P-1 by Moody's Investors Service (Moody's) and A1+ by Standard & Poors (S&P). Our long-term debt is rated A1 by Moody's and AA by S&P. Moody's and S&P are major corporate debt-rating organizations.

Detailed information on our financial and operational performance can be found in the 2010 Financial Report.

KEY PERFORMANCE INDICATORS

We have identified a set of key performance indicators to drive and measure non-financial business performance that will help us identify progress in areas of improvement for patients, investors and stakeholders. This list is a starting point. We will continue to develop this set of indicators during 2011 in alignment with our forward-looking goals and long-term priorities. We have provided progress updates and additional metrics throughout the review, available at www.pfizer.com.

RESEARCH & DEVELOPMENT

17

Number of top 20 global burdens of illness addressed by products and pipeline[1]

118

Number of products in pipeline and under regulatory review.[2]

ACCESS TO MEDICINES

30

Number of programs and partnerships to increase access to medicines in emerging markets.[3]

ENVIRONMENT, HEALTH & SAFETY[4]

219,000
METRIC TONS

WASTE GENERATED
Total waste generated by 26 largest producing sites. Overall 74% of total waste generated was recycled.

20
MILLION CUBIC METERS

NET WATER USE
Net water used by 26 largest water-consuming sites (excluding water withdrawn and returned to the source).

2.7
MILLION METRIC TONS CO_2 EQ.

GHG EMISSIONS
Total direct and indirect emissions from active facilities under Pfizer's operational control (including fleet and aviation).

[1] As defined by the World Health Organization. Burdens of illness not addressed include road traffic accidents, prematurity and low birth weight and self-inflicted injuries.

[2] As of February 28, 2011.

[3] Partnership/program defined as an investment by Pfizer of over $250,000 and/or an engagement with a national government or health care professionals and/or an engagement with a procurement agency, NGO, private institution or aid agency that is part of a commercially viable approach. Does not include initiatives of local country offices.

[4] Waste and water data represent more than 80% of Pfizer's global footprint. Data are baseline adjusted. Fuller environmental reporting will be posted on Pfizer's EH&S Web site later this year.

ABOUT THIS REVIEW

This is Pfizer's first fully integrated Annual Review, providing a larger look at a number of dimensions of our performance—financial, environmental and social—in one review. It demonstrates the integral relationship between our responsibilities as an enterprise, and our core business strategies and their execution. It is produced for all of our stakeholders—patients, the medical community, investors, employees, customers and the public at large—to give a single picture of how we are doing, and, more importantly, how we are doing in delivering on our stated commitments.

Scope of Reporting

This review covers Pfizer's worldwide businesses, and provides information on our activities for the fiscal year ending on December 31, 2010. This review describes key dimensions of both the company's financial and non-financial performance, and includes updates on our present and planned products; our R&D pipeline; our commitment to quality, safety and high ethical standards; and our responsibilities to stakeholders, starting with our patients. This review also describes the most critical challenges to our sustainability—from expanding access to health to our environmental impact—and our strategy for managing them. Included for the first time are Key Performance Indicators that measure important dimensions of our nonfinancial performance and add to the total picture of how we did in 2010.

The print review provides a concise summary of our 2010 performance, while the Web version contains significant additional detail on our activities around the world.

Global Reporting Initiative Sustainability Reporting Guidelines

As global standards for integrated reporting do not exist, we considered the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (G3) in preparing this review. A comprehensive GRI Index can be found on our Web site www.pfizer.com/responsibility. We self-declare this review to GRI Application Level B.

Corporate Responsibility Management

This review was developed by Pfizer's Policy, External Affairs and Communications Division, whose leader is a member of executive leadership and reports directly to the CEO. Corporate responsibility is embedded in our business strategy and vision and many corporate responsibility issues are managed within our business units and functional groups to ensure deep integration in all of our work. The Corporate Responsibility team sets the strategic direction for corporate responsibility at Pfizer and supports the integration of corporate responsibility throughout the company.

In addition to strategy, the Corporate Responsibility team oversees the development of Pfizer's corporate responsibility reporting and communications, and manages engagement and partnerships with key civil society groups. The Corporate Responsibility team is also responsible for Pfizer's flagship global health philanthropic programs as part of its access strategy. Pfizer's Corporate Responsibility team provides updates to Pfizer's Board of Directors on specific progress toward corporate responsibility goals.

BOARD OF DIRECTORS

For more information on the Board of Directors visit Pfizer.com

Dennis A. Ausiello, M.D. [2, 4, 5, 6]

Physician-in-Chief, Massachusetts General Hospital

Michael S. Brown, M.D. [4, 6]

Distinguished Chair, Biomedical Sciences, Regental Professor, University of Texas Southwestern Medical Center

M. Anthony Burns [1, 2, 4]

Chairman Emeritus, Ryder System, Inc.

Robert N. Burt [3, 6]

Retired Chairman and CEO, FMC Corporation

Will retire as a Board Member effective as of the 2011 Annual Meeting

W. Don Cornwell [2, 3, 5]

Retired Founder, Chairman and CEO, Granite Broadcasting Corporation

Frances D. Fergusson, Ph.D. [3, 5, 6]

President Emeritus, Vassar College

William H. Gray III [4, 6]

Co-Chairman, GrayLoeffler, LLC

Constance J. Horner [1, 4, 5]

Former Assistant to the President of the United States and Director of Presidential Personnel

Suzanne Nora Johnson [2, 3, 6]

Retired Vice Chairman, The Goldman Sachs Group, Inc.

James M. Kilts [3, 6]

Founding Partner, Centerview Partners Management, LLC

George A. Lorch

Non-Executive Chairman of the Board of Directors, Pfizer Inc.

John P. Mascotte [4, 5, 6]

Retired President and CEO, Blue Cross and Blue Shield of Kansas City, Inc.

Ian C. Read [1]

President and Chief Executive Officer, Pfizer Inc.

Stephen W. Sanger [2, 4]

Retired Chairman and CEO, General Mills

William C. Steere, Jr. [6]

Chairman of the Board Emeritus, Pfizer Inc.

Will retire as a Board Member effective as of the 2011 Annual Meeting

[1] Executive Committee
[2] Audit Committee
[3] Compensation Committee
[4] Corporate Governance Committee
[5] Regulatory and Compliance Committee
[6] Science and Technology Committee

EXECUTIVE LEADERSHIP TEAM

For more information on the Executive Leadership Team visit Pfizer.com

Ian C. Read
President, Chief Executive Officer

Olivier Brandicourt, M.D.
President and General Manager, Primary Care

Frank A. D'Amelio
Executive Vice President, Business Operations and Chief Financial Officer

Mikael Dolsten, M.D., Ph.D.
President, Worldwide Research & Development

Geno J. Germano
President and General Manager, Specialty Care and Oncology

Charles H. Hill, III
Executive Vice President, Worldwide Human Resources

Douglas M. Lankler, J.D.
Executive Vice President, Chief Compliance & Risk Officer

Freda C. Lewis-Hall, M.D.
Executive Vice President, Chief Medical Officer

Kristin C. Peck
Executive Vice President, Worldwide Business Development and Innovation

Cavan M. Redmond
Group President, Animal Health, Consumer Healthcare, Capsugel and Corporate Strategy

Amy W. Schulman, J.D.
Executive Vice President, General Counsel, Business Unit Lead, Pfizer Nutrition

David Simmons
President and General Manager, Emerging Markets and Established Products

Sally Susman
Executive Vice President, Policy, External Affairs and Communications

CORPORATE AND SHAREHOLDER INFORMATION

Stock Listings
Our Common Stock is listed on the New York Stock Exchange/Euronext. It is also listed on the London and Swiss stock exchanges, and traded on various United States regional stock exchanges.

Stock Transfer Agent and Registrar
Computershare Trust Company, N.A.
250 Royall Street
Canton, MA 02021
Telephone: 1-800-PFE-9393
Outside the U.S., Canada and Puerto Rico: 1-781-575-4591
Internet: www.computershare.com

Shareholder Services and Programs
Please contact our Stock Transfer Agent and Registrar with inquiries concerning shareholder accounts of record and stock transfer matters, and also for information on the following services and programs:

- Shareholder Investment Program
  - direct purchase of Pfizer stock
  - dividend reinvestment
  - automatic monthly investments
- Book-entry share ownership
- Direct deposit of dividends

Forward-looking Information
Please refer to Pfizer's 2010 Form 10-K for a description of the substantial risks and uncertainties related to the forward-looking statements included in this Annual Review. Our Form 10-K is available on our Web site at www.pfizer.com/sec and on the Securities and Exchange Commission's Web site at www.sec.gov.

Political Action Committee (PAC)
To review our most recent PAC and corporate political contributions report, go online at www.pfizer.com/pac.

Environment, Health and Safety (EHS)
Our global EHS initiatives, Environmental Sustainability Program and performance metrics may be found online at www.pfizer.com/ehs.

Helplines
Patients, customers and health care professionals who have questions about any of our products should call 1-800-438-1985.

Uninsured or underinsured patients who need help getting their Pfizer medicines should call Pfizer Helpful Answers,® our family of patient assistance programs that provide Pfizer medicines for free or at a savings to patients who qualify. To learn more, visit www.PfizerHelpfulAnswers.com or call 1-866-706-2400.

Send Us Your Feedback
We value your input on this Annual Review. Did it help you to better understand Pfizer? Was the information presented in a reader-friendly manner? Please send your comments to annual.report@pfizer.com.

You can find more information about Pfizer online at www.pfizer.com. Real-time news about Pfizer can be found on our Facebook page (www.facebook.com/Pfizer) and through Twitter (www.Twitter.com/Pfizer_news).

This Annual Review is produced by Pfizer's Policy, External Affairs and Communications group.

King is now part of Pfizer. The integration of King and Pfizer entities may be pending in various local jurisdictions and integration may be subject to completion of various local legal and regulatory obligations. All content in this message is subject to works council and/or union consultations, if applicable, and other legal requirements where appropriate.

Design: Ideas On Purpose, New York

OUR BUSINESS

For more than 150 years, Pfizer has been in the business of life science. Our diverse products and medicines support wellness and prevention, as well as treatment and cures. The world's leading research-based biopharmaceutical company, we are focused on improving health and well-being at every stage of life.

ASK PFIZER

FREQUENTLY ASKED QUESTIONS ABOUT PFIZER AND ITS BUSINESS

QUESTION 1

Where does Pfizer get ideas for new products?

Ideas for new products come from our own in-house research groups, from alliance partners, and from customers and payers. We have a number of ways that we compensate companies or universities that provide ideas for new medicines or vaccines—these include making co-marketing arrangements, purchasing the idea through a licensing agreement, or even trading one idea for another.
Click for more information >

QUESTION 2

What are diseases of the developing world and how does Pfizer help treat them?

These diseases predominantly affect patients living in the developing world. Pfizer is actively conducting research on them and is opening up our compound library to external groups pursuing treatments and cures. We are partners with other companies, with governments, and with NGOs and MLOs, in a number of large, multi-year programs, such as the International Trachoma Initiative, to slow or even eradicate these diseases.
Click here for more information on Diseases of the Developing World >
Click here for more information about our Research & Development efforts >

QUESTION 3

Where does Pfizer conduct clinical trials?

Pfizer conducts clinical trials globally, as our medicines and vaccines are used worldwide. All of our clinical trials are done to top standards through thoroughly trained, independent clinicians who are experts in executing clinical trials.
Click for more information >

QUESTION 4

How does Pfizer make certain our medicines are safe?

Drug safety is well integrated into every job at Pfizer, especially those involving research, development, clinical trials, production, distribution and sales. In addition, Pfizer has thousands of people directly involved in quality assurance, regulatory compliance, safety strategy and operations, and manufacturing quality control, overseeing all aspects of safety and making sure that our products meet stringent quality standards from the time they are researched until they are dispensed and afterwards.
Click for more information >

QUESTION 5

Where does Pfizer manufacture its products?

Pfizer has more than 75 production facilities around the world, all of which meet FDA standards for production. In addition, we manage a supply network that extends beyond our facilities to carefully selected suppliers who, again, meet all applicable standards and undergo thorough inspection and quality assurance procedures.
Click for more information >

QUESTION 6

What is Pfizer doing to improve access to medicines for patients who cannot afford them?

Pfizer works in partnership and invests in programs around the world to help advance a strategic, coordinated approach to improve access to medicines and health care for underserved patients. In the U.S., our family of patient assistance programs, Pfizer Helpful Answers, provide medicines free or at a savings to patients who qualify.
Click for more information >

QUESTION 7

Why does Pfizer report payments to physicians and other health care providers in the U.S.?

Pfizer fairly compensates health care providers who provide services to Pfizer, such as the execution of clinical trials, or helping educate other health care providers on the science of our medicines. In the U.S. we report these transactions in the interest of providing transparency about payments made and received. We do not pay physicians to prescribe our products.
Click for more information >

BIOPHARMACEUTICAL BUSINESSES

Our Biopharmaceuticals businesses consist of four patient-centric, customer-facing business units. The business units are responsible for further clinical development and life-cycle management of promising new medicines that have achieved "proof of concept" in our labs. They also ensure that customer and patient needs inform the development of new medicines that can have the desired impact in the marketplace and on people's lives.

PRIMARY CARE

Primary Care provides more than a slate of high-value medicines. We also offer solutions that help health care professionals and providers do what they do best—roll back the tide of chronic, costly conditions one patient at a time and improve overall health. Pfizer's largest business unit, Primary Care, operates globally in markets including the U.S., Europe, Japan, Korea, Canada, Australia and New Zealand.

We lead with medicines to treat pain, high cholesterol, smoking cessation and other widespread conditions. Our pipeline includes molecules with potential in women's health, pain, cardiovascular disease, diabetes and Alzheimer's disease. Our goal is to be a valued partner in primary care for patients, health care providers and payers by delivering solutions that improve outcomes and overall health.

2010 Highlights

- Approval of a pediatric indication for Lipitor in the European Union
- Approval of Lyrica for neuropathic pain in Japan
- Significant growth of Champix in Japan following consumer and physician education and a tobacco tax increase
- FDA approval for 23 mg, higher dose Aricept for the treatment of moderate-to-severe Alzheimer's disease
- Submission of response to approvable letter from the FDA on Pristiq application as a nonhormonal treatment for vasomotor symptoms related to menopause

KEY MEDICINES

- Celebrex
- Chantix/Champix
- Lipitor
- Lyrica
- Premarin
- Pristiq
- Toviaz
- Viagra

SPECIALTY CARE

Specialty Care features a robust portfolio of market-leading medicines spanning 11 disease areas. We are leaders in vaccines and inflammation, two important areas of innovation and growth in biomedical science, and have a leading presence in helping doctors treat or prevent diseases ranging from pneumococcal disease in infants and young children and rheumatoid arthritis, to life-threatening infections, glaucoma and growth hormone deficiency.

For millions of the people we serve, our medicines keep difficult diseases well enough in check to let them enjoy their lives, earn a living or function in society. For others, our medicines and vaccines have a profound impact on patients' quality of life and survival for a range of serious diseases. Many of our patients face both the pain of a rare disease and the struggle to have the condition better recognized and understood. We share our deep knowledge of our disease areas with all of our customers—providers, patients and payers—and development partners to help ensure that people who can benefit from our medicines do, and that people in search of new treatments for serious diseases have reason to be hopeful.

2010 Highlights

- Prevenar 13 for pediatric use is gaining approval and has been launched in key markets around the world.
- Maintained growth of Enbrel
- Achieved six product line extension approvals
- Completed acquisition of FoldRx, with lead candidate tafamidis
- Geodon's adjunctive bipolar maintenance indication launched in the U.S.
- MACUGEN has demonstrated efficacy in Phase III trials for diabetic macular edema.
- Received CHMP positive opinion for Xiapex for Dupuytren's contracture

KEY MEDICINES

- Benefix
- Enbrel
- Genotropin
- Geodon
- Prevnar 13
- Revatio
- Vfend
- Xalatan
- Zyvox

ONCOLOGY

We investigate the complexities of cancer and discover and develop innovative treatment options to improve the outlook for cancer patients worldwide. Our oncology pipeline has both biologics and small molecule compounds in development, including several first-in-class treatment candidates. We have more than 100 clinical trials under way, searching for new options to treat sarcoma, melanoma and lung, prostate, breast, renal cell and various blood cancers. We also continue to seek new indications for approved drugs, such as Sutent, an oral multikinase inhibitor used to treat advanced/metastatic kidney cancer and imatinib-resistant or -intolerant gastrointestinal stromal tumors.

Our scientists, working internally and with many alliances and partnerships, are among the leaders in the effort to develop therapies that focus on the personalized approach to treating cancer.

One example is crizotinib, a first-in-class compound that inhibits a tumor-specific protein called anaplastic lymphoma kinase, or ALK, for patients with ALK-positive advanced non-small cell lung cancer. Based on positive Phase I clinical trial results, crizotinib has advanced rapidly into Phase III trials. Pfizer expects to complete the new drug application submission for crizotinib in the U.S. in the first half of 2011.

KEY MEDICINES

Sutent

Torisel

2010 Highlights

Sutent has been approved in Europe for the treatment of unresectable or metastatic, well-differentiated pancreatic neuroendocrine tumors with disease progression in adults.

Bosutinib has demonstrated improvement over imatinib in major molecular response rate at one year, a secondary endpoint, despite missing the primary endpoint of complete cytogenetic response rate at one year in patients with newly diagnosed chronic myeloid leukemia.

Axitinib has demonstrated significant extension in progression-free survival compared to sorafenib in a Phase III trial of patients with previously treated metastatic renal cell carcinoma.

ESTABLISHED PRODUCTS & EMERGING MARKETS

In 2010 we closely reviewed the alignment and synergies between the Emerging Markets and Established Products business units and brought them together under single leadership.

In this way we aim to grow our market share in emerging markets, compete more effectively in developed markets, and pursue sustainable growth by gaining a broader portfolio of off-patent products. Through strategic business development and partnerships, we plan to enhance our capabilities in generic product development, low-cost manufacturing and high-volume regulatory processing.

Pfizer is a leading pharmaceutical company in the emerging markets, having posted strong double-digit growth in 2010 for several innovative medicines in the areas of vaccines, pain, inflammation, anti-infectives and oncology. The two businesses also feature an established products portfolio of more than 600 branded and generic products.

The fastest growth sector within emerging markets is the off-patent segment driven by the demographics and rising economic power in many of these markets. In fact, by 2020 off-patent medicines and their generic equivalents are estimated to account for more than 50 percent of the global pharmaceutical market.

Our footprint in the emerging markets covers key growth countries including Brazil, Russia, India, China, Mexico and Turkey. In these countries and dozens of others in emerging markets, we are dedicated to meeting the diverse medical needs of patients in an innovative, socially responsible and commercially viable manner.

2010 Highlights

Enbrel is now available in China for the treatment of rheumatoid arthritis and ankylosing spondylitis. The highly successful medication is Pfizer's first biologic in China.

We have acquired a 40 percent stake in Teuto (Laboratório Teuto Brasileiro S.A.), a Brazilian generics firm, greatly enlarging our footprint in a key high-growth market.

Pfizer's agreement with Biocon, the Indian biotech firm, over time is adding a key line of biosimilars for treating diabetes to the portfolio.

We launched the pneumococcal vaccine Prevenar 13 for infants and young children in 31 emerging markets, including the priority markets of India and Turkey.

KEY MEDICINES

- Enbrel
- Lipitor
- Lyrica
- Prevenar 13
- Viagra
- Norvasc
- Effexor
- Tazosyn/Zosyn
- Protonix
- Relpax

DIVERSIFIED BUSINESSES

Pfizer's Diversified Businesses consist of four distinct business units: Animal Health, Consumer Healthcare, Nutrition and Capsugel, which produces capsules for medicines and dietary supplements. Each business unit is responsible for meeting and anticipating customer needs with innovative, meaningful products that advance health and well-being.

ANIMAL HEALTH

We are a world leader in the discovery, development and manufacture of innovative animal vaccines and medicines. We are working to ensure a safe, sustainable global food supply from healthy beef and dairy cattle, pigs, poultry and fish—while helping companion animals and horses live longer, healthier lives. Our portfolio includes many of the world's leading veterinary brands in pharmaceuticals and biologicals, complemented by innovative immunodiagnostic products and matched by a range of animal health services for veterinarians.

Notable milestones made 2010 a transformational year, strengthening our capacity to provide comprehensive animal health solutions. Completing the integration of Wyeth/Fort Dodge Animal Health enabled us to better serve veterinarians with a wider range of solutions in anti-infectives, parasiticides and biologicals, and strengthened our growing presence in key emerging markets, such as Latin America and Asia.

Three acquisitions facilitated our entry into new, important areas of animal health. We entered the rapidly growing aquaculture (fish farming) sector with the integration of Microtek International, a leading researcher, developer and manufacturer of vaccines, diagnostics and health monitoring services for global aquaculture. The acquisition of Synbiotics Corporation brought us a world-class portfolio of immunodiagnostics to detect viral-related diseases in livestock and companion animals. Vetnex, the largest generic animal health company in India, became part of Pfizer Animal Health, creating a platform on which to build a portfolio of generic animal health medicines which will include low-cost alternatives for veterinarians and producers in developing and emerging markets.

We entered into several strategic partnerships with centers of excellence in veterinary medicine and research worldwide, which affirmed our commitment to innovation. A partnership with the Easter Bush Research Consortium, one of Europe's largest, aims to find better ways of preventing and managing diseases and advancing sustainable agriculture. Joining with veterinary medical colleges in the United States and the United Kingdom and the Chinese Veterinary Medical Association to launch the International Veterinary Collaboration for China, we strive to advance veterinary education practices and, in turn, strategically improve animal health, welfare and productivity in mainland China.

KEY MEDICINES

- Convenia
- Excenel
- Improvac/Vivax
- Revolution/Stronghold
- West Nile Innovator

2010 Highlights

Improvac, our vaccine that brings innovation to pork production, has been approved in 57 countries, most recently in Japan and China, home to the world's largest population of pigs.

EXCEDE Sterile Suspension for Horses, approved in the U.S. as the first long-acting antibiotic formulation for horses with a two-dose regimen that helps improve compliance.

FluSure Pandemic, developed in a record four months to help protect pigs from the emerging outbreak of the H1N1 pandemic, received full licensure from the U.S. Department of Agriculture, making Pfizer the first company to gain such an approval.

CLARIFIDE, Pfizer Animal Health's genomic diagnostic test for dairy cattle, provides insight into an animal's future genetic potential and thereby helps dairy producers worldwide improve productivity.

CONSUMER HEALTHCARE

Pfizer Consumer Healthcare is among the largest over-the-counter health care product companies in the world, with a global footprint operating in more than 90 countries. We have leadership positions in many markets including two brands in the global top 10, Advil and Centrum.

Pfizer's line of over-the-counter treatments provides science-based, differentiated, self-care solutions to consumers around the world. Our products are targeted at a variety of health needs, such as muscle and body aches, allergies, colds and coughs, and nutritional supplements.

2010 Highlights

13 new launches this year, including Cough and Cold in China, Advil Congestion Relief in the United States, Advil Ultra in Latin America and Centrum Cardio in Europe.

Centrum Ultra exceeded $100 million in sales in its first year.

Launched Caltrate Soft Chews in the U.S. six months ahead of schedule, offering 20 percent more calcium and 25 percent less calories than the current segment leader, in two premium flavors, Chocolate Truffle and Vanilla Crème.

KEY MEDICINES

- Advil
- Caltrate
- Centrum
- ChapStick
- Robitussin
- ThermaCare

NUTRITION

Pfizer Nutrition has a portfolio of products available in more than 60 countries, including a full line of infant formulas, follow-on formulas, growing-up milks, and prenatal and adult supplements. Our vision is to lead the way to a healthier world by helping to ensure that infants and children have access to the best and highest quality nutrition.

We offer safe, quality products, scientifically designed to meet the needs of infants and young children, as well as pregnant and lactating mothers. Our Biofactors System provides a range of specialty ingredients important to help support a child's health in areas such as brain development, eye development, the digestive system, immunity and bone development.

We are committed to marketing our infant formulas in accordance with the aim and principles of the World Health Organization Code of Marketing of Breast Milk Substitutes, and abiding by national codes wherever they exist. We continue to strengthen efforts to monitor Code compliance, and to ensure our marketing of infant formulas is carried out with the best interests of parents and babies.

Safety and quality are our highest priorities. Infant formulas are among the most stringently regulated consumer products in the world. We meet or exceed all food quality and safety standards set by the Codex Alimentarius Commission, and comply with all regulations in the countries where we operate. Codex is a body run jointly by the Food and Agriculture Organization of the United Nations and the World Health Organization.

KEY MEDICINES

- Progress GOLD
- Promil GOLD
- Promise GOLD
- S-26 GOLD
- SMA GOLD
- Picky Eater GOLD

2010 Highlights

We built a new manufacturing facility in Suzhou, China, to support the rapidly growing market in China for infant nutrition products—a key market expected to reach around $4 billion by 2012.

Pfizer Nutrition's newly expanded manufacturing facility in Singapore boosted production capacity by 50 percent in response to the rapidly growing Asian market.

We launched reformulations of our core S-26 and SMA products. The reformulations, which incorporate the latest in nutritional science for infants, toddlers and young children, are specifically designed to help provide a balanced diet of essential nutrients.

CAPSUGEL

Capsugel is the world's leading provider of hard capsules and an innovator in drug delivery systems for the pharmaceutical, over-the-counter drug, and health and nutrition industries. We help our customers formulate new products, enhance existing product lines and bring products to market faster.

Offering a comprehensive array of products and services, from hard gelatin, liquid-filled and vegetarian capsules, to innovative R&D equipment and liquid formulations, as part of its Licaps Drug Delivery System, Capsugel is at the forefront of drug delivery innovation, providing support to customers from formulation to commercial production.

KEY MEDICINES

- Coni-Snap
- LiCaps
- Vcaps Plus
- DBaps
- Press-Fit

STAKEHOLDER ENGAGEMENT

Stakeholder engagement provides us with valuable insight about expectations for our performance, helps us to understand more clearly the impact of our business approach and improves our ability to make sustainable, beneficial change. In addition, through a comprehensive commitment to stakeholder engagement, we are better able to monitor trends and emerging issues that may affect our patients and our business.

Very often, we find that our goals for a sustainable future do not differ from those of our stakeholders. In fact, our general goals are the same—improved global health and prosperity. Our stakeholder model recognizes this inherent interconnectedness of the goals of Pfizer and our stakeholders. Instead of working with stakeholders transaction by transaction, we seek a more collaborative approach with key stakeholders in addressing important social and environmental issues.

We regularly engage with our patients, customers, investors, employees, suppliers, business partners and other stakeholders around the world. Much of this engagement occurs through the regular course of business. Oftentimes, Pfizer works with stakeholders to gain their insight on specific issues of importance to us and to our industry. We engage our stakeholders through strategic partnerships on strategies that can improve health outcomes and create sustainable changes in the ways health care is delivered. We worked with stakeholders to inform the development of this report. We gained insight through multiple interactions with our investors, large and small, representing a spectrum of viewpoints.

CORPORATE GOVERNANCE

We place great value on our governance practices. Our track record of leadership and innovation in corporate governance demonstrates our commitment to excellence and ethics in business. We were among the first companies to adopt innovations that are now required by law or stock exchange rules or are considered best practices, such as holding annual elections of all directors, adopting a majority vote standard for director elections, and appointing a Board-level Corporate Governance Committee comprised solely of independent directors.

Our highly engaged Board of Directors is comprised of a substantial majority of independent directors. Each director brings a unique set of attributes, experiences and skills to our Board and its Committees. Prior to each Board meeting, our directors receive reports from senior leaders and a variety of outside advisers. The Board reviews and considers a wide range of matters that impact shareholder value and affect our other stakeholders, including strategic initiatives and financial performance, as well as compliance, public policy and corporate responsibility initiatives.

In 2010 the Board implemented "say on pay," giving shareholders a non-binding, advisory vote on executive compensation. In 2010 the Board also voted to divide the responsibilities of the Chairman and the CEO, electing George A. Lorch, an independent and highly experienced Board member, as the company's Non-Executive Chairman of the Board, and appointing Ian C. Read as President and Chief Executive Officer. Ian Read was also elected as a director, and is the only employee currently on the Board.

The position of Non-Executive Chairman replaces the role of Lead Independent Director; director Constance J. Horner held that position from 2007. In making this change, the Board determined that separating the offices of Chairman and Chief Executive Officer is the optimal leadership structure for our Company at this time. Consistent with the understanding that there is no single, generally accepted approach to providing Board leadership, and given the dynamic and competitive environment in which we operate, the right Board leadership structure may vary as circumstances warrant. The independent directors will continue to evaluate the Board's leadership structure on an annual basis to ensure an optimal structure for our Company's then-current circumstances.

The Board of Directors understands its responsibility to engage meaningfully with shareholders and other stakeholders. We invite those with an interest in Pfizer to contact the Board directly by visiting our Web site at: http://www.pfizer.com/about/corporate_governance/contact_directors.jsp.

Executive Compensation

We believe that executive compensation policies should reflect the reality that shareholder funds are at stake and must be used wisely. Therefore, we view compensation as something that should yield a "net positive" for our shareholders—an investment offering them a reasonable chance for future growth in the company's overall value by attracting, retaining and incentivizing executives in alignment with their interests. To this end, we regularly consult with shareholders to refine our executive compensation philosophy and program. For a detailed explanation of the company's compensation philosophy, which is set by the Compensation Committee, please see the Compensation Discussion and Analysis section of Pfizer's 2011 Proxy Statement or visit the Investor Relations section of Pfizer's Web site http://www.pfizer.com/investors/

"Say on Pay"
In 2010 Pfizer acted to give shareholders a "say on pay"—a nonbinding, advisory vote on executive compensation. Following discussions with shareholders, the Board determined that holding an advisory vote every two years would give shareholders a voice in providing feedback on compensation policies and practices. At the same time, holding the vote every two years will foster a more long-term approach to evaluating our executive compensation policies and practices. In 2011 shareholders will be able to express their preference on the frequency of future "say on pay" votes by indicating whether they want to have those votes every one, two or three years.

Aligning with Shareholders' Interests
The compensation of our Executive Leadership Team—the CEO and the executive officers reporting directly to the CEO—is determined by the Compensation Committee of Pfizer's Board of Directors. This Committee, composed exclusively of independent directors, assures that our compensation program is aligned with our pay-for-performance philosophy and our shareholders' interests, and remains an effective tool to attract, motivate and retain our executive leaders.

In support of our philosophy to align the interests of our executive officers with those of our shareholders, Pfizer executives are required to own Pfizer common stock equal in value to a multiple of salary, ranging from at least five times salary for our CEO, to at least four times salary for the other members of our Executive Leadership Team. Ownership must be achieved over a five-year period. Ownership must be achieved over a five-year period.

We continue to implement and maintain state-of-the-art practices in our compensation program and related areas. Our executive compensation program includes a number of controls that mitigate risk, including the executive stock ownership requirements mentioned above, and, under certain circumstances, our ability to recover compensation paid to executives. The Committee has engaged an independent compensation consultant that has no other ties to the company or its management and that meets stringent selection criteria. We maintain a robust investor outreach program that enables us to obtain ongoing feedback concerning our compensation program, as well as how we disclose that program. In 2010 as has been the case for many years, we not only listened to our investors' views; we actively sought out those views and implemented a number of their suggestions.

ETHICS

70

languages available on the compliance helpline

We are committed to upholding the highest ethical standards in every aspect of our business. We systematically scrutinize our internal practices and have implemented procedures for taking immediate action when we identify potential violations.

We also offer an Open Door Policy and anti-retaliation protections to ensure that all Pfizer colleagues have a safe mechanism for reporting potential violations or concerns. Our training programs and new organizational structures have been developed to go beyond compliance to help ensure the highest standards of ethical behavior throughout the company.

Compliance

Pfizer's Compliance Program, established under the direction of Pfizer's Board of Directors, supports Pfizer's unyielding commitment to high standards of legal and ethical conduct. Strong ethical performance is a key value at Pfizer, enabling us to achieve our mission, and minimizing the potential negative business and reputational impact of noncompliance. The Chief Compliance Officer (CCO), who is a member of the Executive Leadership Team and reports to the CEO, and staff provide oversight and guidance to help ensure compliance with applicable laws, regulations and company policies. In addition, we have a robust internal audit group, reporting on a separate line to the Chief Financial Officer, and having a direct reporting relationship with the Audit Committee of the Board. Both the CCO and the head of Internal Audit have wide remits to investigate any and all compliance issues. As part of our commitment to continuous improvement, we regularly review our compliance program to ensure that it remains best in class.

Colleagues worldwide are trained and tested on Pfizer's Code of Business Conduct, known as the "Blue Book," which explains Pfizer's commitment to maintaining high standards and performing with integrity. Pfizer has also made considerable investments to prevent bribery and corruption. Our International Anti-Bribery and Anti-Corruption Corporate Procedure, which is designed to prevent and detect violations of the U.S Foreign Corrupt Practices Act and its foreign law counterparts, requires the adoption of local procedures and training of appropriate colleagues. We also have established reporting mechanisms which include a compliance helpline available in 70 languages and Web reporting tools, where available, which allow colleagues around the world to raise concerns and seek guidance. Where permitted by law, suspected compliance issues may be reported anonymously. These efforts support our expansion globally and help make certain that our business is conducted consistently and ethically around the world.

2010 Highlights

2010 marked the launch of our signature compliance campaign, "It's Mine," which reinforces the importance of each and every colleague taking accountability for performing with integrity.

In September, as part of "It's Mine," a Business Leaders' Compliance Forum was held in New York for approximately 350 of the Company's most senior leaders.

We were recognized by Ethisphere as a Verified Compliance Leader, based on a thorough review of Pfizer's compliance systems and commitment to ethics and integrity.

The 2010 Integrity Training Program for colleagues worldwide consisted of over 40 distinct training campaigns, delivered using innovative and interactive online learning tools and complemented by live training.

Resources

For more about Pfizer's Political Action Committee Report
View Pfizer Political Action Committee Report

GO TO THE SITE

Public Policy

Engaging in public policy is a crucial dimension of our efforts to create an enabling environment to improve access to quality medicines and health care. In the U.S. and around the world, current health care systems face genuine challenges, and we strongly believe that there is long-term value to creating systems that are more efficient, stable and performance oriented.

As a highly regulated industry, we believe that public policy engagement, including lobbying, is an important and appropriate role for companies in open societies, if such engagement is conducted in a legal and transparent manner. We comply with all applicable lobbying registration and disclosure laws. To demonstrate our commitment to transparency, we also publicly disclose our Pfizer Political Action Committee and corporate political contributions and grants for health care education on our Web site.

Political Contributions and Lobbying
We believe that public policy engagement includes supporting policy positions that improve our ability to do business in a commercially and socially sustainable manner. We recognize that it is important that our engagement be conducted in a legal and transparent manner.

Our political contributions are guided first and foremost by federal and state campaign finance laws in the U.S. We also have a Corporate Procedure for Political Contributions by Pfizer Inc to make certain that the use of shareholder resources is in strict compliance with election laws and regulations around the world. The procedure restricts the use of such resources to support only federal and state candidates, political parties and political committees.

We recognize that compliance needs to be supported by information. Pfizer reports quarterly on lobbying expenses. In 2010 our total reported U.S. federal lobbying expenses were $13,330,000. We also publicly disclose, twice yearly, the corporate political and employee contributions made through the Pfizer Political Action Committee, a nonpartisan organization that provides opportunities for colleagues to participate more fully in the U.S. political process. A full report on our activities is available in the Lobbying and Political Contributions section of our Web site.

Pfizer has also voluntarily signed onto the European Commission's new register of interest representatives. Through the register, we declared 2010 expenses related to interest representation of 750–800,000 euros. This figure was broadly in line with the expenditures of other companies of similar size and scope.

Ethical Sales and Marketing

We are committed to responsibly promoting our products. We believe that it is important to educate patients and providers about health care treatments. Sales and marketing practices provide accurate and balanced information, so that physicians who prescribe our medicines make decisions based upon patient needs and the clinical value to individual patients. We follow an approach to sales and marketing that begins and ends with integrity in our business practices and transparency in our reporting about these practices.

Interactions with Health Care Professionals
Working with health care professionals is essential to delivering the medicines that improve people's health and well-being. The medical community helps us research our medicines and highlight areas of greatest need for innovative treatments. We also retain health care professionals in order to help educate their peers about health conditions and share information about our medicines. We are committed to conducting our work with these health care professionals with the utmost integrity, and we remain vigilant in looking for opportunities to strengthen our practices and procedures. Compliance training in interaction with health care professionals is integral to every colleague's training and is expanded in the case of those who work directly with the medical community.

Resources

For more about Policies and Practices
Learn more about the policies and practices that govern how we work together.

GO TO THE SITE

For more about Sales and Marketing
Learn more about the policy on Interactions with Health Care Professionals.

GO TO THE SITE

For more about our 2010 Payment Report
Learn more about the policy on Payments to Health Care Professionals.

GO TO THE SITE

Disclosing Payments to Health Care Professionals

Transparency in our relationships with health care professionals is of paramount importance to our business. In 2010 we published on our Web site Pfizer's payments and the value of non-cash items provided to licensed U.S. health care professionals, including in connection with speaking engagements and clinical research activities. Our disclosure of research payments further identified major academic institutions involved with clinical trials ongoing as of July 1, 2009, and the principal investigators on clinical trials beginning on or after that date. We are committed to ensuring that these payments and other transfers of value are disclosed in an accurate, clear and consistent manner. We do not pay health care professionals for prescribing our medicines or as an inducement for promoting our medicines, vaccines or nutritional products.

Pfizer is the first biopharmaceutical company to report payments for conducting Phase I–IV clinical trials, in addition to disclosing payments for consulting and speaking. We believe that sharing this information will help the public understand the full breadth of the important collaborative work done by industry, academia and health care professionals to advance health.

We also believe it is appropriate and ethical to fairly compensate health care professionals for the work they do on our behalf. We have robust compliance policies in place to ensure that all payments to health care professionals and research institutions constitute fair market value and are appropriate to the services performed.

Direct-to-Consumer Advertising

Responsible consumer advertising has proven value to help consumers engage in more informed conversations with their health care providers and thereby achieve better health outcomes. In all of our consumer advertising, we adhere to FDA regulations and guidelines. We follow strict internal standards that have been developed to ensure the information we share with consumers is evidence-based, balanced, easy to understand and directs people to engage their health care professional.

Our direct-to-consumer (DTC) practices are carefully designed to bring needed education to patients about prescription medicines, treatments they can only obtain with a prescription from their health care professional. We engage in regular consultation with health care professionals, patients and the groups that represent them to continually evolve and improve our approach to advertising. We strictly adhere to and exceed industry standards as outlined by the PhRMA Guiding Principles on Direct-to-Consumer Advertising About Prescription Medicines. And we continue to examine our internal protocols to ensure our DTC standards keep pace with industry standards, guidance, law and regulation.

Some highlights of our approach include systematic engagement with health care professionals to get their feedback on new campaigns early in our development process. We commit to ensuring clarity and transparency in our advertising which makes use of health care professionals. In addition, our CEO and Chief Compliance Officer sign an annual certification pledge to uphold the PhRMA Principles. We voluntarily submit our new TV advertising to the FDA for review prior to airing and educate physicians about a new product for at least six months after product approval and before introducing branded broadcast and print advertisements, so that physicians are equipped with accurate information to discuss new medicines with patients.

28

languages in which Pfizer's Code of Conduct is available

Human Rights

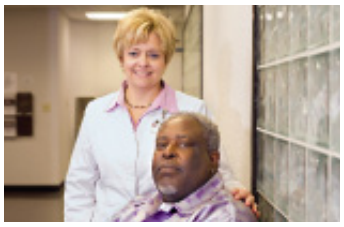
We strive to respect human rights in all of our business activities. We fully support the principles contained in the Universal Declaration on Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work. Pfizer is a signatory of the United Nations Global Compact and we support its Ten Principles on human rights, labor, environment and anti-corruption.

As a global company, we operate in complex economic, social and political environments. These growing complexities bring with them an enlarged role for us in ensuring human rights within our operations and working for human betterment through our increasingly broad global presence.

Pfizer's efforts to respect human rights focus on four key areas:

- Access to Health
- Employees
- Clinical Trials
- Supply Chain

ACCESS TO HEALTH



We believe that people should have access to the health care they need. While governments have the primary responsibility to provide this, we embrace the unique role Pfizer can play in promoting better health around the world. Our commitment is embodied in the many approaches we have developed to improve access to medicines and strengthen health care systems for underserved people.

We engage regularly in productive dialogue with key stakeholders in order to continually refine our access strategies and ensure their successful implementation within the broader system of health initiatives led by government and other players. Our access strategies leverage Pfizer's core capabilities in R&D and health care systems in order to improve affordable, accessible and quality care for underserved populations in developing and developed countries. These strategies include building local capacity, implementing appropriate pricing models, expanding our product offerings, and developing relevant partnerships that bring unique capabilities to the challenge of expanding access.

EMPLOYEES

We are committed to upholding and respecting the fundamental human rights of our employees as enshrined in the International Labour Organization Declaration on Fundamental Principles and Rights at Work.

We have ongoing training initiatives to ensure that human rights of employees are respected at every level within the organization, and throughout the many countries in which our colleagues operate. Our trainings demonstrate a commitment to workforce diversity and equal opportunity. This includes annual training and certification for employees on the Pfizer Code of Business Conduct, covering issues such as equal opportunity and nondiscrimination, as well as actions to take in the event of discrimination and/or harassment in the workplace. Managers are responsible for communicating and enforcing our equal opportunity policy. Each operating unit monitors and reports on its performance in the area of equal opportunity.

Resources

For more about Pfizer's Code of Conduct
Download Code of Conduct

DOWNLOAD PDF

CLINICAL TRIALS

We conduct clincial trials globally with strict adherence to the highest ethical and scientific standards.

Pfizer has run trials in over 60 countries. We only place trials in markets where the investigational medicine will be made available, if it is shown to be safe and effective, and only where there is a qualified pool of physician-investigators, sufficient medical infrastructure to support quality research, and a sufficient number of patients who are likely to be interested in participating. Increasingly, this includes countries in the developing world. Our policies and process require that informed consent, independent ethics review, post-study care, and the use of placebos conform to established international ethical standards. In an effort to continually strengthen clinical research infrastructure, we have developed a certification program for our clinical research staff and contractors, with over 1,000 colleagues and contractors now having successfully completed this certification program.

Resources

For more about Conducting Clinical Trials
Visit the Conducting Clinical Trials section of this Web site.

GO TO THE SITE

For more about Human Subject Protection
View Pfizer policies, positions and case studies.

GO TO THE SITE

SUPPLY CHAIN

Our commitment to human rights extends beyond our workforce to include the signifcant risks that can exist across our global and complex supply chain.

We are a founding member of the Pharmaceutical Supply Chain Initiative (PSCI), which promotes supplier adherence to five PSCI principles: ethics, labor, health and safety, environment and management systems. As a steering committee member for this group, Pfizer has played a key role in driving implementation of the group's principles both throughout our own company's supply chain and throughout the supply chains of the pharmaceutical industry as a whole.

Resources

For more about Manufacturing and Supply Chain
Visit the Manufacturing and Supply Chain section of this Web site.

GO TO THE SITE

ON PEOPLE

We touch people at every stage of life, every day, wherever people take their health and well-being in hand. Our trusted products—from vaccines to nutrition, from self-care to life-changing and life-saving treatments—help people live healthier, longer and happier. Pfizer is with you for life.

HEALTH AND WELLNESS

Our scope and reach encompasses all stages of life—from infancy through the golden years, from human health and well-being to animal husbandry, from neglected diseases to scourges of modern life like cancer, pain, diabetes and heart disease.

We have been a leader in prescription medicines since our founding 160 years ago. Now we are also a global force in vaccines, consumer health care, infant nutrition and animal health. We aim to meet the full range of human need and help people around the world take control of, and manage, their health and well-being.

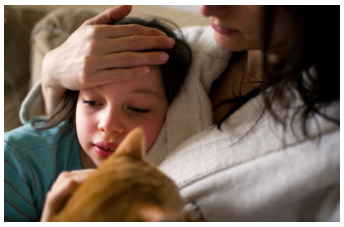
In the consumer marketplace, we keep finding new ways for our trusted remedies to bring comfort and support, such as the recently released Advil Congestion Relief and Caltrate Softchews, while Children's Advil and Centrum Ultra have risen to the top of their markets. Our nutrition line fills the gaps for children who need it, with new eye-health formulations and a new line for toddlers.

Perhaps the most significant news of 2010—certainly for children's health—has been our launch of **Prevenar 13** (known as Prevnar 13 in the U.S.) which is once again revolutionizing child vaccines and had gained approval in 80 countries by year end.

2010 Highlights

1

Prevenar 13 for pediatric use has been launched in Nicaragua—the first developing nation to launch the new vaccine under the auspices of the Advance Market Commitment—within one year of its introduction in the U.S. and Europe. Previously, the gap between introduction of new vaccines in developed and developing countries averaged 15 years.



2

Children's Advil became, for the first time, the leading fever reducer and pain reliever for children.

22

Number of scholarships provided for veterinary students by Pfizer Animal Health in the first year of $2 million, three-year program to support the future of the veterinary profession

Prevenar 13 Helping to Prevent Pneumococcal Disease in Infants and Young Children Around the World

Pneumococcal disease is a leading cause of death in young children and can result in invasive infections such as meningitis and sepsis, as well as noninvasive infections.

Prevenar 13, which is based on the scientific foundation of Prevnar—the company's 7-valent pneumococcal conjugate vaccine—provides coverage against the 13 most prevalent serotypes associated with pneumococcal disease in infants and young children worldwide. Prevenar 13 includes the seven serotypes in Prevenar (4, 6B, 9V, 14, 18C, 19F and 23F) as well as six additional serotypes (1, 3, 5, 6A, 7F and 19A). Notably, serotype 19A is now the most common invasive-disease-causing serotype in the United States and is increasing in prevalence elsewhere. It is frequently antibiotic resistant.

First introduced in Germany in December 2009, Prevenar 13 had been registered in 80 countries and launched in more than 50 countries around the world by the end of 2010.

Seeking Approval to Expand Prevenar 13 to Adults 50 and Older
Older adults are also at increased risk for pneumococcal disease and its potentially serious consequences. As a result, we announced in December 2010 that we are seeking supplemental indications for Prevenar 13 in both the United States and the European Union in adults 50 years of age and older for the prevention of pneumococcal disease caused by the 13 serotypes contained in the vaccine. Pfizer's applications to the FDA and EMA are based on six Phase III studies involving approximately 6,000 subjects.

Partnering to Bring Prevenar 13 to Children in the Developing World
As a part of our ongoing commitment to accelerate global access to our vaccines and medicines, on December 12, 2010, we made history when Prevenar 13 was introduced into the first childhood immunization program for pneumococcal disease in the developing world, in Nicaragua, under the auspices of the Advance Market Commitment (AMC) program. The AMC is an innovative program which involves private-public partnerships to help make newer vaccines available on a sustainable, affordable and accelerated basis to the least developed countries.

The launch of Prevenar 13 in the developing world within one year of its introduction in industrialized nations was unprecedented, given the average 15-year gap between introduction of new vaccines in developed and developing countries.

In March 2010 we entered into a 10-year agreement to provide Prevenar 13 to infants and young children in the world's poorest countries under the terms of the AMC. The AMC procurement process is administered by the United Nations Children's Fund, piloted by the GAVI Alliance and funded by the Bill & Melinda Gates Foundation and the governments of Italy, the U.K., Canada, Russia and Norway.

3

Advil Congestion Relief became the first New Drug Application approval for the new Pfizer Consumer Healthcare. The remedy offers non-drowsy relief of sinus pressure, nasal swelling, congestion and headache. Consumers in the U.S. will now be able to choose between Advil Cold & Sinus, found behind the pharmacy counter, and Advil Congestion Relief, now available in the cough/cold aisle.

4

FluSure Pandemic received full licensure from the U.S. Department of Agriculture, making Pfizer the first company to gain conditional approval for an H1N1 vaccine for swine. The novel vaccine was developed in a record four-month time frame, anticipating the need to protect pigs following the outbreak of the H1N1 pandemic.

13

serotypes associated with pneumococcal diseases covered by Prevenar 13 vaccine

PATIENT SAFETY

Patient safety is our absolute first priority—from the moment a compound is cleared for clinical trials, to its approval by regulators for marketing, through its manufacture and distribution, and for as long as it is for sale and in use anywhere in the world.

Thousands of Pfizer colleagues in specialized groups devoted to safety, risk management, quality assurance, data collection and analysis, global security, medical communication, and regulatory compliance focus intently on the safe, effective and appropriate use of our medicines, vaccines and other products. These professionals deploy highly advanced technologies to provide the earliest possible signals of any change in the benefit/risk profile of a medicine.

Improving Adverse Event Reporting

The global adverse event reporting systems are key assets in providing an early warning that medicines may have unintended effects. However, these systems are only as good as the information put into them by patients and health care professionals. We are taking the lead in improving the quality of adverse event reporting. Our public U.S. Web site remains the only one among major biopharmaceutical companies that allows a direct link for patients to file adverse event reports with the U.S. FDA. In addition, we are collaborating with other innovators to make it possible for doctors to more easily report adverse events to the company and to the regulatory authorities using advanced electronic tools.

In addition, we recast our systems for processing adverse event reports internally, to help ensure complete compliance with FDA time lines and guidelines. We also introduced an integrated database, including legacy Wyeth products, late in 2010, that ensures all adverse event reporting is consistent.

2010 Highlights

1

Pfizer become the first company to allow health care providers to directly contact its Medical Information Group via phone, and soon via e-mail, with questions about drugs from their smartphones using the Epocrates mHealth software.

Building Quality Into Clinical Trials
In 2010, Pfizer received two Warning Letters from the FDA, based on audits of company activities that took place primarily in mid-decade. These included findings of lapses in accurate reporting of clinical trial results.

In discussions with the FDA, the company committed to two courses of remedial action. First, the company introduced a series of corrective and preventive actions, reviewed and approved by the FDA, to deal directly with the issues uncovered in the Agency's audits. Concurrently, the company launched a top-to-bottom re-engineering of its clinical trial process to make sure that quality procedures were "built-in" at every step of the way. The Clinical Trial Excellence Project, as it is called, achieved its milestones in 2010 and is currently on track to complete in late 2011.

Protecting Consumers from Counterfeiting
We have taken a leadership position among pharmaceutical companies to protect consumers from the dangers posed by counterfeits, working closely with national authorities to fight the counterfeiting of our medicines. Since 2004 those efforts have prevented more than 65 million counterfeit dosages of Pfizer medicines from being dispensed to patients around the world.

The partnerships we have formed with enforcement authorities—which include training authorities from 94 countries and testing suspected Pfizer product at no cost—are the key to our success. As of December 31, 2010, we had confirmed the presence of counterfeits in 93 countries, including breaches of the legitimate supply chain in 47, a 15 percent increase from December 2009.

Communicating Safety Information
We empower patients, their caregivers and the public with up-to-date, meaningful information—trying to make certain that people can understand clearly the benefits, risks and proper use of our medicines. The Pfizer Medicine Safety Education Web site shows how a medicine's safety profile is determined, monitored and communicated. This highly interactive site has had more than 100,000 unique visitors since its launch in late 2008. It includes a direct link to MedWatch, the FDA's Safety Information and Adverse Event reporting program.

Once we bring a medicine to market, our research efforts do not end there. Additional risks and benefits can become apparent after an approved medicine is used by large numbers of patients. In many cases we conduct post-marketing clinical trials or take other approaches to analyze the "real-world" use of our medicines. Through our Web site, we provide information about our post-marketing study commitments and the results of the studies we implement.

2,000

Pfizer medicine safety specialists employed around the world

65 million

counterfeit dosages Pfizer prevented from being dispensed to patients since 2004

Innovations in Patient Care and Safety

As a leader in biopharmaceutical research, we have great interest in new tools that help physicians and other health care professionals improve patient care and ensure patient safety. Mobile health (mHealth) platforms are a primary focus of our innovations in this area. For example, our collaboration with Epocrates—the world's most widely used mHealth software provider—facilitates improved real-time decision-making by providing health care professionals with detailed, up-to-date clinical information on 40 Pfizer products. The collaboration also includes a special "Contact Pfizer" feature through which physicians click a button to access the Pfizer Medical Information Group and obtain scientific answers to their product questions or to report an adverse event. The Epocrates application for iPhone, BlackBerry and other smart phones is used by about 1 million physicians, or nearly 40 percent of all U.S. physicians, who can turn to us quickly, for questions that may affect patient outcomes and safety.

Because our medicines and vaccines are mediated by doctors, our mHealth strategy has focused on physicians first. At the same time, we are exploring applications of mHealth in pharmaceutical clinical trials, as well as in providing consumers with more in the way of health care information and tools. We have engaged in a strategic partnership with Keas to explore the use of its novel technology platform to develop consumer-centric health and wellness solutions for consumers, patients and their providers, including Web-based personalized health care plans and tools to empower patients to make progress in their own health care.

COLLEAGUES

Our success depends on our people and the extent to which we build and sustain a culture of opportunity, accountability and inclusion. It is our responsibility to recognize and develop talent to its fullest potential.

Our purpose is critical to human health and well-being, and we recognize that Pfizer must always be among the world's best places to work, in order to accomplish our ambitious business strategies. We provide the programs and policies to support our organizational effectiveness. We develop tools and solutions focused on everything from attracting the best talent to learning and development, from career management and talent planning to diversity and inclusion.

We have undertaken a number of initiatives to improve employee engagement because engaged colleagues are not only better for our business but also derive more satisfaction from their work. In particular, we recognize that when our managers are competent, accountable and engaged, the results they achieve with their team members improve colleague engagement, which boosts our productivity, profitability, retention, safety and customer loyalty. That's why we turned considerable attention and resources toward strengthening this critical population of leaders and made 2010 "The Year of Engaging the Manager" at Pfizer. We are actively building the reputation of a company that has great managers. We also understand the fundamental value of diversity and inclusion to our ability to innovate, and we have made a commitment to be a leader in this area.

Talent Development

We manage the development of our talent in a differentiated and targeted manner aligned with our business strategy and this ensures we are able to attract and retain the right talent to meet business needs. We challenge every colleague to discover new ways to learn, perform and grow, and to create his or her own unique experience along our shared Path Forward.

The Pfizer Senior Leader Excellence Profile, or PSLEP, is a Pfizer-specific definition of leadership that aligns with our business strategies and imperatives. Through PSLEP, we are reinforcing and developing a "general manager" mind-set among our leaders, moving far beyond functional, silo-driven experience, views and approaches. To ensure the spirit of this framework is embodied in the behaviors of our leaders, PSLEP is threaded through a comprehensive strategy for building senior leader capability that includes assessment and development solutions designed to help our senior leaders lead our organization and industry.

2010 Highlights

1

Pfizer's workplace is tobacco-free worldwide. We have helped colleagues transition to this new reality, adding an online and telephonic support system to supplement our already robust smoking cessation program.

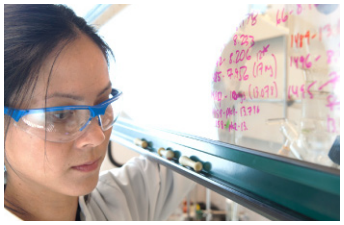
2

We joined the ranks of the Top 20 Best Companies for Leadership in 2010. The study, run by the Hay Group, ranks the best companies for leadership around the globe and examines how those companies develop current and future leaders.

In 2010 all of the Executive Leadership Team and most of the Senior Leader Committee have attended Pfizer Senior Leader Experience (PSLE). PSLE is an intensive, three-day leader experience that provides participants an opportunity to explore shifts of paradigm facing Pfizer and our industry, as well as heighten their awareness of their leadership style and impact. A core segment of this program focuses participants on the complex challenges of simultaneously maximizing efficiency in the company's existing, defined organizational units; managing businesses and functions in transition due to changes in distribution, technology, globalization, deregulation or other factors; and creating entirely new business opportunities.

The Path Forward Executive Business Challenge, a three-day, computer-based business simulation, gives Pfizer's senior leaders and emerging senior leaders hands-on experience in heading and operating a pharmaceutical business. During this dynamic, team-based, competitive program, participants build financial and business acumen by analyzing vast amounts of data, clarifying key issues in complex situations and making the critical decisions required to successfully run a virtual pharmaceutical company.

PSLE and the Path Forward Executive Business Challenge are integral elements of our Senior Leader strategy, and are a foundation on which we can continue to expand and enhance the capability of our senior leaders through new experiences, programs and resources that reflect changing market and industry dynamics.



3

The Center for Work-Life Policy and the *Harvard Business Review* have recognized us for making it a business priority to recruit and retain high-potential female talent in emerging markets.

Fostering Colleague Engagement

We consider our employees to be "colleagues"—partners in how Pfizer does business and moves ahead. We believe our colleagues should be fully engaged in the work of the company. Engaged colleagues are successful colleagues, and we go the extra mile to engage colleagues.

Colleague engagement begins with clear, frequent communication on how the business is developing and how challenges are being met and overcome. This helps us to foster a collegial workplace and encourage commitment to the business in the interest of improving retention rates, performance and collaborative success.

Company-wide "town halls" conducted by the CEO and executive leaders follow each quarterly report on our financial performance, providing an opportunity to explain how business strategies are being implemented and to detail how investors are responding to Pfizer's financial reporting. Conducted by webcast, these meetings also provide a forum for our executives to answer questions directly from colleagues around the world.

We maintain a robust intranet, *PfizerWorld*, that keeps colleagues informed of accomplishments and challenges across our global enterprise, blending external and internal news sources and providing executive viewpoints, colleague profiles, forums and channels for feedback to every employee.

We communicate our stated values in many ways, including through annual testing and training relating to Pfizer's Code of Business Conduct.

We measure our progress through an annual global colleague survey designed to measure both engagement and inclusion. This survey is conducted in 29 languages, is designed to ensure confidentiality, and allows us to compare our performance with those of best-performing companies. We have made steady progress in both colleague engagement and inclusion over the past four years that the survey has been implemented. As a response to survey feedback, we have placed increased focus on talent development for senior leaders, managers and colleagues, a new platform for idea generation and development, and a colleague-driven forum for networking.

Diversity and Inclusion

Diversity and inclusion is a core business element of our commitment to improving the health of people around the world. We place a high value on leaders and colleagues exhibiting inclusive behaviors and respect for individuals, communities and cultures. We also see diversity and inclusion as a way to leverage the unique traits and abilities of our workforce, and better connect with patients, consumers, customers and suppliers in order to succeed in the marketplace.

Our Diversity and Inclusion Strategy focuses on the promotion of global talent to enhance our ability to compete in the marketplace.

Diversity is not only a business leader imperative, it is supported by key stakeholder groups across the company. These include the Diversity & Inclusion Executive Council, various Colleague Resource Groups, global, regional and divisional Diversity Councils, and Ambassadors. These groups have an active role in demonstrating the business case for diversity and serve as a leadership development tool for diverse talent.

As our diversity work continues to evolve, we are committed to being a global employer of choice and are proud of the recognition we have received over the past year, including the following:

2010 Highlights

DiversityInc 25 Noteworthy Companies

2010 *Working Mother* Best 100 Companies (for the 12th year)

2010 Top 50 Companies for Executive Women

2010 *Fortune* Magazine 100 Top Employer of Women MBAs

2010 Best Company for Leadership by Hay Group

Top 100 rating for 2010 Human Rights Campaign Corporate Equality Index

Toyokeizai Inc Diversity Award (Pfizer Japan)

Topco Media Top Gender Empowered Company in Healthcare and Pharmaceuticals (Pfizer South Africa)

Health and Safety

Our people are our most important asset and ensuring their good health is a top priority. Clearly aligned with our purpose, we aim to provide a safe and healthy work environment for every colleague, contractor and visitor to our facilities. We have active community outreach programs, which include education and health promotion.

Pfizer has a set of Environment, Health and Safety (EHS) standards and practices designed to protect the health and safety of people at our facilities and of the communities in which we operate. We require our commercial, manufacturing and R&D facilities to have proactive health and safety programs targeted at the specific needs of the business operation.

Over the past three years we have actively improved health and safety performance, reducing our injury and illness rates by 40 percent. We continue to reduce the number of injuries.

Recognizing that one of the highest risk areas relates to motor vehicle accidents in our sales and marketing organization, a key area of focus has been global fleet safety. Since Pfizer's launch and implementation of the fleet safety program in the U.S., we have seen a significant reduction in the number of motor vehicle accidents and associated injuries. Building on the success of this program, we are rolling out similar fleet safety programs across the globe.

We have strict controls to ensure our work with chemical and biologic materials is well managed to protect human health and the environment. We use the outcomes from risk assessments to identify and apply risk mitigation strategies to assure workplace safety at every stage of production, research and development, manufacture and disposal.

Resources

For more on Pfizer's commitment to health and safety in the workplace
View Workplace Responsibility.

GO TO THE SITE

ON SCIENCE

Our business and passion is the science of health and well-being. A global leader in the discovery and development of vaccines, treatments and cures—with one of the most robust pipelines our industry has seen—we focus on unmet medical needs and combating the most dreaded diseases of our time.

RESEARCH & DEVELOPMENT

Pfizer brings unparalleled breadth of scientific capabilities to bear on urgent, unmet medical needs. We believe our leadership in drug design, biotherapeutics and vaccines, small molecules and discovery and development sciences—together with our extensive network of external collaborations—will help open a new era of biomedical research. We are driving a bold R&D strategy to deliver the next generation of medicines and vaccines that will matter most to the people we serve, year over year.

Like all of our peers, Pfizer faces challenges that will shape the future of R&D and the future of the industry. We are responding with a vigorous strategy to strengthen our innovative core, focusing on the delivery of our portfolio, the development of important new capabilities, and the anticipation and creation of the R&D ecosystem of the future, which will seek to deepen innovation networks connecting industry, academia and the public sector.

To strengthen the delivery of our portfolio, we are moving forward with renewed methods to drive medically differentiated products that are commercially relevant. We also are deepening our knowledge of pathogenic mechanisms to drive greater therapeutic impact.

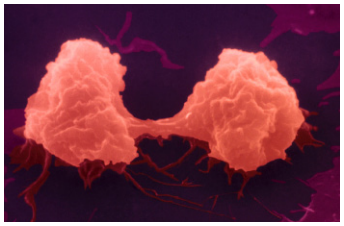
To develop important new capabilities, we are pushing the boundaries of how drugs will look in the future, and we are creating totally novel platforms for open and external innovation.

To lead the R&D ecosystem of the future, we are aiming to fully deliver on the promise of "Precision Medicines" across multiple therapeutic areas—as well as highly interactive and networked R&D.

Expanded internal and external capabilities, a strong focus on "Precision Medicines," differentiated innovation and our commitment to thorough integration of science and business are designed to yield an important step change in productivity.

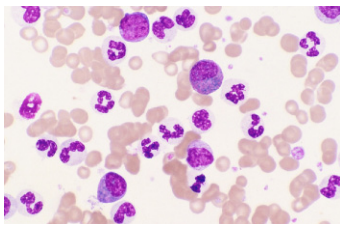
To accelerate these strategies, Pfizer has announced a series of measures to increase focus, expand externalization strategies and more strongly position the company for differentiated innovation.

2010 Highlights



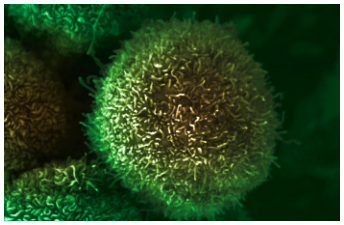
1

An important example of 'Precision Medicine' is crizotinib, which has advanced rapidly into Phase III trials. The novel compound targets the ALK gene mutation in certain advanced non-small cell lung cancer tumors. Pfizer expects to complete the U.S. submission of a New Drug Application for crizotinib in the first half of 2011.



2

Bosutinib is in Phase III trials in the U.S. for the treatment of chronic myelogenous leukemia.



3

Sutent has been approved in Europe for the treatment of pancreatic neuro-endocrine tumors.

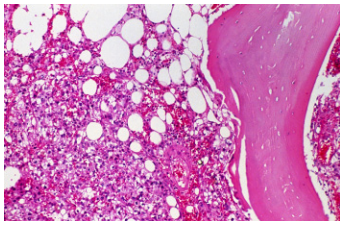
We will concentrate on core research areas where we can deliver the greatest medical and commercial impact. These areas include neuroscience, cardiometabolic diseases, oncology, inflammation and immunology, and vaccines—all of which are augmented by the advantaged modalities delivered by our CovX and Rinat biotechnology units.

Specialized units will focus on pain and sensory disorders and on biosimilars. We will, furthermore, initiate external research programs in high-potential areas within Primary and Specialty Care. And in line with our disease-area strategy, our post-proof-of-concept portfolio will focus on high-priority disease areas and will include a mix of owned and partnered assets that together aims to improve our risk/return profile.

We are establishing industry-leading models for external collaboration that allow us to access the best science. We continue to establish strategic collaborations with industry and academia and look to expand the numbers and types of these collaborations. We joined with seven of New York City's top research universities and hospitals to expand Pfizer's Centers for Therapeutic Innovation (CTI) program. We have formed our first CTI partnership with the University of California, San Francisco and will co-locate Pfizer scientists there alongside their academic counterparts.

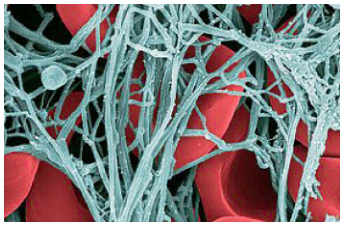
We will strengthen the fundamentals that drive differentiated innovation to deliver the medicines and vaccines that matter most. We are strengthening internal programs to drive disciplined decision-making and portfolio governance. Our R&D site network also will align more closely with key hubs for biomedical innovation, connecting our network more deeply with leading biomedical research institutions and providing us with more access to a deep talent base in science.

Pfizer scientists, along with our counterparts in many alliances and partnerships, are among the leaders in the global effort to incorporate innovative "Precision Medicine" strategies into all of our core and specialized research areas. "Precision Medicine" focuses on clusters of patients who share a genetic variation and thus would benefit from a specific therapeutic approach. For example, in oncology we are working on a variety of treatments—ranging from small molecule compounds to biologics to therapeutic vaccines—that target specific gene mutations in tumors.



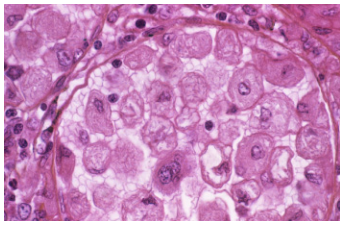
4

Axitinib has demonstrated efficacy against metastatic renal cell carcinoma in Phase III trials.



5

Apixaban, an oral anticoagulant co-developed with Bristol-Myers Squibb, showed clear evidence of efficacy in a Phase III trial for atrial fibrillation. Meanwhile, it was submitted for approval in Europe for treating venous thromboembolism.



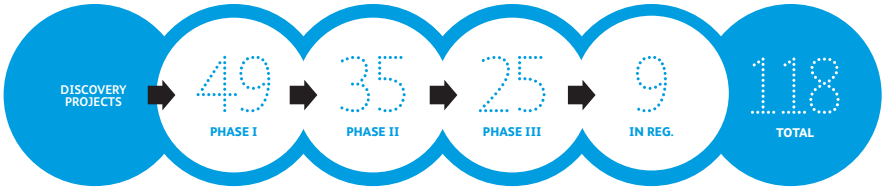
6

Taliglucerase alfa, a plant-based enzyme, has been submitted for approval in the U.S. and Europe for treating Gaucher's disease, a rare, inherited condition. With permission from regulatory authorities, the treatment, being developed in partnership with Protalix, is already being made available to people suffering from this genetic disease.

Advancing the Pipeline

Pfizer's pipeline of medicines in development is rich in Phase I and Phase II programs, backed by more proof of concept than ever before, and well-balanced between small molecules and large (protein-based) biologics and vaccines. We update our pipeline regularly—this chart reflects the pipeline update of February 28, 2011.

PFIZER'S R&D PIPELINE



Collaborating on Research for Diseases of the Developing World

Many pharmaceutical companies, including Pfizer, are committed to biomedical research to improve health in both developed regions and in the developing world. Our efforts include research on medicines across multiple therapeutic areas, with academia, global health organizations, public-private partnerships and companies that share our commitment.

Pfizer supports research programs on public health issues associated with the developing world including research on tuberculosis, malaria and river blindness, and through our joint venture with GSK, ViiV Healthcare, on HIV/AIDS.

Working with the World Health Organization's Special Programme for Research in Tropical Diseases, we provided broad access to Pfizer's library of medicinal compounds to scientists from other organizations, and also trained scientists from developing countries to investigate new approaches to treating or preventing diseases. To expand screening efforts for tropical diseases such as African sleeping sickness and Chagas disease, Pfizer is collaborating with the Drugs for Neglected Diseases Initiative while pursuing a molecular approach for them with several UK universities.

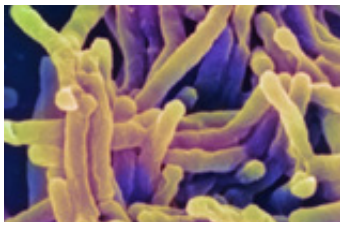
For more information on ViiV Healthcare please visit http://www.viivhealthcare.com.

pNETS

Short for pancreatic neuro-endocrine tumors. Pfizer's Sutent was approved late in 2010 by European regulators for treating these relatively rare tumors.

For the latest pipeline visit Pfizer.com/research

TUBERCULOSIS



Tuberculosis (TB) continues to be a major global health problem, with an estimated 8.8 million new cases and 1.6 million deaths annually. Efforts to control and eradicate TB have been stymied by the spread of HIV/AIDS in TB-endemic regions, and by the global emergence of strains resistant to current TB drugs. To address this pressing medical need, we have been working with external partners to pursue new treatments.

We are currently evaluating a new compound, PNU-100480, which has successfully completed Phase 1 studies and will be starting first-in-patient studies this year. PNU-100480 is an oxazolidinone, a class of antimicrobials that inhibits bacterial protein synthesis. PNU-100480 is being developed to treat TB, including multidrug-resistant TB—a form of the disease that is emerging as a serious public health threat, and is especially lethal and difficult to treat.

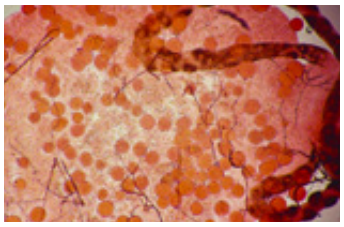
Given the global nature of TB and the likelihood that a combination drug regimen will work most effectively against the highly complex disease organism, engagement with external partners is vital. Pfizer is actively participating in the Critical Path to TB Drug Regimens initiative, an innovative collaboration sponsored by the Bill & Melinda Gates Foundation that brings together public and private sectors to accelerate the development of new, safe and shorter duration TB drug regimens. We are also collaborating with various organizations to tackle two other challenges associated with TB: long duration of TB drug regimens, and negative interactions with HIV treatments.

TB is now the leading cause of death among patients with HIV/AIDS, accounting for roughly half a million deaths a year, according to the World Health Organization. Standard TB treatments such as rifampin can interact with the antiretroviral drugs used to treat HIV. Rifabutin, which is produced by Pfizer, does not interact with this class of medicines. As part of the our commitment to increasing access to life-saving medicines, Pfizer and the Clinton Foundation HIV/AIDS Initiative are partnering to make rifabutin available to low-income populations in emerging markets.

MALARIA

Malaria afflicts up to 250 million people annually, killing close to 1 million people a year, mostly children in Africa.

We are providing the Medicines for Malaria Venture (MMV) access to Pfizer's library of chemical entities to screen approximately 200,000 compounds that have the potential to be developed into new treatments against *P. falciparum*, the parasite that causes acute malaria, including multidrug-resistant strains. In collaboration with MMV and the London School of Hygiene & Tropical Medicine, we are in Phase III development of the combination of azithromycin and chloroquine as a potential intermittent preventive treatment of malaria for pregnant women in sub-Saharan Africa. Malaria in pregnancy is an area of high unmet medical need and is one of the most common preventable causes of maternal and infant mortality and morbidity in malaria endemic countries; approximately 30 million pregnant women are at risk for malaria in sub-Saharan Africa each year.



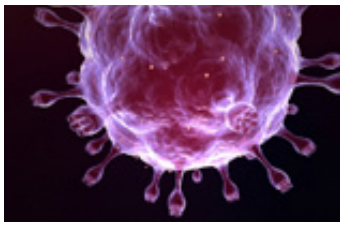
Resources

For more information on Pfizer's Malaria Efforts
View Malaria Efforts.

GO TO THE SITE

HIV/AIDS

ViiV Healthcare, a company launched in 2009 by Pfizer and GlaxoSmithKline (GSK), focuses solely on research, development and commercialization of HIV treatments.



ViiV Healthcare integrates the pipeline and marketed HIV portfolios of both Pfizer and GSK, and is continuing the commitments of both companies to improve access to HIV medicines for everyone. Not-for-profit pricing for HIV medicines is being provided to those most in need—a total of 69 countries. To make antiretrovirals at lower cost for people in the Least Developed Countries, Low Income Countries and sub-Saharan Africa, ViiV has granted 11 voluntary licenses to Indian and African generic companies. ViiV Healthcare is also supporting research and development activities specifically to address HIV treatment challenges including treatments and formulations for children living with HIV, and managing a new fund to help prevent mother-to-child transmission.

Conducting Clinical Trials to the Highest Standards

Clinical trials are at the heart of biomedical progress, and we recognize that volunteers are unsung medical heroes of our day. We are working to enhance our clinical trial infrastructure to ensure that all of our trials are done to the highest standards and protect the rights and welfare of the trial participants who make our progress possible.

Wherever we conduct clinical trials, we do so in accord with the highest ethical, safety and scientific standards. Across a wide range of research units, therapeutic areas and diseases, approximately 2,000 Pfizer clinical and medical colleagues share responsibility for conducting hundreds of clinical trials involving thousands of investigators, research coordinators and study site personnel. Over 150,000 patients are involved in these trials.

Last year, we launched the Clinical Trial Excellence Initiative, a reengineering and quality improvement initiative to optimize the management of our trials to ensure quality and compliance across all of our clinical trials. This initiative, under the direction of a Pfizer senior vice president reporting to the company's Chief Medical Officer, should be completed late in 2011. When it is, Pfizer will have additional state-of-the-art capabilities for clinical trial design, development and execution.

We have sponsored a number of initiatives with stakeholders and partners to help advance research integrity and ethics. For example, we convened a 50-organization summit on Global Clinical Trials that resulted in a white paper on opportunities for improving multiregional clinical trials, posted on Pfizer.com/development. We have been working with Harvard to establish a center on multiregional trials to implement some of these ideas and find others. We commissioned a clinical trial manual, "Reviewing Clinical Trials: A Guide for the Ethics Committee," that was proposed and sponsored by Pfizer and authored by experts from the University of Hong Kong, the Association for Accreditation of Human Research Protection Programs (AAHRPP) and leading bioethicists from around the world. Finally, we were the first and only pharmaceutical company to pursue and obtain full AAHRPP accreditation of our Phase I clinical research units.

We are also committed to transparency in clinical trials. As of November 2010, we have registered more than 1,509 studies to clinicaltrials.gov and posted results of 1,090 studies on clinicalstudyresults.org.

Global Standards

We have run trials in over 60 countries, and increasingly in the developing world, which has unique challenges. To ensure patient safety and ethical conduct throughout the study, we follow global policies and standard operating procedures for our clinical trials wherever they are run. Our policies and processes require that informed consent, independent ethics review, post-study care and the use of placebos conform to established international ethical standards. To ensure informed consent, we have invested in programs such as "talking books" that illustrate the advantages and disadvantages of clinical trial enrollment in simple-to-understand words and illustrations.

2,000

clinical and medical colleagues sharing responsibility for conducting clinical trials

+50,000

monitoring visits conducted at clinical trial sites around the world in 2010

80

data monitoring committees overseeing the safety of Pfizer trials around the world

We also engage in local capacity building. Capabilities of local investigators and research sites are carefully reviewed by a study team and can be included in the trial only if the investigators have sufficient knowledge, expertise and infrastructure to conduct a clinical trial in accordance with Good Clinical Practice. We provide training in Good Clinical Practice to all investigators and all sites. We have developed a certification program for our clinical research staff and contractors, with over 1,000 colleagues and contractors now having successfully completed this certification program.

To ensure ethical conduct, we have detailed monitoring plans for each trial, and review the data and human subject protection procedures at each site over the course of the trial. In 2010 Pfizer conducted over 50,000 monitoring visits at 13,000 sites around the world, as well as several hundred internal audits of these sites to assess adherence to good clinical practice and pharmacovigilance requirements. Regulators from the U.S., Europe, Japan and elsewhere also regularly audit our trials and the local trial sites in the U.S. and abroad, to ensure that the data is trustworthy. When we conduct trials that are blinded (that is, neither we nor the investigators know which patient is getting the study drug or a different drug), we utilize independent data monitoring committees (DMCs) if mortality or major morbidity is an endpoint or if there are other known safety concerns. The DMC provides an external assessment of interim data and advises us whether a trial may need to be suspended or terminated to protect patient safety. Last year, we had over 80 different data monitoring committees overseeing Pfizer trials around the world.

Improving the Odds to Deliver New Treatments, Cures and Vaccines

The overwhelming majority of compounds tested in the laboratory fail to move beyond the testing stage and only a relative handful move on to more advanced tests for efficacy and safety. Among those that do advance, many fail at the clinical trial stage. We are among the leaders in exploring and, where appropriate, using quantitative approaches to improve R&D productivity by picking likely "winners" earlier in the development process. In concert with regulators in the U.S. and elsewhere, Pfizer is advancing adaptive clinical trial approaches that may, over time, change the ways clinical trials are executed, and gain more information from the use of fewer human volunteers. We are even exploring programs that may harness massive computing power to create "virtual" clinical trials, giving indications early on how best to move ahead using human volunteers.

We are also working on innovative ways of conducting clinical trials with broadly distributed patient populations using remote monitoring and self-reporting. Initial efforts to test the concept focus on post-marketing (or Phase IV) clinical trials.

+1,000

More than 1,000 summaries of clincial trial results have been posted to clinicalstudyresults.org.

Resources

For more about Conducting Clinical Trials

Visit the Conducting Clinical Trials section of this Web site.

GO TO THE SITE

For more about Human Subject Protection

View Pfizer policies, positions and case studies.

GO TO THE SITE

Bioethics

For close to two decades, we have been using animal and, more recently, adult stem cells in our laboratories to help screen new compounds and identify safer and more effective medicines. We acknowledge the sensitive ethical issues surrounding certain forms of stem cells and strongly oppose cloning of human embryos, but we believe that stem cell research, conducted in accordance with the highest ethical standards set by leading scientific authorities, is an important tool in the search for innovative new medicines.

With compelling evidence from this research, we have begun to explore accessing drug development technology from leading academic, biotechnology and pharmaceutical partners around the world, who also have experience with currently available human embryonic stem cell lines that meet the same high ethical standards that apply to our internal research. Pfizer's Stem Cell Policy guides the company's research activities and its exploration of new external partnerships.

Over two years ago, we launched a Regenerative Medicine Unit, whose mission is to build upon recent scientific progress in understanding the biology of all types of stem cells, and to leverage these opportunities to discover and develop a new generation of regenerative medicines for major medical needs. Through our work with strategic alliance partners, academic researchers and patient advocate groups, we seek to further develop these technologies and provide new therapies for patients around the world.

Animal Care and Use

Pfizer's Animal Care and Use Policy reflects our absolute commitment that animals used in research are treated humanely. This means that any research involving animals is conducted only after appropriate ethical consideration and review. This review ensures that we provide a high level of care to experimental animals, and that there is no scientifically appropriate and validated alternative to the use of animals that is acceptable to regulators, where relevant. For as long as it remains necessary to use animals in biomedical research for the discovery, development and evaluation of new medicines, we commit to maintaining the highest standards in the humane treatment of these animals.

We are fully committed to the development and use of scientifically validated alternative testing methods that are acceptable to regulatory authorities and do not compromise patient safety or the effectiveness of our medicines. Pfizer continues to engage and lead cross-industry efforts aimed at developing and refining new in vitro testing and predictive informatics-based systems that hold promise for future reduction of animal usage. We work through pharmaceutical trade organizations and directly with regulators to increase the recognition and acceptance of alternative models where such alternatives can be used appropriately.

MANUFACTURING AND SUPPLY CHAIN

Most of our customers never see the scientific resources behind our treatments, vaccines and nutritionals. But customers see, every day, the performance of our global supply network.

We strive to ensure that all Pfizer products—the more than 3,000 formulations of our prescription-only, consumer healthcare, animal health products and nutritionals offered in more than 175 markets—are produced to the highest standards, in compliance with all applicable regulations, and are always available when needed.

Our global supply network is complex. We currently operate more than 75 manufacturing sites around the world and have a distribution network of about 175 sites serving our major markets. Nearly 200 transportation providers move essential products from factory to pharmacy or retailer. To complement our internal manufacturing, we work with a network of more than 1,000 external partners to help us produce active ingredients, secure packaging and entire lines of our medicines. We hold all manufacturing and supply partners to our high standards of excellence and invest heavily in the people, processes and technology to assure the quality people expect when they select a Pfizer medicine.

Quality is a 24/7 job that begins with "building-in" quality in each of our processes and extends to investing heavily in training, assuring that there are both standard operating procedures and redundant systems in place, and nurturing a culture of quality that takes root throughout the supply network. We fully understand and support the roles of regulators in making certain that quality products are emerging from our factories, and are proud that our facilities and those of our network partners went through nearly 200 "Good Manufacturing Practice" inspections in 2010 without a critical finding.

We select partners based on a number of factors, including their abilities to provide what we need at a competitive price, but price is never the overwhelming factor in supplier selection. When we need to, we work with suppliers to make sure that the systems and standards are of "Pfizer Oval" quality and have our own rigorous systems of quality assurance, including inspections and audits that apply to both Pfizer-owned facilities and other facilities in our supply network. One distinguishing factor of our supply network is our insistence that quality systems include direct oversight of the "chain of custody" of suppliers. We also have a dedicated quality assurance unit, located in our major markets, and staffed by experienced professionals who speak the local language, understand the local business environment and closely follow the operating practices of our suppliers. Our oversight of quality extends to the evaluation of process changes, deviations and trends, and onsite reviews during production to

2010 Highlights

1

In 2010 there were 183 "Good Manufacturing Practice" inspections of Pfizer manufacturing facilities by regulatory authorities, with no critical findings.

2

Pfizer's Global Logistics and Supply team managed the steady supply of more than 35,000 SKUs (stock-keeping units, the term for a distinct product) in more than 175 markets around the world.

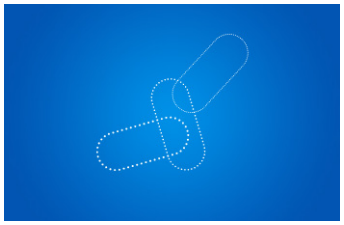
ensure that all standards, including those for employee health, wellness and safety, as well as standards for environmental protection, are rigorously maintained.

We believe that providing fast, flexible and innovative supply solutions is entirely compatible with demanding high standards for quality, safety and environmental protection. As we provide a continuous supply of new and newly acquired products, we fully expect our supply network to continue doing what it has always done—deliver quality products at competitive prices, and make sure that what we offer is always in stock, wherever in the world it is needed.

Environment, Health and Safety Within the Supply Chain

We are committed to using suppliers that demonstrate strong performance in the management of environment, health and safety risks. During 2010 we completed onsite evaluations of 143 external supply facilities. Through these assessments we avoided new supply relationships with several companies that demonstrate unacceptable environment, health and safety performance. Our focus for current suppliers that demonstrate elevated risk is to help them improve their performance in a timely manner. To do this, we conducted 33 focused training sessions globally, and coached our suppliers to make a number of significant upgrades to management systems and facilities. This is a continuous process, requiring robust management of the environment, health and safety performance of key suppliers in order to keep pace with our business needs.

We are also an active supporter of collaborative industry efforts to improve performance in supply chain management. We participate in the Pharmaceutical Supply Chain Initiative where, along with other leading research-based pharmaceutical companies, we look for synergistic opportunities to help suppliers achieve better environment, health, safety and labor performance.



3

In 2010 Pfizer created an industry-leading, cross-company Supply Chain Security group to coordinate across Pfizer (and with regulatory and law enforcement authorities) to prevent and detect counterfeiting, diversion, theft or adulteration of Pfizer products.

ON THE WORLD

What stakeholders of every kind expect of us, we expect of ourselves. As the leading biopharmaceuticals firm in the world, we hold ourselves accountable for being a positive force in people's lives, wherever we work and live. We invite you to measure our performance, gauge our progress and join us in working toward our ultimate goal: a healthier world for all.

EXPANDING ACCESS TO HEALTH

One-third of the world's population does not have regular access to essential medicine.[1] That's 2 billion people who could needlessly suffer—even die—from preventable and curable diseases, communicable and noncommunicable alike.

As the world's largest research-based biopharmaceutical company, we fully understand that we have, and must deploy, our special capabilities to expand access to better health care in a fashion that is sustainable for patients today and tomorrow, and in ways that help underserved people in both the developed and developing worlds. Our access strategy is aligned with our long-time commitment to the UN Millennium Development Goals and our guiding belief that commercial viability is the cornerstone of sustainability.

To that end, we continue to invest in effective and sustainable health care delivery resources, and work with national governments, health care professionals, NGOs, multilateral organizations, academic institutions and others to help people who need better health care resources obtain them.

Pfizer takes a multi-pronged approach to increasing access to medicines and health care for low-income patients in emerging markets. This includes developing commercially viable business models to provide sustainable, long-term access for underserved populations; maintaining a strong portfolio of global health investments that build global health care capacity and serve patients who cannot be reached on a commercial basis; and engaging in key partnerships with NGOs, private institutions, governments, aid agencies, health care professionals and patients.

In parallel, we continue to invest in our philanthropic global health portfolio. With 4 billion people living on less than $3 a day, the cost of medicines at any price will be too high for too many people. We are working with our stakeholders to find ways to provide access to needed medicines for those who cannot be reached through business approaches.

2010 Highlights

1

Prevenar 13 for pediatric use will reach infants and young children in the world's poorest countries through Pfizer's 10-year provisional supply agreement under the terms of the Advance Market Commitment pilot project against pneumococcal disease. This agreement reflects Pfizer's commitment to implementing tiered pricing where appropriate, which will help bring vaccines to patients in nearly 50 countries.

2

The International Trachoma Initiative aims to eliminate, by 2020, the leading cause of preventable blindness in the developing world, through donations of Pfizer's antibiotic, Zithromax, and support for community-based health services, education and infrastructure construction. With the help of this initiative, Morocco and Vietnam are now trachoma-free.

[1] WHO Medicines Strategy: Countries at the Core 2004-2007 http://whqlibdoc.who.int/hq/2004/WHO_EDM_2004.5.pdf

We also believe that medicines are only one component of providing access to better health care, and remain committed to help build greater capacity for better health care delivery around the world. To that end, we continue to invest in effective and sustainable health care delivery resources, and work with national governments, international agencies, NGOs, multilateral organizations, academic institutions and others to help people who need better health care resources obtain them.

Ultimately, the costs of Pfizer's philanthropic investments are largely borne by our investors. We believe that these investments build Pfizer's value by opening long-term opportunities for Pfizer and giving us a foundation for expanding our operations in emerging markets. Pfizer has decades of experience in these countries and, now, fast-growing businesses in markets such as China, Brazil and the Philippines. This success is rooted partly in our willingness to invest not only in product and commercial development, but also in our strategic use of philanthropy to improve society and improve health care systems.

3

Comunidad Más Saludable (Healthier Community), launched by Pfizer Venezuela, uses community-based sales representatives in low-income neighborhoods to encourage local health care professionals' education and diagnostic capabilities, and improve access to Pfizer products through direct discounts to patients.

Global Access Strategy

Pfizer's Global Access team is exploring innovative business models to increase access to health care and medicine for low-income populations in emerging markets. We are integrating commercially viable global health solutions into the way Pfizer does business to sustainably reach patients Pfizer has never reached before through commercial channels.

Providing Important Medicines Through Institutional Buyers

One of the approaches of our Global Access strategy is to work with institutional buyers who purchase medicines for the neediest of patients. For example, Pfizer has long-standing business partnerships with both the U.S. Agency for International Development and the United Nations Population Fund to make our injectable contraceptive, Depo-Provera, available to women all across the globe, from sub-Saharan Africa to Southeast Asia to Latin America. Our Global Access team aims to make a broad portfolio of our medicines accessible to as many low-income patients as possible by seeking to include appropriate Pfizer-originated medicines on the WHO prequalification list—a prerequisite for many institutional buyers.

VODAFONE PARTNERSHIP

Using Mobile Technology to Strengthen Access

Another element of the Global Access Strategy helps address barriers to access by using technology to improve the availability of medicine in low-income countries. For instance, Pfizer and the mobile phone company Vodafone are testing new technologies that help hospitals and health care clinics better manage their drug supply, create transparency in the supply chain and reduce the number of stock outages of vital medicines—all to the ultimate benefit of the patient.

The SMS for Health program, currently being tested in The Gambia, enables users across all levels of the pharmaceutical supply chain to communicate via text message with a central database that tracks drug availability. The program also tracks high-priority health events that occur at the clinic level, such as the number of patients who present with malaria, pneumonia and maternal health issues.

This collaboration is part of the "Business Call to Action," a global leadership initiative composed of companies applying their core business expertise and commercial channels to help achieve the eight Millennium Development Goals, which aim to contribute to the long-term economic growth and stability of developing countries.

Investments in Health

We invest the full range of our resources—people, products, expertise and funding—to improve global health. Our philanthropic global health platform, Pfizer Investments in Health, offers a strategic, coordinated approach to improve access to medicines and health care for underserved patients around the world.

Our social investments are done in partnerships with national governments, international agencies, nongovernmental organizations, multilateral organizations and/or academic institutions. Through targeted strategies, we invest in effective and sustainable health care delivery while empowering our colleagues, strengthening our stakeholder relationships, and ultimately having a positive impact on society and our business.

To learn more about our programs please see Pfizer Investments in Health

47 million

dollars invested in innovative regional and global cancer and tobacco control programs

OUR PROGRAMS

Pfizer Helpful Answers®

Program

Pfizer Helpful Answers (PHA) is a family of assistance programs for the uninsured and underinsured who need help getting Pfizer medicines. These programs provide Pfizer medicines for free or at a savings to patients who qualify. Some programs also offer reimbursement support services for people with insurance.

Partners

PHA partners with numerous community groups and patient advocate groups to help spread the word about available help. Partners include the National Association of Hispanic Nurses, the National Urban League, the National Association of Community Health Centers, the Men's Health Network and the Hispanic Federation.

Impact on Society

In the past five years (2005–2009), PHA has helped nearly 6 million uninsured and underinsured patients get access to more than 48 million Pfizer prescriptions for free or at a savings.*

*2009 includes data for products acquired through the integration of Pfizer and Wyeth.

2011 Program Goal

Continue to help patients in need get access to Pfizer medicines. Assess and evaluate PHA's family of patient assistance programs to ensure they are meeting the changing needs of patients.

Infectious Diseases Institute (IDI) (2004)

Program

Center of Excellence for prevention, treatment, training and research in Uganda that strengthens regional capacity in HIV/AIDS, malaria and tuberculosis

Partners

Makerere University, the Academic Alliance and Accordia Global Health Foundation, the Ugandan Ministry of Health and Mulago Hospital, and the Infectious Diseases Society of America

Impact on Society

Since 2004 nearly 5,000 health care workers from 27 countries have received training in HIV/AIDS prevention and care, and related infectious disease. They indicate they train, on average, 20 additional health care workers per month. IDI provides ongoing care and treatment to approximately 31,000 patients. IDI has an award-winning laboratory, one of very few College of American Pathologists accredited research facilities in Africa, that enables it to conduct the majority of its research projects onsite.

2011 Program Goal

Build capacity of health systems in Africa for the delivery of sustainable, high-quality care and prevention of HIV/AIDS and related infectious diseases through training, research and advanced clinical services.

Diflucan Partnership Program (2000)

Program	Partners	Impact on Society	2011 Program Goal
Partnerships with governments and NGOs in developing countries to donate Diflucan for two fungal opportunistic infections associated with HIV/AIDS and support training of health care providers in HIV/AIDS care	Direct Relief International, IDA Foundation, governments and NGOs	To date, the partnership has provided over $1.2 billion in medicine to more than 2,400 sites in 63 countries. Training and educational materials have been provided to 20,000 health care professionals to help improve patient care and medicine distribution.	To provide treatment for two AIDS-related fungal infections—cryptococcal meningitis and esophageal candidiasis—through partnerships with governments and NGOs in developing countries with a greater than 1 percent prevalence of HIV/AIDS

Global Health Fellows (2003)

Program	Partners	Impact on Society	2011 Program Goal
Volunteer program that places Pfizer colleagues in 3–6 month assignments with international development organizations designed to improve access, quality and efficiency of health care for underserved populations	Partner NGOs include: CARE; Family Health International; Galvmed, Health Volunteers Overseas, Global Business Council on HIV/AIDS, TB & Malaria; International AIDS Vaccine Initiative; Infectious Diseases Institute; IntraHealth; International Rescue Committee; mothers2mothers; Population Services International; Project Hope; Columbia University Access Project; US CDC; USAID/PEPFAR; Wateraid	To date, over 250 Pfizer Global Health Fellows from offices around the world have worked with over 40 partner organizations in 39 countries. Assignments have included supporting supply chain management, improving health data collection for clinics and hospitals, and training clinical researchers and health workers.	Focus on strategic international public health issues, create new partnership opportunities, enhance impact evaluation and communications.

Global Health Fellows Global Health Teams (2010)

Program	Partners	Impact on Society	2011 Program Goal
Specialized volunteer program that places regional and local teams of approximately 12 Pfizer colleagues in short-term assignments with NGOs designed to build capacity and strengthen health systems	Partner NGOs include: PATH—Instituto Nacional de Enfermedades Neoplásicas; World Bank—Water and Sanitation Program–Latin America and the Caribbean; Coprodeli; Visiting Nurse Association of Southeastern Connecticut (VNA); Fairview Alzheimer's Resident Care Program.	To date, two pilot Global Health Teams have worked with NGO partners in Lima, Peru, and Groton, Connecticut, on assignments focused on Alzheimer's and breast cancer patient care, sanitation system improvements and supply chain management.	To expand and diversify volunteer opportunities utilizing the professional expertise of Pfizer colleagues to achieve health impacts for underserved communities

International Trachoma Initiative (ITI) (1998)

Program	Partners	Impact on Society	2011 Program Goal
Program to eliminate trachoma, the world's leading cause of preventable blindness, through the donation of Zithromax and an integrated public health strategy that includes training health care professionals, community health education, and water and sanitation improvements. Over the last 10 years, Pfizer has provided $5 billion of pharmaceutical and financial donations to support trachoma elimination.	Founded by Pfizer and the Edna McConnell Clark Foundation. Partners include: The Task Force for Global Health, governments, nongovernmental organizations, corporations, U.S. Fund for UNICEF, the Carter Center, the Bill & Melinda Gates Foundation, Lions Clubs, agencies of the United Nations and the World Health Organization.	To date, Pfizer, through ITI, has provided more than 225 million treatments of Zithromax to patients in 19 countries and trained thousands of health care workers, who, in turn, have completed more than 400,000 surgeries to treat advanced cases of trachoma. In 2006 Morocco became the first country to complete the campaign for trachoma control and is now working toward WHO certification to confirm that blinding trachoma has been eliminated as a public health problem.	To leverage resources and expertise, creating new partnerships to fight trachoma and other neglected tropical diseases; build on ITI's success in promoting the SAFE strategy, a comprehensive public health approach that combines treatment with prevention, involving sight-saving surgery, mass treatment with the Pfizer-donated antibiotic, Zithromax, facial cleanliness, and environmental improvement to increase access to clean water and improved sanitation.

Mobilize Against Malaria (2007)

Program

A five-year, three-country initiative that engages and educates treatment providers and patients to improve prompt and effective treatment for malaria in Senegal, Ghana and Kenya

Partners

Evaluation team: London School of Hygiene & Tropical Medicine, KEMRI-Wellcome Trust, Health Partners Ghana Implementation Partners: Population Services International, Family Health International/Ghana Social Marketing Foundation, IntraHealth International

Impact on Society

In Ghana, conducting training sessions for Licensed Chemical Sellers (LCSs) enabling more than 1,000 chemical sellers to provide better malaria education to over 20,000 people, dispense medicines according to national protocol, and refer complicated malaria cases and pregnant women to nearby health centers. A survey of LCSs trained by the program showed a measurable change in the number of LCSs recommending the malaria standard of care (14% in 2009 up to 72% in 2010).

2011 Program Goal

Partners with leading NGOs to find promising interventions that improve utilization and effectiveness of malaria treatment through grants, technical assistance, evaluation support and networking resources.

Global Health Partnerships (2007)

Program

The Global Health Partnerships (GHP) initiative is a four-year program to support innovative public health partnerships that will serve as global models in addressing emerging challenges in cancer control and tobacco control in 46 countries across five continents. The Global Health Partnerships program supports the non-communicable diseases (NCDs) movement, which focuses on heightening the awareness of NCDs, such as heart disease, diabetes and cancer. NCDs account for 35 million lives lost annually, or 60% of all deaths in the world. By 2020, the incidence of new cancers is expected to rise by 50% to between 15 and 16 million cases annually. A major contributor to these alarmingly high cancer rates, particularly in low- and middle-income countries, is the use of tobacco.

Partners

Pfizer's partners include: Action on Smoking and Health International, Aliança de Controle do Tabagismo (ACT)/Alliance for Control of Tobacco Use, Akebono-Kai Breast Cancer Network Japan, American Cancer Society, Cancer Foundation of China, Cause Marketing Fundraisers of South Africa, Chinese Association on Tobacco Control, Comprehensive Cancer Center at Freiburg University Medical Center, European Organization for Research and Treatment of Cancer, George Washington University Cancer Center, Good Dog Foundation, Health Policy Institute Japan, Health Promotion Foundation Poland, Heart and Stroke Foundation of Ontario, Hellenic Thoracic Society, Hungarian Academy of Teaching Family Physicians, International Union Against Cancer, Irish Cancer Society, Japan Medical-Dental Association for Tobacco Council, Korean National Council of Women, Mexican Council on Tobacco, New Hope in Health.

Impact on Society

To date, the Global Health Partnerships program has supported 31 grantees in 46 countries across five continents addressing emerging challenges in cancer and tobacco control. The GHP cancer control grantees have reached over 35 million individuals, including global cancer awareness campaigns, screenings to support early detection for over 28,000 at-risk individuals, and navigated 16,000 patients through complicated systems of cancer care. The program's tobacco control grantees have reached over 44 million individuals, helping to build tobacco control networks and alliances in nine countries, educating 155,000 health care professionals, counseling over 19,000 smokers to quit smoking, and educating the public about the harms of tobacco use and secondhand smoke.

2011 Program Goal

Share promising practices of global cancer and tobacco control programs in support of the United Nation's NCD Summit in September 2011 and build program sustainability to support GHP partners beyond the GHP initiative.

Connect HIV (2007)

Program

Program designed to complement existing HIV prevention efforts and help stop the spread of HIV/AIDS by supporting integrated approaches that bring together prevention, access to care and treatment

Partners

Evaluation team: Academy for Educational Development, Johns Hopkins University. Twenty grantee partners: Black Coalition on AIDS, STOP AIDS Project, AIDS Interfaith Residential Services, Latino Commission on AIDS, BEBASHI, St. Hope Foundation, Northeast Florida AIDS Network (NFAN), New York Harm Reduction Educators, Prevention Point Philadelphia, California Prevention and Education Project, Foothill AIDS Project, Positive Impact, AIDS Care Services, Piedmont Health Care Consortium, Hyacinth AIDS Foundation, Philadelphia FIGHT, Shanti Project, Chicago House and Social Service Agency, Test Positive Aware Network, The Family Center

Impact on Society

To date, over 6,000 individuals at high risk for contracting HIV/AIDS have been reached with prevention messaging and educational programs; 573 HIV-positive individuals have learned how to prevent transmission to their partners; 262 HIV-positive individuals were guided through the process of accessing high-quality care; and over 300 HIV-positive individuals are improving their adherence to treatment. Funded programs have focused primarily on communities of color, those in economic need, recently incarcerated individuals, marginalized populations, and those in unstable employment and/or housing situations.

2011 Program Goal

Share promising models and learnings with grantee partners and HIV/AIDS experts to demonstrate the effectiveness of integrated approaches.

GLOBAL HEALTH PARTNERSHIPS

This program, funded by Pfizer and The Pfizer Foundation, has invested $47 million over the past four years to support innovative regional and global partnerships in oncology and tobacco control. Thirty-one grantees are having an impact on more than 46 countries in six critical cancer- and tobacco-control-issue areas:

- Improving cancer control
- Screening to save lives
- Navigating cancer patients through complicated systems of care
- Building awareness about the harm of tobacco use
- Protecting nonsmokers from secondhand smoke
- Helping smokers quit

The Pfizer Foundation provides technical assistance, capacity building and evaluation support to grantee partners while Pfizer country offices provide local resources and expertise. These partnerships will serve as global models in improving cancer-related health outcomes. One of the most important overarching goals is to foster a culture of results-oriented discovery and innovation. While partners are encouraged to innovate and test new models, they also receive technical assistance from the Bloomberg School of Public Health at Johns Hopkins University to improve the execution, measurement and evaluation of their work.

Resources

For more about Global Health Partnerships

Visit the Global Health Partnerships Web site.

GO TO THE SITE

GLOBAL HEALTH FELLOWS

The Global Health Fellows Program (GHF) is an international corporate volunteer program that places our colleagues with international development organizations designed to address global health issues and improve care for underserved populations. Since 2003, 270 Global Health Fellows have devoted over 250,000 hours of volunteer service in 39 countries. During assignments Fellows transfer their professional medical and business expertise in ways that promote access, quality and efficiency of health services.

Assignments have included supporting supply chain management, improving health data collection for clinics and hospitals, and training clinical researchers and health workers. The program focuses on creating high social impact. Over time it has also yielded demonstrable business impact as Fellows return to Pfizer with a broader world vision and renewed focus on innovative ideas for reaching underserved communities with health solutions. The program has been recognized for leadership and excellence in pro bono skills-based corporate volunteering by peer companies and by the United States Corporation for National and Community Service.

In an effort to expand and diversify our skills-based volunteer opportunities, we introduced the Global Health Teams program in 2010. This initiative builds on the GHF model, organizing regional and local volunteer teams to volunteer with NGOs on assignments designed to strengthen health services. To date, two pilot Global Health Teams have worked with NGO partners in Lima, Peru, and Groton, Connecticut, on assignments focused on Alzheimer's disease and breast cancer patient care, sanitation system improvements and supply chain management.

Resources

For more about Global Health Fellows
Visit the Global Health Fellows Web site.

GO TO THE SITE

PFIZER HELPFUL ANSWERS®

We are committed to helping uninsured and underinsured Americans get access to our medicines. We currently provide this assistance through Pfizer Helpful Answers—the largest and most extensive patient assistance program in the industry. With just one call to our toll free number or a visit to our Web site (www.PfizerHelpfulAnswers.com), patients or their advocates will be directed to the Pfizer Helpful Answers program that might best meet their needs. Also, if we learn that patients are taking a medicine not made by Pfizer, we will refer them to other industry resources that might be able to help. In the last five years alone (2005–2009), Pfizer has helped nearly 6 million uninsured and underinsured patients get access to more than 48 million Pfizer prescriptions for free or at a savings.*

Resources

For more about Pfizer Helpful Answers
Visit the Pfizer Helpful Answers Web site.

GO TO THE SITE

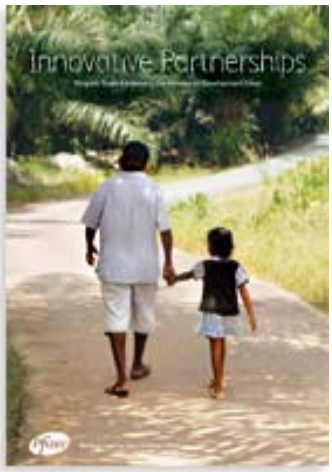
* 2009 includes data for products acquired through the integration of Pfizer and Wyeth. Pfizer Helpful Answers is a joint program of Pfizer Inc and the Pfizer Patient Assistance Foundation.™

Advancing the Millennium Development Goals

In 2000 global leaders met and established what have become known as the Millennium Development Goals (MDGs), focused on alleviating the suffering of the world's poorest people. These goals address poverty and hunger, disease, maternal health, child mortality, gender equality, education, environmental sustainability and the need for a partnership to advance global development.

Pfizer strongly supports all eight goals, but we know we can help advance some of these goals more effectively than others. We are working hard to improve access to essential medicines in developing countries and underserved areas, focusing on strengthening the capacity of health partners and systems to support access to care that ranges from disease prevention to early diagnosis and effective treatment.

Pfizer is well suited to help combat readily preventable or treatable diseases that affect the developing world. Through the Advanced Market Commitment initiative, we are supplying Prevenar 13 for pediatric use to the least-developed countries to help combat pneumococcal disease, the leading cause of vaccine-preventable death worldwide among children younger than five. Through our ViiV Healthcare joint venture with GlaxoSmithKline, we are striving to find medicines to help avoid and treat HIV infection, the world's leading cause of death in women during their childbearing years, and to make these medicines more accessible to patients who need them. We have made our proprietary library available to help combat neglected diseases. And we continue to transform our business—and forge purpose-built partnerships with stakeholders and peers—so that we are better able to serve the needs of people everywhere with new, life-enhancing health care solutions.



Download Pfizer's 2010 report, Innovative Partnerships: Progress Toward Achieving the Millennium Development Goals

The MDGs and Pfizer's Areas of Greatest Impact

MDG 1: Eradicate extreme hunger and poverty

MDG 2: Achieve universal primary education

MDG 3: Promote gender equality and empower women

MDG 4: **Reduce child mortality**

MDG 5: **Improve maternal health**

MDG 6: **Combat HIV/AIDS, malaria and other diseases**

MDG 7: Ensure environmental sustainability

MDG 8: **Develop a global partnership for development**

ENVIRONMENT—PFIZER'S GREEN JOURNEY

We are committed to a more sustainable future. To us, advancing health includes being good stewards of the environment. We take a strategic, integrated approach to our environmental initiatives with the goals of moderating our consumption of resources, reducing our effects on the environment and increasing our energy efficiency.

Pfizer's baseline commitment is to comply with all applicable environmental, health and safety (EHS) laws and our own internal standards. We have sophisticated approaches to assessing and managing risks, designed to make certain that we have the most rigorous controls in place where they are most needed. Our approach to EHS includes extensive audits and reviews. Colleagues at all levels of the company are involved in managing risk. This begins at the most senior leadership level with the Audit Committee of the Board of Directors and extends through teams at each of our sites.

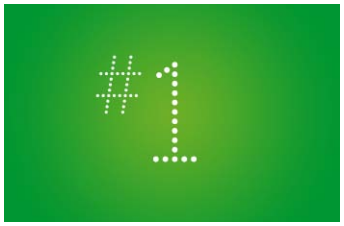
An Environmental Sustainability Council governs our "green journey" program and focuses on three areas key to our business: mitigating climate change and its impacts; driving leading-edge product stewardship; and managing water resources in a sustainable way. In 2010 advancing Pfizer's green journey included such projects as installing a biomass boiler at our Freiburg, Germany, site; reusing treated waste water for irrigation at the Algete, Spain, facility; turning waste into boiler feed at the Nutrition production site in Singapore; and the planting of 2,000 trees in Toluca, Mexico.

Mitigating Climate Change and Its Impacts

Climate change is one of the most serious environmental challenges facing society today. There are no simple solutions but we share the nearly universal view that reductions in greenhouse gases (GHGs) are essential. We have made significant progress in assessing the full extent of our GHG emissions, setting reduction targets and goals, measuring changes in our year-to-year performance, and transparently reporting our results.

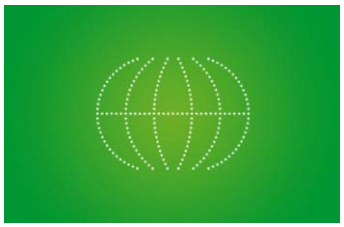
Our climate change mitigation program includes our public commitment to reduce GHG emissions and to use cleaner energy. We have reduced our GHG emissions every year since 2000. Our current goal is to reduce CO_2 emissions by 20 percent on an absolute basis from 2008 through 2012 and we are on target to achieve this. We also established an aggressive goal to obtain 35 percent of our electricity from cleaner energy sources by the end of 2010. We estimate that at the end of 2010, 30 percent of our electricity was from cleaner energy technologies such as wind, solar, biomass and combined heat and power. We continue to pursue opportunities to apply cleaner technologies.

2010 Highlights



1

Pfizer named to Carbon Disclosure Leadership Index for fourth consecutive year—health care rankings of No. 1 on S&P and No. 4 on Global Index.



2

Pfizer ranked 21st of Top 500 U.S. and 20th of Top 100 Global Green Companies by *Newsweek*.

We are proud of these accomplishments, which are the result of implementing hundreds of energy conservation and efficiency projects at our sites worldwide, building "greener" facilities, optimizing our sales vehicle fleet, and increasing use of renewable energy sources. We are also working with some of our manufacturing suppliers in identifying opportunities to help them reduce their carbon footprint.

Leading Product Stewardship Efforts
Leading product stewardship efforts at Pfizer include the development of greener processes. Our Green Chemistry Program seeks to integrate environment, health and safety considerations throughout the life cycle of our products, from discovery to commercial manufacture and eventual disposal.

Pfizer has product stewardship programs that include packaging improvements and reductions and waste minimization through measures such as solvent recovery. In addition, we assess environmental, health and safety risks at our manufacturing suppliers through our EHS external review program. Supplier partnerships include pre-audit assessment, audits and follow-up, guidance to enhance management systems, and EHS capacity building and training to improve EHS performance as necessary.

We have adapted our product stewardship program with our changing footprint to ensure we understand, appropriately communicate and adequately manage risk. Pfizer has an active program to assess and address the issues associated with pharmaceuticals in the environment (PIE). We recognize PIE is a multifaceted issue and one of increasing public interest.

We are working with stakeholders to ensure that issues are appropriately addressed. As examples, we have teamed with a number of our manufacturing suppliers to evaluate their materials handling and production cleaning processes and have performed detailed wastewater assessments to ensure good environmental management. We actively contribute to efforts led by pharmaceutical industry groups to mitigate the potential risks of PIE (for example, promoting the safe disposal of unused medicines). We are working with the scientific community, regulatory agencies, patient groups and nongovernmental organizations to advance the knowledge of PIE. Pfizer also participates in product take-back programs in countries that operate them.

goal to reduce our greenhouse gas emissions on an absolute basis between 2008 and 2012

Sustainable Water Management

In many areas of the world, the scarcity of clean water presents significant challenges to public health and to collective commerce. An important part of our responsibility as a global health care company is to ensure that our water usage does not negatively affect the communities where we operate by diminishing the supplies of clean water or degrading the quality of that water.

We require our facilities worldwide to quantify and carefully control water use, set reduction targets as appropriate and support community efforts during drought conditions. Last year we launched a global Water Sustainability Network to gain a better understanding of significant water risks and to provide means to most effectively manage the amounts of water that we use. Based on a recent mapping exercise, we estimate that 10 percent of Pfizer operating sites are located in areas approaching "physical water scarcity" by 2025.[1] Most of our sites in these regions, particularly in South Asia, Latin America and Eastern Europe, are implementing water conservation projects that include water reuse and recycling.

Comprehensive assessments of our operations and supply chain requirements in these areas address continuity of our business, environmental consequences and social impact on local communities. In addition, through our global health programs, Pfizer supports access to clean water in partnership with WaterAid and Population Services International through the Global Health Fellows program and the International Trachoma Initiative.

Resources

For more about Pfizer's Green Journey

Visit the Protecting the Environment Web site.

GO TO THE SITE

[1] Defined by WHO and UNICEF under the Joint Monitoring Programme

GLOBAL OPPORTUNITIES

A key to our strategy for continued sustainable growth is to pursue opportunities across the globe, reaching more people with products they want and can trust.

Expanding Our Business in Asia

We have been involved in Asia's markets since the early 1950s and today are one of the largest U.S.-headquartered pharmaceutical companies in Asia. One of the issues that Pfizer and most other U.S.-based companies have faced in Asia is concern that pharmaceutical R&D is done largely outside the region, while the medicines and other products are sold within the region.

Our Asia Research Accelerator strategy is designed to address this concern, rapidly advancing drug discovery programs while complementing existing research efforts in North America and Europe. Through this strategy, we invest in Asia-based research efforts that may yield either new candidates for medicines, or new pathways for our technologies to follow. In 2010 we either launched or expanded collaborative efforts throughout the region with major Asia-based researchers such as WuXi AppTec, Crown Bioscience, Cumencor, HD Biosciences and PharmaResources (Shanghai) Co., as well as through academic partnerships with Fudan University, Shanghai Jiao Tong University and Shanghai Institutes for Biological Sciences.

Through this strategy and other efforts, our growing global network of industry and academic alliances is stimulating biomedical advances into diseases that are more prevalent in Asia than in other parts of the world. For example, we have partnerships with the Korea Research Institute of Bioscience and Biotechnology and with the Asian Cancer Research Group (an independent, not-for-profit company established by Pfizer, Eli Lilly and Merck) to investigate treatments and to understand certain types of gastric, liver, head and neck cancers that have higher prevalence rates in Asia than in places such as North America and Western Europe. Our goal is to bring forward drug candidates that may be better suited for Asian patients.

China is the fast-rising economic powerhouse of Asia, and expanding Pfizer's scientific presence in China is an integral part of our overall strategy for global growth. In 2010 we completed and opened a "greenfield" scientific center in Wuhan in China's midwest region, an area of rapid technological growth. This is our second R&D facility in China and it provides a state-of-the-art platform for global clinical drug development and strategic alliances. Our presence in Wuhan makes Pfizer the first major biopharmaceutical company to establish operations in Wuhan's fast-emerging scientific hub known as Biolake.

2010 Highlights

1

In 2010 Pfizer launched or expanded collaborative research efforts with major Asia-based researchers and institutions to advance our global R&D efforts.

2

Pfizer entered into collaboration with Brazil's Teuto (Laboratório Teuto Brasileiro S.A.) to expand our generics presence.

Pfizer's first R&D center in China, in Shanghai, has become one of the largest privately owned biomedical R&D centers in the country in just five years. We also have six manufacturing facilities in the country.

Momentum is building. In 2010 we became the first multinational company to reach the billion-dollar sales mark in human prescription pharmaceuticals sales in China, which is expected to become the world's third-largest pharmaceutical market by 2013.

Providing Greater Product Choice for Patients

We continue to forge new partnerships to expand our global presence in generics, as evidenced by our recent agreements with Teuto and Biocon, as well as collaborations with Aurobindo Pharma, Claris Lifesciences and Strides Arcolab over the past few years. Our investment in Teuto (Laboratório Teuto Brasileiro S.A.) expands our generics offering across the board, while anchoring our presence in, and expanding our channels into, the vibrant Brazilian economy. Our partnership with Biocon over time is giving Pfizer a key line of insulin and insulin analog biosimilars, allowing for a strong focus on treatment of diabetes around the world. Pfizer's U.S. generics business, known as Greenstone, has been growing at more than twice the generics industry average in the U.S. Pfizer's global manufacturing capabilities and proven track record of safety and efficacy provide patients with consistent access to common medicines to treat chronic diseases, along with distinct "niche" products such as sterile injectables, orphan therapeutics and biosimilars.

OUR IMPACT

ANNUAL REVIEW 2010

THIS IS A REPORT ON
OUR IMPACT…

ON BETTER
HEALTH OUTCOMES…

ON IMPORTANT
SCIENTIFIC ACHIEVEMENT…

ON GREATER
ECONOMIC OPPORTUNITY…

ON WIDER
ACCESS TO MEDICINE…

ON THE LIVES OF
PEOPLE AND ANIMALS.

AROUND THE WORLD,
PFIZER IS MAKING
LIVES MORE LIVABLE…

RETURNING PEOPLE
AND ANIMALS TO
ACTIVE LIVING…

IMPROVING LIFE
AT EVERY STAGE.

THIS IS WHAT WE ARE DOING, AND WHY.

An enduring, positive impact.

Ian C. Read
President & CEO

TO OUR STAKEHOLDERS

It is an honor for me to lead Pfizer at this important time for both our company and the industry. I've spent my entire career at Pfizer and during this time I have seen the industry change and evolve in terms of customers' needs, regulatory standards and where growth occurs. Among these changes, one of the most important has been the increasing pressure from payers, governments and society to deliver greater value. That's why I believe there is a fundamental question facing the industry and Pfizer. Simply stated, it is: Do we have a research model that will consistently produce results that improve the lives of patients and create value for shareholders?

Pfizer is answering this fundamental question. We are taking the hard decisions that will improve the performance of our innovative core. We are focusing our R&D on human disease mechanisms in the areas where we believe we can win; we are strengthening our processes inside of research to help ensure we only bring differentiated medicines to market; we are applying rigor in how we manage our portfolio; and we are being disciplined in how we deploy capital. We are choosing the right science to create the next generation of medicines and vaccines that matter most to the people we serve and we are bringing some of the industry's best scientific minds together to solve the most difficult health challenges of our time.

In my first letter to you as Pfizer's CEO, I'll summarize our performance in 2010 and talk about the four imperatives that are driving the actions we are taking to address the challenges we face. I am optimistic about Pfizer's future because I believe we will create value in the short and long term by generating products that are innovative and science-driven, making the right capital allocation decisions, continuing to promote a culture of confidence and trust, and earning respect from society. There has never been a more dynamic or exciting period in Pfizer's history and I look forward to leading our company as we enter this new chapter.

2010: CONTINUING TO DELIVER ON OUR COMMITMENTS

In 2010 we met or exceeded our revenue and earnings per share goals. Pfizer had record sales of $67.8 billion, driven by an increasingly diverse portfolio of products. Our Biopharmaceutical organization, focused on prescription-only human health products, delivered $58.5 billion in sales, up 29 percent over 2009. This growth was largely driven by the addition of Wyeth's products. Our Diversified businesses, which include our Animal Health, Consumer Healthcare, Nutrition and Capsugel units, were greatly strengthened by the addition of Wyeth brands and collectively delivered $9.0 billion in sales, up 114 percent over 2009. We also stayed on track to achieve our previously announced, multiyear cost-reduction goal of approximately $4 billion to $5 billion by the end of 2012,[1] achieving more than $2 billion of these cost reductions in 2010.

Pfizer's adjusted diluted earnings per share[2] of $2.23 exceeded our guidance for the year. To directly enhance shareholder value, in December 2010 Pfizer's Board of Directors approved an 11 percent increase in the first-quarter 2011 dividend to 20 cents a share and in January 2011 increased the funds authorized for share buybacks to $9 billion. We expect to repurchase approximately $5 billion of common stock during 2011, with the remaining authorized amount available in 2012 and beyond.

Pfizer also met expectations in 2010 in other key performance indicators that companies in our industry are increasingly adopting. These encompass environmental sustainability, investments in treatments for neglected diseases and improvement in access to medicines.

[1] Based on 2008 average foreign exchange rates, in comparison with the 2008 *pro forma* adjusted total costs (see footnote 2) of legacy Pfizer and legacy Wyeth operations, and not including the impact of the planned reduction in R&D expenditures announced in February 2011.

[2] "Adjusted income" and its components and "adjusted diluted earnings per share (EPS)" are defined as "reported net income" and its components and "reported diluted EPS" excluding purchase-accounting adjustments, acquisition-related costs, discontinued operations and certain significant items. "Adjusted total costs" represents the total of "adjusted cost of sales," "adjusted SI&A expenses" and "adjusted R&D expenses," which are income statement line items prepared on the same basis as and are components of the overall "adjusted income" measure. The definitions of "reported net income" and "reported diluted EPS," certain uses by management of the "adjusted income" measure, and a reconciliation of 2010 "adjusted income" and its components and "adjusted diluted EPS" to 2010 "reported net income" and its components and "reported diluted EPS" are provided in Pfizer's Current Report on Form 8-K dated February 1, 2011. Additional information regarding our 2010 financial performance is provided in Pfizer's Annual Report on Form 10-K for the fiscal year ended December 31, 2010. These reports can be found on www.pfizer.com in the "Investors-SEC Filings" section. The "adjusted income" and its components and "adjusted diluted EPS" measures are not, and should not be viewed as, substitutes for "reported net income" and its components and "reported diluted EPS."

ROBUST SALES, WIDER SCOPE, IMPORTANT PARTNERSHIPS

We have been working to increase Pfizer's product mix and geographic presence. In 2010 Pfizer had 15 brands that surpassed the $1 billion mark in sales, a record for our industry. Growth in our patented portfolio was driven by important medicines such as Sutent, Lyrica, Prevnar and Enbrel. We widened our geographic scope with a focus on emerging markets, where half of the world's population lives and where there is rising economic wealth. In 2010 our Biopharmaceutical revenues in emerging markets exceeded $8.5 billion,[3] up 41 percent over 2009, and, for the first time, we achieved more than $1 billion of annual revenue in both China and Brazil.

During 2010 close interaction among our development, medical, external affairs and commercialization teams helped boost registrations for Prevnar 13[4] for pediatric use to more than 80 countries and launches to more than 55 countries. This new vaccine, which helps protect infants and young children from pneumococcal disease, became our fourth-largest-selling product in its first full year since its commercial introduction, and is now available to millions of infants and young children in developed, emerging and developing nations.

We also saw developments in our late-stage pipeline during 2010, including the regulatory filing for Prevnar 13 for adult use in the U.S. and European Union, and encouraging late-stage results from our JAK inhibitor, tofacinitib, being developed to treat rheumatoid arthritis and other conditions; from crizotinib, bosutinib and axitinib for certain kinds of cancers; and from apixaban, which we are developing with Bristol-Myers Squibb as a new anticoagulant. We will continue to track these key late-stage assets throughout 2011.

We remained active in striking partnerships and alliances that continue diversifying our product portfolio and geographic reach. Partnerships announced in 2010 included an in-licensing agreement with Biocon designed to provide more alternatives to the world's diabetes patients, and an alliance with Keas that offers personalized care plans directly to patients. We also announced several strategic acquisitions, including King Pharmaceuticals, to supplement our pain-management portfolio and drug-delivery technologies, and Synbiotics Corporation, to provide Pfizer's animal health business with a foothold in the fast-growing veterinary immunodiagnostics sector. We formed a new partnership with Teuto, a Brazilian company that helps us reach more patients in a key emerging market with branded and unbranded generics. We also advanced our partnerships with numerous governments and foundations to increase access to health care, immunize millions of children with the latest pneumococcal vaccine, and help alleviate human suffering from diseases such as malaria and blinding trachoma.

OPPORTUNITIES, BUT ALSO CHALLENGES

We fully recognize the complexity of the challenges we face over the next several years and are prepared to address them by focusing on four imperatives that will allow us to distinguish ourselves from others in our industry.

IAN C. READ

Named President and CEO and elected to Board of Directors, December 2010

CAREER HIGHLIGHTS

Group President, Worldwide Biopharmaceuticals Businesses, 2006-2010

Led commercial businesses in Europe, Canada, Latin America, Africa and Middle East Regions, 2000-2006

Led Latin America and Canada businesses, 1996-2000

Country Manager of Brazil, 1993-1995

Joined Pfizer in 1978 as an operational auditor, worked primarily in Latin America

Trained as a chemical engineer, certified as a Chartered Accountant

OTHER BOARD MEMBERSHIP

Kimberly-Clark

[3] Emerging Markets include, but are not limited to, Asia (excluding South Korea and Japan), Latin America, Africa, Central and Eastern Europe, the Middle East, Russia and Turkey.

[4] Known as Prevenar 13 in most markets outside the U.S.

EXECUTIVE LEADERSHIP TEAM

Ian C. Read
President, Chief Executive Officer

Olivier Brandicourt, M.D.
President and General Manager, Primary Care

Frank A. D'Amelio
Executive Vice President, Business Operations and Chief Financial Officer

Mikael Dolsten, M.D., Ph.D.
President, Worldwide Research & Development

Geno J. Germano
President and General Manager, Specialty Care and Oncology

Charles H. Hill, III
Executive Vice President, Worldwide Human Resources

Douglas M. Lankler, J.D.
Executive Vice President, Chief Compliance & Risk Officer

Freda C. Lewis-Hall, M.D.
Executive Vice President, Chief Medical Officer

Kristin C. Peck
Executive Vice President, Worldwide Business Development and Innovation

Cavan M. Redmond
Group President, Animal Health, Consumer Healthcare, Capsugel and Corporate Strategy

Amy W. Schulman, J.D.
Executive Vice President, General Counsel, Business Unit Lead, Pfizer Nutrition

David Simmons
President and General Manager, Emerging Markets and Established Products

Sally Susman
Executive Vice President, Policy, External Affairs and Communications

IMPERATIVES FOR BUILDING VALUE

- **Be a Leader in Science and Innovation:** Marshal and manage our deep resources to generate products that are both innovative and science-driven and can profoundly impact health.
- **Continue to Use Our Financial and Commercial Strength to Enhance Competitiveness:** Take the right actions that allocate capital and leverage our commercial strength to produce profitable growth and create value for patients, health care providers, payers and shareholders.
- **Earn Respect from Society:** Enhance credibility and trust by acting with integrity and helping to expand access to health care.
- **Create a Culture of Confidence and Trust:** Develop ourselves as a learning organization, rooted in strong values, and driven by initiative, collaboration and accountability.

LEADERSHIP IN SCIENCE AND INNOVATION

We must create a sustainable platform for growth through science and innovation. Improving the performance of our innovative core is essential, and we are taking decisive steps to do that. In 2010 we centralized our global R&D team under the leadership of Dr. Mikael Dolsten. On February 1, 2011 we announced an acceleration of our R&D strategy, which sharpens our research focus on the areas that give us the best promise of scientific and commercial success. At the center of this strategy, we will sustain or increase our investments in neuroscience; cardiovascular, metabolic and endocrine diseases; oncology; inflammation and immunology; and vaccines. These areas will be augmented by the advantaged technologies delivered by Rinat and CovX, two biotechnology organizations acquired by Pfizer within the past five years. We are also establishing teams dedicated to treatments for pain and sensory disorders, and the advancement of follow-on biologics, also referred to as biosimilars, that are differentiated based on quality, manufacturing platforms and the value offered to patients. This represents a new growth opportunity for Pfizer.

Our mix of research projects is shifting to a greater proportion of large molecules (protein-based biologicals) and conjugate vaccines, where we have strong scientific expertise and higher potential for commercialization. Pfizer's R&D pipeline is rich in Phase I and Phase II entries aimed at important unmet medical needs such as Alzheimer's disease, cancer, pain and vaccines, and backed by more proof of the mechanisms of action than ever before. With biomedical science advancing on all fronts, we are working more collaboratively with academic medical centers and other pharmaceutical and biotech companies in ways that allow us to share risk and gain access to new knowledge and technologies.

Our R&D strategy is designed to strengthen our engine for innovation, provide a better mix of therapeutic approaches, deliver greater numbers of differentiated products, yield a higher return on R&D investment, and build a culture focused more intensely on ownership and accountability.

STRONG FINANCIAL AND COMMERCIAL COMPETITIVENESS

We are organized around customer-focused business units, which makes us a more adept and responsive organization. The leaders in each business unit know the health care environments they operate in, country by country, understand payers' concerns, and have critical insights about the needs of health care providers and patients. Using this knowledge, and through close collaboration with the research units, these leaders are responsible for making

the right decisions on how to best allocate a major portion of our resources, and have accountability for late-stage product development and for making smart investment choices. By ensuring that a deep understanding of customers informs our research, we have become an industry leader in emerging markets and remain competitively positioned in the mature European Union and U.S. markets.

Just as we are moving forward decisively in research, we are also reviewing the value-creation potential of our portfolio of businesses by assessing their worth today and potential for creating value over the next several years. The mere fact that we have size and scale will not be a driver for how we make decisions. We will take the actions that maximize the value created by the business units so that the whole of Pfizer is greater than the sum of our individual parts.

EARNING RESPECT FROM SOCIETY

I firmly believe that credibility—doing what we say we will do, and integrity—doing the right things, enhance respect for Pfizer and open doors for our company around the world. We are a leader in an important sector—health care—and work in one of the world's most complex, highly regulated industries. I know that a Pfizer that is well respected by society will lead to new opportunities that accrue to the benefit of all our stakeholders.

We are earning respect and trust by delivering on our commitments and continuing to listen and learn from our customers and other stakeholders, including groups that monitor our commercial practices. In 2010 we modified a number of our practices to provide more clarity and disclosure on payments that we make to health care professionals to do commissioned research or provide physician education. We also issued a report on our contributions to advancing the UN Millennium Development Goals, which delineate a set of global priorities in alleviating poverty, taking care of the environment and improving maternal and child health.

In 2010 we invested heavily in training for all colleagues on the importance of integrity in all actions. In addition, we are refining a number of our processes to ensure stronger oversight. For example, in 2010 we completed the implementation of a new adverse event reporting system and launched a top-to-bottom recasting of our clinical trial process designed to ensure that we are complying with all applicable laws and regulations.

CREATING A CULTURE OF CONFIDENCE AND TRUST

In my 33 years with Pfizer, I have seen firsthand the highly competitive environment we face everywhere we operate. I know that all the major companies in our industry have outstanding talent. It's how we, as leaders, engage that talent that makes the difference.

One of my top priorities is to encourage and maintain a culture where colleagues share their diverse ideas, take initiative, act with an entrepreneurial spirit, give their best each day and believe Pfizer is a great place to work. My message to our colleagues is that they have the opportunity to make a difference in the lives of millions of people while shaping the future of a world-class organization. This great opportunity comes with equally great responsibilities: work with integrity, be accountable for results and deliver for all of our stakeholders.

“One of my top priorities is to encourage and maintain a culture where colleagues share their diverse ideas, take initiative, act with an entrepreneurial spirit, give their best each day and believe Pfizer is a great place to work.”

MILESTONES

Late in 2010 Jeff Kindler, Pfizer's Chairman and CEO, retired from the company. He helped build much of our current foundation for growth, including our business unit structure and our landmark acquisition of Wyeth. I want to thank Jeff for his passionate leadership during his nine years with Pfizer.

Following Jeff's retirement, the Board determined that the designation of an independent, non-executive Chairman is optimal for the company at the present time and elected independent Director George A. Lorch as Non-Executive Chairman of the Board of Directors. George and I have a close working relationship. I know he will continue to be a strong advocate for Pfizer's shareholders.

Two of our Directors will retire in April 2011. Robert N. Burt, a Director who joined us from the Board of Warner-Lambert, served on nearly all of the Board's key committees, and led the Audit Committee during the critical years when Sarbanes-Oxley regulations went into effect. All of us are grateful for Bob's leadership, insight and dedication to Pfizer.

William C. Steere, Jr., Pfizer's Chairman Emeritus since 2001, has been part of Pfizer for 52 years, joining us as a sales representative in 1959 and climbing the ranks to become Chairman and CEO, serving from 1991 to 2001. He led an era that saw Pfizer move from the 14th largest pharmaceutical company in the world to an unquestioned No. 1, largely on the strength of science and innovation.

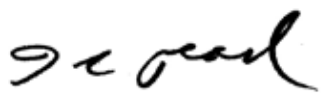
Nat Ricciardi, President of Pfizer Global Manufacturing, announced that he will retire effective April 1, 2011. Nat began his 39-year career on the night shift of the Brooklyn plant and rose to lead the world's largest biopharmaceutical production network. I am grateful for Nat's leadership of our respected production and supply team, and especially for his commitment to developing people throughout Pfizer.

COMMITMENTS MADE, COMMITMENTS KEPT—BUT MORE TO DO

I invite you to explore our first integrated Annual Review and Corporate Responsibility Report, which is posted to www.pfizer.com and provides more detail on our activities in 2010.

Pfizer had a good year, but we know we have much, much more to do. We will continue to make progress in creating a Pfizer that is both successful and sustainable. We did much in 2010 to manage our costs, reduce our dependence on a few large products, speed up our innovation and bring our products to new markets. We announced additional steps in February 2011 to help put the company on a firm course toward our third century.

I am confident that we are investing in the right areas, taking the right actions and building the right kind of culture. I firmly believe Pfizer has an enduring role to play in meeting humanity's most important priority—better health—and I look forward with great enthusiasm to our future.



Ian C. Read
President and CEO
February 24, 2011

GEORGE A. LORCH

Independent Pfizer Director

Elected Non-Executive Chairman of the Board of Directors in December 2010

Elected to Pfizer's Board in 2000 and to Warner-Lambert's Board in 1997

Chairman Emeritus, Armstrong Holdings, 2000 to present

Joined Armstrong World Industries in 1963, rose to become its CEO and President in 1993

EDUCATION

Bachelor of Science, Virginia Polytechnic Institute and State University

OTHER BOARD MEMBERSHIPS

Autoliv, Williams Companies, Masonite International, Inc. (a non-public company), HSBC Finance Co. and HSBC North America Holding Company (non-public, wholly owned subsidiaries of HSBC LLC)

BOARD OF DIRECTORS

Dennis A. Ausiello, M.D. [2, 4, 5, 6]

Physician-in-Chief, Massachusetts General Hospital

Michael S. Brown, M.D. [4, 6]

Distinguished Chair, Biomedical Sciences, Regental Professor, University of Texas Southwestern Medical Center

M. Anthony Burns [1, 2, 4]

Chairman Emeritus, Ryder System, Inc.

Robert N. Burt [3, 6]

Retired Chairman and CEO, FMC Corporation

Will retire as a Board Member effective as of the 2011 Annual Meeting

W. Don Cornwell [2, 3, 5]

Retired Founder, Chairman and CEO, Granite Broadcasting Corporation

Frances D. Fergusson, Ph.D. [3, 5, 6]

President Emeritus, Vassar College

William H. Gray III [4, 6]

Co-Chairman, GrayLoeffler, LLC

Constance J. Horner [1, 4, 5]

Former Assistant to the President of the United States and Director of Presidential Personnel

Suzanne Nora Johnson [2, 3, 6]

Retired Vice Chairman, The Goldman Sachs Group, Inc.

James M. Kilts [3, 6]

Founding Partner, Centerview Partners Management, LLC

George A. Lorch

Non-Executive Chairman of the Board of Directors, Pfizer Inc.

John P. Mascotte [4, 5, 6]

Retired President and CEO, Blue Cross and Blue Shield of Kansas City, Inc.

Ian C. Read [1]

President and Chief Executive Officer, Pfizer Inc.

Stephen W. Sanger [2, 4]

Retired Chairman and CEO, General Mills

William C. Steere, Jr. [6]

Chairman of the Board Emeritus, Pfizer Inc.

Will retire as a Board Member effective as of the 2011 Annual Meeting

[1] Executive Committee
[2] Audit Committee
[3] Compensation Committee
[4] Corporate Governance Committee
[5] Regulatory and Compliance Committee
[6] Science and Technology Committee

Our Financial Performance

(Three-Year Summary)

(MILLIONS, EXCEPT PER COMMON SHARE DATA)	AS OF AND FOR THE YEAR ENDED DECEMBER 31,			% CHANGE	
	2010[a]	2009[a]	2008	10/09	09/08
Revenues	**$ 67,809**	$ 50,009	$ 48,296	36	4
Research & Development expenses	**$ 9,413**	$ 7,845	$ 7,945	20	(1)
Acquisition-related in-process research and development charges	**$ 125**	$ 68	$ 633	84	(89)
Restructuring charges and certain acquisition-related costs	**$ 3,214**	$ 4,337	$ 2,675	(26)	62
Income from continuing operations before provision for taxes on income and noncontrolling interests	**$ 9,422**	$ 10,827	$ 9,694	(13)	12
Net income attributable to Pfizer Inc.	**$ 8,257**	$ 8,635	$ 8,104	(4)	7
Diluted earnings per common share attributable to Pfizer Inc. shareholders	**$ 1.02**	$ 1.23	$ 1.20	(17)	3
Weighted average shares - diluted	**8,074**	7,045	6,750	15	4
Number of common shares outstanding	**8,012**	8,051	6,722	—	20
Working capital	**$ 31,859**	$ 24,445	$ 16,067	30	52
Goodwill & other identifiable intangible assets, net	**$ 101,505**	$ 110,391	$ 39,185	(8)	182
Total assets	**$ 195,014**	$ 212,949	$ 111,148	(8)	92
Total debt[b]	**$ 44,033**	$ 48,662	$ 17,283	(10)	182
Total Pfizer Inc. shareholders' equity	**$ 87,813**	$ 90,014	$ 57,556	(2)	56
Shareholders' equity per common share	**$ 10.96**	$ 11.19	$ 8.56	(2)	31
Cash provided by continuing operating activities	**$ 11,454**	$ 16,587	$ 18,238	(31)	(9)
Property, plant and equipment additions	**$ 1,513**	$ 1,205	$ 1,701	26	(29)
Purchases of common stock	**$ 1,000**	—	$ 500	100	(100)
Cash dividends paid	**$ 6,088**	$ 5,548	$ 8,541	10	(35)

[a] Legacy Wyeth operations are included for a full year in 2010. In accordance with our domestic and international year-ends, includes approximately two-and-a-half months of Wyeth's U.S. operations and approximately one-and-a-half months of Wyeth's international operations in 2009.

[b] Our short-term borrowings are rated P-1 by Moody's Investors Service (Moody's) and A1+ by Standard & Poors (S&P). Our long-term debt is rated A1 by Moody's and AA by S&P. Moody's and S&P are major corporate debt-rating organizations.

Detailed information on our financial and operational performance can be found in the 2010 Financial Report.

Key Performance Indicators

We have identified a set of key performance indicators to drive and measure non-financial business performance that will help us identify progress in areas of improvement for patients, investors and stakeholders. This list is a starting point. We will continue to develop this set of indicators during 2011 in alignment with our forward-looking goals and long-term priorities. We have provided progress updates and additional metrics throughout the review, available at www.pfizer.com.

RESEARCH & DEVELOPMENT

17

Number of top 20 global burdens of illness addressed by products and pipeline[1]

118

Number of products in pipeline and under regulatory review.[2]

ACCESS TO MEDICINES

30

Number of programs and partnerships to increase access to medicines in emerging markets.[3]

ENVIRONMENT, HEALTH & SAFETY[4]

219,000

METRIC TONS

WASTE GENERATED

Total waste generated by 26 largest producing sites. Overall 74% of total waste generated was recycled.

20

MILLION CUBIC METERS

NET WATER USE

Net water used by 26 largest water-consuming sites (excluding water withdrawn and returned to the source).

2.7

MILLION METRIC TONS CO_2 EQ.

GHG EMISSIONS

Total direct and indirect emissions from active facilities under Pfizer's operational control (including fleet and aviation).

[1] As defined by the World Health Organization. Burdens of illness not addressed include road traffic accidents, prematurity and low birth weight and self-inflicted injuries.

[2] As of February 28, 2011.

[3] Partnership/program defined as an investment by Pfizer of over $250,000 and/or an engagement with a national government or health care professionals and/or an engagement with a procurement agency, NGO, private institution or aid agency that is part of a commercially viable approach. Does not include initiatives of local country offices.

[4] Waste and water data represent more than 80% of Pfizer's global footprint. Data are baseline adjusted. Fuller environmental reporting will be posted on Pfizer's EH&S Web site later this year.

OUR IMPACT

ON PEOPLE

We touch people at every stage of life, every day, wherever people take their health and well-being in hand. Our trusted products—from vaccines to nutrition, from self-care to life-changing and life-saving treatments—help people live healthier, longer and happier. Pfizer is with you for life.

COMMITTED TO PATIENT SAFETY

Patient safety is our absolute first priority—from the moment a compound is cleared for clinical trials, to its approval by regulators, through its manufacture, distribution and use. Thousands of Pfizer colleagues in specialized groups devoted to safety, risk management, quality assurance, data collection and analysis, global security, medical communication and regulatory compliance focus intently on the safe, effective and appropriate use of our medicines, vaccines and other products. Pfizer is especially committed to improving the quality of adverse event reporting to provide the earliest possible signals of any change in the risk/benefit profile of a medicine.

PREVENAR 13: HELPING CHILDREN AROUND THE WORLD

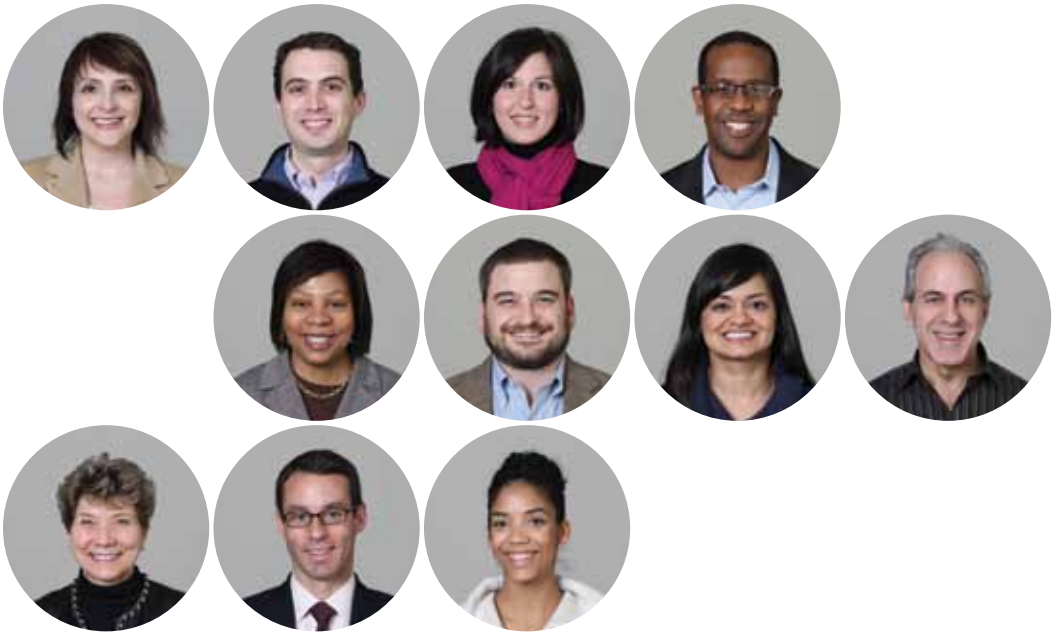
Pneumococcal disease is among the world's leading causes of vaccine-preventable death worldwide for children under five. In 2010 Pfizer launched Prevenar 13 (known as Prevnar 13 in the U.S.), which is approved to prevent more strains of serious pneumococcal disease in infants and young children than any other vaccine. By the end of 2010, 80 countries had approved this new vaccine. Prevenar 13 protects against 13 strains of the disease, including a valent known as serotype 19A, now the most common cause of invasive pneumococcal disease among children under five in the U.S. and increasing in prevalence elsewhere.

HEALTH AND WELLNESS AT ALL STAGES OF LIFE

Pfizer's scope and reach serve people at all stages of life. We have been a leader in medicines since our founding more than 160 years ago. Today we are also a global force in vaccines, consumer health care and infant nutrition, as well as the leader in animal health. Pfizer medicines treat and protect people and their animal companions with products offered around the world.

222

Number of scholarships provided for veterinary students by Pfizer Animal Health in the first year of a $2 million, three-year program to support the future of the veterinary profession.



COLLEAGUES

Most of Pfizer's market value comes from "intangible assets"—including the intellectual output of our colleagues and the goodwill they engender in doing their jobs to a high standard. We continue to build a culture of opportunity, accountability and inclusion with and for our colleagues. We use advanced survey tools (administered by an independent third party) to assess and address colleague concerns and to compare Pfizer's performance with that of other top employers. Overall survey results in 2010 showed a fourth straight year of advancement in both colleague engagement and inclusion. In 2010, Pfizer directed special efforts to further improving the leadership ability of managers at every level of the company to increase engagement and productivity.

DIVERSITY AND INCLUSION

Sustaining a global business means valuing different perspectives. Pfizer prizes diversity, including diversity in visible differences such as gender, age, ethnicity and physical appearance and ability, as well as in underlying characteristics such as thinking styles, sexual orientation, religious or national identity and education.

Pfizer's integrated diversity and inclusion strategy encompasses colleagues, customers, suppliers and community. Execution of our strategy is driven through each of Pfizer's business units and is the responsibility of each senior business leader. Networks of colleagues, ranging from an enterprise-level Global Women's Council to regional groups, such as the Employer of Choice Council in South Africa, recommend and support initiatives to improve Pfizer's ability to attract, develop and keep outstanding people.

OUR IMPACT

ON SCIENCE

Pfizer brings unparalleled breadth of scientific capabilities to bear on urgent, unmet medical needs. We are opening a new era of biomedical research, focusing on core research areas where we can have the greatest medical and commercial impact.

R&D STRATEGY

As with all of our peers, Pfizer faces challenges that will shape the future of biomedical R&D and the future of our industry. We are responding to these challenges with a vigorous strategy to strengthen our innovative core—focusing on the delivery of our pipeline, the development of important new capabilities, and the creation of the "R&D ecosystem" of the future, which will see the deepening of networks connecting scientists in industry, academia, and the public and not-for-profit sectors.

We are essentially striving for a "step change" in R&D productivity.

To do this, we are:

Concentrating on core research areas where we can deliver the greatest medical and commercial impact.

These areas include neuroscience, cardiometabolic diseases, oncology, inflammation/immunology and vaccines—all augmented by the advantaged technologies offered by our CovX and Rinat biotechnology units. Specialized units within Pfizer are focused on pain and sensory disorders, and on the advancement of biosimilars.

Establishing industry-leading models for external collaboration, opening the doors to the best science.

We joined with seven of New York City's top research universities and hospitals to expand Pfizer's Centers for Therapeutic Innovation (CTI) program. We have formed our first CTI partnership with the University of California, San Francisco, and will locate Pfizer scientists there to work alongside their academic counterparts.

Strengthening the fundamentals that drive differentiated innovation, to develop and deliver the medicines and vaccines that matter most.

We are strengthening our internal programs to drive disciplined decision-making and portfolio governance, and aligning our network of R&D sites more closely with major hubs for biomedical innovation.

We are driving a bold R&D strategy with the goal of delivering the next generation of medicines and vaccines that will provide better treatments for many conditions and new hope for people with severe, unmet medical needs.

CAPITALIZING ON PRECISION MEDICINE

Pfizer scientists are among the leaders in the global effort to incorporate the strategies of precision medicine into all of our core and specialized research areas. Precision medicine focuses on clusters of patients who share a genetic variation and could benefit from a very specific therapeutic approach. For example, in oncology, we are working on a variety of treatments, including biologics and therapeutic vaccines, that target very specific gene mutations in tumors. One of these medicines in development, crizotinib, for certain advanced non-small cell lung cancers, has advanced rapidly into late-stage trials.

1,300

Clinical trials in 2010

+1,000

More than 1,000 summaries of trial results have been posted to **clinicalstudyresults.org**

pNETS

Short for pancreatic neuro-endocrine tumors. Pfizer's Sutent was approved late in 2010 by European regulators for treating these relatively rare tumors.

A PASSION FOR QUALITY

Quality is a 24/7 commitment that begins with building quality into processes and extends to investing heavily in training, assuring that there are both standard operating procedures and redundant systems in place, and nurturing a culture of quality throughout the company. We fully understand and support the roles of regulators in assuring quality and are proud that Pfizer facilities and those of our network partners went through nearly 200 Good Manufacturing Practice inspections in 2010 without a critical finding.

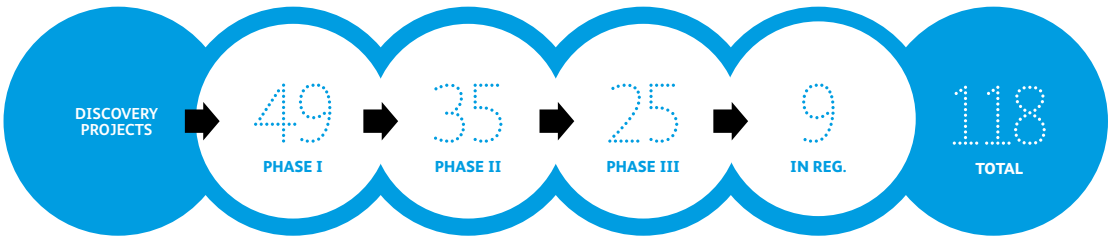
CONDUCTING CLINICAL TRIALS TO THE HIGHEST STANDARDS

Clinical trials are at the heart of biomedical progress. Wherever we conduct clinical trials, we do so in accord with consistently applied, constantly reviewed ethical and patient safety standards. We sponsor a number of initiatives to help the independent investigators who enroll patients in and manage clinical trials, including in 2010, the publication of a comprehensive clinical trial manual authored through experts at the University of Hong Kong.

ADVANCING THE PIPELINE

Pfizer's pipeline of medicines in development is backed by more proofs of concept than ever before, and well-balanced between small molecules and large (protein-based) biologics and vaccines. We update our pipeline periodically—this chart reflects the pipeline update of February 28, 2011.*

PFIZER'S R&D PIPELINE



* For the most recent information on Pfizer's R&D pipeline, please go to www.pfizer.com/pipeline.

KEEPING QUALITY PRODUCTS IN GOOD SUPPLY

We strive to ensure that all Pfizer products—spanning more than 3,000 formulations and offered in more than 150 nations—are quality-made, manufactured and distributed in compliance with applicable regulations, and available when needed by patients. To do this, we currently operate more than 75 manufacturing sites around the world and have a distribution network of about 175 sites. Complementing our internal manufacturing is a network of more than 1,000 external partners, which we hold to our own high standards of excellence.

OUR IMPACT

ON THE WORLD

What stakeholders of every kind expect of us, we expect of ourselves. As the leading biopharmaceuticals firm in the world, we understand that we have a significant role to play in better health now and for generations to come. We invite you to understand more about how we view our role, measure our progress and work with partners to bring about a healthier world for all.

EXPANDING ACCESS TO HEALTH

We work to expand access to better health care in ways that are sustainable, serving patients who can benefit now from our medicines as well as patients in need of yet undiscovered treatments. We believe that medicines are only one component of providing access to better health care, and remain committed to working with others to build greater capacity for better health care delivery around the world. To that end, we continue to invest in effective and sustainable health care delivery resources, and to work with national governments, health care professionals, nongovernmental organizations, multilateral organizations, academic institutions and others to help people who need better health care resources obtain them.

MAKING ESSENTIAL VACCINES WIDELY AVAILABLE

Prevenar 13 for pediatric use, Pfizer's newest vaccine, is helping to improve the health of millions of infants and young children. In 2010 we expanded access to this new vaccine to many of the world's poorest countries through a 10-year provisional supply agreement struck under the terms of the Advance Market Commitment pilot project against pneumococcal disease. This agreement reflects Pfizer's commitment to tiered pricing where appropriate, which in this case will bring Prevenar 13 for pediatric use to millions of patients in nearly 50 countries at a price that is less than 5 percent of the price in developed countries.

OUR GLOBAL ACCESS STRATEGY

Our access strategy is aligned with our commitment to the UN Millennium Development Goals and our belief that commercial viability is vital to sustainably improving health. We're developing new business approaches, including tiered pricing, to increase access to health care and medicine for low-income populations in emerging markets. With 4 billion people living on less than $3 a day, we know that the prices of medicines are still too high for many of the world's people. We are exploring new business models, including work with institutional buyers who purchase medicines for the neediest of patients and use of technology to help address barriers to access, opening Pfizer's doors to billions of new customers.

PFIZER INVESTMENTS IN HEALTH

We invest the full range of our resources—people, products, expertise and funding—to improve global health. Our philanthropic global health platform, known as Pfizer Investments in Health, offers a strategic, integrated approach to improve access to medicines and health care for underserved patients around the world. These investments are always executed in partnerships with parties that may include governments, international agencies, nongovernmental and multilateral organizations and academic institutions. Through targeted programs, we invest in effective and sustainable health care delivery while empowering our colleagues, strengthening our stakeholder relationships, and ultimately having a positive impact on society and our business.

6 million

Pfizer Helpful Answers has helped nearly 6 million patients in the US get 48 million Pfizer prescriptions for free or at a savings.

20%

Goal to reduce our greenhouse gas emissions on an absolute basis between 2008 and 2012.

GLOBAL HEALTH FELLOWS

Through this program, Pfizer colleagues with specialized skills volunteer for three-to-six-month assignments with organizations on the frontiers of health care delivery for underserved populations. Since 2003 Global Health Fellows have devoted 200,000 hours of volunteer service in 39 countries. Most Global Health Fellows are trained in medicine, nursing, public health or a hard-to-find technical specialty. Fellows train and support their local counterparts, transferring skills and knowledge to make a long-term difference. Fellows return to Pfizer with deeper skills, a broader outlook and heightened purpose.

PFIZER HELPFUL ANSWERS®

Pfizer has long helped make our medicines accessible to those in the United States who need them but cannot afford them. We understand that in order for our assistance programs to be effective, they must be both easily found and user-friendly. In 2004 we placed all of our U.S. patient assistance programs under an umbrella called Pfizer Helpful Answers. Patients can make one toll-free phone call or visit one Web site to find the Pfizer access program that might best meet their needs. Today, Pfizer Helpful Answers is the most extensive suite of patient assistance programs in our industry.

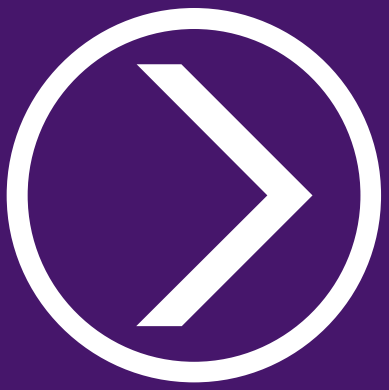
FUNDING OUR ACCESS STRATEGY

Ultimately, the costs of Pfizer's philanthropic investments are largely borne by our investors. We believe that these investments build Pfizer's value by opening long-term opportunities for Pfizer and giving us a foundation for expanding our operations in emerging markets. Pfizer has decades of experience in these countries, and now, fast-growing businesses in markets such as China, Brazil and the Philippines. This success is rooted partly in our willingness to invest not only in product and commercial development, but also in our strategic use of philanthropy to improve society and health care systems.

SUSTAINING A LIVING PLANET

Advancing good health extends through the life cycle of our beneficial products to the wise stewardship of the Earth's resources. We are pursuing a strategic, integrated approach to our environmental initiatives to moderate our consumption of resources, reduce our effects on the environment and increase our energy efficiency. We have numerous and continuous internal audit procedures, facility assessments and system reviews to ensure that we are meeting our environmental objectives. People at all levels of the company are involved in managing environmental risk, beginning with oversight by the Audit Committee of the Board of Directors and extending through teams at each of our major sites. The strategy is set by our Environmental Sustainability Steering Council, which is composed of senior leaders who develop a company-wide framework for continuous improvement in our environmental strategy.

FOR MORE IMPACT GO TO PFIZER.COM/ANNUAL



MORE ON PEOPLE

Health and Wellness
Patient Safety
Colleagues

MORE ON SCIENCE

Research & Development
Manufacturing and Supply Chain

MORE ON THE WORLD

Expanding Access to Health
Environment
Global Opportunities

MORE ON OUR BUSINESS

Biopharmaceutical Businesses
Diversified Businesses
Stakeholder Engagement
Corporate Governance
Ethics

CORPORATE AND SHAREHOLDER INFORMATION

STOCK LISTINGS
Our Common Stock is listed on the New York Stock Exchange/Euronext. It is also listed on the London and Swiss stock exchanges, and traded on various United States regional stock exchanges.

STOCK TRANSFER AGENT AND REGISTRAR
Computershare Trust Company, N.A.
250 Royall Street
Canton, MA 02021
Telephone: 1-800-PFE-9393
Outside the U.S., Canada and Puerto Rico: 1-781-575-4591
Internet: www.computershare.com

SHAREHOLDER SERVICES AND PROGRAMS
Please contact our Stock Transfer Agent and Registrar with inquiries concerning shareholder accounts of record and stock transfer matters, and also for information on the following services and programs:

- Shareholder Investment Program
  - direct purchase of Pfizer stock
  - dividend reinvestment
  - automatic monthly investments
- Book-entry share ownership
- Direct deposit of dividends

FORWARD-LOOKING INFORMATION
Please refer to Pfizer's 2010 Form 10-K for a description of the substantial risks and uncertainties related to the forward-looking statements included in this Annual Review. Our Form 10-K is available on our Web site at www.pfizer.com/sec and on the Securities and Exchange Commission's Web site at www.sec.gov.

POLITICAL ACTION COMMITTEE (PAC)
To review our most recent PAC and corporate political contributions report, go online at www.pfizer.com/pac.

ENVIRONMENT, HEALTH AND SAFETY (EHS)
Our global EHS initiatives, Environmental Sustainability Program and performance metrics may be found online at www.pfizer.com/ehs.

HELPLINES
Patients, customers and health care professionals who have questions about any of our products should call 1-800-438-1985.

Uninsured or underinsured patients who need help getting their Pfizer medicines should call Pfizer Helpful Answers®, our family of patient assistance programs that provide Pfizer medicines for free or at a savings to patients who qualify. To learn more, visit www.PfizerHelpfulAnswers.com or call 1-866-706-2400.

SEND US YOUR FEEDBACK
We value your input on this Annual Review. Did it help you to better understand Pfizer? Was the information presented in a reader-friendly manner? Please send your comments to annual.report@pfizer.com.

You can find more information about Pfizer online at www.pfizer.com. Real-time news about Pfizer can be found on our Facebook page (www.facebook.com/Pfizer) and through Twitter (www.Twitter/Pfizer_news).

This Annual Review is produced by Pfizer's Policy, External Affairs and Communications group.

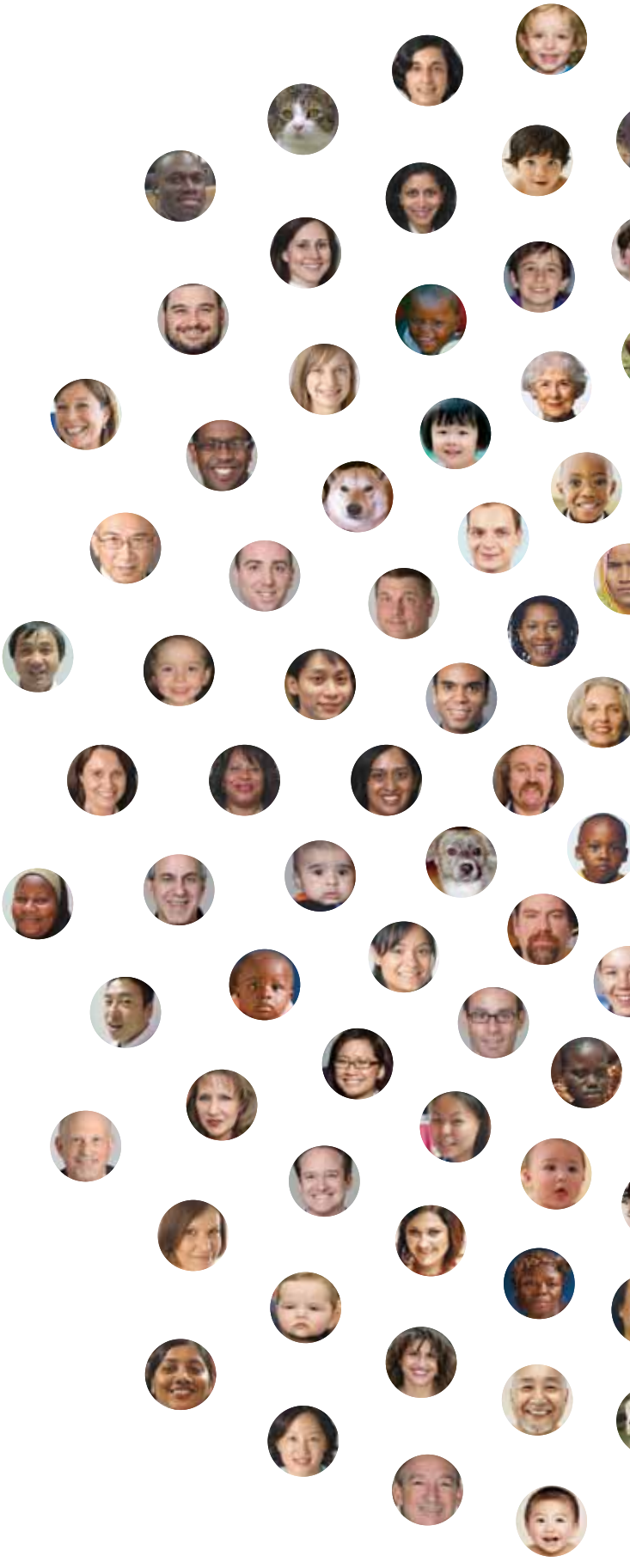
Pfizer's commitment to conduct business in a sustainable way includes adopting green practices with respect to this report. The text of this Annual Review is printed on paper made from well-managed forests and other controlled sources containing 10 percent post-consumer fiber content and is made free of elemental chlorine. The paper is independently certified to the Forest Stewardship Council (FSC) standards.

Our printer, Sandy Alexander Inc., an ISO 14001:2004 Certified printer with Forest Stewardship Council (FSC) Chain of Custody certification, printed this report with the use of 100% certified renewable wind power sources which benefit the environment by preventing emissions of greenhouse gases.This saved 1,845 pounds of CO_2 not emitted. This amount of wind-generated electricity is equivalent to 1,601 miles not driven in an automobile or 125 trees being planted.

Design: Ideas On Purpose, New York

235 EAST 42ND STREET
NEW YORK, NEW YORK 10017-5755
WWW.PFIZER.COM

PFIZER.COM/ ANNUAL



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2010

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-3619

PFIZER INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-5315170**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
235 East 42nd Street New York, New York	**10017-5755**
(Address of principal executive offices)	**(Zip Code)**

(212) 733-2323

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, $.05 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232-405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, July 4, 2010, was approximately $114 billion. The registrant has no non-voting common stock.

The number of shares outstanding of the registrant's common stock as of February 22, 2011 was 7,995,220,402 shares of common stock, all of one class.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2010 Annual Report to Shareholders	Parts I, II and IV
Portions of the Proxy Statement for the 2011 Annual Meeting of Shareholders	Parts I and III

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PART I

ITEM 1. BUSINESS

General

Pfizer Inc. (which may be referred to as *Pfizer, the Company, we, us or our*) is a research-based, global biopharmaceutical company. We apply science and our global resources to improve health and well-being at every stage of life. We strive to set the standard for quality, safety and value in the discovery, development and manufacture of medicines for people and animals. Our diversified global healthcare portfolio includes human and animal biologic and small molecule medicines and vaccines, as well as nutritional products and many of the world's best-known consumer healthcare products. Every day, we work across developed and emerging markets to advance wellness, prevention, treatments and cures that challenge the most feared diseases of our time. Consistent with our responsibility as the world's leading biopharmaceutical company, we also collaborate with other biopharmaceutical companies, healthcare providers, governments and local communities to support and expand access to reliable, affordable healthcare around the world.

The Company was incorporated under the laws of the State of Delaware on June 2, 1942.

On October 15, 2009, we completed our acquisition of Wyeth. The acquisition was a cash-and-stock transaction valued, based on the closing market price of Pfizer's common stock on the acquisition date, at $50.40 per share of Wyeth common stock, or a total of approximately $68 billion.

On October 12, 2010, we and King Pharmaceuticals, Inc. (King) announced that we had entered into a definitive merger agreement under the terms of which we will acquire King, a diversified specialty pharmaceutical discovery and clinical development company, for $3.6 billion in cash or $14.25 per King share. On January 31, 2011, we acquired approximately 92.5% of King's outstanding common stock through the completion of a tender offer. We intend to complete the acquisition of King through a short-form merger under Tennessee law on or about February 28, 2011, without a vote of the remaining shareholders of King. As a result of the merger, each remaining share of King common stock will be converted into the right to receive $14.25 per share, net in cash, without interest and less any required withholding taxes and King will become a wholly-owned subsidiary of Pfizer.

Pfizer Website

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), are available on our website *(www.pfizer.com)*, in text format and in interactive data file format, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC).

Throughout this 2010 Form 10-K, we "incorporate by reference" certain information from parts of other documents filed or to be filed with the SEC, including our Proxy Statement for the 2011 Annual Meeting of Shareholders (2011 Proxy Statement) and the 2010 Financial Report, which will be contained in Appendix A to our 2011 Proxy Statement. The SEC allows us to disclose important information by referring to it in that manner. Please refer to such information. Our 2010 Annual Report to Shareholders consists of the 2010 Financial Report and the Corporate and Shareholder Information attached to the 2011 Proxy Statement. Portions of our 2010 Financial Report are filed as Exhibit 13 to this 2010 Form 10-K. Our 2010 Financial Report will be available on our website *(www.pfizer.com)* on or about February 28, 2011. Our 2011 Proxy Statement will be available on our website on or about March 22, 2011.

Information relating to corporate governance at Pfizer, including our Corporate Governance Principles; Director Qualification Standards; Chief Executive Officer and Chief Financial Officer certifications; Pfizer Policies on Business Conduct (for all of our employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer); Code of Business Conduct and Ethics for our Directors; information concerning our Directors; ways to communicate by e-mail with our Directors; Board Committees; Committee Charters; and transactions in Pfizer securities by Directors and Officers, is available on our website *(www.pfizer.com)*. We will provide any

of the foregoing information without charge upon written request to Matthew Lepore, Vice President and Corporate Secretary, Chief Counsel-Corporate Governance, Pfizer Inc., 235 East 42nd Street, New York, NY 10017-5755. Information relating to shareholder services, including our Shareholder Investment Program, book-entry share ownership and direct deposit of dividends, is also available on our website *(www.pfizer.com)*.

Business Segments

We operate two distinct commercial organizations which constitute our two business segments: Biopharmaceutical and Diversified. Biopharmaceutical includes the Primary Care, Specialty Care, Established Products, Emerging Markets and Oncology customer-focused units, which, in 2010, included products that prevent and treat cardiovascular and metabolic diseases, central nervous system disorders, arthritis and pain, infectious and respiratory diseases, urogenital conditions, cancer, eye disease and endocrine disorders, among others. Diversified includes Animal Health products that prevent and treat diseases in livestock and companion animals; Consumer Healthcare products that include over-the-counter healthcare products such as pain management therapies, cough/cold/allergy remedies, dietary supplements, hemorrhoidal care and other personal care items; Nutrition products such as infant and toddler formula products; and *Capsugel*, which represents our hard capsules business.

Comparative segment information for 2010, 2009 and 2008 is presented in the tables captioned *Segment Revenues and Profit: Segment Assets, Property, Plant and Equipment Additions, and Depreciation and Amortization; Geographic;* and *Revenues by Product* in Note 20 to our consolidated financial statements, *Segment, Geographic and Revenue Information,* in our 2010 Financial Report. The information from those tables in our 2010 Financial Report is incorporated by reference in this 2010 Form 10-K.

Our businesses are heavily regulated in most of the countries in which we operate. In the U.S., the principal authority regulating our operations is the Food and Drug Administration (FDA). The FDA regulates the safety and efficacy of the products we offer and our research quality, manufacturing processes, product promotion, advertising and product labeling. Similar regulations exist in most other countries, and in many countries the government also regulates our prices. See *Government Regulation and Price Constraints* below.

Biopharmaceutical

Revenues from the Biopharmaceutical segment contributed approximately 86% of our total revenues in 2010 and 91% of our total revenues in both 2009 and 2008.

We recorded direct product sales of more than $1 billion for each of 15 Biopharmaceutical products in 2010, and for each of nine legacy Pfizer Biopharmaceutical products in 2009 and 2008. These products represented 60% of our Biopharmaceutical revenues in 2010, 56% of our Biopharmaceutical revenues in 2009 and 60% of our Biopharmaceutical revenues in 2008.

Worldwide Biopharmaceutical revenues in 2010 were $58.5 billion, an increase of 29% compared to 2009, primarily due to the inclusion of operational revenues from legacy Wyeth products of approximately $13.7 billion, which favorably impacted Biopharmaceutical revenues by 30%, the weakening of the U.S. dollar relative to other currencies, primarily the Canadian dollar, Australian dollar, Japanese yen and Brazilian real, which favorably impacted Biopharmaceutical revenues by approximately $900 million, or 2%, partially offset by the decrease in operational revenues of approximately $1.5 billion, or 3%, from legacy Pfizer products overall, including *Norvasc*, *Camptosar*, *Lipitor* and *Detrol/Detrol LA* in 2010.

Geographically, in the U.S., Biopharmaceutical revenues increased 30% in 2010 compared to 2009 primarily due to the inclusion of revenues from legacy Wyeth products of $6.6 billion, which had a favorable impact of 33%, partially offset by lower overall revenues from legacy Pfizer products, including *Lipitor*, *Detrol/Detrol LA*, *Celebrex, Lyrica, Chantix* and *Caduet*, and the impact of increased rebates in 2010 as a result of the impact of the U.S. healthcare legislation enacted in March 2010, all of which had an unfavorable impact of $664 million, or 3%.

In our international markets, Biopharmaceutical revenues increased 28% in 2010 compared to 2009 reflecting the inclusion of operational revenues from legacy Wyeth products of $7.1 billion, which had a favorable impact of 28%, and the favorable impact of foreign exchange on international Biopharmaceutical revenues of approximately $900 million, or 3%, partially offset by lower operational revenues from legacy Pfizer products of $819 million, or 3%. The decrease in operational revenues of legacy Pfizer products was due to lower operational revenues from, among other products, *Lipitor*, *Norvasc* and *Camptosar*, all of which were impacted by the loss of exclusivity in certain international markets.

Biopharmaceutical—Selected Product Descriptions:

- *Lipitor*, for the treatment of elevated LDL-cholesterol levels in the blood, is the most widely-used branded prescription treatment for lowering cholesterol and the best-selling prescription pharmaceutical product of any kind in the world. See *Patents and Intellectual Property Rights* for further information on *Lipitor*.
- *Enbrel* is our treatment for rheumatoid arthritis, polyarticular juvenile rheumatoid arthritis, psoriatic arthritis, plaque psoriasis and ankylosing spondylitis, a type of arthritis affecting the spine. The approval of a number of competing products for the treatment of psoriasis is expected to increase competition with respect to *Enbrel* in 2011. Under our agreement with Amgen Inc. (Amgen), we and Amgen co-promote *Enbrel* in the U.S. and Canada and share in the profits from *Enbrel* sales in those countries. Our co-promotion agreement with Amgen expires in 2013, and we are entitled to a royalty stream for 36 months thereafter, which is significantly less than our current share of *Enbrel* profits from U.S. and Canadian sales. Our exclusive rights to *Enbrel* outside the U.S. and Canada will not be affected by the expiration of the co-promotion agreement.
- *Lyrica* is indicated for the management of post-herpetic neuralgia (PHN), diabetic peripheral neuropathy (DPN), fibromyalgia, and as adjunctive therapy for adult patients with partial onset seizures in the U.S., and for neuropathic pain, adjunctive treatment of epilepsy and general anxiety disorder (GAD) in certain countries outside the U.S.
- *Prevnar/Prevenar 13,* launched in Germany in late 2009 and in the U.S. in early 2010*,* with launches in other markets in 2010, is our 13-valent pneumococcal conjugate vaccine for preventing invasive pneumococcal disease in infants and young children. To date, *Prevnar/ Prevenar 13* has been approved in over 80 countries and launched in over 55 of those countries.
- *Celebrex* is for the treatment of the signs and symptoms of osteoarthritis and rheumatoid arthritis and acute pain in adults. *Celebrex* is supported by continued educational and promotional efforts highlighting its efficacy and safety profile for appropriate patients.
- *Viagra* remains the leading treatment for erectile dysfunction and one of the world's most recognized pharmaceutical brands after more than a decade. *Viagra* began facing generic competition in Spain and Finland in December 2009.
- *Xalabrands* consists of *Xalatan*, a prostaglandin, the world's leading branded agent to reduce elevated eye pressure in patients with open-angle glaucoma or ocular hypertension and *Xalacom***,** a fixed combination prostaglandin (*Xalatan)* and beta blocker (timolol), available outside the U.S. We expect to lose exclusivity for *Xalatan* in the U.S. in March 2011 and for *Xalatan* and *Xalacom* in the majority of major European markets in July 2011. We are, however, pursuing a pediatric extension in Europe. If successful, exclusivity in the majority of major European markets will be extended by six months to January 2012.
- *Effexor XR* (extended release capsules) is our antidepressant for treating adult patients with major depressive disorder, generalized anxiety disorder, social anxiety disorder and panic disorder. *Effexor XR* faces generic competition outside the U.S. and has faced generic competition in the U.S. since July 1, 2010. This generic competition had in 2010, and will continue to have a significant adverse impact on our revenues for *Effexor XR*.
- *Norvasc*, for treating hypertension, lost exclusivity in the U.S. in March 2007 and has also experienced patent expirations in other major markets, including Canada, in July 2009.

- *Prevnar/Prevenar* (*7-valent*) is our 7-valent pneumococcal conjugate vaccine for preventing invasive pneumococcal disease in infants and young children. Certain markets have transitioned from the use of *Prevnar/Prevenar (7-valent)* to *Prevnar/Prevenar 13* (see discussion above) resulting in lower revenues for *Prevnar/Prevenar (7-valent).* We expect this trend to continue.
- *Zyvox* is the world's best-selling branded agent for the treatment of certain serious Gram-positive pathogens, including Methicillin-Resistant Staphylococcus-Aureus in complicated skin structure infections and nosocomial pneumonia.
- Our *Premarin* family of products remains the leading therapy to help women address moderate to severe menopausal symptoms.
- *Sutent* is for the treatment of advanced renal cell carcinoma, including metastatic renal cell carcinoma (mRCC), and gastrointestinal stromal tumors (GIST) after disease progression on, or intolerance to, imatinib mesylate. We continue to drive total revenue and prescription growth, supported by cost-effectiveness data and efficacy data in first-line mRCC—including two-year survival data, which represents the first time overall survival of two years has been seen in the treatment of advanced kidney cancer, as well as through access and healthcare coverage. As of December 31, 2010, *Sutent* was the best-selling medicine in the world for the treatment of first-line mRCC. On July 1, 2010, the FDA approved revised labeling for *Sutent*, which includes a boxed warning concerning hepatotoxicity and related changes to the warnings and precautions section. Over 91,000 patients worldwide have been treated with *Sutent*. The risk-benefit profile of *Sutent* in both mRCC and second-line GIST has been well established through large, randomized clinical trials evaluating its safety and efficacy. Sutent remains an important treatment option for these two difficult-to-treat cancers.
- *Geodon/Zeldox,* an atypical antipsychotic, is indicated for the treatment of schizophrenia, as monotherapy for the acute treatment of bipolar manic or mixed episodes, and as an adjunct to lithium or valproate for the maintenance treatment of bipolar disorder.
- *Detrol/Detrol LA*, a muscarinic receptor antagonist, is the most prescribed branded medicine worldwide for overactive bladder. *Detrol LA* is an extended-release formulation taken once a day.
- *Zosyn/Tazocin* our broad-spectrum intravenous antibiotic, faces generic competition in the U.S. and certain other markets.
- *Genotropin*, the world's leading human growth hormone, is used in children for the treatment of short stature with growth hormone deficiency, Prader-Willi Syndrome, Turner Syndrome, Small for Gestational Age Syndrome, Idiopathic Short Stature (in the U.S. only) and Chronic Renal Insufficiency (outside the U.S. only), as well as in adults with growth hormone deficiency. Genotropin is supported by a broad platform of innovative injection-delivery devices.
- *Vfend*, as the only branded agent available in intravenous and oral forms, continued to build on its position as the best-selling systemic, antifungal agent worldwide in 2010. *Vfend's* overall global sales continued to be driven in 2010 by its acceptance as an excellent broad-spectrum agent for treating yeast and molds. In October 2009, we settled a challenge by Mylan, Inc. (Mylan) and its subsidiary, Matrix Laboratories Limited (Matrix), to four of our patents relating to *Vfend* by entering into an agreement granting Matrix and another subsidiary of Mylan the right to market voriconazole (generic *Vfend*) tablets in the U.S. Pursuant to that settlement agreement, Matrix and the other Mylan subsidiary launched their generic voriconazole tablet in the U.S. in February 2011. In addition, the basic patent for *Vfend* tablets in Brazil expired in January 2011.
- *Protonix* (pantoprazole sodium) is our proton pump inhibitor for gastroesophageal reflux disease. We have an exclusive license from Nycomed GmbH to sell *Protonix* in the U.S., where it faces generic competition as the result of at-risk launches by certain manufacturers that began in 2007 and the expiration of the basic U.S. patent (including the six-month pediatric exclusivity period) in January 2011.

- *Chantix/Champix,* the first new prescription treatment to aid smoking cessation in nearly a decade, has been launched in all major markets. We are continuing our educational and promotional efforts, which are focused on the *Chantix* benefit-risk proposition, the significant health consequences of smoking and the importance of the physician-patient dialogue in helping patients quit smoking.
- *BeneFIX, ReFacto AF, Xyntha* are hemophilia products that assist patients with lifelong bleeding disorder. *BeneFIX* is the only available recombinant factor IX product for the treatment of hemophilia B, while *ReFacto AF/Xyntha* are recombinant factor VIII products for the treatment of hemophilia A. Both products are indicated for the control and prevention of bleeding in patients with these disorders and in some countries also are indicated for prophylaxis in certain situations, such as surgery.
- *Caduet* is a single pill therapy combining *Lipitor* and *Norvasc* for the prevention of cardiovascular events. We expect that *Caduet* will lose exclusivity in the U.S. in November 2011.
- *Revatio* is for the treatment of pulmonary arterial hypertension.
- *Pristiq* was approved for the treatment of Major Depressive Disorder (MDD) in the U.S. in February 2008 and subsequently was approved for that indication in 28 other countries. *Pristiq* has also been approved for treatment of moderate-to-severe vasomotor symptoms (VMS) associated with menopause in Thailand, Mexico and the Philippines.
- *Aricept*, discovered and developed by Eisai Co., Ltd., is the world's leading medicine to treat symptoms of Alzheimer's disease. We co-promote *Aricept* with Eisai in the U.S. and several other countries and have an exclusive license to sell this medicine in certain other countries. We lost exclusivity for *Aricept* 5 mg. and 10 mg. tablets in the U.S. in November 2010. We expect that the *Aricept* 23mg. tablet will have exclusivity in the U.S. until July 2013.
- *Spiriva* is our inhaled maintenance prescription treatment for breathing problems associated with chronic obstructive pulmonary disease (COPD), a lung condition that includes chronic bronchitis, emphysema, or both. We co-promote *Spiriva* in the U.S. with Boehringer Ingelheim Pharmaceuticals, Inc.

Diversified

Worldwide Diversified revenues increased 114% in 2010 compared to 2009 due to the inclusion of operational revenues from legacy Wyeth products of approximately $4.4 billion in 2010, which favorably impacted Diversified revenues by 106%. The increase was primarily due to the addition of the legacy Wyeth Consumer Healthcare and Nutrition operations. In addition, worldwide Diversified revenues were favorably impacted by the operational revenue increase in legacy Pfizer Diversified businesses of 3% in 2010, and the favorable impact of foreign exchange of 5%.

Animal Health

Our Animal Health unit is one of the largest in the world. We discover, develop and sell products for the prevention and treatment of diseases in livestock and companion animals. Revenues from Animal Health products increased by 29% in 2010 compared to 2009, reflecting the inclusion of operational revenues from legacy Wyeth Animal Health products of 22%, higher operational revenues from legacy Pfizer Animal Health products of 4% due primarily to growth in the companion animal and livestock business and the favorable impact of foreign exchange of 3%. The following factors impacted 2010 results:

- the first full year of sales associated with the acquisition of Fort Dodge Animal Health from Wyeth; and
- improving economic conditions.

Among the products we market are vaccines, anti-infectives, anti-inflammatories, antiemetics and parasiticides, including the following products:

- *Startect* is a new product combining two anthelmintics to deliver a broad spectrum control of parasitic worm infestation in sheep.
- *Improvac* is a novel gonadotropin releasing factor (GnRF) vaccine for swine that prevents boar taint.

- *Palladia* is a treatment of mast cell tumors, a common form of cancer that affects dogs; it works by killing tumor cells and by cutting off the blood supply to the tumor.
- *Convenia* is an anti-infective for dogs and cats that delivers an assured full course of therapy from a single injection.
- *Cerenia* is a selective NK-1 receptor antagonist for the treatment and prevention of vomiting in dogs and for the prevention of motion sickness.
- *Revolution/Stronghold* is a topically administered parasiticide for dogs and cats that controls a number of different parasites such as fleas and heartworm.
- *Rimadyl* relieves pain and inflammation associated with canine osteoarthritis and soft tissue orthopedic surgery.
- *Draxxin* is an effective and convenient single dose anti-infective used to treat infections in cattle and swine.
- *Excede* is an effective and convenient single-dose anti-infective used to treat infections in dairy cows, beef cattle and swine.
- *Zulvac* provides a highly effective vaccination program for cattle against the viral disease, bluetongue.

Consumer Healthcare

Consumer Healthcare is the fifth-largest over-the-counter healthcare products company in the world and sells two of the ten largest selling over-the-counter brands (*Centrum and Advil*) in the world. Consumer Healthcare revenues totaled $2.8 billion for 2010. The Consumer Healthcare unit holds strong positions in various geographic markets with its highest revenue volume in the U.S., Canada, the People's Republic of China, Italy, Germany, Brazil and Australia. Major categories and product lines include:

- Dietary Supplements: *Centrum* brands (including *Centrum, Centrum Silver*, *Centrum Men's* and *Women's*, *Centrum Performance*, *Centrum Cardio* and *Centrum Kids*), *Caltrate*;
- Pain Management: *Advil* brands (including *Advil, Advil PM*, *Advil Liqui-Gels, Children's Advil, Infant's Advil, Advil Migraine), ThermaCare;*
- Respiratory: *Robitussin, Advil Cold & Sinus*, *Advil Congestion Relief, Dimetapp*;
- Personal Care: *ChapStick, Preparation H.*

Nutrition

Pfizer Nutrition is a leader in infant nutritionals in the markets in which we operate. We have a focused presence in key markets throughout Asia, the Middle East, Europe and Latin America with China, the Philippines, the U.K., Mexico and Australia being among our top markets. As part of Pfizer, Nutrition continues to have enhanced opportunities to grow in new and existing markets, as well as to leverage the Company's strengths in order to accelerate innovation and develop new products. Nutrition's revenues totaled $1.9 billion in 2010.

Nutrition products include our *S26 Preterm Feeding System*, specialty formulas such as *S26 PE Gold, S26 HA Gold* and a range of age-specific products that include *S26 PE Gold, Progress*, *Promil and Promise.*

Capsugel

Capsugel has a diverse product line that includes not only hard gelatin capsules, but also liquid, softgel, non-animal, and fish gelatin capsules, all for use in pharmaceutical and dietary supplement dosage delivery. Revenues of $752 million for 2010 represent an increase of $12 million versus 2009, with no meaningful impact from foreign exchange. Revenue in the 2009 period prior to the acquisition of Wyeth includes $5 million of Capsugel sales to Wyeth. Post-acquisition, these sales are considered intercompany and eliminated from consolidated Pfizer results. We are currently reviewing strategic alternatives for Capsugel, which may include divestiture.

Research and Development

Innovation by our research and development operations is very important to the Company's success. Our goal is to discover, develop and bring to market innovative products that address major unmet medical needs. We spent $9.4 billion in 2010, $7.8 billion in 2009 and $7.9 billion in 2008 on research and development.

We conduct research internally and also through contracts with third parties, through collaborations with universities and biotechnology companies and in cooperation with other pharmaceutical firms. We also seek out promising compounds and innovative technologies developed by third parties to incorporate into our discovery or development processes or projects, as well as our product lines, through acquisition, licensing or other arrangements.

Drug discovery and development is time-consuming, expensive and unpredictable. According to the Pharmaceutical Research and Manufacturers of America (PhRMA), out of 5,000-10,000 screened compounds, only 250 enter preclinical testing, five enter human clinical trials and one is approved by the FDA. The process from early discovery or design to development to regulatory approval can take more than ten years. Drug candidates can fail at any stage of the process. Candidates may not receive regulatory approval even after many years of research.

As of year-end 2010, we had about 374 projects in research and development, ranging from discovery through registration, of which 116 programs are in Phase 1 through registration. At year-end 2010, our Phase III portfolio contained 24 programs. While these new candidates may or may not eventually receive regulatory approval, new drug candidates entering clinical development phases are the foundation for future products.

In addition to discovering and developing new products, our research operations seek to add value to our existing products by improving their effectiveness and by discovering new uses for them.

Information concerning several of our drug candidates in development, as well as supplemental filings for existing products, is set forth under the heading *Product Developments* in our 2010 Financial Report. That information is incorporated by reference.

Our competitors also devote substantial funds and resources to research and development. We also compete against numerous small biotechnology companies in developing potential drug candidates. The extent to which our competitors are successful in their research could result in erosion of the sales of our products and unanticipated product obsolescence.

On February 1, 2011, we announced a focus on disease areas where we believe we can deliver the greatest medical and commercial success. Our high-priority therapeutic areas are immunology and inflammation, oncology, cardiovascular and metabolic diseases, neuroscience and pain, and vaccines. Key steps in this process include the planned reduction in the number of disease areas we will focus on as well as a realigned research and development footprint. As a result, we expect significant reductions in our annual research and development expenses.

International Operations

We have significant operations outside the United States. They are managed through the same segments as our U.S. operations—Biopharmaceutical and Diversified.

Revenues from operations outside the U.S. of $38.8 billion accounted for 57% of our total revenues in 2010. Revenues exceeded $500 million in each of 18 countries outside the U.S. in 2010. The U.S. was the only country to contribute more than 10% of our total revenues, comprising 43% of total revenues in both 2010 and 2009 and 42.3% of total revenues in 2008. Japan is our second-largest national market, with 7.5% of total revenues in 2010, 8.5% of total revenues in 2009 and 7.7% of total revenues in 2008.

For a geographic breakdown of revenues and changes in revenues, see the table captioned *Geographic* in Note 20 to our consolidated financial statements, *Segment, Geographic and Revenue Information,* in our 2010 Financial Report and the table captioned *Revenues by Segment and Geographic Area* in our 2010 Financial Report. Those tables are incorporated by reference.

Our international businesses are subject, in varying degrees, to a number of risks inherent in carrying on business in other countries. These include currency fluctuations, capital and exchange control regulations, expropriation and other restrictive government actions. Our international businesses are also subject to government-imposed constraints, including laws and regulations on pricing, reimbursement and access to our products. See *Government Regulation and Price Constraints* below for a discussion of these matters.

Depending on the direction of change relative to the U.S. dollar, foreign currency values can increase or decrease the reported dollar value of our net assets and results of operations. In 2010, both revenues and net income were favorably impacted by foreign exchange in general, as foreign currency movements relative to the U.S. dollar increased our revenues and net income in many countries. While we cannot predict with certainty future changes in foreign exchange rates or the effect they will have on us, we attempt to mitigate their impact through operational means and by using various financial instruments. See the discussion under Note 9-E to our consolidated financial statements, *Financial Instruments: Derivative Financial Instruments and Hedging Activities* in our 2010 Financial Report. That discussion is incorporated by reference. Related information about valuation and risks associated with such financial instruments in part F of that Note is also incorporated by reference.

Marketing

In our global Biopharmaceutical segment, we promote our products to healthcare providers and patients. Through our marketing organizations, we explain the approved uses, benefits and risks of our products to healthcare providers, such as doctors, nurse practitioners, physician assistants, pharmacists, hospitals, Pharmacy Benefit Managers (PBMs), Managed Care Organizations (MCOs), employers and government agencies. We also market directly to consumers in the U.S. through direct-to-consumer advertising that communicates the approved uses, benefits and risks of our products while continuing to motivate people to have meaningful conversations with their doctors. In addition, we sponsor general advertising to educate the public on disease awareness, prevention and wellness, important public health issues, and our patient assistance programs.

In January 2009, we announced the creation of customer-focused units within our Biopharmaceutical segment to better meet the diverse needs of physicians, patients and our customers while maximizing value for our Company and our shareholders.

The Biopharmaceutical segment includes five human health, customer-focused units: Primary Care, Specialty Care, Oncology, Established Products and Emerging Markets. Upon the closing of the Wyeth acquisition on October 15, 2009, our Specialty Care customer-focused unit expanded to include vaccines.

In April 2009 in the U.S., we also restructured into regional units in order to create a more flexible organization empowered to identify and address local market dynamics and customer needs. Our structure aligns the sales, marketing, and medical functions to work closely to meet the needs of key customer segments while ensuring common coordination, focus and accountability across the organizations.

Our prescription pharmaceutical products are sold principally to wholesalers, but we also sell directly to retailers, hospitals, clinics, government agencies and pharmacies. We seek to gain access to healthcare authority, PBM and MCO formularies (lists of recommended, approved, and/or reimbursed medicines and other products). We also work with MCOs, PBMs, employers and other appropriate healthcare providers to assist them with disease management, patient education and other tools that help their medical treatment routines.

During 2010, Pfizer revenues generated from our three largest biopharmaceutical wholesalers were as follows:

- McKesson, Inc.—14% of our total revenues;
- Cardinal Health, Inc.—10% of our total revenues; and
- AmerisourceBergen Corporation—9% of our total revenues.

Sales to these wholesalers were concentrated in the Biopharmaceutical segment. Apart from these instances, neither of our business segments is dependent on any one customer or group of related customers.

Our global Diversified segment consists of four global units: Animal Health, Consumer Healthcare, Nutrition and Capsugel. Each unit utilizes its own sales and marketing organization to promote its products, and each occasionally uses distributors in smaller markets.

Our Animal Health unit's advertising and promotions are generally targeted to healthcare professionals. Animal Health products are sold through veterinarians, distributors and retail outlets as well as directly to users.

Our Consumer Healthcare unit's advertising and promotions are generally targeted to consumers through television, print and other media advertising, as well as through in-store promotion. Consumer Healthcare products are sold through a wide variety of channels, including distributors, pharmacies, retail chains and grocery and convenience stores.

Our Nutrition unit supports and adheres to the World Health Organization code and national codes on the marketing of breast milk substitutes. Nutrition encourages breastfeeding as the best nutrition for infants, and provides important products for infants who are not exclusively breastfed. Advertising and promotion of our Nutrition products for older children and adults generally target consumers and healthcare professionals through print and media advertising and television. Our Nutrition products are sold through a wide variety of channels, including distributors, pharmacies, hospitals and modern and traditional retailers.

Patents and Intellectual Property Rights

Our products are sold around the world under brand-name, logo and certain product design trademarks that we consider in the aggregate to be of material importance. Trademark protection continues in some countries for as long as the mark is used and, in other countries, for as long as it is registered. Registrations generally are for fixed, but renewable, terms.

We own or license a number of U.S. and foreign patents. These patents cover pharmaceutical and other products and their uses, pharmaceutical formulations, product manufacturing processes and intermediate chemical compounds used in manufacturing.

Patents for individual products extend for varying periods according to the date of patent filing or grant and the legal term of patents in the various countries where patent protection is obtained. The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage and the availability of legal remedies in the country.

In the aggregate, our patent and related rights are of material importance to our businesses in the U.S. and most other countries. Based on current product sales, and considering the vigorous competition with products sold by others, the patent rights we consider most significant in relation to our business as a whole, together with the year in which the U.S. basic product patent expires (including, where applicable, the additional six-month pediatric exclusivity period), are those for the drugs set forth in the table below.

Drug	U.S. Basic Product Patent Expiration Year
Effexor/Effexor XR	2008 (see below)
Aricept	2010
Lipitor	2010
BeneFIX	2011
Xalatan	2011
Geodon	2012
Viagra	2012
Detrol	2012
Celebrex	2014
Prempro	2015
Zyvox	2015
Lyrica	2018
Chantix	2020
Sutent	2021

In some instances, there are later-expiring patents relating to our products directed to particular forms or compositions of the drug or to methods of manufacturing or using the drug in the treatment of particular diseases or conditions. However, in some cases, such patents may not protect the Company's drug from generic competition after the expiration of the basic patent.

Aricept is patented by Eisai Co., Ltd (Eisai). We co-promote *Aricept* with Eisai in the U.S. and several other countries and have an exclusive license to sell the drug in certain other countries. We lost exclusivity for *Aricept* 5 mg. and 10 mg. tablets in the U.S. in November 2010. We expect that the *Aricept* 23mg. tablet will have exclusivity in the U.S. until July 2013.

We have exclusive rights to *Enbrel* outside the U.S. and Canada and we co-promote *Enbrel* with Amgen in the U.S. and Canada.

In addition to our U.S. basic product patent for *Lipitor,* which (including the pediatric exclusivity

period) expired in March 2010, we have a patent covering specifically the enantiomeric form of the drug, which (including the pediatric exclusivity period) expires in June 2011. We have granted Watson Laboratories, Inc. (Watson) the exclusive right to sell the authorized generic version of *Lipitor* in the U.S. for a period of five years, which is expected to commence in November 2011. As Watson's exclusive supplier, we will manufacture and sell generic atorvastatin tablets to Watson. In markets outside the U.S., *Lipitor* has lost exclusivity in certain countries and will lose exclusivity at various times in other countries. The *Lipitor* compound patent will expire in November 2011; however, we are pursuing a pediatric extension in the European Union (EU). If successful, this exclusivity in the majority of major European markets will be extended by six months to May 2012. See Note 19 to our consolidated financial statements, *Legal Proceedings and Contingencies,* in our 2010 Financial Report regarding pending legal challenges to our *Lipitor* patents in the U.S.

Norvasc, Effexor/Effexor XR, *Vfend* tablets, *Zosyn/Tazocin* and *Protonix* face generic competition in the U.S.

Companies have filed applications with the FDA seeking approval of products that we believe infringe our patents covering, among other products, *Lipitor, Caduet, Viagra*, *Detrol/Detrol LA, Lyrica*, *Tygacil, Sutent*, *Rapamune*, *Relpax* and *Zyvox*. Wyeth and a subsidiary of Wyeth are defendants in a lawsuit alleging that their *ReFacto* and *Xyntha* products infringe the patents of another company.

We also have other patent rights covering additional products that have lesser revenues than most of the products set forth in the table above. Of these, we expect to lose exclusivity in the U.S. for *Caduet* and *Aromasin* in 2011.

The expiration of a basic product patent or loss of patent protection resulting from a legal challenge normally results in significant competition from generic products against the originally patented product and can result in a significant reduction in sales of that product in a very short period. In some cases, however, we can continue to obtain commercial benefits from product manufacturing trade secrets; patents on uses for products; patents on processes and intermediates for the economical manufacture of the active ingredients; patents for special formulations of the product or delivery mechanisms; and conversion of the active ingredient to over-the-counter products.

Our biotechnology products, including *Enbrel* and the *Prevnar* family, may face competition from biosimilars (also referred to as "follow-on biologics"). Such biosimilars would reference biotechnology products already approved under the U.S. Public Health Service Act. Abbreviated legal pathways for the approval of biosimilars exist in certain international markets and now, with the passage of legislation in 2010, a framework for such approval exists in the U.S. S*ee Government Regulation and Price Constraints* below.

In Europe, the European Commission has granted marketing authorizations for several biosimilars pursuant to a set of general and product class-specific guidelines for biosimilar approvals issued over the past few years. If competitors are able to obtain marketing approval for biosimilars referencing our biotechnology products, our biotechnology products may become subject to competition from biosimilars, with the attendant competitive pressure. Expiration or successful challenge of applicable patent rights could generally trigger this competition, assuming any relevant exclusivity period has expired.

We expect that we may face more litigation with respect to the validity and/or scope of patents relating to our biotechnology products with substantial revenue.

One of the main limitations on our operations in some countries outside the U.S. is the lack of effective intellectual property protection for our products. Under international and U.S. free trade agreements in recent years, global protection of intellectual property rights has been improving. The World Trade Organization Agreement on Trade Related Aspects of Intellectual Property (WTO-TRIPs) required participant countries to amend their intellectual property laws to provide patent protection for pharmaceutical products by 2005 with an extension until 2016 for least-developed nations. A number of countries have made improvements. We have experienced significant growth in our businesses in some of those nations, and our continued business expansion in other participant countries depends to a large degree on further patent protection improvement.

Competition

Our businesses are conducted in intensely competitive and often highly regulated markets. Many of our human prescription pharmaceutical products face competition in the form of branded drugs or generic drugs that treat similar diseases or indications. The principal forms of competition include efficacy, safety, ease of use, and cost effectiveness. Though the means of competition vary among product categories and business groups, demonstrating the value of our products is a critical factor for success in all of our principal businesses.

Our acquisition of Wyeth in October 2009 created a broader, more diverse portfolio and pipeline with industry-leading positions in potential high-growth areas, further strengthened by new capabilities in biotechnology and vaccines. The addition of Wyeth not only strengthens our presence in the United States and Europe, but also enhances our abilities to provide emerging markets in China, Latin America, Africa, and the Middle East with high-quality, innovative medicines.

Our competitors include other worldwide research-based drug companies, smaller research companies with more limited therapeutic focus, and generic drug and consumer healthcare manufacturers. We compete with other companies that manufacture and sell products that treat similar diseases or indications as our major products.

Such competition affects our core product business, which is focused on applying innovative science to discover and market products that satisfy unmet medical needs and provide therapeutic improvements. Our emphasis on innovation is underscored by our multi-billion-dollar investment in research and development, as well as our emphasis on business development over the past decade, all resulting in a strong product pipeline. Our investment in research does not stop with drug approval; we continue to invest in further understanding the value of our products for the conditions they treat as well as potential new applications. We seek to protect the health and well-being of patients by ensuring that medically sound knowledge of the benefits and risks of our medicines is understood and communicated to patients, physicians and global health authorities. We also continue to enhance the organizational effectiveness of all of our Biopharmaceutical functions, including coordinating support for our salespersons' efforts to accurately and ethically launch and promote our products to our customers.

Operating conditions have become more challenging under the mounting global pressures of competition, industry regulation and cost containment. We continue to take measures to evaluate, adapt and improve our organization and business practices to better meet customer and public needs. For instance, we restructured into regional units in order to create a more flexible organization empowered to identify and address local market dynamics and customer needs. We have taken an industry-leading role in evolving our approaches to U.S. direct-to-consumer advertising, interactions with, and payments to, healthcare professionals and medical education grants. We also continue to sponsor programs to address patient affordability and access barriers, as we strive to advance fundamental health system change through support for better healthcare solutions.

While our Animal Health unit is one of the largest in the world, many other companies offer competing products. Altogether, there are hundreds of producers of animal health products throughout the world. The principal methods of competition vary somewhat depending on the particular product. They include product innovation, quality, price, service and effective promotion to veterinary professionals and consumers.

Our Consumer Healthcare unit faces competition from over-the-counter business units in other major pharmaceutical and consumer packaged goods companies as well as retailers who carry their own private label brands. Our competitive position is affected by several factors, including the amount and effectiveness of our and our competitors' promotional resources; customer acceptance; product quality; our and our competitors' introduction of new products, ingredients, claims, dosage forms, or other forms of innovation; pricing and regulatory and legislative matters (e.g., product labeling, patient access, prescription to over-the-counter switches, etc.).

Our Nutrition unit has many competitors, including several multinational companies, as well as numerous local, privately-owned brands. Our competitive position is affected by several factors, including the amount of resources deployed by

competitors to develop, enhance and promote products; the increasing pace of product and packaging innovation in the category; the effectiveness of our promotional efforts; customer acceptance; product quality; new product launches; development of alternative products by competitors; growth of lower-cost private label brands; regulatory and legislative issues; and scientific and technological advances.

Managed Care Organizations

The growth of MCOs in the U.S. has been a major factor in the competitive makeup of the healthcare marketplace. Approximately 250 million people in the U.S. now participate in some version of managed care. Because of the size of the patient population covered by MCOs, the marketing of prescription drugs to them and the PBMs that serve many of those organizations continues to grow in importance.

MCOs can include medical insurance companies, medical plan administrators, health maintenance organizations, alliances of hospitals and physicians and other physician organizations. The purchasing power of MCOs has increased in recent years due to the growing numbers of patients enrolled in MCOs. At the same time, those organizations have been consolidating into fewer, even larger entities. This consolidation enhances their purchasing strength and importance to us.

The growth of MCOs has increased pressure on drug prices. One objective of MCOs is to contain and, where possible, reduce healthcare expenditures. They typically use formularies, volume purchases and long-term contracts to negotiate discounts from pharmaceutical providers. MCOs use their purchasing power to bargain for lower supplier prices. They also emphasize primary and preventive care, out-patient treatment and procedures performed at doctors' offices and clinics. Hospitalization and surgery, typically the most expensive forms of treatment, are carefully managed. Since the use of certain drugs can prevent the need for hospitalization, professional therapy or even surgery, such drugs can become favored first-line treatments for certain diseases.

As discussed above in *Marketing*, MCOs and PBMs typically develop formularies. Formularies can be based on the prices and therapeutic benefits of the available products. Due to their generally lower cost, generic medicines are often favored. The breadth of the products covered by formularies can vary considerably from one MCO to another and many formularies include alternative and competitive products for treatment of particular medical problems. MCOs use a variety of means to encourage patients' use of products listed on their formularies.

Exclusion of a product from a formulary or other restrictions, such as requiring prior authorizations, can lead to its sharply reduced usage in the MCO patient population. Consequently, pharmaceutical companies compete aggressively to have their products included. Where possible, companies compete for inclusion based upon unique features of their products, such as greater efficacy, better patient ease of use or fewer side effects. A lower overall cost of therapy is also an important factor. Products that demonstrate fewer therapeutic advantages must compete for inclusion based primarily on price. We have been generally, although not universally, successful in having our major products included on most MCO formularies.

The impact of MCOs on drug prices and volumes has increased as the result of their role in negotiating on behalf of Medicare beneficiaries in connection with the Medicare out-patient Prescription Drug Benefit, Medicare Part D, that took effect January 1, 2006. MCOs and PBMs negotiate on behalf of the federal government as Prescription Drug Plans (PDPs). We have been generally, although not universally, successful in having our major products that are used by the senior population included on the formularies of the Medicare PDPs in 2010.

Generic Products

One of the biggest competitive challenges that we face is from generic pharmaceutical manufacturers. Upon the expiration or loss of patent protection for a product, especially a small molecule product, we can lose the major portion of sales of that product in a very short period. Several such competitors make a regular practice of challenging our product patents before their expiry. Generic competitors operate without our large research and development expenses and our costs of conveying medical information about our products to the medical community. In addition, the FDA approval

process exempts generics from costly and time-consuming clinical trials to demonstrate their safety and efficacy, allowing generic manufacturers to rely on the safety and efficacy data of the innovator product. Generic products need only demonstrate a level of availability in the bloodstream equivalent to that of the innovator product. This means that generic competitors can market a competing version of our product after the expiration or loss of our patent and charge much less.

In addition, our patent-protected products can face competition in the form of generic versions of branded products of competitors that lose their market exclusivity.

As noted above, MCOs that focus primarily on the immediate cost of drugs often favor generics over brand-name drugs. Many governments also encourage the use of generics as alternatives to brand-name drugs in their healthcare programs, including Medicaid in the U.S. Laws in the U.S. generally allow, and in some cases require, pharmacists to substitute generic drugs that have been rated under government procedures to be therapeutically equivalent to brand-name drugs. The substitution must be made unless the prescribing physician expressly forbids it. In the U.S., Pfizer's Greenstone subsidiary sells generic versions of Pfizer's as well as certain of our competitors' pharmaceutical products upon loss of exclusivity, as appropriate.

Raw Materials

Raw materials essential to our businesses are purchased worldwide in the ordinary course of business from numerous suppliers. In general, these materials are available from multiple sources. No serious shortages or delays were encountered in 2010, and none are expected in 2011. However, select agricultural-based materials have from time to time increased in price due to short-term imbalances between supply and demand. We have successfully secured these materials to meet our requirements in these circumstances but generally at higher prices than those historically paid.

Government Regulation and Price Constraints

In the United States

General. Pharmaceutical companies are subject to extensive regulation by national, state and local agencies in the countries in which they do business. Of particular importance is the FDA in the U.S. It has jurisdiction over our Biopharmaceutical products and administers requirements covering the testing, safety, effectiveness, manufacturing, labeling, marketing, advertising and post-marketing surveillance of these products. The FDA also regulates our Consumer Healthcare, Nutrition and Capsugel products as well as our Animal Health products. The U.S. Department of Agriculture and the U.S. Environmental Protection Agency also regulate some of our products.

In addition, many of our activities are subject to the jurisdiction of various other federal regulatory and enforcement departments and agencies, such as the Department of Health and Human Services (HHS), the Federal Trade Commission (which also has the authority to regulate the advertising of consumer healthcare products including over-the-counter drugs and dietary supplements) and the Department of Justice. Individual states, acting through their attorneys general, have become active as well, seeking to regulate the marketing of prescription drugs under state consumer protection and false advertising laws.

We are subject to possible administrative and legal proceedings and actions by these various regulatory bodies. See Note 19 to our consolidated financial statements, *Legal Proceedings and Contingencies,* in our 2010 Financial Report. Such actions may involve product recalls, seizures and other civil and criminal sanctions.

Healthcare Reform. In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (commonly referred to as the Affordable Care Act (ACA)), was enacted in the U.S. The provisions of the ACA are effective on various dates over the next several years. The principal provisions affecting the biopharmaceutical industry include:

- an increase in the minimum Medicaid rebate on prescription drugs from 15.1% to 23.1%, (effective January 1, 2010) and the extension of rebates to Medicaid managed care organizations (effective March 23, 2010);

- discounts of 50% on branded pharmaceutical sales to Medicare Part D beneficiaries in the Medicare coverage gap, known as the "doughnut hole" (effective January 1, 2011); and
- a non-deductible annual fee payable to the federal government based on a company's prior calendar year share of branded prescription drug sales to specified government programs (effective January 1, 2011 through 2018).

The ACA is estimated to result in the coverage of 32 million uninsured individuals. Approximately half of this will occur through an expansion of the Medicaid program. Effective in 2014, individuals with incomes below 133% of the federal poverty level (FPL) will be eligible for Medicaid. The remainder will be covered with private sector coverage either through their employer or the new state-based Health Insurance Exchanges. With limited exceptions, individuals who fail to purchase health insurance will pay a penalty. Individuals with incomes between 100%—400% of FPL will be eligible for subsidies to help pay for coverage.

Expanding insurance coverage and other costs are expected to represent a relatively modest gain to overall pharmaceutical sales as the newly insured are principally young and relatively healthy. At the same time, the rebates, discounts, taxes and other costs associated with the ACA are a significant cost to the industry.

The ACA created the Independent Payment Advisory Board (IPAB), a 15-member panel appointed by the President with the advice and consent of the Senate. The IPAB is charged with developing proposals to "reduce the per capita rate of growth in Medicare spending" in the event that the actual Medicare per capita growth rate exceeds a specified target. Unless Congress acts to alter the proposals, they will be automatically implemented. The IPAB cannot directly ration care, raise premiums, increase cost sharing, or otherwise restrict benefits or modify eligibility. If it fails to act, the Secretary of HHS is directed to prepare a proposal. The IPAB is prohibited by statute from making payment reductions to certain sectors such as hospitals and home health agencies, which increases the risk that the IPAB will propose to limit access to pharmaceutical treatments or mandate price controls for our products.

The ACA also establishes a Patient Centered Outcomes Research Institute (PCORI), a private, non-profit corporation empowered to fund and disseminate comparative effectiveness research (CER) and build infrastructure for improved outcomes analysis. PCORI will have no ability to impose formulary changes directly in government-funded health programs. We expect that due to the PCORI as well as the underlying market demand for data-driven differentiation, CER studies will have growing influence on access. Overseeing and managing the PCORI is an advisory board drawn from multiple and varied stakeholder organizations, including the pharmaceutical industry. Pfizer's Chief Medical Officer currently serves as the industry representative on the advisory board.

The ACA defines a set of essential benefits that must be covered for health benefits to qualify to meet the requirements of the ACA mandates. Prescription drugs are defined as an essential benefit in the legislation. Regulation may offer additional specificity on what exactly should be covered (for example, that branded drugs and generics should be covered). Essential benefits are defined to be comparable to current employer plans.

Changes in the Enforcement Environment. The ACA expands the government's investigative and enforcement authority and increases the penalties for fraud and abuse, including amendments to both the False Claims Act and the Anti-Kickback Statute to make it easier to bring suit under these statutes. The ACA also allocates additional resources and tools for the government to police healthcare fraud, with expanded subpoena power for HHS, additional funding to investigate fraud and abuse, and expanded use of Recovery Audit Contractors for enforcement.

Starting in 2012, pharmaceutical manufacturers will be required to record any transfers of value made to doctors and teaching hospitals and to disclose such data to HHS, with the initial disclosure to HHS due in 2013. In addition to civil penalties for failure to report transfers of value to physicians or teaching hospitals, there will be criminal penalties if a manufacturer intentionally makes false statements in such reports. Further, the increased access to such data by fraud and abuse investigators could potentially raise the risk of liability for improper payments under the False Claims Act.

Medicare. Medicare Part D went into effect on January 1, 2006. Elderly and disabled beneficiaries have access to the Medicare drug benefit through private plans approved by the federal government. Beneficiaries with low incomes and modest assets are eligible for assistance with Part D plan premiums and cost sharing. Nationally, the share of such beneficiaries with comprehensive drug coverage increased from 59% in 2005 to over 90% in 2010. Also in 2010, 17.7 million people were enrolled in stand-alone Prescription Drug Plans, while 9.6 million were enrolled in Medicare Advantage Plans or in other types of health plans with prescription drug coverage. Medicare beneficiaries report high levels of satisfaction with an overwhelming majority saying the program works well. In addition, the program costs less than originally expected. According to the 2010 Medicare Trustees Report, total Part D costs have declined 41%, or $261 billion, compared to the initial 10-year cost estimate for 2004-2013.

The ACA made some important changes to the drug benefit—in particular, phasing out the coverage gap by 2020. Prior to reform, beneficiaries who reached a certain level of spending on prescription medications (the Part D coverage gap or "doughnut hole") had to pay 100% of the cost of their drugs until personal out-of-pocket spending reached a level qualifying them for catastrophic coverage. The Medicare Part D Coverage Gap Discount Program uses public and private funding to relieve the financial burden facing beneficiaries who fall into the coverage gap. For 2011, branded pharmaceutical companies will pay 50% of the cost of the branded drugs in the gap and the government will pay 7% of the cost for generic drugs in the gap. As a result, rather than paying 100% of the total cost of their drugs when they reach the coverage gap, enrollees will pay 50% of the total cost of branded drugs and 93% of the total cost of generic drugs. By 2020 enrollees will pay only 25% of the cost of their branded and generic drugs in the gap as the share covered by the government will increase.

Biosimilars. The ACA also created a framework for the approval of follow-on biologics, or biosimilars, following the expiration of 12 years of exclusivity for the innovator biologic with a potential six month pediatric extension. The FDA is responsible for implementation of the legislation, which will require the FDA to address such key topics as the type and extent of data needed to establish biosimilarity; the data required to achieve interchangeability compared to biosimilarity; the naming of biosimilars; the implications of having or not having unique names; the tracking and tracing of adverse events; and the acceptability of data from an ex-U.S. licensed reference product comparator to demonstrate biosimilarity and/or interchangeability.

Medicaid and Related Matters. Federal law requires branded pharmaceutical companies to provide rebates to state Medicaid agencies. The ACA has brought about major changes in the Medicaid program. Collectively, the measures (i) increased federal rebates paid by manufacturers on branded drugs within the traditional Medicaid program from 15.1% to 23.1%, and for generic drugs from 11% to 13% of Average Manufacturer Price ("AMP") in 2010; (ii) expanded Medicaid drug rebates to cover drugs provided through managed Medicaid plans beginning in 2010; and (iii) expanded Medicaid drug rebates to cover new formulations of brand-name drugs, beginning in 2010. The law also creates a federal upper limit under the Medicaid program for generic drugs at 175% of AMP. In addition, the law expands the types of entities eligible for the "Section 340B discounts" for outpatient drugs provided in 2010.

The majority of states use preferred drug lists to restrict access to certain medicines to Medicaid beneficiaries. Restrictions exist for some Pfizer products in certain states. Access in the Medicaid managed care program is typically determined by the health plans providing coverage for Medicaid recipients contracting for the provision of services in the state. Given states' current and likely ongoing fiscal crises, a growing number of states are considering a variety of cost-control strategies, including capitated managed care plans which typically contain cost by restricting access to certain treatments.

The ACA expands Medicaid coverage in 2014. It is expected that 16 million additional people will be enrolled in Medicaid by 2019.

We also must give discounts or rebates on purchases or reimbursements of pharmaceutical products by certain other federal and state agencies and programs. See the discussion regarding rebates in the *Revenues* section of our 2010 Financial Report and in Note 1-H to our consolidated financial

statements, *Significant Accounting Policies, Revenues,* in our 2010 Financial Report, which discussions are incorporated by reference.

Marketing Restrictions. Federal healthcare professional payment disclosure provisions enacted under the ACA require biopharmaceutical and medical device companies to report payments made to physicians and teaching hospitals to the Secretary of HHS beginning in 2013 for 2012 transactions. HHS is required to post these payments publicly on a website. This national payment transparency effort and industry commitment to uphold voluntary codes of conduct (the updated PhRMA *Code on Interactions with Healthcare Professionals*, PhRMA *Guiding Principles Direct to Consumer Advertisements About Prescription Medicines,* etc.) will complement existing laws and regulations to help ensure ethical collaboration and truthful product communications. These efforts are in place to help ensure responsible marketing approaches and to address concerns.

Importation of Drugs. There continue to be legislative proposals to amend U.S. law to allow the importation into the U.S. of prescription drugs from outside the U.S., which can be sold at prices that are regulated by the governments of various foreign countries. In addition to well-documented safety concerns, such importation could impact pharmaceutical prices in the U.S. While the 2003 Medicare Modernization Act maintains a prohibition on such imports, it would allow importation from Canada if the Secretary of HHS certifies that such importation is safe and would result in savings to consumers. Before the 2003 Medicare Modernization Act, federal law would have permitted importation of medicines into the U.S. from a considerably larger group of developed countries, provided the Secretary of HHS made the same safety and cost-savings certifications. As part of the debate on the ACA, two Senate proposals that would have restored the broader number of countries from which importation would be permissible were introduced but were ultimately defeated.

The Secretaries of HHS in the Clinton, George W. Bush, and Obama Administrations have all declined to certify that importation of medicines is safe and saves money. If the Secretary of HHS changes its position, an increase in cross-border trade in medicines subject to foreign price controls in other countries could occur.

In December 2004, HHS and the Department of Commerce issued reports on drug importation and foreign price controls. The HHS report noted that it would be "extraordinarily difficult to ensure that drugs personally imported by individual consumers" could meet the standards of safety that would support certifying such importation as safe. While the report also concluded that the U.S. could establish a feasible basis for commercial drug importation, such a change in the law would require "new legal authorities, substantial additional resources and significant restrictions on the types of drugs that could be imported." The report also noted that the total savings to be expected from such a commercial importation regime would be relatively small—1% or 2% of total drug spending in the U.S.

Outside the United States

We encounter similar regulatory and legislative issues in most other countries. In Europe, Canada and some other international markets, the government provides healthcare at low direct cost to consumers and regulates pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored healthcare system. This international patchwork of price regulation has led to different prices and some third-party trade in our products between countries.

Europe. The approval of new drugs across the EU may be achieved using the Mutual Recognition Procedure/Decentralized Procedure or EU Commission/European Medicines Agency (EMA) Centralized Procedure. These procedures apply in the EU member states, plus the European Economic Area countries, Norway and Iceland. The use of these procedures generally provides a more rapid and consistent approval process across the member states than was the case when the approval processes were operating independently within each country.

Since the EU does not have jurisdiction over patient reimbursement or pricing matters in its member states, we continue to work with individual countries on such matters across the region.

The world economy in 2010 was recovering from the recent financial crisis and recession. One of the consequences of the recession for almost all world economies has been an increased proportion of gross domestic product (GDP) arising from

government spending and reduced tax receipts. For many developed economies, particularly in Europe, this exacerbated existing fiscal imbalances and increased net government debts. Under these macroeconomic conditions, Pfizer faced widespread incremental pressures on international pricing and reimbursement, particularly in developed European markets with a high government share of pharmaceutical spending. Specific pricing pressures included increased mandatory rebates in Germany and significant price cuts in Greece, Portugal, and Spain.

Formal processes of international reference pricing between EU countries add to the regional impact of price cuts in individual countries. Price variations have also arisen from exchange rate fluctuations between the Euro and other European currencies, and these are also factored into international reference pricing systems.

During 2004, a comprehensive package of reforms was adopted amending EU law on the regulation of medicinal products (pharmaceutical legislation) in many areas, including approval procedures and safety reporting. Many of these changes were aimed at facilitating the approval and launch of generic medicines and at streamlining regulatory procedures ahead of the accession of new member states to the EU. These reforms included the introduction of a clear legal basis for the approval of biosimilar products in the EU. Following the effectiveness of these new regulations (in November 2005), the first such products, including a biosimilar version of *Genotropin*, were approved in the EU in 2006. The new regulations also shortened certain approval timelines and introduced fast-track and conditional centralized authorizations. Pfizer's *Sutent* was the first product to be conditionally approved under the new law in 2006 (although its status subsequently was converted to full authorization). In addition, the data exclusivity periods during which innovative companies' regulatory data are protected were required to be harmonized in all member states and for all routes of regulatory approval.

On January 26, 2007, the new EU Regulation on Medicines for Pediatric Use became effective. This introduced new obligations on pharmaceutical companies to conduct research on their medicines for children and, subject to various conditions, offered the possibility of incentives for so doing, including exclusivity extensions. The aim of this regulation is to improve the health of children in the EU through high quality research, stimulating the development of new medicines, creating infrastructure to enable authorized use and improving the information on medicines for children. A Pediatric Committee (PDCO) was created within the EMA to provide scientific opinions and input on development plans for medicines for use with children. In line with this regulation, Pfizer is conducting many pediatric research programs for its in-line and development products, and completed its first EMA-approved pediatric investigation plan (for *Lipitor*) in 2009.

On December 31, 2010, the EU published new pharmacovigilance legislation which had been adopted by the Council and Parliament of the EU. The legislation will come into effect in mid-2012 and entails many new and revised requirements for conducting pharmacovigilance, as well as the codification of various existing requirements previously set out in guidance. Key changes include the possibility for regulators to require pharmaceutical companies to conduct post-authorization efficacy studies both at the time of approval and at any time afterwards in light of scientific developments. There are also additional requirements to include statements in product labelling with regard to adverse drug reaction reporting and additional monitoring of products. There will also be significantly greater transparency of the safety review process.

The new legislation forms part of a three-part "pharmaceutical package" to amend the existing EU pharmaceutical legislation. The other parts concern legislative changes in the fields of (i) counterfeit medicines, which is expected to be adopted in the first quarter of 2011, and (ii) the provision of information on prescription medicines to patients, which has reached a reasonably advanced stage, but has proved controversial to date and the outcome for which is more uncertain.

At the end of the third quarter of 2010, the Commissioner for Industry and Entrepreneurship of the European Commission announced the launch of a process on corporate responsibility in the pharmaceutical industry. The process includes three independent platforms: (i) transparency and ethics in the sector; (ii) access to medicines in Africa; and (iii) access to medicines in Europe in the context of pricing and reimbursement. The platform on access

to medicines in Europe will focus on enhancing collaboration among EU member states and relevant stakeholders, in order to find common non-regulatory approaches to ensure "timely and equitable access to medicines".

Canada. Health Canada is the government agency that provides regulatory and marketing approval for drugs and therapeutic products in Canada. In October 2006, Health Canada introduced its modernization initiative under the *Blueprint for Renewal: Modernizing Canada's Regulatory System for Health Products and Food* policy framework. The *Blueprint* includes 10 objectives including the Progressive Licensing Framework (PLF) also referred to as the Legislative and Regulatory Modernization (LRM); stronger post-market safety and surveillance systems; and strengthening compliance and enforcement with a directive towards an integrated health system, including closer alignment of healthcare objectives with provinces and territories. In December 2007, the *New Food and Consumer Safety Action Plan* was issued, followed in April 2008 by the introduction of Bill C-51, a proposed enabling legislation to amend the *Food and Drugs Act.* If passed, it would represent a significant drug regulatory system reform and a major change to Canada's drug approval system. The Bill was not re-introduced in 2010 as expected, however, the government continues to express commitment to its re-introduction. Current regulatory policies and initiatives, such as priority and conditional approvals, are already providing for internationally competitive approval timelines. As in the EU, *Sutent* was initially approved under the conditional provision. However, unprecedented advances in science and technology are presenting a potential challenge for Health Canada's ability to maintain internationally competitive market authorizations. In October 2010, Health Canada accelerated their modernization efforts. This included the proposed regulatory pathways for Orphan Drugs (harmonized with U.S./EU regulations) and for biosimilars referred to as "Subsequent Entry Biologics" (SEBs). This would formalize into regulations Health Canada's Guidance Document, which provided for approval of SEBs in 2009.

Introductory "non-excessive" prices and price increases are controlled by the federal Patented Medicines Prices Review Board. Canada's intellectual property regime for drugs, which was implemented under the Data Protection regulations and provides for a minimum of eight years of data protection for new chemical entities, has been challenged by recent litigation that has favored generic manufacturers. The federal government also has jurisdiction over international trade and therefore over the issue of cross-border trade in pharmaceuticals and internet pharmacies.

Asia. The regulatory environment in Asia presents multiple issues for companies trying to achieve simultaneous global development and registration (i.e., marketing products at the same time as in the U.S., Europe, Canada and elsewhere). While each country in Asia has its unique regulatory concerns, there are a number of regulatory issues that are common among the majority of Asian countries. For example, with the exception of Japan, health authorities in Asia generally require marketing approval by a recognized regulatory authority (e.g., the U.S. FDA) before they begin to conduct their application review process and/or issue their final approval. Proof of reference country approval is usually satisfied by companies submitting a Certificate of Pharmaceutical Product (CPP), which is a legal document that is issued by the competent health authority certifying that the company's product has satisfied its country's registration requirements and manufacturing standards. At a minimum, this requirement delays marketing authorization in Asia by 12-15 months following market authorization in the U.S. and Europe.

Another common regulatory issue in Japan and other Asian countries, is the requirement for local clinical data in the country's population in order to receive final marketing approval. Each of Japan, China, Korea, Taiwan and India has regulations in some form that require clinical studies in their country (e.g., China requires a prescribed number of Chinese patients regardless of the product, therapeutic area or disease population). Although some agencies have shown flexibility based on scientific rationale related to ethnicity assessments, it is not uncommon for companies to be required to duplicate costly clinical trials in Asia pursuant to these regulations. This can further add to marketing approval delays compared to the U.S. and Europe.

The controlling regulatory agency in China is the State Food and Drug Administration (SFDA). SFDA's scope of responsibilities is similar to that of the FDA or EMA.

Two key agencies within SFDA are the Center for Drug Evaluation (CDE) and the National Institute for the Control of Pharmaceutical and Biological Products (NICPBP). The CDE, which is analogous to the FDA's Center for Drug Evaluation and Research (CDER), is primarily responsible for the technical review of product applications, including clinical trial applications (CTA) and new drug applications (NDA), and drafting technical guidance documents. NICPBP is the quality testing arm of SFDA, legally responsible for the testing of pharmaceuticals, biologics and medical devices nationwide.

China's regulatory system is unique in many ways, and its drug development and registration requirements are not always consistent with international standards. As a result, it is not uncommon to see treatments entering the market in China two to four years after first marketing in the U.S. and Europe.

Intellectual Property: Although effective enforcement and adequate legal remedies remain areas of concern for foreign companies, the intellectual property environment has improved in China. The government has taken steps to protect intellectual property rights in conformity with WTO provisions, and several companies have established research and development centers in China due to more confidence in China's intellectual property environment. However, China remains on the U.S. Department of Commerce Priority Watch List for 2011. A framework exists for protecting patents for 20 years but enforcement mechanisms are often lacking or inconsistent (such as, no effective patent linkage mechanism (noted below), no preliminary injunctions, impractical evidentiary burdens, and heightened sufficiency standards used to invalidate patents at the enforcement stage).

Additionally, true data exclusivity still remains elusive in China. The CDE provides protection against reliance on data by generic applicants for a fixed period of time. Following its WTO accession in 2001, China revised its laws to incorporate concepts from the WTO/TRIPS, and China's relevant laws establish a six-year period of protection against unfair commercial use of undisclosed test and other data of products containing a new chemical ingredient. However, the current regulations are ambiguous as to how data protection is implemented in practice in China. For example, certain key concepts such as "new chemical ingredient" and "unfair commercial use" are undefined.

Environmental Law Compliance

Most of our operations are affected by national, state and/or local environmental laws. We have made, and intend to continue to make, necessary expenditures for compliance with applicable laws. We also are cleaning up environmental contamination from past industrial activity at certain sites. See Note 19 to our consolidated financial statements, *Legal Proceedings and Contingencies,* in our 2010 Financial Report. As a result, we incurred capital and operational expenditures in 2010 for environmental compliance purposes and for the clean-up of certain past industrial activity as follows:

- environment-related capital expenditures—$48.7 million;
- other environment-related expenses—$184.8 million.

While we cannot predict with certainty future capital expenditures or operating costs for environmental compliance, including compliance with pending legislation and potential regulation and potential legislation related to climate change, we have no reason to believe they will have a material effect on our capital expenditures or competitive position.

We have reviewed the potential for physical risks to our facilities and supply chain that may be exacerbated by climate change and have concluded that, because of our facility locations and our existing distribution networks, we do not believe these risks are material in the near term.

Tax Matters

The discussion of tax-related matters in Note 7 to our consolidated financial statements, *Taxes on Income,* in our 2010 Financial Report, is incorporated by reference.

Employees

In our innovation-intensive business, our employees are vital to our success. We believe we have good relationships with our employees. As of December 31, 2010, we employed approximately 110,600 people in our operations throughout the world.

ITEM 1A. RISK FACTORS

The statements in this Section describe the major risks to our business and should be considered carefully. In addition, these statements constitute our cautionary statements under the Private Securities Litigation Reform Act of 1995.

Our disclosure and analysis in this 2010 Form 10-K and in our 2010 Annual Report to Shareholders contain some forward-looking statements that set forth anticipated results based on management's plans and assumptions. From time to time, we also provide forward-looking statements in other materials we release to the public, as well as oral forward-looking statements. Such statements give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. We have tried, wherever possible, to identify such statements by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "will," "target," "forecast" and similar expressions or by using future dates in connection with any discussion of future operating or financial performance, business plans or prospects, in-line products and product candidates, and share-repurchase and dividend-rate plans. In particular, these include statements relating to future actions, business plans and prospects, prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, interest rates, foreign exchange rates, the outcome of contingencies, such as legal proceedings, and financial results.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to substantial risks, uncertainties and potentially inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind as you consider forward-looking statements and you are cautioned not to put undue reliance on forward-looking statements.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our 10-Q and 8-K reports to the SEC. Also note that we provide the following cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our businesses. These are factors that, individually or in the aggregate, may cause our actual results to differ materially from expected and historical results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties.

Healthcare Reform

As mentioned earlier, the ACA was enacted by Congress in March 2010 and its provisions are effective on various dates over the next several years. We expect that the rebates, discounts, taxes and other costs over time will have a significant effect on our expenses and profitability in the future. See the discussion under *U.S. Healthcare Legislation* in our 2010 Financial Report. Furthermore, the IPAB created by the ACA, to reduce the per capita rate of growth in Medicare spending, could potentially limit access to certain treatments or mandate price controls for our products. Moreover, expanded government investigative authority may increase the costs of compliance with new negotiations and programs. We also face the uncertainties that might result from any modification, repeal or invalidation of any of the provisions of the ACA.

Government Regulation and Managed Care Trends

U.S. and foreign governmental regulations mandating price controls and limitations on patient access to our products impact our business, and our future results could be adversely affected by changes in such regulations. In the U.S., many of our biopharmaceutical products are subject to increasing pricing pressures. Such pressures have increased as the result of the 2003 Medicare Modernization Act due to the enhanced purchasing power of the private sector plans that negotiate on behalf of Medicare beneficiaries. In addition, if the 2003 Medicare Modernization Act or the ACA were amended to impose direct governmental price controls and access restrictions, it would have a significant adverse

impact on our business. Furthermore, MCOs, as well as Medicaid and other government agencies, continue to seek price discounts. Some states have implemented, and other states are considering, price controls or patient-access constraints under the Medicaid program and some states are considering price-control regimes that would apply to broader segments of their populations that are not Medicaid eligible. Other matters also could be the subject of U.S. federal or state legislative or regulatory action that could adversely affect our business, including changes in patent laws, the importation of prescription drugs from outside the U.S. at prices that are regulated by the governments of various foreign countries, restrictions on U.S. direct-to-consumer advertising or limitations on interactions with healthcare professionals and the use of comparative effectiveness methodologies that could be implemented in a manner that focuses primarily on cost differences and minimizes the therapeutic differences among pharmaceutical products and restricts access to innovative medicines.

The prohibition on the use of federal funds for reimbursement of erectile dysfunction medications by the Medicaid program, which became effective January 1, 2006, and the similar federal funding prohibition for the Medicare Part D program, which became effective January 1, 2007, has had an adverse effect on our business. Any prohibitions on the use of federal funds for reimbursement of other classes of drugs in the future may also have an adverse effect.

We encounter similar regulatory and legislative issues in most other countries. In Europe and some other international markets, the government provides healthcare at low direct cost to consumers and regulates pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored healthcare system. In particular, there were government-mandated price reductions for certain biopharmaceutical products in certain European countries in 2010, and we anticipate continuing pricing pressures in Europe in 2011. This international patchwork of price regulation has led to different prices and some third-party trade in our products between countries. As a result, it is expected that pressures on the pricing component of operating results will continue. The adoption of restrictive price controls in new jurisdictions or more restrictive ones in existing jurisdictions could also adversely impact revenue.

Generic Competition

Competition from manufacturers of generic drugs is a major challenge for us around the world. Upon the expiration or loss of patent protection for one of our products, or upon the "at-risk" launch (despite pending patent infringement litigation against the generic product) by a generic manufacturer of a generic version of one of our patented products, we can lose the major portion of sales of that product in a very short period, which can adversely affect our business.

Also, the patents covering several of our most important medicines, including *Lipitor, Caduet, Viagra, Detrol/Detrol LA, Lyrica, Sutent, Tygacil*, *Rapamune*, *Relpax*, and *Zyvox,* are being challenged by generic manufacturers. In addition, our patent-protected products may face competition in the form of generic versions of branded products of competitors that lose their market exclusivity.

Competitive Products

We cannot predict with accuracy the timing or impact of the introduction of competitive products or their possible effect on our sales. Products that compete with ours, including some of our best-selling medicines, are launched from time to time. Competitive product launches have occurred in recent years and certain potentially competitive products are in various stages of development, some of which have been filed for approval with the FDA and with regulatory authorities in other countries.

Dependence on Key In-Line Products

We recorded direct product revenues of more than $1 billion for each of 15 biopharmaceutical products in 2010: *Lipitor, Enbrel, Lyrica*, *Prevnar/ Prevenar 13, Celebrex*, *Viagra*, *Xalatan/Xalacom*, *Effexor/Effexor XR*, *Norvasc*, *Prevnar/Prevenar (7-valent), Zyvox, Sutent, Premarin* family*, Geodon/ Zeldox* and *Detrol/Detrol LA*. Those products accounted for 60% of our total Biopharmaceutical revenues in 2010. *Lipitor* sales in 2010 were approximately $10.7 billion, accounting for approximately 18% of our total 2010 Biopharmaceutical revenues. If the products referenced above or any of our other major products were to become subject to problems such as loss of patent protection, changes in prescription growth rates, material product liability litigation, unexpected

side effects, regulatory proceedings, publicity affecting doctor or patient confidence, pressure from existing competitive products, changes in labeling or, if a new, more effective treatment should be introduced, the adverse impact on our revenues could be significant. As noted, patents covering several of our best-selling medicines have recently expired or will expire in the next few years, and patents covering a number of our best-selling medicines are the subject of pending legal challenges. We expect we will lose exclusivity for *Lipitor* in the U.S. in November 2011 and, as a result, will lose the substantial portion of our U.S. revenues from *Lipitor* shortly thereafter. In addition, our revenues could be significantly impacted by the timing and rate of commercial acceptance of key new products.

Specialty Pharmaceuticals

Specialty pharmaceuticals are medicines that treat rare or life-threatening conditions that have smaller patient populations, such as certain types of cancer and multiple sclerosis. The growing availability and use of innovative specialty pharmaceuticals, combined with their relative higher cost as compared to other types of pharmaceutical products, is beginning to generate significant payer interest in developing cost-containment strategies targeted to this sector. While the impact on Pfizer of payers' efforts to control access and pricing of specialty pharmaceuticals has been limited to date, our growing portfolio of specialty products, combined with the increasing use of health technology assessment in markets around the world and the deteriorating finances of governments, may lead to a more significant adverse business impact in the future.

Research and Development Investment

The discovery and development of new products as well as the development of additional uses for existing products are very important to the success of the Company. However, balancing current growth and investment for the future remains a major challenge. Our ongoing investments in new product introductions and in research and development for new products and existing product extensions could exceed corresponding sales growth. This could produce higher costs without a proportional increase in revenues.

Additionally, Pfizer's research and development investment plans and resources may not be correctly matched between the science and the market. The Company may not be investing in the right technology platforms, leading therapeutic segments, product classes, geographic markets and/or in-licensing and out-licensing opportunities in order to deliver a robust pipeline. Additionally, even if the areas with the greatest market attractiveness are identified, the science may not work for any given program.

We recently announced a focus on fewer disease areas where we believe we can deliver the greatest medical and commercial success. There can be no assurance that this strategy will deliver the desired result which could affect profitability in the future.

Development, Regulatory Approval and Marketing of Products

Risks and uncertainties apply particularly with respect to product-related, forward-looking statements. The outcome of the lengthy and complex process of identifying new compounds and developing new products is inherently uncertain. Drug discovery and development is time-consuming, expensive and unpredictable. The process from early discovery or design to development to regulatory approval can take many years. Drug candidates can fail at any stage of the process. There can be no assurance as to whether or when we will receive regulatory approval for new products or for new indications or dosage forms for existing products. Decisions by regulatory authorities regarding labeling and other matters could adversely affect the availability or commercial potential of our products. There is also a risk that we may not adequately address existing regulatory agency findings concerning the adequacy of our regulatory compliance processes or implement sustainable processes and procedures to maintain regulatory compliance and to address future regulatory agency findings should they occur. There also are many considerations that can affect marketing of our products around the world. Regulatory delays, the inability to successfully complete clinical trials, claims and concerns about safety and efficacy, new discoveries, patent disputes and claims about adverse side effects are a few of the factors that could adversely affect the realization of research and development and product-related, forward-looking statements.

Post-Approval Data

As a condition to granting marketing approval of a product, the FDA may require a company to conduct additional clinical trials. The results generated in these Phase IV trials could result in loss of marketing approval, changes in product labeling, and/or new or increased concerns about side effects or efficacy of a product. The Food and Drug Administration Amendments Act of 2007 (the FDAAA) gives the FDA enhanced post-market authority, including the explicit authority to require post-market studies and clinical trials, labeling changes based on new safety information and compliance with FDA-approved risk evaluation and mitigation strategies. The FDA's exercise of its authority under the FDAAA could result in delays or increased costs during product development, clinical trials and regulatory review, increased costs to comply with additional post-approval regulatory requirements and potential restrictions on sales of approved products. Foreign regulatory agencies often have similar authority and may impose comparable costs. Post-marketing studies, whether conducted by us or by others and whether mandated by regulatory agencies or voluntary, and other emerging data about marketed products, such as adverse event reports, may also adversely affect sales of our products. Further, the discovery of significant problems with a product similar to one of our products that implicate (or are perceived to implicate) an entire class of products could have an adverse effect on sales of the affected products. Accordingly, new data about our products, or products similar to our products, could negatively impact demand for our products due to real or perceived side effects or uncertainty regarding efficacy and, in some cases, could result in product withdrawal. Furthermore, new data and information, including information about product misuse, may lead government agencies, professional societies, practice management groups or organizations involved with various diseases to publish guidelines or recommendations related to the use of our products or the use of related therapies or place restrictions on sales. Such guidelines or recommendations may lead to lower sales of our products.

Biotechnology Products

The ACA has created a framework for the approval of biosimilars in the U.S. following the expiration of 12 years of exclusivity for the innovator biologic with a potential six month pediatric extension. Such biosimilars could reference biotechnology products already approved under the U.S. Public Health Service Act. Additionally, the FDA has approved a biosimilar recombinant human growth hormone, *Genotropin*, that referenced a biotechnology product approved under the U.S. Federal Food, Drug, and Cosmetic Act. In Europe, the European Commission has granted marketing authorizations for several biosimilars pursuant to a set of general and product class-specific guidelines for biosimilar approvals issued over the past few years. If competitors are able to obtain marketing approval for biosimilars referencing our biotechnology products, our biotechnology products may become subject to competition from biosimilars, with the attendant competitive pressure. Expiration or successful challenge of applicable patent rights could generally trigger this competition, assuming any relevant exclusivity period has expired. We expect that we could face more litigation with respect to the validity and/or scope of patents relating to our biotechnology products with substantial revenue.

Research Studies

Decisions about research studies made early in the development process of a drug candidate can have a substantial impact on the marketing strategy once the drug receives approval. More detailed studies may demonstrate additional benefits that can help in the marketing, but they consume time and resources and can delay submitting the drug candidate for initial approval. We try to plan clinical trials prudently, but there is no guarantee that a proper balance of speed and testing will be made in each case. The quality of our decisions in this area could affect our future results.

Interest Rate and Foreign Exchange Risk

57% of our total 2010 revenues were derived from international operations, including 28% from the Europe region and 18% from the Japan/Asia region. These international-based revenues, as well as our substantial international net assets, expose our revenues and earnings to foreign currency exchange rate changes. In addition, our interest-bearing investments, loans and borrowings are subject to risk from changes in interest rates and foreign exchange rates. These risks and the measures we have taken to help contain them are discussed in the section entitled *Financial Risk Management* in our 2010 Financial

Report. For additional details, see Note 9-E to our consolidated financial statements, *Financial Instruments: Derivative Financial Instruments and Hedging Activities,* in our 2010 Financial Report. Those sections of our 2010 Financial Report are incorporated by reference.

Notwithstanding our efforts to foresee and mitigate the effects of changes in fiscal circumstances, we cannot predict with certainty changes in currency and interest rates, inflation or other related factors affecting our businesses.

Risks Affecting International Operations

Our international operations also could be affected by capital and exchange controls, expropriation and other restrictive government actions, changes in intellectual property legal protections and remedies, trade regulations and procedures and actions affecting approval, production, pricing, and marketing of, reimbursement for and access to, our products, as well as by political unrest, unstable governments and legal systems and inter-governmental disputes. Any of these changes could adversely affect our business.

Diversified Segment

Our Animal Health unit may be impacted by challenging global economic conditions resulting in high unemployment rates and tight credit conditions. A high unemployment rate typically results in reduced traffic in veterinary clinics, negatively impacting our companion animal business. Tight credit conditions limit the borrowing power of livestock producers, causing some to switch to lower-priced alternatives.

Pfizer Nutrition may be impacted by challenging global economic conditions and the resulting effect on consumer spending. Increased competition particularly in high growth emerging markets is also a risk for this business. The Nutrition business may also experience significant financial impact associated with changes in national, regional, and international laws, rules and guidelines and their enforcement. Our infant and young child nutrition products are subject to an array of rules and regulations enforced by government entities as well as treaties, conventions and guidelines from international authorities. Changes to these requirements can significantly impact costs relating to taxes, tariffs, trade, labeling, marketing, manufacturing, and the overall availability of our products.

The Consumer Healthcare unit may be impacted by economic volatility and generic competition affecting consumer spending patterns and market share gains of competitors' branded products or generic store brands. In addition, regulatory and legislative outcomes regarding the safety, efficacy or unintended uses of specific ingredients in our Consumer Healthcare products may require withdrawal and/or reformulation of certain products (e.g. cough/cold products).

Global Economic Conditions

The global economic downturn and the challenging global economic environment has not had, nor do we anticipate it will have, a material impact on our liquidity. Due to our significant operating cash flow, financial assets, access to capital markets and available lines of credit and revolving credit agreements, we continue to believe that we have the ability to meet our liquidity needs for the foreseeable future. As market conditions change, we will continue to monitor our liquidity position. However, there can be no assurance that our liquidity will not be affected by possible future changes in global financial markets and global economic conditions.

In addition to industry-specific factors, we, like other businesses, continue to face the effects of the challenging economic environment which have impacted our Biopharmaceutical operations in the U.S. and Europe, affecting the performance of products such as *Lipitor*, *Celebrex* and *Lyrica*. We believe that patients, experiencing the effects of the challenging economic environment, including high unemployment levels and increases in co-pays, sometimes switch to generic products, delay treatments, skip doses or use less effective treatments to reduce their costs. Challenging economic conditions in the U.S. also have increased the number of patients in the Medicaid program, under which sales of pharmaceuticals are subject to substantial rebates and, in many states, to formulary restrictions limiting access to brand-name drugs, including ours. In addition, during 2010, we continued to experience pricing pressure as a result of the economic environment in Europe, with government-mandated reductions in prices for certain Biopharmaceutical products in certain European countries.

Outsourcing

Outsourcing to third parties in areas including transaction processing, accounting, information

technology, manufacturing, clinical trials, non-clinical studies, research and development, safety and other areas could expose us to sub-optimal quality, missed deadlines or supply disruptions, all with potential negative implications for our results.

Interactions with Healthcare Professionals

Risks and uncertainties apply where the Company provides something of value to a healthcare professional and/or government official, which, if found to be improper, could potentially result in government enforcement actions and penalties. These risks may increase as non-U.S. jurisdictions adopt new anti-bribery laws and regulations.

Difficulties of Our Wholesale Distributors

In 2010, our largest wholesale distributor accounted for approximately 14% of our total revenue, and our top three wholesale distributors accounted for approximately 34% of our total revenue. If one of our significant wholesale distributors encounters financial or other difficulties, such distributor may decrease the amount of business that it does with us, and we may be unable to collect all the amounts that the distributor owes us on a timely basis or at all, which could negatively impact our results of operations.

Product Manufacturing and Marketing Risks

Difficulties or delays in product manufacturing or marketing, including, but not limited to, the inability to increase production capacity commensurate with demand or the failure to predict market demand for, or to gain market acceptance of, approved products, or the possibility that the quality of incoming materials may be substandard and not detected or that we may fail to maintain appropriate quality standards throughout the internal and external supply network, could affect future results.

Cost and Expense Control/Unusual Events

Growth in costs and expenses, changes in product, segment and geographic mix and the impact of acquisitions, divestitures, restructurings, product withdrawals and other unusual events that could result from evolving business strategies, evaluation of asset realization and organizational restructuring could adversely affect future results. Such risks and uncertainties include, in particular, our ability to successfully implement our announced plans regarding the Company's research and development function including the planned exit from the Company's Sandwich U.K. site, subject to works council and union consultations, as well as our ability to realize the projected benefits of our cost-reduction initiatives, including those related to the Wyeth integration and to our research and development function.

Changes in Laws and Accounting Standards

Our future results could be adversely affected by changes in laws and regulations, including changes in accounting standards, taxation requirements (including tax-rate changes, new tax laws and revised tax law and regulatory interpretations including changes affecting the taxation by the U.S. of income earned outside the U.S. that result from the enactment in August 2010 of the Education, Jobs and Medicaid Assistance Act of 2010, and that may result from pending and possible future proposals), competition laws and environmental laws in the U.S. and other countries.

Terrorist Activity

Our future results could be adversely affected by changes in business, political and economic conditions, including the cost and availability of insurance, due to the threat of terrorist activity in the U.S. and other parts of the world and related U.S. military action overseas.

Legal Proceedings

We and certain of our subsidiaries are involved in various patent, product liability, consumer, commercial, securities, environmental and tax litigations and claims, government investigations, and other legal proceedings that arise from time to time in the ordinary course of our business. Litigation is inherently unpredictable, and excessive verdicts do occur. Although we believe we have substantial defenses in these matters, we could in the future incur judgments or enter into settlements of claims that could have a material adverse effect on our results of operations in any particular period. We also may fail to identify or prevent non-compliance with the laws and regulations associated with the dissemination of product information (approved and unapproved), potentially resulting in government enforcement and damage to our reputation.

Patent claims include challenges to the coverage and/or validity of our patents on various products or processes. Although we believe we have substantial defenses to these challenges with respect to all our material patents, there can be no assurance as to the outcome of these matters, and a loss in any of these cases could result in a loss of patent protection for the drug at issue, which could lead to a significant loss of sales of that drug and could materially affect future results of operations.

Business Development Activities

We expect to continue to enhance our in-line products and product pipeline through acquisitions, licensing and alliances. See *Our Business Development Initiatives—Strategy and Recent Transactions* in our 2010 Financial Report, which is incorporated by reference. However, these enhancement plans are subject to the availability and cost of appropriate opportunities and competition from other pharmaceutical companies that are seeking similar opportunities.

Information Technology

We rely to a large extent upon sophisticated information technology systems and infrastructure. The size and complexity of our computer systems make them potentially vulnerable to breakdown, malicious intrusion and random attack. Likewise, data privacy breaches by employees and others with permitted access to our systems may pose a risk that sensitive data may be exposed to unauthorized persons or to the public. While we have invested heavily in the protection of data and information technology, there can be no assurance that our efforts will prevent breakdowns or breaches in our systems that could adversely affect our business.

Failure to Realize All of the Anticipated Benefits of the Acquisition of Wyeth

The success of our acquisition of Wyeth will depend, in large part, on our ability to realize the anticipated benefits and cost savings from integrating the operations of Pfizer and Wyeth. If we are not able to successfully integrate the operations of the two legacy companies, the anticipated benefits and cost savings of the acquisition may not be realized fully or at all or may take longer to realize than expected.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

In 2010, Pfizer continued to consolidate its operations to achieve efficiencies and to dispose of excess space. Following the acquisition of Wyeth at the end of 2009, the total operational real estate portfolio peaked at 70 million square feet. By the end of 2010, the operational portfolio had been reduced to less than 67 million square feet. A further two million square feet of facilities currently are non-operational pending disposal. Our goal is to continue with further consolidation in 2011.

Pfizer corporate headquarters will continue to be in New York City. With the exception of the Specialty Care customer-focused unit (which is headquartered in Collegeville, Pennsylvania), the Biopharmaceutical units will continue to maintain their New York City headquarters.

The Diversified business units are headquartered in Madison, New Jersey.

In 2010, we successfully disposed of surplus office space in the northeast U.S. through exiting several leased facilities and by completing sales of significant office buildings at 685 Third Avenue, New York, and in New London, Connecticut.

Our Biopharmaceutical and Diversified businesses expect to continue to own and lease space around the world for sales and marketing, customer service and administrative support functions. In many locations these businesses will be co-located to achieve synergies and operational efficiencies.

Our Global Research and Development (R&D) facilities support our R&D organizations around the world, with heavy concentration in North America and the U.K. We have started implementation of our previously announced R&D footprint reduction by moving forward on our facilities-disposition program. The sale of the R&D St. Louis, Missouri campus was completed early in 2010 and we have begun the disposition process for the R&D sites at Princeton, New Jersey, Chazy, New York, and a portion of the La Jolla, California campus.

We have veterinary medicine research and development operations in owned or leased facilities in Kalamazoo and Richland Township in Michigan; Durham, North Carolina; Thane, India; Sandwich, U.K.; Wavre, Belgium; and Brisbane, Australia.

As previously mentioned, the Company has announced a realigned research and development footprint, including a planned exit from the Sandwich, U.K. site, subject to works council and union consultations, and a planned shift of resources from its Groton, Connecticut site to its Cambridge, Massachusetts site.

Pfizer Global Supply (PGS) Division is headquartered in various locations with leadership primarily in New York, New York and in Peapack, New Jersey. PGS operates plants in 76 locations around the world that manufacture products for our organizations including Animal Health, Consumer Healthcare, Emerging Markets, Established Products, Nutrition, Primary Care, Oncology and Specialty/ Vaccines. Locations with major manufacturing facilities include Belgium, China, Germany, Ireland, Italy, Japan, Philippines, Puerto Rico, Singapore and the United States. PGS also operates multiple distribution facilities around the world. Our Global Supply Division's plant network strategy will result in the exit from nine of these sites over the next several years. In addition, the Capsugel unit has manufacturing facilities in 10 locations around the world. As previously announced, we are currently reviewing strategic alternatives for the Capsugel unit, which may include divestiture.

In general, we believe that our properties are well- maintained, adequate and suitable for their purposes. See Note 11 to our consolidated financial statements, *Property, Plant and Equipment*, in our 2010 Financial Report, which discloses amounts invested in land, buildings and equipment and which is incorporated by reference. See also the discussion under Note 17 to our consolidated financial statements, *Lease Commitments*, in our 2010 Financial Report, which is also incorporated by reference.

ITEM 3. LEGAL PROCEEDINGS

Certain legal proceedings in which we are involved are discussed in Note 19 to our consolidated financial statements, *Legal Proceedings and Contingencies*, in our 2010 Financial Report, which is incorporated by reference.

ITEM 4. RESERVED

EXECUTIVE OFFICERS OF THE COMPANY

The executive officers of the Company are set forth in this table. Each holds the office or offices indicated until his or her successor is chosen and qualified at the regular meeting of the Board of Directors to be held immediately following the 2011 Annual Meeting of Shareholders. Each of the executive officers is a member of the Pfizer Executive Leadership Team.

Name	Age	Position
Ian C. Read	57	President and Chief Executive Officer since December 2010. Senior Vice President; Group President, Worldwide Biopharmaceutical Businesses from October 2009 through December 2010. President, Worldwide Pharmaceutical Operations from August 2006 until October 2009. Since joining Pfizer in 1978 as an operational auditor, Mr. Read has held various positions of increasing responsibility in pharmaceutical operations. He worked in Latin America through 1995, holding positions including Chief Financial Officer, Pfizer Mexico, and Country Manager, Pfizer Brazil. In 1996, Mr. Read was appointed President of Pfizer's International Pharmaceuticals Group, with responsibility for Latin America and Canada. He became Executive Vice President, Europe in 2000, was named a Corporate Vice President in 2001, and assumed responsibility for Canada, in addition to Europe, in 2002. Mr. Read later became accountable for operations in both the Africa/Middle East region and Latin America. Currently a Director of Kimberly-Clark Corporation. Serves on the Boards of U.S. Council for International Business and the European Federation of Pharmaceutical Industries and Associations. Our Director since December 2010 and Chair of our Board's Executive Committee.
Olivier Brandicourt	55	President and General Manager of Pfizer Primary Care since 2008. Senior Vice President and General Manager of U.S. Pratt Business Unit from 2007 until 2008. Managing Director of the United Kingdom/ Ireland Pfizer subsidiary from 2004 to 2007.
Frank A. D'Amelio	53	Executive Vice President, Business Operations and Chief Financial Officer since December 2010. Senior Vice President and Chief Financial Officer from September 2007 until December 2010. Prior to joining Pfizer he was Senior Executive Vice President of Integration and Chief Administrative Officer of Alcatel-Lucent from November 2006 until August 2007. Chief Operating Officer of Lucent Technologies from January 2006 until November 2006. Director of Humana, Inc. and Chair of the Humana Audit Committee. He is a Director of the Independent College Fund of New Jersey.
Mikael Dolsten	52	President of Worldwide Research and Development since December 2010. Senior Vice President; President of Worldwide Research and Development from May 2010 until December 2010. Senior Vice President; President of Pfizer BioTherapeutics Research & Development Group from October 2009 until May 2010. He was Senior Vice President of Wyeth and President, Wyeth Research from June 2008 until October 2009. He was a Private Equity Partner at Orbimed Advisors, LLC from January 2008 until June 2008. Dr. Dolsten was Global Head, Corporate Division Pharma Research and Discovery, of Boehringer Ingelheim Corporation from 2003 to 2007.

Geno J. Germano	50	President and General Manager, Pfizer Specialty Care and Oncology since December 2010. President and General Manager, Specialty Care from October 2009 until December 2010. President, U.S. Pharmaceuticals and Women's Health Care Unit, Wyeth Pharmaceuticals from 2008 through October 2009. President and General Manager, U.S. Pharmaceutical Business Unit, Wyeth Pharmaceuticals from 2007 through 2008. Executive Vice President and General Manager, Pharmaceutical Business Unit, Wyeth Pharmaceuticals from 2004 through 2007.
Charles H. Hill	55	Executive Vice President, Worldwide Human Resources since December 2010. Senior Vice President, Human Resources for Worldwide Biopharmaceuticals Businesses from 2008 through December 2010. Vice President, Human Resources, Worldwide Pharmaceutical Operations from 2004 through 2008.
Douglas M. Lankler	45	Executive Vice President, Chief Compliance and Risk Officer since February 2011. Executive Vice President, Chief Compliance Officer since December 2010. Senior Vice President and Chief Compliance Officer from January 2010 until December 2010. Senior Vice President, Deputy General Counsel and Chief Compliance Officer from August 2009 until January 2010. Senior Vice President, Associate General Counsel and Chief Compliance Officer from October 2006 until August 2009. Prior to October 2006, Mr. Lankler held various positions of increasing responsibility within the Pfizer Legal Division.
Freda C. Lewis-Hall	56	Executive Vice President, Chief Medical Officer since December 2010. Senior Vice President, Chief Medical Officer from May 2009 until December 2010. Previously, she was Chief Medical Officer and Executive Vice President, Medicines Development at Vertex Pharmaceuticals from June 2008 until May 2009. Dr. Lewis-Hall was Senior Vice President, U.S. Pharmaceuticals, Medical Affairs for Bristol-Myers Squibb Company from 2003 until May 2008.
Kristin C. Peck	39	Executive Vice President, Worldwide Business Development and Innovation since December 2010. Senior Vice President, Worldwide Business Development, Strategy and Innovation from April 2010 until December 2010. Senior Vice President, Worldwide Strategy and Innovation from 2008 until April 2010. Vice President, Strategic Planning, from 2007 to 2008. Chief of Staff to the Vice Chairman from 2006 to 2007 and Senior Director, Strategic Planning from 2004 to 2006. She is a director of King.
Cavan M. Redmond	50	Group President, Animal Health, Consumer Healthcare, Capsugel and Corporate Strategy since December 2010. Senior Vice President; Group President, Pfizer Diversified Businesses from October 2009 until December 2010. President, Wyeth Consumer Healthcare from December 2007 until October 2009. Executive Vice President and General Manager, BioPharma, Wyeth Pharmaceuticals from 2003 until December 2007.

Natale S. Ricciardi	62	Senior Vice President; President, Pfizer Global Manufacturing (now Pfizer Global Supply) since October 2004. He had held a number of positions of increasing responsibility in manufacturing before being named U.S. Area Vice President/Team Leader for Pfizer Global Manufacturing in 1999. Director of Mediacom Communications Corp.
Amy W. Schulman	50	Executive Vice President, General Counsel and Business Unit Lead, Pfizer Nutrition since December 2010. Senior Vice President and General Counsel from June 2008 until December 2010. Ms. Schulman was a partner at the law firm of DLA Piper from 1997 until joining Pfizer in June 2008. Member of the Board of Directors of Wesleyan University and the Brooklyn Academy of Music.
David S. Simmons	46	President and General Manager, Emerging Markets and Established Products units since December 2010. President and General Manager, Established Products from 2008 until December 2010. Since joining Pfizer in 1996, Mr. Simmons has held various positions of increasing responsibility in pharmaceutical operations including, Regional President, Central Southern Europe; Vice President of Marketing, Pfizer Canada; and Country Manager, Pfizer Greece. He is a member of the U.S.-India Business Council.
Sally Susman	49	Executive Vice President, Policy, External Affairs and Communications of Pfizer since December 2010. Senior Vice President, Policy, External Affairs and Communications from December 2009 until December 2010. Senior Vice President and Chief Communications Officer from February 2008 until December 2009. Prior to joining Pfizer, Ms. Susman held senior level positions at The Estee Lauder Companies, including Executive Vice President from 2004 to January 2008.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The principal market for our Common Stock is the New York Stock Exchange. Our stock is also listed on the London Stock Exchange and the SIX Swiss Stock Exchange and is traded on various United States regional stock exchanges. Additional information required by this item is incorporated by reference from the table captioned *Quarterly Consolidated Financial Data (Unaudited)* in our 2010 Financial Report.

This table provides certain information with respect to our purchases of shares of the Company's Common Stock during the fiscal fourth quarter of 2010:

Issuer Purchases of Equity Securities (a)

Period	Total Number of Shares Purchased[b]	Average Price Paid per Share[b]	Total Number of Shares Purchased as Part of Publicly Announced Plan[a]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan[a]
October 4, 2010 Through October 31, 2010	17,144	$17.43		$4,034,050,592
November 1, 2010 Through November 30, 2010	97,647	$17.48		$4,034,050,592
December 1, 2010 Through December 31, 2010	297,232	$16.78		$4,034,050,592
Total	412,023	$16.97		

(a) On January 23, 2008, Pfizer announced that the Board of Directors had authorized a $5 billion share-purchase plan (the 2008 Stock Purchase Plan) to be utilized from time to time. On February 1, 2011, Pfizer announced that (i) the Board of Directors had authorized a new $5 billion share-purchase plan which, together with the balance remaining under the 2008 Stock Purchase Plan, increases our total current authorization to $9 billion and (ii) the Company anticipates purchasing $5 billion of its common stock in 2011, with the remaining authorized amount available in 2012 and beyond.

(b) These columns reflect the following transactions during the fourth quarter of 2010: (i) the surrender to Pfizer of 372,977 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock and restricted stock units issued to employees; and (ii) the open market purchase by the trustee of 39,046 shares of common stock in connection with the reinvestment of dividends paid on common stock held in trust for employees who were granted performance – contingent share awards and who deferred receipt of such awards.

ITEM 6. SELECTED FINANCIAL DATA

Information required by this item is incorporated by reference from the *Financial Summary* in our 2010 Financial Report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information required by this item is incorporated by reference from the Financial Review section of our 2010 Financial Report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this item is incorporated by reference from the discussion under the heading *Financial Risk Management* in our 2010 Financial Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this item is incorporated by reference from the *Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements* in our 2010 Financial Report and from the consolidated financial statements, related notes and supplementary data in our 2010 Financial Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls

As of the end of the period covered by this 2010 Form 10-K, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective in alerting them in a timely manner to material information required to be disclosed in our periodic reports filed with the SEC.

Internal Control over Financial Reporting

Management's report on the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), and the related report of our independent registered public accounting firm, are included in our 2010 Financial Report under the headings *Management's Report on Internal Control Over Financial Reporting* and *Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting*, respectively, and are incorporated by reference.

Changes in Internal Controls

During our most recent fiscal quarter, there has not been any change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. However, we do wish to highlight some changes which, taken together, are expected to have a favorable impact on our controls over a multi-year period. We continue to pursue a multi-year initiative to outsource some transaction-processing activities within certain accounting processes and are migrating to a consistent enterprise resource planning system across the organization. These are enhancements of ongoing activities to support the growth of our financial shared service capabilities and standardize our financial systems. None of these initiatives is in response to any identified deficiency or weakness in our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information about our Directors is incorporated by reference from the discussion under Item 1 of our 2011 Proxy Statement. Information about compliance with Section 16(a) of the Exchange Act is incorporated by reference from the discussion under the heading *Section 16(a) Beneficial Ownership Reporting Compliance* in our 2011 Proxy Statement. Information about the Pfizer Policies on Business Conduct governing our employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, and the Code of Business Conduct and Ethics governing our Directors, is incorporated by reference from the discussion under the heading *Pfizer Policies on Business Ethics and Conduct* and *Code of Conduct for Directors* in our 2011 Proxy Statement. Information regarding the procedures by which our stockholders may recommend nominees to our Board of Directors is incorporated by reference from the discussion under the headings *Governance of the Company – Governance Information – Criteria for Board Membership* and *Requirements, Including Deadlines, for Submission of Proxy Proposals, Nomination of Directors and Other Business of Shareholders* in our 2011 Proxy Statement. Information about our Audit Committee, including the members of the Committee, and our Audit Committee financial experts, is incorporated by reference from the discussion under the heading *The Audit Committee* in our 2011 Proxy Statement. The balance of the information required by this item is contained in the discussion entitled *Executive Officers of the Company* in Part I of this 2010 Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information about Director and executive compensation is incorporated by reference from the discussion under the headings: *Compensation of Non-Employee Directors, Executive Compensation,* and *Compensation Committee Interlocks and Insider Participation* in our 2011 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated by reference from the discussion under the headings *Equity Compensation Plan Information* in our 2011 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information about certain relationships and transactions with related parties is incorporated by reference from the discussion under the headings *Review of Related Person Transactions* and *Transactions with Related Persons* in our 2011 Proxy Statement. Information about director independence is incorporated by reference from the discussion under the heading *Director Independence* in our 2011 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information about the fees for professional services rendered by our independent auditors in 2010 and 2009 is incorporated by reference from the discussion under the heading *Audit and Non-Audit Fees* in Item 2 of our 2011 Proxy Statement. Our Audit Committee's policy on pre-approval of audit and permissible non-audit services of our independent auditors is incorporated by reference from the section captioned *Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm* in Item 2 of our 2011 Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

15(a)(1) Financial Statements. The following consolidated financial statements, related notes, report of independent registered public accounting firm and supplementary data from our 2010 Financial Report are incorporated by reference into Item 8 of Part II of this 2010 Form 10-K:

- Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements
- Consolidated Statements of Income
- Consolidated Balance Sheets
- Consolidated Statements of Shareholders' Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements
- Quarterly Consolidated Financial Data (Unaudited)

15(a)(2) Financial Statement Schedules. Schedules are omitted because they are not required or because the information is provided elsewhere in the financial statements. The financial statements of unconsolidated subsidiaries are omitted because, considered in the aggregate, they would not constitute a significant subsidiary.

15(a)(3) Exhibits. These exhibits are available upon request. Requests should be directed to Matthew Lepore, Vice President and Corporate Secretary, Chief Counsel-Corporate Governance, Pfizer Inc., 235 East 42nd Street, New York, NY 10017-5755. The exhibit numbers preceded by an asterisk (*) indicate exhibits filed with this 2010 Form 10-K. All other exhibit numbers indicate exhibits filed by incorporation by reference. Exhibit numbers 10(1) through 10(21) are management contracts or compensatory plans or arrangements.

2(1) Agreement and Plan of Merger dated as of January 25, 2009 among Pfizer Inc., Wagner Acquisition Corp. and Wyeth is incorporated by reference from our 8-K report filed on January 29, 2009.

3(1) Our Restated Certificate of Incorporation dated April 12, 2004, is incorporated by reference from our 10-Q report for the period ended March 28, 2004.

3(2) Amendment dated May 1, 2006 to Restated Certificate of Incorporation dated April 12, 2004, is incorporated by reference from our 10-Q report for the period ended July 2, 2006.

3(3) Our By-laws, as amended April 22, 2010, are incorporated by reference from our 10-Q report for the period ended April 4, 2010.

4(1) Indenture, dated as of January 30, 2001, between us and The Chase Manhattan Bank, is incorporated by reference from our 8-K report filed on January 30, 2001.

4(2) First Supplemental Indenture, dated as of March 24, 2009, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as Trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our 10-Q report for the period ended June 28, 2009.

4(3) Second Supplemental Indenture, dated as of June 2, 2009, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as Trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our 8-K report filed on June 3, 2009.

4(4) Eighth Supplemental Indenture, dated as of October 30, 2009, between Wyeth, us and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, formerly The Chase Manhattan Bank), as Trustee, to Indenture dated as of April 10, 1992 (as amended on October 13, 1992), is incorporated by reference from our 8-K report filed on November 3, 2009.

4(5) Except as set forth in Exhibits 4(1) – (4) above, the instruments defining the rights of holders of long-term debt securities of the Company and its subsidiaries have been omitted.[1]

10(1) 2001 Stock and Incentive Plan is incorporated by reference from our Proxy Statement for the 2001 Annual Meeting of Shareholders.

10(2) Pfizer Inc. 2004 Stock Plan, as Amended and Restated, is incorporated by reference from our Proxy Statement for the 2009 Annual Meeting of Shareholders.

10(3) Form of Stock Option Grant Notice and Summary of Key Terms is incorporated by reference from our 10-Q report for the period ended September 26, 2004.

10(4) Form of Performance-Contingent Share Award Grant Notice is incorporated by reference from our 10-Q report for the period ended September 26, 2004.

10(5) Stock and Incentive Plan, as amended through July 1, 1999, is incorporated by reference from our 1999 10-K report.

10(6) Nonfunded Supplemental Retirement Plan is incorporated by reference from our 1996 10-K report.

10(7) Nonfunded Deferred Compensation and Supplemental Savings Plan, as amended and restated as of February 1, 2002, is incorporated by reference from our 2002 10-K report.

10(8) Executive Annual Incentive Plan is incorporated by reference from our Proxy Statement for the 1997 Annual Meeting of Shareholders.

10(9) Deferred Compensation Plan is incorporated by reference from our 1997 10-K report.

10(10) Non-Employee Directors' Retirement Plan (frozen as of October 1996) is incorporated by reference from our 1996 10-K report.

10(11) Restricted Stock Plan for Non-Employee Directors is incorporated by reference from our 1996 10-K report.

10(12) The form of Indemnification Agreement with each of our non-employee Directors is incorporated by reference from our 1996 10-K report.

10(13) The form of Indemnification Agreement with each of the Named Executive Officers identified in our 2011 Proxy Statement is incorporated by reference from our 1997 10-K report.

10(14) Post-Retirement Consulting Agreement, dated as of April 20, 2000, between us and William C. Steere, Jr., is incorporated by reference from our 10-Q report for the period ended April 2, 2000.

10(15) Severance Agreement, dated August 22, 2007, between us and Frank A. D'Amelio and letter to Frank A. D'Amelio regarding replacement pension benefit dated August 22, 2007, are incorporated by reference from our 8-K report filed on August 22, 2007.

10(16) Executive Severance Plan is incorporated by referenced from our 8-K report filed on February 20, 2009.

10(17) Annual Retainer Unit Award Plan (for Non-Employee Directors) (frozen as of March 1, 2006) as amended, is incorporated by reference from our 2008 10-K report.

10(18) Nonfunded Deferred Compensation and Unit Award Plan for Non-Employee Directors, as amended, is incorporated by reference from our 2008 10-K report.

10(19) Nonfunded and Deferred Compensation and Unit Award Plan for Non-Employee Directors, as amended, is incorporated by reference from our 10-Q report for the period ended April 4, 2010.

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[1] We agree to furnish to the SEC, upon request, a copy of each instrument with respect to issuances of long-term debt of the Company and its subsidiaries.

10(20)	Form of Special Award Letter Agreement is incorporated by reference from our 8-K report filed on October 28, 2009.
10(21)	Separation Agreement, dated as of December 5, 2010, between us and Jeffrey B. Kindler, is incorporated by reference from our 8-K report filed on December 9, 2010.
*12	Computation of Ratio of Earnings to Fixed Charges.
*13	Portions of the 2010 Financial Report, which, except for those sections incorporated by reference, are furnished solely for the information of the SEC and are not to be deemed "filed."
*21	Subsidiaries of the Company.
*23	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
*24	Power of Attorney (included as part of signature page).
*31.1	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase
*101.LAB	XBRL Taxonomy Extension Label Linkbase
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase
*101.DEF	XBRL Taxonomy Extension Definition Document

SIGNATURES

Under the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report was signed on behalf of the Registrant by the authorized person named below.

Pfizer Inc.

Dated: February 24, 2011

By: /s/ MATTHEW LEPORE
Matthew Lepore
Vice President and Corporate Secretary,
Chief Counsel – Corporate Governance

We, the undersigned directors and officers of Pfizer Inc., hereby severally constitute Amy W. Schulman and Matthew Lepore, and each of them singly, our true and lawful attorneys with full power to them and each of them to sign for us, in our names in the capacities indicated below, any and all amendments to this Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Under the requirements of the Securities Exchange Act of 1934, this report was signed by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ IAN C. READ **Ian C. Read**	President, Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2011
/s/ FRANK A. D'AMELIO **Frank A. D'Amelio**	Executive Vice President, Business Operations and Chief Financial Officer (Principal Financial Officer)	February 24, 2011
/s/ LORETTA V. CANGIALOSI **Loretta V. Cangialosi**	Senior Vice President—Controller (Principal Accounting Officer)	February 24, 2011
/s/ DENNIS A. AUSIELLO **Dennis A. Ausiello**	Director	February 24, 2011
/s/ MICHAEL S. BROWN **Michael S. Brown**	Director	February 24, 2011
/s/ M. ANTHONY BURNS **M. Anthony Burns**	Director	February 24, 2011
/s/ ROBERT N. BURT **Robert N. Burt**	Director	February 24, 2011
/s/ W. DON CORNWELL **W. Don Cornwell**	Director	February 24, 2011
/s/ FRANCES D. FERGUSSON **Frances D. Fergusson**	Director	February 24, 2011
/s/ WILLIAM H. GRAY III **William H. Gray III**	Director	February 24, 2011

Signature	Title	Date
/s/ CONSTANCE J. HORNER **Constance J. Horner**	Director	February 24, 2011
/s/ SUZANNE NORA JOHNSON **Suzanne Nora Johnson**	Director	February 24, 2011
/s/ JAMES M. KILTS **James M. Kilts**	Director	February 24, 2011
/s/ GEORGE A. LORCH **George A. Lorch**	Non-Executive Chairman of the Board	February 24, 2011
/s/ JOHN P. MASCOTTE **John P. Mascotte**	Director	February 24, 2011
/s/ STEPHEN W. SANGER **Stephen W. Sanger**	Director	February 24, 2011
/s/ WILLIAM C. STEERE, JR. **William C. Steere, Jr.**	Director	February 24, 2011

Exhibit 12

PFIZER INC. AND SUBSIDIARY COMPANIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(millions except ratios)	Year Ended December 31, 2010	2009	2008	2007	2006
Determination of Earnings:					
Income from continuing operations before provision for taxes on income, noncontrolling interests and cumulative effect of a change in accounting principles	$ 9,422	$10,827	$ 9,694	$9,278	$13,028
Less:					
Noncontrolling interests	32	9	23	42	12
Income attributable to Pfizer Inc.	9,390	10,818	9,671	9,236	13,016
Add:					
Fixed charges	1,936	1,361	647	541	642
Total earnings as defined	$11,326	$12,179	$10,318	$9,777	$13,658
Fixed charges:					
Interest expense (a)	$ 1,799	$ 1,233	$ 516	$ 397	$ 488
Preferred stock dividends (b)	6	7	8	11	14
Rents (c)	131	121	123	133	140
Fixed charges	1,936	1,361	647	541	642
Capitalized interest	36	34	46	43	29
Total fixed charges	$ 1,972	$ 1,395	$ 693	$ 584	$ 671
Ratio of earnings to fixed charges	5.7	8.7	14.9	16.7	20.4

(a) Interest expense includes amortization of debt premium, discount and expenses. Interest expense does not include interest related to uncertain tax positions of $384 million for 2010; $337 million for 2009; $333 million for 2008; $331 million for 2007 and $200 million for 2006.

(b) Preferred stock dividends are from our Series A convertible perpetual preferred stock held by an Employee Stock Ownership Plan assumed in connection with our acquisition of Pharmacia in 2003.

(c) Rents included in the computation consist of one-third of rental expense which we believe to be a conservative estimate of an interest factor in our leases, which are not material.

EXHIBIT 13

Pfizer Inc.
2010 Financial Report

Financial Review
Pfizer Inc. and Subsidiary Companies

Introduction
Our Financial Review is provided to assist readers in understanding the results of operations, financial condition and cash flows of Pfizer Inc. (the Company). It should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements. The discussion in this Financial Review contains forward-looking statements that involve substantial risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors such as those discussed in Part 1, Item 1A, "Risk Factors" of our 2010 Annual Report on Form 10-K and in the "Forward-Looking Information and Factors That May Affect Future Results", "Our Operating Environment" and "Our Strategy" sections of this Financial Review.

In accordance with Pfizer's international year-end, the financial information included in our consolidated financial statements for our subsidiaries operating outside the United States (U.S.) is as of and for the year ended November 30 for each year presented. On October 15, 2009, we completed our acquisition of Wyeth in a cash-and-stock transaction valued on that date at approximately $68 billion. Commencing from the acquisition date, our financial statements reflect the assets, liabilities, operating results and cash flows of Wyeth. As a result, legacy Wyeth operations are reflected in our results of operations for the year ended December 31, 2010. In accordance with our domestic and international fiscal year-ends, our consolidated financial statements for the year ended December 31, 2009 reflect approximately two-and-a-half months of the fourth calendar quarter of 2009 in the case of Wyeth's U.S. operations and approximately one-and-a-half months of the fourth calendar quarter of 2009 in the case of Wyeth's international operations.

The Financial Review is organized as follows:

- *Overview of Our Performance, Operating Environment, Strategy and Outlook*. This section, beginning on page 2, provides information about the following: our business; our 2010 performance; our operating environment, including the impacts and anticipated impacts of the U.S. healthcare legislation enacted in March 2010; our strategy, including our recently announced initiative to improve the innovation and overall productivity of our research and development operation; our business development initiatives, such as acquisitions, dispositions, licensing and collaborations; our financial guidance for 2011; and our financial targets for 2012.

- *Accounting Policies*. This section, beginning on page 10, discusses those accounting policies that we consider important in understanding Pfizer's consolidated financial statements. For additional discussion of our accounting policies, see Notes to Consolidated Financial Statements—*Note 1. Significant Accounting Policies*.

- *Acquisition of Wyeth*. This section, beginning on page 15, discusses our acquisition of Wyeth, the use of fair value and the recognition of assets acquired and liabilities assumed in connection with our acquisition of Wyeth. For additional details related to the acquisition of Wyeth, see Notes to Consolidated Financial Statements—*Note 2. Acquisition of Wyeth*.

- *Analysis of the Consolidated Statements of Income.* This section begins on page 20, and consists of the following sections:

  - *Revenues.* This section, beginning on page 20, provides an analysis of our revenues and products for the three years ended December 31, 2010, including an overview of important product developments.

  - *Costs and Expenses*. This section, beginning on page 32, provides a discussion about our costs and expenses.

  - *Provision for Taxes on Income.* This section, beginning on page 36, provides a discussion of items impacting our tax provision for the periods presented and of two items that will impact our results beginning in 2011.

  - *Adjusted Income*. This section, beginning on page 37, provides a discussion of an alternative view of performance used by management.

- *Financial Condition, Liquidity and Capital Resources*. This section, beginning on page 41, provides an analysis of our consolidated balance sheets as of December 31, 2010 and 2009, and consolidated cash flows for each of the three years ended December 31, 2010, 2009 and 2008, as well as a discussion of our outstanding debt and other commitments that existed as of December 31, 2010. Included in the discussion of outstanding debt is a discussion of the amount of financial capacity available to help fund Pfizer's future activities.

- *New Accounting Standards*. This section, on page 45, discusses accounting standards that we recently have adopted, as well as those that recently have been issued but not yet adopted by us.

- *Forward-Looking Information and Factors That May Affect Future Results*. This section, beginning on page 45, provides a description of the risks and uncertainties that could cause actual results to differ materially from those discussed in forward-looking statements presented in this Financial Review relating to our financial and operating performance, business plans and prospects, in-line products and product candidates, and share-repurchase and dividend-rate plans. Such forward-looking statements are based on management's current expectations about future events, which are inherently susceptible to uncertainty and changes in circumstances. Also included in this section are discussions of Financial Risk Management and Legal Proceedings and Contingencies.

Overview of Our Performance, Operating Environment, Strategy and Outlook

Our Business

Our mission is to apply science and our global resources to improve health and well-being at every stage of life. We strive to set the standard for quality, safety and value in the discovery, development and manufacturing of medicines for people and animals. Our diversified global healthcare portfolio includes human and animal biologic and small molecule medicines and vaccines, as well as nutritional products and many of the world's best-known consumer products. Every day, we work across developed and emerging markets to advance wellness, prevention, treatments and cures that challenge the most feared diseases of our time. We also collaborate with other biopharmaceutical companies, healthcare providers, governments and local communities to support and expand access to reliable, affordable healthcare around the world. Our revenues are derived from the sale of our products, as well as through alliance agreements, under which we co-promote products discovered by other companies.

Our 2010 Performance

Revenues increased 36% in 2010 to $67.8 billion, compared to $50.0 billion in 2009, due to the inclusion of revenues from legacy Wyeth products for a full year in 2010 compared to part of the year in 2009, which favorably impacted revenues by $18.1 billion or 37%, and the favorable impact of foreign exchange, which increased revenues by approximately $1.1 billion, or 2%, partially offset by the net revenue decrease from legacy Pfizer products of $1.4 billion, or 3%.

The significant impacts on revenues for 2010, compared to 2009, are as follows:

	2010 vs. 2009	
(MILLIONS OF DOLLARS)	INCREASE/ (DECREASE)	% CHANGE
Enbrel (outside the U.S. and Canada)[a]	$2,896	*
Prevnar/Prevenar 13[a]	2,416	*
Effexor[a], [b]	1,198	*
Prevnar/Prevenar (7-valent)[a]	966	*
Premarin family[a]	827	*
Zosyn/Tazocin[a]	768	*
Protonix[a]	622	*
BeneFIX[a]	545	*
Pristiq[a]	384	*
ReFacto AF/Xyntha[a]	357	*
Detrol/Detrol LA	(141)	(12)
Camptosar[b]	(215)	(64)
Norvasc[b]	(467)	(24)
Lipitor[b]	(701)	(6)
Alliance revenues[a]	1,159	40
All Other Biopharmaceutical[a], [c]	890	12
Animal Health[a]	811	29
Consumer Healthcare[a]	2,278	*
Nutrition[a]	1,676	*

[a] Reflects the inclusion of revenues from legacy Wyeth products.
[b] Effexor lost exclusivity in the U.S. in July 2010. Lipitor lost exclusivity in Canada in May 2010, Spain in July 2010 and Brazil in August 2010 and faces intense competition in the U.S. and other markets from generic and branded products. Camptosar lost exclusivity in Europe in July 2009. Norvasc lost exclusivity in Canada in July 2009.
[c] Relates to "All Other" category included in the *Revenues—Major Biopharmaceutical Products* table presented in this Financial Review.
* Calculation not meaningful.

Income from continuing operations was $8.3 billion in 2010 compared to $8.6 billion in 2009, reflecting:

- the inclusion of a full year of expenses associated with the legacy Wyeth operations in 2010, compared to part of the year in 2009;
- the impact of purchase accounting adjustments primarily related to the Wyeth acquisition on *Cost of sales* and *Amortization of intangible assets*;
- impairment charges of $2.1 billion (pre-tax) primarily related to certain intangible assets acquired as part of the Wyeth acquisition and one legacy Pfizer product, Thelin (see further discussion in the "Costs and Expenses—Other (Income)/Deductions—Net" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 2. Acquisition of Wyeth*, *Note 3B. Other Significant Transactions and Events: Asset Impairment Charges, Note 6. Other (Income)/Deductions—net* and *Note 12B. Goodwill and Other Intangible Assets: Other Intangible Assets*);
- higher net interest expense, mainly due to the issuance of debt in connection with the acquisition of Wyeth and the addition of legacy Wyeth debt, as well as lower interest income due to lower interest rates coupled with lower average investment balances;
- an additional charge of $1.3 billion (pre-tax) for asbestos litigation related to our wholly owned subsidiary Quigley Company, Inc. (see Notes to Consolidated Financial Statements—*Note 19. Legal Proceedings and Contingencies*);

- lower revenues for legacy Pfizer products;
- a write-off of Wyeth-related inventory of $212 million (pre-tax) (which includes a purchase accounting fair value adjustment of $104 million) (see Notes to Consolidated Financial Statements—*Note 3B. Other Significant Transactions and Events: Asset Impairment Charges* and *Note 10. Inventories*); and
- the non-recurrence of a $482 million gain recorded in 2009 related to ViiV Healthcare Limited (ViiV), a joint venture with GlaxoSmithKline plc (see Notes to Consolidated Financial Statements—*Note3E. Other Significant Transactions and Events: Equity-Method Investments)*,

partially offset by:

- higher revenues for legacy Wyeth products due to the inclusion of a full year of revenues from legacy Wyeth products in 2010 compared to part of the year in 2009;
- a decrease in the 2010 effective tax rate (see further discussion in the "Provision for Taxes on Income" section of this Financial review);
- the favorable impact of foreign exchange; and
- lower *Restructuring charges and certain acquisition-related costs*.

Our Operating Environment

U.S. Healthcare Legislation

Principal Provisions Affecting Us

In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (together, the U.S. Healthcare Legislation), was enacted in the U.S. This legislation has both current and longer-term impacts on us, as discussed below.

Certain provisions of the U.S. Healthcare Legislation became effective in 2010 or on January 1, 2011, while other provisions will become effective on various dates over the next several years. The principal provisions affecting us provide for the following:

- an increase, from 15.1% to 23.1%, in the minimum rebate on branded prescription drugs sold to Medicaid beneficiaries (effective January 1, 2010);
- extension of Medicaid prescription drug rebates to drugs dispensed to enrollees in certain Medicaid managed care organizations (effective March 23, 2010);
- expansion of the types of institutions eligible for the "Section 340B discounts" for outpatient drugs provided to hospitals meeting the qualification criteria under Section 340B of the Public Health Service Act of 1944 (effective January 1, 2010);
- discounts on branded prescription drug sales to Medicare Part D participants who are in the Medicare "coverage gap," also known as the "doughnut hole" (effective January 1, 2011); and
- an annual fee payable to the federal government (which is not deductible for U.S. income tax purposes) based on our prior-calendar-year share relative to other companies of branded prescription drug sales to specified government programs (effective January 1, 2011, with the total fee to be paid each year by the pharmaceutical industry increasing annually through 2018).

In addition, the U.S. Healthcare Legislation includes provisions that affect the cost of certain of our postretirement benefit plans. Companies currently are permitted to take a deduction for federal income tax purposes in an amount equal to the subsidy received from the federal government related to their provision of prescription drug coverage to Medicare-eligible retirees. Under the U.S. Healthcare Legislation, effective for tax years beginning after December 31, 2012, companies will no longer be able to take that deduction. While the loss of this deduction will not take effect for a few years, under U.S. generally accepted accounting principles, we were required to account for the impact in the first quarter of 2010, the period when the provision was enacted into law, through a write-off of the deferred tax asset associated with those previously expected future income tax deductions. Other provisions of the U.S. Healthcare Legislation relating to our postretirement benefit plans will affect the measurement of our obligations under those plans, but those impacts are not expected to be significant.

Current and Anticipated Financial Impacts

Our revenues were adversely impacted by $289 million in 2010, compared to last year, as a result of the increase in the minimum rebate on branded prescription drugs sold to Medicaid beneficiaries and the extension of Medicaid prescription drug rebates to drugs dispensed to enrollees in certain Medicaid managed care organizations and, to a lesser extent, the expansion of the types of institutions eligible for the "340B discounts" for outpatient drugs.

In December 2010, the Financial Accounting Standards Board (FASB) issued an accounting standard update which provides guidance that the annual fee based on branded prescription drug sales to specified government programs should be recorded as an operating expense rather than as a reduction of revenues. After consideration of this new accounting standard, we currently expect that the provisions of the U.S. Healthcare Legislation that became effective in 2010, together with the discounts on branded prescription drug sales to Medicare Part D participants who are in the Medicare "doughnut hole" that became effective on January 1, 2011, will adversely affect revenues by approximately $600 million in 2011 and $500 million in 2012. In addition, we currently expect

that the annual fee based on branded prescription drug sales to specified government programs will adversely affect *Selling, informational and administrative expense*s by approximately $300 million in each of 2011 and 2012. These estimates are reflected in our 2011 financial guidance and 2012 financial targets, announced on February 1, 2011 (see the "Our Financial Guidance for 2011" and "Our Financial Targets for 2012" sections of this Financial Review for additional information).

In 2010, our income tax expense was impacted by, among other things, the write-off, in the first quarter of 2010, of the deferred tax asset of approximately $270 million to account for the loss of the deduction, for tax years beginning after December 31, 2012, of an amount equal to the subsidy from the federal government related to our provision of prescription drug coverage to Medicare-eligible retirees. This write-off was recorded in *Provision for taxes on income* in our Consolidated Statement of Income. For additional information on the impact of this write-off on our effective tax rate for 2010, see the "Provision for Taxes on Income" section of this Financial Review.

The financial impact of U.S. healthcare reform may be affected by certain additional factors over the next few years, including pending implementation guidance relating to the U.S. Healthcare Legislation and certain healthcare reform proposals. In addition, the U.S. Healthcare Legislation requires that, except in certain circumstances, individuals obtain health insurance beginning in 2014, and it also provides for an expansion of Medicaid coverage in 2014. It is expected that, as a result of these provisions, there will be a substantial increase in the number of Americans with health insurance beginning in 2014, a significant portion of whom will be eligible for Medicaid. We anticipate that this will increase demand for pharmaceutical products overall. However, in view of the many uncertainties, we are unable at this time to determine whether and to what extent sales of Pfizer prescription pharmaceutical products in the U.S. will be impacted.

Biotechnology Products

The U.S. Healthcare Legislation provides an abbreviated legal pathway to approve biosimilars (also referred to as "follow-on biologics"). Innovator biologics were granted 12 years of exclusivity, with a potential six-month pediatric extension. After the exclusivity period expires, the U.S. Food and Drug Administration (FDA) could approve biosimilar versions of innovator biologics. The regulatory implementation of these provisions is ongoing and expected to take several years. If competitors are able to obtain marketing approval for biosimilars referencing our biotechnology products, our biotechnology products may become subject to competition from biosimilars, with the attendant competitive pressure.

The budget proposal submitted to Congress by President Obama in February 2011 includes a provision that would reduce the base exclusivity period for biologics from 12 years to seven years. There is no assurance that this provision will be enacted into law.

Other Industry-Specific Challenges

The majority of our revenues come from the manufacture and sale of Biopharmaceutical products. The biopharmaceutical industry is highly competitive and we face a number of industry-specific challenges, which can significantly impact our results. These factors include among others: the loss or expiration of intellectual property rights, the regulatory environment and pipeline productivity, pricing and access pressures, and increasing competition among branded products.

The Loss or Expiration of Intellectual Property Rights—As is inherent in the biopharmaceutical industry, the loss or expiration of intellectual property rights can have a significant adverse effect on our revenues. Many of our products have multiple patents that expire at varying dates, thereby strengthening our overall patent protection. However, once patent protection has expired or has been lost prior to the expiration date as a result of a legal challenge, we lose exclusivity on these products, and generic pharmaceutical manufacturers generally produce similar products and sell them for a lower price. This price competition can substantially decrease our revenues for products that lose exclusivity, often in a very short period of time. While small molecule products are impacted in such a manner, biologics currently have additional barriers to entry related to the manufacture of such products and, therefore, generic competition may not be as significant. A number of our current products are expected to face significantly increased generic competition over the next few years.

In the U.S., we lost exclusivity for Effexor XR in July 2010, Aricept 5mg and 10mg tablets in November 2010, for Protonix in January 2011, and Vfend tablets in February 2011. We lost exclusivity for Lipitor in Canada in May 2010, Spain in July 2010 and Brazil in August 2010. In addition, the basic patent for Vfend tablets in Brazil expired in January 2011. We expect to lose exclusivity for various products over the next few years, including the following in 2011:

- Xalatan in the U.S. in March 2011;
- Aromasin in the U.S. in April 2011 and in the European Union (EU) and Japan in July 2011;
- Xalatan and Xalacom in the majority of major European markets in July 2011. We are pursuing a pediatric extension for Xalatan in the EU. If we are successful, the exclusivity period for both Xalatan and Xalacom in the majority of major European markets will be extended by six months to January 2012; and
- Lipitor and Caduet in the U.S. in November 2011 (see additional discussion below).

We expect that we will lose exclusivity for Lipitor in the U.S. in November 2011 and, as a result, will lose the substantial portion of our U.S. revenues from Lipitor shortly thereafter. We have granted Watson Laboratories, Inc. (Watson) the exclusive right to sell the authorized generic version of Lipitor in the U.S. for a period of five years, which is expected to commence in November 2011. As Watson's exclusive supplier, we will manufacture and sell generic atorvastatin tablets to Watson. In markets outside the U.S., Lipitor has lost exclusivity in certain countries and will lose exclusivity at various times in certain other countries. We expect to maintain a significant portion of the Lipitor revenues in developed markets outside the U.S. through 2011. We are pursuing a pediatric extension for Lipitor in the EU. If we are successful, the exclusivity period for Lipitor in the majority of major European markets will be extended by six months to May 2012. We do not expect that Lipitor revenues in emerging markets will be materially impacted by the loss of exclusivity in 2011 or over the next several years. In 2010, revenues from Lipitor were approximately $5.3 billion in the U.S. (approximately 18% of our total 2010 U.S. revenues) and approximately $5.4 billion in markets outside the U.S. (about 14% of our total 2010 international revenues, of which approximately $900 million was attributable to emerging markets).

Our financial guidance for 2011 and our financial targets for 2012 reflect the anticipated impact in those years of the loss of exclusivity of various products (see the "Our Financial Guidance for 2011" and "Our Financial Targets for 2012" sections of this Financial Review).

Pipeline Productivity and Regulatory Environment—The discovery and development of safe, effective new products, as well as the development of additional uses for existing products, are necessary for the continued strength of our businesses. We are confronted by increasing regulatory scrutiny of drug safety and efficacy, even as we continue to gather safety and other data on our products, before and after the products have been launched. Our product lines must be replenished over time in order to offset revenue losses when products lose their exclusivity, as well as to provide for revenue and earnings growth. We devote considerable resources to research and development (R&D) activities. These activities involve a high degree of risk and may take many years, and with respect to any specific research and development project, there can be no assurance that the development of any particular product candidate or new indication for an in-line product will achieve desired clinical endpoints and safety profile or will be approved by regulators and lead to a successful commercial product.

We received "warning letters" from the FDA in April 2010 with respect to the clinical trial for Geodon for the treatment of bipolar mania in children and in June 2010 with respect to the reporting of certain post-marketing adverse events relating to certain drugs. We are working with the FDA to address the issues raised in those letters.

Pricing and Access Pressures—Governments, managed care organizations and other payer groups continue to seek increasing discounts on our products through a variety of means such as leveraging their purchasing power, implementing price controls, and demanding price cuts (directly or by rebate actions). In particular, as a result of the economic environment in Europe, the industry has experienced significant pricing pressures in European markets. There were government-mandated price reductions for certain biopharmaceutical products in certain European countries in 2010, and we anticipate continuing pricing pressures in Europe in 2011. Also, health insurers and benefit plans continue to limit access to certain of our medicines by imposing formulary restrictions in favor of the increased use of generics. In prior years, Presidential advisory groups tasked with reducing healthcare spending have recommended and legislative changes have been proposed that would allow the U.S. government to directly negotiate prices with pharmaceutical manufacturers on behalf of Medicare beneficiaries, which we expect would restrict access to and reimbursement for our products. There have also been a number of legislative proposals seeking to allow importation of medicines into the U.S. from countries whose governments control the price of medicines, despite the increased risk of counterfeit products entering the supply chain. If importation of medicines is allowed, an increase in cross-border trade in medicines subject to foreign price controls in other countries could occur and negatively impact our revenues.

Competition Among Branded Products—Many of our products face competition in the form of branded products, which treat similar diseases or indications. These competitive pressures can have an adverse impact on our future revenues.

The Overall Economic Environment

In addition to industry-specific factors, we, like other businesses, continue to face the effects of the challenging economic environment, which have impacted our biopharmaceutical operations in the U.S. and Europe, affecting the performance of products such as Lipitor, Celebrex and Lyrica. We believe that patients, experiencing the effects of the challenging economic environment, including high unemployment levels, and increases in co-pays sometimes are switching to generics, delaying treatments, skipping doses or using less effective treatments to reduce their costs. Challenging economic conditions in the U.S. also have increased the number of patients in the Medicaid program, under which sales of pharmaceuticals are subject to substantial rebates and, in many states, to formulary restrictions limiting access to brand-name drugs, including ours. In addition, during 2010, we continued to experience pricing pressure as a result of the economic environment in Europe, with government-mandated reductions in prices for certain biopharmaceutical products in certain European countries.

Despite the challenging financial markets, Pfizer maintains a strong financial position. Due to our significant operating cash flows, financial assets, access to capital markets and available lines of credit and revolving credit agreements, we continue to believe that we have the ability to meet our liquidity needs for the foreseeable future. Our long-term debt is rated high quality by both Standard & Poor's and Moody's Investors Service. As market conditions change, we continue to monitor our liquidity position. We have taken and will continue to take a conservative approach to our financial investments. Both short-term and long-term investments consist primarily of high-quality, highly liquid, well-diversified, available-for-sale debt securities. For further discussion of our financial condition, see the "Financial Condition, Liquidity and Capital Resources" section of this Financial Review.

A significant portion of our revenues and earnings is exposed to changes in foreign exchange rates. We seek to manage our foreign exchange risk in part through operational means, including managing same-currency revenues in relation to same-currency costs and same-currency assets in relation to same-currency liabilities. Depending on market conditions, foreign exchange risk also is managed through the use of derivative financial instruments and foreign currency debt. As we operate in multiple foreign currencies, including the euro, the U.K. pound, the Japanese yen, the Canadian dollar and approximately 100 other currencies, changes in those currencies relative to the U.S. dollar will impact our revenues and expenses. If the U.S. dollar weakens against a specific foreign currency, our revenues will increase, having a positive impact, and our overall expenses will increase, having a negative impact, on net income. Likewise, if the U.S. dollar strengthens against a specific foreign currency, our revenues will decrease, having a negative impact, and our overall expenses will decrease, having a positive impact, on net income. Therefore, significant shifts in currencies can impact our short-term results as well as our long-term forecasts and targets.

Our Strategy

We believe that our medicines provide significant value for both healthcare providers and patients, not only from the improved treatment of diseases but also from a reduction in other healthcare costs, such as emergency room or hospitalization costs, as well as improvements in health, wellness and productivity. We continue to actively engage in dialogues about the value of our products and how we can best work with patients, physicians and payers to prevent and treat disease and improve outcomes. We will work within the current legal and pricing structures, as well as continue to review our pricing arrangements and contracting methods with payers, to maximize access to patients and minimize any adverse impact on our revenues.

In response to the challenging operating environment, we have taken and continue to take many steps to strengthen our Company and better position ourselves for the future. We believe in a comprehensive approach to our challenges—organizing our business to maximize research, development and commercial opportunities, diversifying our sources of revenue, restructuring when necessary to capture cost-reduction opportunities, opportunistically investing in acquisitions and collaboration arrangements and protecting our intellectual property. Selected highlights are as follows:

- We believe that our Primary Care, Specialty Care, Established Products, Oncology and Emerging Markets biopharmaceutical business unit structure enables us to better:
  - manage our products' growth and development from proof-of-concept throughout their entire time on the market;
  - bring innovation to our "go to market" promotional and commercial strategies;
  - develop ways to further enhance the value of established products, including those that have lost or are about to lose their exclusivity;
  - expand our already substantial presence in emerging markets; and
  - create product-line extensions where feasible.
- Our Animal Health, Consumer Healthcare, Nutrition and Capsugel business units provide diverse sources of revenues.
- Through our PharmaTherapeutics research group (discovery of small molecules and related modalities) and BioTherapeutics research group (large-molecule research, including vaccines), we continue to develop and deliver innovative medicines that will benefit patients around the world and make the investments that we believe are necessary to serve patients' needs and to generate long-term growth.

  On February 1, 2011, we announced that we are continuing to closely evaluate our global research and development function and will accelerate our current strategies to improve innovation and overall productivity by prioritizing areas with the greatest scientific and commercial promise, utilizing appropriate risk/return profiles and focusing on areas with the highest potential to deliver value in the near term and over time. To that end, our research will primarily focus on five high-priority areas that have a mix of small and large molecules—immunology and inflammation, oncology, cardiovascular and metabolic diseases, neuroscience and pain and vaccines. In addition to reducing the number of disease areas the Company will focus on, key steps in this process include a realigned research and development footprint, with a planned exit from the Company's Sandwich, United Kingdom (U.K.) site, subject to works council and union consultations, the planned shift of selected resources from the Company's Groton, Connecticut site to its Cambridge, Massachusetts site, and the planned outsourcing of certain functions that do not drive competitive advantage for Pfizer. As a result of these actions, we expect significant reductions in our annual research and development expenses, which are reflected in our 2011 financial guidance and 2012 financial targets, and we expect to incur significant costs, which are also reflected in our 2011 financial guidance and 2012 financial targets. For additional information, see the "Our Financial Guidance for 2011", "Our Financial Targets for 2012" and "Costs and Expenses—Cost-Reduction and Productivity Initiatives and Related Costs" sections of this Financial Review.

  While a significant portion of R&D is done internally, we continue to seek to expand our pipeline by entering into agreements with other companies to develop, license or acquire promising compounds, technologies or capabilities. Collaboration, alliance and license agreements and acquisitions allow us to capitalize on these compounds to expand our pipeline of potential future products. In addition, collaborations and alliances allow us to share risk and to access external scientific and technological expertise.

  For information about our pending new drug applications (NDA) and supplemental filings, see the "Revenues—Product Developments-Biopharmaceutical" section of this Financial Review.
- Our acquisition strategy included the acquisition of Wyeth in 2009, which significantly increased our diversification. We continue to build on our broad portfolio of businesses through various business development transactions announced in 2010. We believe the following transactions will complement our businesses as follows:
  - Our acquisition of King Pharmaceuticals, Inc. complements our current portfolio of pain treatments in our Primary Care unit and provides potential growth opportunities in our Established Products and Animal Health units.
  - Our acquisition of FoldRx Pharmaceuticals, Inc. is expected to strengthen our presence in the growing rare medical disease market, which complements our Specialty Care unit.
  - Our alliance with Biocon complements our Established Products and Emerging Markets unit by advancing our strategies in biosimilars and positions us competitively in the diabetes market over time.
  - Our investment in and commercial agreements with Laboratório Teuto Brasileiro S.A. (Teuto) complement our Emerging Markets unit by giving us access to a large network of independent distributors in Brazil and provide us the opportunity to commercialize Teuto's products outside of Brazil which may also provide opportunities for our Established Products unit.

- Our pending acquisition of Ferrosan's consumer healthcare business will strengthen our presence in dietary supplements with a new set of brands and pipeline products. Also, we believe that the acquisition will allow us to expand the marketing of Ferrosan's brands through Pfizer's global footprint and provide greater distribution and scale for certain Pfizer brands, such as Centrum® and Caltrate®, in Ferrosan's key markets.

For additional details related to these transactions and for other strategic investments see the "Our Business Development Initiatives" section of this Financial Review.

- We continue to aggressively defend our patent rights against increasingly aggressive infringement whenever appropriate (see Notes to Consolidated Financial Statements—*Note 19. Legal Proceedings and Contingencies*), and we will continue to support efforts that strengthen worldwide recognition of patent rights while taking necessary steps to ensure appropriate patient access. In addition, we will continue to employ innovative approaches to prevent counterfeit pharmaceuticals from entering the supply chain and to achieve greater control over the distribution of our products, and we will continue to participate in the generics market for our products, whenever appropriate, once they lose exclusivity.

- We remain focused on achieving an appropriate cost structure for the Company. For information regarding our cost-reduction initiatives, see the "Costs and Expenses—Cost-Reduction and Productivity Initiatives and Related Costs" section of this Financial Review.

- We continue to review the value-creation potential of all of our businesses, including the investments required to make them market leaders, their competitive position globally and whether they can create the most value within or outside of Pfizer. We expect to complete this review during 2011.

Our strategy also includes directly enhancing shareholder value through dividends and share repurchases. In December 2010, our Board of Directors declared a first-quarter 2011 dividend of $0.20 per share, an increase from the $0.18 per-share quarterly dividend paid during 2010. On February 1, 2011, we announced that the Board of Directors authorized a new $5 billion share-repurchase plan, which increased our total current repurchase authorization to $9 billion. We expect to repurchase approximately $5 billion of our common stock during 2011, with the remaining authorized amount available in 2012 and beyond.

Our Business Development Initiatives

We are committed to capitalizing on growth opportunities by advancing our own pipeline and maximizing the value of our in-line products, as well as through various forms of business development, which can include alliances, licenses, joint ventures, dispositions and acquisitions. We view our business-development activity as an enabler of our strategies, and we seek to generate profitable revenue growth and enhance shareholder value by pursuing a disciplined, strategic and financial approach to evaluating business-development opportunities. We are especially interested in opportunities in our Emerging Markets and Established Products units within our Biopharmaceutical segment and our high-priority therapeutic areas—immunology and inflammation, oncology, cardiovascular and metabolic diseases, neuroscience and pain, and vaccines. Some of our most significant business-development transactions since 2008 are described below.

- On January 31, 2011, we completed our tender offer for all of the outstanding shares of common stock of King Pharmaceuticals, Inc. (King). Upon completion of the tender offer, we accepted for purchase all of the shares validly tendered and not validly withdrawn at a purchase price of $14.25 per share, net to the seller in cash, without interest thereon and subject to any required withholding taxes. As a result, we paid approximately $3.3 billion in cash for approximately 92.5% of the outstanding shares of King common stock. Also, in accordance with the terms of the merger agreement, individuals designated by Pfizer now constitute a majority of the King Board of Directors. We intend to complete the acquisition of King through a merger on or about February 28, 2011, without a vote of the remaining shareholders of King. As a result of the merger, each remaining share of King common stock will be converted into the right to receive $14.25 per share, net in cash, without interest and less any required withholding taxes. Upon completion of the merger, we expect to pay approximately $300 million for the remaining shares of King, which will then become a wholly owned subsidiary of Pfizer.

  King's principal businesses consist of a prescription pharmaceutical business focused on delivering new formulations of pain treatments designed to discourage common methods of misuse and abuse; the Meridian auto-injector business for emergency drug delivery, which develops and manufactures the EpiPen®; and an animal health business that offers a variety of feed-additive products for a wide range of species.

  The assets acquired and liabilities assumed from King, the consideration paid to acquire King, and the results of King's operations are not reflected in our consolidated financial statements as of and for the twelve months ended December 31, 2010.

- On February 7, 2011 we announced that we have entered into a definitive agreement to purchase the Ferrosan consumer healthcare business, which is principally comprised of dietary supplement products, including multivitamins, probiotics and Omega-3 fish oils. Ferrosan markets its products in the Nordic region as well as Russia, Turkey and many countries in Central and Eastern Europe. The transaction, which is subject to customary closing conditions, including regulatory approval in certain jurisdictions, is expected to close during the second quarter of 2011.

- On November 8, 2010 we consummated our partnership to develop and commercialize generic medicines with Laboratório Teuto Brasileiro S.A. (Teuto) a leading generics company in Brazil. As part of the transaction, we acquired a 40 percent equity stake in Teuto, and the companies entered into a series of commercial agreements. The partnership is expected to enhance our position in Brazil, a key emerging market, by providing access to Teuto's portfolio of products. Through this partnership, we expect to also have access to significant distribution networks in rural and suburban areas in Brazil and the opportunity to register and commercialize Teuto's products in various markets outside of Brazil. Under the terms of our purchase agreement with Teuto, we made an upfront payment at the closing of approximately $230 million (subject to certain post-closing adjustments). In addition, Teuto will be eligible to receive a

performance-based milestone payment from us in 2012 of up to approximately $200 million. We have an option to acquire the remaining 60 percent of Teuto's shares beginning in 2014, and Teuto's shareholders have an option to sell their 60 percent stake to us beginning in 2015.

We are accounting for our interest in Teuto as an equity method investment due to the significant influence we have over the operations of Teuto through our board representation, minority veto rights and 40% voting interest. Our investment in Teuto is reported as a private equity investment in *Long-term investments and loans* in our consolidated balance sheet as of December 31, 2010. Our share of Teuto's income and expenses is recorded in *Other deductions—net*. See also Notes to Consolidated Financial Statements—*Note 3E. Other Significant Transactions and Events: Equity-Method Investments*.

- On October 18, 2010, we entered into a strategic global agreement with Biocon, a biotechnology company based in India, for the worldwide commercialization of Biocon's biosimilar versions of insulin and insulin analog products: Recombinant Human Insulin, Glargine, Aspart and Lispro. We will have exclusive rights to commercialize these products globally, with certain exceptions, including co-exclusive rights for all of the products with Biocon in Germany, India and Malaysia. We will also have co-exclusive rights with existing Biocon licensees with respect to certain of these products, primarily in a number of developing markets. Biocon will remain responsible for the clinical development, manufacture and supply of these biosimilar insulin products, as well as for regulatory activities to secure approval for these products in various markets. Biocon's Recombinant Human Insulin formulations are approved in 27 countries in developing markets, and commercialized in 23 of those countries, while Biocon's Glargine has been launched in its first market, India. Under the terms of the strategic global agreement, we made upfront payments totaling $200 million in the fourth quarter of 2010, of which $100 million was paid to Biocon (recorded in *Research and development expenses*) and $100 million was paid into an escrow account. The payment into the escrow account will be released to Biocon based on achievement of certain milestones. Biocon also is eligible to receive additional development and regulatory milestone payments of up to $150 million and will receive additional payments based on our sales of Biocon's four insulin biosimilar products across global markets.

- On October 6, 2010, we completed our acquisition of FoldRx Pharmaceuticals, Inc. (FoldRx), a privately held drug discovery and clinical development company, whose portfolio includes clinical and preclinical programs for investigational compounds to treat diseases caused by protein misfolding. FoldRx's lead product candidate, tafamidis meglumine, is in registration in both the U.S. and the EU as a first-in-class oral therapy for the treatment of transthyretin amyloid polyneuropathy (ATTR-PN), a progressively fatal genetic neurodegenerative disease, for which liver transplant is the only treatment option currently available. The total consideration for the acquisition was approximately $400 million, which consisted of an upfront payment to FoldRx's shareholders of about $200 million and contingent consideration with an estimated acquisition-date fair value of about $200 million. The contingent consideration consists of up to $455 million in additional payments that are contingent upon the attainment of future regulatory and commercial milestones. For additional information see Notes to Consolidated Financial Statements—*Note 3D. Other Significant Transactions and Events: Acquisitions*.

- On October 15, 2009 (the acquisition date), we acquired all of the outstanding equity of Wyeth in a cash-and-stock transaction, valued, based on the closing market price of Pfizer common stock on the acquisition date, at $50.40 per share of Wyeth common stock, or a total of approximately $68 billion. In connection with our acquisition of Wyeth, we are required to divest certain animal health assets. Certain of these assets were sold in 2009. In addition, in 2010, we completed the divestiture of certain animal health products and related assets in Australia, China, the EU, Switzerland and Mexico. It is possible that additional divestitures of animal health assets may be required based on ongoing regulatory reviews in other jurisdictions worldwide, but they are not expected to be significant to our business. For additional information related to our acquisition of Wyeth, see the "Acquisition of Wyeth" section of this Financial Review and see Notes to Consolidated Financial Statements—*Note 2. Acquisition of Wyeth*.

- In April 2009, we announced that we entered into an agreement with GlaxoSmithKline plc (GSK) to create a new company focused solely on research, development and commercialization of human immunodeficiency virus (HIV) medicines. The transaction closed on October 30, 2009, and the new company, ViiV Healthcare Limited (ViiV), began operations on November 2, 2009. We and GSK have contributed certain HIV-related product and pipeline assets to the new company. ViiV has a broad product portfolio of 11 marketed products, including innovative leading therapies such as Combivir and Kivexa products and Selzentry/Celsentri (maraviroc), and has a pipeline of six innovative and targeted medicines, including four compounds in Phase 2 development. ViiV has contracted R&D and manufacturing services directly from GSK and us and also has entered into a research alliance agreement with GSK and us. Under this alliance, ViiV is investing in our and GSK's programs for discovery research and development into HIV medicines. ViiV has exclusive rights of first negotiation in relation to any new HIV-related medicines developed by either GSK or us. We recorded a pre-tax gain of $482 million in connection with the formation of the new company and we currently hold a 15% equity interest and GSK holds an 85% equity interest. The equity interests will be adjusted in the event that specified sales and regulatory milestones are achieved. Our equity interest in ViiV could vary from 9% to 30.5%, and GSK's equity interest could vary from 69.5% to 91%, depending upon the milestones achieved with respect to the original pipeline assets contributed by us and by GSK to ViiV. Each company may also be entitled to preferential dividend payments to the extent that specific sales thresholds are met in respect of the marketed products and pipeline assets originally contributed. For additional information on our investment in ViiV, see Notes to Consolidated Financial Statements—*Note 3E. Other Significant Transactions and Events: Equity-Method Investments*.

- In December 2008, we entered into an agreement with Auxilium Pharmaceuticals, Inc. (Auxilium) to develop, commercialize and supply Xiapex, a novel, first-in-class biologic, for the treatment of Dupuytren's contracture and Peyronie's disease. Under the collaboration agreement with Auxilium, we will receive exclusive rights to commercialize Xiapex in the EU and 19 other European and Eurasian countries. We submitted an application for Xiapex for the treatment of Dupuytren's contracture in the EU in December 2009. Under the agreement with Auxilium, we made an upfront payment of $75 million in 2008 and a $15 million milestone payment in 2010, which is included in *Research and development expenses* in 2008. We also may make additional payments to Auxilium of up to approximately $400 million based upon regulatory and commercialization milestones, as well as additional milestone payments based upon the successful commercialization of the product.

- In the fourth quarter of 2008, we completed the acquisition of a number of animal health product lines from Schering-Plough Corporation (Schering-Plough) for approximately $170 million.

- In October 2008, an agreement with Medivation, Inc. (Medivation) to develop and commercialize Latrepirdine (Dimebon), Medivation's investigational drug for treatment of Alzheimer's disease and Huntington's disease went into effect. Latrepirdine currently is being evaluated in a Phase 3 trial in patients with mild-to-moderate Alzheimer's disease and in a Phase 3 trial in patients with Huntington's disease. Under the collaboration agreement with Medivation, we made an upfront payment of $225 million, which is included in *Research and development expenses* in 2008. We also agreed to make additional payments of up to $500 million based upon development and regulatory milestones, as well as additional milestone payments based upon the successful commercialization of the product.

- In the second quarter of 2008, we acquired Encysive Pharmaceuticals Inc. (Encysive), a biopharmaceutical company whose main product was Thelin, through a tender offer, for approximately $200 million, including transaction costs (see the "Product Developments-Biopharmaceutical" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 3B. Other Significant Transactions and Events: Asset Impairment Charges*). In addition, in the second quarter of 2008, we acquired Serenex, Inc. (Serenex), a privately held biotechnology company. In connection with these acquisitions, we recorded approximately $170 million in *Acquisition-related in-process research and development charges* and approximately $450 million in intangible assets in 2008.

- In the second quarter of 2008, we entered into an agreement with a subsidiary of Celldex for an exclusive worldwide license to CDX-110, an experimental therapeutic vaccine in Phase 2 development for the treatment of glioblastoma multiforme, and exclusive rights to the use of EGFRvIII vaccines in other potential indications. Under the license and development agreement, an upfront payment was made in 2008. In September 2010, we terminated this agreement.

- In the first quarter of 2008, we acquired CovX, a privately held biotherapeutics company, and we acquired all the outstanding shares of Coley Pharmaceutical Group, Inc., (Coley), a biopharmaceutical company. In connection with these and two smaller acquisitions related to Animal Health, we recorded approximately $440 million in *Acquisition-related in-process research and development charges* in 2008. In 2010 and 2009, we resolved certain contingencies and met certain milestones associated with CovX and recorded $125 million in 2010 and $68 million in 2009 of *Acquisition-related in-process research and development charges*.

Our Financial Guidance for 2011

We forecast 2011 revenues of $66.0 billion to $68.0 billion, Reported diluted earnings per common share (EPS) of $1.09 to $1.24 and Adjusted diluted EPS of $2.16 to $2.26. The current exchange rates assumed in connection with the 2011 financial guidance are the mid-January 2011 exchange rates. For an understanding of Adjusted income, see the "Adjusted Income" section of this Financial Review.

A reconciliation of 2011 Adjusted income and Adjusted diluted EPS guidance to 2011 Reported Net income attributable to Pfizer Inc. and Reported diluted EPS attributable to Pfizer Inc. common shareholders guidance follows:

	FULL-YEAR 2011 GUIDANCE	
(BILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)	NET INCOME[a]	DILUTED EPS[a]
Adjusted income/diluted EPS[b] guidance	~$17.1-$17.9	~$2.16-$2.26
Purchase accounting impacts of transactions completed as of 12/31/10	(4.7)	(0.59)
Acquisition-related costs	(1.9-2.2)	(0.25-0.28)
Non-acquisition-related restructuring costs[c]	(1.4-1.6)	(0.18-0.20)
Reported Net income attributable to Pfizer Inc./diluted EPS guidance	~$8.6-$9.9	~$1.09-$1.24

[a] Assumes the completion of the acquisition of all remaining shares of King Pharmaceuticals, Inc., but does not assume the completion of any other business-development transactions not completed as of December 31, 2010. Also excludes the potential effects of the resolution of litigation-related matters not substantially resolved as of December 31, 2010.
[b] For an understanding of Adjusted income, see the "Adjusted Income" section of this Financial Review.
[c] Amounts relate to actions to be taken in connection with our planned reduction in R&D spending, including our realigned R&D footprint. In our reconciliation between *Net income attributable to Pfizer Inc.*, as reported under principles generally accepted in the United States of America (U.S. GAAP), and Adjusted income, these amounts will be categorized as Certain Significant Items.

For a description of the savings and costs associated with our integration of Wyeth and our new Research and Development productivity initiative, please see "Our Financial Targets for 2012" below.

Our 2011 financial guidance is subject to a number of factors and uncertainties—as described in the "Forward-Looking Information and Factors That May Affect Future Results", "Our Operating Environment" and "Our Strategy" sections of this Financial Review and in Part I, Item 1A, "Risk Factors", of our 2010 Annual Report on Form 10-K.

Our Financial Targets for 2012

At exchange rates in effect in mid-January 2011, we are targeting 2012 revenues of $63.0 billion to $65.5 billion, Reported diluted EPS between $1.58 and $1.73 and Adjusted diluted EPS between $2.25 and $2.35. For an understanding of Adjusted income, see the "Adjusted Income" section of this Financial Review.

A reconciliation of 2012 Adjusted income and Adjusted diluted EPS targets to 2012 Reported Net income attributable to Pfizer Inc. and Reported diluted EPS attributable to Pfizer Inc. common shareholders targets follows:

	FULL-YEAR 2012 TARGETS	
(BILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)	NET INCOME[a],[b]	DILUTED EPS[a], [b]
Adjusted income/diluted EPS[c] targets	~$17.2-$17.9	~$2.25-$2.35
Purchase accounting impacts of transactions completed as of 12/31/10	(3.8)	(0.50)
Acquisition-related costs	(0.7-1.0)	(0.09-0.12)
Non-acquisition-related restructuring costs[d]	(0.3-0.4)	(0.03-0.05)
Reported Net income attributable to Pfizer Inc./diluted EPS targets	~$12.0-$13.1	~$1.58-$1.73

[a] Assumes the completion of the acquisition of all remaining shares of King Pharmaceuticals, Inc., but does not assume the completion of any other business-development transactions not completed as of December 31, 2010. Also excludes the potential effects of the resolution of litigation-related matters not substantially resolved as of December 31, 2010.

[b] Given the longer-term nature of these targets, they are subject to greater variability and less certainty as a result of potential material impacts related to foreign exchange fluctuations, macroeconomic activity including inflation, and industry-specific challenges including changes to government healthcare policy, among others.

[c] For an understanding of Adjusted income, see the "Adjusted Income" section of this Financial Review.

[d] Amounts relate to actions to be taken in connection with our planned reduction in R&D spending, including our realigned R&D footprint. In our reconciliation between *Net income attributable to Pfizer Inc.*, as reported under U.S. GAAP, and Adjusted income, these amounts will be categorized as Certain Significant Items.

We expect to generate cost reductions associated with the Wyeth acquisition, net of investments in the business, of approximately $4 billion to $5 billion, by the end of 2012, at 2008 average foreign exchange rates, in comparison with the 2008 pro forma combined adjusted total costs of the legacy Pfizer and legacy Wyeth operations. (For an understanding of Adjusted income, see the "Adjusted Income" section of this Financial Review.) We achieved more than $2 billion of these cost savings in 2010. For a description of the associated costs, expected to range from $2.0 billion to $4.0 billion during 2011 and 2012, see the "Costs and Expenses—Cost-Reduction and Productivity Initiatives and Related Costs" section of this Financial Review.

In addition, we expect to generate significant reductions in our annual research and development expenses by the end of 2012. Specifically, we expect adjusted R&D expenses to be approximately $8.0 billion to $8.5 billion in 2011 and approximately $6.5 billion to $7.0 billion in 2012 (for an understanding of Adjusted income, see the "Adjusted Income" section of this Financial Review). For a description of the associated costs, expected to range from $2.2 billion to $2.9 billion during 2011 and 2012, see the "Costs and Expenses—Cost-Reduction and Productivity Initiatives and Related Costs" section of this Financial Review.

For further information on our research and development strategy, see also the "Our Strategy" section this Financial Review.

Our 2012 financial targets are subject to a number of factors and uncertainties—as described in the "Forward-Looking Information and Factors That May Affect Future Results", "Our Operating Environment" and "Our Strategy" sections of this Financial Review and in Part I, Item 1A, "Risk Factors", of our 2010 Annual Report on Form 10-K.

Accounting Policies

We consider the following accounting policies important in understanding our operating results and financial condition. For additional accounting policies, see Notes to Consolidated Financial Statements—*Note 1. Significant Accounting Policies.*

Estimates and Assumptions

In preparing the consolidated financial statements, we use certain estimates and assumptions that affect reported amounts and disclosures, including amounts recorded in connection with acquisitions, such as our acquisition of Wyeth on October 15, 2009. These estimates and underlying assumptions can impact all elements of our financial statements. For example, in the consolidated statements of income, estimates are used when accounting for deductions from revenues (such as rebates, chargebacks, sales returns and sales allowances), determining cost of sales, allocating cost in the form of depreciation and amortization, and estimating restructuring charges and the impact of contingencies. On the consolidated balance sheets, estimates are used in determining the valuation and recoverability of assets, such as accounts receivable, investments, inventories, fixed assets and intangible assets (including goodwill), and estimates are used in determining the reported amounts of liabilities, such as taxes payable, benefit obligations, the impact of contingencies, rebates, chargebacks, sales returns and sales allowances, and restructuring reserves, all of which also will impact the consolidated statements of income.

We regularly evaluate our estimates and assumptions, using historical experience and other factors, including the economic environment. Our estimates often are based on complex judgments, probabilities and assumptions that we believe to be reasonable but that are inherently uncertain and, in some cases, unpredictable.

As future events and their effects cannot be determined with precision, our estimates and assumptions may prove to be incomplete or inaccurate, or unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions. Market conditions, such as illiquid credit markets, volatile equity markets, dramatic fluctuations in foreign currency rates and economic downturns, can increase the uncertainty already inherent in our estimates and assumptions. We adjust our estimates and assumptions when facts and circumstances indicate the need for change. Those changes will generally be reflected in our financial statements on a prospective basis unless they are required to be treated retrospectively under the relevant accounting standard. Although we believe our estimates are reasonable and our assumptions supportable, it is possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative

estimated amounts. We are also subject to other risks and uncertainties that may cause actual results to differ from estimated amounts, such as changes in the healthcare environment, competition, litigation, legislation and regulations. These and other risks and uncertainties are discussed throughout this Financial Review, particularly in the sections "Our Operating Environment", "Our Strategy" and "Forward-Looking Information and Factors That May Affect Future Results", and in Part I, Item 1A, "Risk Factors" of our 2010 Annual Report on Form 10-K.

Contingencies

We and certain of our subsidiaries are involved in various patent, product liability, consumer, commercial, securities, environmental, and tax litigations and claims; government investigations; and other legal proceedings that arise from time to time in the ordinary course of our business. Except for income tax contingencies, we record accruals for contingencies to the extent that we conclude their occurrence is probable and that the related liabilities are estimable, and we record anticipated recoveries under existing insurance contracts when assured of recovery. For tax matters, we record accruals for income tax contingencies to the extent that we conclude that a tax position is not sustainable under a "more-likely-than-not" standard and we record our estimate of the potential tax benefits in one tax jurisdiction that could result from the payment of income taxes in another tax jurisdiction when we conclude that the potential recovery is more likely than not (see Notes to Consolidated Financial Statements—*Note 7D. Taxes on Income: Tax Contingencies*). We also evaluate tax matters that are sustainable under the "more-likely-than-not" standard in determining our accruals for income tax contingencies. We consider many factors in making these assessments. Because litigation and other contingencies are inherently unpredictable and excessive verdicts do occur, these assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions.

Acquisitions

Our consolidated financial statements include an acquired business's operations after the completion of the acquisition. We account for acquired businesses using the acquisition method of accounting. The acquisition method of accounting for acquired businesses requires, among other things, that most assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date and that the fair value of acquired in-process research and development (IPR&D) be recorded on the balance sheet. Also, transaction costs are expensed as incurred. Any excess of the purchase price over the assigned values of the net assets acquired is recorded as goodwill. For acquisitions consummated prior to January 1, 2009, amounts allocated to acquired IPR&D were expensed at the date of acquisition. When we have acquired net assets that do not constitute a business under U.S. GAAP, no goodwill has been recognized.

Contingent consideration is included within the acquisition cost and is recognized at its fair value on acquisition date. A liability resulting from contingent consideration is remeasured to fair value at each reporting date until the contingency is resolved. Changes in fair value are recognized in earnings.

Fair Value

We often are required to measure certain assets and liabilities at fair value, either upon initial measurement or for subsequent accounting or reporting. For example, we use fair value extensively in the initial measurement of net assets acquired in a business combination and when accounting for and reporting on certain financial instruments. We estimate fair value using an exit price approach, which requires, among other things, that we determine the price that would be received to sell an asset or paid to transfer a liability in an orderly market. The determination of an exit price is considered from the perspective of market participants, considering the highest and best use of assets and, for liabilities, assuming the risk of non-performance will be the same before and after the transfer. Many, but not all, of our financial instruments are carried at fair value. In addition, as required under accounting rules for business combinations, most of the assets acquired and liabilities assumed from Wyeth on October 15, 2009 have been recorded at their estimated fair values as of the acquisition date (see the "Acquisition of Wyeth" section of this Financial Review for additional information). For additional information on the valuation approaches allowed under U.S. GAAP to determine fair value, including a description of the inputs used, see Notes to Consolidated Financial Statements—*Note 1F. Significant Accounting Polices: Fair Value.* Also, for information on the use of fair value for our financial instruments, see Notes to Consolidated Financial Statements—*Note 9. Financial Instruments*.

Revenues

Revenue Recognition—We record revenues from product sales when the goods are shipped and title passes to the customer. At the time of sale, we also record estimates for a variety of sales deductions, such as rebates, discounts and incentives, and product returns. When we cannot reasonably estimate the amount of future product returns, we record revenues when the risk of product return has been substantially eliminated. We record sales of certain of our vaccines to the U.S. government as part of the Pediatric Vaccine Stockpile program. These rules require that for fixed commitments made by the U.S. government we record revenues when risk of ownership of the completed product has been passed to the U.S. government. There are no specific performance obligations associated with products sold under this program.

Deductions from Revenues—As is typical in the biopharmaceutical industry, our gross product sales are subject to a variety of deductions that generally are estimated and recorded in the same period that the revenues are recognized and primarily represent rebates and discounts to government agencies, wholesalers, distributors and managed care organizations with respect to our biopharmaceutical products. These deductions represent estimates of the related obligation and, as such, judgment and knowledge of market conditions and practice are required when estimating the impact of these sales deductions on gross sales for a reporting period.

Specifically,

- In the U.S., we record provisions for pharmaceutical Medicaid, Medicare and contract rebates based upon our experience ratio of rebates paid and actual prescriptions written during prior quarters. We apply the experience ratio to the respective period's sales to determine the rebate accrual and related expense. This experience ratio is evaluated regularly to ensure that the historical trends are as current as practicable. As appropriate, we will adjust the ratio to better match our current experience or our expected future experience. In assessing this ratio, we consider current contract terms, such as changes in formulary status and discount rates. If our ratio is not indicative of future experience, our results could be materially affected.

- Outside the U.S., the majority of our pharmaceutical rebates, discounts and price reductions are contractual or legislatively mandated, and our estimates are based on actual invoiced sales within each period; both of these elements help to reduce the risk of variations in the estimation process. Some European countries base their rebates on the government's unbudgeted pharmaceutical spending, and we use an estimated allocation factor (based on historical payments) and total revenues by country against our actual invoiced sales to project the expected level of reimbursement. We obtain third-party information that helps us monitor the adequacy of these accruals. If our estimates are not indicative of actual unbudgeted spending, our results could be materially affected.

- Provisions for pharmaceutical chargebacks (primarily reimbursements to wholesalers for honoring contracted prices to third parties) closely approximate actual as we settle these deductions generally within two to five weeks of incurring the liability.

- Provisions for pharmaceutical returns are based on a calculation in each market that incorporates the following, as appropriate: local returns policies and practices; returns as a percentage of sales; an understanding of the reasons for past returns; estimated shelf life by product; and an estimate of the amount of time between shipment and return or lag time; and any other factors that could impact the estimate of future returns, such as loss of exclusivity, product recalls or a changing competitive environment. In most markets, returned products are destroyed, and customers are refunded the sales price in the form of a credit.

- We record sales incentives as a reduction of revenues at the time the related revenues are recorded or when the incentive is offered, whichever is later. We estimate the cost of our sales incentives based on our historical experience with similar incentives programs.

Historically, our adjustments to actual have not been material; on a quarterly basis, they generally have been less than 1.0% of Biopharmaceutical net sales and can result in a net increase to income or a net decrease to income. The sensitivity of our estimates can vary by program, type of customer and geographic location. However, estimates associated with U.S. Medicaid and contract rebates are most at-risk for material adjustment because of the extensive time delay between the recording of the accrual and its ultimate settlement, an interval that can range up to one year. Because of this time lag, in any given quarter, our adjustments to actual can incorporate revisions of several prior quarters.

Collaborative Arrangements—Payments to and from our collaboration partners are presented in the statements of income based on the nature of the arrangement (including its contractual terms), the nature of the payments and applicable accounting guidance. Under co-promotion agreements, we record the amounts received from our partners as alliance revenues, a component of *Revenues,* when our co-promotion partners are the principal in the transaction and we receive a share of their net sales or profits. Alliance revenues are recorded when our co-promotion partners ship the product and title passes to their customers and the related expenses for selling and marketing these products are included in *Selling, informational and administrative expenses.* In collaborative arrangements where we manufacture a product for our partner, we record revenues when our partner sells the product and title passes to its customer. All royalty payments to collaboration partners are recorded as part of *Cost of sales*.

Pension and Postretirement Benefit Plans

We provide defined benefit pension plans for the majority of our employees worldwide. In the U.S., we have both qualified and supplemental (non-qualified) defined benefit plans, as well as other postretirement benefit plans, consisting primarily of healthcare and life insurance for retirees (see Notes to Consolidated Financial Statements—*Note 13. Pension and Postretirement Benefit Plans and Defined Contribution Plans*).

The accounting for benefit plans is highly dependent on actuarial estimates, assumptions and calculations, which result from a complex series of judgments about future events and uncertainties (see the "Accounting Policies—Estimates and Assumptions" section of this Financial Review). The assumptions and actuarial estimates required to estimate the employee benefit obligations for the defined benefit and postretirement plans may include the discount rate; expected salary increases; certain employee-related factors, such as turnover, retirement age and mortality (life expectancy); expected return on assets; and healthcare cost trend rates. Our assumptions reflect our historical experiences and our best judgment regarding future expectations that have been deemed reasonable by management. The judgments made in determining the costs of our benefit plans can materially impact our results of operations.

The following table shows the expected versus actual rate of return on plan assets and the discount rate used to determine the benefit obligations for the U.S. qualified pension plans:

	2010	2009	2008
Expected annual rate of return	**8.5%**	8.5%	8.5%
Actual annual rate of return	**10.8**	14.2	(20.7)
Discount rate	**5.9**	6.3	6.4

As a result of the global financial market downturn during 2008, the fair value of the assets held in our pension plans decreased by approximately 21% in 2008 and we estimate those losses will be amortized over a 10-year period. We maintained our expected long-term return on plan assets of 8.5% in 2010 for our U.S. pension plans, which impacts net periodic benefit cost. In early 2009, in order to reduce the volatility of our plan funded status and the probability of future contribution requirements, we shifted from an explicit target asset allocation to asset allocation ranges. However, we did not significantly change the asset allocation during 2009 and the allocation was largely consistent with that of 2008. No further changes to the strategic asset allocation were made in 2010 and, therefore, we maintained the 8.5% expected long-term rate of return on assets in 2010.

The assumption for the expected return on assets for our U.S. and international plans reflects our actual historical return experience and our long-term assessment of forward-looking return expectations by asset classes, which is used to develop a weighted-average expected return based on the implementation of our targeted asset allocation in our respective plans. The expected return for our U.S. plans and the majority of our international plans is applied to the fair market value of plan assets at each year end.

Holding all other assumptions constant, the effect of a 0.5 percentage-point decline in the return-on-assets assumption would increase our 2011 U.S. qualified pension plans' pre-tax expense by approximately $49 million.

The discount rate used in calculating our U.S. defined benefit plan obligations as of December 31, 2010, is 5.9%, which represents a 0.4 percentage-point decrease from our December 31, 2009, rate of 6.3%. The discount rate for our U.S. defined benefit plans is based on a bond model constructed from a portfolio of high-quality corporate bonds rated AA or better for which the timing and amount of cash flows approximate the estimated payouts of the plans. For our international plans, the discount rates are set by benchmarking against investment grade corporate bonds rated AA or better, including where there is sufficient data, a yield curve approach. Holding all other assumptions constant, the effect of a 0.1 percentage-point decrease in the discount rate assumption would increase our 2011 U.S. qualified pension plans' pre-tax expense by approximately $27 million and increase the U.S. qualified pension plans' projected benefit obligations as of December 31, 2010, by approximately $221 million.

Asset Impairment Reviews—Long-Lived Assets

We review all of our long-lived assets, including goodwill and other intangible assets, for impairment indicators throughout the year and we perform detailed impairment testing for goodwill and indefinite-lived assets annually and for all other long-lived assets whenever impairment indicators are present. When necessary, we record charges for impairments of long-lived assets for the amount by which the fair value is less than the carrying value of these assets.

Examples of events or circumstances that may be indicative of impairment include:

- A significant adverse change in legal factors or in the business climate that could affect the value of the asset. For example, a successful challenge of our patent rights likely would result in generic competition earlier than expected.

- A significant adverse change in the extent or manner in which an asset is used. For example, restrictions imposed by the FDA or other regulatory authorities could affect our ability to manufacture or sell a product.

- A projection or forecast that demonstrates losses or reduced profits associated with an asset. This could result, for example, from a change in a government reimbursement program that results in an inability to sustain projected product revenues and profitability. This also could result from the introduction of a competitor's product that results in a significant loss of market share or the inability to achieve the previously projected revenue growth, as well as the lack of acceptance of a product by patients, physicians and payers. For IPR&D projects, this could result from, among other things, a change in outlook based on clinical trial data, a delay in the projected launch date or additional expenditures to commercialize the product.

When determining fair value, any single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions (see the "Accounting Policies—Estimates and Assumptions" section of this Financial Review). Although we believe that our judgments and assumptions are reasonable, the judgments made in determining an estimate of fair value can materially impact our results of operations.

Our impairment review process is described in the Notes to Consolidated Financial Statements—*Note 1L. Significant Accounting Policies: Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets* and, for deferred tax assets, in *Note 1P. Significant Accounting Policies: Deferred Tax Assets and Income Tax Contingencies.*

Intangible Assets Other than Goodwill

As a result of our intangible asset impairment review work, described in detail below, we recognized a number of impairments of intangible assets other than goodwill.

During 2010, we recorded the following intangible asset impairment charges in *Other deductions—net:*

- $1.8 billion related to intangible assets acquired from Wyeth primarily as a result of our updated estimate of the fair value of these assets as compared with their assigned fair values as of the Wyeth acquisition date, October 15, 2009. Our updated forecasts reflected, among other things, the following: for IPR&D assets, the impact of changes to the development programs, the projected development and regulatory timeframes and the risk associated with these assets; for Brand assets, the current competitive environment and planned investment support; and, for Developed Technology Rights, an increased competitive environment.

- Approximately $300 million related to our product Thelin as a result of our decisions to voluntarily withdraw Thelin in regions where it is approved and to discontinue clinical studies worldwide.

Of these amounts, about $1.4 billion related to our Biopharmaceutical segment and about $700 million related to our Diversified segment.

During 2009, we recorded $417 million in asset impairment charges primarily associated with certain materials used in our research and development activities in our Biopharmaceutical segment that were no longer considered recoverable.

Accounting Policy and Specific Procedures

- For finite-lived intangible assets, such as Developed Technology Rights, whenever impairment indicators are present, we perform a review for impairment. We calculate the undiscounted value of the projected cash flows associated with the asset, or asset group, and compare this estimated amount to the carrying amount. If the carrying amount is found to be greater, we record an impairment loss for the excess of book value over fair value. In addition, in all cases of an impairment review, we re-evaluate the remaining useful lives of the assets and modify them, as appropriate.

- For indefinite-lived intangible assets, such as Brands and IPR&D assets, each year and whenever impairment indicators are present, we determine the fair value of the asset and record an impairment loss for the excess of book value over fair value, if any. In addition, in all cases of an impairment review other than for IPR&D assets, we re-evaluate whether continuing to characterize the asset as indefinite-lived is appropriate.

When we are required to determine the fair value of intangible assets other than goodwill, we use an income approach, specifically the multi-period excess earnings method, also known as the discounted cash flow method. We start with a forecast of all the expected net cash flows associated with the asset, which includes the application of a terminal value for indefinite-lived assets, and then we apply an asset-specific discount rate to arrive at a net present value amount. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, which includes the expected impact of competitive, legal and/or regulatory forces on the projections and the impact of technological risk associated with in-process research and development assets as well as the selection of a long-term growth rate; the discount rate, which seeks to reflect the various risks inherent in the projected cash flows; and the tax rate, which seeks to incorporate the geographic diversity of the projected cash flows.

Future Impairment Risks
While all intangible assets other than goodwill can confront events and circumstances that can lead to impairment, in general, intangible assets other than goodwill that are most at risk of impairment include in-process research and development assets ($3.4 billion as of December 31, 2010) and newly acquired or recently impaired indefinite-lived assets ($7.4 billion as of December 31, 2010). In-process research and development assets are high-risk assets, as research and development is an inherently risky activity. Newly acquired and recently impaired indefinite-lived assets are more vulnerable to impairment as the assets are recorded at fair value and are then subsequently measured at the lower of fair value or carrying value at the end of each reporting period. As such, immediately after acquisition or impairment, even small declines in the outlook for these products can negatively impact our ability to recover the carrying value and can result in an impairment loss.

One of our indefinite-lived Biopharmaceutical assets, Xanax, has a fair value that is only marginally higher than its $1.4 billion carrying value and is therefore at risk for future impairment. Any negative change in the undiscounted cash flows, discount rate and/or tax rate could result in an impairment charge. Xanax, which was launched in the mid 1980's and acquired in 2003, must continue to remain competitive against its generic challengers or the associated asset may become impaired. We will continue to closely monitor this asset.

Goodwill
As a result of our goodwill impairment review work, described in detail below, none of our goodwill is impaired as of December 31, 2010, and we do not believe the risk of impairment is significant at this time.

Accounting Policy and Specific Procedures
Annually and whenever impairment indicators are present, we calculate the fair value of each reporting unit and compare the fair value to its book value. If the carrying amount is found to be greater, we then determine the implied fair value of goodwill by subtracting the fair value of all the identifiable net assets other than goodwill from the fair value of the reporting unit and record an impairment loss for the excess, if any, of book value of goodwill over the implied fair value.

In determining the fair value of a reporting unit, as appropriate for the individual reporting unit, we may use the market approach, the income approach or a weighted-average combination of both approaches.

- The market approach is a historical approach to estimating fair value and relies primarily on external information. Within the market approach are two methods that we may use:
  - Guideline public company method—this method employs market multiples derived from market prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market and the application of the identified multiples to the corresponding measure of our reporting unit's financial performance.
  - Guideline transaction method—this method relies on pricing multiples derived from transactions of significant interests in companies engaged in the same or similar lines of business and the application of the identified multiples to the corresponding measure of our reporting unit's financial performance.

  The market approach is only appropriate when the available external information is robust and deemed to be a reliable proxy for the specific reporting unit being valued; however, these assessments may prove to be incomplete or inaccurate. Some of the more significant estimates and assumptions inherent in this approach include: the selection of appropriate guideline companies and transactions and the determination of applicable premiums and discounts based on any differences in ownership percentages, ownership rights, business ownership forms or marketability between the reporting unit and the guideline companies and transactions.

- The income approach is a forward-looking approach to estimating fair value and relies primarily on internal forecasts. Within the income approach, the method that we use is the discounted cash flow method. We start with a forecast of all the expected net cash flows associated with the reporting unit, which includes the application of a terminal value, and then we apply a reporting unit-specific discount rate to arrive at a net present value amount. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, which includes the expected impact of technological risk and competitive, legal and/or regulatory forces on the projections as well as the selection of a long-term growth rate; the discount rate, which seeks to reflect the various risks inherent in the projected cash flows; and the tax rate, which seeks to incorporate the geographic diversity of the projected cash flows.

Specifically, our 2010 goodwill impairment assessment involved the following:

- To estimate the fair value of our Biopharmaceutical reporting unit, we used a combination of approaches and methods. We used the income approach and the market approach, which were weighted 75% and 25% respectively, in our analysis. We relied more on the income approach due to the size of our Biopharmaceutical reporting unit within the pharmaceutical market. For the income approach, we used the discounted cash flow method and for the market approach, we used the guideline public company method.

- To estimate the fair value of our Consumer Healthcare reporting unit, we used a combination of approaches and methods. We used the income approach and the market approach, which were weighted equally in our analysis. We weighted them equally as we have equal confidence in the appropriateness of the approaches for our Consumer Healthcare reporting unit. For the income approach, we used the discounted cash flow method and for the market approach, we used both the guideline public company method and the guideline transaction method, which were weighted equally to arrive at our market approach value.

- To estimate the fair value of our Nutrition, Animal Health and Capsugel reporting units, we used the income approach, relying exclusively on the discounted cash flow method.

- As a test of the reasonableness of our valuation results, we also performed sensitivity analyses and reconciled the aggregate fair value of our reporting units to an estimate of the market value of our company.

Future Impairment Risks
While all reporting units can confront events and circumstances that can lead to impairment, in general, reporting units that are most at risk of goodwill impairment are reporting units that are newly acquired, such as our Consumer Healthcare and Nutrition reporting units, which were acquired as part of our acquisition of Wyeth in 2009. Because we did not have a Consumer Healthcare or Nutrition reporting unit immediately prior to the acquisition, the assets and liabilities of both reporting units, in their entirety, were recorded at their fair value as of the acquisition date. As such, immediately after the acquisition date, even small declines in the outlook for these reporting units can negatively impact our ability to recover the associated goodwill. Also, the asset impairments in these reporting units were carefully considered during our goodwill impairment review process, as part of understanding the future expectations for these reporting units. At the end of 2010,

- For our Consumer Healthcare reporting unit, we estimate that it would take a significant negative change in the undiscounted cash flows, the discount rate and/or the market multiples in the consumer industry for the Consumer Healthcare reporting unit goodwill to be impaired. Our Consumer Healthcare reporting unit performance and consumer healthcare industry market multiples are highly correlated with the overall economy and our specific performance is also dependent on our and our competitors' innovation and marketing effectiveness, and on regulatory developments affecting claims, formulations and ingredients of our products.

- For our Nutrition reporting unit, we estimate that it would take a significant negative change in the undiscounted cash flows and/or the discount rate for the Nutrition reporting unit goodwill to be impaired. Our Nutrition reporting unit performance is dependent on our ability to organically expand our share within a steady growing market.

For all of our reporting units, there are a number of future events and factors that may impact future results and that could potentially have an impact on the outcome of subsequent goodwill impairment testing. For a list of these factors, see the "Forward-Looking Information and Factors That May Affect Future Results" section of this Financial Review.

Acquisition of Wyeth

Description of Transaction
On October 15, 2009 (the acquisition date), we acquired all of the outstanding equity of Wyeth in a cash-and-stock transaction, valued at the acquisition date at approximately $68 billion. In 2009, we recorded provisional amounts for the assets acquired and liabilities assumed, which were adjusted in the first year after the acquisition date (measurement period adjustments). See Notes to Consolidated Financial Statements—*Note 2. Acquisition of Wyeth*.

Wyeth's core business was the discovery, development, manufacture and sale of prescription pharmaceutical products, including vaccines, for humans. Other operations of Wyeth included the discovery, development, manufacture and sale of consumer healthcare products (over-the-counter products), nutritionals and animal health products. Our acquisition of Wyeth has made us a more diversified healthcare company, with product offerings in human, animal, and consumer health, including vaccines, biologics, small molecules and nutrition across developed and emerging markets. The acquisition of Wyeth also added to our pipeline of biopharmaceutical development projects endeavoring to develop medicines to help patients in critical areas, including oncology, pain, inflammation, Alzheimer's disease, psychoses and diabetes.

Recording of Assets Acquired and Liabilities Assumed
The transaction has been accounted for using the acquisition method of accounting which requires, among other things, that most assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date and that the fair value of acquired IPR&D be recorded on the balance sheet.

While most assets and liabilities were measured at fair value, a single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. Our judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations.

The table below summarizes the amounts recognized for assets acquired and liabilities assumed as of the acquisition date, as well as adjustments made in the first year after the acquisition date to the amounts initially recorded in 2009 (measurement period adjustments). The measurement period adjustments primarily affected intangible assets, including IPR&D assets, inventories and the net tax accounts. The adjustments for identifiable intangible assets consist of adjustments recorded to reflect changes in the estimated fair values of certain intangibles (IPR&D, Brands and Developed Technology Rights), and the related impacts on the associated inventories and deferred tax accounts. These adjustments were made largely to better reflect market participant assumptions about facts and circumstances existing as of the acquisition date, such as the following: for IPR&D assets, long-term expectations as to patient population, general market potential, and the risk associated with these assets; for Brand assets, consensus views of the competitive environment, as well as market potential; and, for Developed Technology Rights, expected revenues after loss of exclusivity. The measurement period adjustments did not result from intervening events subsequent to the acquisition date.

The measurement period adjustments did not have a significant impact on our earnings, balance sheets or cash flows in any period and, therefore, we have not retrospectively adjusted our financial statements. In addition, neither the measurement period adjustments nor the underlying scientific and market data leading to the changes impacted our financial guidance for 2011 or our financial targets for 2012 (see the "Our Financial Guidance for 2011" and "Our Financial Targets for 2012" sections of this Financial Review).

The following table summarizes the recording of the assets acquired and liabilities assumed as of the acquisition date:

(MILLIONS OF DOLLARS)	AMOUNTS PREVIOUSLY RECOGNIZED AS OF ACQUISITION DATE (PROVISIONAL)[a]	MEASUREMENT PERIOD ADJUSTMENTS	AMOUNTS RECOGNIZED AS OF ACQUISITION DATE (FINAL)
Working capital, excluding inventories[b]	$ 16,342	$ 24	$ 16,366
Inventories	8,388	(417)	7,971
Property, plant and equipment	10,054	(216)	9,838
Identifiable intangible assets, excluding in-process research and development	37,595	(1,533)	36,062
In-process research and development	14,918	(1,096)	13,822
Other noncurrent assets	2,394	—	2,394
Long-term debt	(11,187)	—	(11,187)
Benefit obligations	(3,211)	36	(3,175)
Net tax accounts[c]	(24,773)	1,035	(23,738)
Other noncurrent liabilities	(1,908)	—	(1,908)
Total identifiable net assets	48,612	(2,167)	46,445
Goodwill[d]	19,954	2,163	22,117
Net assets acquired	68,566	(4)	68,562
Less: Amounts attributable to noncontrolling interests	(330)	4	(326)
Total consideration transferred	$ 68,236	$ —	$ 68,236

[a] As previously reported in Pfizer's 2009 Annual Report on Form 10-K.
[b] Includes cash and cash equivalents, short-term investments, accounts receivable, other current assets, assets held for sale, accounts payable and other current liabilities.
[c] As of the acquisition date, included in *Taxes and other current assets* ($1.2 billion), *Taxes and other noncurrent assets* ($2.8 billion), *Income taxes payable* ($500 million), O*ther current liabilities* ($11.1 billion), *Noncurrent deferred tax liabilities* ($14.0 billion) and *Other taxes payable* ($2.1 billion, including accrued interest of $300 million).
[d] Goodwill recognized as of the acquisition date totaled $19,340 million for our Biopharmaceutical segment and $2,777 million for our Diversified segment.

Below is a summary of the methodologies and significant assumptions used in estimating the fair value of certain classes of assets and liabilities of Wyeth, as well as other information about recorded amounts.

- *Financial instruments*—Our valuation approach was consistent with our valuation methodologies used for our legacy Pfizer financial instruments. For additional information on the valuation of our financial instruments, see Notes to Consolidated Financial Statements—*Note 9. Financial Instruments*.

- *Inventories*—The fair value of acquired inventory was determined as follows:

  - *Finished goods*—Estimated selling price, less an estimate of costs to be incurred to sell the inventory, and an estimate of a reasonable profit allowance for that selling effort.

  - *Work in process*—Estimated selling price of an equivalent finished good, less an estimate of costs to be incurred to complete the work-in-process inventory, an estimate of costs to be incurred to sell the inventory and an estimate of a reasonable profit allowance for those manufacturing and selling efforts.

  - *Raw materials and supplies*—Estimated cost to replace the raw materials and supplies.

The amounts recorded for the major components of acquired inventories are as follows:

(MILLIONS OF DOLLARS)	AMOUNTS RECOGNIZED AS OF ACQUISITION DATE
Finished goods	$2,596
Work in process[(a)]	4,969
Raw materials	406
Total Inventories	$7,971

[(a)] As of the acquisition date, includes pre-launch inventory associated with Prevnar/Prevenar 13 Infant, which did not launch until 2010. Prevnar/Prevenar 13 Infant was approved by the EU member states in December 2009 and in the U.S. in February 2010.

The fair value of inventory is recognized in our results of operations as the inventory is sold. Some of the more significant estimates and assumptions inherent in the estimate of the fair value of inventory include stage of completion, costs to complete, costs to dispose and selling price. All of these judgments and estimates can materially impact our results of operations.

- *Property, Plant and Equipment*—The fair value of acquired property, plant and equipment is determined using a variety of valuation approaches, depending on the nature of the asset and the quality of available information. If multiple approaches are used for a single asset or a group of assets, those approaches are compared and reconciled to arrive at a single estimate of fair value. The fair value of acquired property, plant and equipment was primarily determined as follows:
  - *Land*—Market, a sales comparison approach that measures value of an asset through an analysis of sales and offerings of comparable property.
  - *Buildings*—Replacement cost, an approach that measures the value of an asset by estimating the cost to acquire or construct comparable assets. For buildings that are not highly specialized or that could be income producing if leased to a third party, we also considered market and income factors.
  - *Machinery and Equipment*—Replacement cost.
  - *Furniture and Fixtures*—Replacement cost.
  - *Construction in Progress*—Replacement cost, generally assumed to equal historical book value.

The amounts recorded for the major components of acquired property, plant and equipment are as follows:

(MILLIONS OF DOLLARS)	USEFUL LIFE (YEARS)	AMOUNTS RECOGNIZED AS OF ACQUISITION DATE
Land	—	$ 303
Buildings	33⅓-50	5,135
Machinery and equipment	8-20	3,068
Furniture and fixtures	3-12½	443
Construction in progress	—	889
Total Property, plant and equipment		$9,838

The fair value of property, plant and equipment will be recognized in our results of operations over the expected useful life of the individual depreciable assets.

Some of the more significant inputs, estimates and assumptions inherent in the estimate of the fair value of property, plant and equipment include the nature, age, condition or location of the land, buildings, machinery and equipment, furniture and fixtures, and construction in progress, as applicable, as well as the estimate of market and replacement cost and the determination of the appropriate valuation premise, in-use or in-exchange. The in-use valuation premise assesses the value of an asset when used in combination with other assets (for example, on an installed basis), while the in-exchange valuation assesses the value of an asset on a stand alone basis. All of these judgments and estimates can materially impact our results of operations.

- *Identifiable Intangible Assets*—The fair value of acquired identifiable intangible assets generally is determined using an income approach. This method starts with a forecast of all of the expected future net cash flows associated with the asset and then involves adjusting the forecast to present value by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams.

The amounts recorded for the major components of acquired identifiable intangible assets are as follows:

(MILLIONS OF DOLLARS)	AMOUNTS RECOGNIZED AS OF ACQUISITION DATE	WEIGHTED-AVERAGE USEFUL LIVES (YEARS)
Developed technology rights—finite-lived	$27,065	12
Brands—finite-lived	615	14
Brands—indefinite-lived	7,993	—
In-process research and development—indefinite-lived[(a)]	13,822	—
Other—finite-lived	389	4
Total	$49,884	

[(a)] Includes $9.9 billion associated with Prevnar/Prevenar 13 Infant. Prevenar 13 Infant was approved by the EU member states in December 2009 and as a result, was reclassified to Developed technology rights—finite-lived. Prevnar 13 Infant was approved in the U.S. in February 2010.

- *Developed Technology Rights*—Developed technology rights include the right to develop, use, market, sell and/or offer for sale a product, compound or other intellectual property that we have acquired with respect to products, compounds and/or processes that have been completed. Developed Technology Rights acquired include Enbrel, and to a lesser extent, Premarin and Effexor, among others. As of the acquisition date, Prevnar/Prevenar 13 Infant was classified in IPR&D, but received regulatory approval in a major market in December 2009. As a result, we reclassified the asset from IPR&D to Developed Technology Rights—finite-lived and began to amortize the asset.

- *Brands*—Brands generally represent the value associated with tradenames and know-how, as the products themselves usually no longer receive patent protection. Brands acquired include Advil, Centrum, Robitussin, Caltrate, ChapStick, Preparation H, 1st Age Nutrition, 2nd Age Nutrition and 3rd Age Nutrition, among others.

- *In-Process Research and Development*—IPR&D intangible assets represent the right to develop, use, sell and/or offer for sale a compound or other intellectual property that we have acquired with respect to compounds and/or processes that have not been completed or approved. These assets are required to be classified as indefinite-lived assets until the successful completion or abandonment of the associated research and development efforts. Accordingly, during the development period after the date of acquisition, these assets will not be amortized until approval is obtained in a major market, typically either the U.S. or the EU, or in a series of other countries, subject to certain specified conditions and management judgment. At that time, we will determine the useful life of the asset, reclassify the asset out of IPR&D and begin amortization. The useful life of an amortizing asset generally is determined by identifying the period in which substantially all of the cash flows are expected to be generated.

  If the associated research and development effort is abandoned, the related IPR&D assets likely will be written off, and we will record an impairment loss in our consolidated statements of income.

  As of the acquisition date, IPR&D included Prevnar/Prevenar 13 Infant (see below), and to a lesser extent, Prevnar/Prevenar 13 Adult, and Neratinib (treatment of cancer), among others (see the “Analysis of Consolidated Statements of Income: Product Developments—Biopharmaceutical: New Drug Candidates in Late-Stage Development” section of this Financial Review). In December 2009, Prevnar/Prevenar 13 Infant received regulatory approval in a major market and, as a result, we reclassified the asset from IPR&D to Developed Technology Rights and began to amortize the asset.

The fair value of finite-lived identifiable intangible assets will be recognized in our results of operations over the expected useful life of the individual assets.

Some of the more significant estimates and assumptions inherent in the estimate of the fair value of identifiable intangible assets include all assumptions associated with forecasting product profitability from the perspective of a market participant.

Specifically:

- Revenue—We use historical, forecast, industry or other sources of market data, including estimates of the number of units to be sold, selling prices, market penetration, market share and year-over-year growth rates over the product’s life cycle.

- Cost of sales, Sales and marketing expenses, General and administrative expenses—We use historical, forecast, industry or other sources of market data.

- R&D expenses—In the case of approved products, we estimate the appropriate level of ongoing R&D support, and for unapproved compounds, we estimate the amount and timing of costs to develop the R&D into viable products.

- Estimated life of the asset—We assess the asset’s life cycle and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory or economic barriers to entry, as well as expected changes in standards of practice for indications addressed by the asset.

- Inherent risk—We use a discount rate that is based on the weighted-average cost of capital with an additional premium to reflect the risks associated with the specific intangible asset, such as country risks (political, inflation, currency and property risks) and commercial risks. In addition, for unapproved assets, an additional risk factor is added for the risk of technical and regulatory success, called the probability of technical and regulatory success (PTRS).

The discount rates used in the intangible asset valuations ranged from 9% to 17%, and the estimated cash flows were projected over periods extending up to 20 years or more. For IPR&D assets, the PTRS rates ranged from 4% to 90%. Within this broad range, we recorded approximately $600 million of assets with a PTRS of up to 25%; approximately $500 million of assets with a PTRS of 26% to 50%; approximately $500 million of assets with a PTRS of 51% to 75%; and approximately $12.2 billion of assets with a PTRS above 75% (which includes Prevnar/Prevenar 13 for Infant and Adult). All of these judgments and estimates can materially impact our results of operations.

For IPR&D assets, the risk of failure has been factored into the fair value measure and there can be no certainty that these assets ultimately will yield a successful product. The nature of the biopharmaceutical business is high-risk and requires that we invest in a large number of projects as a mechanism for achieving a successful portfolio of approved products. As such, it is likely that many of the IPR&D assets will become impaired and be written off at some time in the future (also see the "Accounting Policies—Asset Impairment Reviews—Long-Lived Assets" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 3B. Other Significant Transactions and Events: Asset Impairment Charges*).

- *Other Matters, including Contingencies*—In the ordinary course of business, Wyeth incurred liabilities for environmental, legal and tax matters as well as guarantees/indemnifications. These matters may have included contingencies. Generally, contingencies are required to be measured at fair value, if the acquisition-date fair value of the asset or liability arising from a contingency can be determined. If the acquisition-date fair value of the asset or liability cannot be determined, the asset or liability would be recognized at the acquisition date if both of the following criteria were met: (i) it is probable that an asset existed or that a liability had been incurred at the acquisition date and (ii) the amount of the asset or liability can be reasonably estimated.

  - *Environmental Matters*—In the ordinary course of business, Wyeth incurred liabilities for environmental matters such as remediation work, asset retirement obligations, and environmental guarantees and indemnifications. Virtually all liabilities for environmental matters, including contingencies, were measured at fair value and approximated $570 million as of the acquisition date.

  - *Legal Matters*—Wyeth was involved in various legal proceedings, including product liability, patent, commercial, environmental, antitrust matters and government investigations of a nature considered normal to its business, (see Notes to Consolidated Financial Statements—*Note 19. Legal Proceedings and Contingencies*). Due to the uncertainty of the variables and assumptions involved in assessing the possible outcomes of events related to these items, an estimate of fair value was not determinable. As such, these contingencies were measured under the same "probable and estimable" standard previously used by Wyeth. Liabilities for legal contingencies approximated $1.3 billion as of the acquisition date, which included the recording of additional adjustments of approximately $260 million for legal matters that we intended to resolve in a manner different from what Wyeth had planned or intended.

  - *Tax Matters*—In the ordinary course of business, Wyeth incurred liabilities for income taxes. Income taxes are exceptions to both the recognition and fair value measurement principles associated with the accounting for business combinations. Liabilities for income tax continue to be measured under the benefit recognition model as previously used by Wyeth (see Notes to Consolidated Financial Statements—*Note 1P. Significant Accounting Policies: Deferred Tax Assets and Income Tax Contingencies*). Net liabilities for income taxes approximated $23.7 billion as of the acquisition date, which included $1.8 billion for uncertain tax positions (not including $300 million of accrued interest). The net tax liability included the recording of additional adjustments of approximately $14.4 billion for the tax impact of fair value adjustments and $10.5 billion for income tax matters that we intended to resolve in a manner different from what Wyeth had planned or intended. For example, because we planned to repatriate certain overseas funds, we provided deferred taxes on Wyeth's unremitted earnings, as well as on certain book/tax basis differentials related to investments in certain foreign subsidiaries for which no taxes had been previously provided by Wyeth as it was Wyeth's intention to permanently reinvest those earnings and investments.

Analysis of the Consolidated Statements of Income

(MILLIONS OF DOLLARS)	YEAR ENDED DECEMBER 31, 2010	2009	2008	% CHANGE 10/09	09/08
Revenues	**$67,809**	$50,009	$48,296	**36**	4
Cost of sales	**16,279**	8,888	8,112	**83**	10
% of revenues	**24.0%**	17.8%	16.8%		
Selling, informational and administrative expenses	**19,614**	14,875	14,537	**32**	2
% of revenues	**29.0%**	29.7%	30.1%		
R&D expenses	**9,413**	7,845	7,945	**20**	(1)
% of revenues	**13.9%**	15.7%	16.5%		
Amortization of intangible assets	**5,404**	2,877	2,668	**88**	8
% of revenues	**8.0%**	5.8%	5.5%		
Acquisition-related IPR&D charges	**125**	68	633	**84**	(89)
% of revenues	**0.2%**	0.1%	1.3%		
Restructuring charges and certain acquisition-related costs	**3,214**	4,337	2,675	**(26)**	62
% of revenues	**4.7%**	8.7%	5.5%		
Other deductions—net	**4,338**	292	2,032	*	(86)
Income from continuing operations before provision for taxes on income	**9,422**	10,827	9,694	**(13)**	12
% of revenues	**13.9%**	21.7%	20.1%		
Provision for taxes on income	**1,124**	2,197	1,645	**(49)**	34
Effective tax rate	**11.9%**	20.3%	17.0%		
Discontinued operations—net of tax	**(9)**	14	78	**(164)**	(81)
Less: Net income attributable to noncontrolling interests	**32**	9	23	**256**	(59)
Net income attributable to Pfizer Inc.	**$ 8,257**	$ 8,635	$ 8,104	**(4)**	7
% of revenues	**12.2%**	17.3%	16.8%		

Percentages may reflect rounding adjustments.
* Calculation not meaningful.

Revenues

Total revenues of $67.8 billion in 2010 increased by approximately $17.8 billion compared to 2009, primarily due to:

- the inclusion of revenues from legacy Wyeth products of $18.1 billion; and
- the favorable impact of foreign exchange, which increased revenues by approximately $1.1 billion,

partially offset by:

- the net revenue decrease from legacy Pfizer products of $1.4 billion resulting primarily from continuing generic competition and the loss of exclusivity on certain products.

Total revenues of $50.0 billion in 2009 increased by approximately $1.7 billion compared to 2008, primarily due to:

- the inclusion of revenues from legacy Wyeth products of $3.3 billion; and
- net revenue growth of legacy Pfizer products of $247 million,

partially offset by:

- the unfavorable impact of foreign exchange, which decreased revenues by approximately $1.8 billion in 2009.

In 2010, Lipitor, Enbrel, Lyrica, Prevnar/Prevenar 13 and Celebrex each delivered at least $2 billion in revenues, while Viagra, Xalatan/Xalacom, Effexor (which lost exclusivity in the U.S. in July 2010), Norvasc, Prevnar/Prevenar (7-valent), Zyvox, Sutent, the Premarin family, Geodon/Zeldox and Detrol/Detrol LA each surpassed $1 billion in revenues.

In 2009, Lipitor, Lyrica and Celebrex each delivered at least $2 billion in revenues, while Norvasc, Viagra, Xalatan/Xalacom, Detrol/Detrol LA, Zyvox and Geodon/Zeldox each surpassed $1 billion in revenues. In 2009, we did not record more than $1 billion in revenues for any individual legacy Wyeth product since the Wyeth acquisition date of October 15, 2009.

In 2008, Lipitor, Norvasc (which lost U.S. exclusivity in March 2007), Lyrica and Celebrex each delivered at least $2 billion in revenues, while Geodon/Zeldox, Zyvox, Viagra, Detrol/Detrol LA and Xalatan/Xalacom each surpassed $1 billion in revenues.

Revenues exceeded $500 million in each of 18 countries outside the U.S. in 2010, in each of 13 countries outside the U.S. in 2009 and in each of 14 countries outside the U.S. in 2008. The increase in the number of countries outside the U.S. in which revenues exceeded $500 million in 2010 was due to the inclusion of revenues from legacy Wyeth products for the full year in 2010. The decrease in the number of countries outside the U.S. in which revenues exceeded $500 million in 2009 was due to the unfavorable impact of foreign exchange. The U.S. was the only country to contribute more than 10% of total revenues in each year.

Our policy relating to the supply of pharmaceutical inventory at domestic wholesalers, and in major international markets, is to generally maintain stocking levels under one month on average and to keep monthly levels consistent from year to year based on patterns of utilization. We historically have been able to closely monitor these customer stocking levels by purchasing information from our customers directly or by obtaining other third-party information. We believe our data sources to be directionally reliable but cannot verify their accuracy. Further, as we do not control this third-party data, we cannot be assured of continuing access. Unusual buying patterns and utilization are promptly investigated.

As is typical in the pharmaceutical industry, our gross product sales are subject to a variety of deductions, that are generally estimated and recorded in the same period that the revenues are recognized, and primarily represent rebates and discounts to government agencies, wholesalers, distributors and managed care organizations for our pharmaceutical products. These deductions represent estimates of the related obligations and, as such, judgment and knowledge of market conditions and practice are required when estimating the impact of these sales deductions on gross sales for a reporting period. Historically, our adjustments to actual results have not been material to our overall business. On a quarterly basis, our adjustments to actual results generally have been less than 1% of Biopharmaceutical net sales and can result in either a net increase or a net decrease in income. Product-specific rebate charges, however, can have a significant impact on year-over-year individual product growth trends.

Certain deductions from revenues follow:

	YEAR ENDED DECEMBER 31,		
(BILLIONS OF DOLLARS)	**2010**	2009	2008
Medicaid and related state program rebates[a]	**$1.3**	$0.7	$0.5
Medicare rebates[a]	**1.3**	0.9	0.8
Performance-based contract rebates[a], [b]	**2.6**	2.3	2.1
Chargebacks[c]	**3.0**	2.3	1.9
Total	**$8.2**	$6.2	$5.3

[a] Rebates are product-specific and, therefore, for any given year are impacted by the mix of products sold.
[b] Performance-based contracts are with managed care customers, including health maintenance organizations and pharmacy benefit managers, who receive rebates based on the achievement of contracted performance terms for products.
[c] Chargebacks primarily represent reimbursements to wholesalers for honoring contracted prices to third parties.

The rebates and chargebacks for 2010 were higher than 2009, primarily as a result of:

- the inclusion of rebates and chargebacks related to legacy Wyeth products;
- the impact of increased Medicaid rebate rates due to the U.S. Healthcare Legislation, in addition to higher rates for certain products that are subject to rebates; and
- an increase in chargebacks for our branded products as a result of increasing competitive pressures and increasing sales for certain branded products subject to chargebacks,

partially offset by, among other factors:

- changes in product mix; and
- the impact on chargebacks of decreased sales within our generics business.

Our accruals for Medicaid rebates, Medicare rebates, performance-based contract rebates and chargebacks were $3.0 billion as of December 31, 2010 and $2.1 billion as of December 31, 2009, and primarily are all included in O*ther current liabilities*.

Revenues by Business Segment

Effective with the acquisition of Wyeth, we operate in the following two distinct commercial organizations, which constitute our two business segments:

- **Biopharmaceutical** consists of the Primary Care, Specialty Care, Oncology, Established Products and Emerging Markets units and includes products that prevent and treat cardiovascular and metabolic diseases, central nervous system disorders, arthritis and pain, infectious and respiratory diseases, urogenital conditions, cancer, eye diseases and endocrine disorders, among others. Biopharmaceutical's segment profit includes costs related to research and development, manufacturing, and sales and marketing activities that are associated with the products in our Biopharmaceutical segment.
- **Diversified** includes Animal Health products and services that prevent and treat diseases in livestock and companion animals, including vaccines, parasiticides and anti-infectives; Consumer Healthcare products that include over-the-counter healthcare products such as pain management therapies (analgesics and heat wraps), cough/cold/allergy remedies, dietary supplements, hemorrhoidal care and personal care items; Nutrition products that consist mainly of infant and toddler nutritional products; and Capsugel, which represents our capsule products and services business. Diversified's segment profit includes costs related to research and development, manufacturing, and sales and marketing activities that are associated with the products in our Diversified segment.

Revenues by Segment and Geographic Area

Worldwide revenues by segment and geographic area follow:

	YEAR ENDED DECEMBER 31,									% CHANGE					
	WORLDWIDE			U.S.			INTERNATIONAL			WORLDWIDE		U.S.		INTERNATIONAL	
(MILLIONS OF DOLLARS)	**2010[a]**	2009[a]	2008	**2010[a]**	2009[a]	2008	**2010[a]**	2009[a]	2008	**10/09**	09/08	**10/09**	09/08	**10/09**	09/08
Biopharmaceutical	**$58,523**	$45,448	$44,174	**$25,962**	$20,010	$18,817	**$32,561**	$25,438	$25,357	**29**	3	**30**	6	**28**	—
Diversified	**8,966**	4,189	3,592	**2,981**	1,646	1,383	**5,985**	2,543	2,209	**114**	17	**81**	19	**135**	15
Corporate/Other[b]	**320**	372	530	**103**	93	201	**217**	279	329	**(14)**	(30)	**11**	(54)	**(22)**	(15)
Total Revenues	**$67,809**	$50,009	$48,296	**$29,046**	$21,749	$20,401	**$38,763**	$28,260	$27,895	**36**	4	**34**	7	**37**	1

[a] Legacy Wyeth revenues are included for a full year in 2010. 2009 includes revenues from legacy Wyeth products commencing on the Wyeth acquisition date, October 15, 2009, in accordance with Pfizer's domestic and international year-ends.
[b] Includes Pfizer CentreSource, which includes contract manufacturing and bulk pharmaceutical chemical sales.

Revenues by Segment and Unit

Worldwide revenues by segment and by unit follow:

	YEAR ENDED DECEMBER 31,			% CHANGE	
(MILLIONS OF DOLLARS)	**2010[a]**	2009[a],[b]	2008[b]	**10/09**	09/08
Biopharmaceutical:					
Primary Care[c]	**$23,328**	$22,576	$23,160	**3**	(3)
Specialty Care[d]	**15,021**	7,414	6,000	**103**	24
Established Products[e]	**10,098**	7,790	7,588	**30**	3
Emerging Markets[f]	**8,662**	6,157	6,053	**41**	2
Oncology[g]	**1,414**	1,511	1,590	**(6)**	(5)
Returns adjustment	**—**	—	(217)	**—**	*
Total Biopharmaceutical	**58,523**	45,448	44,174	**29**	3
Diversified:					
Animal Health	**3,575**	2,764	2,825	**29**	(2)
Consumer Healthcare	**2,772**	494	—	*****	*
Nutrition	**1,867**	191	—	*****	*
Capsugel	**752**	740	767	**2**	(4)
Total Diversified	**8,966**	4,189	3,592	**114**	17
Corporate/Other[h]	**320**	372	530	**(14)**	(30)
Total Revenues	**$67,809**	$50,009	$48,296	**36**	4

[a] Legacy Wyeth revenues are included for a full year in 2010. 2009 reflects revenues from legacy Wyeth products commencing on the Wyeth acquisition date, October 15, 2009, in accordance with Pfizer's domestic and international year-ends.
[b] Within the Biopharmaceutical segment, revenues from South Korea in 2009 and 2008 have been reclassified from the Emerging Markets unit to the appropriate developed market units to conform to the current-year presentation, which reflects the fact that the commercial operations of South Korea, effective January 1, 2010, are managed within the appropriate developed market units.
[c] The legacy Pfizer Primary Care unit was negatively impacted by 2% in 2010 due the loss of exclusivity of Lipitor in Canada in May 2010 and in Spain in July 2010, as well as by developed Europe pricing pressures and U.S. healthcare reform. These negative impacts were partially offset by the growth from selected brands, including Lyrica, Champix and Celebrex, among others, in key international markets, most notably Japan.
[d] The legacy Pfizer Specialty Care unit was negatively impacted in 2010 by developed Europe pricing pressures, U.S. healthcare reform and a decline in certain therapeutic markets.
[e] The legacy Pfizer Established Products unit was negatively impacted by 4% in 2010 due to the loss of exclusivity for Norvasc in Canada in July 2009, which was partially offset by the favorable impact of 1% in 2010 due to the reclassification of Camptosar's European revenues to the Established Products unit, effective January 1, 2010.
[f] The legacy Pfizer Emerging Markets unit was negatively impacted in 2010 primarily by the loss of exclusivity of Viagra and Lipitor in Brazil in June and August 2010, respectively and emerging Europe pricing pressures, but positively impacted by growth in key markets, including China and Brazil.
[g] Legacy Pfizer Oncology unit revenues in 2010 do not include Camptosar's European revenues due to Camptosar's loss of exclusivity in Europe in July 2009. The reclassification of those revenues to the Established Products unit effective January 1, 2010, as discussed above, negatively impacted the legacy Pfizer Oncology unit's performance by 17% in 2010 compared to 2009.
[h] Includes Pfizer CentreSource, which includes contract manufacturing and bulk pharmaceutical chemical sales.
* Calculation not meaningful.

Biopharmaceutical Revenues

Biopharmaceutical revenues contributed approximately 86% of our total revenues in 2010 and 91% of our total revenues in 2009 and 2008.

We recorded direct product sales of more than $1 billion for each of 15 Biopharmaceutical products in 2010 and for each of nine legacy Pfizer Biopharmaceutical products in 2009 and 2008. These products represented 60% of our Biopharmaceutical revenues in 2010, 56% of our Biopharmaceutical revenues in 2009 and 60% of our Biopharmaceutical revenues in 2008. We did not record more than $1 billion in revenues for any individual legacy Wyeth product in 2009 as the Wyeth acquisition date was October 15, 2009. While Wyeth's revenues are not included in our 2008 amounts, as Wyeth had not yet been acquired, Wyeth had five products with direct product revenues of more than $1 billion in 2008.

2010 vs. 2009

Worldwide Biopharmaceutical revenues in 2010 were $58.5 billion, an increase of 29% compared to 2009, due to:

- the inclusion of operational revenues from legacy Wyeth products of approximately $13.7 billion, which favorably impacted Biopharmaceutical revenues by 30%; and
- the weakening of the U.S. dollar relative to other currencies, primarily the Canadian dollar, Australian dollar, Japanese yen and Brazilian real, which favorably impacted Biopharmaceutical revenues by approximately $900 million, or 2%,

partially offset by:

- the decrease in operational revenues of approximately $1.5 billion, or 3%, from legacy Pfizer products overall, including Norvasc, Camptosar, Lipitor and Detrol/Detrol LA.

Geographically,

- in the U.S., Biopharmaceutical revenues increased 30% in 2010, compared to 2009, reflecting the inclusion of revenues from legacy Wyeth products of $6.6 billion, which had a favorable impact of 33%, partially offset by lower overall revenues from legacy Pfizer products, including Lipitor, Detrol/Detrol LA, Celebrex, Lyrica, Chantix and Caduet and the impact of increased rebates in 2010 as a result of the U.S. Healthcare Legislation, all of which had an unfavorable impact of $664 million, or 3%; and
- in our international markets, Biopharmaceutical revenues increased 28% in 2010, compared to 2009, reflecting the inclusion of operational revenues from legacy Wyeth products of $7.1 billion, which had a favorable impact of 28%, and the favorable impact of foreign exchange on international Biopharmaceutical revenues of approximately $900 million, or 3%, partially offset by lower operational revenues from legacy Pfizer products of $819 million, or 3%. The decrease in operational revenues of legacy Pfizer products was due to lower operational revenues from, among other products, Lipitor, Norvasc and Camptosar, all of which were impacted by the loss of exclusivity in certain international markets.

During 2010, international Biopharmaceutical revenues represented 56% of total Biopharmaceutical revenues, consistent with 2009.

Effective July 1, 2010, January 1, 2010, August 14, 2009, and January 3, 2009, we increased the published prices for certain U.S. Biopharmaceutical products. These price increases had no material effect on wholesaler inventory levels in comparison to the prior year.

2009 vs. 2008

Worldwide Biopharmaceutical revenues in 2009 were $45.4 billion, an increase of 3% compared to 2008, primarily due to:

- the inclusion of operational revenues from legacy Wyeth products of approximately $2.5 billion; and
- solid operational performance from certain legacy Pfizer products, including Lyrica, Sutent and Revatio, and higher legacy Pfizer alliance revenues,

partially offset by:

- the strengthening of the U.S. dollar relative to other currencies, primarily the euro, U.K. pound, Canadian dollar, Australian dollar and Brazilian real, which unfavorably impacted Biopharmaceutical revenues by approximately $1.7 billion, or 4%, in 2009; and
- a decrease in revenues from certain legacy Pfizer products, including Lipitor, Norvasc, Campostar and Chantix/Champix.

Geographically,

- in the U.S., Biopharmaceutical revenues increased 6% in 2009, primarily due to revenues from legacy Wyeth products of approximately $1.6 billion, or 9%, which were partially offset by lower revenues from certain legacy Pfizer products, including Lipitor and Celebrex, compared to 2008, as a result of continued generic pressures. Legacy Pfizer revenues also were adversely affected by the loss of exclusivity of Camptosar and Zyrtec/Zyrtec D, lower sales of Chantix following the changes to the product label, increased rebates partly as a result of the impact of certain contract changes, and increased pricing pressures. These factors were partially offset by the solid performance from certain legacy Pfizer products, including Lyrica, Viagra, Revatio, Xalatan and Sutent, and alliance revenues in 2009; and
- in our international markets, Biopharmaceutical revenues were flat in 2009, compared to 2008. Higher revenues due to the addition of legacy Wyeth products of $931 million, or 4%, and higher operational revenues from legacy Pfizer products of $783 million, or 3%, were offset by the unfavorable impact of foreign exchange on international revenues of $1.7 billion, or 7%. The increase in operational revenues of legacy Pfizer products was due to operational growth from Lipitor, Lyrica, Zyvox, Vfend, Sutent and alliance products, partially offset by lower revenues of Norvasc and Camptosar, among others.

Diversified Revenues

2010 vs. 2009

Worldwide Diversified revenues increased 114% in 2010, compared to 2009, due to:

- the inclusion of operational revenues from legacy Wyeth products of approximately $4.4 billion in 2010, which favorably impacted Diversified revenues by 106%. The increase was primarily due to the addition of the legacy Wyeth Consumer Healthcare and Nutrition operations. In addition, worldwide Diversified revenues were favorably impacted by the operational revenue increase in legacy Pfizer Diversified businesses of 3% in 2010, and the favorable impact of foreign exchange of 5%.

Revenues from Animal Health increased 29% in 2010, compared to 2009, reflecting:

- the inclusion of operational revenues from legacy Wyeth Animal Health products of 22%;
- higher operational revenues from legacy Pfizer Animal Health products of 4% due primarily to growth in the companion animal and livestock businesses; and
- the favorable impact of foreign exchange of 3%.

2009 vs. 2008

Worldwide Diversified revenues in 2009 were $4.2 billion, an increase of 17% compared to 2008, due to:

- revenues from legacy Wyeth products of approximately $764 million, primarily from the addition of the legacy Wyeth Consumer Healthcare and Nutrition operations,

partially offset by:

- a decrease in revenues from legacy Pfizer Animal Health products and the Capsugel business, primarily due to the unfavorable impact of foreign exchange.

Revenues from Animal Health products decreased 2% in 2009 compared to 2008, reflecting the unfavorable impact of foreign exchange of 5%, flat operational performance of legacy Pfizer Animal Health products and the revenue increase from the addition of legacy Wyeth Animal Health products of 3%.

The following factors impacted 2009 Animal Health results:

- the global recession, which negatively affected global spending on veterinary care;
- historically low milk prices, which hurt the profitability of dairy farmers and negatively impacted our livestock business; and
- a change in terms with U.S. distributors resulting in an anticipated, one-time reduction in U.S. distributor inventories in the first quarter of 2009.

Revenues—Major Biopharmaceutical Products

Revenue information for several of our major Biopharmaceutical products follows:

(MILLIONS OF DOLLARS)		YEAR ENDED DECEMBER 31,			% CHANGE	
PRODUCT	PRIMARY INDICATIONS	**2010**	2009	2008	**10/09**	09/08
Lipitor	Reduction of LDL cholesterol	**$10,733**	$11,434	$12,401	**(6)**	(8)
Enbrel[a], [b]	Rheumatoid, juvenile rheumatoid and psoriatic arthritis, plaque psoriasis and ankylosing spondylitis	**3,274**	378	—	*	*
Lyrica	Epilepsy, post-herpetic neuralgia and diabetic peripheral neuropathy, fibromyalgia	**3,063**	2,840	2,573	**8**	10
Prevnar/Prevenar 13[a]	Vaccine for prevention of invasive pneumococcal disease	**2,416**	—	—	*	*
Celebrex	Arthritis pain and inflammation, acute pain	**2,374**	2,383	2,489	**—**	(4)
Viagra	Erectile dysfunction	**1,928**	1,892	1,934	**2**	(2)
Xalatan/Xalacom	Glaucoma and ocular hypertension	**1,749**	1,737	1,745	**1**	—
Effexor[a]	Depression and certain anxiety disorders	**1,718**	520	—	*	*
Norvasc	Hypertension	**1,506**	1,973	2,244	**(24)**	(12)
Prevnar/Prevenar(7-valent)[a]	Vaccine for prevention of invasive pneumococcal disease	**1,253**	287	—	*	*
Zyvox	Bacterial infections	**1,176**	1,141	1,115	**3**	2
Sutent	Advanced and/or metastatic renal cell carcinoma (mRCC) and refractory gastrointestinal stromal tumors (GIST)	**1,066**	964	847	**11**	14
Premarin family[a]	Menopause	**1,040**	213	—	*	*
Geodon/Zeldox	Schizophrenia; acute manic or mixed episodes associated with bipolar disorder; maintenance treatment of bipolar mania	**1,027**	1,002	1,007	**2**	(1)
Detrol/Detrol LA	Overactive bladder	**1,013**	1,154	1,214	**(12)**	(5)
Zosyn/Tazocin[a]	Antibiotic	**952**	184	—	*	*
Genotropin	Replacement of human growth hormone	**885**	887	898	**—**	(1)
Vfend	Fungal infections	**825**	798	743	**3**	7
Chantix/Champix	An aid to smoking cessation	**755**	700	846	**8**	(17)
Protonix[a]	Gastroesophageal reflux disease	**690**	68	—	*	*
BeneFIX[a]	Hemophilia	**643**	98	—	*	*
Zoloft	Depression and certain anxiety disorders	**532**	516	539	**3**	(4)
Caduet	Reduction of LDL cholesterol and hypertension	**527**	548	589	**(4)**	(7)
Aromasin	Breast cancer	**483**	483	465	**—**	4
Revatio	Pulmonary arterial hypertension (PAH)	**481**	450	336	**7**	34
Pristiq[a]	Depression	**466**	82	—	*	*
Medrol	Inflammation	**455**	457	459	**—**	—
Aricept[c]	Alzheimer's disease	**417**	432	482	**(3)**	(10)
Zithromax/Zmax	Bacterial infections	**415**	430	429	**(3)**	—
Cardura	Hypertension/Benign prostatic hyperplasia	**413**	457	499	**(10)**	(8)
ReFacto AF/Xyntha[a]	Hemophilia	**404**	47	—	*	*
BMP2[a]	Development of bone and cartilage	**400**	81	—	*	*
Rapamune[a]	Immunosuppressant	**388**	57	—	*	*
Fragmin	Anticoagulant	**341**	359	316	**(5)**	14
Tygacil[a]	Antibiotic	**324**	54	—	*	*
Alliance revenues[d]	Various	**4,084**	2,925	2,251	**40**	30
All other[e]	Various	**8,307**	7,417	7,753	**12**	(4)

[a] Legacy Wyeth products. Legacy Wyeth operations are included for a full year in 2010. In accordance with Pfizer's domestic and international year-ends, 2009 includes approximately two-and-a-half months of Wyeth's U.S. operations and approximately one-and-a-half months of Wyeth's international operations.
[b] Outside the U.S. and Canada.
[c] Represents direct sales under license agreement with Eisai Co., Ltd.
[d] Enbrel (in the U.S. and Canada)[a] , Aricept, Exforge, Rebif and Spiriva.
[e] Includes legacy Pfizer products in 2010, 2009 and 2008. Also includes legacy Wyeth products in 2010 and, as described in note (a) above, during a portion of 2009.
* Calculation not meaningful.
Certain amounts and percentages may reflect rounding adjustments.

Biopharmaceutical—Selected Product Descriptions

- **Lipitor**, for the treatment of elevated LDL-cholesterol levels in the blood, is the most widely used branded prescription treatment for lowering cholesterol and the best-selling prescription pharmaceutical product of any kind in the world. Lipitor recorded worldwide revenues of $10.7 billion, or a decrease of 6%, in 2010, compared to 2009 due to:

  - the continuing impact of an intensely competitive lipid-lowering market with competition from generics and branded products worldwide;
  - increased payer pressure worldwide;
  - slower growth in the lipid-lowering market in the U.S. due, in part, to a slower rate of growth in the Medicare Part D population and, reflecting challenging economic conditions, heightened overall patient cost-sensitivity in the U.S. and adoption of non-prescription treatment options; and
  - loss of exclusivity in Canada in May 2010, Spain in July 2010 and Brazil in August 2010,

  partially offset by:

  - the favorable impact of foreign exchange, which increased revenues by $220 million, or 2%.

  Geographically,

  - in the U.S., Lipitor revenues were $5.3 billion, a decrease of 6% in 2010, compared to 2009; and
  - in our international markets, Lipitor revenues were $5.4 billion, a decrease of 6%, in 2010, compared to 2009. The impact of foreign exchange increased international revenues by 4% in 2010, compared to 2009.

  See the “Our Operating Environment” section of this Financial Review for a discussion concerning the expected loss of exclusivity for Lipitor in various markets.

  During the period from August through December 2010, we implemented four voluntary recalls of Lipitor 40 mg tablets due to a small number of reports of an uncharacteristic odor related to the bottles in which Lipitor is packaged. Our recalls involved a total of 20 lots in the U.S. and Canada. The odor related to bottles that were manufactured by a third-party supplier, most of which entered the supply chain before August 2010. A medical assessment by us has determined that the odor is not likely to cause adverse health consequences. We have identified the source of the odor, and we are implementing rigorous measures to prevent odor-related issues going forward. While the rate of odor complaints is very low, we cannot rule out the possibility of further recalls based on our quality control measures in the event that there are any future odor-related observations. These recalls have not had any significant impact on our results of operations, and we do not expect any disruptions in the supply of Lipitor.

- **Enbrel**, for the treatment of rheumatoid arthritis, polyarticular juvenile rheumatoid arthritis, psoriatic arthritis, plaque psoriasis and ankylosing spondylitis, a type of arthritis affecting the spine, recorded worldwide revenues, excluding the U.S. and Canada, of $3.3 billion in 2010. Enbrel revenues from the U.S. and Canada are included in alliance revenues. The approval of competing products for the treatment of psoriasis has increased competition with respect to Enbrel in 2010.

  Under our co-promotion agreement with Amgen Inc. (Amgen), we and Amgen co-promote Enbrel in the U.S. and Canada and share in the profits from Enbrel sales in those countries, recorded as alliance revenues. The co-promotion term is scheduled to end in October 2013, and, subject to the terms of the agreement, we are entitled to a royalty stream for 36 months thereafter, which is significantly less than our current share of Enbrel profits from U.S. and Canadian sales. Following the end of the royalty period, we will not be entitled to any further alliance revenues from Enbrel sales in the U.S. and Canada. Our exclusive rights to Enbrel outside the U.S. and Canada will not be affected by the expiration of the co-promotion agreement with Amgen.

- **Lyrica**, indicated for the management of post-herpetic neuralgia (PHN), diabetic peripheral neuropathy (DPN), fibromyalgia, and as adjunctive therapy for adult patients with partial onset seizures in the U.S., and for neuropathic pain, adjunctive treatment of epilepsy and general anxiety disorder (GAD) in certain countries outside the U.S., recorded an increase in worldwide revenues of 8% in 2010, compared to 2009. Lyrica had a strong operational performance in international markets in 2010, including Japan, where Lyrica was launched as the first product approved for the peripheral neuropathic indication. In the U.S., revenues have been adversely affected by increased generic competition, as well as managed care pricing and formulary pressures.

- **Prevnar/Prevenar 13**, launched in Germany in late 2009 and in the U.S. in early 2010 with launches in other markets during 2010, is our 13-valent pneumococcal conjugate vaccine for preventing invasive pneumococcal disease in infants and young children. Prevnar/Prevenar 13 had worldwide revenues of $2.4 billion in 2010. To date, Prevnar/Prevenar 13 has been approved in over 80 countries and launched in over 55 of those countries. The launch of Prevnar/Prevenar 13 has resulted in a reduction of our Prevnar/Prevenar (7-valent) revenues. We expect this trend to continue.

- **Celebrex** is a treatment for the signs and symptoms of osteoarthritis and rheumatoid arthritis and acute pain in adults. Celebrex worldwide revenues were relatively flat in 2010, compared to 2009. In the U.S., revenues have been adversely affected by generic competition. Celebrex is supported by continued educational and promotional efforts highlighting its efficacy and safety profile for appropriate patients.

- **Viagra** remains the leading treatment for erectile dysfunction and one of the world's most recognized pharmaceutical brands after more than a decade. Viagra worldwide revenues increased 2% in 2010, compared to 2009. In the U.S., Viagra revenues increased 3% in 2010, compared to 2009. Internationally, Viagra revenues increased 1%, due to a favorable impact of foreign exchange in 2010 compared to 2009. Viagra began facing generic competition in Spain and Finland in December 2009.

- **Xalabrands** consists of **Xalatan**, a prostaglandin, the world's leading branded agent to reduce elevated eye pressure in patients with open-angle glaucoma or ocular hypertension, and **Xalacom,** a fixed combination prostaglandin (Xalatan) and beta blocker (timolol) that is available outside the U.S. Xalatan/Xalacom worldwide revenues increased 1% in 2010, compared to 2009. The increase was due to higher revenues in the U.S., partially offset by lower international revenues due to the launch of generic latanoprost in Japan in May 2010 and in Italy in July 2010. Additionally, foreign exchange had a favorable impact in 2010, compared to 2009. We expect to lose exclusivity for Xalatan in the U.S. in March 2011 and for Xalatan and Xalacom in the majority of major European markets in July 2011. We are pursuing a pediatric extension for Xalatan in the EU. If we are successful, the exclusivity period for both Xalatan and Xalacom in the majority of major European markets will be extended by six months to January 2012.

- **Effexor XR (extended release capsules)**, an antidepressant for treating adult patients with major depressive disorder, GAD, social anxiety disorder and panic disorder, recorded worldwide revenues of $1.7 billion in 2010. Effexor XR faces generic competition outside the U.S. and, it has faced generic competition in the U.S. since July 1, 2010. This generic competition had, in 2010, and will continue to have a significant adverse impact on our revenues for Effexor XR.

- **Norvasc**, for treating hypertension, lost exclusivity in the U.S. in March 2007. Norvasc also has experienced patent expirations in other major markets, including Canada in July 2009 and Japan in March 2008. Norvasc worldwide revenues decreased 24% in 2010, compared to 2009.

- **Prevnar/Prevenar (7-valent),** our 7-valent pneumococcal conjugate vaccine for preventing invasive pneumococcal disease in infants and young children, had worldwide revenues of $1.3 billion in 2010. Certain markets have transitioned from the use of Prevnar/Prevenar (7-valent) to Prevnar/Prevenar 13 (see discussion above) resulting in lower revenues for Prevnar/Prevenar (7-valent). We expect this trend to continue.

- **Zyvox** is the world's best-selling branded agent for the treatment of certain serious Gram-positive pathogens, including Methicillin-Resistant Staphylococcus-Aureus (MRSA). Zyvox worldwide revenues increased 3% in 2010, compared to 2009, primarily due to growth in emerging markets and developed markets in Europe. In the U.S., revenues have been adversely affected by flat market growth and increased generic and branded competition.

- **Sutent** is for the treatment of advanced renal cell carcinoma, including metastatic renal cell carcinoma (mRCC), and gastrointestinal stromal tumors (GIST) after disease progression on, or intolerance to, imatinib mesylate. Sutent worldwide revenues increased 11% in 2010, compared to 2009, primarily due to strong operational performance in international markets. We continue to drive total revenue and prescription growth, supported by cost-effectiveness data and efficacy data in first-line mRCC—including two-year survival data, which represent the first time that overall survival of two years has been seen in the treatment of advanced kidney cancer, as well as through increasing access and healthcare coverage. As of December 31, 2010, Sutent was the best-selling medicine in the world for the treatment of first-line mRCC.

  On July 1, 2010 the FDA approved revised labeling for Sutent, which includes a boxed warning concerning hepatotoxicity and related changes to the warnings and precautions section. In addition, as part of a risk mitigation and communication plan, the revised label includes a Medication Guide that patients will receive when Sutent is dispensed.

  Pfizer maintains a global safety database, monitoring all sponsored clinical trials and spontaneous adverse event reports. Hepatic failure has been uncommonly observed in clinical trials (0.3%) and post-marketing experience, consistent with the very low rate of hepatic failure observed in the clinical trials of Sutent used to support original registration in 2006. Over 91,000 patients worldwide have been treated with Sutent.

  The risk-benefit profile of Sutent in both mRCC and second-line GIST has been well established through large, randomized clinical trials evaluating its safety and efficacy. Sutent remains an important treatment option for these two difficult-to-treat cancers.

- Our **Premarin** family of products remains the leading therapy to help women address moderate-to-severe menopausal symptoms. It had worldwide revenues of $1.0 billion in 2010.

- **Geodon/Zeldox**, an atypical antipsychotic, is indicated for the treatment of schizophrenia, as monotherapy for the acute treatment of bipolar manic or mixed episodes, and as an adjunct to lithium or valproate for the maintenance treatment of bipolar disorder. Geodon worldwide revenues increased 2% in 2010, compared to 2009, due in part to continued growth in the U.S. antipsychotic market and the recent U.S. approval of Geodon for adjunctive bipolar maintenance therapy in adults.

- **Detrol/Detrol LA,** a muscarinic receptor antagonist, is the most prescribed branded medicine worldwide for overactive bladder. Detrol LA is an extended-release formulation taken once a day. Detrol/Detrol LA worldwide revenues declined 12% in 2010, compared to 2009, primarily due to increased competition from other branded medicines.

- **Zosyn/Tazocin**, our broad-spectrum intravenous antibiotic, faces generic competition in the U.S. and certain other markets. It had worldwide revenues of $952 million in 2010.

- **Genotropin**, the world's leading human growth hormone, is used in children for the treatment of short stature with growth hormone deficiency, Prader-Willi Syndrome, Turner Syndrome, Small for Gestational Age Syndrome, Idiopathic Short Stature (in the U.S. only) and Chronic Renal Insufficiency (outside the U.S. only), as well as in adults with growth hormone deficiency. Genotropin is supported by a broad platform of innovative injection-delivery devices. Genotropin worldwide revenues were relatively flat compared to 2009.

- **Vfend,** as the only branded agent available in intravenous and oral forms, continued to build on its position as the best-selling systemic, antifungal agent worldwide in 2010. The global revenues of Vfend continued to be driven in 2010 by its acceptance as an excellent broad-spectrum agent for treating yeast and molds. Vfend worldwide revenues increased 3% in 2010, compared to 2009.

  In October 2009, we settled a challenge by Mylan, Inc. (Mylan) and its subsidiary, Matrix Laboratories Limited (Matrix), to four of our patents relating to Vfend by entering into an agreement granting Matrix and another subsidiary of Mylan the right to market their voriconazole (generic Vfend) tablet in the U.S. Pursuant to that settlement agreement, Matrix and the other Mylan subsidiary launched their generic voriconazole tablet in the U.S. in February 2011. In addition, the basic patent for Vfend tablets in Brazil expired on January 1, 2011.

- **Chantix/Champix**, the first new prescription treatment to aid smoking cessation in nearly a decade, has been launched in all major markets. Chantix/Champix worldwide revenues increased 8% in 2010, compared to 2009. Revenues in 2010 were impacted by strong operational performance in international developed markets and the favorable impact of foreign exchange, partially offset by the impact of changes to the product's label and other factors, especially in the U.S. We are continuing our educational and promotional efforts, which are focused on the Chantix benefit-risk proposition, the significant health consequences of smoking and the importance of the physician-patient dialogue in helping patients quit smoking.

- **Protonix**, our proton pump inhibitor for gastroesophageal reflux disease, had revenues of $690 million in 2010. We have an exclusive license from Nycomed GmbH to sell Protonix in the U.S., where it faces generic competition as the result of at-risk launches by certain generic manufacturers that began in December 2007 and the expiration of the basic U.S. patent (including the six-month pediatric exclusivity period) in January 2011.

- **BeneFIX and ReFacto AF/Xyntha** are hemophilia products that use state-of-the-art manufacturing to assist patients with this lifelong bleeding disorder. BeneFIX is the only available recombinant factor IX product for the treatment of hemophilia B, while ReFacto AF/Xyntha are recombinant factor VIII products for the treatment of hemophilia A. Both products are indicated for the control and prevention of bleeding in patients with these disorders and in some countries also are indicated for prophylaxis in certain situations, such as surgery. BeneFIX recorded worldwide revenues of $643 million in 2010. ReFacto AF/Xyntha recorded worldwide revenues of $404 million in 2010.

- **Caduet** is a single-pill therapy combining Norvasc and Lipitor. Caduet worldwide revenues declined 4% in 2010, compared to 2009, primarily due to increased generic competition, as well as an overall decline in U.S. hypertension market volume, partially offset by strong operational performance in international markets and the favorable impact of foreign exchange. We expect that Caduet will lose exclusivity in the U.S. in November 2011.

- **Revatio**, for the treatment of PAH, had an increase in worldwide revenues of 7% in 2010, compared to 2009, due in part to increased PAH awareness driving earlier diagnosis and increased therapy days in the U.S. and EU.

- **Pristiq** was approved for the treatment of Major Depressive Disorder (MDD) in the U.S. in February 2008 and subsequently was approved for that indication in 28 other countries. Pristiq has also been approved for treatment of moderate-to-severe vasomotor symptoms (VMS) associated with menopause in Thailand, Mexico and the Philippines. Pristiq recorded worldwide revenues of $466 million in 2010.

- **Alliance revenues** worldwide increased 40% in 2010, compared to 2009, mainly due to the strong performance of Spiriva, Aricept and Rebif, as well as the inclusion of sales of Enbrel, a legacy Wyeth product, in the U.S. and Canada. We lost exclusivity for Aricept 5mg and 10mg tablets in the U.S. in November 2010. We expect that the Aricept 23mg tablet will have exclusivity in the U.S. until July 2013.

  See Notes to Consolidated Financial Statements—*Note 19. Legal Proceedings and Contingencies* for a discussion of recent developments concerning patent and product litigation relating to certain of the products discussed above.

Product Developments—Biopharmaceutical

We continue to invest in R&D to provide potential future sources of revenues through the development of new products, as well as through additional uses for existing in-line and alliance products. We remain on track to achieve our previously announced goal of 15 to 20 regulatory submissions in the 2010 to 2012 period. Notwithstanding our efforts, there are no assurances as to when, or if, we will receive regulatory approval for additional indications for existing products or any of our other products in development.

On February 1, 2011, we announced that we are continuing to closely evaluate our global research and development function and will accelerate our current strategies to improve innovation and overall productivity by prioritizing areas with the greatest scientific and commercial promise, utilizing appropriate risk/return profiles and focusing on areas with the highest potential to deliver value in the near term and over time (see the "Our Strategy" section of this Financial Review). Our high-priority therapeutic areas are immunology and inflammation, oncology, cardiovascular and metabolic diseases, neuroscience and pain, and vaccines.

Below are significant regulatory actions by, and filings pending with, the FDA and regulatory authorities in the EU and Japan as well as new drug candidates and additional indications in late-stage development:

Recent FDA approvals:		
PRODUCT	INDICATION	DATE APPROVED
Prevnar 13 Infant	Prevention of invasive pneumococcal disease in infants and young children	February 2010

Pending U.S. new drug applications (NDA) and supplemental filings:		
PRODUCT	INDICATION	DATE SUBMITTED
tafamidis meglumine	Treatment of transthyretin amyloid polyneuropathy (ATTR-PN)	February 2011
Prevnar 13 Adult	Prevention of pneumococcal disease in adults 50 years of age and older	December 2010
Taliglucerase alfa	Treatment of Gaucher disease	December 2009
Sutent	Pancreatic neuroendocrine tumor	December 2009
Genotropin	Adult growth hormone deficiency (Mark VII multidose disposable device)	October 2009
Celebrex	Chronic pain	August 2009
Geodon	Treatment of bipolar disorder—pediatric filing	October 2008
Spiriva	Respimat device for chronic obstructive pulmonary disease	November 2007
Zmax	Treatment of bacterial infections—sustained release—acute otitis media (AOM) and sinusitis—pediatric filing	November 2006
Viviant	Osteoporosis treatment and prevention	June 2006
Pristiq	Vasomotor symptoms of menopause	June 2006
Vfend	Treatment of fungal infections—pediatric filing	June 2005

On October 6, 2010, we completed the acquisition of FoldRx. Its lead product candidate, tafamidis meglumine (Tafamidis), is in registration in both the U.S. and the EU as a first-in-class oral therapy for the treatment of transthyretin amyloid polyneuropathy (ATTR-PN), a progressively fatal genetic neurodegenerative disease, for which liver transplant is the only treatment option currently available. Tafamidis has orphan drug designation in both the U.S. and EU and fast-track designation in the U.S.

In November 2009, we entered into a license and supply agreement with Protalix BioTherapeutics (Protalix), which provides us exclusive worldwide rights, except in Israel, to develop and commercialize taliglucerase alfa for the treatment of Gaucher disease. In April 2010, Protalix completed a rolling NDA with the FDA for taliglucerase alfa. Taliglucerase alfa was granted orphan drug designation in the U.S. in September 2009. In February 2011, Protalix received a “complete response” letter from the FDA for the taliglucerase alfa NDA that set forth additional requirements for approval. Protalix will work with the FDA to determine next steps.

In May 2010, the FDA issued a “complete response” letter requesting additional information in connection with our supplemental NDA seeking approval to use Sutent for the treatment of pancreatic neuroendocrine tumors. We have provided the requested information, including an analysis of independently reviewed scans, and are working with the FDA to pursue regulatory approval.

In April 2010, we received a “complete response” letter from the FDA for the Genotropin Mark VII multidose disposable device submission. In August 2010, we submitted our response to address the requests and recommendations included in the FDA letter.

In June 2010, we received a “complete response” letter from the FDA for the Celebrex chronic pain supplemental NDA. We are working with the FDA to determine the next steps.

In October 2009, we received a “complete response” letter from the FDA with respect to the supplemental NDA for Geodon for the treatment of acute bipolar mania in children and adolescents aged 10 to 17 years. In October 2010, we submitted our response to address the issues raised in the FDA letter. In April 2010, we received a “warning letter” from the FDA with respect to the clinical trial in support of this supplemental NDA. We are working with the FDA to address the issues raised in the letter.

Boehringer Ingelheim (BI), our alliance partner, holds the NDAs for Spiriva Handihaler and Spiriva Respimat. In September 2008, BI received a “complete response” letter from the FDA for the Spiriva Respimat submission. The FDA is seeking additional data, and we are coordinating with BI, which is working with the FDA to provide the additional information. A full response will be submitted to the FDA upon the completion of planned and ongoing studies.

In September 2007, we received an “approvable” letter from the FDA for Zmax that set forth requirements to obtain approval for the pediatric acute otitis media (AOM) indication based on pharmacokinetic data. A supplemental filing for pediatric AOM and sinusitis remains under review.

Two “approvable” letters were received by Wyeth in April and December 2007 from the FDA for Viviant (bazedoxifene), for the prevention of post-menopausal osteoporosis, that set forth the additional requirements for approval. In May 2008, Wyeth received an “approvable” letter from the FDA for the treatment of post-menopausal osteoporosis. The FDA is seeking additional data, and we have been systematically working through these requirements and seeking to address the FDA’s concerns. In February 2008, the FDA advised Wyeth that it expects to convene an advisory committee to review the pending NDAs for both the treatment and

prevention indications after we submit our response to the "approvable" letters. In April 2009, Wyeth received approval in the EU for CONBRIZA (the EU trade name for Viviant) for the treatment of post-menopausal osteoporosis in women at increased risk of fracture. Viviant was also approved in Japan in July 2010 for the treatment of post-menopausal osteoporosis.

In July 2007, Wyeth received an "approvable" letter from the FDA with respect to its NDA for the use of Pristiq in the treatment of moderate-to-severe vasomotor symptoms (VMS) associated with menopause. The FDA requested an additional one-year study of the safety of Pristiq for this indication. This study was recently completed, and the results were provided to the FDA in December 2010.

In December 2005, we received an "approvable" letter from the FDA for our Vfend pediatric filing that set forth the additional requirements for approval. In April 2010, based on data from a new pharmacokinetics study, we and the FDA agreed on a Vfend dosing regimen for pediatric patients in three ongoing trials. We continue to work with the FDA to determine the next steps.

The Lyrica NDA for monotherapy treatment of GAD was withdrawn in December 2010.

In December 2010, in the interest of patient safety, we voluntarily withdrew Thelin for the treatment of PAH in markets where it is approved. In addition, we discontinued clinical studies of Thelin worldwide for the treatment of PAH.

The NDAs for Fablyn (lasofoxifene) for the prevention and treatment of osteoporosis in post-menopausal women and for the treatment of vulvar and vaginal atrophy have been withdrawn. We are exploring strategic options for Fablyn, including but not limited to out-licensing or sale.

Regulatory approvals and filings in the EU and Japan:

PRODUCT	DESCRIPTION OF EVENT	DATE APPROVED	DATE SUBMITTED
Sutent	Approval in the EU for treatment of pancreatic neuroendocrine tumor	December 2010	
Prevenar 13 Adult	Application submitted in the EU for prevention of pneumococcal disease in adults 50 years of age and older		December 2010
Taliglucerase alfa	Application submitted in the EU for treatment of Gaucher disease		November 2010
Lyrica	Approval in Japan for neuropathic pain	October 2010	—
Xalatan	Approval in the EU for pediatric glaucoma	September 2010	
Torisel	Approval in Japan for renal cell carcinoma	July 2010	—
Genotropin	Approval in the EU for adult growth hormone deficiency (Mark VII multidose disposable device)	July 2010	—
Viviant	Approval in Japan for the treatment of post-menopausal osteoporosis	July 2010	—
atorvastatin calcium	Approval in the EU for type II variation for atorvastatin calcium (SORTIS and associated names) for pediatric hyperlipidemia/ dyslipidemia	July 2010	—
tafamidis meglumine	Application submitted in the EU for ATTR-PN	—	July 2010
Macugen	Application submitted in the EU for type II variation for treatment of diabetic macular edema	—	June 2010
Genotropin	Approval in Japan for adult growth hormone deficiency (Mark VII multidose disposable device)	June 2010	—
Lyrica	Approval in Japan for the treatment of pain associated with post-herpetic neuralgia	April 2010	—
Revatio	Application submitted in the EU for pediatric PAH	—	February 2010
Apixaban	Application submitted in the EU for prevention of venous thromboembolism	—	February 2010
Xalacom	Approval in Japan for the treatment of glaucoma	January 2010	—
Prevenar 13 Infant	Application submitted in Japan for prevention of invasive pneumococcal disease in infants and young children	—	December 2009
Xiapex	Application submitted in the EU for treatment of Dupuytren's contracture	—	December 2009
Toviaz	Application submitted in Japan for overactive bladder	—	September 2009

In December 2010, the European Medicine Agency's Committee for Medicinal Products for Human Use (CHMP) issued a positive opinion recommending that the European Commission approve Xiapex for the treatment of Dupuytren's contracture in adult patients with a palpable cord.

Late-stage clinical trials for additional uses and dosage forms for in-line products:	
PRODUCT	INDICATION
Eraxis/Vfend Combination	Aspergillosis fungal infections
Lyrica	Epilepsy monotherapy; central neuropathic pain due to spinal cord injury; peripheral neuropathic pain
Revatio	Pediatric PAH
Sutent	Adjuvant renal cell carcinoma
Torisel	Renal cell carcinoma
Zithromax/chloroquine	Malaria

Set forth below are developments in 2010 with respect to certain Phase 3 trials for Sutent :

- A Phase 3 trial for advanced castration-resistant prostate cancer was discontinued based on an interim analysis, whereby an independent Data Monitoring Committee (DMC) found that the combination of Sutent with prednisone was unlikely to improve overall survival compared to prednisone alone.
- A Phase 3 trial in combination with erlotinib for the treatment of advanced non-small-cell lung cancer was completed and did not meet its primary endpoint.
- The Phase 3 trial for advanced liver cancer was discontinued based on a higher incidence of serious adverse events in the sunitinib arm compared to the sorafenib arm and the fact that sunitinib did not meet the criteria to demonstrate that it was either superior or non-inferior to sorafenib in the survival of patients with advanced liver cancer.
- Two Phase 3 trials for first-line and second-line treatment of metastatic breast cancer were completed and did not meet their primary endpoints.

New drug candidates in late-stage development in the U.S.:	
CANDIDATE	INDICATION
Apixaban	For the prevention and treatment of venous thromboembolism and prevention of stroke in patients with atrial fibrillation, which is being developed in collaboration with Bristol-Myers Squibb Company (BMS)
Aprela (Bazedoxifene-conjugated estrogens)	A tissue-selective estrogen complex for the treatment of menopausal vasomotor symptoms
Axitinib	Oral and selective inhibitor of vascular endothelial growth factor (VEGF) receptor 1, 2, & 3 for the treatment of advanced renal cell carcinoma
Bapineuzumab	A beta amyloid inhibitor for the treatment of Alzheimer's disease being developed in collaboration with Janssen Alzheimer Immunotherapy Research & Development, LLC (Janssen AI), a subsidiary of Johnson & Johnson
Bosutinib	An Abl and src kinase inhibitor for the treatment of chronic myelogenous leukemia
Crizotinib (PF-02341066)	An oral ALK and c-Met inhibitor for the treatment of advanced non-small-cell lung cancer
Dimebon (latrepirdine)	A novel mitochondrial protectant and enhancer being developed in collaboration with Medivation, Inc., for the treatment of Alzheimer's disease and Huntington's disease
Inotuzumab ozogamicin	An antibody drug conjugate, consisting of an anti-CD22 monotherapy antibody linked to a cytotoxic agent, calicheamycin, for the treatment of aggressive Non-Hodgkin's Lymphoma
Moxidectin	Treatment of onchocerciasis (river blindness)
Neratinib	A pan-HER inhibitor for the treatment of breast cancer
PF-0299804	A pan-HER tyrosine kinase inhibitor for the treatment of advanced non-small-cell lung cancer
Tanezumab	An anti-nerve growth factor monoclonal antibody for the treatment of pain *(on clinical hold)*
Tofacitinib (formerly Tasocitinib (CP-690,550)	A JAK kinase inhibitor for the treatment of rheumatoid arthritis and psoriasis

The atrial fibrillation (AF) program of the investigational drug apixaban consists of two trials. First, the data from the Phase 3 AVERROES trial demonstrated that apixaban significantly reduced the relative risk of a composite stroke or systematic embolism by 55% without a significant increase in major bleeding, fatal bleeding or intracranial bleeding compared with aspirin in patients who were expected or demonstrated to be unsuitable for warfarin treatment. Minor bleeding, however, was increased, compared to aspirin. Second, the Phase 3 ARISTOTLE trial is investigating apixaban compared with warfarin for the prevention of stroke in approximately 18,000 patients with AF. Based upon discussions with the FDA and in agreement with us, our alliance partner, BMS,

expects to submit the AVERROES and ARISTOTLE studies together in the U.S., which will cover the broadest spectrum of patients in one single dossier. The ARISTOTLE trial is event driven. As such, it is not possible to predict with certainty when the results of the trial will be available. BMS expects to have top-line data from ARISTOTLE in the second quarter of 2011 and to submit in the U.S. and the EU late in the third quarter or in the fourth quarter of 2011 depending on the results of the trial.

In November 2010, we and BMS discontinued the Phase 3 APPRAISE-2 clinical trial in patients with recent acute coronary syndrome (ACS) treated with apixaban or placebo in addition to mono or dual antiplatelet therapy. The study was stopped early based on the recommendation of an independent DMC due to clear evidence of a clinically important increase in bleeding among patients randomized to apixaban, which was not offset by clinically meaningful reductions in ischemic events.

Our collaboration with Janssen AI on bapineuzumab, a potential treatment for Alzheimer's disease, continues with four Phase 3 studies. In December 2010, Janssen AI confirmed that enrollment was complete for its two Phase 3 North American studies (301 and 302), including the biomarker sub studies. The other two Phase 3 global studies (3000 and 3001) continue to enroll. In April 2010, Johnson & Johnson announced that the two Janssen AI North American studies would be completed (last patient out) in mid-2012. We announced in May 2010 that we expect that the last patient will have completed our two global 18-month trials, including associated biomarker studies, in 2014.

In January 2011, we initiated the rolling submission of an NDA to the FDA for crizotinib (PF-02341066), an oral anaplastic lymphoma kinase (ALK) and c-MET inhibitor for the treatment of patients with advanced non-small-cell lung cancer whose tumors are ALK-positive. We expect to complete the submission in the first half of 2011.

In March 2010, Pfizer and Medivation, Inc. announced that a Phase 3 trial of Dimebon (latrepiridine) did not meet its co-primary or secondary endpoints. Subsequently, we and Medivation, Inc. agreed to discontinue the CONSTELLATION and CONTACT Phase 3 trials in patients with moderate-to-severe Alzheimer's disease. The two companies continue to investigate Dimebon's potential clinical benefit in the 12-month Phase 3 CONCERT trial in patients with mild-to-moderate Alzheimer's disease and the six-month Phase 3 HORIZON trial in patients with Huntington's disease. In December 2010, we and Medivation, Inc. announced that patient enrollment was completed on November 30, 2010, in the CONCERT study.

Following requests by the FDA in 2010, we suspended worldwide the osteoarthritis, chronic low back pain and painful diabetic peripheral neuropathy studies of tanezumab. The FDA's requests followed a small number of reports of osteoarthritis patients treated with tanezumab who experienced the worsening of osteoarthritis leading to joint replacement and also reflected the FDA's concerns regarding the potential for such events in other patient populations. We subsequently terminated the osteoarthritis studies of tanezumab. In December 2010, the FDA placed a clinical hold on all other anti-NGF therapies under clinical investigation in the U.S., including our study for chronic pancreatitis. Studies of tanezumab in cancer pain were allowed to continue. We continue to work with the FDA to reach an understanding about the appropriate scope of continued clinical investigation of tanezumab.

In December 2009, we discontinued a Phase 3 trial of figitumumab in first-line treatment of advanced non-small-cell lung cancer for futility. In March 2010, we discontinued a Phase 3 trial of figitumumab in second/third line treatment of advanced non-small-cell lung cancer for futility. After a detailed evaluation of all available figitumumab data, we decided to stop further clinical investigation of figitumumab. No safety events led to this decision.

Additional product-related programs are in various stages of discovery and development. Also, see the discussion in the "Our Business Development Initiatives" section of this Financial Review.

Costs and Expenses

Cost of Sales

2010 vs. 2009

Cost of sales increased 83% in 2010, compared to 2009, primarily as a result of:

- purchase accounting charges of approximately $2.9 billion in 2010, compared to approximately $970 million in 2009, primarily reflecting the fair value adjustments to inventory acquired from Wyeth that was subsequently sold;
- a write-off of inventory of $212 million (which includes a purchase accounting fair value adjustment of $104 million), primarily related to biopharmaceutical inventory acquired from Wyeth that became unusable after the acquisition date;
- the inclusion of Wyeth's manufacturing operations for a full year in 2010, compared to part of the year in 2009; and
- the change in the mix of products and businesses as a result of the Wyeth acquisition,

partially offset by:

- lower costs as a result of our cost-reduction initiatives.

Foreign exchange had a minimal impact on cost of sales during 2010.

2009 vs. 2008

Cost of sales increased 10% in 2009 compared to 2008 primarily as a result of:

- purchase accounting charges of approximately $970 million primarily related to the fair value adjustments to inventory acquired from Wyeth that subsequently was sold;

- the addition of Wyeth's manufacturing operations; and
- the unfavorable impact of foreign exchange on cost of sales,

partially offset by:

- lower costs recorded in cost of sales related to our cost-reduction initiatives. Cost-reduction initiative charges incurred after the Wyeth acquisition, other than additional depreciation related to asset restructuring, are included in *Restructuring charges and certain acquisition-related costs*.

Selling, Informational and Administrative (SI&A) Expenses

2010 vs. 2009

SI&A expenses increased 32% in 2010, compared to 2009, primarily as a result of:

- the inclusion of Wyeth operating costs for a full year in 2010, compared to part of the year in 2009; and
- the unfavorable impact of foreign exchange of $237 million.

2009 vs. 2008

SI&A expenses increased 2% in 2009, compared to 2008, primarily as a result of:

- the addition of Wyeth's operating costs; and
- increased investment in potential high-growth and new opportunities for existing products,

partially offset by:

- the favorable impact of foreign exchange on SI&A expenses;
- certain insurance recoveries related to legal defense costs; and
- lower costs recorded in SI&A related to our cost-reduction initiatives. Cost-reduction initiative charges incurred after the Wyeth acquisition, other than additional depreciation related to asset restructuring, are included in Restructuring charges and certain acquisition-related costs.

Research and Development (R&D) Expenses

2010 vs. 2009

R&D expenses increased 20% in 2010, compared to 2009, primarily as a result of:

- the inclusion of Wyeth operating costs for a full year in 2010, compared to part of the year in 2009; and
- continued investment in the late-stage development portfolio.

Foreign exchange had a minimal impact on R&D expenses during 2010.

2009 vs. 2008

R&D expenses decreased 1% in 2009, compared to 2008, primarily as a result of:

- lower purchase accounting adjustments related to intangible assets acquired in connection with our acquisition of Pharmacia Corporation;
- the favorable impact of foreign exchange on R&D expenses; and
- lower costs recorded in R&D related to our cost-reduction initiatives. Cost-reduction initiative charges incurred after the Wyeth acquisition, other than additional depreciation related to asset restructuring, are included in *Restructuring charges and certain acquisition-related costs*,

partially offset by:

- the addition of Wyeth operating costs;
- continued investment in the late-stage development portfolio;
- business-development transactions in the Established Products unit; and
- a $150 million milestone payment to BMS in 2009 in connection with the collaboration on apixaban.

R&D expenses also include payments for intellectual property rights of $358 million in 2010, $474 million in 2009 and $377 million in 2008 (for further discussion, see the "Our Business Development Initiatives" section of this Financial Review).

Acquisition-Related In-Process Research and Development Charges

As required through December 31, 2008, the estimated fair value of acquisition-related IPR&D charges was expensed at acquisition date. As a result of adopting the provisions of a new accounting standard related to business combinations issued by the Financial Accounting Standards Board (FASB), for acquisitions completed after December 31, 2008, we record acquired IPR&D on our consolidated balance sheet as indefinite-lived intangible assets. In 2010 and 2009, we resolved certain contingencies and met certain milestones associated with the CovX acquisition and recorded $125 million in 2010 and $68 million in 2009 of *Acquisition-related in-process research and development charges*. In 2008, we expensed $633 million of IPR&D, primarily related to our acquisitions of Serenex, Encysive, CovX, Coley and a number of animal health product lines from Schering-Plough, as well as two smaller acquisitions also related to animal health.

Cost-Reduction and Productivity Initiatives and Related Costs

Programs Initiated Prior to 2011
Since the acquisition of Wyeth, our cost-reduction initiatives announced on January 26, 2009, but not completed as of December 31, 2009, have been incorporated into a comprehensive plan to integrate Wyeth's operations, generate cost savings and capture synergies across the combined company. In the aggregate, with the combination of these two initiatives into one comprehensive program, we expect to generate cost reductions, net of investments in the business, of approximately $4 billion to $5 billion, by the end of 2012, at 2008 average foreign exchange rates, in comparison with the 2008 proforma combined adjusted total costs of the legacy Pfizer and legacy Wyeth operations. (For an understanding of adjusted total costs, see the "Adjusted Income" section of this Financial Review). We achieved more than $2.0 billion of these cost savings in 2010 and are on track to meet the 2012 target.

We have incurred and will continue to incur costs in connection with these initiatives. We estimate that these total costs could be in the range of approximately $11.5 billion to $13.5 billion through 2012, of which we have incurred approximately $9.5 billion in cost-reduction and acquisition-related costs (excluding transaction costs) through December 31, 2010. The cost-reduction target discussed in this section does not include the impact of the planned reduction in research and development spending that was announced on February 1, 2011 and is discussed below under "New Research and Development Productivity Initiative".

These targeted savings are being achieved through the following actions:

- The closing of duplicative facilities and other site rationalization actions Company-wide, including research and development facilities, manufacturing plants, sales offices and other corporate facilities. In May and June 2010, we announced our plant network strategy for our Global Supply division, excluding Capsugel. As of December 31, 2010, we operate plants in 76 locations around the world that manufacture products for our businesses. Locations with major manufacturing facilities include Belgium, China, Germany, Ireland, Italy, Japan, Philippines, Puerto Rico, Singapore and the United States. Our Global Supply division's plant network strategy will result in the exit of nine sites over the next several years.
- Workforce reductions across all areas of our business and other organizational changes.
  - We identified areas for a reduction in workforce across all of our businesses. As of December 31, 2010, the workforce totaled approximately 110,600, a decrease of 5,900 from December 31, 2009. Since the closing of the Wyeth acquisition on October 15, 2009, the workforce has declined by 10,100, primarily in the U.S. Primary Care field force, manufacturing, R&D and corporate operations. We expect to exceed our original 15% workforce reduction target.
- The increased use of shared services.
- Procurement savings.

We have incurred significant costs in connection with our cost-reduction initiatives (including several programs initiated since 2005).

We incurred the following costs in connection with our cost-reduction initiatives and the acquisition of Wyeth:

	YEAR ENDED DECEMBER 31,		
(MILLIONS OF DOLLARS)	**2010**	2009	2008
Transaction costs[a]	**$ 23**	$ 768	$ —
Integration costs[b]	**1,004**	569	49
Restructuring charges[c]			
Employee termination costs	**1,125**	2,571	2,004
Asset impairments	**870**	159	543
Other	**192**	270	79
Restructuring charges and certain acquisition-related costs	**$3,214**	$4,337	$2,675
Additional depreciation—asset restructuring, recorded in our Consolidated Statements of Income as follows[d]:			
Cost of Sales	**$ 526**	$ 133	$ 596
Selling, informational and administrative expenses	**227**	53	19
Research and development expenses	**34**	55	171
Total additional depreciation—asset restructuring	**787**	241	786
Implementation costs[e]	**—**	250	819
Total	**$4,001**	$4,828	$4,280

[a] Transaction costs represent external costs directly related to our acquisition of Wyeth and primarily include expenditures for banking, legal, accounting and other similar services. Substantially all of the costs incurred in 2009 were fees related to a $22.5 billion bridge term loan credit agreement entered into with certain financial institutions on March 12, 2009 to partially fund our acquisition of Wyeth. The bridge term loan credit agreement was terminated in June 2009 as a result of our issuance of approximately $24.0 billion of senior unsecured notes in the first half of 2009.

[b] Integration costs represent external, incremental costs directly related to integrating acquired businesses and primarily include expenditures for consulting and systems integration.

[c] Restructuring charges in 2010 are related to the integration of Wyeth. From the beginning of our cost-reduction and transformation initiatives in 2005 through December 31, 2010, *Employee termination costs* represent the expected reduction of the workforce by approximately 49,000 employees, mainly in manufacturing, sales and research, of which approximately 36,400 employees have been terminated as of December 31, 2010. *Employee termination costs* are generally recorded when the actions are probable and estimable and include accrued severance benefits, pension and postretirement benefits, many of which may be paid out during periods after termination. *Asset impairments* primarily include charges to write down property, plant and equipment to fair value. *Other* primarily includes costs to exit certain assets and activities. Substantially all of these restructuring charges are associated with our Biopharmaceutical segment.

[d] Additional depreciation—asset restructuring represents the impact of changes in the estimated useful lives of assets involved in restructuring actions.

[e] Implementation costs for the years ended December 31, 2009 and 2008 represent external, incremental costs directly related to implementing cost-reduction initiatives prior to our acquisition of Wyeth, and primarily include expenditures related to system and process standardization and the expansion of shared services. For the year ended December 31, 2009, implementation costs are included in *Cost of sales* ($42 million*), Selling, informational and administrative expenses* ($166 million), *Research and development expenses* ($36 million) and *Other deductions—net* ($6 million). For the year ended December 31, 2008, implementation costs are included in *Cost of sales* ($149 million), *Selling, informational and administrative expenses* ($394 million), *Research and development expenses* ($262 million) and *Other deductions—net* ($14 million).

The components of restructuring charges associated with all of our cost-reduction initiatives and the acquisition of Wyeth follow:

(MILLIONS OF DOLLARS)	COSTS INCURRED 2005-2010	ACTIVITY THROUGH DECEMBER 31, **2010**[a]	ACCRUAL AS OF DECEMBER 31, **2010**[b]
Employee termination costs	**$ 8,846**	**$6,688**	**$2,158**
Asset impairments	**2,322**	**2,322**	**—**
Other	**902**	**801**	**101**
Total	**$12,070**	**$9,811**	**$2,259**

[a] Includes adjustments for foreign currency translation.

[b] Included in O*ther current liabilities* ($1.6 billion) and *Other noncurrent liabilities* ($652 million).

New Research and Development Productivity Initiative

On February 1, 2011, we announced that we are continuing to closely evaluate our global research and development function and will accelerate our current strategies to improve innovation and overall productivity by prioritizing areas with the greatest scientific and commercial promise, utilizing appropriate risk/return profiles and focusing on areas with the highest potential to deliver value in the near term and over time (see the “Our Strategy” section of this Financial Review). In connection with these actions:

- We estimate that we will incur pre-tax employee-termination charges in the range of approximately $800 million to $1.1 billion and other pre-tax exit and implementation charges in the range of approximately $300 million to $500 million, all of which will result in future cash expenditures. We expect most of these charges to be incurred in 2011 and the balance to be incurred in 2012.

- We estimate that we will incur total pre-tax impairment and additional depreciation—asset restructuring charges in the range of approximately $1.1 billion to $1.3 billion, of which approximately $800 million to $900 million represent additional depreciation—asset restructuring charges. Most of these charges will be associated with our Sandwich, U.K. Facility. We expect most of these non-cash charges to be incurred in 2011 and the balance to be incurred in 2012.

As a result of these actions, we expect significant reductions in our annual research and development expenses, which are reflected in our 2011 financial guidance and 2012 financial targets. We expect adjusted R&D expenses to be approximately $8.0 billion to $8.5 billion in 2011 and approximately $6.5 billion to $7.0 billion in 2012. For additional information, see the “Our Financial Guidance for 2011” and “Our Financial Targets for 2012” sections of this Financial Review. For an understanding of Adjusted income, see the “Adjusted Income” section of this Financial Review.

Other (Income)/Deductions—Net

2010 vs. 2009

Other deductions—net increased by $4.0 billion in 2010, compared to 2009, which primarily reflects:

- higher asset impairment charges of $1.8 billion in 2010, primarily related to certain intangible assets acquired as part of our acquisition of Wyeth as well as a legacy Pfizer product, Thelin;

- higher charges for litigation-related matters of $1.5 billion in 2010, primarily associated with the additional $1.3 billion (pre-tax) charge for asbestos litigation related to our wholly owned subsidiary, Quigley Company, Inc. (for additional information, see Notes to Consolidated Financial Statements—*Note 19. Legal Proceedings and Contingencies*);

- higher interest expense of $566 million in 2010, primarily associated with the $13.5 billion of senior unsecured notes that we issued in March 2009 and the approximately $10.5 billion of senior unsecured notes that we issued in June 2009 to partially finance the acquisition of Wyeth, as well as the addition of legacy Wyeth debt;

- lower interest income of $344 million in 2010, primarily due to lower interest rates coupled with lower average investment balances; and
- the non-recurrence of a $482 million gain recorded in 2009 related to ViiV (see further discussion in the "Our Business Development Initiatives" section of this Financial Review),

partially offset primarily by:

- higher royalty-related income of $336 million in 2010, primarily due to the addition of legacy Wyeth royalties.

2009 vs. 2008

Other deductions—net decreased by $1.7 billion in 2009, compared to 2008, which primarily reflects:

- the non-recurrence of charges recorded in 2008 of approximately $2.3 billion related to the resolution of certain investigations concerning Bextra and various other products;
- the non-recurrence of litigation-related charges recorded in 2008 of approximately $900 million associated with the resolution of certain litigation involving our non-steroidal anti-inflammatory (NSAID) pain medicines; and
- a $482 million gain recorded in 2009 related to ViiV (see further discussion in the "Our Business Development Initiatives" section of this Financial Review),

partially offset by:

- higher interest expense of $717 million primarily associated with the $13.5 billion of senior unsecured notes that we issued in March 2009 and the approximately $10.5 billion of senior unsecured notes that we issued in June 2009, to partially finance the acquisition of Wyeth, as well as the addition of legacy Wyeth debt;
- lower interest income of $542 million, primarily due to lower interest rates, partially offset by higher cash balances;
- asset impairment charges of $417 million, primarily associated with certain materials used in our research and development activities that no longer were considered recoverable; and
- the non-recurrence of a one-time cash payment received in 2008 of $425 million, pre-tax, in exchange for the termination of a license agreement, including the right to receive future royalties and a gain of $211 million related to the sale of a building in Korea.

For additional information about the asset impairment charges in each year, see the "Accounting Policies—Asset Impairment Reviews—Long-Lived Assets" section of this Financial Review as well as Notes to Consolidated Financial Statements—*Note 2. Acquisition of Wyeth, Note 3B. Other Significant Transactions and Events: Asset Impairment Charges* and *Note 12B. Goodwill and Other Intangible Assets: Other Intangible Assets.*

Provision for Taxes on Income

During the fourth quarter of 2010, we reached a settlement with the U.S. Internal Revenue Service (IRS) related to issues we had appealed with respect to the audits of the Pfizer Inc. tax returns for the years 2002 through 2005, as well as the Pharmacia audit for the year 2003 through the date of merger with Pfizer (April 16, 2003). The IRS concluded its examination of the aforementioned tax years and issued a final Revenue Agent's Report (RAR). We have agreed with all of the adjustments and computations contained in the RAR. As a result of settling these audit years, in the fourth quarter of 2010, we reduced our unrecognized tax benefits by approximately $1.4 billion and reversed the related interest accruals by approximately $600 million, both of which had been classified in *Other taxes payable*, and recorded a corresponding tax benefit in *Provision for taxes on income* (see Notes to Consolidated Financial Statements—*Note 7. Taxes on Income*).

Our effective tax rate for continuing operations was 11.9% in 2010, 20.3% in 2009 and 17.0% in 2008. The lower tax rate in 2010 compared to 2009 is primarily the result of:

- the aforementioned $1.4 billion reduction in unrecognized tax benefits and $600 million in interest on these unrecognized tax benefits, which were recorded as a result of the favorable tax audit settlement pertaining to prior years;
- a $320 million reduction in unrecognized tax benefits and $140 million in interest on these unrecognized tax benefits resulting from the resolution of certain tax positions pertaining to prior years with various foreign tax authorities as well as from the expiration of the statute of limitations; and
- the tax impact of the charge incurred for asbestos litigation,

partially offset by:

- higher expenses, incurred as a result of our acquisition of Wyeth, and the mix of jurisdictions in which those expenses were incurred;
- the write-off of the deferred tax asset of approximately $270 million related to the Medicare Part D subsidy for retiree prescription drug coverage, resulting from changes in the U.S. Healthcare Legislation concerning the tax treatment of that subsidy effective for tax years beginning after December 31, 2012; and

- the non-recurrence of a tax benefit of $174 million that was recorded in the third quarter of 2009 related to the final resolution of a previously disclosed settlement that resulted in the receipt of information that raised our assessment of the likelihood of prevailing on the technical merits of our tax position, and the non-recurrence of the $556 million tax benefit recorded in the fourth quarter of 2009 related to the sale of one of our biopharmaceutical companies, Vicuron Pharmaceuticals, Inc. Both items are discussed further below.

The higher tax rate for 2009, compared to 2008, is primarily due to the increased tax costs associated with certain business decisions executed to finance the Wyeth acquisition, partially offset by a tax benefit of $556 million recorded in the fourth quarter of 2009 related to the sale of one of our biopharmaceutical companies, Vicuron Pharmaceuticals, Inc., and a tax benefit of $174 million recorded in the third quarter of 2009 related to the resolution of certain investigations concerning Bextra and various other products that resulted in the receipt of information that raised our assessment of the likelihood of prevailing on the technical merits of our tax position. The higher tax rate in 2009 also was partially offset by the decrease in IPR&D charges, which generally are not deductible for tax purposes. Also, the 2008 tax rate reflects tax benefits of $305 million related to favorable tax settlements for multiple tax years and $426 million related to the sale of one of our biopharmaceutical companies, Esperion Therapeutics, Inc., which were both recorded in the first half of 2008. 2008 also reflects the impact of the third-quarter 2008 provision for the proposed resolution of certain Bextra and Celebrex civil litigation and the impact of the fourth-quarter 2008 provision for the proposed resolution of certain investigations which were either not deductible or deductible at lower rates.

Tax Law Changes

On August 10, 2010, the President of the United States signed into law the Education Jobs and Medicaid Assistance Act of 2010 (the Act), which includes education and Medicaid funding provisions, the cost of which is offset with revenues that result from changes to certain aspects of the tax treatment of the foreign-source income of U.S.-based companies. Given the effective dates of the various provisions of the Act, it had no impact on our 2010 results. The Act will have a negative impact on our results beginning in 2011. The impact of the Act will be recorded in *Provision for taxes on income.* The impact this year and next year is reflected in our financial guidance for 2011 and our financial targets for 2012.

On October 25, 2010, the Governor of Puerto Rico signed into law Act 154 to modify the Puerto Rico source-of-income rules and implement an excise tax on the purchase of products by multinational corporations and their subsidiaries from their Puerto Rico affiliates that will be in effect from 2011 through 2016. Act 154 had no impact on our 2010 results, since it does not become effective until 2011. Act 154 will have a negative impact on our results in 2011 through 2016. The impact of Act 154 will be recorded in *Cost of sales* and *Provision for taxes on income.* The impact this year and next year is reflected in our financial guidance for 2011 and our financial targets for 2012.

For additional information on our 2011 guidance and 2012 targets, see the “Our Financial Guidance for 2011” and “Our Financial Targets for 2012” sections of this Financial Review.

Adjusted Income

General Description of Adjusted Income Measure

Adjusted income is an alternative view of performance used by management, and we believe that investors’ understanding of our performance is enhanced by disclosing this performance measure. We report Adjusted income in order to portray the results of our major operations—the discovery, development, manufacture, marketing and sale of prescription medicines for humans and animals, consumer healthcare (over-the-counter) products, vaccines and nutritional products—prior to considering certain income statement elements. We have defined Adjusted income as Net income attributable to Pfizer Inc. before the impact of purchase accounting for acquisitions, acquisition-related costs, discontinued operations and certain significant items. The Adjusted income measure is not, and should not be viewed as, a substitute for U.S. GAAP net income. Adjusted total costs represent the total of Adjusted cost of sales, Adjusted SI&A expenses and Adjusted R&D expenses, which are income statement line items prepared on the same basis as, and are components of, the overall Adjusted income measure.

The Adjusted income measure is an important internal measurement for Pfizer. We measure the performance of the overall Company on this basis in conjunction with other performance metrics. The following are examples of how the Adjusted income measure is utilized:

- senior management receives a monthly analysis of our operating results that is prepared on an Adjusted income basis;
- our annual budgets are prepared on an Adjusted income basis; and
- senior management’s annual compensation is derived, in part, using this Adjusted income measure. Adjusted income is one of the performance metrics utilized in the determination of bonuses under the Pfizer Inc. Executive Annual Incentive Plan that is designed to limit the bonuses payable to the Executive Leadership Team (ELT) for purposes of Internal Revenue Code Section 162(m). Subject to the Section 162(m) limitation, the bonuses are funded from a pool based on the achievement of three financial metrics, including adjusted diluted earnings per share, which is derived from Adjusted income. Beginning in 2010, these metrics derived from Adjusted income account for (i) between 7% and 13% of the target bonus for ELT members and (ii) 33% of the bonus pool made available to ELT members and other members of senior management.

Despite the importance of this measure to management in goal setting and performance measurement, we stress that Adjusted income is a non-GAAP financial measure that has no standardized meaning prescribed by U.S. GAAP and, therefore, has limits in its usefulness to investors. Because of its non-standardized definition, Adjusted income (unlike U.S. GAAP net income) may not be comparable to the calculation of similar measures of other companies. Adjusted income is presented solely to permit investors to more fully understand how management assesses performance.

We also recognize that, as an internal measure of performance, the Adjusted income measure has limitations, and we do not restrict our performance-management process solely to this metric. A limitation of the Adjusted income measure is that it provides a view of our operations without including all events during a period, such as the effects of an acquisition or amortization of purchased intangibles, and does not provide a comparable view of our performance to other companies in the biopharmaceutical industry. We also use other specifically tailored tools designed to achieve the highest levels of performance. For example, our R&D organization has productivity targets, upon which its effectiveness is measured. In addition, the earn-out of Performance Share Award grants is determined based on a formula that measures our performance using relative total shareholder return.

Purchase Accounting Adjustments

Adjusted income is calculated prior to considering certain significant purchase accounting impacts resulting from business combinations and net asset acquisitions. These impacts can include the incremental charge to cost of sales from the sale of acquired inventory that was written up to fair value, amortization related to the increase in fair value of the acquired finite-lived intangible assets acquired from Pharmacia and Wyeth, depreciation related to the increase/decrease in fair value of the acquired fixed assets, amortization related to the increase in fair value of acquired debt and charges for purchased IPR&D. Therefore, the Adjusted income measure includes the revenues earned upon the sale of the acquired products without considering the aforementioned significant charges.

Certain of the purchase accounting adjustments associated with a business combination, such as the amortization of intangibles acquired as part of our acquisition of Wyeth in 2009 and Pharmacia in 2003, can occur through 20 or more years, but this presentation provides an alternative view of our performance that is used by management to internally assess business performance. We believe the elimination of amortization attributable to acquired intangible assets provides management and investors an alternative view of our business results by trying to provide a degree of parity to internally developed intangible assets for which research and development costs previously have been expensed.

However, a completely accurate comparison of internally developed intangible assets and acquired intangible assets cannot be achieved through Adjusted income. This component of Adjusted income is derived solely from the impacts of the items listed in the first paragraph of this section. We have not factored in the impacts of any other differences in experience that might have occurred if we had discovered and developed those intangible assets on our own, and this approach does not intend to be representative of the results that would have occurred in those circumstances. For example, our research and development costs in total, and in the periods presented, may have been different; our speed to commercialization and resulting sales, if any, may have been different; or our costs to manufacture may have been different. In addition, our marketing efforts may have been received differently by our customers. As such, in total, there can be no assurance that our Adjusted income amounts would have been the same as presented had we discovered and developed the acquired intangible assets.

Acquisition-Related Costs

Adjusted income is calculated prior to considering transaction, integration, restructuring and additional depreciation costs associated with business combinations because these costs are unique to each transaction and represent costs that were incurred to restructure and integrate two businesses as a result of the acquisition decision. For additional clarity, only transaction costs, additional depreciation and restructuring and integration activities that are associated with a business combination or a net-asset acquisition are included in acquisition-related costs. We have made no adjustments for the resulting synergies.

We believe that viewing income prior to considering these charges provides investors with a useful additional perspective because the significant costs incurred in a business combination result primarily from the need to eliminate duplicate assets, activities or employees—a natural result of acquiring a fully integrated set of activities. For this reason, we believe that the costs incurred to convert disparate systems, to close duplicative facilities or to eliminate duplicate positions (for example, in the context of a business combination) can be viewed differently from those costs incurred in other, more normal, business contexts.

The integration and restructuring costs associated with a business combination may occur over several years, with the more significant impacts ending within three years of the transaction. Because of the need for certain external approvals for some actions, the span of time needed to achieve certain restructuring and integration activities can be lengthy. For example, due to the highly regulated nature of the pharmaceutical business, the closure of excess facilities can take several years, as all manufacturing changes are subject to extensive validation and testing and must be approved by the FDA and/or other global regulatory authorities.

Discontinued Operations

Adjusted income is calculated prior to considering the results of operations included in discontinued operations, as well as any related gains or losses on the sale of such operations. We believe that this presentation is meaningful to investors because, while we review our businesses and product lines for strategic fit with our operations, we do not build or run our businesses with the intent to sell them.

Certain Significant Items

Adjusted income is calculated prior to considering certain significant items. Certain significant items represent substantive, unusual items that are evaluated on an individual basis. Such evaluation considers both the quantitative and the qualitative aspect of their unusual nature. Unusual, in this context, may represent items that are not part of our ongoing business; items that, either as a result of their nature or size, we would not expect to occur as part of our normal business on a regular basis; items that would be non-recurring; or items that relate to products we no longer sell. While not all-inclusive, examples of items that could be included as certain significant items would be a major non-acquisition-related restructuring charge and associated implementation costs for a program that is specific in nature with a defined term, such as those related to our non-acquisition-related cost-reduction initiatives; charges related to certain sales or disposals of products or facilities that do not qualify as discontinued operations as defined by U.S. GAAP; amounts associated with transition service agreements in support of discontinued operations after sale; certain intangible asset impairments; adjustments related to the resolution of certain tax positions; the impact of adopting certain significant, event-

driven tax legislation; net interest expense incurred through the consummation date of the acquisition of Wyeth on acquisition-related borrowings made prior to that date; or possible charges related to legal matters, such as certain of those discussed in Notes to Consolidated Financial Statements—*Note 19. Legal Proceedings and Contingencies,* in *Legal Proceedings* in our 2010 Annual Report on Form 10-K and in *Part II—Other Information; Item 1. Legal Proceedings* in our Quarterly Reports on Form 10-Q filings. Normal, ongoing defense costs of the Company or settlements and accruals on legal matters made in the normal course of our business would not be considered certain significant items.

Reconciliation

A reconciliation of *Net income attributable to Pfizer Inc.*, as reported under U.S. GAAP to Adjusted income follows:

	YEAR ENDED DECEMBER 31,			% CHANGE	
(MILLIONS OF DOLLARS)	**2010**	2009	2008	**10/09**	09/08
Reported net income attributable to Pfizer Inc.	**$ 8,257**	$ 8,635	$ 8,104	**(4)**	7
Purchase accounting adjustments—net of tax	**6,109**	2,633	2,439	**132**	8
Acquisition-related costs—net of tax	**2,909**	2,859	39	**2**	*
Discontinued operations—net of tax	**9**	(14)	(78)	*	82
Certain significant items—net of tax	**699**	89	5,862	*	(98)
Adjusted income[a]	**$17,983**	$14,202	$16,366	**27**	(13)

[a] The effective tax rate on Adjusted income was 29.8% in 2010, 29.5% in 2009 and 22.0% in 2008. The higher tax rate on Adjusted income in 2010 is primarily due to, the change in the jurisdictional mix of earnings and the write-off of the deferred tax asset of approximately $270 million related to the Medicare Part D subsidy for retiree prescription drug coverage resulting from changes in the U.S. Healthcare Legislation concerning the tax treatment of that subsidy effective for tax years beginning after December 31, 2012, partially offset by the extension of the U.S. research and development credit and $460 million in tax benefits for the resolution of certain tax positions pertaining to prior years with various foreign tax authorities.

* Calculation not meaningful.

Certain amounts and percentages may reflect rounding adjustments.

A reconciliation of Reported diluted EPS as reported under U.S. GAAP to Adjusted diluted EPS follows:

	YEAR ENDED DECEMBER 31,			% CHANGE	
	2010	2009	2008	**10/09**	09/08
Earnings per common share—diluted:					
Reported income from continuing operations attributable to Pfizer Inc. common shareholders[a]	**$ 1.02**	$1.23	$ 1.19	**(17)**	3
Income from discontinued operations—net of tax	**—**	—	0.01	**—**	(100)
Reported net income attributable to Pfizer Inc. common shareholders	**1.02**	1.23	1.20	**(17)**	3
Purchase accounting adjustments—net of tax	**0.76**	0.38	0.36	**100**	6
Acquisition-related costs—net of tax	**0.36**	0.40	—	**(10)**	*
Discontinued operations—net of tax	**—**	—	(0.01)	**—**	100
Certain significant items—net of tax	**0.09**	0.01	0.87	*	(99)
Adjusted Net income attributable to Pfizer Inc. common shareholders[a]	**$ 2.23**	$2.02	$ 2.42	**10**	(17)

[a] Reported and Adjusted diluted earnings per share in 2010 and 2009 were impacted by the increased number of shares outstanding in comparison with 2008, resulting primarily from shares issued to partially fund the Wyeth acquisition.

* Calculation not meaningful.

Certain amounts and percentages may reflect rounding adjustments.

Adjusted income as shown above excludes the following items:

(MILLIONS OF DOLLARS)	YEAR ENDED DECEMBER 31, 2010	2009	2008
Purchase accounting adjustments:			
Amortization, depreciation and other[a]	**$ 5,228**	$ 2,743	$ 2,546
Cost of sales, primarily related to fair value adjustments of acquired inventory	**2,904**	976	—
In-process research and development charges[b]	**125**	68	633
Total purchase accounting adjustments, pre-tax	**8,257**	3,787	3,179
Income taxes	**(2,148)**	(1,154)	(740)
Total purchase accounting adjustments—net of tax	**6,109**	2,633	2,439
Acquisition-related costs:			
Transaction costs[c]	**23**	768	—
Integration costs[c]	**1,004**	569	6
Restructuring charges[c]	**2,187**	2,608	43
Additional depreciation—asset restructuring[d]	**787**	81	—
Total acquisition-related costs, pre-tax	**4,001**	4,026	49
Income taxes	**(1,092)**	(1,167)	(10)
Total acquisition-related costs—net of tax	**2,909**	2,859	39
Total discontinued operations—net of tax	**9**	(14)	(78)
Certain significant items:			
Restructuring charges—cost-reduction initiatives[e]	**—**	392	2,626
Implementation costs—cost-reduction initiatives[f]	**—**	410	1,605
Certain legal matters[g]	**1,703**	294	3,249
Net interest expense—Wyeth acquisition[h]	**—**	589	—
Certain asset impairment charges[i]	**2,151**	294	213
Inventory write-off[j]	**212**	—	—
Returns liabilities adjustment[k]	**—**	—	217
Gain related to ViiV[l]	**—**	(482)	—
Other[m]	**(102)**	20	180
Total certain significant items, pre-tax	**3,964**	1,517	8,090
Income taxes[n]	**(3,265)**	(1,428)	(2,228)
Total certain significant items—net of tax	**699**	89	5,862
Total purchase accounting adjustments, acquisition-related costs, discontinued operations and certain significant items—net of tax	**$ 9,726**	$ 5,567	$ 8,262

[a] Included primarily in *Amortization of intangible assets* (see Notes to Consolidated Financial Statements—*Note 12. Goodwill and Other Intangible Assets*).

[b] Included in Acquisition-related in-process research and development charges (see Notes to Consolidated Financial Statements—*Note 3D. Other Significant Transactions and Events: Acquisitions)*.

[c] Included in *Restructuring charges and certain acquisition-related costs* (see Notes to Consolidated Financial Statements—*Note 4. Cost-Reduction Initiatives and Acquisition-Related Costs*).

[d] Amount relates to certain actions taken as a result of our acquisition of Wyeth. Prior to the acquisition of Wyeth on October 15, 2009, additional depreciation for asset restructuring related to our cost-reduction initiatives was classified as a certain significant item and included in implementation costs. For 2010, included in *Cost of sales* ($526 million), *Selling, informational and administrative expenses* ($227 million) and *Research and development expenses* ($34 million). For 2009, included in *Cost of sales* ($31 million), *Selling, informational and administrative expenses* ($37 million) and *Research and development expenses* ($13 million).

[e] Represents restructuring charges incurred for our cost-reduction initiatives prior to the acquisition of Wyeth on October 15, 2009. Included in *Restructuring charges and certain acquisition-related costs* (see Notes to Consolidated Financial Statements—*Note 4. Cost-Reduction Initiatives and Acquisition-Related Costs*).

[f] Amounts relate to implementation costs incurred for our cost-reduction initiatives prior to the acquisition of Wyeth on October 15, 2009. Included in *Cost of sales* ($144 million), *Selling, informational and administrative expenses* ($182 million), *Research and development expenses* ($78 million) and *Other deductions—net* ($6 million) for 2009. Included in *Cost of sales* ($745 million), *Selling, informational and administrative expenses* ($413 million), *Research and development expenses* ($433 million) and *Other deductions—net* ($14 million) for 2008 (see Notes to Consolidated Financial Statements—*Note 4. Cost-Reduction Initiatives and Acquisition-Related Costs*). Includes additional depreciation for asset restructuring of $160 million in 2009 and $786 million in 2008.

[g] Included in *Other deductions—net.* For 2010, includes an additional $1.3 billion charge for asbestos litigation related to our wholly owned subsidiary Quigley Company, Inc. (for additional information, see Notes to Consolidated Financial Statements *Note 19. Legal Proceedings and Contingencies*). For 2008, includes approximately $2.3 billion in charges related to the resolution of certain investigations concerning Bextra and various other products, and approximately $900 million in charges associated with the resolution of certain litigation involving our NSAID pain medicines (see Notes to Consolidated Financial Statements—*Note 3C. Other Significant Transactions and Events: Legal Matters*).

[h] Included in *Other deductions—net*. Includes interest expense on the senior unsecured notes issued in connection with our acquisition of Wyeth, less interest income earned on the proceeds of the notes.

[i] Included in *Other deductions—net.* Asset impairment charges in 2010 primarily related to intangible assets acquired as part of our acquisition of Wyeth and a charge related to an intangible asset associated with a legacy Pfizer product, Thelin (see also the "Other (Income)/Deductions—Net" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 2. Acquisition of Wyeth* and *Note 3B. Other Significant Transactions and Events: Asset Impairment Charges).* 2009 amounts primarily represent asset impairment charges associated with certain materials used in our research and development activities that were no longer considered recoverable. 2008 amounts relate to asset impairment charges and other associated costs primarily related to certain equity investments and the exit of our Exubera product.

(j) Included in *Cost of sales* (see also the "Costs and Expenses—Cost of Sales" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 10. Inventories).*
(k) Included in *Revenues* and reflects an adjustment to the prior years' liabilities for product returns (see Notes to Consolidated Financial Statements—*Note 3F. Other Significant Transactions and Events: Adjustment of Prior Years' Liabilities for Product Returns*).
(l) Included in *Other deductions—net* and represents a gain related to ViiV, a new equity method investment (see Notes to Consolidated Financial Statements—*Note 3E. Other Significant Transactions and Events: Equity Method Investments).*
(m) In 2008, these charges primarily relate to the exit of a manufacturing plant in Italy and are included in *Other deductions—net*
(n) Included in *Provision for taxes on income*. Includes a $2.0 billion tax benefit recorded in the fourth quarter of 2010 as a result of a settlement of certain audits covering the years 2002 – 2005 (see Notes to Consolidated Financial Statements—*Note 3A. Other Significant Transactions and Events: Tax Audit Settlements)*. Amounts in 2009 include tax benefits of approximately $556 million related to the sale of one of our biopharmaceutical companies, Vicuron, which were recorded in the fourth quarter of 2009, and tax benefits of approximately $174 million related to the final resolution of the investigations concerning Bextra and various other products referred to above in footnote (g) to this table, which were recorded in the third quarter of 2009. This resolution resulted in the receipt of information that raised our assessment of the likelihood of prevailing on the technical merits of our tax position. 2008 includes tax benefits of approximately $426 million related to the sale of one of our biopharmaceutical companies (Esperion Therapeutics, Inc.).

Financial Condition, Liquidity and Capital Resources

Net Financial Liabilities, as shown below:

	AS OF DECEMBER 31,	
(MILLIONS OF DOLLARS)	**2010**	2009
Financial assets:		
Cash and cash equivalents	**$ 1,735**	$ 1,978
Short-term investments	**26,277**	23,991
Short-term loans	**467**	1,195
Long-term investments and loans	**9,748**	13,122
Total financial assets	**$38,227**	$40,286
Debt:		
Short-term borrowings, including current portion of long-term debt	**$ 5,623**	$ 5,469
Long-term debt	**38,410**	43,193
Total debt	**$44,033**	$48,662
Net financial liabilities	**$ (5,806)**	$ (8,376)

We rely largely on operating cash flows, short-term investments, short-term commercial paper borrowings and long-term debt to provide for our liquidity requirements. We believe that we have the ability to obtain both short-term and long-term debt to meet our financing needs for the foreseeable future. Due to our significant operating cash flows, including the impact on cash flows of the anticipated cost savings from our cost-reduction initiatives, as well as our financial assets, access to capital markets and available lines of credit and revolving credit agreements, we continue to believe that we have the ability to meet our liquidity needs for the foreseeable future which include:

- the working capital requirements of our operations, including our research and development activities;
- investments in our business;
- dividend payments and potential increases in the dividend rate;
- share repurchases, including our plan to repurchase approximately $5 billion of our common stock in 2011;
- the cash requirements associated with our productivity/cost-reduction initiatives;
- paying down outstanding debt;
- contributions to our pension and postretirement plans; and
- business-development activities.

Our long-term debt is rated high quality by both Standard & Poor's and Moody's Investors Service. As market conditions change, we continue to monitor our liquidity position. We have taken and will continue to take a conservative approach to our financial investments. Both short-term and long-term investments consist primarily of high-quality, highly liquid, well-diversified, available-for-sale debt securities. Our short-term and long-term loans are due from companies with highly rated securities (Standard & Poor's ratings of mostly AA or better).

Total financial assets decreased during 2010 due to the repayment of short-term borrowings and higher tax payments made in the first-quarter of 2010 associated mainly with certain business decisions executed to finance the Wyeth acquisition, partially offset by cash flows from operations.

Credit Ratings

Two major corporate debt-rating organizations, Moody's Investors Service (Moody's) and Standard & Poor's (S&P), assign ratings to our short-term and long-term debt. The following chart reflects the current ratings assigned by these rating agencies to our commercial paper and senior unsecured non-credit-enhanced long-term debt issued by us:

NAME OF RATING AGENCY	COMMERCIAL PAPER	LONG-TERM DEBT RATING	LONG-TERM DEBT OUTLOOK	DATE OF LAST ACTION
Moody's	P-1	A1	Stable	October 2009
S&P	A1+	AA	Stable	October 2009

Debt Capacity

We have available lines of credit and revolving credit agreements with a group of banks and other financial intermediaries. We maintain cash and cash equivalent balances and short-term investments in excess of our commercial paper and other short-term borrowings. As of December 31, 2010, we had access to $9.0 billion of lines of credit, of which $1.9 billion expire within one year. Of these lines of credit, $8.4 billion are unused, of which our lenders have committed to loan us $7.0 billion at our request. Also, $7.0 billion of our unused lines of credit, all of which expire in 2013, may be used to support our commercial paper borrowings.

Global Economic Conditions

The challenging economic environment has not had, nor do we anticipate it will have, a significant impact on our liquidity. Due to our significant operating cash flow, financial assets, access to capital markets and available lines of credit and revolving credit agreements, we continue to believe that we have the ability to meet our liquidity needs for the foreseeable future. As markets change, we continue to monitor our liquidity position. There can be no assurance that the challenging economic environment or a further economic downturn would not impact our ability to obtain financing in the future.

Selected Measures of Liquidity and Capital Resources

The following table sets forth certain relevant measures of our liquidity and capital resources:

(MILLIONS OF DOLLARS, EXCEPT RATIOS AND PER COMMON SHARE DATA)	AS OF DECEMBER 31, 2010	2009
Cash and cash equivalents and short-term investments and loans[a]	**$28,479**	$27,164
Working capital[b]	**$31,859**	$24,445
Ratio of current assets to current liabilities	**2.11:1**	1.66:1
Shareholders' equity per common share[c]	**$ 10.96**	$ 11.19

[a] See Notes to Consolidated Financial Statements—*Note 9B. Financial Instruments: Investments in Debt and Equity Securities* for a description of investment assets held, and also see *Note 9F. Financial Instruments: Credit Risk* for a description of credit risk related to our financial instruments held.
[b] Working capital includes assets held for sale of $561 million as of December 31, 2010, and $496 million as of December 31, 2009.
[c] Represents total Pfizer Inc. shareholders' equity divided by the actual number of common shares outstanding (which excludes treasury shares and those held by our employee benefit trust).

The increase in cash and cash equivalents and short-term investments and loans, as of December 31, 2010, compared to December 31, 2009, was primarily due to operating cash flows, partially offset by the use of proceeds of short-term investments for repayment of short-term borrowings and for tax payments made in 2010, associated mainly with certain business decisions executed to finance the Wyeth acquisition. The change in working capital and the ratio of current assets to current liabilities was due to the timing of accruals, cash receipts and payments in the ordinary course of business. We are monitoring developments regarding government receivables in several European markets. Where necessary, we will continue to adjust our allowance for doubtful accounts.

We funded our business-development transactions that closed in the fourth quarter of 2010 with available cash and the proceeds from short-term investments, and we did the same in connection with the completion of our tender offer for the shares of King in January 2011. For additional information about these transactions, see the "Our Business Development Initiatives" section of this Financial Review.

Summary of Cash Flows

(MILLIONS OF DOLLARS)	YEAR ENDED DECEMBER 31, 2010	2009	2008
Cash provided by/(used in):			
Operating activities	**$ 11,454**	$ 16,587	$ 18,238
Investing activities	**(492)**	(31,272)	(12,835)
Financing activities	**(11,174)**	14,481	(6,560)
Effect of exchange-rate changes on cash and cash equivalents	**(31)**	60	(127)
Net decrease in cash and cash equivalents	**$ (243)**	$ (144)	$ (1,284)

Operating Activities

2010 vs. 2009

Our net cash provided by continuing operating activities was $11.5 billion in 2010, compared to $16.6 billion in 2009. The decrease in net cash provided by operating activities was primarily attributable to:

- income tax payments in 2010 of approximately $11.8 billion, primarily associated with certain business decisions executed to finance the Wyeth acquisition;

partially offset by:

- the inclusion of operating cash flows from legacy Wyeth operations for a full year in 2010;
- the non-recurrence of payments in 2009 in connection with the resolution of certain legal matters related to Bextra and certain other products and our NSAID pain medicines of approximately $3.2 billion (see Notes to Consolidated Financial Statements—*Note 3C. Other Significant Transactions and Events: Legal Matters*); and
- the timing of receipts and payments in the ordinary course of business.

2009 vs. 2008

Our net cash provided by continuing operating activities was $16.6 billion in 2009 compared to $18.2 billion in 2008. The decrease in net cash provided by operating activities was primarily attributable to:

- the payments made in connection with the resolution of certain legal matters related to Bextra and certain other products and our NSAID pain medicines of approximately $3.2 billion (see Notes to Consolidated Financial Statements—*Note 3C. Other Significant Transactions and Events: Legal Matters*); and
- the timing of other receipts and payments in the ordinary course of business.

In 2010, the cash flow line item called *Inventories* reflects the significant fair value adjustments for inventory acquired from Wyeth that was sold in 2010; and the cash flow line item called *Other tax accounts, net* reflects the tax payments made in connection with the increased tax costs associated with certain business decisions executed to finance the Wyeth acquisition.

In 2009, the cash flow line item called *Inventories* reflects the significant fair value adjustments for inventory acquired from Wyeth that was sold since the acquisition date of October 15, 2009; the cash flow line item called *Accounts payable and other liabilities* reflects $3.2 billion in payments associated with the resolution of certain legal matters related to Bextra and various other products and our NSAID pain medicines more than offset by the timing of accruals, receipts and payments in the ordinary course of business; and the cash flow line item called *Other tax accounts, net* reflects current taxes provided but not yet paid as of December 31, 2009 due to the increased tax costs associated with certain business decisions executed to finance the Wyeth acquisition.

In 2008, the cash flow line item called *Accounts payable and other liabilities* primarily reflects the $3.2 billion accrued in 2008 for the resolution of certain legal matters related to Bextra and various other products and our NSAID pain medicines but not yet paid as of December 31, 2008.

Investing Activities

2010 vs. 2009

Our net cash used in investing activities was $492 million in 2010, compared to $31.3 billion in 2009. The decease in net cash used in investing activities was primarily attributable to:

- net cash paid for acquisitions of $198 million in 2010 compared to $43.1 billion in 2009 for the acquisition of Wyeth, and
- net proceeds from redemption and sales of investments of $23 million in 2010, which were used for repayment of short-term borrowings and for tax payments in 2010, compared to net proceeds from redemptions and sales of investments of $12.4 billion in 2009.

2009 vs. 2008

Our net cash used in investing activities was $31.3 billion in 2009 compared to $12.8 billion in 2008. The increase in net cash used in investing activities was primarily attributable to:

- net cash paid for the acquisition of Wyeth,

partially offset by:

- net proceeds from redemptions and sales of investments of $12.4 billion in 2009 compared to net purchases of investments of $8.3 billion in 2008.

In 2008, the cash flow line item called *Other investing activities* primarily reflects a $1.2 billion payment by us upon the redemption of a Swedish krona currency swap. In a related transaction, this payment was offset by the receipt of cash in our operating activities.

Financing Activities

2010 vs. 2009

Our net cash used in financing activities was $11.2 billion in 2010 compared to net cash provided by financing activities of $14.5 billion in 2009. The change in financing cash flows was primarily attributable to:

- net repayments of borrowings of $4.2 billion in 2010, compared to net proceeds from borrowings of $20.1 billion in 2009, primarily reflecting the proceeds from our issuance of $13.5 billion of senior unsecured notes in the first quarter of 2009 and our issuance of approximately $10.5 billion of senior unsecured notes in the second quarter of 2009;
- purchases of our common stock of $1.0 billion in 2010, compared to no purchases in 2009; and
- higher dividend payments in 2010, compared to 2009.

2009 vs. 2008

Our net cash provided by financing activities was $14.5 billion in 2009 compared to net cash used in financing activities of $6.6 billion in 2008. The change in cash activity for financing activities was primarily attributable to:

- net borrowings of $20.1 billion in 2009, primarily reflecting the proceeds from our issuance of $13.5 billion of senior unsecured notes in the first quarter of 2009 and the proceeds from our issuance of approximately $10.5 billion of senior unsecured notes in the second quarter of 2009 compared to net borrowings of $2.4 billion in 2008;
- lower dividend payments in 2009 compared to 2008; and
- no open market purchases of common stock in 2009 compared to $500 million of purchases in 2008.

On June 23, 2005, we announced that the Board of Directors authorized a $5 billion share-purchase plan (the "2005 Stock Purchase Plan"). On June 26, 2006, we announced that the Board of Directors increased the authorized amount of shares to be purchased under the 2005 Stock Purchase Plan from $5 billion to $18 billion. On January 23, 2008, we announced that the Board of Directors authorized a new $5 billion share-purchase plan (the "2008 Stock Purchase Plan"), to be funded by operating cash flows that may be utilized from time to time. In total under the 2005 and 2008 Stock Purchase Plans, through December 31, 2010, we have purchased approximately 771 million shares for approximately $19.5 billion. We purchased approximately 61 million shares of our common stock in 2010, and we did not purchase any shares of our common stock in 2009.

On February 1, 2011 we announced that the Board of Directors authorized a new $5 billion share-repurchase plan, which, together with the balance remaining under the 2008 Stock Purchase Plan, increased our total current authorization to $9 billion. During 2011, we anticipate repurchasing approximately $5 billion of our common stock, with the remaining authorized amount available in 2012 and beyond.

Contractual Obligations

Payments due under contractual obligations as of December 31, 2010, mature as follows:

		YEARS			
(MILLIONS OF DOLLARS)	TOTAL	WITHIN 1	OVER 1 TO 3	OVER 3 TO 5	AFTER 5
Long-term debt, including interest obligations[a]	$64,600	$5,363	$10,933	$10,637	$37,667
Other long-term liabilities reflected on our consolidated balance sheet under U.S. GAAP[b]	5,271	535	981	1,029	2,726
Lease commitments[c]	1,469	188	300	211	770
Purchase obligations and other[d]	3,560	1,569	996	780	215
Uncertain tax positions[e]	934	934	—	—	—

[a] Our long-term debt obligations include both our expected principal and interest obligations. Our calculations of expected interest payments incorporate only current period assumptions for interest rates, foreign currency translation rates and hedging strategies (see Notes to Consolidated Financial Statements—*Note 9. Financial Instruments*). Long-term debt consists of senior unsecured notes including fixed and floating rate, foreign currency denominated, and other notes.

[b] Includes expected payments relating to our unfunded U.S. supplemental (non-qualified) pension plans, postretirement plans and deferred compensation plans.

[c] Includes operating and capital lease obligations.

[d] Includes agreements to purchase goods and services that are enforceable and legally binding and includes amounts relating to advertising, information technology services, employee benefit administration services, and potential milestone payments deemed reasonably likely to occur.

[e] Except for amounts reflected in *Income taxes payable*, we are unable to predict the timing of tax settlements, as tax audits can involve complex issues and the resolution of those issues may span multiple years, particularly if subject to negotiation or litigation.

The above table excludes amounts for potential milestone payments under collaboration, licensing or other arrangements unless the payments are deemed reasonably likely to occur. Payments under these agreements generally become due and payable only upon the achievement of certain development, regulatory and/or commercialization milestones, which may span several years and which may never occur.

In 2011, we expect to spend approximately $1.7 billion on property, plant and equipment. Planned capital spending mostly represents investment to maintain existing facilities and capacity. We rely largely on operating cash flow to fund our capital investment needs. Due to our significant operating cash flows, we believe we have the ability to meet our capital investment needs and anticipate no delays to planned capital expenditures.

Off-Balance Sheet Arrangements

In the ordinary course of business and in connection with the sale of assets and businesses, we often indemnify our counterparties against certain liabilities that may arise in connection with a transaction or that are related to activities prior to a transaction. These indemnifications typically pertain to environmental, tax, employee and/or product-related matters, and patent-infringement claims. If the indemnified party were to make a successful claim pursuant to the terms of the indemnification, we would be required to reimburse the loss. These indemnifications generally are subject to threshold amounts, specified claim periods and other restrictions and limitations. Historically, we have not paid significant amounts under these provisions and, as of December 31, 2010, recorded amounts for the estimated fair value of these indemnifications are not significant.

Certain of our co-promotion or license agreements give our licensors or partners the rights to negotiate for, or in some cases to obtain under certain financial conditions, co-promotion or other rights in specified countries with respect to certain of our products.

Dividends on Common Stock

We declared dividends of $6.1 billion in 2010 and $5.5 billion in 2009 on our common stock. In December 2010, our Board of Directors declared a first-quarter 2011 dividend of $0.20 per share, payable on March 1, 2011, to shareholders of record at the close of business on February 4, 2011. The first-quarter 2011 cash dividend will be our 289th consecutive quarterly dividend.

Our current and projected dividends provide a return to shareholders while maintaining sufficient capital to invest in growing our businesses and increasing shareholder value. Our dividends are not restricted by debt covenants. While the dividend level remains a decision of Pfizer's Board of Directors and will continue to be evaluated in the context of future business performance, we currently believe that we can support future annual dividend increases, barring significant unforeseen events.

New Accounting Standards

Recently Adopted Accounting Standards

See Notes to Consolidated Financial Statements—*Note 1B. Significant Accounting Policies: New Accounting Standards.*

Recently Issued Accounting Standards, Not Adopted as of December 31, 2010

In December 2010, the FASB issued an accounting standard update that provides guidance on the recognition and presentation of the annual fee to be paid by pharmaceutical companies beginning on January 1, 2011 to the U.S. Treasury as a result of U.S. Healthcare Legislation. As a result of adopting this new standard, beginning on January 1, 2011, we will record the annual fee as an operating expense in our consolidated statements of income. The provisions of this standard will not have a significant impact on our consolidated financial statements.

In October 2009, the FASB issued an accounting standard update that addresses the accounting for multiple-deliverable arrangements to enable companies to account for certain products or services separately rather than as a combined unit. This update addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting through the use of a selling price hierarchy to determine the selling price of a deliverable. The provisions of the new standard were adopted January 1, 2011, and we do not expect the provisions of this standard to have a significant impact on our consolidated financial statements.

Forward-Looking Information and Factors That May Affect Future Results

The SEC encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This report and other written or oral statements that we make from time to time contain such forward-looking statements that set forth anticipated results based on management's plans and assumptions. Such forward-looking statements involve substantial risks and uncertainties. We have tried, wherever possible, to identify such statements by using words such as "will," "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "target," "forecast," and other words and terms of similar meaning or by using future dates in connection with any discussion of future operating or financial performance, business plans and prospects, in-line products and product candidates, and share-repurchase and dividend-rate plans. In particular, these include statements relating to future actions, business plans and prospects, prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, interest rates, foreign exchange rates, the outcome of contingencies, such as legal proceedings, share-repurchase and dividend-rate plans, and financial results, including, in particular, the financial guidance and targets and anticipated cost savings set forth in the "Cost-Reduction and Productivity Initiatives and Related Costs", "Our Financial Guidance for 2011" and "Our Financial Targets for 2012" sections of this Financial Review. Among the factors that could cause actual results to differ materially from past and projected future results are the following:

- Success of research and development activities including, without limitation, the ability to meet anticipated clinical trial completion dates, regulatory submission and approval dates, and launch dates for product candidates;
- Decisions by regulatory authorities regarding whether and when to approve our drug applications, as well as their decisions regarding labeling, ingredients and other matters that could affect the availability or commercial potential of our products;
- Speed with which regulatory authorizations, pricing approvals and product launches may be achieved;

- Success of external business-development activities;
- Competitive developments, including the impact on our competitive position of new product entrants, in-line branded products, generic products, private label products and product candidates that treat diseases and conditions similar to those treated by our in-line products and product candidates;
- Ability to meet generic and branded competition after the loss of patent protection for our products or competitor products;
- Ability to successfully market both new and existing products domestically and internationally;
- Difficulties or delays in manufacturing;
- Trade buying patterns;
- Impact of existing and future legislation and regulatory provisions on product exclusivity;
- Trends toward managed care and healthcare cost containment;
- Impact of U.S. healthcare legislation enacted in 2010—the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act—and of any modification, repeal or invalidation of any of the provisions thereof;
- U.S. legislation or regulatory action affecting, among other things, pharmaceutical product pricing, reimbursement or access, including under Medicaid, Medicare and other publicly funded or subsidized health programs; the importation of prescription drugs from outside the U.S. at prices that are regulated by governments of various foreign countries; direct-to-consumer advertising and interactions with healthcare professionals; and the use of comparative effectiveness methodologies that could be implemented in a manner that focuses primarily on the cost differences and minimizes the therapeutic differences among pharmaceutical products and restricts access to innovative medicines;
- Legislation or regulatory action in markets outside the U.S. affecting pharmaceutical product pricing, reimbursement or access;
- Contingencies related to actual or alleged environmental contamination;
- Claims and concerns that may arise regarding the safety or efficacy of in-line products and product candidates;
- Significant breakdown, infiltration or interruption of our information technology systems and infrastructure;
- Legal defense costs, insurance expenses, settlement costs and the risk of an adverse decision or settlement related to product liability; patent protection; government investigations; consumer, commercial, securities, environmental and tax issues; ongoing efforts to explore various means for resolving asbestos litigation; and other legal proceedings;
- Ability to protect our patents and other intellectual property both domestically and internationally;
- Interest rate and foreign currency exchange rate fluctuations;
- Governmental laws and regulations affecting domestic and foreign operations including, without limitation, tax obligations and changes affecting the tax treatment by the U.S. of income earned outside the U.S. that result from the enactment in August 2010 of the Education Jobs and Medicaid Assistance Act of 2010 and that may result from pending and possible future proposals;
- Changes in U.S. generally accepted accounting principles;
- Uncertainties related to general economic, political, business, industry, regulatory and market conditions, including, without limitation, uncertainties related to the impact on us, our lenders, our customers, our suppliers and counterparties to our foreign-exchange and interest-rate agreements of challenging global economic conditions and recent and possible future changes in global financial markets;
- Any changes in business, political and economic conditions due to actual or threatened terrorist activity in the U.S. and other parts of the world and related U.S. military action overseas;
- Growth in costs and expenses;
- Changes in our product, segment and geographic mix; and
- Impact of acquisitions, divestitures, restructurings, product recalls and withdrawals and other unusual items, including our ability to successfully implement our announced plans regarding the Company's research and development function, including the planned exit from the Company's Sandwich, U.K. site, subject to works council and union consultations, as well as our ability to realize the projected benefits of our acquisitions of Wyeth and King and of our cost-reduction initiatives, including those related to the Wyeth integration and to our research and development function.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of anticipated results is subject to substantial risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our Form 10-Q, 8-K and 10-K reports and our other filings with the SEC.

Certain risks, uncertainties and assumptions are discussed here and under the heading entitled "Risk Factors" in Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2010, which will be filed in February 2011. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

This report includes discussion of certain clinical studies relating to various in-line products and/or product candidates. These studies typically are part of a larger body of clinical data relating to such products or product candidates, and the discussion herein should be considered in the context of the larger body of data. In addition, clinical trial data are subject to differing interpretations, and, even when we view data as sufficient to support the safety and/or effectiveness of a product candidate or a new indication for an in-line product, regulatory authorities may not share our views and may require additional data or may deny approval altogether.

Financial Risk Management

The overall objective of our financial risk management program is to seek to minimize the impact of foreign exchange rate movements and interest rate movements on our earnings. We manage these financial exposures through operational means and by using various financial instruments. These practices may change as economic conditions change.

Foreign Exchange Risk—A significant portion of our revenues and earnings is exposed to changes in foreign exchange rates. We seek to manage our foreign exchange risk in part through operational means, including managing same-currency revenues in relation to same-currency costs and same-currency assets in relation to same-currency liabilities.

Foreign exchange risk is also managed through the use of foreign currency forward-exchange contracts. These contracts are used to offset the potential earnings effects from mostly intercompany short-term foreign currency assets and liabilities that arise from operations. Foreign currency swaps are used to offset the potential earnings effects from foreign currency debt. We also use foreign currency forward-exchange contracts and foreign currency swaps to hedge the potential earnings effects from short-term and long-term foreign currency investments, third-party loans and intercompany loans.

In addition, under certain market conditions, we protect against possible declines in the reported net investments of our Japanese yen and, prior to 2009, Swedish krona and certain euro functional-currency subsidiaries. In these cases, we use currency swaps or foreign currency debt.

Our financial instrument holdings at year-end were analyzed to determine their sensitivity to foreign exchange rate changes. The fair values of these instruments were determined using various methodologies. For additional details, see Notes to Consolidated Financial Statements—*Note 9A. Financial Instruments: Selected Financial Assets and Liabilities.* In this sensitivity analysis, we assumed that the change in one currency's rate relative to the U.S. dollar would not have an effect on other currencies' rates relative to the U.S. dollar; all other factors were held constant.

If the dollar were to devalue against all other currencies by 10%, the expected adverse impact on net income related to our financial instruments would be immaterial. For additional details, see Notes to Consolidated Financial Statements—*Note 9E. Financial Instruments: Derivative Financial Instruments and Hedging Activities*.

Interest Rate Risk—Our U.S. dollar interest-bearing investments, loans and borrowings are subject to interest rate risk. We also are subject to interest rate risk on euro debt, investments and currency swaps, U.K. debt and currency swaps, Japanese yen short and long-term borrowings and currency swaps, and, prior to 2009, Swedish krona currency swaps. We seek to invest, loan and borrow primarily on a short-term or variable-rate basis. From time to time, depending on market conditions, we will fix interest rates either through entering into fixed-rate investments and borrowings or through the use of derivative financial instruments such as interest rate swaps. In light of current market conditions, our current borrowings are primarily on a long-term, fixed-rate basis. We may change this practice as market conditions change.

Our financial instrument holdings at year-end were analyzed to determine their sensitivity to interest rate changes. The fair values of these instruments were determined using various methodologies. For additional details, see Notes to Consolidated Financial Statements—*Note 9A. Financial Instruments: Selected Financial Assets and Liabilities*. In this sensitivity analysis, we used a one hundred basis point parallel shift in the interest rate curve for all maturities and for all instruments; all other factors were held constant. If there were a one hundred basis point decrease in interest rates, the expected adverse impact on net income related to our financial instruments would be immaterial.

Legal Proceedings and Contingencies

We and certain of our subsidiaries are involved in various patent, product liability, consumer, commercial, securities, environmental and tax litigations and claims; government investigations; and other legal proceedings that arise from time to time in the ordinary course of our business. We do not believe any of them will have a material adverse effect on our financial position (see Notes to Consolidated Financial Statements—*Note 19. Legal Proceedings and Contingencies).*

We record accruals for income tax contingencies to the extent that we conclude that a tax position is not sustainable under a "more likely than not" standard and we record our estimate of the potential tax benefits in one tax jurisdiction that could result from the payment of income taxes in another tax jurisdiction when we conclude that the potential recovery is more likely than not (see Notes to Consolidated Financial Statements—*Note 1P. Significant Accounting Policies: Deferred Tax Assets and Income Tax*

Contingencies). We also evaluate tax matters that are sustainable under the "more-likely-than-not" standard in determining our accruals for income tax contingencies. We record accruals for all other contingencies to the extent that we conclude their occurrence is probable and the related damages are estimable, and we record anticipated recoveries under existing insurance contracts when assured of recovery. If a range of liability is probable and estimable and some amount within the range appears to be a better estimate than any other amount within the range, we accrue that amount. If a range of liability is probable and estimable and no amount within the range appears to be a better estimate than any other amount within the range, we accrue the minimum of such probable range. Many claims involve highly complex issues relating to causation, label warnings, scientific evidence, actual damages and other matters. Often these issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. Consequently, we cannot reasonably estimate the maximum potential exposure or the range of possible loss in excess of amounts accrued for these contingencies. These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions (see Notes to Consolidated Financial Statements—*Note 1C. Significant Accounting Policies: Estimates and Assumptions*). Our assessments are based on estimates and assumptions that have been deemed reasonable by management. Litigation is inherently unpredictable, and excessive verdicts do occur. Although we believe we have substantial defenses in these matters, we could in the future incur judgments or enter into settlements of claims that could have a material adverse effect on our results of operations in any particular period.

Patent claims include challenges to the coverage and/or validity of our patents on various products or processes. Although we believe we have substantial defenses to these challenges with respect to all our material patents, there can be no assurance as to the outcome of these matters, and a loss in any of these cases could result in a loss of patent protection for the drug at issue, which could lead to a significant loss of sales of that drug and could materially affect future results of operations.

Management's Report on Internal Control Over Financial Reporting

Management's Report

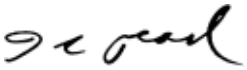
We prepared and are responsible for the financial statements that appear in our 2010 Financial Report. These financial statements are in conformity with accounting principles generally accepted in the United States of America and, therefore, include amounts based on informed judgments and estimates. We also accept responsibility for the preparation of other financial information that is included in this document.

Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework. Based on our assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2010.

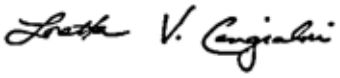
The Company's independent auditors have issued their auditors' report on the Company's internal control over financial reporting. That report appears in our 2010 Financial Report under the heading, *Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting*.



Ian Read
President and Chief Executive Officer

Frank A. D'Amelio
Principal Financial Officer

February 28, 2011



Loretta V. Cangialosi
Principal Accounting Officer

Audit Committee Report

The Audit Committee reviews the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls.

In this context, the Committee has met and held discussions with management and the independent registered public accounting firm regarding the fair and complete presentation of the Company's results and the assessment of the Company's internal control over financial reporting. The Committee has discussed significant accounting policies applied by the Company in its financial statements, as well as alternative treatments. Management has represented to the Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Committee has reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. The Committee has discussed with the independent registered public accounting firm matters required to be discussed by Statement on Auditing Standards No. 114, as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

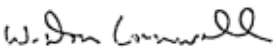
In addition, the Committee has reviewed and discussed with the independent registered public accounting firm the auditor's independence from the Company and its management. As part of that review, the Committee has received the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and the Committee has discussed the independent registered public accounting firm's independence from the Company.

The Committee also has considered whether the independent registered public accounting firm's provision of non-audit services to the Company is compatible with the auditor's independence. The Committee has concluded that the independent registered public accounting firm is independent from the Company and its management.

As part of its responsibilities for oversight of the Company's Enterprise Risk Management process, the Committee has reviewed and discussed Company policies with respect to risk assessment and risk management, including discussions of individual risk areas as well as an annual summary of the overall process.

The Committee has discussed with the Company's Internal Audit Department and independent registered public accounting firm the overall scope of and plans for their respective audits. The Committee meets with the Chief Internal Auditor, Chief Compliance Officer and representatives of the independent registered public accounting firm, in regular and executive sessions to discuss the results of their examinations, the evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting and compliance programs.

In reliance on the reviews and discussions referred to above, the Committee has recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, for filing with the SEC. The Committee has selected, and the Board of Directors has ratified, the selection of the Company's independent registered public accounting firm.



W. Don Cornwell
Chair, Audit Committee

February 28, 2011

The Audit Committee Report does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any Company filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates the Audit Committee Report by reference therein.

Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements

The Board of Directors and Shareholders of Pfizer Inc.:

We have audited the accompanying consolidated balance sheets of Pfizer Inc. and Subsidiary Companies as of December 31, 2010 and 2009, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pfizer Inc. and Subsidiary Companies as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Pfizer Inc. and Subsidiary Companies' internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2011 expressed an unqualified opinion on the effective operation of the Company's internal control over financial reporting.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for business combinations in 2009 due to the adoption of Financial Accounting Standards Board Statement No. 141R, Business Combinations (included in FASB ASC Topic 805, Business Combinations), as of January 1, 2009.

KPMG LLP

KPMG LLP
New York, New York

February 28, 2011

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

The Board of Directors and Shareholders of Pfizer Inc.:

We have audited the internal control over financial reporting of Pfizer Inc. and Subsidiary Companies as of December 31, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Pfizer Inc. and Subsidiary Companies' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Pfizer Inc. and Subsidiary Companies maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Pfizer Inc. and Subsidiary Companies as of December 31, 2010 and 2009, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2010, and our report dated February 28, 2011 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

KPMG LLP
New York, New York

February 28, 2011

Consolidated Statements of Income
Pfizer Inc. and Subsidiary Companies

(MILLIONS, EXCEPT PER COMMON SHARE DATA)	YEAR ENDED DECEMBER 31, 2010	2009	2008
Revenues	**$67,809**	$50,009	$48,296
Costs and expenses:			
Cost of sales[a]	**16,279**	8,888	8,112
Selling, informational and administrative expenses[a]	**19,614**	14,875	14,537
Research and development expenses[a]	**9,413**	7,845	7,945
Amortization of intangible assets	**5,404**	2,877	2,668
Acquisition-related in-process research and development charges	**125**	68	633
Restructuring charges and certain acquisition-related costs	**3,214**	4,337	2,675
Other deductions—net	**4,338**	292	2,032
Income from continuing operations before provision for taxes on income	**9,422**	10,827	9,694
Provision for taxes on income	**1,124**	2,197	1,645
Income from continuing operations	**8,298**	8,630	8,049
Discontinued operations—net of tax	**(9)**	14	78
Net income before allocation to noncontrolling interests	**8,289**	8,644	8,127
Less: Net income attributable to noncontrolling interests	**32**	9	23
Net income attributable to Pfizer Inc.	**$ 8,257**	$ 8,635	$ 8,104
Earnings per common share—basic			
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.03**	$ 1.23	$ 1.19
Discontinued operations—net of tax	**—**	—	0.01
Net income attributable to Pfizer Inc. common shareholders	**$ 1.03**	$ 1.23	$ 1.20
Earnings per common share—diluted			
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.02**	$ 1.23	$ 1.19
Discontinued operations—net of tax	**—**	—	0.01
Net income attributable to Pfizer Inc. common shareholders	**$ 1.02**	$ 1.23	$ 1.20
Weighted-average shares—basic	**8,036**	7,007	6,727
Weighted-average shares—diluted	**8,074**	7,045	6,750

[a] Exclusive of amortization of intangible assets, except as disclosed in *Note 1L. Significant Accounting Policies: Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets.*

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

Consolidated Balance Sheets
Pfizer Inc. and Subsidiary Companies

(MILLIONS, EXCEPT PREFERRED STOCK ISSUED AND PER COMMON SHARE DATA)	AS OF DECEMBER 31, 2010	2009
Assets		
Cash and cash equivalents	**$ 1,735**	$ 1,978
Short-term investments	**26,277**	23,991
Accounts receivable, less allowance for doubtful accounts: 2010—$217; 2009—$176	**14,612**	14,645
Short-term loans	**467**	1,195
Inventories	**8,405**	12,403
Taxes and other current assets	**8,411**	6,962
Assets held for sale	**561**	496
Total current assets	**60,468**	61,670
Long-term investments and loans	**9,748**	13,122
Property, plant and equipment, less accumulated depreciation	**19,123**	22,780
Goodwill	**43,947**	42,376
Identifiable intangible assets, less accumulated amortization	**57,558**	68,015
Taxes and other noncurrent assets	**4,170**	4,986
Total assets	**$195,014**	$212,949
Liabilities and Shareholders' Equity		
Short-term borrowings, including current portion of long-term debt: 2010—$3,502; 2009—$27	**$ 5,623**	$ 5,469
Accounts payable	**4,026**	4,370
Dividends payable	**1,601**	1,454
Income taxes payable	**946**	10,107
Accrued compensation and related items	**2,108**	2,242
Other current liabilities	**14,305**	13,583
Total current liabilities	**28,609**	37,225
Long-term debt	**38,410**	43,193
Pension benefit obligations	**6,201**	6,392
Postretirement benefit obligations	**3,035**	3,243
Noncurrent deferred tax liabilities	**18,648**	17,839
Other taxes payable	**6,245**	9,000
Other noncurrent liabilities	**5,601**	5,611
Total liabilities	**106,749**	122,503
Preferred stock, without par value, at stated value; 27 shares authorized; issued: 2010—1,279; 2009—1,511	**52**	61
Common stock, $0.05 par value; 12,000 shares authorized; issued: 2010—8,876; 2009—8,869	**444**	443
Additional paid-in capital	**70,760**	70,497
Employee benefit trusts	**(7)**	(333)
Treasury stock, shares at cost; 2010—864; 2009—799	**(22,712)**	(21,632)
Retained earnings	**42,716**	40,426
Accumulated other comprehensive (loss)/income	**(3,440)**	552
Total Pfizer Inc. shareholders' equity	**87,813**	90,014
Equity attributable to noncontrolling interests	**452**	432
Total shareholders' equity	**88,265**	90,446
Total liabilities and shareholders' equity	**$195,014**	$212,949

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Pfizer Inc. and Subsidiary Companies

(MILLIONS, EXCEPT PREFERRED SHARES)	PFIZER INC. SHAREHOLDERS													
	PREFERRED STOCK		COMMON STOCK			EMPLOYEE BENEFIT TRUSTS		TREASURY STOCK						
	SHARES	STATED VALUE	SHARES	PAR VALUE	ADD'L PAID-IN CAPITAL	SHARES	FAIR VALUE	SHARES	COST	RETAINED EARNINGS	ACCUM. OTHER COMP. (LOSS)/ INC.	SHARE-HOLDERS' EQUITY	NON-CONTRO-LLING INTERESTS	TOTAL SHARE-HOLDERS' EQUITY
Balance, January 1, 2008	2,302	$ 93	8,850	$442	$69,913	(24)	$(550)	(2,089)	$(56,847)	$ 49,660	$ 2,299	$65,010	$ 114	$65,124
Comprehensive income:														
Net income										8,104		8,104	23	8,127
Other comprehensive loss, net of tax											(6,868)	(6,868)	35	(6,833)
Total comprehensive income												1,236	58	1,294
Cash dividends declared—common stock										(8,617)		(8,617)		(8,617)
preferred stock										(5)		(5)		(5)
Stock option transactions					207	1	32					239		239
Purchases of common stock								(26)	(500)			(500)		(500)
Employee benefit trust transactions—net					(113)	(1)	93					(20)		(20)
Preferred stock conversions and redemptions	(498)	(20)			(7)			—	2			(25)		(25)
Other			13	1	283			(2)	(46)			238	12	250
Balance, December 31, 2008	1,804	73	8,863	443	70,283	(24)	(425)	(2,117)	(57,391)	49,142	(4,569)	57,556	184	57,740
Comprehensive income:														
Net income										8,635		8,635	9	8,644
Other comprehensive income, net of tax											5,121	5,121	5	5,126
Total comprehensive income												13,756	14	13,770
Acquisition of Wyeth								1,319	35,733	(12,430)		23,303	330	23,633
Cash dividends declared—common stock										(4,916)		(4,916)		(4,916)
preferred stock										(5)		(5)		(5)
Noncontrolling interests												—	(5)	(5)
Stock option transactions					130	—	9					139		139
Employee benefit trust transactions—net					(61)	7	111					50		50
Preferred stock conversions and redemptions	(293)	(12)			(1)			—	3			(10)		(10)
Purchase of subsidiary shares from noncontrolling interests					(66)							(66)	(102)	(168)
Other			6	—	212	(2)	(28)	(1)	23			207	11	218
Balance, December 31, 2009	1,511	61	8,869	443	70,497	(19)	(333)	(799)	(21,632)	40,426	552	90,014	432	90,446
Comprehensive income:														
Net income										8,257		8,257	32	8,289
Other comprehensive loss, net of tax											(3,992)	(3,992)	4	(3,988)
Total comprehensive income												4,265	36	4,301
Cash dividends declared—common stock										(5,964)		(5,964)		(5,964)
preferred stock										(3)		(3)		(3)
Noncontrolling interests												—	(17)	(17)
Stock option transactions					161	1	14					175		175
Purchases of common stock								(61)	(1,000)			(1,000)		(1,000)
Employee benefit trust transactions—net					(19)	16	292					273		273
Preferred stock conversions and redemptions	(232)	(9)			(1)			—	2			(8)		(8)
Other			7	1	122	2	20	(4)	(82)			61	1	62
Balance, December 31, 2010	**1,279**	**$ 52**	**8,876**	**$444**	**$70,760**	**—**	**$ (7)**	**(864)**	**$(22,712)**	**$ 42,716**	**$(3,440)**	**$87,813**	**$ 452**	**$88,265**

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

Consolidated Statements of Cash Flows

Pfizer Inc. and Subsidiary Companies

(MILLIONS OF DOLLARS)	YEAR ENDED DECEMBER 31, 2010	2009	2008
Operating Activities			
Net income before allocation to noncontrolling interests	**$ 8,289**	$ 8,644	$ 8,127
Adjustments to reconcile net income before noncontrolling interests to net cash provided by operating activities:			
Depreciation and amortization	**8,487**	4,757	5,090
Share-based compensation expense	**405**	349	384
Acquisition-related in-process research and development charges	**125**	68	633
Asset write-offs and impairment charges	**3,486**	305	570
Gains on disposals	**(155)**	(670)	(14)
Gains on sales of discontinued operations	**—**	—	(6)
Deferred taxes from continuing operations	**1,953**	(9,582)	(1,331)
Benefit plan contributions (in excess of)/less than expense	**(691)**	545	(49)
Other non-cash adjustments	**(19)**	199	(74)
Changes in assets and liabilities, net of acquisitions and divestitures:			
Accounts receivable	**(608)**	252	195
Inventories	**2,917**	1,631	294
Other assets	**(896)**	(867)	(538)
Accounts payable and other liabilities	**827**	1,502	4,310
Other tax accounts, net	**(12,666)**	9,454	647
Net cash provided by operating activities	**11,454**	16,587	18,238
Investing Activities			
Purchases of property, plant and equipment	**(1,513)**	(1,205)	(1,701)
Purchases of short-term investments with original maturities greater than 90 days	**(10,931)**	(35,331)	(35,705)
Proceeds from redemptions and sales of short-term investments with original maturities greater than 90 days	**4,543**	42,364	27,883
Proceeds from redemptions and sales of short-term investments with original maturities of 90 days or less—net	**5,950**	5,775	7,913
Purchases of long-term investments	**(3,920)**	(6,888)	(9,357)
Proceeds from redemptions and sales of long-term investments	**4,381**	6,504	1,009
Proceeds from redemptions of short-term loans with original maturities greater than 90 days	**1,156**	1,158	625
Issuances of short-term loans with original maturities greater than 90 days	**(151)**	(565)	(449)
Proceeds from redemptions of long-term loans	**356**	—	55
Issuances of long-term loans	**(208)**	(61)	(501)
Acquisitions, net of cash acquired	**(273)**	(43,123)	(1,184)
Other investing activities	**118**	100	(1,423)
Net cash used in investing activities	**(492)**	(31,272)	(12,835)
Financing Activities			
Increase in short-term borrowings—net	**6,400**	32,033	40,119
Principal payments on short-term borrowings—net	**(10,546)**	(34,969)	(37,264)
Proceeds from issuances of long-term debt	**—**	24,023	605
Principal payments on long-term debt	**(6)**	(967)	(1,053)
Purchases of common stock	**(1,000)**	—	(500)
Cash dividends paid	**(6,088)**	(5,548)	(8,541)
Other financing activities	**66**	(91)	74
Net cash (used in)/provided by financing activities	**(11,174)**	14,481	(6,560)
Effect of exchange-rate changes on cash and cash equivalents	**(31)**	60	(127)
Net decrease in cash and cash equivalents	**(243)**	(144)	(1,284)
Cash and cash equivalents at beginning of year	**1,978**	2,122	3,406
Cash and cash equivalents at end of year	**$ 1,735**	$ 1,978	$ 2,122
Supplemental Cash Flow Information			
Non-cash transactions:			
Acquisition of Wyeth, treasury stock issued	**$ —**	$ 23,303	$ —
Cash paid during the period for:			
Income taxes	**$ 11,775**	$ 2,300	$ 2,252
Interest	**2,155**	935	782

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

1. Significant Accounting Policies

A. Consolidation and Basis of Presentation

The consolidated financial statements include our parent company and all subsidiaries, including those operating outside the United States (U.S.) and are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The decision whether or not to consolidate an entity requires consideration of majority voting interests, as well as effective economic or other control over the entity. Typically, we do not seek control by means other than voting interests. For subsidiaries operating outside the U.S., the financial information is included as of and for the year ended November 30 for each year presented. Substantially all unremitted earnings of international subsidiaries are free of legal and contractual restrictions. All significant transactions among our businesses have been eliminated. We made certain reclassification adjustments to conform prior period amounts to the current presentation, primarily related to our Consolidated Statements of Cash Flows.

On October 15, 2009, we completed our acquisition of Wyeth in a cash-and-stock transaction valued on that date at approximately $68 billion. Commencing from the acquisition date, our financial statements reflect the assets, liabilities, operating results and cash flows of Wyeth. As a result, and in accordance with our domestic and international fiscal year-ends, our consolidated financial statements for the year ended December 31, 2009 reflect approximately two-and-a-half months of the fourth calendar quarter of 2009 in the case of Wyeth's U.S. operations and approximately one-and-a-half months of the fourth calendar quarter of 2009 in the case of Wyeth's international operations.

B. New Accounting Standards

The provisions of the following new accounting standards were adopted as of January 1, 2010 and did not have a significant impact on our consolidated financial statements:

- An amendment to the recognition and measurement guidance for the transfers of financial assets.
- An amendment to the guidelines for determining the primary beneficiary in a variable interest entity.

As of January 1, 2009, we adopted a new accounting standard that retains the purchase method of accounting for acquisitions but requires a number of changes to that method, including changes in the way assets and liabilities are recognized in purchase accounting. Specifically, they require the capitalization of in-process research and development assets at fair value and require the expensing of transaction costs as incurred. The adoption of these provisions did not have an impact on our consolidated financial statements upon adoption, but they did significantly impact our accounting for the acquisition of Wyeth in 2009. For additional information, see *Note 2. Acquisition of Wyeth*.

C. Estimates and Assumptions

In preparing the consolidated financial statements, we use certain estimates and assumptions that affect reported amounts and disclosures, including amounts recorded in connection with acquisitions. These estimates and underlying assumptions can impact all elements of our financial statements. For example, in the consolidated statements of income, estimates are used when accounting for deductions from revenues (such as rebates, chargebacks, sales returns and sales allowances), determining cost of sales, allocating cost in the form of depreciation and amortization, and estimating restructuring charges and the impact of contingencies. On the consolidated balance sheets, estimates are used in determining the valuation and recoverability of assets, such as accounts receivables, investments, inventories, fixed assets and intangible assets (including acquired in-process research & development (IPR&D) assets, beginning in 2009, and goodwill), and estimates are used in determining the reported amounts of liabilities, such as taxes payable, benefit obligations, the impact of contingencies, rebates, chargebacks, sales returns and sales allowances, and restructuring reserves, all of which also will impact the consolidated statements of income.

We regularly evaluate our estimates and assumptions using historical experience and other factors, including the economic environment. Our estimates often are based on complex judgments, probabilities and assumptions that we believe to be reasonable but that are inherently uncertain and unpredictable.

As future events and their effects cannot be determined with precision, our estimates and assumptions may prove to be incomplete or inaccurate, or unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions. Market conditions, such as illiquid credit markets, volatile equity markets, dramatic fluctuations in foreign currency rates and economic downturn, can increase the uncertainty already inherent in our estimates and assumptions. We adjust our estimates and assumptions when facts and circumstances indicate the need for change. Those changes generally will be reflected in our financial statements on a prospective basis unless they are required to be treated retrospectively under the relevant accounting standard. It is possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts. We also are subject to other risks and uncertainties that may cause actual results to differ from estimated amounts, such as changes in the healthcare environment, competition, litigation, legislation and regulations. These and other risks and uncertainties are discussed in the accompanying Financial Review, which is unaudited, under the headings "Our Operating Environment", "Our Strategy" and "Forward-Looking Information and Factors That May Affect Future Results" and in our 2010 Annual Report on Form 10-K under the caption, Part 1 Item 1A. "Risk Factors."

D. Contingencies

We and certain of our subsidiaries are involved in various patent, product liability, consumer, commercial, securities, environmental and tax litigations and claims; government investigations; and other legal proceedings that arise from time to time in the ordinary course of our business. Except for income tax contingencies, we record accruals for contingencies to the extent that we conclude their occurrence is probable and that the related liabilities are estimable, and we record anticipated recoveries under existing

insurance contracts when assured of recovery. For tax matters, we record accruals for income tax contingencies to the extent that we conclude that a tax position is not sustainable under a "more-likely-than-not" standard, and we record our estimate of the potential tax benefits in one tax jurisdiction that could result from the payment of income taxes in another tax jurisdiction when we conclude that the potential recovery is more likely than not (see *Note 7D. Taxes on Income: Tax Contingencies)*. We also evaluate tax matters that are sustainable under the "more-likely-than-not" standard in determining our accruals for income tax contingencies. We consider many factors in making these assessments. Because litigation and other contingencies are inherently unpredictable and excessive verdicts do occur, these assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions (see *Note 1C. Significant Accounting Policies: Estimates and Assumptions*).

E. Acquisitions

Our consolidated financial statements include the operations of an acquired business after the completion of the acquisition. We account for acquired businesses using the acquisition method of accounting. The acquisition method of accounting for acquired businesses requires, among other things, that most assets acquired and liabilities assumed be recognized at their estimated fair values as of the acquisition date and that the fair value of acquired IPR&D be recorded on the balance sheet. Also, transaction costs are expensed as incurred. Any excess of the purchase price over the assigned values of the net assets acquired is recorded as goodwill. For acquisitions consummated prior to January 1, 2009, amounts allocated to IPR&D were expensed at the date of acquisition. When we have acquired net assets that do not constitute a business under U.S. GAAP, no goodwill has been recognized.

Contingent consideration is included within the acquisition cost and is recognized at its fair value on acquisition date. A liability resulting from contingent consideration is remeasured to fair value at each reporting date until the contingency is resolved. Changes in fair value are recognized in earnings.

F. Fair Value

We often are required to measure certain assets and liabilities at fair value, either upon initial measurement or for subsequent accounting or reporting. For example, we use fair value extensively in the initial measurement of net assets acquired in a business combination and when accounting for and reporting on certain financial instruments. We estimate fair value using an exit price approach, which requires, among other things, that we determine the price that would be received to sell an asset or paid to transfer a liability in an orderly market. The determination of an exit price is considered from the perspective of market participants, considering the highest and best use of assets and, for liabilities, assuming the risk of non-performance will be the same before and after the transfer. A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. When estimating fair value, depending on the nature and complexity of the asset or liability, we may use one or all of the following approaches:

- Income approach, which is based on the present value of a future stream of net cash flows.
- Market approach, which is based on market prices and other information from market transactions involving identical or comparable assets or liabilities.
- Cost approach, which is based on the cost to acquire or construct comparable assets less an allowance for functional and/or economic obsolescence.

These fair value methodologies depend on the following types of inputs:

- Quoted prices for identical assets or liabilities in active markets (called Level 1 inputs).
- Quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active or are directly or indirectly observable (called Level 2 inputs).
- Unobservable inputs that reflect estimates and assumptions (called Level 3 inputs).

G. Foreign Currency Translation

For most of our international operations, local currencies have been determined to be the functional currencies. We translate functional currency assets and liabilities to their U.S. dollar equivalents at rates in effect at the balance sheet date and record these translation adjustments in *Shareholders' equity—Accumulated other comprehensive (loss)/income*. We translate functional currency statement of income amounts to their U.S. dollar equivalents at average rates for the period. The effects of converting non-functional currency assets and liabilities into the functional currency are recorded in *Other deductions—net*.

For operations in highly inflationary economies, we translate monetary items at rates in effect at the balance sheet date, with translation adjustments recorded in *Other deductions—net*, and non-monetary items at historical rates.

H. Revenues

Revenue Recognition—We record revenues from product sales when the goods are shipped and title passes to the customer. At the time of sale, we also record estimates for a variety of sales deductions, such as sales rebates, discounts and incentives, and product returns. When we cannot reasonably estimate the amount of future product returns, we record revenues when the risk of product return has been substantially eliminated. We record sales of certain of our vaccines to the U.S. government as part of the Pediatric Vaccine Stockpile program; these rules require that for fixed commitments made by the U.S. government, we record revenues when risk of ownership for the completed product has been passed to the U.S. government. There are no specific performance obligations associated with products sold under this program.

Deductions from Revenues—As is typical in the biopharmaceutical industry, our gross product sales are subject to a variety of deductions that generally are estimated and recorded in the same period that the revenues are recognized and primarily represent rebates and discounts to government agencies, wholesalers, distributors and managed care organizations with respect to our pharmaceutical products. These deductions represent estimates of the related obligation and, as such, judgment and knowledge of market conditions and practices are required when estimating the impact of these sales deductions on gross sales for a reporting period.

Specifically:

- In the U.S., we record provisions for pharmaceutical Medicaid, Medicare and contract rebates based upon our experience ratio of rebates paid and actual prescriptions written during prior quarters. We apply the experience ratio to the respective period's sales to determine the rebate accrual and related expense. This experience ratio is evaluated regularly to ensure that the historical trends are as current as practicable. As appropriate, we will adjust the ratio to better match our current experience or our expected future experience. In assessing this ratio, we consider current contract terms, such as changes in formulary status and discount rates.

- Outside the U.S., the majority of our pharmaceutical rebates, discounts and price reductions are contractual or legislatively mandated, and our estimates are based on actual invoiced sales within each period; both of these elements help to reduce the risk of variations in the estimation process. Some European countries base their rebates on the government's unbudgeted pharmaceutical spending, and we use an estimated allocation factor (based on historical payments) and total revenues by country against our actual invoiced sales to project the expected level of reimbursement. We obtain third-party information that helps us to monitor the adequacy of these accruals.

- Provisions for pharmaceutical chargebacks (primarily reimbursements to wholesalers for honoring contracted prices to third parties) closely approximate actual as we settle these deductions generally within two to five weeks of incurring the liability.

- Provisions for pharmaceutical returns are based on a calculation at each market that incorporates the following, as appropriate: local returns policies and practices; returns as a percentage of sales; an understanding of the reasons for past returns; estimated shelf life by product; an estimate of the amount of time between shipment and return or lag time; and any other factors that could impact the estimate of future returns, such as loss of exclusivity, product recalls or a changing competitive environment. Generally, returned products are destroyed, and customers are refunded the sales price in the form of a credit.

- We record sales incentives as a reduction of revenues at the time the related revenues are recorded or when the incentive is offered, whichever is later. We estimate the cost of our sales incentives based on our historical experience with similar incentives programs.

- Our accruals for Medicaid rebates, Medicare rebates, performance-based contract rebates and chargebacks were $3.0 billion as of December 31, 2010, and $2.1 billion as of December 31, 2009, and substantially all are included in *Other current liabilities*.

Taxes collected from customers relating to product sales and remitted to governmental authorities are presented on a net basis; that is, they are excluded from *Revenues*.

Collaborative Arrangements—Payments to and from our collaboration partners are presented in the statement of income based on the nature of the arrangement (including its contractual terms), the nature of the payments and applicable accounting guidance. Under co-promotion agreements, we record the amounts received from our partners as alliance revenues, a component of *Revenues,* when our co-promotion partners are the principal in the transaction and we receive a share of their net sales or profits. Alliance revenues are recorded when our co-promotion partners ship the product and title passes to their customers. The related expenses for selling and marketing these products are included in *Selling, informational and administrative expenses.* In collaborative arrangements where we manufacture a product for our partner, we record revenues when our partner sells the product and title passes to its customer. All royalty payments to collaboration partners are recorded as part of *Cost of sales*.

I. Cost of Sales and Inventories

We value inventories at lower of cost or market. The cost of finished goods, work in process and raw materials is determined using average actual cost.

J. Selling, Informational and Administrative Expenses

Selling, informational and administrative costs are expensed as incurred. Among other things, these expenses include the costs of marketing, advertising, shipping and handling, information technology and the associated employee compensation.

Advertising expenses relating to production costs are expensed as incurred, and the costs of radio time, television time and space in publications are expensed when the related advertising occurs. Advertising expenses totaled approximately $4.0 billion in 2010, $2.9 billion in 2009 and $2.6 billion in 2008.

K. Research and Development Expenses and Acquisition-Related In-Process Research and Development Charges

Prior to January 1, 2009, when recording acquisitions, we expensed amounts related to acquired IPR&D in *Acquisition-related in-process research and development charges*. IPR&D acquired after December 31, 2008, as part of a business combination, is capitalized as *Identifiable intangible assets.* IPR&D acquired as part of an asset acquisition is expensed as incurred.

Research and development (R&D) costs are expensed as incurred. These expenses include the costs of our proprietary R&D efforts, as well as costs incurred in connection with certain licensing arrangements. Before a compound receives regulatory approval, we record upfront and milestone payments made by us to third parties under licensing arrangements as expense. Upfront payments are recorded when incurred, and milestone payments are recorded when the specific milestone has been achieved. Once a compound receives regulatory approval, we record any milestone payments in *Identifiable intangible assets, less accumulated amortization* and, unless the assets are determined to have an indefinite life, we amortize them evenly over the remaining agreement term or the expected product life cycle, whichever is shorter.

L. Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets

Long-lived assets include:

- *Goodwill*—Goodwill represents the excess of the consideration transferred for an acquired business over the assigned values of its net assets. Goodwill is not amortized.
- *Identifiable intangible assets, less accumulated amortization*—These acquired assets are recorded at our cost. Intangible assets with finite lives are amortized evenly over their estimated useful lives. Intangible assets with indefinite lives that are associated with marketed products are not amortized until a useful life can be determined. Intangible assets associated with IPR&D projects are not amortized until approval is obtained in a major market, typically either the U.S. or the European Union (EU), or in a series of other countries, subject to certain specified conditions and management judgment. The useful life of an amortizing asset generally is determined by identifying the period in which substantially all of the cash flows are expected to be generated.
- *Property, plant and equipment, less accumulated depreciation*—These assets are recorded at our original cost and are increased by the cost of any significant improvements after purchase. Property, plant and equipment assets, other than land and construction in progress, are depreciated evenly over the estimated useful life of the individual assets. Depreciation begins when the asset is ready for its intended use. For tax purposes, accelerated depreciation methods are used as allowed by tax laws.

Amortization expense related to finite-lived acquired intangible assets that contribute to our ability to sell, manufacture, research, market and distribute products, compounds and intellectual property are included in *Amortization of intangible assets* as they benefit multiple business functions. Amortization expense related to intangible assets that are associated with a single function and depreciation of property, plant and equipment are included in *Cost of sales, Selling, informational and administrative expenses* and *Research and development expenses,* as appropriate.

We review all of our long-lived assets for impairment indicators throughout the year and we perform detailed testing whenever impairment indicators are present. In addition, we perform detailed impairment testing for goodwill and indefinite-lived assets at least annually. When necessary, we record charges for impairments. Specifically:

- For finite-lived intangible assets, such as Developed Technology Rights, and for other long-lived assets, such as property, plant and equipment, whenever impairment indicators are present, we perform a review for impairment. We calculate the undiscounted value of the projected cash flows associated with the asset, or asset group, and compare this estimated amount to the carrying amount. If the carrying amount is found to be greater, we record an impairment loss for the excess of book value over fair value. In addition, in all cases of an impairment review, we re-evaluate the remaining useful lives of the assets and modify them, as appropriate.
- For indefinite-lived intangible assets, such as Brands and IPR&D assets, each year and whenever impairment indicators are present, we determine the fair value of the asset and record an impairment loss for the excess of book value over fair value, if any. In addition, in all cases of an impairment review other than for IPR&D assets, we re-evaluate whether continuing to characterize the asset as indefinite-lived is appropriate.
- For goodwill, annually and whenever impairment indicators are present, we calculate the fair value of each reporting unit and compare the fair value to its book value. If the carrying amount is found to be greater, we then determine the implied fair value of goodwill by subtracting the fair value of all the identifiable net assets other than goodwill from the fair value of the reporting unit and record an impairment loss for the excess, if any, of book value of goodwill over the implied fair value.

M. Restructuring Charges and Certain Acquisition-Related Costs

We may incur restructuring charges in connection with acquisitions when we implement plans to restructure and integrate the acquired operations or in connection with cost-reduction initiatives that are initiated from time to time. Included in *Restructuring charges and certain acquisition-related costs* are all restructuring charges and certain costs associated with integrating an acquired business (if the restructuring action results in a change in the estimated useful life of an asset, that incremental impact is classified in *Cost of sales, Selling, informational and administrative expenses* and *Research and development expenses*, as appropriate). Termination costs are a significant component of our restructuring charges and are generally recorded when the actions are probable and estimable. Also, beginning in 2009, transaction costs, such as banking, legal, accounting and other costs incurred in connection with an acquisition are expensed as incurred and included in *Restructuring charges and certain acquisition-related costs.*

N. Cash Equivalents and Statement of Cash Flows

Cash equivalents include items almost as liquid as cash, such as certificates of deposit and time deposits with maturity periods of three months or less when purchased. If items meeting this definition are part of a larger investment pool, we classify them as *Short-term investments*.

Cash flows associated with financial instruments designated as fair value or cash flow hedges may be included in operating, investing or financing activities, depending on the classification of the items being hedged. Cash flows associated with financial instruments designated as net investment hedges are classified according to the nature of the hedge instrument. Cash flows associated with financial instruments that do not qualify for hedge accounting treatment are classified according to their purpose and accounting nature.

O. Investments, Loans and Derivative Financial Instruments

Many, but not all, of our financial instruments are carried at fair value. For example, substantially all of our cash equivalents, short-term investments and long-term investments are classified as available-for-sale securities and are carried at fair value, with changes in unrealized gains and losses, net of tax, reported in *Other comprehensive income/(loss)*. Derivative financial instruments are carried at fair value in various balance sheet categories (see *Note 9A. Financial Instruments: Selected Financial Assets and Liabilities*), with changes in fair value reported in current earnings or deferred for qualifying hedging relationships. Virtually all of our valuation measurements for investments, loans and derivative financial instruments are based on the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable.

Realized gains or losses on sales of investments are determined by using the specific identification cost method.

Investments where we have significant influence over the financial and operating policies of the investee are accounted for under the equity method. Under the equity method, we record our share of the investee's income and expense in our income statements. The excess of the cost of the investment over our share in the equity of the investee on acquisition date is allocated to the identifiable assets of the investee, with any remainder allocated to goodwill. Such investments are initially recorded at cost, which typically does not include amounts of contingent consideration.

We regularly evaluate all of our financial assets for impairment. For investments in debt and equity securities, when a decline in fair value, if any, is determined to be other-than-temporary, an impairment charge is recorded, and a new cost basis in the investment is established. For loans, an impairment charge is recorded if it is probable that we will not be able to collect all amounts due according to the loan agreement.

P. Deferred Tax Assets and Income Tax Contingencies

We provide a valuation allowance when we believe that our deferred tax assets are not recoverable based on an assessment of estimated future taxable income that incorporates ongoing, prudent and feasible tax-planning strategies.

We account for income tax contingencies using a benefit recognition model. If we consider that a tax position is more likely than not to be sustained upon audit, based solely on the technical merits of the position, we recognize the benefit. We measure the benefit by determining the amount that is greater than 50% likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. Under the benefit recognition model, if our initial assessment fails to result in the recognition of a tax benefit, we regularly monitor our position and subsequently recognize the tax benefit: (i) if there are changes in tax law, analogous case law or there is new information that sufficiently raise the likelihood of prevailing on the technical merits of the position to more likely than not; (ii) if the statute of limitations expires; or (iii) if there is a completion of an audit resulting in a favorable settlement of that tax year with the appropriate agency. We regularly re-evaluate our tax positions based on the results of audits of federal, state and foreign income tax filings, statute of limitations expirations, changes in tax law or receipt of new information that would either increase or decrease the technical merits of a position relative to the "more-likely-than-not" standard. Liabilities associated with uncertain tax positions are classified as current only when we expect to pay cash within the next 12 months. Interest and penalties, if any, are recorded in *Provision for taxes on income* and are classified on our consolidated balance sheet with the related tax liability.

Q. Pension and Postretirement Benefit Plans

We provide defined benefit pension plans for the majority of employees worldwide. In the U.S., we have both qualified and supplemental (non-qualified) defined benefit plans, as well as other postretirement benefit plans, consisting primarily of healthcare and life insurance for retirees. We recognize the overfunded or underfunded status of each of our defined benefit plans as an asset or liability on our consolidated balance sheet. The obligations generally are measured at the actuarial present value of all benefits attributable to employee service rendered, as provided by the applicable benefit formula. Our pension and other postretirement obligations may include assumptions such as long-term rate of return on plan assets, expected employee turnover and participant mortality. For our pension plans, the obligation may also include assumptions as to future compensation levels. For our other postretirement benefit plans, the obligation may include assumptions as to the expected cost of providing the healthcare and life insurance benefits, as well as the extent to which those costs are shared with the employee or others (such as governmental programs). Plan assets are measured at fair value. Net periodic benefit costs are recognized, as required, into *Cost of sales, Selling, informational and administrative expenses* and *Research and development expenses*, as appropriate.

R. Share-Based Payments

Our compensation programs can include share-based payments. All grants under share-based payment programs are accounted for at fair value and these fair values generally are amortized on an even basis over the vesting terms into *Cost of sales, Selling, informational and administrative expenses,* and *Research and development expenses*, as appropriate.

2. Acquisition of Wyeth

A. Description of the Transaction

On October 15, 2009 (the acquisition date), we acquired all of the outstanding equity of Wyeth in a cash-and-stock transaction, valued at the acquisition date at approximately $68 billion, in which each share of Wyeth common stock outstanding, with certain limited exceptions, was canceled and converted into the right to receive $33.00 in cash without interest and 0.985 of a share of Pfizer common stock. The stock component was valued at $17.40 per share of Wyeth common stock based on the closing market price of Pfizer's common stock on the acquisition date, resulting in a total merger consideration value of $50.40 per share of Wyeth common stock.

Wyeth's core business was the discovery, development, manufacture and sale of prescription pharmaceutical products, including vaccines, for humans. Other operations of Wyeth included the discovery, development, manufacture and sale of consumer healthcare products (over-the-counter products), nutritionals and animal health products. Our acquisition of Wyeth has made us a more diversified health care company, with product offerings in human, animal, and consumer health, including vaccines, biologics, small molecules and nutrition, across developed and emerging markets. The acquisition of Wyeth also added to our pipeline of biopharmaceutical development projects endeavoring to develop medicines to help patients in critical areas, including oncology, pain, inflammation, Alzheimer's disease, psychoses and diabetes.

In connection with the regulatory approval process, we were required to divest certain animal health assets. Certain of these assets were sold in 2009 and 2010. It is possible that additional divestitures of animal health assets may be required based on ongoing regulatory reviews in other jurisdictions worldwide, but they are not expected to be significant to our business.

B. Fair Value of Consideration Transferred

The table below details the consideration transferred to acquire Wyeth:

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	CONVERSION CALCULATION	FAIR VALUE	FORM OF CONSIDERATION
Wyeth common stock outstanding as of the acquisition date	1,339.6		
Multiplied by Pfizer's stock price as of the acquisition date multiplied by the exchange ratio of 0.985 ($17.66[a] x 0.985)	$ 17.40	$23,303	Pfizer common stock[a],[b]
Wyeth common stock outstanding as of the acquisition date	1,339.6		
Multiplied by cash consideration per common share outstanding	$ 33.00	44,208	Cash
Wyeth stock options canceled for a cash payment[c]		405	Cash
Wyeth restricted stock/restricted stock units and other equity-based awards canceled for a cash payment		320	Cash
Total fair value of consideration transferred		$68,236	

(a) The fair value of Pfizer's common stock used in the conversion calculation represents the closing market price of Pfizer's common stock on the acquisition date.
(b) Approximately 1.3 billion shares of Pfizer common stock, previously held as Pfizer treasury stock, were issued to former Wyeth shareholders. The excess of the average cost of Pfizer treasury stock issued over the fair value of the stock portion of the consideration transferred to acquire Wyeth was recorded as a reduction to *Retained earnings*.
(c) Each Wyeth stock option, whether or not vested and exercisable on the acquisition date, was canceled for a cash payment equal to the excess of the per share value of the merger consideration (calculated on the basis of the volume-weighted average of the per share price of Pfizer common stock on the New York Stock Exchange Transaction Reporting System for the five consecutive trading days ending two days prior to the acquisition date) over the per share exercise price of the Wyeth stock option.
Certain amounts may reflect rounding adjustments.

C. Recording of Assets Acquired and Liabilities Assumed

The transaction has been accounted for using the acquisition method of accounting which requires, among other things, that most assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date and that the fair value of acquired IPR&D be recorded on the balance sheet.

While most assets and liabilities were measured at fair value, a single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. Our judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations.

The following table summarizes the amounts recognized for assets acquired and liabilities assumed as of the acquisition date, as well as adjustments made in the first year after the acquisition date to the amounts initially recorded in 2009 (measurement period adjustments). The measurement period adjustments did not have a significant impact on our earnings, balance sheets or cash flows in any period and, therefore, we have not retrospectively adjusted our financial statements.

The following table summarizes the recording of the assets acquired and liabilities assumed as of the acquisition date:

(MILLIONS OF DOLLARS)	AMOUNTS PREVIOUSLY RECOGNIZED AS OF ACQUISITION DATE (PROVISIONAL)[a]	MEASUREMENT PERIOD ADJUSTMENTS	AMOUNTS RECOGNIZED AS OF ACQUISITION DATE (FINAL)
Working capital, excluding inventories[b]	$ 16,342	$ 24	$ 16,366
Inventories[c]	8,388	(417)	7,971
Property, plant and equipment	10,054	(216)	9,838
Identifiable intangible assets, excluding in-process research and development[c]	37,595	(1,533)	36,062
In-process research and development[c]	14,918	(1,096)	13,822
Other noncurrent assets	2,394	—	2,394
Long-term debt	(11,187)	—	(11,187)
Benefit obligations	(3,211)	36	(3,175)
Net tax accounts[d]	(24,773)	1,035	(23,738)
Other noncurrent liabilities	(1,908)	—	(1,908)
Total identifiable net assets	48,612	(2,167)	46,445
Goodwill[e]	19,954	2,163	22,117
Net assets acquired	68,566	(4)	68,562
Less: Amounts attributable to noncontrolling interests	(330)	4	(326)
Total consideration transferred	$ 68,236	$ —	$ 68,236

[a] As previously reported in Pfizer's 2009 Annual Report on Form 10-K.
[b] Includes cash and cash equivalents, short-term investments, accounts receivable, other current assets, assets held for sale, accounts payable and other current liabilities.
[c] The measurement period adjustments were mainly recorded to reflect changes in the estimated fair value of certain intangible assets and inventories. These adjustments were made largely to better reflect market participant assumptions about facts and circumstances existing as of the acquisition date. The measurement period adjustments did not result from intervening events subsequent to the acquisition date.
[d] As of the acquisition date, included in *Taxes and other current assets* ($1.2 billion), *Taxes and other noncurrent assets* ($2.8 billion), *Income taxes payable* ($500 million), *Other current liabilities* ($11.1 billion), *Noncurrent deferred tax liabilities* ($14.0 billion) and *Other taxes payable* ($2.1 billion, including accrued interest of $300 million). The measurement period adjustments primarily reflect the tax impact of the pre-tax measurement period adjustments. The measurement period adjustments did not result from intervening events subsequent to the acquisition date.
[e] Goodwill recognized as of the acquisition date totaled $19,340 million for our Biopharmaceutical segment and $2,777 million for our Diversified segment.

As of the acquisition date, the fair value of accounts receivable approximated book value acquired. The gross contractual amount receivable was $4.2 billion, of which $140 million was not expected to be collected.

As part of the acquisition, we acquired liabilities for environmental, legal and tax matters, as well as guarantees and indemnifications that Wyeth incurred in the ordinary course of business. These matters can include contingencies. Except as specifically excluded by the relevant accounting standard, contingencies are required to be measured at fair value as of the acquisition date, if the acquisition-date fair value of the asset or liability arising from a contingency can be determined. If the acquisition-date fair value of the asset or liability cannot be determined, the asset or liability would be recognized at the acquisition date if both of the following criteria were met: (i) it is probable that an asset existed or that a liability had been incurred at the acquisition date, and (ii) the amount of the asset or liability can be reasonably estimated.

- *Environmental Matters*—In the ordinary course of business, Wyeth incurred liabilities for environmental matters such as remediation work, asset retirement obligations and environmental guarantees and indemnifications. Virtually all liabilities for environmental matters, including contingencies, were measured at fair value and approximated $570 million as of the acquisition date.

- *Legal Matters*—Wyeth was involved in various legal proceedings, including product liability, patent, commercial, environmental, antitrust matters and government investigations, of a nature considered normal to its business (see *Note 19. Legal Proceedings and Contingencies*). Due to the uncertainty of the variables and assumptions involved in assessing the possible outcomes of events related to these items, an estimate of fair value was not determinable. As such, these contingencies were measured under the same "probable and estimable" standard previously used by Wyeth. Liabilities for legal contingencies approximated $1.3 billion as of the acquisition date, which included the recording of additional adjustments of approximately $260 million for legal matters that we intended to resolve in a manner different from what Wyeth had planned or intended.

- *Tax Matters*—In the ordinary course of business, Wyeth incurred liabilities for income taxes. Income taxes are exceptions to both the recognition and fair value measurement principles associated with the accounting for business combinations. Reserves for income tax contingencies continue to be measured under the benefit recognition model as previously used by Wyeth (see *Note 1P. Significant Accounting Policies: Deferred Tax Assets and Income Tax Contingencies*). Net liabilities for income taxes approximated $23.7 billion as of the acquisition date, which included $1.8 billion for uncertain tax positions (not including $300 million of accrued interest). The net tax liability included the recording of additional adjustments of approximately $14.4 billion for the tax impact of fair value adjustments and $10.5 billion for income tax matters that we intended to resolve in a manner different from what Wyeth had planned or intended. For example, because we planned to repatriate certain overseas funds, we provided deferred taxes on Wyeth's unremitted earnings, as well as on certain book/tax basis differentials related to investments in certain foreign subsidiaries for which no taxes had been previously provided by Wyeth as it was Wyeth's intention to permanently reinvest those earnings and investments.

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Specifically, the goodwill recorded as part of the acquisition of Wyeth includes the following:

- the expected synergies and other benefits that we believe will result from combining the operations of Wyeth with the operations of Pfizer;
- any intangible assets that do not qualify for separate recognition, as well as future, as yet unidentified projects and products, and
- the value of the going-concern element of Wyeth's existing businesses (the higher rate of return on the assembled collection of net assets versus if Pfizer had acquired all of the net assets separately).

Goodwill is not amortized and is not deductible for tax purposes (see *Note 12. Goodwill and Other Intangible Assets* for additional information).

D. Actual and Pro Forma Impact of Acquisition

The following table presents information for Wyeth that is included in Pfizer's consolidated statements of income from the acquisition date, October 15, 2009, through Pfizer's domestic and international year-ends in 2009:

(MILLIONS OF DOLLARS)	WYETH'S OPERATIONS INCLUDED IN PFIZER's 2009 RESULTS
Revenues	**$ 3,303**
Loss from continuing operations attributable to Pfizer Inc. common shareholders[(a)]	**(2,191)**

[(a)] Includes purchase accounting adjustments related to the fair value adjustments for acquisition-date inventory that has been sold ($904 million pre-tax), amortization of identifiable intangible assets acquired from Wyeth ($512 million pre-tax), and restructuring charges and additional depreciation—asset restructuring ($2.1 billion pre-tax).

The following table presents supplemental pro forma information as if the acquisition of Wyeth had occurred on January 1, 2009 for the year ended December 31, 2009 and January 1, 2008 for the year ended December 31, 2008:

	UNAUDITED PRO FORMA CONSOLIDATED RESULTS	
	YEAR ENDED DECEMBER 31,	
(MILLIONS OF DOLLARS, EXCEPT PER SHARE DATA)	**2009**	2008
Revenues	**$68,599**	$71,130
Income from continuing operations attributable to Pfizer Inc. common shareholders	**11,537**	8,917
Diluted earnings per common share attributable to Pfizer Inc. common shareholders	**1.43**	1.11

The unaudited pro forma consolidated results were prepared using the acquisition method of accounting and are based on the historical financial information of Pfizer and Wyeth, reflecting both in 2009 and 2008 Pfizer and Wyeth results of operations for a 12 month period. The historical financial information has been adjusted to give effect to the pro forma events that are: (i) directly attributable to the acquisition, (ii) factually supportable and (iii) expected to have a continuing impact on the combined results. The unaudited pro forma consolidated results are not necessarily indicative of what our consolidated results of operations actually would have been had we completed the acquisition on January 1, 2009 and on January 1, 2008. In addition, the unaudited pro forma consolidated results do not purport to project the future results of operations of the combined company nor do they reflect the expected realization of any cost savings associated with the acquisition. The unaudited pro forma consolidated results reflect primarily the following pro forma pre-tax adjustments:

- Elimination of Wyeth's historical intangible asset amortization expense (approximately $88 million in the pre-acquisition period in 2009 and $79 million in 2008).
- Additional amortization expense (approximately $2.4 billion in 2009 and $2.9 billion in 2008) related to the fair value of identifiable intangible assets acquired.
- Additional depreciation expense (approximately $200 million in 2009 and $266 million in 2008) related to the fair value adjustment to property, plant and equipment acquired.
- Additional interest expense (approximately $316 million in 2009 and $1.2 billion in 2008) associated with the incremental debt we issued in 2009 to partially finance the acquisition and a reduction of interest income (approximately $320 million in 2009 and $857 million in 2008) associated with short-term investments under the assumption that a portion of these investments would have been used to partially fund the acquisition. In addition, a reduction in interest expense (approximately $129 million in 2009 and $163 million in 2008) related to the fair value adjustment of Wyeth debt.
- Elimination of $904 million incurred in 2009 related to the fair value adjustments to acquisition-date inventory that has been sold, which is considered non-recurring. There is no long-term continuing impact of the fair value adjustments to acquisition-date inventory, and, as such, the impact of those adjustments is not reflected in the unaudited pro forma operating results for 2009 and 2008.

- Elimination of $834 million of costs incurred in 2009, which are directly attributable to the acquisition, and which do not have a continuing impact on the combined company's operating results. Included in these costs are advisory, legal and regulatory costs incurred by both legacy Pfizer and legacy Wyeth and costs related to a bridge term loan credit agreement with certain financial institutions that has been terminated.

In addition, all of the above adjustments were adjusted for the applicable tax impact. The taxes associated with the fair value adjustments for acquired intangible assets, property, plant and equipment and legacy Wyeth debt, as well as the elimination of the impact of the fair value step-up of acquired inventory reflect the statutory tax rates in the various jurisdictions where the fair value adjustments occurred. The taxes associated with incremental debt to partially finance the acquisition reflect a 38.3% tax rate since the debt is an obligation of a U.S. entity and is taxed at the combined effective U.S. federal statutory and state rate. The taxes associated with the elimination of the costs directly attributable to the acquisition reflect a 28.4% effective tax rate since the costs were incurred in the U.S. and were either taxed at the combined effective U.S. federal statutory and state rate or not deductible for tax purposes depending on the type of expenditure.

3. Other Significant Transactions and Events

A. Tax Audit Settlements

During the fourth quarter of 2010, we reached a settlement with the U.S. Internal Revenue Service (IRS) related to issues we had appealed with respect to the audits of the Pfizer Inc. tax returns for the years 2002 through 2005, as well as the Pharmacia audit for the year 2003 through the date of merger with Pfizer (April 16, 2003). The IRS concluded its examination of the aforementioned tax years and issued a final Revenue Agent's Report (RAR). We agreed with all of the adjustments and computations contained in the RAR. As a result of settling these audit years, in the fourth quarter of 2010, we reduced our unrecognized tax benefits by approximately $1.4 billion and reversed the related interest accruals by approximately $600 million. During 2010, we also recognized $320 million in tax benefits and reversed the related interest accruals of $140 million resulting from the resolution of certain tax positions pertaining to prior years with various foreign tax authorities as well as from the expiration of the statute of limitations. The aforementioned amounts had been classified in *Other taxes payable*, and the corresponding tax benefit was recorded in *Provision for taxes on Income* (see *Note 7.Taxes on Income*). In the second quarter of 2008, we effectively settled certain issues common among multinational corporations with various foreign tax authorities primarily relating to tax years 2000 to 2005. As a result, we recognized $305 million in tax benefits in *Provision for taxes on income.*

B. Asset Impairment Charges

During 2010 we recorded the following intangible asset impairment charges in *Other deductions—net* (see *Note 6. Other (Income)/ Deductions—net*):

- We recorded $1.8 billion in 2010 related to intangible assets, including certain IPR&D and Brand intangible assets that were acquired as part of our acquisition of Wyeth. These impairment charges primarily resulted from our updated estimate of the fair value of these assets, which was based upon updated forecasts, compared with their assigned fair values as of the Wyeth acquisition date, October 15, 2009. Our updated forecasts of net cash flows for the impaired assets, reflect, among other things, the following: for IPR&D assets, the impact of changes to the development programs, the projected development and regulatory timeframes and the risk associated with these assets; for Brand assets, the current competitive environment and planned investment support; and, for Developed Technology Rights, an increased competitive environment.

- We recorded a charge of approximately $300 million in the fourth quarter of 2010 associated with our product Thelin, as a result of our decisions to voluntarily withdraw Thelin in regions where it is approved and to discontinue clinical studies worldwide.

Of these amounts, about $1.4 billion related to our Biopharmaceutical segment and about $700 million related to our Diversified segment.

Also, in the third quarter of 2010, we recorded a $212 million write-off of Wyeth-related inventory in *Cost of sales* related to unfinished inventory acquired from Wyeth that became unusable after the acquisition date (which included a purchase accounting fair value adjustment of $104 million).

In the fourth quarter of 2009, we recorded $417 million in asset impairment charges primarily associated with certain materials used in our research and development activities that were no longer considered recoverable. In the fourth quarter of 2008, we recorded $143 million in asset impairment charges related to certain equity investments and the exit of our Exubera product.

For additional information on our accounting policy for reviewing long-lived assets for impairment, see *Note 1L. Significant Accounting Policies: Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets.*

C. Legal Matters

Asbestos Litigation Charge

We recorded additional charges of $701 million in the third quarter of 2010 and $620 million in the fourth quarter of 2010, for asbestos litigation related to our wholly owned subsidiary, Quigley Company, Inc. (see *Note 19. Legal Proceedings and Contingencies* for additional information).

Bextra and Certain Other Investigations
In January 2009, we entered into an agreement-in-principle with the U.S. Department of Justice (DOJ) to resolve previously reported investigations regarding past off-label promotional practices concerning Bextra, as well as certain other investigations. In connection with these actions, in the fourth quarter of 2008, we recorded a charge of $2.3 billion, pre-tax and after-tax, in *Other deductions—net* and such amount is included in O*ther current liabilities* in 2008. In the third quarter of 2009, we reached final resolution of this matter and no additional charge was recorded. The entire $2.3 billion was paid in 2009. We recorded a tax benefit of $174 million in the third quarter of 2009 as such resolution resulted in the receipt of information that raised our assessment of the likelihood of prevailing on the technical merits of our tax position. In addition, in September 2009, we settled state civil consumer protection allegations related to our past promotional practices concerning Geodon and recorded a charge of $33 million.

Certain Product Litigation—Celebrex and Bextra
In October 2008, we reached agreements-in-principle to resolve the pending U.S. consumer fraud purported class action cases and more than 90% of the known U.S. personal injury claims involving Celebrex and Bextra, and we reached agreements to resolve substantially all of the claims of state attorneys general primarily relating to alleged Bextra promotional practices. In connection with these actions, in the third quarter of 2008, we recorded pre-tax charges of approximately:

- $745 million applicable to all known U.S. personal injury claims;
- $89 million applicable to the pending U.S. consumer fraud purported class action cases; and
- $60 million applicable to agreements to resolve civil claims brought by 33 states and the District of Columbia, primarily relating to alleged Bextra promotional practices. Under these agreements, we made a payment of $60 million to the states and have adopted compliance measures that complement policies and procedures previously established by us.

These litigation-related charges were recorded in 2008 in *Other deductions—net*. Virtually all of this amount was paid in 2009. During 2009, we recorded approximately $170 million in insurance recoveries in *Selling, informational and administrative expenses*.

We believe that the charges of approximately $745 million will be sufficient to resolve all U.S. personal injury claims that were known at the time of the agreement-in-principle, including those that had not been settled at the time. However, additional charges may have to be taken in the future in connection with certain pending claims and unknown claims relating to Celebrex.

D. Acquisitions

Acquisition of FoldRx Pharmaceuticals, Inc.
On October 6, 2010, we completed our acquisition of FoldRx Pharmaceuticals, Inc. (FoldRx), a privately-held drug discovery and clinical development company, whose portfolio includes clinical and preclinical programs for investigational compounds to treat diseases caused by protein misfolding. FoldRx's lead product candidate, tafamidis meglumine, is in registration in both the U.S. and the EU as a first-in-class oral therapy for the treatment of transthyretin amyloid polyneuropathy (ATTR-PN), a progressively fatal genetic neurodegenerative disease, for which liver transplant is the only treatment option currently available. The total consideration for the acquisition was approximately $400 million, which consisted of an upfront payment to FoldRx's shareholders of about $200 million and contingent consideration with an estimated acquisition-date fair value of about $200 million. The contingent consideration consists of up to $455 million in additional payments that are contingent upon the attainment of future regulatory and commercial milestones. In connection with this acquisition, we recorded an asset of approximately $500 million in *Identifiable intangible assets—in-process research and development*. The goodwill resulting from the acquisition was approximately $60 million.

The fair value of the contingent consideration of about $200 million at the acquisition date was estimated by utilizing a probability weighted income approach. We started with an estimate of the probability weighted potential cash payments by year, based on our expectation as to when the future regulatory and commercial milestones might be achieved, and then we discounted each of those projected payments to arrive as a present value amount. Subsequent to the acquisition date, we remeasure the contingent consideration liability at current fair value at every reporting period with changes recorded in *Other deductions—net* in our consolidated statements of income.

Other Acquisitions
We completed the following additional acquisitions during the year ended December 31, 2008:

- In the fourth quarter of 2008, we completed the acquisition of a number of animal health product lines from Schering-Plough Corporation (Schering-Plough) for approximately $170 million.
- In the second quarter of 2008, we acquired Encysive Pharmaceuticals Inc. (Encysive), a biopharmaceutical company whose main product was Thelin (see *Note 3B. Asset Impairment Charges*), through a tender offer, for approximately $200 million, including transaction costs. In addition, in the second quarter of 2008, we acquired Serenex, Inc. (Serenex), a privately held biotechnology company. In connection with these acquisitions, we recorded approximately $170 million in *Acquisition-related in-process research and development charges* and approximately $450 million in intangible assets.
- In the first quarter of 2008, we acquired CovX, a privately held biotherapeutics company, and we acquired all the outstanding shares of Coley Pharmaceutical Group, Inc. (Coley), a biopharmaceutical company. In connection with these and two smaller acquisitions related to Animal Health, we recorded approximately $440 million in *Acquisition-related in-process research and development charges* in 2008. In 2010, we recorded $125 million and in 2009 we recorded $68 million in *Acquisition-related in-process research and development charges* related to the resolution of certain contingencies and achievement of milestones associated with CovX.

E. Equity-Method Investments

Investment in Laboratório Teuto Brasileiro, an Equity-Method Investment

In the fourth quarter of 2010, we consummated our partnership to develop and commercialize generic medicines with Laboratório Teuto Brasileiro S.A. (Teuto) a leading generics company in Brazil. As part of the transaction, we acquired a 40 percent equity stake in Teuto, and entered into a series of commercial agreements. The partnership is expected to enhance our position in Brazil, a key emerging market, by providing access to Teuto's portfolio of products. Through this partnership, we expect to also have access to significant distribution networks in rural and suburban areas in Brazil and the opportunity to register and commercialize Teuto's products in various markets outside of Brazil. Under the terms of our purchase agreement with Teuto, we made an upfront payment at the closing of approximately $230 million (subject to certain post-closing adjustments). In addition, Teuto will be eligible to receive a performance-based milestone payment from us in 2012 of up to approximately $200 million. We have an option to acquire the remaining 60 percent of Teuto's shares beginning in 2014, and Teuto's shareholders have an option to sell their 60 percent stake to us beginning in 2015.

We are accounting for our interest in Teuto as an equity method investment due to the significant influence we have over the operations of Teuto through our board representation, minority veto rights and 40% voting interest. Our investment in Teuto is reported as a private equity investment in *Long-term investments and loans* in our consolidated balance sheet as of December 31, 2010. Our share of Teuto's income and expenses is recorded in *Other deductions—net*.

Formation of ViiV, an Equity-Method Investment

In the fourth quarter of 2009, we and GlaxoSmithKline plc (GSK) created a new company, ViiV Healthcare Limited (ViiV), which is focused solely on research, development and commercialization of human immunodeficiency virus (HIV) medicines. Under the agreement, we and GSK have contributed certain existing HIV-related products, pipeline assets and research assets to ViiV and will perform R&D and manufacturing services. The R&D Services Agreement provides that we will perform R&D services for pipeline and marketed products contributed by us and that such services be billed at our internal cost plus a profit margin. After two and a half years, either party may terminate this agreement with six months' notice. The Contract Manufacturing Agreement provides that we will manufacture and supply products to ViiV for four years at a price that incorporates a profit margin. Prior to the agreed termination date, ViiV may terminate this agreement at any time with approximately one-year's notice. Further, Pfizer and GSK have entered into a 3-year Research Alliance Agreement with ViiV under which each party, at its sole discretion, may conduct research programs in order to achieve Proof of Concept for an HIV Therapy Compound. ViiV will have a right of first negotiation on compounds that reach Proof of Concept.

We recognized a gain of approximately $482 million in connection with the formation, which was recorded in *Other deductions—net* in the fourth quarter of 2009. Since we currently hold a 15% equity interest in ViiV, we have an indirect retained interest in the contributed assets; as such, 15% of the gain, or $72 million, is the portion of the gain associated with that indirect retained interest. In valuing our investment in ViiV (which includes the indirect retained interest in the contributed assets), we used discounted cash flow techniques, utilizing an 11% discount rate and a terminal year growth factor of 3%.

We currently hold a 15% equity interest and GSK holds an 85% equity interest in ViiV. The equity interests will be adjusted in the event that specified sales and regulatory milestones are achieved. Our equity interest in ViiV could vary from 9% to 30.5%, and GSK's equity interest could vary from 69.5% to 91%, depending upon the milestones achieved with respect to the original assets contributed to ViiV by us and by GSK. Each company also may be entitled to preferential dividend payments to the extent that specific sales thresholds are met in respect of the marketed products and pipeline assets originally contributed.

We are accounting for our interest in ViiV as an equity method investment due to the significant influence we have over the operations of ViiV through our board representation and minority veto rights. Our investment in ViiV is reported as a private equity investment in *Long-term investments and loans* in our consolidated balance sheets as of December 31, 2010 and 2009. Our share of ViiV's income and expenses is recorded in *Other deductions—net*.

F. Adjustment of Prior Years' Liabilities for Product Returns

Revenues in 2008 include a reduction recorded in the third quarter of 2008 of $217 million, pre-tax, to adjust our prior years' liabilities for product returns. After a detailed review in 2008 of our returns experience, we determined that our previous accounting methodology for product returns needed to be revised as the lag time between product sale and return was longer than we previously had assumed. Although fully recorded in 2008, virtually all of the adjustment relates back several years.

4. Cost-Reduction Initiatives and Acquisition-Related Costs

We have incurred significant costs in connection with our cost-reduction initiatives (several programs initiated since 2005) and our acquisition of Wyeth on October 15, 2009.

Since the acquisition of Wyeth, our cost-reduction initiatives that were announced on January 26, 2009 have been incorporated into a comprehensive plan to integrate Wyeth's operations, generate cost savings and capture synergies across the combined company. We are focusing our efforts on achieving an appropriate cost structure for the combined company.

We incurred the following costs in connection with our cost-reduction initiatives and the acquisition of Wyeth:

	YEAR ENDED DECEMBER 31,		
(MILLIONS OF DOLLARS)	**2010**	2009	2008
Transaction costs[a]	**$ 23**	$ 768	$ —
Integration costs[b]	**1,004**	569	49
Restructuring charges[c]			
Employee termination costs	**1,125**	2,571	2,004
Asset impairments	**870**	159	543
Other	**192**	270	79
Restructuring charges and certain acquisition-related costs	**$3,214**	$4,337	$2,675
Additional depreciation—asset restructuring, recorded in our Consolidated Statements of Income as follows[d]:			
Cost of Sales	**$ 526**	$ 133	$ 596
Selling, informational and administrative expenses	**227**	53	19
Research and development expenses	**34**	55	171
Total additional depreciation—asset restructuring	**787**	241	786
Implementation costs[e]	**—**	250	819
Total	**$4,001**	$4,828	$4,280

[a] Transaction costs represent external costs directly related to our acquisition of Wyeth and primarily include expenditures for banking, legal, accounting and other similar services. Substantially all of the costs incurred in 2009 were fees related to a $22.5 billion bridge term loan credit agreement entered into with certain financial institutions on March 12, 2009 to partially fund our acquisition of Wyeth. The bridge term loan credit agreement was terminated in June 2009 as a result of our issuance of approximately $24.0 billion of senior unsecured notes in the first half of 2009.

[b] Integration costs represent external, incremental costs directly related to integrating acquired businesses and primarily include expenditures for consulting and systems integration.

[c] Restructuring charges in 2010 are related to the integration of Wyeth. From the beginning of our cost-reduction and transformation initiatives in 2005 through December 31, 2010, *Employee termination costs* represent the expected reduction of the workforce by approximately 49,000 employees, mainly in manufacturing, sales and research, of which approximately 36,400 employees have been terminated as of December 31, 2010. *Employee termination costs* are generally recorded when the actions are probable and estimable and include accrued severance benefits, pension and postretirement benefits, many of which may be paid out during periods after termination. *Asset impairments* primarily include charges to write down property, plant and equipment to fair value. *Other* primarily includes costs to exit certain assets and activities. Substantially all of these restructuring charges are associated with our Biopharmaceutical segment.

[d] Additional depreciation—asset restructuring represents the impact of changes in the estimated useful lives of assets involved in restructuring actions.

[e] Implementation costs for the years ended December 31, 2009 and 2008, represent external, incremental costs directly related to implementing cost-reduction initiatives prior to our acquisition of Wyeth, and primarily include expenditures related to system and process standardization and the expansion of shared services. For the year ended December 31, 2009, implementation costs are included in *Cost of sales* ($42 million*), Selling, informational and administrative expenses* ($166 million), *Research and development expenses* ($36 million) and *Other deductions—net* ($6 million). For the year ended December 31, 2008, implementation costs are included in *Cost of sales* ($149 million), *Selling, informational and administrative expenses* ($394 million), *Research and development expenses* ($262 million) and *Other deductions—net* ($14 million).

The components of restructuring charges associated with all of our cost-reduction initiatives and the acquisition of Wyeth follow:

	COSTS INCURRED	ACTIVITY THROUGH DECEMBER 31,	ACCRUAL AS OF DECEMBER 31,
(MILLIONS OF DOLLARS)	**2005-2010**	2010[a]	2010[b]
Employee termination costs	**$ 8,846**	$6,688	$2,158
Asset impairments	**2,322**	2,322	—
Other	**902**	801	101
Total	**$12,070**	$9,811	$2,259

[a] Includes adjustments for foreign currency translation.

[b] Included in O*ther current liabilities* ($1.6 billion) and *Other noncurrent liabilities* ($652 million).

5. Collaborative Arrangements

In the normal course of business, we enter into collaborative arrangements with respect to in-line medicines, as well as medicines in development that require completion of research and regulatory approval. Collaborative arrangements are contractual agreements with third parties that involve a joint operating activity, typically a research and/or commercialization effort, where both we and our

partner are active participants in the activity and are exposed to the significant risks and rewards of the activity. Our rights and obligations under our collaborative arrangements vary. For example, we have agreements to co-promote pharmaceutical products discovered by us or other companies, and we have agreements where we partner to co-develop and/or participate together in commercializing, marketing, promoting, manufacturing and/or distributing a drug product.

The amounts and classifications in our consolidated statements of income of payments (income/(expense)) between us and our collaboration partners follow:

	YEAR ENDED DECEMBER 31,		
(MILLIONS OF DOLLARS)	**2010**	2009	2008
Revenues—Revenues[a]	**$ 568**	$ 593	$ 488
Revenues—Alliance revenues[b]	**4,084**	2,925	2,251
Total revenues from collaborative arrangements	**4,652**	3,518	2,739
Cost of sales[c]	**(109)**	(166)	(147)
Selling, informational and administrative expenses[d]	**(131)**	10	75
Research and development expenses[e]	**(316)**	(361)	(476)
Other deductions—net	**37**	37	—

[a] Represents sales to our partners of products manufactured by us.
[b] Substantially all relate to amounts earned from our partners under co-promotion agreements.
[c] Primarily relates to royalties earned by our partners and cost of sales associated with inventory purchased from our partners.
[d] Represents net reimbursements from our partners/(to our partners) for selling, informational and administrative expenses incurred.
[e] Primarily related to net reimbursements, as well as upfront payments and milestone payments earned by our partners. The upfront and milestone payments were as follows: $147 million in 2010, $150 million in 2009 and $300 million in 2008.

The amounts disclosed in the above table do not include transactions with third parties other than our collaboration partners, or other costs associated with the products under the collaborative arrangements.

6. Other (Income)/Deductions—Net

The following table sets forth details related to amounts recorded in *Other deductions—net*:

	YEAR ENDED DECEMBER 31,		
(MILLIONS OF DOLLARS)	**2010**	2009	2008
Interest income	**$ (402)**	$ (746)	$(1,288)
Interest expense	**1,799**	1,233	516
Net interest expense/(income)[a]	**1,397**	487	(772)
Royalty-related income[b]	**(579)**	(243)	(673)
Net gain on asset disposals[c]	**(262)**	(188)	(14)
Legal matters, net[d]	**1,737**	234	3,300
Gain related to ViiV[e]	**—**	(482)	—
Certain asset impairment charges[f]	**2,175**	417	143
Other, net	**(130)**	67	48
Other deductions—net	**$4,338**	$ 292	$ 2,032

[a] Interest expense increased in 2010 due to our issuance of $13.5 billion of senior unsecured notes on March 24, 2009 and approximately $10.5 billion of senior unsecured notes on June 3, 2009, primarily related to the acquisition of Wyeth, as well as the addition of legacy Wyeth debt. Interest income decreased in 2010 due to lower interest rates, coupled with lower average cash balances. Net interest expense was $487 million in 2009 compared to net interest income of $772 million in 2008. Interest expense increased in 2009 due to the issuance of the senior unsecured notes discussed above, of which virtually all of the proceeds were used to partially finance the Wyeth acquisition (see *Note 2. Acquisition of Wyeth*). Interest income decreased in 2009 due to lower interest rates, partially offset by higher average cash balances. Capitalized interest expense totaled $36 million in 2010, $34 million in 2009 and $46 million in 2008.
[b] In 2008, includes $425 million related to the sale of certain royalty rights.
[c] In 2010 and 2009, primarily represents gains on sales of certain investments and businesses. Net gains also include realized gains and losses on sales of available-for-sale securities: in 2010, 2009 and 2008, gross realized gains were $153 million, $186 million and $20 million, respectively. Gross realized losses were $12 million in 2010, $43 million in 2009 and none in 2008. Proceeds from the sale of available-for-sale securities were $5.3 billion in 2010, $27.0 billion in 2009 and $2.2 billion in 2008.
[d] Legal matters, net in 2010 includes an additional $1.3 billion charge for asbestos litigation related to our wholly owned subsidiary, Quigley Company, Inc. In 2008, primarily includes charges of $2.3 billion related to the resolution of certain investigations concerning Bextra and various other products, and charges of $900 million related to our agreements and our agreements-in-principle to resolve certain litigation and claims involving our non-steroidal anti-inflammatory (NSAID) pain medicines (see *Note 3C. Other Significant Transactions and Events: Legal Matters)*.
[e] Represents a gain related to ViiV, an equity method investment, which is focused solely on research, development and commercialization of HIV medicines (see *Note 3E. Other Significant Transactions and Events: Equity Method Investments)*.
[f] The asset impairment charges in 2010 are primarily related to (i) intangible assets acquired as part of our acquisition of Wyeth, including IPR&D assets, Brands and, to a lesser extent, Developed Technology Rights.*;* and (ii) an intangible asset associated with the legacy Pfizer product Thelin (see *Note 2. Acquisition of Wyeth* and *Note 3B. Other Significant Transactions and Events: Asset Impairment Charges*). The 2009 amounts

primarily represent asset impairment charges associated with certain materials used in our research and development activities that were no longer considered recoverable. The 2008 amounts primarily represent charges related to impairment of certain equity investments and the exit of our Exubera product.

7. Taxes on Income

A. Taxes on Income

Income from continuing operations before provision for taxes on income, and *income attributable to noncontrolling interests* consist of the following:

	YEAR ENDED DECEMBER 31,		
(MILLIONS OF DOLLARS)	**2010**	2009	2008
United States	**$ (2,477)**	$ (3,632)	$ (1,760)
International	**11,899**	14,459	11,454
Total income from continuing operations before provision for taxes on income	**$ 9,422**	$10,827	$ 9,694

The decrease in domestic loss from continuing operations before taxes in 2010, compared to 2009, was due to revenues from legacy Wyeth products and a reduction in domestic restructuring charges partially offset by increased amortization charges primarily related to identifiable intangibles in connection with our acquisition of Wyeth and litigation charges primarily related to our wholly owned subsidiary Quigley Company, Inc. The decrease in international income from continuing operations before taxes in 2010, compared to 2009, was due primarily to an increase in international restructuring and amortization charges plus the non-recurrence of the gain in 2009 in connection with the formation of ViiV, partially offset by revenues from legacy Wyeth products.

The increase in domestic loss from continuing operations before taxes in 2009, compared to 2008, was due primarily to an increase in certain expenses incurred in connection with the Wyeth acquisition, which was partially offset by the non-recurrence of charges of $2.3 billion recorded in 2008 resulting from an agreement-in-principle with the DOJ to resolve the previously reported investigations regarding past off-label promotional practices concerning Bextra and certain other investigations, as well as other litigation-related charges recorded in 2008 of approximately $900 million associated with the resolution of certain litigation involving our NSAID pain medicines. The increase in international income from continuing operations before taxes in 2009, compared to 2008, was due primarily to the gain in connection with the formation of ViiV, the decrease in international restructuring charges and the non-recurrence of acquired IPR&D, partially offset by an increase in amortization expenses primarily related to identifiable intangibles incurred in connection with the Wyeth acquisition. For additional information on all of these matters, see *Note 3. Other Significant Transactions and Events.*

Provision for taxes on income consists of the following:

	YEAR ENDED DECEMBER 31,		
(MILLIONS OF DOLLARS)	**2010**	2009	2008
United States:			
Current income taxes:			
Federal	**$(2,774)**	$ 10,169	$ 707
State and local	**(313)**	71	154
Deferred income taxes:			
Federal	**2,033**	(10,002)	106
State and local	**(6)**	(93)	(136)
Total U.S. tax (benefit)/provision[a], [b], [c], [d]	**$(1,060)**	$ 145	$ 831
International:			
Current income taxes	**$ 2,258**	$ 1,539	$ 2,115
Deferred income taxes	**(74)**	513	(1,301)
Total international tax provision	**$ 2,184**	$ 2,052	$ 814
Total provision for taxes on income[e]	**$ 1,124**	$ 2,197	$ 1,645

[a] The Federal current income tax benefit in 2010 is primarily due to the tax benefit recorded in connection with our settlement with the U.S. Internal Revenue Service. For a discussion of the settlement, see the "Tax Contingencies" section below.
[b] The Federal current income tax expense in 2009 was due to increased tax costs associated with certain business decisions executed to finance the Wyeth acquisition.
[c] The Federal deferred income tax expense in 2010 is primarily due to certain business decisions in connection with our acquisition of Wyeth.
[d] The Federal deferred income tax benefit in 2009 was due to a reduction of deferred tax liabilities recorded in connection with our acquisition of Wyeth.
[e] 2009 and 2010 excludes federal, state and international net tax liabilities assumed or established on the date of the acquisition of Wyeth (See *Note 2. Acquisition of Wyeth* for additional details) and $4 million in 2008 primarily related to the resolution of certain tax positions related to legacy Pharmacia Corporation (Pharmacia), which were debited or credited to *Goodwill,* as appropriate.

On December 17, 2010, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 extended the research and development tax credit from January 1, 2010, through December 31, 2011.

In the fourth-quarter of 2010, we recorded a tax benefit of approximately $1.4 billion related to an audit settlement with the U.S. Internal Revenue Service. The 2010 U.S. income tax was also favorably impacted by the reversal of approximately $600 million of accruals related to interest on these unrecognized tax benefits. 2010 U.S. income tax was negatively impacted by the write-off of approximately $270 million of deferred tax assets related to the Medicare Part D subsidy for retiree prescription drug coverage, resulting from changes in the U.S. healthcare legislation enacted in March 2010 concerning the tax treatment of that subsidy effective for tax years beginning after December 31, 2012. During 2010, we also recognized $320 million in international tax benefits for the resolution of certain tax positions pertaining to prior years with various foreign tax authorities, as well as from the expiration of the statute of limitations. The 2010 international provision was also favorably impacted by $140 million related to the reversal of accruals for interest on these unrecognized tax benefits (See "Tax Contingencies" below for additional information on audit settlements).

In the third-quarter of 2009, we recorded a tax benefit of $174 million related to the final resolution of an agreement-in-principle with the DOJ to settle investigations of past promotional practices concerning Bextra and certain other investigations. This resulted in the receipt of information that raised our assessment of the likelihood of prevailing on the technical merits of our tax position. In 2009 and 2008, we sold two of our biopharmaceutical companies, Vicuron Pharmaceuticals, Inc. (Vicuron) and Esperion Therapeutics, Inc. (Esperion), respectively. Both sales, for nominal consideration, resulted in a loss for tax purposes that reduced our U.S. tax expense by $556 million in 2009 and $426 million in 2008. These tax benefits are a result of the significant initial investment in these entities at the time of acquisition, primarily reported as an income statement charge for IPR&D at acquisition date. These tax benefits were offset by certain costs associated with the Wyeth acquisition that are not deductible. In 2008, we effectively settled certain issues common among multinational corporations with various foreign tax authorities relating to multiple prior years. As a result, in 2008 we recognized $305 million in tax benefits. 2008 also reflects the impact of the third-quarter 2008 provision for the proposed resolution of certain Bextra and Celebrex civil litigation and the impact of the fourth-quarter 2008 provision for the proposed resolution of certain investigations, which were either not deductible or deductible at lower tax rates.

Amounts reflected in the preceding tables are based on the location of the taxing authorities.

B. Tax Rate Reconciliation

Reconciliation of the U.S. statutory income tax rate to our effective tax rate for income from continuing operations follows:

	YEAR ENDED DECEMBER 31,		
	2010	2009	2008
U.S. statutory income tax rate	**35.0%**	35.0%	35.0%
Earnings taxed at other than U.S. statutory rate	**2.5**	(9.3)	(20.2)
Resolution of certain tax positions	**(26.4)**	—	(3.1)
Sales of biopharmaceutical companies	**—**	(5.1)	(4.3)
U.S. healthcare legislation	**2.8**	—	—
U.S. research tax credit and manufacturing deduction	**(2.3)**	(1.3)	(1.2)
Legal settlements	**0.4**	(1.6)	9.0
Acquired IPR&D	**0.5**	0.2	2.1
Wyeth acquisition-related costs	**0.5**	2.4	—
All other—net	**(1.1)**	—	(0.3)
Effective tax rate for income from continuing operations	**11.9%**	20.3%	17.0%

For earnings taxed at other than the U.S. statutory rate, this rate impact reflects the fact that we operate manufacturing subsidiaries in Puerto Rico, Ireland and Singapore. We benefit from Puerto Rican incentive grants that expire between 2013 and 2029. Under the grants, we are partially exempt from income, property and municipal taxes. In Ireland, we benefited from an incentive tax rate effective through 2010 on income from manufacturing operations. In Singapore, we benefit from incentive tax rates effective through 2031 on income from manufacturing operations. The rate impact also reflects the jurisdictional location of earnings and the costs of certain repatriation decisions and uncertain tax positions. In 2008, the rate impact also reflects the realization of approximately $711 million (tax effect) in net operating losses.

For a discussion about the resolution of certain tax positions, see the "Tax Contingencies" section below. For a discussion about the sales of the biopharmaceutical companies, legal settlements, and Wyeth acquisition related costs and about the impact of U.S. healthcare legislation, see the "Taxes on Income" section above. The charges for acquired IPR&D in 2010, 2009 and 2008 are primarily not deductible.

C. Deferred Taxes

Deferred taxes arise as a result of basis differentials between financial statement accounting and tax amounts. The tax effect of the major items recorded as deferred tax assets and liabilities, shown before jurisdictional netting, as of December 31 is as follows:

(MILLIONS OF DOLLARS)	2010 DEFERRED TAX ASSETS	2010 DEFERRED TAX (LIABILITIES)	2009 DEFERRED TAX ASSETS	2009 DEFERRED TAX (LIABILITIES)
Prepaid/deferred items	**$ 1,321**	**$ (112)**	$ 1,330	$ (60)
Inventories	**132**	**(59)**	437	(859)
Intangibles	**1,165**	**(17,104)**	949	(19,802)
Property, plant and equipment	**420**	**(2,146)**	715	(2,014)
Employee benefits	**4,479**	**(56)**	4,786	(66)
Restructurings and other charges	**1,359**	**(70)**	884	(8)
Legal and product liability reserves	**1,411**	**—**	1,010	—
Net operating loss/credit carryforwards	**4,575**	**—**	4,658	—
Unremitted earnings	**—**	**(9,524)**	—	(7,057)
State and local tax adjustments	**452**	**—**	747	—
All other	**607**	**(575)**	744	(187)
Subtotal	**15,921**	**(29,646)**	16,260	(30,053)
Valuation allowance	**(894)**	**—**	(353)	—
Total deferred taxes	**$15,027**	**$(29,646)**	$15,907	$(30,053)
Net deferred tax liability		**$(14,619)**		$(14,146)

The net deferred tax liability is classified in our Consolidated Balance Sheets as follows:

	DEFERRED TAX ASSET/ (LIABILITY)	DEFERRED TAX ASSET/ (LIABILITY)
Current:		
Taxes and other current assets	**$ 2,951**	$ 2,591
Other current liabilities	**(111)**	(226)
Noncurrent:		
Taxes and other noncurrent assets	**1,189**	1,328
Noncurrent deferred tax liabilities	**(18,648)**	(17,839)
Net deferred tax liability	**$(14,619)**	$(14,146)

The increase in net deferred tax liability position in 2010, compared to 2009, was primarily due to an increase in noncurrent deferred tax liabilities on unremitted earnings, partially offset by an increase in current deferred tax assets established as a result of litigation charges incurred in connection with our wholly owned subsidiary Quigley Company, Inc. and a reduction in noncurrent deferred tax liabilities related to identifiable intangibles established in connection with our acquisition of Wyeth.

We have carryforwards, primarily related to foreign tax credit carryovers, net operating loss carryovers and capital loss carryforwards, which are available to reduce future U.S. federal and state, as well as international, income taxes payable with either an indefinite life or expiring at various times between 2011 and 2029. Certain of our U.S. net operating losses are subject to limitations under Internal Revenue Code Section 382.

Valuation allowances are provided when we believe that our deferred tax assets are not recoverable based on an assessment of estimated future taxable income that incorporates ongoing, prudent and feasible tax planning strategies.

As of December 31, 2010, we have not made a U.S. tax provision on approximately $48.2 billion of unremitted earnings of our international subsidiaries. As of December 31, 2010, these earnings are intended to be permanently reinvested overseas; as such, it is not practical to compute the estimated deferred tax liability on these permanently reinvested earnings.

D. Tax Contingencies

We are subject to income tax in many jurisdictions, and a certain degree of estimation is required in recording the assets and liabilities related to income taxes. All of our tax positions are subject to audit by the local taxing authorities in each tax jurisdiction. These tax audits can involve complex issues, interpretations and judgments and the resolution of matters may span multiple years, particularly if subject to negotiation or litigation. As a result, our evaluation of tax contingencies can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions deemed reasonable by management. However, if our estimates and assumptions are not representative of actual outcomes, our results could be materially impacted. For a description of our accounting policies associated with accounting for income tax contingencies, see *Note 1P. Significant Accounting Policies: Deferred Tax Assets and Income Tax Contingencies* and *Note 1C. Significant Accounting Policies: Estimates and Assumptions.*

Because tax law is complex and often subject to varied interpretations, it is uncertain whether some of our tax positions will be sustained upon audit. As of December 31, 2010 and 2009, we had approximately $5.8 billion and $6.4 billion in net liabilities associated with uncertain tax positions, excluding associated interest.

- Tax assets associated with uncertain tax positions primarily represent our estimate of the potential tax benefits in one tax jurisdiction that could result from the payment of income taxes in another tax jurisdiction. These potential benefits generally result from cooperative efforts among taxing authorities, as required by tax treaties to minimize double taxation, commonly referred to as the competent authority process. The recoverability of these assets, which we believe to be more likely than not, is dependent upon the actual payment of taxes in one tax jurisdiction and, in some cases, the successful petition for recovery in another tax jurisdiction. As of December 31, 2010 and 2009, we had approximately $1.0 billion and $1.3 billion, respectively, in assets associated with uncertain tax positions recorded in *Taxes and other noncurrent assets*.

- Tax liabilities associated with uncertain tax positions represent unrecognized tax benefits, which arise when the estimated benefit recorded in our financial statements differs from the amounts taken or expected to be taken in a tax return because of the uncertainties described above. These unrecognized tax benefits relate primarily to issues common among multinational corporations. Substantially all of these unrecognized tax benefits, if recognized, would impact our effective income tax rate.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits is as follows:

(MILLIONS OF DOLLARS)	**2010**	2009
Balance, January 1	$(7,657)	$(5,372)
Acquisition of Wyeth	(49)	(1,785)
Increases based on tax positions taken during a prior period[a]	(513)	(79)
Decreases based on tax positions taken during a prior period[a], [b]	2,384	38
Decreases based on cash payments for a prior period	280	—
Increases based on tax positions taken during the current period[a]	(1,396)	(941)
Decreases based on tax positions taken during the current period	—	712
Impact of foreign exchange	104	(284)
Other, net[c]	88	54
Balance, December 31[d]	$(6,759)	$(7,657)

[a] Primarily included in *Provision for taxes on income*.
[b] Decreases are primarily a result of effectively settling certain issues with the U.S. and foreign tax authorities for a net benefit of $1.7 billion, reflecting the reversal of the related tax assets associated with the competent authority process and state and local taxes and are primarily included in *Provision for taxes on income.*
[c] Primarily includes decreases as a result of a lapse of applicable statutes of limitations.
[d] In 2010, included in Income taxes payable ($421 million), *Taxes and other current assets* ($279 million), *Taxes and other noncurrent assets* ($169 million), *Noncurrent deferred tax liabilities* ($369 million) and *Other taxes payable* ($5.5 billion). In 2009, included in *Income taxes payable* ($144 million), *Taxes and other current assets* ($78 million), *Noncurrent deferred tax liabilities* ($208 million) and *Other taxes payable* ($7.2 billion).

- Interest related to our unrecognized tax benefits is recorded in accordance with the laws of each jurisdiction and is recorded in *Provision for taxes on income* in our Consolidated Statements of Income. In 2010, we recorded net interest income of $545 million, primarily as a result of settling certain issues with the U.S. and various foreign tax authorities, which are discussed below. In 2009 and 2008, we recorded net interest expense of $191 million and $106 million. Gross accrued interest totaled $952 million as of December 31, 2010 and $1.9 billion as of December 31, 2009 (including $300 million recorded upon the acquisition of Wyeth). In 2010, these amounts were included in *Income taxes payable* ($112 million), *Taxes and other current assets* ($122 million) and *Other taxes payable* ($718 million). In 2009, these amounts were included in *Income taxes payable* ($90 million), *Taxes and other current assets* ($55 million) and *Other taxes payable* ($1.8 billion). Accrued penalties are not significant.

The United States is one of our major tax jurisdictions. During the fourth-quarter of 2010, we reached a settlement with the U.S. Internal Revenue Service (IRS) related to issues we had appealed with respect to the audits of the Pfizer Inc. tax returns for the years 2002 through 2005, as well as the Pharmacia audit for the year 2003 through the date of merger with Pfizer (April 16, 2003). The IRS concluded its examination of the aforementioned tax years and issued a final Revenue Agent's Report (RAR). The company has agreed with all of the adjustments and computations contained in the RAR. As a result of settling these audit years, in the fourth quarter of 2010, we reduced our unrecognized tax benefits by approximately $1.4 billion and recorded a corresponding tax benefit. The fourth-quarter and full-year 2010 effective tax rates were also favorably impacted by the reversal of $600 million of accruals related to interest on these unrecognized tax benefits. The 2006, 2007 and 2008 tax years currently are under audit. The 2009 and 2010 tax years are not yet under audit. All other tax years in the U.S. for Pfizer Inc. are closed under the statute of limitations. With respect to Wyeth, the years 2002 through 2005 currently are under IRS audit, and tax years 2006 through the Wyeth acquisition date (October 15, 2009) are not yet under audit.

In addition to the open audit years in the U.S., we have open audit years in other major tax jurisdictions, such as Canada (1998-2010), Japan (2006-2010), Europe (1997-2010, primarily reflecting Ireland, the United Kingdom, France, Italy, Spain and Germany) and Puerto Rico (2003-2010). During 2010, we also recognized $320 million in tax benefits resulting from the resolution of certain tax positions pertaining to prior years with various foreign tax authorities as well as from the expiration of the statute of limitations. The 2010 effective tax rate was also favorably impacted by $140 million related to the reversal of accruals for interest on these unrecognized tax benefits.

Any settlements or statute of limitations expirations would likely result in a significant decrease in our uncertain tax positions. We estimate that within the next 12 months, our gross unrecognized tax benefits, exclusive of interest, could decrease by as much as $750 million, as a result of settlements with taxing authorities or the expiration of the statute of limitations. Our estimates of unrecognized tax benefits and potential tax benefits may not be representative of actual outcomes, and variation from such estimates could materially affect our financial statements in the period of settlement or when the statutes of limitations expire, as we treat these events as discrete items in the period of resolution. Finalizing audits with the relevant taxing authorities can include formal administrative and legal proceedings, and, as a result, it is difficult to estimate the timing and range of possible change related to our uncertain tax positions, and such changes could be significant.

8. Other Comprehensive Income/(Loss)

Changes, net of tax, in *Accumulated other comprehensive (loss)/income* and the components of comprehensive income follow:

	NET UNREALIZED GAINS/(LOSSES)			BENEFIT PLANS		
(MILLIONS OF DOLLARS)	CURRENCY TRANSLATION ADJUSTMENT AND OTHER	DERIVATIVE FINANCIAL INSTRUMENTS	AVAILABLE FOR-SALE SECURITIES	ACTUARIAL GAINS/ (LOSSES)	PRIOR SERVICE (COSTS)/ CREDITS AND OTHER	ACCUMULATED OTHER COMPREHENSIVE (LOSS)/INCOME
Balance, January 1, 2008	$ 3,872	$ (32)	$ 54	$(1,567)	$ (28)	$ 2,299
Other comprehensive income/(loss)—Pfizer Inc[a]:						
Foreign currency translation adjustments	(5,898)	—	—	—	—	(5,898)
Unrealized holding gains/(losses)	—	69	(193)	—	—	(124)
Reclassification adjustments to income[b]	(2)	—	(20)	—	—	(22)
Actuarial gains/(losses) and other benefit plan items	—	—	—	(3,098)	22	(3,076)
Amortization of actuarial losses and other benefit plan items	—	—	—	130	3	133
Curtailments and settlements—net	—	—	—	280	3	283
Other	10	—	—	129	35	174
Income taxes	629	(9)	73	994	(25)	1,662
						(6,868)
Balance, December 31, 2008	(1,389)	28	(86)	(3,132)	10	(4,569)
Other comprehensive income/(loss)—Pfizer Inc.[a]:						
Foreign currency translation adjustments	4,978	—	—	—	—	4,978
Unrealized holding gains	—	291	576	—	—	867
Reclassification adjustments to income[b]	5	(299)	(143)	—	—	(437)
Actuarial gains/(losses) and other benefit plan items	—	—	—	(701)	154	(547)
Amortization of actuarial losses and other benefit plan items	—	—	—	291	(6)	285
Curtailments and settlements—net	—	—	—	390	(5)	385
Other	2	—	—	(192)	(3)	(193)
Income taxes	(46)	(14)	(78)	(23)	(56)	(217)
						5,121
Balance, December 31, 2009	3,550	6	269	(3,367)	94	552
Other comprehensive income/(loss)—Pfizer Inc.[a]:						
Foreign currency translation adjustments	(3,544)	—	—	—	—	(3,544)
Unrealized holding gains/(losses)	—	(1,043)	7	—	—	(1,036)
Reclassification adjustments to income[b]	(7)	702	(141)	—	—	554
Actuarial gains/(losses) and other benefit plan items	—	—	—	(1,428)	550	(878)
Amortization of actuarial losses and other benefit plan items	—	—	—	262	(43)	219
Curtailments and settlements—net	—	—	—	266	(49)	217
Other	5	—	—	90	6	101
Income taxes	165	127	22	230	(169)	375
						(3,992)
Balance, December 31, 2010	**$ 169**	**$ (208)**	**$ 157**	**$(3,947)**	**$ 389**	**$(3,440)**

[a] Amounts do not include foreign currency translation adjustments attributable to noncontrolling interests of $4 million in 2010, $5 million in 2009 and $35 million in 2008.
[b] The currency translation adjustments reclassified to income resulted from the sale of businesses.

Income taxes are not provided for foreign currency translation relating to permanent investments in international subsidiaries.

As of December 31, 2010, we estimate that we will reclassify into 2011 income the following pre-tax amounts currently held in *Accumulated other comprehensive (loss)/income*: $7 million of the unrealized holding gains on derivative financial instruments; $280 million of actuarial losses related to benefit plan obligations and plan assets and other benefit plan items; and $72 million of prior service credits related primarily to benefit plan amendments.

9. Financial Instruments

A. Selected Financial Assets and Liabilities

Information about certain of our financial assets and liabilities follows:

	AS OF DECEMBER 31,	
(MILLIONS OF DOLLARS)	**2010**	2009
Selected financial assets measured at fair value on a recurring basis[a]:		
Trading securities[b]	**$ 173**	$ 184
Available-for-sale debt securities[c]	**32,699**	32,338
Available-for-sale money market funds[d]	**1,217**	2,569
Available-for-sale equity securities, excluding money market funds[c]	**230**	281
Derivative financial instruments in receivable positions[e]:		
Interest rate swaps	**603**	276
Foreign currency forward-exchange contracts	**494**	502
Foreign currency swaps	**128**	798
Total	**35,544**	36,948
Other selected financial assets[f]:		
Held-to-maturity debt securities, carried at amortized cost[c]	**1,178**	812
Private equity securities, carried at cost or equity method[g]	**1,135**	811
Short-term loans, carried at cost[h]	**467**	1,195
Long-term loans, carried at cost[h]	**299**	784
Total	**3,079**	3,602
Total selected financial assets[i]	**$38,623**	$40,550
Financial liabilities measured at fair value on a recurring basis[a]:		
Derivative financial instruments in a liability position[j]:		
Foreign currency swaps	**$ 623**	$ 528
Foreign currency forward-exchange contracts	**257**	237
Interest rate swaps	**4**	25
Total	**884**	790
Other financial liabilities[k]:		
Short-term borrowings, carried at historical proceeds, as adjusted[f], [l]	**5,623**	5,469
Long-term debt, carried at historical proceeds, as adjusted[m], [n]	**38,410**	43,193
Total	**44,033**	48,662
Total selected financial liabilities	**$44,917**	$49,452

[a] Fair values are determined based on valuation techniques categorized as follows: Level 1 means the use of quoted prices for identical instruments in active markets; Level 2 means the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; Level 3 means the use of unobservable inputs. All of our financial assets and liabilities measured at fair value on a recurring basis use Level 2 inputs in the calculation of fair value, except that included in available-for-sale equity securities, excluding money market funds, are $105 million as of December 31, 2010 and $77 million as of December 31, 2009 of investments that use Level 1 inputs in the calculation of fair value. None of our financial assets and liabilities measured at fair value on a recurring basis are valued using Level 3 inputs at December 31, 2010 or 2009.

[b] Trading securities are held in trust for legacy business acquisition severance benefits.

[c] Gross unrealized gains and losses are not significant.

[d] Includes approximately $625 million as of December 31, 2010 and approximately $1.2 billion as of December 31, 2009 of money market funds held in escrow to secure certain of Wyeth's payment obligations under its 1999 Nationwide Class Action Settlement Agreement, which relates to litigation against Wyeth concerning its former weight-loss products, Redux and Pondimin (see *Note 9G. Financial Instruments: Guarantee*).

[e] Designated as hedging instruments, except for certain foreign currency contracts used as offsets; namely, foreign currency forward-exchange contracts with fair values of $326 million and foreign currency swaps with fair values of $17 million at December 31, 2010; and foreign currency swaps with fair values of $106 million and foreign currency forward-exchange contracts with fair values of $100 million at December 31, 2009.

[f] The differences between the estimated fair values and carrying values of our financial assets and liabilities not measured at fair value on a recurring basis were not significant as of December 31, 2010 or December 31, 2009.

[g] Our private equity securities represent investments in the life sciences sector.

[h] Our short-term and long-term loans are due from companies with highly rated securities (Standard & Poor's (S&P) ratings of mostly AA or better).

[i] The decrease in selected financial assets is primarily due to the use of proceeds of short-term investments for repayment of short-term borrowings and for tax payments made in the first quarter of 2010, primarily associated with certain business decisions executed to finance the Wyeth acquisition, partially offset by cash flows from operations.

[j] Designated as hedging instruments, except for certain foreign currency contracts used as offsets; namely, foreign currency forward-exchange contracts with fair values of $186 million and foreign currency swaps with fair values of $93 million at December 31, 2010; and foreign currency forward-exchange contracts with fair values of $122 million and foreign currency swaps with fair values of $3 million at December 31, 2009.

[k] The carrying amounts may include adjustments for discount or premium amortization or for the effect of interest rate swaps designated as hedges.

[l] Includes foreign currency borrowings with fair values of $2.0 billion at December 31, 2010 and $1.1 billion at December 31, 2009, which are used as hedging instruments.

[m] Includes foreign currency debt with fair values of $880 million at December 31, 2010 and $2.1 billion at December 31, 2009, which are used as hedging instruments.

[n] The fair value of our long-term debt is $42.3 billion at December 31, 2010 and $46.2 billion at December 31, 2009.

The following methods and assumptions were used to estimate the fair value of our financial assets and liabilities:

- Trading equity securities—quoted market prices.
- Trading debt securities—observable market interest rates.
- Available-for-sale debt securities—third-party matrix-pricing model that uses significant inputs derived from or corroborated by observable market data and credit-adjusted interest rate yield curves.
- Available-for-sale money market funds—observable Net Asset Value prices.
- Available-for-sale equity securities, excluding money market funds—third-party pricing services that principally use a composite of observable prices.
- Derivative financial instruments (assets and liabilities)—third-party matrix-pricing model that uses significant inputs derived from or corroborated by observable market data. Where applicable, these models discount future cash flow amounts using market-based observable inputs, including interest rate yield curves, and forward and spot prices for currencies. The credit risk impact to our derivative financial instruments was not significant.
- Held-to-maturity debt securities—third-party matrix-pricing model that uses significant inputs derived from or corroborated by observable market data and credit-adjusted interest rate yield curves.
- Private equity securities, excluding equity-method investments—application of the implied volatility associated with an observable biotech index to the carrying amount of our portfolio and, to a lesser extent, performance multiples of comparable securities adjusted for company-specific information.
- Short-term and long-term loans—third-party model that discounts future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.
- Short-term borrowings and long-term debt—third-party matrix-pricing model that uses significant inputs derived from or corroborated by observable market data and our own credit rating.

In addition, we have long-term receivables where the determination of fair value employs discounted future cash flows, using current interest rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

A single estimate of fair value for these financial instruments relies heavily on estimates and assumptions (see *Note 1C. Significant Accounting Polices: Estimates and Assumptions*).

These selected financial assets and liabilities are presented in our Consolidated Balance Sheets as follows:

	AS OF DECEMBER 31,	
(MILLIONS OF DOLLARS)	**2010**	2009
Assets		
Cash and cash equivalents	**$ 906**	$ 666
Short-term investments	**26,277**	23,991
Short-term loans	**467**	1,195
Long-term investments and loans	**9,748**	13,122
Taxes and other current assets[a]	**515**	526
Taxes and other noncurrent assets[b]	**710**	1,050
Total	**$38,623**	$40,550
Liabilities		
Short-term borrowings, including current portion of long-term debt	**$ 5,623**	$ 5,469
Other current liabilities[c]	**339**	369
Long-term debt	**38,410**	43,193
Other noncurrent liabilities[d]	**545**	421
Total	**$44,917**	$49,452

(a) As of December 31, 2010, derivative instruments at fair value include foreign currency forward-exchange contracts ($494 million) and foreign currency swaps ($21 million) and, as of December 31, 2009, include foreign currency forward-exchange contracts ($503 million) and foreign currency swaps ($23 million).
(b) As of December 31, 2010, derivative instruments at fair value include interest rate swaps ($603 million) and foreign currency swaps ($107 million) and, as of December 31, 2009, include foreign currency swaps ($774 million) and interest rate swaps ($276 million).
(c) At December 31, 2010, derivative instruments at fair value include foreign currency forward-exchange contracts ($257 million), foreign currency swaps ($79 million) and interest rate swaps ($3 million) and, as of December 31, 2009, include foreign currency forward-exchange contracts ($237 million) and foreign currency swaps ($132 million).
(d) At December 31, 2010, derivative instruments at fair value include foreign currency swaps ($544 million) and interest rate swaps ($1 million) and, as of December 31, 2009, include foreign currency swaps ($396 million) and interest rate swaps ($25 million).

There were no significant impairments of financial assets recognized in 2010, 2009 or 2008.

B. Investments in Debt and Equity Securities

The contractual maturities of the available-for-sale and held-to-maturity debt securities as of December 31, 2010, follow:

	YEARS		
(MILLIONS OF DOLLARS)	WITHIN 1	OVER 1 TO 5	TOTAL AS OF DECEMBER 31, 2010
Available-for-sale debt securities:			
Western European and other government debt	$17,702	$1,754	$19,456
Corporate debt[a]	1,551	2,180	3,731
Supranational debt	2,930	350	3,280
Western European and other government agency debt	2,299	88	2,387
Federal Home Loan Mortgage Corporation and Federal National Mortgage Association asset-backed securities	—	2,345	2,345
Reverse repurchase agreements[b]	900	—	900
U.S. government Federal Deposit Insurance Corporation guaranteed debt	—	536	536
Other asset-backed securities	10	31	41
Certificates of deposit	23	—	23
Held-to-maturity debt securities:			
Certificates of deposit and other	1,172	6	1,178
Total debt securities	$26,587	$7,290	$33,877
Trading securities			173
Available-for-sale money market funds[c]			1,217
Available-for-sale equity securities, excluding money market funds			230
Total			$35,497

[a] Largely issued by above-investment-grade institutions in the financial services sector.
[b] Very short-term agreements involving U.S. government securities.
[c] Consisting of securities issued by the U.S. government and its agencies or instrumentalities and reverse repurchase agreements involving the same investments held.

C. Short-Term Borrowings

Short-term borrowings include amounts for commercial paper of $1.2 billion as of December 31, 2010, and $3.9 billion as of December 31, 2009. The weighted-average effective interest rate on short-term borrowings outstanding was 2.8% as of December 31, 2010, and 0.7% as of December 31, 2009.

As of December 31, 2010, we had access to $9.0 billion of lines of credit, of which $1.9 billion expire within one year. Of these lines of credit, $8.4 billion are unused, of which our lenders have committed to loan us $7.0 billion at our request. Also, $7.0 billion of our unused lines of credit, all of which expire in 2013, may be used to support our commercial paper borrowings.

D. Long-Term Debt

Information about our long-term debt follows:

(MILLIONS OF DOLLARS)	MATURITY DATE	AS OF DECEMBER 31, 2010	2009
Senior unsecured notes:			
4.45%[a]	March 2012	**$ 3,543**	$ 3,510
6.20%[a]	March 2019	**3,247**	3,247
5.35%[a]	March 2015	**3,000**	2,997
4.75% euro[b]	June 2016	**2,665**	2,867
5.75% euro[b]	June 2021	**2,662**	2,865
7.20%[a]	March 2039	**2,564**	2,455
3.625% euro[b]	June 2013	**2,466**	2,653
6.50% U.K. pound[b]	June 2038	**2,306**	2,408
5.95%	April 2037	**2,089**	2,091
5.50%	February 2014	**1,921**	1,912
5.50%	March 2013	**1,608**	1,617
4.55% euro	May 2017	**1,322**	1,391
4.75% euro	December 2014	**1,302**	1,385
5.50%	February 2016	**1,074**	1,087
6.95%	March 2011	**—**	1,570
Floating rate notes at the three-month London Interbank Offering Rate (LIBOR), plus 1.95%	March 2011	**—**	1,250
Notes and other debt with a weighted-average interest rate of 5.26%[c]	2011–2018	**2,342**	2,355
Notes and other debt with a weighted-average interest rate of 6.51%[d]	2021–2036	**3,464**	3,488
Foreign currency notes and other foreign currency debt with a weighted- average interest rate of 2.50%[e]	2014–2016	**835**	2,045
Total long-term debt		**$38,410**	$43,193
Current portion not included above		**$ 3,502**	$ 27

[a] Instrument is callable by us at any time at the greater of 100% of the principal amount or the sum of the present values of the remaining scheduled payments of principal and interest discounted at the U.S. Treasury rate plus 0.50% plus, in each case, accrued and unpaid interest.
[b] Instrument is callable by us at any time at the greater of 100% of the principal amount or the sum of the present values of the remaining scheduled payments of principal and interest discounted at a comparable government bond rate plus 0.20% plus accrued and unpaid interest.
[c] Contains debt issuances with a weighted-average maturity of approximately 6 years.
[d] Contains debt issuances with a weighted-average maturity of approximately 19 years.
[e] Contains debt issuances with a weighted-average maturity of approximately 5 years.

Long-term debt outstanding as of December 31, 2010 matures in the following years:

(MILLIONS OF DOLLARS)	2012	2013	2014	2015	AFTER 2015
Maturities	$3,554	$4,081	$4,066	$3,006	$23,703

In March 2007, we filed a securities registration statement with the SEC. The registration statement was filed under the automatic shelf registration process available to “well-known seasoned issuers” and expired in March 2010. On March 24, 2009, in order to partially finance our acquisition of Wyeth, we issued $13.5 billion of senior unsecured notes under this registration statement. On June 3, 2009, also in order to partially finance our acquisition of Wyeth, we issued approximately $10.5 billion of senior unsecured notes in a private placement pursuant to Regulation S under the Securities Act of 1933, as amended (Securities Act of 1933). The notes issued on June 3, 2009 have not been and will not be registered under the Securities Act of 1933 and, subject to certain exceptions, may not be sold, offered or delivered within the U.S. to, or for the account or benefit of, U.S. persons.

E. Derivative Financial Instruments and Hedging Activities

Foreign Exchange Risk—A significant portion of our revenues, earnings and net investments in foreign affiliates is exposed to changes in foreign exchange rates. We seek to manage our foreign exchange risk, in part, through operational means, including managing expected same-currency revenues in relation to same-currency costs and same-currency assets in relation to same-currency liabilities. Depending on market conditions, foreign exchange risk also is managed through the use of derivative financial instruments and foreign currency debt. These financial instruments serve to protect net income and net investments against the impact of the translation into U.S. dollars of certain foreign exchange-denominated transactions. The aggregate notional amount of foreign exchange derivative financial instruments hedging or offsetting foreign currency exposures is $47.6 billion. The derivative financial instruments primarily hedge or offset exposures in the euro, Japanese yen and U.K. pound. The maximum length of time over which we are hedging future foreign exchange cash flows relates to our $2.3 billion U.K. pound debt maturing in 2038.

All derivative contracts used to manage foreign currency risk are measured at fair value and are reported as assets or liabilities on the consolidated balance sheet. Changes in fair value are reported in earnings or deferred, depending on the nature and purpose of the financial instrument (offset or hedge relationship) and the effectiveness of the hedge relationships, as follows:

- We defer on the balance sheet the effective portion of the gains or losses on foreign currency forward-exchange contracts and foreign currency swaps that are designated as cash flow hedges and reclassify those amounts, as appropriate, into earnings in the same period or periods during which the hedged transaction affects earnings.
- We recognize the gains and losses on forward-exchange contracts and foreign currency swaps that are used to offset the same foreign currency assets or liabilities immediately into earnings along with the earnings impact of the items they generally offset. These contracts essentially take the opposite currency position of that reflected in the month-end balance sheet to counterbalance the effect of any currency movement.
- We recognize the gain and loss impact on foreign currency swaps designated as hedges of our net investments in earnings in three ways: over time—for the periodic net swap payments; immediately—to the extent of any change in the difference between the foreign exchange spot rate and forward rate; and upon sale or substantial liquidation of our net investments–to the extent of change in the foreign exchange spot rates.
- We defer on the balance sheet foreign exchange gains and losses related to foreign exchange-denominated debt designated as a hedge of our net investments in foreign subsidiaries and reclassify those amounts into earnings upon the sale or substantial liquidation of our net investments.

Any ineffectiveness is recognized immediately into earnings. There was no significant ineffectiveness in 2010, 2009 or 2008.

Interest Rate Risk—Our interest-bearing investments, loans and borrowings are subject to interest rate risk. We seek to invest and loan primarily on a short-term or variable-rate basis; however, in light of current market conditions, we currently borrow primarily on a long-term, fixed-rate basis. From time to time, depending on market conditions, we will change the profile of our outstanding debt by entering into derivative financial instruments like interest rate swaps.

We entered into derivative financial instruments to hedge or offset the fixed interest rates on the hedged item, matching the amount and timing of the hedged item. The aggregate notional amount of interest rate derivative financial instruments is $11.6 billion. The derivative financial instruments hedge U.S. dollar and euro fixed-rate debt.

All derivative contracts used to manage interest rate risk are measured at fair value and reported as assets or liabilities on the consolidated balance sheet. Changes in fair value are reported in earnings, as follows:

- We recognize the gains and losses on interest rate swaps that are designated as fair value hedges in earnings upon the recognition of the change in fair value of the hedged risk. We recognize the offsetting earnings impact of fixed-rate debt attributable to the hedged risk also in earnings.

Any ineffectiveness is recognized immediately into earnings. There was no significant ineffectiveness in 2010, 2009 or 2008.

Information about gains/(losses) incurred to hedge or offset operational foreign exchange or interest rate risk is as follows:

	GAINS/(LOSSES) YEARS ENDED DECEMBER 31,	
(MILLIONS OF DOLLARS)	**2010**	2009
Derivative Financial Instruments in Fair Value Hedge Relationships		
Interest rate swaps		
Recognized in OID[a], [b]	**$ —**	$ (6)
Foreign currency swaps		
Recognized in OID[a], [b]	**—**	(3)
Derivative Financial Instruments in Cash Flow Hedge Relationships		
U.S. Treasury interest rate locks		
Recognized in OID[a]	**$ —**	$ (11)
Recognized in OCI[a], [c]	**—**	(16)
Reclassified from OCI to OID[a], [c]	**—**	—
Foreign currency swaps		
Recognized in OID[a]	**—**	—
Recognized in OCI[a], [c]	**(1,054)**	305
Reclassified from OCI to OID[a], [c]	**(704)**	281
Foreign currency forward exchange contracts		
Recognized in OID[a]	**—**	—
Recognized in OCI[a], [c]	**(6)**	6
Reclassified from OCI to OID[a], [c]	**2**	18
Derivative Financial Instruments in Net Investment Hedge Relationships		
Foreign currency swaps		
Recognized in OID[a]	**$ (1)**	$ (1)
Recognized in OCI[a], [c]	**(97)**	17
Derivative Financial Instruments Not Designated as Hedges		
Foreign currency swaps		
Recognized in OID[a]	**$ 20**	$ 22
Foreign currency forward-exchange contracts		
Recognized in OID[a]	**(454)**	(418)
Non-Derivative Financial Instruments in Net Investment Hedge Relationships		
Foreign currency short-term borrowings		
Recognized in OID[a]	**$ —**	$ —
Recognized in OCI[a], [c]	**(241)**	54
Foreign currency long-term debt		
Recognized in OID[a]	**—**	—
Recognized in OCI[a], [c]	**(91)**	52

[a] OID = Other (income)/deductions—net. OCI = *Other comprehensive income/(loss)*, included in the balance sheet account *Accumulated other comprehensive (loss)/income*.

[b] Also includes gains and losses attributable to the hedged risk.

[c] Amounts presented represent the effective portion of the gain or loss. For derivative financial instruments in cash flow hedge relationships, the effective portion is included in *Other comprehensive income/(loss)—Net unrealized gains/(losses) on derivative financial instruments*. For derivative financial instruments in net investment hedge relationships and for foreign currency debt designated as hedging instruments, the effective portion is included in *Other comprehensive income/(loss)—Currency translation adjustment and other.*

For information about the fair value of our derivative financial instruments, and the impact on our consolidated balance sheet, see *Note 9A. Financial Instruments: Selected Financial Assets and Liabilities.* Certain of our derivative instruments are covered by associated credit-support agreements that have credit-risk-related contingent features designed to reduce our counterparties' exposure to our risk of defaulting on amounts owed. The aggregate fair value of these derivative instruments that are in a liability position is $628 million, for which we have posted collateral of $452 million in the normal course of business. These features include the requirement to pay additional collateral in the event of a downgrade in our debt ratings. If there had been a downgrade to below an A rating by S&P or the equivalent rating by Moody's Investors Service, on December 31, 2010, we would have been required to post an additional $194 million of collateral to our counterparties. The collateral advanced receivables are reported in *Cash and cash equivalents.*

F. Credit Risk

On an ongoing basis, we review the creditworthiness of counterparties to our foreign exchange and interest rate agreements and do not expect to incur a significant loss from failure of any counterparties to perform under the agreements. There are no significant concentrations of credit risk related to our financial instruments with any individual counterparty. As of December 31, 2010, we had $2.7 billion due from a well-diversified, highly rated group (S&P ratings of primarily A+ or better) of bank counterparties around the world. See *Note 9B. Financial Instruments: Investment in Debt and Equity Securities* for a distribution of our investments.

In general, there is no requirement for collateral from customers. However, derivative financial instruments are executed under master netting agreements with financial institutions. These agreements contain provisions that provide for the ability for collateral payments, depending on levels of exposure, our credit rating and the credit rating of the counterparty. As of December 31, 2010, we received cash collateral of $300 million against various counterparties. The collateral primarily supports the approximate fair value of our derivative contracts. The collateral received obligations are reported in *Short-term borrowings, including current portion of long-term debt.*

G. Guarantee

On April 15, 2010, Wyeth LLC (Wyeth), a wholly owned subsidiary of Pfizer Inc. (Pfizer), entered into the Tenth Amendment (Tenth Amendment) to the 1999 Diet Drug Nationwide Settlement Agreement (Settlement Agreement) related to the litigation against Wyeth concerning its former weight-loss products, Redux and Pondimin. Pursuant to the Tenth Amendment, Pfizer entered into an agreement to guarantee Wyeth's obligation to make certain payments under the Settlement Agreement up to a maximum amount of $1.5 billion (Guarantee). The Guarantee, which went into effect on July 12, 2010, will remain in effect until the termination of Wyeth's long-term obligation to make such payments. This Guarantee also had the effect of releasing approximately $575 million from a money market fund held in escrow to secure these Wyeth obligations.

10. Inventories

The components of inventories follow:

	AS OF DECEMBER 31,	
(MILLIONS OF DOLLARS)	**2010**	2009
Finished goods	**$3,760**	$ 5,249
Work-in-process	**3,733**	5,776
Raw materials and supplies	**912**	1,378
Total inventories[a], [b]	**$8,405**	$12,403

[a] The decrease in total inventories is primarily due to the inventory sold during 2010 that was acquired from Wyeth and had been recorded at fair value, as well as operational reductions and the impact of foreign exchange. Also, in the third quarter of 2010, we recorded, in *Cost of sales,* a write-off of inventory of $212 million (which includes a purchase accounting fair value adjustment of $104 million) primarily related to Biopharmaceutical inventory acquired as part of our acquisition of Wyeth that became unusable after the acquisition date.

[b] Certain amounts of inventories are in excess of one year's supply. These excess amounts are primarily attributable to biologics inventory acquired from Wyeth at fair value and the quantities are generally consistent with the normal operating cycle of such inventory. There are no recoverability issues associated with these quantities.

11. Property, Plant and Equipment

The major categories of property, plant and equipment follow:

		AS OF DECEMBER 31,	
(MILLIONS OF DOLLARS)	USEFUL LIVES (YEARS)	**2010**	2009
Land	—	**$ 803**	$ 937
Buildings	33 ⅓-50	**13,405**	14,186
Machinery and equipment	8-20	**12,335**	12,236
Furniture, fixtures and other	3-12 ½	**4,720**	4,599
Construction in progress	—	**1,035**	1,966
		32,298	33,924
Less: Accumulated depreciation		**13,175**	11,144
Total property, plant and equipment		**$19,123**	$22,780

12. Goodwill and Other Intangible Assets

A. Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2010 and 2009 follow:

(MILLIONS OF DOLLARS)	BIOPHARMACEUTICAL	DIVERSIFIED	OTHER[a]	TOTAL
Balance as of January 1, 2009	$21,317	$ 147	$ —	$21,464
Additions	—	—	19,954	19,954
Other[c]	848	26	84	958
Balance, December 31, 2009	$22,165	$ 173	$ 20,038	$42,376
Additions	72	19	2,163[b]	2,254
Other[c]	(480)	(14)	(189)	(683)
Allocation of Other goodwill[a]	19,226	2,786	(22,012)	—
Balance as of December 31, 2010	**$40,983**	**$2,964**	**$ —**	**$43,947**

[a] The *Other* goodwill relates to our acquisition of Wyeth that was unallocated and subject to change until we completed the recording of the assets acquired and liabilities assumed from Wyeth (see *Note 2. Acquisition of Wyeth*).

[b] Reflects the impact of measurement period adjustments (see *Note 2. Acquisition of Wyeth*).

[c] Primarily reflects the impact of foreign exchange. In 2009, the impact of foreign exchange was partially offset by a reduction of approximately $150 million in Biopharmaceutical in connection with the formation of ViiV (see *Note 3E. Other Significant Transactions and Events: Equity-Method Investments* for additional information).

B. Other Intangible Assets

The components of identifiable intangible assets, primarily included in our Biopharmaceutical segment, follow:

	AS OF DECEMBER 31,					
	2010			2009		
(MILLIONS OF DOLLARS)	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	IDENTIFIABLE INTANGIBLE ASSETS, LESS ACCUMULATED AMORTIZATION	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	IDENTIFIABLE INTANGIBLE ASSETS, LESS ACCUMULATED AMORTIZATION
Finite-lived intangible assets[a]:						
Developed technology rights	**$68,432**	**$(26,223)**	**$42,209**	$68,870	$(21,223)	$47,647
Brands	**1,626**	**(607)**	**1,019**	1,637	(535)	1,102
License agreements	**637**	**(248)**	**389**	622	(119)	503
Trademarks	**107**	**(74)**	**33**	113	(73)	40
Other	**429**	**(250)**	**179**	488	(231)	257
Total amortized finite-lived intangible assets	**71,231**	**(27,402)**	**43,829**	71,730	(22,181)	49,549
Indefinite-lived intangible assets:						
Brands[b]	**10,219**	**—**	**10,219**	12,562	—	12,562
In-process research and development[b]	**3,438**	**—**	**3,438**	5,834	—	5,834
Trademarks	**72**	**—**	**72**	70	—	70
Total indefinite-lived intangible assets	**13,729**	**—**	**13,729**	18,466	—	18,466
Total identifiable intangible assets	**$84,960**	**$(27,402)**	**$57,558**	$90,196	$(22,181)	$68,015

[a] The decrease in total Finite-lived intangible assets is primarily related to amortization, the impact of measurement period adjustments (see *Note 2. Acquisition of Wyeth*), asset impairment charges (see *Note 3B. Other Significant Transactions and Events: Asset Impairment Charges* and *Note 6. Other (Income)/Deductions—Net*) and the impact of foreign exchange.

[b] The decrease in Indefinite-lived Brands and IPR&D assets reflects the impact of measurement period adjustments (see *Note 2. Acquisition of Wyeth*) and asset impairment charges (see *Note 3B. Other Significant Transactions and Events: Asset Impairment Charges* and *Note 6. Other (Income)/Deductions—Net*). For IPR&D assets, the decrease was partially offset by the addition of the IPR&D asset acquired as part of our acquisition of FoldRx (*Note 3D. Other Significant Transactions and Events: Acquisitions).*

All of these assets are subject to our review for impairment, as explained in *Note 1L. Significant Accounting Policies: Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets*. For additional information on intangible asset impairments recorded in 2010 and 2009, see *Note 3B. Other Significant Transactions and Events: Asset Impairment Charges* and *Note 6. Other (Income)/Deductions—Net*.

Developed Technology Rights

Developed technology rights represent the amortized cost associated with developed technology, which has been acquired from third parties and which can include the right to develop, use, market, sell and/or offer for sale the product, compounds and intellectual property that we have acquired with respect to products, compounds and/or processes that have been completed. We possess a well-diversified portfolio of hundreds of developed technology rights across therapeutic categories, primarily representing the commercialized products included in our Biopharmaceutical segment. Virtually all of these assets were acquired in connection with our Wyeth acquisition in 2009 and our Pharmacia acquisition in 2003. The more significant components of developed technology rights are the following (in order of significance): Enbrel and Prevnar/Prevenar 13 Infant and, to a lesser extent, Premarin, Celebrex, Effexor, Pristiq, Tygacil, BMP-2, BeneFIX, Refacto and Genotropin.

Also included in this category are the post-approval milestone payments made under our alliance agreements for certain Biopharmaceutical products, such as Rebif and Spiriva.

Brands

Brands represent the amortized or unamortized cost associated with tradenames and know-how, as the products themselves do not receive patent protection. Most of these assets are associated with our Diversified segment. Virtually all of these assets were acquired in connection with our Wyeth acquisition in 2009 and our Pharmacia acquisition in 2003. The more significant components of indefinite-lived brands are the following (in order of significance): Advil, Xanax, Centrum, Medrol, 1st Age Nutrition and 2nd Age Nutrition. The more significant components of finite-lived brands are the following (in order of significance): Depo-Provera, Advil Cold and Sinus, and Dimetapp.

In-Process Research and Development

IPR&D assets represent research and development assets that have not yet received regulatory approval and are required to be classified as indefinite-lived assets until the successful completion or the abandonment of the associated research and development effort. Accordingly, during the development period after the date of acquisition, these assets will not be amortized until approval is obtained in a major market, typically either the U.S. or the EU, or in a series of other countries, subject to certain specified conditions and management judgment. At that time, we will determine the useful life of the asset, reclassify the asset out of in-process research and development and begin amortization. In 2009, Prevnar/Prevenar 13 Infant received regulatory approval in a major market, and as a result, we reclassified the asset from IPR&D to Developed Technology Rights and began to amortize the asset.

If the associated research and development effort is abandoned, the related IPR&D assets will likely be written-off, and we will record an impairment loss in our consolidated statements of income.

For IPR&D assets, the risk of failure is significant and there can be no certainty that these assets ultimately will yield a successful product. The nature of the biopharmaceutical business is high-risk and requires that we invest in a large number of projects with a goal of achieving a successful portfolio of approved products. As such, it is likely that many of these IPR&D assets will become impaired and be written-off at some time in the future.

The majority of these IPR&D assets were acquired in connection with our acquisition of Wyeth. The more significant components of IPR&D are Prevnar/Prevenar 13 Adult and, to a lesser extent, projects for the treatment of transthyretin amyloid polyneuropathy (ATTR-PN) and Rheumatoid Arthritis, among others.

Amortization

The weighted-average life of both our total finite-lived intangible assets and our developed technology rights is approximately 11 years. Total amortization expense for finite-lived intangible assets was $5.5 billion in 2010, $3.0 billion in 2009 and $2.8 billion in 2008.

The annual amortization expense expected for the years 2011 through 2015 is as follows:

(MILLIONS OF DOLLARS)	2011	2012	2013	2014	2015
Amortization expense	$5,504	$5,320	$4,889	$4,025	$3,572

13. Pension and Postretirement Benefit Plans and Defined Contribution Plans

We provide defined benefit pension plans and defined contribution plans for the majority of our employees worldwide. In the U.S., we have both qualified and supplemental (non-qualified) defined benefit plans. A qualified plan meets the requirements of certain sections of the Internal Revenue Code, and, generally, contributions to qualified plans are tax deductible. A qualified plan typically provides benefits to a broad group of employees with restrictions on discriminating in favor of highly compensated employees with regard to coverage, benefits and contributions. A supplemental (non-qualified) plan provides additional benefits to certain employees. In addition, we provide medical and life insurance benefits to certain retirees and their eligible dependents through our postretirement plans. In 2009, we assumed all of Wyeth's defined benefit obligations and related plan assets for qualified and non-qualified pension plans and postretirement plans in connection with our acquisition of Wyeth (see *Note 2. Acquisition of Wyeth).*

Beginning on January 1, 2011, for employees hired in the U.S. and Puerto Rico after December 31, 2010, we no longer offer a defined benefit plan and, instead, offer an enhanced benefit under our defined contribution plan. In addition to the standard matching contribution by the Company, the enhanced benefit provides an automatic Company contribution for such employees based on age and years of service.

A. Components of Net Periodic Benefit Costs and Other Amounts Recognized in Other Comprehensive (Income)/Loss

The annual cost and other amounts recognized in other comprehensive (income)/loss of the U.S. qualified, U.S. supplemental (non-qualified) and international pension plans and postretirement plans follow:

	YEAR ENDED DECEMBER 31,											
	PENSION PLANS									POSTRETIREMENT PLANS		
	U.S. QUALIFIED			U.S. SUPPLEMENTAL (NON-QUALIFIED)			INTERNATIONAL					
(MILLIONS OF DOLLARS)	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Service cost[a]	**$ 347**	$ 252	$ 236	**$ 28**	$ 24	$ 23	**$ 231**	$ 188	$ 249	**$ 79**	$ 39	$ 39
Interest cost[a]	**740**	526	459	**77**	53	38	**427**	342	388	**211**	145	141
Expected return on plan assets[a]	**(782)**	(527)	(646)	**—**	—	—	**(435)**	(375)	(437)	**(31)**	(26)	(35)
Amortization of:												
Actuarial losses	**151**	212	32	**29**	31	29	**67**	30	43	**15**	18	28
Prior service costs/(credits)	**2**	2	3	**(2)**	(2)	(2)	**(5)**	(3)	1	**(38)**	(3)	1
Curtailments and settlements—net	**(52)**	110	32	**1**	(2)	120	**(3)**	4	3	**(23)**	(3)	10
Special termination benefits	**73**	61	30	**180**	137	—	**6**	8	25	**19**	24	17
Net periodic benefit costs	**479**	636	146	**313**	241	208	**288**	194	272	**232**	194	201
Other changes recognized in other comprehensive (income)/loss[b]	**260**	(783)	2,273	**117**	(23)	(52)	**152**	1,000	415	**(183)**	(122)	(140)
Total recognized in net periodic benefit costs and other comprehensive (income)/loss	**$ 739**	$(147)	$2,419	**$430**	$218	$156	**$ 440**	$1,194	$ 687	**$ 49**	$ 72	$ 61

[a] The acquisition of Wyeth during fourth quarter 2009 contributed to the increase in certain components of net periodic benefit costs, such as service cost and interest cost, which was largely offset by higher expected returns on plan assets during 2010 from the inclusion of the Wyeth plan assets.
[b] For details, see *Note 8. Other Comprehensive Income/(Loss)*.

The decrease in the 2010 U.S. qualified pension plans' net periodic benefit costs compared to 2009 was largely driven by curtailment gains and lower settlement charges associated with Wyeth-related restructuring initiatives. The increase in the 2009 U.S. qualified pension plans' net periodic benefit costs compared to 2008 was largely driven by the securities market downturn during 2008 and by charges resulting from employee terminations associated with our cost-reduction initiatives. The securities market downturn during 2008 contributed to a lower plan asset base and higher actuarial losses recognized.

The increase in the 2010 U.S. supplemental (non-qualified) plans' net periodic benefit costs compared to 2009 was primarily driven by special termination benefits recognized for certain executives as part of ongoing Wyeth-related restructuring initiatives. The increase in the 2009 U.S. supplemental (non-qualified) plans' net periodic benefit costs compared to 2008 was largely driven by the impact of special termination benefits recognized for certain executives as part of Wyeth-related restructuring initiatives, which was largely offset by lower settlement charges

The increase in the 2010 international plans' net periodic benefit costs compared to 2009 was primarily driven by changes to actuarial assumptions, which include a decrease in the discount rate. The decrease in the 2009 international plans' net periodic benefit costs compared to 2008 was largely driven by an increase in interest rates set at the beginning of the year and ongoing restructuring and certain acquisition-related activities, which was partially offset by lower expected returns on plan assets.

The following table presents the amount in *Accumulated other comprehensive (loss)/income* expected to be amortized into 2011 net periodic benefit costs:

	PENSION PLANS			
(MILLIONS OF DOLLARS)	U.S. QUALIFIED	U.S. SUPPLEMENTAL (NON-QUALIFIED)	INTERNATIONAL	POSTRETIREMENT PLANS
Actuarial losses	$(141)	$(38)	$(84)	$(17)
Prior service credits and other	8	3	5	56
Total	$(133)	$(35)	$(79)	$ 39

B. Actuarial Assumptions

The following table provides the weighted-average actuarial assumptions:

(PERCENTAGES)	2010	2009	2008
Weighted-average assumptions used to determine benefit obligations:			
Discount rate:			
U.S. qualified pension plans	**5.9%**	6.3%	6.4%
U.S. non-qualified pension plans	**5.8**	6.2	6.4
International pension plans	**4.8**	5.1	5.6
Postretirement plans	**5.6**	6.0	6.4
Rate of compensation increase:			
U.S. qualified pension plans	**4.0**	4.0	4.3
U.S. non-qualified pension plans	**4.0**	4.0	4.3
International pension plans	**3.5**	3.6	3.2
Weighted-average assumptions used to determine net periodic benefit cost:			
Discount rate:			
U.S. qualified pension plans	**6.3**	6.4	6.5
U.S. non-qualified pension plans	**6.2**	6.4	6.5
International pension plans	**5.1**	5.6	5.3
Postretirement plans	**6.0**	6.4	6.5
Expected return on plan assets:			
U.S. qualified pension plans	**8.5**	8.5	8.5
International pension plans	**6.4**	6.7	7.2
Postretirement plans	**8.5**	8.5	8.5
Rate of compensation increase:			
U.S. qualified pension plans	**4.0**	4.3	4.5
U.S. non-qualified pension plans	**4.0**	4.3	4.5
International pension plans	**3.6**	3.2	3.3

The assumptions above are used to develop the benefit obligations at fiscal year-end and to develop the net periodic benefit cost for the subsequent fiscal year. Therefore, the assumptions used to determine net periodic benefit cost for each year are established at the end of each previous year, while the assumptions used to determine benefit obligations are established at each year-end.

The net periodic benefit cost and the benefit obligations are based on actuarial assumptions that are reviewed on an annual basis. We revise these assumptions based on an annual evaluation of long-term trends, as well as market conditions that may have an impact on the cost of providing retirement benefits.

The expected rates of return on plan assets for our U.S. qualified, international and postretirement plans represent our long-term assessment of return expectations, which we may change based on shifts in economic and financial market conditions. The 2010 expected rates of return for these plans reflect our long-term outlook for a globally diversified portfolio, which is influenced by a combination of return expectations for individual asset classes, actual historical experience and our diversified investment strategy. The historical returns are one of the inputs used to provide context for the development of our expectations for future returns. Using this information, we develop ranges of returns for each asset class and a weighted-average expected return for our targeted portfolio, which includes the impact of portfolio diversification and active portfolio management.

The healthcare cost trend rate assumptions for our U.S. postretirement benefit plans are as follows:

(PERCENTAGES)	2010	2009
Healthcare cost trend rate assumed for next year	**8.0%**	8.6%
Rate to which the cost trend rate is assumed to decline	**4.5**	5.0
Year that the rate reaches the ultimate trend rate	**2027**	2018

A one-percentage-point increase or decrease in the healthcare cost trend rate assumed for postretirement benefits would have the following effects as of December 31, 2010:

(MILLIONS OF DOLLARS)	INCREASE	DECREASE
Effect on total service and interest cost components	$ 28	$ (24)
Effect on postretirement benefit obligation	272	(242)

C. Obligations and Funded Status

The following table presents an analysis of the changes in 2010 and 2009 in the benefit obligations, plan assets and accounting funded status of our U.S. qualified, U.S. supplemental (non-qualified) and international pension plans and our postretirement plans:

	YEAR ENDED DECEMBER 31,							
	PENSION PLANS							
	U.S. QUALIFIED		U.S. SUPPLEMENTAL (NON-QUALIFIED)		INTERNATIONAL		POSTRETIREMENT PLANS	
(MILLIONS OF DOLLARS)	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Change in benefit obligation:								
Benefit obligation at beginning of year[a]	**$12,578**	$ 7,783	**$ 1,368**	$ 876	**$ 9,062**	$ 5,851	**$ 3,733**	$ 1,966
Service cost	**347**	252	**28**	24	**231**	188	**79**	39
Interest cost	**740**	526	**77**	53	**427**	342	**211**	145
Employee contributions	**—**	—	**—**	—	**18**	12	**22**	49
Plan amendments	**(47)**	(1)	**(6)**	—	**(2)**	(2)	**(495)**	(151)
Increases arising primarily from changes in actuarial assumptions	**980**	9	**180**	33	**362**	1,136	**281**	108
Foreign exchange impact	**—**	—	**—**	—	**(504)**	844	**4**	10
Acquisitions[a]	**1**	4,785	**(1)**	364	**10**	1,062	**—**	1,798
Curtailments	**(233)**	(196)	**(29)**	(29)	**(33)**	(25)	**1**	(26)
Settlements	**(904)**	(325)	**(235)**	(32)	**(54)**	(53)	**—**	—
Special termination benefits	**73**	61	**180**	137	**6**	8	**19**	24
Benefits paid	**(500)**	(316)	**(161)**	(58)	**(376)**	(301)	**(273)**	(229)
Benefit obligation at end of year[b]	**13,035**	12,578	**1,401**	1,368	**9,147**	9,062	**3,582**	3,733
Change in plan assets:								
Fair value of plan assets at beginning of year[a]	**9,977**	5,897	**—**	—	**6,524**	4,394	**370**	303
Actual gain on plan assets	**1,123**	800	**—**	—	**454**	646	**46**	67
Company contributions	**901**	2	**396**	90	**457**	448	**249**	180
Employee contributions	**—**	—	**—**	—	**18**	12	**22**	49
Foreign exchange impact	**—**	—	**—**	—	**(314)**	574	**—**	—
Acquisitions[a]	**—**	3,919	**—**	—	**—**	804	**—**	—
Settlements	**(905)**	(325)	**(235)**	(32)	**(54)**	(53)	**—**	—
Benefits paid	**(500)**	(316)	**(161)**	(58)	**(376)**	(301)	**(273)**	(229)
Fair value of plan assets at end of year	**10,596**	9,977	**—**	—	**6,709**	6,524	**414**	370
Funded status—Plan assets less than the benefit obligation at end of year	**$ (2,439)**	$ (2,601)	**$(1,401)**	$(1,368)	**$(2,438)**	$(2,538)	**$(3,168)**	$(3,363)

[a] The increase in the benefit obligation and the fair value of plan assets at the beginning of the year in 2010 is primarily due to the acquisition of Wyeth during 2009 (see *Note 2. Acquisition of Wyeth*, for additional information).

[b] For the U.S. and international pension plans, the benefit obligation is the projected benefit obligation. For the postretirement plans, the benefit obligation is the accumulated postretirement benefit obligation.

The favorable change in our U.S. qualified plans' projected benefit obligations funded status from $2.6 billion underfunded in the aggregate as of December 31, 2009, to $2.4 billion underfunded in the aggregate as of December 31, 2010, was largely driven by the increase in plan assets due to the higher return on plan assets earned during 2010 and our $901 million contribution to plan assets, which was partially offset by higher costs incurred from the acquired Wyeth defined benefit obligations and the 0.4 percentage-point reduction in the discount rate. Voluntary contributions to our U.S. qualified plans were $901 million in 2010 and $2 million in 2009. In the aggregate, the U.S. qualified pension plans are underfunded on a projected benefit measurement basis and on an accumulated benefit obligation basis as of December 31, 2010 and 2009.

The U.S. supplemental (non-qualified) pension plans are not generally funded and these obligations, which are substantially greater than the annual cash outlay for these liabilities, are paid from cash generated from operations.

The favorable change in our international plans' projected benefit obligations funded status from $2.5 billion underfunded in the aggregate as of December 31, 2009, to $2.4 billion underfunded in the aggregate as of December 31, 2010, was largely driven by a 0.1 percentage-point reduction in the average rate of compensation increases and strengthening of the U.S. dollar against the euro and the U.K. pound, which was partially offset by a 0.3 percentage-point reduction in the discount rate and higher costs incurred from the acquired Wyeth defined benefit obligations. Outside the U.S., in general, we fund our defined benefit plans to the extent that tax or other incentives exist and we have accrued liabilities on our consolidated balance sheet to reflect those plans that are not fully funded.

The favorable change in our postretirement plans' accumulated benefit obligations (ABO) funded status from $3.4 billion underfunded in the aggregate as of December 31, 2009, to $3.2 billion underfunded in the aggregate as of December 31, 2010, was largely driven by the harmonization of the Wyeth postretirement benefit plan into the existing lower-cost Pfizer postretirement benefit plan, which was partially offset by higher costs incurred from the acquired Wyeth defined benefit obligations and the 0.4 percentage-point reduction in discount rate.

The ABO for all of our U.S. qualified pension plans was $12.0 billion in 2010 and $11.4 billion in 2009. The ABO for our U.S. supplemental (non-qualified) pension plans was $1.2 billion in 2010 and 2009. The ABO for our international pension plans was $8.1 billion in 2010 and $8.0 billion in 2009.

The U.S. qualified pension plans loan securities to other companies. Such securities may be onward loaned, sold or pledged by the other companies, but they may be required to be returned in a short period of time. We also require cash collateral from these companies and a maintenance margin of 103% of the fair value of the collateral relative to the fair value of the loaned securities. As of December 31, 2010, the fair value of collateral received was $581 million and, as of December 31, 2009, the fair value of collateral received was $722 million. The securities loaned continue to be included in the table above in *Fair value of plan assets at end of year*.

Amounts recognized in our consolidated balance sheet follow:

	AS OF DECEMBER 31,							
	PENSION PLANS							
	U.S. QUALIFIED		U.S. SUPPLEMENTAL (NON-QUALIFIED)		INTERNATIONAL		POSTRETIREMENT PLANS	
(MILLIONS OF DOLLARS)	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Noncurrent assets[a]	**$ —**	$ —	**$ —**	$ —	**$ 119**	$ 146	**$ —**	$ —
Current liabilities[b]	**—**	—	**(155)**	(203)	**(41)**	(58)	**(133)**	(120)
Noncurrent liabilities[c]	**(2,439)**	(2,601)	**(1,246)**	(1,165)	**(2,516)**	(2,626)	**(3,035)**	(3,243)
Funded status	**$(2,439)**	$(2,601)	**$(1,401)**	$(1,368)	**$(2,438)**	$(2,538)	**$(3,168)**	$(3,363)

[a] Included primarily in *Taxes and other noncurrent assets*.
[b] Included in O*ther current liabilities*.
[c] Included in *Pension benefit obligations* and *Postretirement benefit obligations,* as appropriate.

Amounts recognized in *Accumulated other comprehensive (loss)/income* follow:

	AS OF DECEMBER 31,							
	PENSION PLANS							
	U.S. QUALIFIED		U.S. SUPPLEMENTAL (NON-QUALIFIED)		INTERNATIONAL		POSTRETIREMENT PLANS	
(MILLIONS OF DOLLARS)	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Actuarial losses	**$(2,699)**	$(2,391)	**$(525)**	$(405)	**$(2,388)**	$(2,231)	**$(451)**	$(226)
Prior service (costs)/credits and other	**63**	15	**21**	18	**(18)**	(23)	**581**	173
Total	**$(2,636)**	$(2,376)	**$(504)**	$(387)	**$(2,406)**	$(2,254)	**$ 130**	$ (53)

The actuarial losses primarily represent the cumulative difference between the actuarial assumptions and actual return on plan assets, changes in discount rates and changes in other assumptions used in measuring the benefit obligations. These actuarial losses are recognized in *Accumulated other comprehensive (loss)/income* and are amortized into net periodic pension costs over an average period of 10.1 years for our U.S. qualified plans, an average period of 10.6 years for our U.S. supplemental (non-qualified) plans and an average period of 13.7 years for our international plans.

Information related to the U.S. qualified, U.S. supplemental (non-qualified) and international pension plans follows:

	AS OF DECEMBER 31,					
	PENSION PLANS					
	U.S. QUALIFIED		U.S. SUPPLEMENTAL (NON-QUALIFIED)		INTERNATIONAL	
(MILLIONS OF DOLLARS)	**2010**	2009	**2010**	2009	**2010**	2009
Pension plans with an accumulated benefit obligation in excess of plan assets:						
Fair value of plan assets	**$10,596**	$ 9,792	**$ —**	$ —	**$2,235**	$1,796
Accumulated benefit obligation	**11,953**	11,218	**1,177**	1,246	**4,082**	3,725
Pension plans with a projected benefit obligation in excess of plan assets:						
Fair value of plan assets	**10,596**	9,977	**—**	—	**5,739**	5,332
Projected benefit obligation	**13,035**	12,578	**1,401**	1,368	**8,296**	8,016

All of our U.S. plans were underfunded as of December 31, 2010.

D. Plan Assets

Information about plan assets as of December 31, 2010 follows:

(MILLIONS OF DOLLARS)	AS OF DECEMBER 31, 2010	FAIR VALUE[a] LEVEL 1	LEVEL 2	LEVEL 3
U.S. qualified pension plans[a]:				
Cash and cash equivalents	**$ 1,196**	$ —	$1,196	$ —
Equity securities:				
Global equity securities	**2,766**	2,765	—	1
Equity commingled funds	**1,708**	—	1,708	—
Debt securities:				
Fixed income commingled funds	**817**	—	817	—
Government bonds	**660**	—	660	—
Corporate debt securities	**2,085**	—	2,083	2
Other investments:				
Private equity funds	**899**	—	—	899
Other	**465**	—	—	465
Total	**10,596**	2,765	6,464	1,367
International pension plans[a]:				
Cash and cash equivalents	**518**	—	518	—
Equity securities:				
Global equity securities	**1,458**	1,166	292	—
Equity commingled funds	**1,886**	—	1,886	—
Debt securities:				
Fixed income commingled funds	**804**	—	804	—
Government bonds	**933**	—	933	—
Corporate debt securities	**376**	—	376	—
Other investments:				
Private equity funds	**21**	—	4	17
Insurance contracts	**439**	—	73	366
Other	**274**	—	59	215
Total	**6,709**	1,166	4,945	598
U.S. postretirement plans[a],[b]:				
Cash and cash equivalents	**46**	—	46	—
Equity securities:				
Global equity securities	**29**	29	—	—
Equity commingled funds	**183**	—	183	—
Debt securities:				
Fixed income commingled funds	**116**	—	116	—
Government bonds	**7**	—	7	—
Corporate debt securities	**21**	—	21	—
Other investments	**12**	—	12	—
Total	**$ 414**	$ 29	$ 385	$ —

[a] Fair values are determined based on valuation techniques categorized as follows: Level 1 means the use of quoted prices for identical instruments in active markets; Level 2 means the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; Level 3 means the use of unobservable inputs.
[b] Reflects postretirement plan assets, which support a portion of our U.S. retiree medical plans.

Information about plan assets as of December 31, 2009 follows:

(MILLIONS OF DOLLARS)	AS OF DECEMBER 31, 2009	FAIR VALUE[a] LEVEL 1	LEVEL 2	LEVEL 3
U.S. qualified pension plans[a]:				
Cash and cash equivalents	$ 605	$ —	$ 605	$ —
Equity securities:				
Global equity securities	3,034	3,009	16	9
Equity commingled funds	1,670	—	1,670	—
Debt securities:				
Fixed income commingled funds	791	—	791	—
Government bonds	526	—	500	26
Corporate debt securities	2,054	—	2,039	15
Other investments:				
Private equity funds	843	—	—	843
Other	454	—	—	454
Total	9,977	3,009	5,621	1,347
International pension plans[a]:				
Cash and cash equivalents	402	—	402	—
Equity securities:				
Global equity securities	1,570	1,430	107	33
Equity commingled funds	1,682	—	1,662	20
Debt securities:				
Fixed income commingled funds	1,081	—	1,081	—
Government bonds	977	—	977	—
Corporate debt securities	149	—	144	5
Other investments:				
Private equity funds	39	—	5	34
Insurance contracts	411	—	65	346
Other	213	—	86	127
Total	6,524	1,430	4,529	565
U.S. postretirement plans[a],[b]:				
Cash and cash equivalents	35	—	35	—
Equity securities:				
Global equity securities	25	25	—	—
Equity commingled funds	163	—	163	—
Debt securities:				
Fixed income commingled funds	99	—	99	—
Government bonds	7	—	7	—
Corporate debt securities	26	—	26	—
Other investments	15	—	15	—
Total	$ 370	$ 25	$ 345	$ —

[a] Fair values are determined based on valuation techniques categorized as follows: Level 1 means the use of quoted prices for identical instruments in active markets; Level 2 means the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; Level 3 means the use of unobservable inputs.

[b] Reflects postretirement plan assets, which support a portion of our U.S. retiree medical plans.

The details of our plan assets classified as Level 3 assets, including an analysis of changes during 2010, are as follows:

(MILLIONS OF DOLLARS)	FAIR VALUE, BEGINNING OF YEAR	ACTUAL RETURN ON PLAN ASSETS: ASSETS HELD, END OF YEAR	ACTUAL RETURN ON PLAN ASSETS: ASSETS SOLD DURING THE PERIOD	PURCHASES, SALES AND SETTLEMENTS, NET	TRANSFER INTO/(OUT OF) LEVEL 3	EXCHANGE RATE CHANGES	FAIR VALUE, END OF YEAR
U.S. qualified pension plans:							
Equity securities:							
Global equity securities	$ 9	$ 2	$ (3)	$ (1)	$ (6)	$ —	$ 1
Debt securities:							
Government bonds	26	(1)	2	(23)	(4)	—	—
Corporate debt securities	15	1	—	(8)	(6)	—	2
Other investments:							
Private equity funds	843	45	42	(31)	—	—	899
Other	454	21	—	(10)	—	—	465
Total	**$1,347**	**$68**	**$41**	**$(73)**	**$(16)**	**$ —**	**$1,367**
International pension plans:							
Equity securities:							
Global equity securities	$ 33	$ (2)	$ (1)	$(28)	$ —	$ (2)	$ —
Equity commingled funds	20	—	—	—	(19)	(1)	—
Debt securities:							
Corporate debt securities	5	(1)	—	(1)	(3)	—	—
Other investments:							
Private equity funds	34	(2)	—	1	(14)	(2)	17
Insurance contracts	346	12	—	(10)	52	(34)	366
Other	127	(3)	—	37	58	(4)	215
Total	**$ 565**	**$ 4**	**$ (1)**	**$ (1)**	**$ 74**	**$(43)**	**$ 598**

The details of our plan assets classified as Level 3 assets, including an analysis of changes during 2009, are as follows:

(MILLIONS OF DOLLARS)	FAIR VALUE, BEGINNING OF YEAR	ACTUAL RETURN ON PLAN ASSETS: ASSETS HELD, END OF YEAR	ACTUAL RETURN ON PLAN ASSETS: ASSETS SOLD DURING THE PERIOD	PURCHASES, SALES AND SETTLEMENTS, NET	TRANSFER INTO/(OUT OF) LEVEL 3	EXCHANGE RATE CHANGES	FAIR VALUE, END OF YEAR
U.S. qualified pension plans:							
Equity securities:							
Global equity securities	$ 4	$ 2	$ (2)	$ 5	$—	$—	$ 9
Debt securities:							
Government bonds	27	1	—	(2)	—	—	26
Corporate debt securities	26	1	(1)	(11)	—	—	15
Other investments:							
Private equity funds	821	(44)	19	47	—	—	843
Other	356	(21)	3	116	—	—	454
Total	$1,234	$(61)	$ 19	$155	$—	$—	$1,347
International pension plans:							
Equity securities:							
Global equity securities	$ 72	$ 15	$(25)	$ (32)	$—	$ 3	$ 33
Equity commingled funds	29	(5)	—	(6)	—	2	20
Debt securities:							
Corporate debt securities	4	—	—	(1)	2	—	5
Other investments:							
Private equity funds	26	(4)	—	8	—	4	34
Insurance contracts	309	11	—	(30)	6	50	346
Other	122	(10)	—	—	4	11	127
Total	$ 562	$ 7	$(25)	$ (61)	$12	$70	$ 565

As of December 31, 2010 and 2009, the following methods and assumptions were used to estimate the fair value of our pension and postretirement plans' assets:

- Cash and cash equivalents, Equity commingled funds, Fixed-income commingled funds—observable prices.

- Global equity securities—quoted market prices.
- Government bonds, Corporate debt securities—observable market prices.
- Other investments—principally unobservable prices adjusted by cash contributions and distributions.

A single estimate of fair value for our pension and postretirement plans' assets relies heavily on estimates and assumptions (see *Note 1C. Significant Accounting Policies: Estimates and Assumptions*).

The following table presents the weighted-average long-term target asset allocations and the percentage of the fair value of plan assets for our U.S. qualified and international pension plans and postretirement plans by major investment category:

	AS OF DECEMBER 31,		
	TARGET ALLOCATION PERCENTAGE	PERCENTAGE OF PLAN ASSETS	
(PERCENTAGES)	**2010**	**2010**	2009
U.S. qualified pension plans:			
Cash and cash equivalents	**5**	**11.3**	6.1
Equity securities	**49**	**42.2**	47.1
Debt securities	**34**	**33.6**	33.8
Real estate and other investments	**12**	**12.9**	13.0
Total	**100**	**100.0**	100.0
International pension plans:			
Cash and cash equivalents	**—**	**7.7**	6.1
Equity securities	**53**	**49.8**	49.9
Debt securities	**31**	**31.6**	33.8
Real estate and other investments	**16**	**10.9**	10.2
Total	**100**	**100.0**	100.0
U.S. postretirement plans:			
Cash and cash equivalents	**2**	**11.0**	9.4
Equity securities	**57**	**51.0**	50.9
Debt securities	**38**	**34.6**	35.6
Real estate and other investments	**3**	**3.4**	4.1
Total	**100**	**100.0**	100.0

We utilize long-term asset allocation ranges in the management of our plans' invested assets. The weighted-average target allocation percentages in the preceding table represent our current target within the allocation range for each class of assets in our portfolio. Our long-term return expectations are developed based on a diversified, global investment strategy that takes into account historical experience, as well as the impact of portfolio diversification, active portfolio management, and our view of current and future economic and financial market conditions. As market conditions and other factors change, we may adjust our targets accordingly and our asset allocations may vary from the target allocations outlined above.

Our long-term asset allocation ranges reflect our asset class return expectations and tolerance for investment risk within the context of the respective plans' long-term benefit obligations. These ranges are supported by analysis that incorporates historical and expected returns by asset class, as well as volatilities and correlations across asset classes and our liability profile. This analysis, referred to as an asset-liability analysis, also provides an estimate of expected returns on plan assets, as well as a forecast of potential future asset and liability balances.

The plans' assets are managed with the objectives of minimizing pension expense and cash contributions over the long term. Asset liability studies are performed periodically in order to support asset allocations. Assets include equity and fixed income securities, as well as investments in private real estate, private debt and private equity.

The investment managers of each separately managed account are prohibited from investing in derivative securities except for currency risk management activities, which are permitted within the plans' non-U.S. asset classes, and derivatives to manage duration risk in the fixed income accounts.

Investment performance is reviewed on a monthly basis in total, as well as by asset class and individual manager, relative to one or more benchmarks. Investment performance and detailed statistical analysis of both investment performance and portfolio holdings are conducted, a large portion of which is presented to senior management on a quarterly basis. Periodic formal meetings are held with each investment manager to review the investments.

E. Cash Flows

It is our practice to fund amounts for our qualified pension plans that are at least sufficient to meet the minimum requirements set forth in applicable employee benefit laws and local tax laws.

The following table presents expected future cash flow information as of December 31, 2010:

	PENSION PLANS			
(MILLIONS OF DOLLARS)	U.S. QUALIFIED	U.S. SUPPLEMENTAL (NON-QUALIFIED)	INTERNATIONAL	POST RETIREMENT PLANS
Expected employer contributions:				
2011	$ 407	$ 99	$ 443	$ 254
Expected benefit payments:				
2011	$ 929	$155	$ 382	$ 293
2012	656	104	399	302
2013	695	103	406	310
2014	857	110	424	321
2015	770	116	448	328
2016–2020	4,653	702	2,509	1,742

The table reflects the total U.S. and international plan benefits projected to be paid from the plans or from our general assets under the current actuarial assumptions used for the calculation of the benefit obligation and, therefore, actual benefit payments may differ from projected benefit payments.

F. Defined Contribution Plans

We have savings and investment plans in several countries, including the U.S., Japan, Spain and the Netherlands. For the U.S. plans, employees may contribute a portion of their salaries and bonuses to the plans, and we match, largely in company stock or company stock units, a portion of the employee contributions. In the U.S., the matching contributions in company stock are sourced from the Employee Benefit Trust (see *Note 14D. Equity: Employee Benefit Trust*), as well as through open market purchases. Employees are permitted to subsequently diversify all or any portion of their company matching contribution. The contribution match for certain legacy Pfizer U.S. participants is held in an employee stock ownership plan. We recorded charges related to our plans of $259 million in 2010, $191 million in 2009 and $198 million in 2008.

14. Equity

A. Common Stock

During 2009, in connection with our acquisition of Wyeth on October 15, 2009 (see *Note 2. Acquisition of Wyeth*), we issued approximately 1.3 billion shares of common stock, which were previously held as Pfizer treasury stock, to former Wyeth shareholders to partially fund the acquisition. The excess of the average cost of Pfizer treasury stock issued over the fair value of the stock portion of the consideration transferred to acquire Wyeth was recorded as a reduction to *Retained Earnings*. We purchase our common stock via privately negotiated transactions or in open market purchases as circumstances and prices warrant. Purchased shares under each of the share-purchase plans, which are authorized by our Board of Directors, are available for general corporate purposes.

On June 23, 2005, we announced that the Board of Directors authorized a $5 billion share-purchase plan (the 2005 Stock Purchase Plan). On June 26, 2006, we announced that the Board of Directors increased the authorized amount of shares to be purchased under the 2005 Stock Purchase Plan from $5 billion to $18 billion. On January 23, 2008, we announced that the Board of Directors had authorized a new $5 billion share-purchase plan, to be funded by operating cash flows that may be utilized from time to time. In total, under the 2005 and 2008 Stock Purchase Plans, through December 31, 2010, we purchased approximately 771 million shares for approximately $19.0 billion. We purchased approximately 61 million shares of our common stock during 2010 at an average price per share of $16.46. We did not purchase any shares of our common stock in 2009 and, during 2008 we purchased approximately 26 million shares of our common stock at an average price per share of $18.96.

On February 1, 2011, we announced that the Board of Directors authorized a new $5 billion share-repurchase plan, which, together with the balance remaining under the 2008 Stock Purchase Plan, increased our total current authorization to $9 billion.

B. Preferred Stock

The Series A convertible perpetual preferred stock is held by an Employee Stock Ownership Plan (Preferred ESOP) Trust and provides dividends at the rate of 6.25%, which are accumulated and paid quarterly. The per share stated value is $40,300 and the preferred stock ranks senior to our common stock as to dividends and liquidation rights. Each share is convertible, at the holder's option, into 2,574.87 shares of our common stock with equal voting rights. The conversion option is indexed to our common stock and requires share settlement, and, therefore, is reported at the fair value at the date of issuance. We may redeem the preferred stock at any time or upon termination of the Preferred ESOP, at our option, in cash, in shares of common stock or, a combination of both at a price of $40,300 per share.

C. Employee Stock Ownership Plans

We have two employee stock ownership plans (collectively, the ESOPs), the Preferred ESOP and another that holds common stock of the company (Common ESOP). As of January 1, 2008, the legacy Pharmacia U.S. savings plan was merged with the Pfizer Savings Plan. Prior to the merger, a portion of the matching contributions for legacy Pharmacia U.S. savings plan participants was funded through the ESOPs.

Allocated shares held by the Common ESOP are considered outstanding for the earnings per share (EPS) calculations and the eventual conversion of allocated preferred shares held by the Preferred ESOP is assumed in the diluted EPS calculation. As of December 31, 2010, the Preferred ESOP held preferred shares with a stated value of approximately $52 million, convertible into approximately 3 million shares of our common stock. As of December 31, 2010, the Common ESOP held approximately 4 million shares of our common stock. As of December 31, 2010, all preferred and common shares held by the ESOPs have been allocated to the Pharmacia U.S. and certain Puerto Rico savings plan participants.

D. Employee Benefit Trust

The Pfizer Inc. Employee Benefit Trust (EBT) was established in 1999 to fund our employee benefit plans through the use of its holdings of Pfizer Inc. stock. Our consolidated balance sheets reflect the fair value of the shares owned by the EBT as a reduction of *Shareholders' equity.* Beginning in May 2009, the Company began using the shares held in the EBT to help fund the Company's matching contribution in the Pfizer Savings Plan.

15. Share-Based Payments

Our compensation programs can include share-based payments. In 2010, 2009 and 2008, the primary share-based awards and their general terms and conditions are as follows:

- Stock options, which, when vested, entitle the holder to purchase a specified number of shares of Pfizer common stock at a price per share equal to the market price of Pfizer common stock on the date of grant.
- Restricted stock units (RSUs), which, when vested, entitle the holder to receive a specified number of shares of Pfizer common stock, including shares resulting from dividend equivalents paid on such RSUs.
- Performance share awards (PSAs) which entitle the holder, and performance-contingent share awards (PCSAs) which entitled the holder, upon vesting, to receive a number of shares of Pfizer common stock, within a range of shares from zero to 200% of the holder's target award, calculated using a formula that measures Pfizer's performance relative to an industry peer group over a specified performance period. The Compensation Committee of the Company's Board of Directors had, with respect to PCSAs, and has, with respect to PSAs, discretion to authorize the payment of fewer shares to a holder than the number of shares determined pursuant to the formula. Dividend equivalents accumulate on PSAs and are paid, and dividend equivalents accumulated on PCSAs and were paid, at the end of the vesting term in respect of any shares paid. PCSA grants were made prior to 2006 and have all been settled.
- Short-term Incentive Shift Awards, which entitle the holder to receive a percentage of the holder's target award (between 0% and 200%) approximately one year following the grant, based on a combination of individual performance and Company performance (as measured by revenue, adjusted diluted earnings per share and cash flow from operations) during the year in which the grant is made. At the election of the holder, the award is paid: (i) in the case of the Executive Leadership Team (ELT) members (determined at the time of the grant), all in RSUs, or half in RSUs and half in cash; and (ii) in the case of all other holders, all in RSUs, all in cash, or half in RSUs and half in cash.
- Stock appreciation rights (SARs), also referred to as Total Shareholder Return Units (TSRUs), which vest on the third anniversary of the grant and entitle the holder to receive, two years after the end of the three-year vesting term, a number of shares of Pfizer common stock with a value equal to the difference between the defined settlement price and the closing market price of Pfizer common stock on the date of grant, plus accumulated dividend equivalents through the payment date, if and to the extent the total value is positive.

The Company's shareholders approved the amendment and restatement of the 2004 Stock Plan at the Annual Meeting of Shareholders held on April 23, 2009. The primary purpose of the amendment was to increase the number of shares of common stock available for grants by 425 million shares. In addition, the amendment provided other changes, including that the number of stock options, SARs or other performance-based awards that may be granted to any one individual during any 36-month period is limited to eight million shares and that RSUs, PSAs and restricted stock grants count as two shares, while stock options and SARs count as one share, toward the maximums for the incremental 425 million shares. As of December 31, 2010, 405 million shares were available for award. The 2004 Stock Plan, as amended, is the only Pfizer plan under which equity-based compensation may currently be awarded to executives and other employees.

The Company's shareholders originally approved the 2004 Stock Plan at the Annual Meeting of Shareholders held on April 22, 2004, and, effective upon that approval, new stock option and other share-based awards could be granted only under the originally approved 2004 Stock Plan. As originally approved, the 2004 Stock Plan allowed a maximum of three million shares to be awarded to any employee per year and 475 million shares in total. RSUs, PSAs, PCSAs and restricted stock grants counted as three shares, while stock options and SARs counted as one share, toward the maximums under the Plan.

In the past, we had various employee stock and incentive plans under which stock options and other share-based awards were granted. Stock options and other share-based awards that were granted under prior plans and were outstanding on April 22, 2004, continue in accordance with the terms of the respective plans.

Although not required to do so, we have used authorized and unissued shares and, to a lesser extent, shares held in our Employee Benefit Trust and treasury stock to satisfy our obligations under these programs.

A. Impact on Net Income

The components of share-based compensation expense and the associated tax benefit follow:

	YEAR ENDED DECEMBER 31,		
(MILLIONS OF DOLLARS)	**2010**	2009	2008
Stock option expense	**$ 150**	$165	$ 194
Restricted stock unit expense	**211**	183	169
PSA and PCSA (expense reduction)/expense	**14**	(17)	(2)
Short-term incentive award expense	**—**	1	13
TSRU expense	**28**	15	10
Directors' compensation	**2**	2	—
Share-based payment expense	**405**	349	384
Tax benefit for share-based compensation expense	**(129)**	(99)	(114)
Share-based payment expense, net of tax	**$ 276**	$250	$ 270

Amounts capitalized as part of inventory cost were not significant. In 2010, 2009 and 2008, the impact of modifications under our cost-reduction initiatives to share-based awards was not significant. Generally, these modifications resulted in an acceleration of vesting, either in accordance with plan terms or at management's discretion.

B. Stock Options

Stock options, which, when vested, entitle the holder to purchase a specified number of shares of Pfizer common stock at a price per share equal to the market price of Pfizer common stock on the date of grant, are accounted for using a fair-value-based method at the date of grant in the consolidated statements of income. The values determined through this fair-value-based method generally are amortized on an even basis over the vesting term into *Cost of sales, Selling, informational and administrative expenses,* and *Research and development expenses,* as appropriate.

All eligible employees may receive stock option grants. No stock options were awarded to senior and other key management in 2010 or 2009; however, stock options were awarded to certain other employees. Except for stock options awarded to two executive officers at the time they joined Pfizer, no stock options were awarded to senior and other key management in 2008. In virtually all instances, stock options granted since 2005 vest after three years of continuous service from the grant date and have a contractual term of 10 years. In most cases, stock options must be held for at least one year from the grant date before any vesting may occur. In the event of a divestiture or restructuring, options held by employees are immediately vested and are exercisable for a period from three months to their remaining term, depending on various conditions.

The fair-value-based method for valuing each stock option grant on the grant date uses, for virtually all grants, the Black-Scholes-Merton option-pricing model, which incorporates a number of valuation assumptions noted in the following table, shown at their weighted-average values:

	YEAR ENDED DECEMBER 31,		
	2010	2009	2008
Expected dividend yield[a]	**4.00%**	4.90%	5.54%
Risk-free interest rate[b]	**2.87%**	2.69%	2.90%
Expected stock price volatility[c]	**26.85%**	41.36%	27.21%
Expected term[d] (years)	**6.25**	6.0	5.75

[a] Determined using a constant dividend yield during the expected term of the option.
[b] Determined using the interpolated yield on U.S. Treasury zero-coupon issues.
[c] Determined using implied volatility, after consideration of historical volatility.
[d] Determined using historical exercise and post-vesting termination patterns.

The following table summarizes all stock option activity during 2010:

	SHARES (THOUSANDS)	WEIGHTED-AVERAGE EXERCISE PRICE PER SHARE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL TERM (YEARS)	AGGREGATE INTRINSIC VALUE[a] (MILLIONS)
Outstanding, December 31, 2009	447,693	$30.11		
Granted	70,327	17.62		
Exercised	(1,280)	12.80		
Forfeited	(5,997)	18.56		
Canceled	(52,139)	31.07		
Outstanding, December 31, 2010	**458,604**	**28.29**	**4.7**	**$215**
Vested and expected to vest[b], December 31, 2010	**451,279**	**28.46**	**4.6**	**$205**
Exercisable, December 31, 2010	**311,919**	**33.36**	**2.9**	**$ 3**

[a] Market price of underlying Pfizer common stock less exercise price.
[b] The number of options expected to vest takes into account an estimate of expected forfeitures.

The following table provides data related to all stock option activity:

	YEAR ENDED DECEMBER 31,		
(MILLIONS OF DOLLARS, EXCEPT PER STOCK OPTION AMOUNTS AND YEARS)	**2010**	2009	2008
Weighted-average grant date fair value per stock option	**$3.25**	$3.30	$3.30
Aggregate intrinsic value on exercise	**$ 5**	$ 2	$ 9
Cash received upon exercise	**$ 16**	$ 7	$ 29
Tax benefits realized related to exercise	**$ 1**	$ 1	$ 3
Total compensation cost related to nonvested stock options not yet recognized, pre-tax	**$ 178**	$ 147	$ 159
Weighted-average period in years over which stock option compensation cost is expected to be recognized	**1.3**	1.2	1.1

C. Restricted Stock Units (RSUs)

RSUs, which, when vested, entitle the holder to receive a specified number of shares of Pfizer common stock, including shares resulting from dividend equivalents paid on such RSUs, are accounted for using a fair-value-based method at the date of grant. For RSUs granted in 2010, 2009 and 2008, in virtually all instances, the units vest after three years of continuous service from the grant date and the values determined using the fair-value-based method are amortized on an even basis over the vesting term into *Cost of sales, Selling, informational and administrative expenses* and *Research and development expenses,* as appropriate.

The value of each RSU grant is estimated on the grant date. The fair-value-based method utilizes the closing price of Pfizer common stock on the date of grant. The following table summarizes all RSU activity during 2010:

	SHARES (THOUSANDS)	WEIGHTED-AVERAGE GRANT DATE FAIR VALUE PER SHARE
Nonvested, December 31, 2009	38,083	$19.90
Granted	17,493	17.55
Vested	(12,705)	24.48
Reinvested dividend equivalents	1,764	16.90
Forfeited	(3,458)	17.36
Nonvested, December 31, 2010	**41,177**	**17.57**

The following table provides data related to all RSU activity:

	YEAR ENDED DECEMBER 31,		
(MILLIONS OF DOLLARS EXCEPT YEARS)	**2010**	2009	2008
Total grant date fair-value-based amount of shares vested	**$311**	$131	$119
Total compensation cost related to nonvested RSU awards not yet recognized, pre-tax	**$230**	$198	$257
Weighted-average period in years over which RSU cost is expected to be recognized	**1.4**	1.3	1.5

D. Performance Share Awards (PSAs) and Performance-Contingent Share Awards (PCSAs)

Senior and other key members of management may receive PSA grants and were eligible to receive PCSA grants. PSAs are accounted for using a fair-value-based method at the date of grant in the consolidated statements of income beginning with grants in 2006. Further, PSAs generally are amortized on an even basis over the vesting term into *Cost of sales, Selling, informational and administrative expenses* and *Research and development expenses,* as appropriate. PCSAs, which have not been awarded since 2005, were accounted for using the intrinsic value method in the consolidated statements of income. In most instances, PSA grants vest after three years, and PCSA grants vested after five years, of continuous service from the grant date. In certain instances, PCSA grants vested over two to four years of continuous service from the grant date. The vesting terms are equal to the contractual terms.

PSAs entitle the holder, and PCSAs entitled the holder, upon vesting, to receive a number of shares of Pfizer common stock, within a range of shares from zero to 200% of the holder's target award, calculated using a formula that measures Pfizer's performance relative to an industry peer group over a specified performance period. PSA grants vest and are paid based on a formula that measures our performance using total shareholder return over a specified performance period relative to an industry peer group. PSCA grants, which were made prior to 2006 and which have all been settled, vested and were paid based on a formula that measured our performance using total shareholder return and the change in diluted EPS over a specified performance period relative to an industry peer group. The Compensation Committee of the Company's Board of Directors had, with respect to PCSAs, and has, with respect to PSAs, discretion to authorize the payment of fewer shares to a holder than the number of shares determined pursuant to the applicable formula.

We measure PSA grants using a fair-value-based amount, which is derived from a Monte Carlo simulation model, times the target number of shares. The target number of shares is determined by reference to the fair value of share-based awards to similar employees in the industry peer group. We measured PCSA grants at intrinsic value whereby the probable award was allocated over the term of the award, and then the resulting shares were adjusted to the fair value of our common stock at each accounting period until the date of payment.

The weighted-average assumptions used in the valuation of PSAs are as follows:

	YEAR ENDED DECEMBER 31,		
	2010	2009	2008
Risk-free interest rate	**1.24%**	1.95%	2.05%
Expected Pfizer stock price volatility	**26.75%**	40.40%	27.21%
Average peer stock price volatility	**23.64%**	36.30%	32.13%
Contractual term in years	**3**	3	3

The following table summarizes all PSA and PCSA activity during 2010, with the shares granted representing the maximum award that could be achieved:

	SHARES (THOUSANDS)	WEIGHTED-AVERAGE GRANT DATE FAIR VALUE PER SHARE
Nonvested, December 31, 2009	6,118	$23.07
Granted	2,531	19.17
Vested	(163)	17.69
Forfeited	(4,023)	20.75
Modifications[a]	706	14.18
Nonvested, December 31, 2010	**5,169**	**21.92**

[a] Modifications include pro-ration of the awards for service to the date of termination for 15 former employees in 2010. The modifications were made at the discretion of the Senior Vice President of Worldwide Human Resources, or her designee for 2010. There was no incremental cost related to the modifications.

The following table provides data related to all PSA and PCSA activity:

	YEAR ENDED DECEMBER 31,		
(MILLIONS OF DOLLARS, EXCEPT YEARS)	**2010**	2009	2008
Total intrinsic value of vested PSA/PCSA shares	**$3**	$37	$15
Total compensation cost related to nonvested PSA grants not yet recognized, pre-tax	**$18**	$17	$20
Weighted-average period in years over which PSA cost is expected to be recognized	**2**	2	2

E. Total Shareholder Return Units (TSRUs)

Total Shareholder Return Units (TSRUs) (formerly known as Stock Appreciation Rights (SARs)) are awarded to senior and other key management. TSRUs entitle the holders to receive, two years after the end of the three-year vesting term, a number of shares of our common stock with a value equal to the difference between the defined settlement price and the grant price, plus the dividends accumulated during the five-year term, if and to the extent the total value is positive. The settlement price is the average closing

price of Pfizer common stock during the 20 trading days ending on the fifth anniversary of the grant; the grant price is the closing price of Pfizer common stock on the date of the grant.

The TSRUs are automatically settled on the fifth anniversary of the grant but vest on the third anniversary of the grant, after which time there no longer is a risk of forfeiture, other than a loss or recapture due to a violation by the holder of the restrictive covenants set forth in the TSRU grant documents. TSRUs are accounted for using a fair-value-based method at the date of grant in the consolidated statements of income and generally are amortized on an even basis over the vesting term into *Cost of sales, Selling, informational and administrative expenses* and *Research and development expenses,* as appropriate.

The fair-value-based method for valuing the TSRUs uses the Monte Carlo simulation model. The model incorporates a number of valuation assumptions noted in the following table, shown at their weighted-average values:

	TSRUs 2010	TSRUs 2009
Expected dividend yield[(a)]	**3.99%**	4.55%
Risk-free interest rate[(b)]	**2.34%**	2.35%
Expected stock price volatility[(c)]	**26.76%**	36.92%
Expected term[(d)] (years)	**5.00**	5.00

(a) Determined using a constant dividend yield during the expected term of the TSRU.
(b) Determined using the interpolated yield on U.S. Treasury zero-coupon issues.
(c) Determined using implied volatility, after consideration of historical volatility.
(d) Determined using the contractual term.

The following summarizes all TSRU activity during 2010:

	SHARES (THOUSANDS)	WEIGHTED-AVERAGE GRANT DATE VALUE PER SHARE
Nonvested, December 31, 2009	8,681	$17.04
Granted	5,104	17.67
Vested	(78)	16.60
Forfeited	(1,070)	16.96
Nonvested, December 31, 2010	**12,637**	**17.30**

The following table provides data related to all TSRU activity:

	YEAR ENDED DECEMBER 31,	
(MILLIONS OF DOLLARS, EXCEPT PER TSRU AMOUNTS AND YEARS)	**2010**	**2009**
Weighted-average grant date fair value per TSRU	**$4.25**	$4.26
Total compensation cost related to nonvested TSRU grants not yet recognized, pre-tax	**$ 18**	$ 23
Weighted-average period in years over which TSRU cost is expected to be recognized	**1.5**	2.1

16. Earnings per Common Share Attributable to Common Shareholders

Basic and diluted EPS were computed using the following common share data:

(IN MILLIONS)	YEAR ENDED DECEMBER 31, 2010	2009	2008
EPS Numerator—Basic:			
Income from continuing operations	**$8,298**	$8,630	$8,049
Less: Net income attributable to noncontrolling interests	**32**	9	23
Income from continuing operations attributable to Pfizer Inc.	**8,266**	8,621	8,026
Less: Preferred stock dividends—net of tax	**2**	2	3
Income from continuing operations attributable to Pfizer Inc. common shareholders	**8,264**	8,619	8,023
Discontinued operations—net of tax	**(9)**	14	78
Net income attributable to Pfizer Inc. common shareholders	**$8,255**	$8,633	$8,101
EPS Numerator—Diluted:			
Income from continuing operations attributable to Pfizer Inc. common shareholders and assumed conversions	**$8,266**	$8,621	$8,026
Discontinued operations—net of tax	**(9)**	14	78
Net income attributable to Pfizer Inc. common shareholders and assumed conversions	**$8,257**	$8,635	$8,104
EPS Denominator:			
Weighted-average number of common shares outstanding—Basic	**8,036**	7,007	6,727
Common-share equivalents: stock options, stock issuable under employee compensation plans and convertible preferred stock	**38**	38	23
Weighted-average number of common shares outstanding—Diluted	**8,074**	7,045	6,750
Stock options that had exercise prices greater than the average market price of our common stock issuable under employee compensation plans[a]	**413**	400	489

[a] These common stock equivalents were outstanding during 2010, 2009 and 2008 but were not included in the computation of diluted EPS for those years because their inclusion would have had an anti-dilutive effect.

17. Lease Commitments

We lease properties and equipment for use in our operations. In addition to rent, the leases may require us to pay directly for taxes, insurance, maintenance and other operating expenses or to pay higher rent when operating expenses increase. Rental expense, net of sublease income, was $394 million in 2010, $364 million in 2009 and $370 million in 2008. This table shows future minimum rental commitments under non-cancelable operating leases as of December 31 for the following years:

(MILLIONS OF DOLLARS)	2011	2012	2013	2014	2015	AFTER 2015
Lease commitments	$185	$158	$138	$113	$95	$756

18. Insurance

Our insurance coverage reflects market conditions (including cost and availability) existing at the time it is written, and our decision to obtain insurance coverage or to self-insure varies accordingly. Depending upon the cost and availability of insurance and the nature of the risk involved, the amount of self-insurance may be significant. The cost and availability of coverage have resulted in self-insuring certain exposures, including product liability. If we incur substantial liabilities that are not covered by insurance or substantially exceed insurance coverage and that are in excess of existing accruals, there could be a material adverse effect on our results of operations in any particular period (see *Note 19. Legal Proceedings and Contingencies*).

19. Legal Proceedings and Contingencies

We and certain of our subsidiaries are involved in various patent, product liability, consumer, commercial, securities, environmental and tax litigations and claims; government investigations; and other legal proceedings that arise from time to time in the ordinary course of our business. We do not believe any of them will have a material adverse effect on our financial position.

We record accruals for income tax contingencies to the extent that we conclude that a tax position is not sustainable under a "more-likely-than-not" standard, and we record our estimate of the potential tax benefits in one tax jurisdiction that could result from the

payment of income taxes in another tax jurisdiction when we conclude that the potential recovery is more likely than not. We record accruals for all other contingencies to the extent that we conclude their occurrence is probable and the related damages are estimable, and we record anticipated recoveries under existing insurance contracts when assured of recovery. If a range of liability is probable and estimable and some amount within the range appears to be a better estimate than any other amount within the range, we accrue that amount. If a range of liability is probable and estimable and no amount within the range appears to be a better estimate than any other amount within the range, we accrue the minimum of such probable range. Many claims involve highly complex issues relating to causation, label warnings, scientific evidence, actual damages and other matters. Often these issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. Consequently, we cannot reasonably estimate the maximum potential exposure or the range of possible loss in excess of amounts accrued for these contingencies. These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions (see *Note 1C. Significant Accounting Policies: Estimates and Assumptions*). Our assessments are based on estimates and assumptions that have been deemed reasonable by management. Litigation is inherently unpredictable, and excessive verdicts do occur. Although we believe we have substantial defenses in these matters, we could in the future incur judgments or enter into settlements of claims that could have a material adverse effect on our results of operations in any particular period.

Patent claims include challenges to the coverage and/or validity of our patents on various products or processes. Although we believe we have substantial defenses to these challenges with respect to all our material patents, there can be no assurance as to the outcome of these matters, and a loss in any of these cases could result in a loss of patent protection for the drug at issue, which could lead to a significant loss of sales of that drug and could materially affect future results of operations.

Among the principal matters pending to which we are a party are the following:

A. Patent Matters

Like other pharmaceutical companies, we are involved in numerous suits relating to our patents, including but not limited to those discussed below. Most of the suits involve claims by generic drug manufacturers that patents covering our products, processes or dosage forms are invalid and/or do not cover the product of the generic manufacturer. Also, counterclaims as well as various independent actions have been filed claiming that our assertions of, or attempts to enforce, our patent rights with respect to certain products constitute unfair competition and/or violations of the antitrust laws. In addition to the challenges to the U.S. patents on a number of our products that are discussed below, we note that the patent rights to certain of our products, including without limitation Lipitor, are being challenged in various other countries.

Lipitor (atorvastatin)
In November 2008, Apotex Inc. notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Lipitor. Apotex Inc. asserts the invalidity of our enantiomer patent, which (including the six-month pediatric exclusivity period) expires in June 2011, and the non-infringement of certain later-expiring patents. In December 2008, we filed suit against Apotex Inc. in the U.S. District Court for the District of Delaware and the U.S. District Court for the Northern District of Illinois asserting the validity and infringement of the enantiomer patent. In August 2009, our action in the District of Delaware was transferred to the Northern District of Illinois and consolidated with our pending action there.

In May 2009, Matrix Laboratories Limited (Matrix), a subsidiary of Mylan Inc., notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Lipitor. Matrix asserted the non-infringement of our patent covering the crystalline form of atorvastatin, which (including the six-month pediatric exclusivity period) expires in 2017, and two other Lipitor patents. Matrix did not challenge our enantiomer patent. In June 2009, we filed actions against Matrix, Mylan Inc. and another Mylan subsidiary in the U.S. District Court for the District of Delaware and the U.S. District Court for the Northern District of West Virginia asserting the infringement of the crystalline patent and two process patents that expire in 2016. In November 2009, our action in the Northern District of West Virginia was transferred to the District of Delaware and consolidated with our pending action there. In January 2011, we settled this action on terms that are confidential and not material to the Company.

In October 2009, Dr. Reddy's Laboratories Ltd. and Dr. Reddy’s Laboratories, Inc. (collectively, Dr. Reddy's) and KUDCO Ireland, Ltd. and Kremers Urban LLC (collectively, KUDCO) notified us that they had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Lipitor. Both of the abbreviated new drug applications cover the 10, 20 and 40 mg dosage strengths, and KUDCO’s abbreviated new drug application also covers the 80 mg dosage strength. Dr. Reddy’s and KUDCO assert the invalidity and/or non-infringement of our patent covering the crystalline form of atorvastatin and two other Lipitor patents. They have not challenged our enantiomer patent. In December 2009, we filed actions against Dr. Reddy’s and KUDCO in the U.S. District Court for the District of Delaware asserting the infringement of our crystalline patent. In addition, in December 2010, we filed an action against Dr. Reddy’s in the same court asserting the infringement of the same patent in connection with Dr. Reddy’s additional abbreviated new drug application seeking approval to market a generic version of the 80 mg dosage strength.

In July 2010, Actavis, Inc. and Actavis Pharma Manufacturing Pvt. Ltd. (collectively, Actavis) notified us that they had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Lipitor. Actavis asserts the non-infringement of our patent covering the crystalline form of atorvastatin and two other Lipitor patents. Actavis has not challenged our enantiomer patent. In August 2010, we filed an action against Actavis in the U.S. District Court for the District of Delaware asserting the infringement of our crystalline patent.

Caduet (atorvastatin/amlodipine combination)
In August 2009, Sandoz Inc., a division of Novartis AG (Sandoz), notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Caduet. In that filing and in a declaratory judgment action brought by Sandoz in October 2009 in the U.S. District Court for the District of Colorado, collectively, Sandoz asserts the invalidity of our patent covering the atorvastatin/amlodipine combination, which expires in 2018, and the invalidity and non-infringement of three patents for Lipitor which (including the six-month pediatric exclusivity period) expire between 2013 and 2017. Sandoz has not challenged our enantiomer patent for Lipitor. In October 2009, we filed suit against Sandoz in the U.S. District Court for the District of Delaware and the U.S. District Court for the District of Colorado asserting the infringement of the atorvastatin/amlodipine combination patent. In February 2010, our action and Sandoz's action in the District of Colorado were transferred to the District of Delaware and consolidated with our pending action there.

In December 2009, Mylan Pharmaceuticals Inc. notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Caduet. Mylan Pharmaceuticals Inc. asserted the invalidity of our patent covering the atorvastatin/amlodipine combination and the non-infringement of three patents for Lipitor which (including the six-month pediatric exclusivity period) expire between 2013 and 2017. Mylan Pharmaceuticals Inc. did not challenge our enantiomer patent for Lipitor. In February 2010, we filed suit against Mylan Pharmaceuticals Inc. in the U.S. District Court for the District of Delaware asserting the infringement of the atorvastatin/amlodipine combination patent. In January 2011, we settled this action. Under the settlement agreement, Mylan Pharmaceuticals Inc. will have certain rights to launch a generic atorvastatin/amlodipine combination product in the U.S. beginning on November 30, 2011; other terms of the settlement agreement are confidential and not material to the Company.

Viagra (sildenafil)
In March 2010, we brought a patent-infringement action in the U.S. District Court for the Eastern District of Virginia against Teva Pharmaceuticals USA, Inc. (Teva USA) and Teva Pharmaceutical Industries Ltd. (Teva Pharmaceutical Industries), which had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Viagra. Teva USA and Teva Pharmaceutical Industries assert the invalidity and non-infringement of the Viagra use patent, which expires in 2019, but have not challenged the basic patent, which expires in 2012.

In October 2010, we filed a patent-infringement action with respect to Viagra in the U.S. District Court for the Southern District of New York against Apotex Inc. and Apotex Corp., Mylan Pharmaceuticals Inc. and Mylan Inc., Actavis and Amneal Pharmaceuticals LLC. These generic manufacturers have filed abbreviated new drug applications with the FDA seeking approval to market their generic versions of Viagra. They assert the invalidity and non-infringement of the Viagra use patent, but have not challenged the basic patent.

Sutent (sunitinib malate)
In May 2010, Mylan Pharmaceuticals Inc. notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Sutent and challenging on various grounds the Sutent basic patent, which expires in 2021, and two other patents, which expire in 2020 and 2021. In June 2010, we filed suit against Mylan Pharmaceuticals Inc. in the U.S. District Court for the District of Delaware asserting the infringement of those three patents.

Detrol (tolterodine)
In March 2004, we brought a patent-infringement suit in the U.S. District Court for the District of New Jersey against Teva USA, which had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Detrol. In January 2007, Teva USA withdrew its challenge to our patent, and the patent-infringement suit was dismissed. Also in January 2007, Ivax Pharmaceuticals, Inc. (Ivax), a wholly owned subsidiary of Teva USA, amended its previously filed abbreviated new drug application for tolterodine to challenge our basic patent for Detrol, and we brought a patent-infringement action against Ivax in the U.S. District Court for the District of New Jersey. The basic patent (including the six-month pediatric exclusivity period) expires in September 2012. In January 2010, the court issued a decision in our favor, upholding the basic patent. The court entered an order preventing the FDA from approving Ivax's abbreviated new drug application for Detrol before the expiration of the basic patent in September 2012. Ivax and Teva USA have appealed the District Court's decision to the U.S. Court of Appeals for the Federal Circuit.

Detrol LA (tolterodine)
In October 2007 and January 2008, respectively, Teva USA and Impax Laboratories, Inc. notified us that they had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Detrol LA, an extended-release formulation of Detrol (tolterodine). They are challenging on various grounds the basic patent, which (including the six-month pediatric exclusivity period) expires in 2012, and three formulation patents, which (including the six-month pediatric exclusivity period) expire in 2020. We filed actions against them in the U.S. District Court for the Southern District of New York asserting the infringement of the basic patent and two of the formulation patents. These actions subsequently were transferred to the U.S. District Court for the District of New Jersey.

In March 2008 and May 2010, respectively, Sandoz and Mylan Pharmaceuticals Inc. notified us that they had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Detrol LA. They assert the invalidity and/or non-infringement of three formulation patents for Detrol LA. They have not challenged the basic patent. In June 2010, we filed actions against Sandoz and Mylan Pharmaceuticals Inc. in the U.S. District Court for the District of New Jersey asserting the infringement of two of the formulation patents.

Lyrica (pregabalin)
Beginning in March 2009, several generic manufacturers notified us that they had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Lyrica capsules. Each of the generic manufacturers is challenging one or more of three patents for Lyrica: the basic patent, which expires in 2018, and two other patents, which expire in 2013 and 2018. Each of the generic manufacturers asserts the invalidity and/or the non-infringement of the patents subject to challenge. Beginning in April 2009, we filed actions against these generic manufacturers in the U.S. District Court for the District of Delaware asserting the infringement and validity of our patents for Lyrica. All of these cases have been consolidated in the District of Delaware.

In August and November 2010, respectively, Lupin Limited (Lupin) and Novel Laboratories, Inc. (Novel) notified us that they had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Lyrica oral solution 20 mg/mL and asserting the invalidity and/or infringement of our three patents for Lyrica referred to above. In October 2010 and January 2011, respectively, we filed actions against Lupin and Novel in the U.S. District Court for the District of Delaware asserting the validity and infringement of all three patents.

We also have filed patent-infringement actions in Canada against certain generic manufacturers who are seeking approval to market generic versions of Lyrica capsules in that country.

Zyvox (linezolid)
In December 2009, Teva Parenteral Medicines Inc. (Teva Parenteral) notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Zyvox. Teva Parenteral asserts the invalidity and non-infringement of the basic Zyvox patent, which (including the six-month pediatric exclusivity period) expires in 2015, and another patent that expires in 2021. In January 2010, we filed suit against Teva Parenteral in the U.S. District Court for the District of Delaware asserting the infringement of the basic patent.

Chantix (varenicline)
In July 2010, we received notices from Apotex Inc. and Apotex Corp. and from Mylan Pharmaceuticals Inc. that they had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Chantix. They assert the invalidity of our patent covering the tartrate salt of varenicline and the non-infringement of our crystalline form patent, both of which expire in 2022. They have not challenged the basic patent, which expires in 2020. In August 2010, we filed actions against Apotex Inc. and Apotex Corp. and against Mylan Pharmaceuticals Inc. in the U.S. District Court for the Southern District of New York asserting the infringement of both of the challenged patents. In December 2010, both of these actions were voluntarily dismissed by us without prejudice.

Aricept (donepezil hydrochloride)
In October 2005, Teva USA notified Eisai Co., Ltd. (Eisai) that Teva USA had filed an abbreviated new drug application with the FDA challenging on various grounds Eisai's basic patent for Aricept and seeking approval to market a generic version of Aricept. In December 2005, Eisai filed suit against Teva USA in the U.S. District Court for the District of New Jersey asserting infringement of that patent. This action was dismissed voluntarily in November 2010 upon the expiration of the basic patent. We co-promote Aricept with Eisai in the U.S., but we were not a party to Eisai's patent-infringement action.

Neurontin (gabapentin)
In August 2005, the U.S. District Court for the District of New Jersey held that the generic gabapentin (Neurontin) products of a number of generic manufacturers did not infringe our gabapentin low-lactam patent, which expires in 2017, and it granted summary judgment in their favor. Several generic manufacturers launched their gabapentin products in 2004 and 2005. In September 2007, the U.S. Court of Appeals for the Federal Circuit reversed the District Court's summary judgment decision and remanded the case to the District Court for trial on the patent-infringement issue. If successful at trial, we intend to seek compensation from the generic manufacturers for damages resulting from their at-risk launches of generic gabapentin.

Relpax (eletriptan)
In June 2010, we received notices from Apotex Inc. and Apotex Corp. and from Teva USA that they had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Relpax. They assert the non-infringement of our patent covering the crystalline form of eletriptan, which expires in 2017. They have not challenged the basic patent, which expires in 2016. In July 2010, we filed actions against Apotex Inc. and Apotex Corp. and against Teva USA in the U.S. District Court for the Southern District of New York asserting the infringement of the crystalline patent.

Protonix (pantoprazole sodium)
Wyeth has a license to market Protonix in the U.S. from Nycomed GmbH (Nycomed), which owns the patents relating to Protonix. The basic patent (including the six-month pediatric exclusivity period) for Protonix expired in January 2011.

Following their respective filings of abbreviated new drug applications with the FDA, Teva USA and Teva Pharmaceutical Industries, Sun Pharmaceutical Advanced Research Centre Ltd. and Sun Pharmaceutical Industries Ltd. (collectively, Sun) and KUDCO Ireland, Ltd. (KUDCO Ireland) received final FDA approval to market their generic versions of Protonix 20 mg and 40 mg delayed-release tablets. Wyeth and Nycomed filed actions against those generic manufacturers in the U.S. District Court for the District of New Jersey, which subsequently were consolidated into a single proceeding, alleging infringement of the basic patent and seeking declaratory and injunctive relief. Following the court's denial of a preliminary injunction sought by Wyeth and Nycomed, Teva USA and Teva Pharmaceutical Industries and Sun launched their generic versions of Protonix tablets at risk in December 2007 and

January 2008, respectively. Wyeth launched its own generic version of Protonix tablets in January 2008, and Wyeth and Nycomed filed amended complaints in the pending patent-infringement action seeking compensation for damages resulting from Teva USA's, Teva Pharmaceutical Industries' and Sun's at-risk launches.

In April 2010, the jury in the pending patent-infringement action upheld the validity of the basic patent for Protonix. In July 2010, the court upheld the jury verdict, but it did not issue a judgment against Teva USA, Teva Pharmaceutical Industries or Sun because of their other claims relating to the patent that still are pending. Wyeth and Nycomed will continue to pursue all available legal remedies against those generic manufacturers, including compensation for damages resulting from their at-risk launches.

Separately, Wyeth and Nycomed are defendants in purported class actions brought by direct and indirect purchasers of Protonix in the U.S. District Court for the District of New Jersey. Plaintiffs seek damages, on behalf of the respective putative classes, for the alleged violation of antitrust laws in connection with the procurement and enforcement of the patents for Protonix. These purported class actions have been stayed pending resolution of the underlying patent litigation in the U.S. District Court for the District of New Jersey.

Rapamune (sirolimus)
In March 2010, Watson Laboratories, Inc. (Watson) and Ranbaxy Laboratories Limited (Ranbaxy) notified us that they had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Rapamune. Watson and Ranbaxy assert the invalidity and non-infringement of a method-of-use patent which (including the six-month pediatric exclusivity period) expires in 2014 and a solid-dosage formulation patent which (including the six-month pediatric exclusivity period) expires in 2018. In April 2010, we filed actions against Watson and Ranbaxy in the U.S. District Court for the District of Delaware and against Watson in the U.S. District Court for the Southern District of Florida asserting the infringement of the method-of-use patent. In June 2010, our action in the Southern District of Florida was transferred to the District of Delaware and consolidated with our pending action there.

ReFacto and Xyntha
In February 2008, Novartis Vaccines and Diagnostics, Inc. (Novartis) filed suit against Wyeth and a subsidiary of Wyeth in the U.S. District Court for the Eastern District of Texas alleging that Wyeth's ReFacto and Xyntha products infringe two Novartis patents. Novartis's complaint seeks damages, including treble damages, for alleged willful infringement. Wyeth and its subsidiary assert, among other things, the invalidity and non-infringement of the Novartis patents. In November 2009, Novartis added a third patent to its infringement claim against Wyeth and its subsidiary. In August 2010, Novartis granted Wyeth and its subsidiary a covenant not to sue on the third patent and withdrew that patent from its pending action.

In May 2008, a subsidiary of Wyeth filed suit in the U.S. District Court for the District of Delaware against Novartis seeking a declaration that the two Novartis patents initially asserted against Wyeth and its subsidiary in the action referred to in the preceding paragraph are invalid on the ground that the Wyeth subsidiary was the first to invent the subject matter. In February 2010, the District of Delaware declined to invalidate those two Novartis patents. In March 2010, the Wyeth subsidiary appealed the decision to the U.S Court of Appeals for the Federal Circuit.

Tygacil (tigecycline)
In October 2009, Sandoz notified Wyeth that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Tygacil. Sandoz asserts the invalidity and non-infringement of two of Wyeth's patents relating to Tygacil, including the basic patent, which expires in 2016. In December 2009, Wyeth filed suit against Sandoz in the U.S. District Court for the District of Delaware asserting infringement of the basic patent.

B. Product Litigation

Like other pharmaceutical companies, we are defendants in numerous cases, including but not limited to those discussed below, related to our pharmaceutical and other products. Plaintiffs in these cases seek damages and other relief on various grounds for alleged personal injury and economic loss.

Asbestos

- Quigley

Quigley Company, Inc. (Quigley), a wholly owned subsidiary, was acquired by Pfizer in 1968 and sold small amounts of products containing asbestos until the early 1970s. In September 2004, Pfizer and Quigley took steps that were intended to resolve all pending and future claims against Pfizer and Quigley in which the claimants allege personal injury from exposure to Quigley products containing asbestos, silica or mixed dust. We recorded a charge of $369 million pre-tax ($229 million after-tax) in the third quarter of 2004 in connection with these matters.

In September 2004, Quigley filed a petition in the U.S. Bankruptcy Court for the Southern District of New York seeking reorganization under Chapter 11 of the U.S. Bankruptcy Code. In March 2005, Quigley filed a reorganization plan in the Bankruptcy Court that needed the approval of both the Bankruptcy Court and the U.S. District Court for the Southern District of New York after receipt of the vote of 75% of the claimants. In connection with that filing, Pfizer entered into settlement agreements with lawyers representing more than 80% of the individuals with claims related to Quigley products against Quigley and Pfizer. The agreements provide for a total of $430 million in payments, of which $215 million became due in December 2005 and is being paid to claimants upon receipt by the Company of certain required documentation from each of the claimants. The reorganization plan provided for the establishment of a Trust (the Trust) for the payment of all remaining pending claims as well as any future claims alleging injury from exposure to Quigley products.

In February 2008, the Bankruptcy Court authorized Quigley to solicit an amended reorganization plan for acceptance by claimants. According to the official report filed with the court by the balloting agent in July 2008, the requisite number of votes was cast in favor of the amended plan of reorganization.

The Bankruptcy Court held a confirmation hearing with respect to Quigley's amended plan of reorganization that concluded in December 2009. In September 2010, the Bankruptcy Court declined to confirm the amended reorganization plan. Pfizer and Quigley are seeking to address the Bankruptcy Court's concerns regarding the amended reorganization plan and currently intend to submit a revised plan for consideration by the court. There is no assurance that such a revised plan will be submitted or that, if submitted, it will be approved by the Bankruptcy Court. As a result of the foregoing, Pfizer recorded additional charges for this matter of approximately $1.3 billion pre-tax (approximately $800 million after-tax) in 2010. Further, in order to preserve its right to address certain legal issues raised in the court's opinion, in October 2010, Pfizer filed a notice of appeal and motion for leave to appeal the Bankruptcy Court's decision denying confirmation.

In a separately negotiated transaction with an insurance company in August 2004, we agreed to a settlement related to certain insurance coverage which provides for payments to us over a ten-year period of amounts totaling $405 million.

- Other Matters

Between 1967 and 1982, Warner-Lambert owned American Optical Corporation, which manufactured and sold respiratory protective devices and asbestos safety clothing. In connection with the sale of American Optical in 1982, Warner-Lambert agreed to indemnify the purchaser for certain liabilities, including certain asbestos-related and other claims. As of December 31, 2010, approximately 88,000 claims naming American Optical and numerous other defendants were pending in various federal and state courts seeking damages for alleged personal injury from exposure to asbestos and other allegedly hazardous materials. Warner-Lambert is actively engaged in the defense of, and will continue to explore various means to resolve, these claims.

Warner-Lambert and American Optical brought suit in state court in New Jersey against the insurance carriers that provided coverage for the asbestos and other allegedly hazardous materials claims related to American Optical. A majority of the carriers subsequently agreed to pay for a portion of the costs of defending and resolving those claims. The litigation continues against the carriers who have disputed coverage or how costs should be allocated to their policies, and the court held that Warner-Lambert and American Optical are entitled to coverage by those carriers of a portion of the costs associated with those claims. The case is now in the allocation phase, in which the court will determine the amounts currently due from the carriers who have disputed coverage or allocation as well as their respective coverage obligations going forward.

Numerous lawsuits are pending against Pfizer in various federal and state courts seeking damages for alleged personal injury from exposure to products containing asbestos and other allegedly hazardous materials sold by Gibsonburg Lime Products Company (Gibsonburg). Gibsonburg was acquired by Pfizer in the 1960s and sold small amounts of products containing asbestos until the early 1970s.

There also is a small number of lawsuits pending in various federal and state courts seeking damages for alleged exposure to asbestos in facilities owned or formerly owned by Pfizer or its subsidiaries.

Celebrex and Bextra

- Securities and ERISA Actions

Beginning in late 2004, actions, including purported class actions, were filed in various federal and state courts against Pfizer, Pharmacia Corporation (Pharmacia) and certain current and former officers, directors and employees of Pfizer and Pharmacia. These actions include (i) purported class actions alleging that Pfizer and certain current and former officers of Pfizer violated federal securities laws by misrepresenting the safety of Celebrex and Bextra, and (ii) purported class actions filed by persons who claim to be participants in the Pfizer or Pharmacia Savings Plan alleging that Pfizer and certain current and former officers, directors and employees of Pfizer or, where applicable, Pharmacia and certain former officers, directors and employees of Pharmacia, violated certain provisions of the Employee Retirement Income Security Act of 1974 (ERISA) by selecting and maintaining Pfizer stock as an investment alternative when it allegedly no longer was a suitable or prudent investment option. In June 2005, the federal securities and ERISA actions were transferred for consolidated pre-trial proceedings to a Multi-District Litigation (*In re Pfizer Inc. Securities, Derivative and "ERISA" Litigation MDL-1688*) in the U.S. District Court for the Southern District of New York.

- Securities Action in New Jersey

In 2003, several purported class action complaints were filed in the U.S. District Court for the District of New Jersey against Pharmacia, Pfizer and certain former officers of Pharmacia. The complaints allege that the defendants violated federal securities laws by misrepresenting the data from a study concerning the gastrointestinal effects of Celebrex. These cases were consolidated for pre-trial proceedings in the District of New Jersey (*Alaska Electrical Pension Fund et al. v. Pharmacia Corporation et al.*). In January 2007, the court certified a class consisting of all persons who purchased Pharmacia securities from April 17, 2000 through February 6, 2001 and were damaged as a result of the decline in the price of Pharmacia's securities allegedly attributable to the misrepresentations. Plaintiffs seek damages in an unspecified amount.

In October 2007, the court granted defendants' motion for summary judgment and dismissed the plaintiffs' claims. In November 2007, the plaintiffs appealed the decision to the U.S. Court of Appeals for the Third Circuit. In January 2009, the Third Circuit vacated the District Court's grant of summary judgment in favor of defendants and remanded the case to the District Court for further proceedings. The Third Circuit also held that the District Court erred in determining that the class period ended on February 6, 2001, and directed that the class period end on August 5, 2001. In June 2009, the District Court stayed proceedings in the case pending a

determination by the U.S. Supreme Court with regard to defendants' petition for certiorari seeking reversal of the Third Circuit's decision. In May 2010, the U.S. Supreme Court denied defendants' petition for certiorari, and the case has been remanded to the District Court for further proceedings.

- Other

Pfizer and several predecessor and affiliated companies, including Monsanto Company (Monsanto), are defendants in an action brought by Brigham Young University (BYU) and a BYU professor in the U.S. District Court for the District of Utah alleging, among other things, breach by Monsanto of a 1991 research agreement with BYU. Plaintiffs claim that research under that agreement led to the discovery of Celebrex and that, as a result, they are entitled to a share of the profits from Celebrex sales. Plaintiffs seek, among other things, compensatory and punitive damages.

Various Drugs: Off-Label Promotion Actions

- Shareholder Derivative Actions

Beginning in September 2009, a number of shareholder derivative actions were filed in the U.S. District Court for the Southern District of New York, the Supreme Court of the State of New York, County of New York, and the Court of Chancery of the State of Delaware against certain of our current and former officers and directors. Pfizer is named as a nominal defendant. These actions allege that the individual defendants breached fiduciary duties by, among other things, causing or allowing Pfizer to engage in off-label promotion of certain drugs, including Bextra. Damages in unspecified amounts and other unspecified relief are sought on behalf of Pfizer. In November 2009, the federal cases were consolidated in the Southern District of New York (*In re Pfizer Inc Shareholder Derivative Litigation*).

In June 2010, the action in state court in New York was stayed pending the outcome of the consolidated federal action. In July 2010, the plaintiffs appealed the stay order to the Appellate Division of the Supreme Court of the State of New York. In August and September 2010, respectively, the two actions in state court in Delaware were stayed pending the outcome of the consolidated federal action.

In December 2010, the court in the consolidated federal action granted preliminary approval of a settlement agreement among the parties and scheduled a hearing in March 2011 to consider final approval. Subject to final court approval, the settlement agreement provides, among other things, that (i) Pfizer will create a new Regulatory and Compliance Committee of its Board of Directors to monitor the Company's compliance with applicable legal and regulatory healthcare requirements, and (ii) the Company's directors and officers liability insurance carriers will establish a $75 million fund, a portion of which will be used to pay the plaintiffs' legal fees and expenses and the balance of which will be available to fund the activities of the new Regulatory and Compliance Committee for a period of five years. In connection with the settlement agreement, the defendants denied any wrongdoing related to the claims asserted in the action.

- Securities Action

In May 2010, a purported class action was filed in the U.S. District Court for the Southern District of New York against Pfizer and several of our current and former officers. The complaint alleges that the defendants violated federal securities laws by failing to disclose that Pfizer was engaged in off-label marketing of certain drugs. Plaintiffs seek damages in an unspecified amount.

- Actions by Health Care Service Corporation

In June 2010, Health Care Service Corporation (HCSC), for itself and its affiliates, Blue Cross and Blue Shield plans in Illinois, New Mexico, Oklahoma and Texas, filed an action against us in the U.S. District Court for the Eastern District of Texas. In July 2010, HCSC amended its complaint. The complaint, as amended, alleges that we engaged in deceptive marketing activities, including off-label promotion, and the payment of improper remuneration to health care professionals with respect to Bextra and Celebrex in violation of, among other things, the federal Racketeer Influenced and Corrupt Organizations (RICO) Act and the Illinois Consumer Fraud Act. In December 2010, this action was transferred to the Multi-District Litigation (*In re Celebrex and Bextra Marketing, Sales Practices and Product Liability Litigation MDL-1699*) in the U.S. District Court for the Northern District of California. In July 2010, HCSC also filed a separate lawsuit against us in the U.S. District Court for the Eastern District of Texas including substantially similar allegations regarding Geodon, Lyrica and Zyvox. In both actions, HCSC seeks to recover the amounts that it paid for the specified drugs on behalf of its members in Illinois, New Mexico, Oklahoma, and Texas, as well as treble damages and punitive damages.

Hormone-Replacement Therapy

Pfizer and certain wholly owned subsidiaries and limited liability companies, including Wyeth, along with several other pharmaceutical manufacturers, have been named as defendants in numerous lawsuits in various federal and state courts alleging personal injury resulting from the use of certain estrogen and progestin medications primarily prescribed for women to treat the symptoms of menopause. Plaintiffs in these suits allege a variety of personal injuries, including breast cancer, ovarian cancer, stroke and heart disease. Certain co-defendants in some of these actions have asserted indemnification rights against Pfizer and its affiliated companies. The cases against Pfizer and its affiliated companies involve one or more of the following products, all of which remain approved by the FDA: femhrt (which Pfizer divested in 2003); Activella and Vagifem (which are Novo Nordisk products that were marketed by a Pfizer affiliate from 2000 to 2004); Premarin, Prempro, Aygestin, Cycrin and Premphase (which are legacy Wyeth products); and Provera, Ogen, Depo-Estradiol, Estring and generic MPA (which are legacy Pharmacia & Upjohn products). The federal cases have been transferred for consolidated pre-trial proceedings to a Multi-District Litigation (*In re Prempro Products Liability Litigation MDL-1507*) in the U.S. District Court for the Eastern District of Arkansas. Certain of the federal cases have been remanded to their respective District Courts for further proceedings including, if necessary, trial.

This litigation originally included both individual actions as well as various purported nationwide and statewide class actions. However, as a result of the denial of class certification by the courts in certain actions, the voluntary dismissal by the plaintiffs of certain purported class actions and the withdrawal of the class action allegations by the plaintiffs in certain other actions, this litigation now consists of individual actions, a few purported statewide class actions and a purported nationwide class action in Canada.

Pfizer and its affiliated companies, including Wyeth, have prevailed in many of the hormone-replacement therapy actions that have been resolved to date, whether by voluntary dismissal by the plaintiffs, summary judgment, defense verdict or judgment notwithstanding the verdict; a number of these cases have been appealed by the plaintiffs. Certain other hormone-replacement therapy actions have resulted in verdicts for the plaintiffs and have included the award of compensatory and, in some instances, punitive damages; each of these cases has been appealed by Pfizer and/or its affiliated companies. The decisions in a few of the cases that had been appealed by Pfizer and/or its affiliated companies have been upheld by the appellate courts, while several other cases that had been appealed by Pfizer and/or its affiliated companies or by the plaintiffs have been sent back by the appellate courts to their respective trial courts for further proceedings. In addition, a number of hormone-replacement therapy actions have been settled by the parties in advance of trial. Trials of additional hormone-replacement therapy actions are scheduled for 2011.

Pfizer and/or its affiliated companies also have received inquiries from various federal and state agencies and officials relating to the marketing of their hormone-replacement products. In November 2008, the State of Nevada filed an action against Pfizer, Pharmacia & Upjohn Company and Wyeth in state court in Nevada alleging that they had engaged in deceptive marketing of their respective hormone-replacement therapy medications in Nevada in violation of the Nevada Deceptive Trade Practices Act. The action seeks monetary relief, including civil penalties and treble damages. In February 2010, the action was dismissed by the court on the grounds that the statute of limitations had expired. In March 2010, the State of Nevada appealed the court's ruling to the Nevada Supreme Court.

Zoloft and Effexor
A number of individual lawsuits, as well as a multi-plaintiff lawsuit with respect to Effexor, have been filed against us and/or our subsidiaries in various federal and state courts alleging personal injury as a result of the purported ingesting of Zoloft or Effexor.

Trovan
In 2009, we entered into agreements with the Federal Government of Nigeria and the State of Kano, Nigeria, to resolve all of the civil and criminal cases pending against us in Nigeria related to the pediatric clinical study of Trovan that we conducted in Kano during a severe meningitis epidemic in 1996. In 2010, a lawsuit was filed in Nigeria against the State of Kano and us, among others, on behalf of individuals who claim to be former study participants or the parents or guardians of former study participants. The plaintiffs sought to enjoin the part of the settlement agreement with the State of Kano that established a fund to compensate former study participants and the parents and guardians of former study participants for alleged injuries, and the plaintiffs also sought damages for those alleged injuries. In February 2011, the parties to this action and the parties to two substantially similar actions against us in the U.S. entered into an agreement providing for the settlement and dismissal with prejudice of all three actions on terms that are not material to Pfizer. The settlement agreement is subject to our receipt of releases from all of the plaintiffs in the cases.

Neurontin
A number of lawsuits, including purported class actions, have been filed against us in various federal and state courts alleging claims arising from the promotion and sale of Neurontin. The plaintiffs in the purported class actions seek to represent nationwide and certain statewide classes consisting of persons, including individuals, health insurers, employee benefit plans and other third-party payers, who purchased or reimbursed patients for the purchase of Neurontin that allegedly was used for indications other than those included in the product labeling approved by the FDA. In 2004, many of the suits pending in federal courts, including individual actions as well as purported class actions, were transferred for consolidated pre-trial proceedings to a Multi-District Litigation (*In re Neurontin Marketing, Sales Practices and Product Liability Litigation MDL-1629*) in the U.S. District Court for the District of Massachusetts. Purported class actions also have been filed against us in various Canadian provincial courts alleging claims arising from the promotion and sale of Neurontin and generic gabapentin.

In the Multi-District Litigation, in 2009, the court denied the plaintiffs' renewed motion for certification of a nationwide class of all consumers and third-party payers who allegedly purchased or reimbursed patients for the purchase of Neurontin for off-label uses from 1994 through 2004. The plaintiffs have filed a motion for reconsideration. Although the court has not yet ruled on the motion for reconsideration, in December 2010, the court partially granted the Company's motion for summary judgment, dismissing the claims of all of the proposed class representatives for third-party payers and two of the six proposed class representatives for individual consumers. One of the proposed class representatives for third-party payers has filed a motion for reconsideration.

Plaintiffs are seeking certification of statewide classes of Neurontin purchasers in actions pending in California, Illinois and Oklahoma. State courts in New York, Pennsylvania, Missouri and New Mexico have declined to certify statewide classes of Neurontin purchasers.

In January 2011, the U.S. District Court for the District of Massachusetts entered an order affirming a jury verdict against us in an action by a third-party payer seeking damages for the alleged off-label promotion of Neurontin in violation of the federal Racketeer Influenced and Corrupt Organizations (RICO) Act and California's Unfair Trade Practices law. The verdict was for $47.4 million, which is subject to automatic trebling to $142.2 million under the RICO Act. In November 2010, the court had entered a separate verdict against us in the amount of $65.4 million under California's Unfair Trade Practices law relating to the same alleged conduct, which amount is included within and is not additional to the $142.2 million trebled amount of the jury verdict. We intend to appeal both verdicts and believe we have good grounds for reversal.

A number of individual lawsuits have been filed against us in various U.S. federal and state courts and in certain other countries alleging suicide, attempted suicide and other personal injuries as a result of the purported ingesting of Neurontin. Certain of the U.S. federal actions have been transferred for consolidated pre-trial proceedings to the same Multi-District Litigation referred to in the first paragraph of this section. In addition, in February 2010 in a proceeding pending in Ontario, Canada, the court certified a class consisting of all persons in Canada, except in Quebec, who purchased and ingested Neurontin prior to August 2004. The plaintiffs claim that Pfizer failed to provide adequate warning of the alleged risks of personal injury associated with Neurontin. The parties have jointly sought court approval to include in this proceeding two purported province-wide class actions pending in Quebec that include substantially similar allegations.

Lipitor
In 2004, a former employee filed a "whistleblower" action against us in the U.S. District Court for the Eastern District of New York. The complaint remained under seal until September 2007, at which time the U.S. Attorney for the Eastern District of New York declined to intervene in the case. We were served with the complaint in December 2007. Plaintiff alleges that, through patient and medical education programs, written materials and other actions aimed at doctors, consumers, payers and investors, the Company promoted Lipitor for use by certain patients contrary to national cholesterol guidelines that plaintiff claims are a part of the labeled indications for the product. Plaintiff alleges violations of the Federal Civil False Claims Act and the false claims acts of certain states and seeks treble damages and civil penalties on behalf of the federal government and the specified states as the result their purchase, or reimbursement of patients for the purchase, of Lipitor allegedly for such off-label uses. Plaintiff also seeks compensation as a whistleblower under those federal and state statutes. In addition, plaintiff alleges that he was wrongfully terminated, in violation of the anti-retaliation provisions of the Federal Civil False Claims Act, the Civil Rights Act of 1964 and applicable New York law, for raising concerns about the alleged off-label promotion of Lipitor and about alleged instances of sexual harassment in the workplace, and he seeks damages and the reinstatement of his employment. In 2009, the court dismissed without prejudice the claims alleging violations of the Federal Civil False Claims Act and the false claims acts of certain states. In 2010, plaintiff filed an amended complaint containing allegations concerning violations of the Federal Civil False Claims Act and the false claims acts of certain states that are substantially similar to the allegations in the original complaint.

Chantix/Champix
A number of individual lawsuits have been filed against us in various federal and state courts alleging suicide, attempted suicide and other personal injuries as a result of the purported ingesting of Chantix, as well as economic loss. Plaintiffs in these actions seek compensatory and punitive damages and the disgorgement of profits resulting from the sale of Chantix. In October 2009, the federal cases were transferred for consolidated pre-trial proceedings to a Multi-District Litigation (*In re Chantix (Varenicline) Products Liability Litigation* MDL-2092) in the U.S. District Court for the Northern District of Alabama.

Beginning in December 2008, purported class actions were filed against us in the Ontario Superior Court of Justice (Toronto Region), the Superior Court of Quebec (District of Montreal), the Court of Queen's Bench of Alberta, Judicial District of Calgary, and the Superior Court of British Columbia (Vancouver Registry) on behalf of all individuals and third-party payers in Canada who have purchased and ingested Champix or reimbursed patients for the purchase of Champix. Each of these actions asserts claims under Canadian product liability law, including with respect to the safety and efficacy of Champix, and, on behalf of the putative class, seeks monetary relief, including punitive damages. The actions in Quebec, Alberta and British Columbia have been stayed pending the decision regarding class certification in the Ontario action.

Bapineuzumab
In June 2010, a purported class action was filed in the U.S. District Court for the District of New Jersey against Pfizer, as successor to Wyeth, and several former officers of Wyeth. The complaint alleges that Wyeth and the individual defendants violated federal securities laws by making or causing Wyeth to make false and misleading statements, and by failing to disclose or causing Wyeth to fail to disclose material information, concerning the results of a clinical trial involving bapineuzumab, a product in development for the treatment of Alzheimer's disease. The plaintiff seeks to represent a class consisting of all persons who purchased Wyeth securities from May 21, 2007 through July 2008 and seeks damages in an unspecified amount on behalf of the purported class.

In July 2010, a related action was filed in the U.S. District Court for the Southern District of New York against Elan Corporation (Elan), certain directors and officers of Elan, and Pfizer, as successor to Wyeth. This action asserts claims on behalf of purchasers of call options of Elan, a company that jointly developed bapineuzumab with Wyeth until September 2009. The complaint alleges that Elan, Wyeth and the individual defendants violated federal securities laws by making or causing Elan to make false and misleading statements, and by failing to disclose or causing Elan to fail to disclose material information, concerning the results of a clinical trial involving bapineuzumab. The plaintiff seeks to represent a class consisting of all persons who purchased Elan call options from June 17, 2008 through July 29, 2008 and seeks damages in an unspecified amount on behalf of the purported class.

Thimerosal
Wyeth is a defendant in a number of suits by or on behalf of vaccine recipients alleging that exposure through vaccines to cumulative doses of thimerosal, a preservative used in certain childhood vaccines formerly manufactured and distributed by Wyeth and other vaccine manufacturers, caused severe neurological damage and/or autism in children. While several suits were filed as purported nationwide or statewide class actions, all of the purported class actions have been dismissed, either by the courts or voluntarily by the plaintiffs. In addition to the suits alleging injury from exposure to thimerosal, certain of the cases were brought by parents in their individual capacities for, among other things, loss of services and loss of consortium of the injured child.

The National Childhood Vaccine Injury Act (the Vaccine Act) requires that persons alleging injury from childhood vaccines first file a petition in the U.S. Court of Federal Claims asserting a vaccine-related injury. At the conclusion of that proceeding, petitioners may bring a lawsuit against the manufacturer in federal or state court, provided that they have satisfied certain procedural requirements. Also under the terms of the Vaccine Act, if a petition has not been adjudicated by the U.S. Court of Federal Claims within a specified time period after filing, the petitioner may opt out of the proceeding and pursue a lawsuit against the manufacturer by following

certain procedures. Some of the vaccine recipients who have sued Wyeth to date may not have satisfied the conditions to filing a lawsuit that are mandated by the Vaccine Act. The claims brought by parents for, among other things, loss of services and loss of consortium of the injured child are not covered by the Vaccine Act.

In 2002, the Office of Special Masters of the U.S. Court of Federal Claims established an Omnibus Autism Proceeding with jurisdiction over petitions in which vaccine recipients claim to suffer from autism or autism spectrum disorder as a result of receiving thimerosal-containing childhood vaccines and/or the measles, mumps and rubella (MMR) vaccine. There currently are several thousand petitions pending in the Omnibus Autism Proceeding. Special masters of the court have heard six test cases on petitioners' theories that either thimerosal-containing vaccines in combination with the MMR vaccine or thimerosal-containing vaccines alone can cause autism or autism spectrum disorder.

- In February 2009, special masters of the U.S. Court of Federal Claims rejected the three cases brought on the theory that a combination of MMR and thimerosal-containing vaccines caused petitioners' conditions. After these rulings were affirmed by the U.S. Court of Federal Claims, two of them were appealed by petitioners to the U.S. Court of Appeals for the Federal Circuit. In 2010, the Federal Circuit affirmed the decisions of the special masters in both of these cases.
- In March 2010, special masters of the U.S. Court of Federal Claims rejected the three additional test cases brought on the theory that thimerosal-containing vaccines alone caused petitioners' conditions. Petitioners did not seek review by the U.S. Court of Federal Claims of the decisions of the special masters in these latter three test cases, and judgments were entered dismissing the cases in April 2010.
- Petitioners in each of the six test cases have filed an election to bring a civil action.

Pristiq
In late 2007 and early 2008, the following actions were filed in various federal courts: (i) a purported class action alleging that Wyeth and certain former officers of Wyeth violated federal securities laws by misrepresenting the safety of Pristiq during the period before the FDA's issuance in July 2007 of an "approvable letter" for Pristiq for the treatment of vasomotor symptoms, which allegedly caused a decline in the price of Wyeth stock; (ii) a shareholder derivative action alleging that certain former officers of Wyeth and certain former directors of Wyeth, two of whom are now directors of Pfizer, breached fiduciary duties and violated federal securities laws by virtue of the aforementioned alleged misrepresentation; and (iii) a purported class action against Wyeth, the Wyeth Savings Plan Committee, the Wyeth Savings Plan-Puerto Rico Committee, the Wyeth Retirement Committee and certain former Wyeth officers and committee members alleging that they violated certain provisions of ERISA by maintaining Wyeth stock as an investment alternative under certain Wyeth plans notwithstanding their alleged knowledge of the aforementioned alleged misrepresentation.

The U.S. District Court for the Southern District of New York dismissed the ERISA action and denied the plaintiff's motion to amend the complaint in March and August 2010, respectively. In September 2010, the plaintiff appealed both of those rulings to the U.S. Court of Appeals for the Second Circuit. In November 2010, the plaintiff withdrew the appeal, but reserved the right to reinstate the appeal by June 2011. In addition, in January 2011, the shareholder derivative action was voluntarily dismissed by the plaintiff. The purported securities class action remains pending.

C. Commercial and Other Matters

Acquisition of Wyeth
In 2009, a number of retail pharmacies in California brought an action against Pfizer and Wyeth in the U.S. District Court for the Northern District of California. The plaintiffs allege, among other things, that our acquisition of Wyeth violates various federal antitrust laws by creating a monopoly in the manufacture, distribution and sale of prescription drugs in the U.S. In April 2010, the court granted our motion to dismiss the second amended complaint, and the plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Ninth Circuit.

Acquisition of King Pharmaceuticals, Inc.
In October 2010, several purported class action complaints were filed in federal and state court in Tennessee by shareholders of King Pharmaceuticals, Inc. (King) challenging Pfizer's acquisition of King. King and the individuals who served as the members of King's Board of Directors at the time of the execution of the merger agreement (the King Director Defendants) are named as defendants in all of these actions; Pfizer and Parker Tennessee Corp., a subsidiary of Pfizer, also are named as defendants in most of these actions. The plaintiffs generally allege that (i) the King Director Defendants breached their fiduciary duties to King and its shareholders by authorizing the sale of King to Pfizer for what plaintiffs deem inadequate consideration, and (ii) King and, in the actions in which they are named as defendants, Pfizer and Parker Tennessee Corp. breached and/or aided and abetted the other defendants' alleged breaches of fiduciary duties. The complaint filed in federal court also alleges that King's Schedule 14D-9 recommendation statement for the tender offer contains false statements and omissions of material fact in violation of Sections 14(d)(4) and 14(e) of the Securities Exchange Act of 1934. The plaintiffs in all of these actions seek damages and rescission the transaction. In November 2010, all of the actions filed in state court were consolidated in the Chancery Court for Sullivan County, Tennessee Second Judicial District, at Bristol. The parties to the consolidated state court action have reached an agreement in principle to resolve that action as a result of certain disclosures regarding the transaction made by King in its amended Schedule 14D-9 recommendation statement for the tender offer dated January 21, 2011. The proposed settlement is subject to, among other things, court approval.

Average Wholesale Price Litigation
A number of states as well as most counties in New York have sued Pharmacia, Pfizer and other pharmaceutical manufacturers alleging that they provided average wholesale price (AWP) information for certain of their products that was higher than the actual prices at which those products were sold. The AWP is used to determine reimbursement levels under Medicare Part B and Medicaid and in many private-sector insurance policies and medical plans. The plaintiffs claim that the alleged spread between the AWPs at

which purchasers were reimbursed and the actual sale prices was promoted by the defendants as an incentive to purchase certain of their products. In addition to suing on their own behalf, many of the plaintiff states seek to recover on behalf of individual Medicare Part B co-payers and private-sector insurance companies and medical plans in their states. These various actions generally assert fraud claims as well as claims under state deceptive trade practice laws, and seek monetary and other relief, including civil penalties and treble damages. Several of the suits also allege that Pharmacia and/or Pfizer did not report to the states their best price for certain products under the Medicaid program.

In addition, Pharmacia, Pfizer and other pharmaceutical manufacturers are defendants in a number of purported class action suits in various federal and state courts brought by employee benefit plans and other third-party payers that assert claims similar to those in the state and county actions. These suits allege, among other things, fraud, unfair competition and unfair trade practices and seek monetary and other relief, including civil penalties and treble damages.

All of these state, county and purported class action suits were transferred for consolidated pre-trial proceedings to a Multi-District Litigation (*In re Pharmaceutical Industry Average Wholesale Price Litigation MDL-1456*) in the U.S. District Court for the District of Massachusetts. Certain of the state and private suits have been remanded to their respective state courts. In 2006, the claims against Pfizer in the Multi-District Litigation were dismissed with prejudice; the claims against Pharmacia are still pending.

In 2008, the court in the Multi-District Litigation granted preliminary approval with respect to the fairness of a proposed settlement of the claims against 11 defendants, including Pharmacia, for a total of $125 million. It is expected that the court will consider final approval of the settlement later this year. If the settlement is approved, Pharmacia's contribution would not be material.

In addition, Wyeth is a defendant in AWP actions brought by certain states, which are not included in the Multi-District Litigation, as well as AWP actions brought by most counties in New York, almost all of which are included in the Multi-District Litigation. Wyeth also is a defendant in a purported class action in state court in New Jersey brought by two union health and welfare plans on behalf of a putative class consisting of third-party payers, certain consumers and Medicare beneficiaries. These actions against Wyeth would not be included in the proposed settlement referred to in the previous paragraph.

Monsanto-Related Matters
In 1997, Monsanto Company (Former Monsanto) contributed certain chemical manufacturing operations and facilities to a newly formed corporation, Solutia Inc. (Solutia), and spun off the shares of Solutia. In 2000, Former Monsanto merged with Pharmacia & Upjohn Company to form Pharmacia Corporation (Pharmacia). Pharmacia then transferred its agricultural operations to a newly created subsidiary, named Monsanto Company (New Monsanto), which it spun off in a two-stage process that was completed in 2002. Pharmacia was acquired by Pfizer in 2003 and is now a wholly owned subsidiary of Pfizer.

In connection with its spin-off that was completed in 2002, New Monsanto assumed, and agreed to indemnify Pharmacia for, any liabilities related to Pharmacia's former agricultural business. New Monsanto is defending and indemnifying Pharmacia for various claims and litigation arising out of, or related to, the agricultural business.

In connection with its spin-off in 1997, Solutia assumed, and agreed to indemnify Pharmacia for, liabilities related to Former Monsanto's chemical businesses. As the result of its reorganization under Chapter 11 of the U.S. Bankruptcy Code, Solutia's indemnification obligations related to Former Monsanto's chemical businesses are limited to sites that Solutia has owned or operated. In addition, in connection with its spinoff that was completed in 2002, New Monsanto assumed, and agreed to indemnify Pharmacia for, any liabilities primarily related to Former Monsanto's chemical businesses, including, but not limited to, any such liabilities that Solutia assumed. Solutia's and New Monsanto's assumption of and agreement to indemnify Pharmacia for these liabilities apply to pending actions and any future actions related to Former Monsanto's chemical businesses in which Pharmacia is named as a defendant, including, without limitation, actions asserting environmental claims, including alleged exposure to polychlorinated biphenyls.

Pharmacia Cash Balance Pension Plan
In 2006, several current and former employees of Pharmacia Corporation filed a purported class action in the U.S. District Court for the Southern District of Illinois against the Pharmacia Cash Balance Pension Plan (the Plan), Pharmacia Corporation, Pharmacia & Upjohn Company and Pfizer Inc. Plaintiffs seek monetary and injunctive relief on behalf of a class consisting of certain current and former participants in the Plan who accrued a benefit in the Monsanto Company Pension Plan prior to its conversion to a cash balance plan in 1997. In 2002, after various corporate reorganizations, certain of the assets and liabilities of the Monsanto Company Pension Plan were transferred to the Plan. Plaintiffs claim that the Plan violates the age-discrimination provisions of ERISA by providing certain credits to such participants only to age 55. This action has been consolidated in the U.S. District Court for the Southern District of Illinois *(Walker, et al., v. The Monsanto Company Pension Plan et al.*) with purported class actions pending in that court that make largely similar claims against substantially similar cash balance plans sponsored by Monsanto Company and Solutia Inc., each of which was spun off by Pharmacia Corporation or a predecessor of Pharmacia Corporation. In 2008, at the request of the parties, the court issued an order permitting the case to proceed as a class action. In June 2009, the court granted our motion for summary judgment and dismissed the claims against the Plan, Pfizer Inc. and the two Pfizer subsidiaries. In October 2009, the plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Seventh Circuit. In July 2010, the Seventh Circuit affirmed the District Court's dismissal of the claims against the Plan, Pfizer Inc. and the two Pfizer subsidiaries. In December 2010, the plaintiffs filed a petition for certiorari with the U.S. Supreme Court seeking reversal of the Seventh Circuit's decision.

Trade Secrets Action in California
In 2004, Ischemia Research and Education Foundation (IREF) and its chief executive officer brought an action in California Superior Court, Santa Clara County, against a former IREF employee and Pfizer. Plaintiffs allege that defendants conspired to misappropriate certain information from IREF's allegedly proprietary database in order to assist Pfizer in designing and executing a clinical study of a Pfizer drug. In 2008, the jury returned a verdict for compensatory damages of approximately $38.7 million. In March 2009, the court awarded prejudgment interest, but declined to award punitive damages. In July 2009, the court granted our motion for a new trial and vacated the jury verdict.

Trimegestone
Aventis filed a breach of contract action against Wyeth in the Commercial Court of Nanterre in France arising out of the December 2003 termination by Wyeth of an October 2000 agreement between Wyeth and Aventis relating to the development of hormone-therapy drugs utilizing Aventis's trimegestone (TMG) progestin. Aventis alleges that the termination was improper and seeks monetary damages. In 2009, a three-judge tribunal rendered its decision in favor of Wyeth. In May 2010, the Versailles Court of Appeals reversed the Commercial Court's decision and appointed experts to hear evidence and make a recommendation to the Court of Appeals concerning damages. In August 2010, Wyeth filed a notice of appeal of the Court of Appeals' decision with the Supreme Court of France. Notwithstanding the appeal, the damage proceeding by the experts appointed by the Court of Appeals is continuing.

Environmental Matters

- Remediation Matters

In 2009, we submitted to the U.S. Environmental Protection Agency (EPA) a corrective measures study report with regard to Pharmacia Corporation's discontinued industrial chemical facility in North Haven, Connecticut and a revised site-wide feasibility study with regard to Wyeth's discontinued industrial chemical facility in Bound Brook, New Jersey. In September 2010, our corrective measures study report with regard to the North Haven facility was approved by the EPA.

We are a party to a number of other proceedings brought under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (CERCLA or Superfund), and other state, local or foreign laws in which the primary relief sought is the cost of past and/or future remediation.

- MPA Matter

In 2006, the Irish Director of Public Prosecutions (DPP) served Wyeth's subsidiary, Wyeth Medica Ireland (WMI), with criminal summonses charging it with violations of the Ireland Waste Management Act and WMI's Integrated Pollution Prevention and Control License in connection with five shipments from WMI's Newbridge, Ireland facility of sugar waste water allegedly contaminated with medroxyprogesterone acetate (MPA). In June 2010, WMI entered into a plea agreement with the DPP concerning four deviations from waste-management requirements between September 2000 and November 2001. In October 2010, WMI agreed to pay 70,000 euros to the DPP toward the cost of the prosecution of this matter and was ordered to pay a fine of 40,000 euros. In November 2010, the DPP filed a notice of appeal seeking review of the amount of the fine. On January 31, 2011, the DPP withdrew its appeal in exchange for the payment by WMI of 150,000 euros to cover the Ireland Environmental Protection Agency's costs to investigate this matter.

D. Government Investigations

Like other pharmaceutical companies, we are subject to extensive regulation by national, state and local government agencies in the U.S. and in the other countries in which we operate. As a result, we have interactions with government agencies on an ongoing basis. Among the investigations by government agencies are those discussed below. It is possible that criminal charges and substantial fines and/or civil penalties could result from government investigations, including but not limited to those discussed below.

The Company has voluntarily provided the U.S. Department of Justice (DOJ) and the U.S. Securities and Exchange Commission (SEC) with information concerning potentially improper payments made by Pfizer and by Wyeth in connection with certain sales activities outside the U.S. We are in discussions with the DOJ and SEC regarding a resolution of these matters. In addition, certain potentially improper payments and other matters are the subject of investigations by government authorities in certain foreign countries, including a civil and criminal investigation in Germany with respect to certain tax matters relating to a wholly owned subsidiary of Pfizer.

The DOJ is conducting civil and criminal investigations regarding Wyeth's promotional practices with respect to Protonix and its practices relating to the pricing for Protonix for Medicaid rebate purposes. In connection with the pricing investigation, in 2009, the DOJ filed a civil complaint in intervention in two qui tam actions that had been filed under seal in the U.S. District Court for the District of Massachusetts. The complaint alleges that Wyeth's practices relating to the pricing for Protonix for Medicaid rebate purposes between 2001 and 2006 violated the Federal Civil False Claims Act and federal common law. The two qui tam actions have been unsealed and the complaints include substantially similar allegations. In addition, in 2009, several states and the District of Columbia filed a complaint under the same docket number asserting violations of various state laws based on allegations substantially similar to those set forth in the civil complaint filed by the DOJ. We are exploring with the DOJ various ways to resolve its civil and criminal investigations relating to Protonix.

The U.S. Attorney's Office for the Western District of Oklahoma is conducting a civil and criminal investigation with respect to Wyeth's promotional practices relating to Rapamune. In addition, in October 2010, the federal government was permitted to intervene in a qui tam action, which alleges off-label promotion of Rapamune, that was pending in the U.S. District Court for the Eastern District of Pennsylvania. In December 2010, the qui tam action was transferred to the Western District of Oklahoma, where it was consolidated with the proceedings underway there.

We have received civil investigative demands and informal inquiries from the consumer protection divisions of several states seeking information and documents concerning the promotion of Lyrica and Zyvox. These requests appear to relate to the same past promotional practices concerning these products that were the subject of previously reported settlements in September 2009 with the DOJ and the Medicaid fraud control units of various states.

E. Guarantees and Indemnifications

In the ordinary course of business and in connection with the sale of assets and businesses, we often indemnify our counterparties against certain liabilities that may arise in connection with the transaction or related to activities prior to the transaction. These indemnifications typically pertain to environmental, tax, employee and/or product-related matters and patent-infringement claims. If the indemnified party were to make a successful claim pursuant to the terms of the indemnification, we would be required to reimburse the loss. These indemnifications are generally subject to threshold amounts, specified claim periods and other restrictions and limitations. Historically, we have not paid significant amounts under these provisions and, as of December 31, 2010, recorded amounts for the estimated fair value of these indemnifications were not significant.

20. Segment, Geographic and Revenue Information

Business Segments

Effective with the acquisition of Wyeth, we operate in the following two distinct commercial organizations, which constitute our two business segments:

- **Biopharmaceutical** consists of the Primary Care, Specialty Care, Oncology, Established Products and Emerging Markets units and includes products that prevent and treat cardiovascular and metabolic diseases, central nervous system disorders, arthritis and pain, infectious and respiratory diseases, urogenital conditions, cancer, eye diseases and endocrine disorders, among others. Biopharmaceutical's segment profit includes costs related to research and development, manufacturing, and sales and marketing activities that are associated with the products in our Biopharmaceutical segment.

- **Diversified** includes Animal Health products and services that prevent and treat diseases in livestock and companion animals, including vaccines, parasiticides and anti-infectives; Consumer Healthcare products that include over-the-counter healthcare products such as pain management therapies (analgesics and heat wraps), cough/cold/allergy remedies, dietary supplements, hemorrhoidal care and personal care items; Nutrition products that consist mainly of infant and toddler nutritional products; and Capsugel, which represents our capsule products and services business. Diversified's segment profit includes costs related to research and development, manufacturing, and sales and marketing activities that are associated with the products in our Diversified segment.

Segment profit/(loss) is measured based on income from continuing operations before provision for taxes on income and income attributable to noncontrolling interests. Certain costs, such as significant impacts of purchase accounting for acquisitions, restructuring and acquisition-related costs, costs related to our cost-reduction initiatives and certain asset impairment charges are included in *Corporate*/*Other* only. This methodology is utilized by management to evaluate our businesses. We regularly review our segments and the approach used by management to evaluate performance and allocate resources.

Each segment offers different products requiring different marketing and distribution strategies. We sell our products primarily to customers in the wholesale sector. In 2010, sales to our three largest U.S. wholesaler customers represented approximately 14%, 10% and 9% of total revenues and, collectively, represented approximately 17% of accounts receivable as of December 31, 2010. These sales and related accounts receivable were concentrated in the Biopharmaceutical segment. In 2009, sales to our three largest U.S. wholesaler customers represented approximately 17%, 11% and 10% of total revenues and, collectively, represented approximately 13% of accounts receivable as of December 31, 2009.

Revenues exceeded $500 million in each of 18 countries outside the U.S. in 2010, in each of 13 countries outside the U.S. in 2009 and in each of 14 countries outside the U.S. in 2008. The U.S. was the only country to contribute more than 10% of total revenues in each year.

Segment Revenues and Profit

Segment revenues and profit are as follows:

	YEAR ENDED DECEMBER 31,		
(MILLIONS OF DOLLARS)	**2010[a]**	2009[a]	2008
Revenues			
Biopharmaceutical	**$ 58,523**	$ 45,448	$ 44,174
Diversified	**8,966**	4,189	3,592
Corporate/Other[b]	**320**	372	530
Total revenues	**$ 67,809**	$ 50,009	$ 48,296
Segment profit/(loss)[c]			
Biopharmaceutical	**$ 28,981**	$ 21,939	$ 21,786
Diversified	**2,042**	935	972
Corporate/Other[b], [d]	**(21,601)**	(12,047)	(13,064)
Total profit/(loss)	**$ 9,422**	$ 10,827	$ 9,694

[a] Includes revenues and profit/(loss) from legacy Wyeth operations for a full year in 2010. 2009 includes revenues and profit/(loss) from legacy Wyeth operations commencing on the Wyeth acquisition date, October 15, 2009, in accordance with Pfizer's domestic and international year-ends.

[b] *Corporate*/*Other* includes, among other things, Pfizer CentreSource, which includes contract manufacturing and bulk pharmaceutical chemical sales. *Corporate*/*Other* under *Segment profit*/*(loss)* also includes, among other things, interest income/(expense), corporate administration expenses, certain performance-based and all share-based compensation expenses, significant impacts of purchase accounting for acquisitions, all acquisition-related costs, substantially all restructurings, significant asset impairments and litigation charges.

(c) *Segment profit/(loss)* equals *Income from continuing operations before provision for taxes on income.* Certain costs are included in *Corporate*/*Other* only (see note (b) above). This methodology is utilized by management to evaluate our businesses.

(d) In 2010, *Corporate*/*Other* includes: (i) significant impacts of purchase accounting for acquisitions of $8.3 billion, including intangible asset amortization and charges related to fair value adjustments of inventory acquired as part of our acquisition of Wyeth and sold during the period; (ii) restructuring and acquisition-related costs of $4.0 billion, related to our acquisition of Wyeth; (iii) intangible asset impairments of $2.1 billion primarily related to certain intangible assets acquired as part of our acquisition of Wyeth and to one of our products, Thelin (see *Note 3B. Other Significant Transactions and Events: Asset Impairment Charges)*; (iv) Wyeth-related inventory write-off of $212 million (which includes a purchase accounting fair value adjustment of $104 million), primarily related to Biopharmaceutical inventory; (v) an additional $1.3 billion charge for asbestos litigation related to our wholly owned subsidiary Quigley Company, Inc.; (vi) all share-based compensation expense and (vii) net interest expense of $1.4 billion.

In 2009, *Corporate*/*Other* includes: (i) significant impacts of purchase accounting for acquisitions of $3.8 billion, including intangible asset amortization and charges related to fair value adjustments of inventory acquired as part of our acquisition of Wyeth and sold during the period; (ii) restructuring and acquisition-related costs of $4.3 billion, primarily related to our acquisition of Wyeth; (iii) all share-based compensation expense; (iv) a gain of $482 million related to ViiV (see *Note 3E. Other Significant Transactions and Events: Equity-Method Investments);* (v) net interest expense of $487 million; and (vi) an impairment of $298 million associated with certain materials used in our research and development activities that were no longer considered recoverable.

In 2008, *Corporate*/*Other* includes: (i) restructuring charges and implementation costs associated with our cost-reduction initiatives of $4.2 billion; (ii) significant impacts of purchase accounting for acquisitions of $3.2 billion, including acquired in-process research and development, intangible asset amortization and other charges; (iii) charges of approximately $2.3 billion related to the resolution of certain investigations concerning Bextra and various other products, as well as certain other investigations, and charges of approximately $900 million associated with the resolution of certain litigation involving our NSAID pain medicines; (iv) all share-based compensation expense; (v) net interest income of $772 million; (vi) asset impairment charges of $213 million; and (vii) acquisition-related costs of $49 million.

Substantially all of the restructuring charges recorded in *Corporate*/*Other* in 2010, 2009 and 2008 are associated with our Biopharmaceutical segment.

Segment Assets, Property, Plant and Equipment Additions, and Depreciation and Amortization

Additional details follow:

	YEAR ENDED/AS OF DECEMBER 31,		
(MILLIONS OF DOLLARS)	**2010[a]**	2009[a]	2008
Identifiable assets			
Biopharmaceutical	**$123,560**	$140,008	$ 60,591
Diversified	**18,255**	19,470	2,808
Discontinued operations/Held for sale	**561**	496	148
Corporate/Other[b], [c]	**52,638**	52,975	47,601
Total identifiable assets	**$195,014**	$212,949	$111,148
Property, plant and equipment additions[d]			
Biopharmaceutical	**$ 1,263**	$ 985	$ 1,351
Diversified	**160**	147	265
Corporate/Other[b]	**90**	73	85
Total property, plant and equipment additions	**$ 1,513**	$ 1,205	$ 1,701
Depreciation and amortization[d]			
Biopharmaceutical	**$ 2,731**	$ 1,672	$ 2,223
Diversified	**183**	113	108
Corporate/Other[b], [e]	**5,573**	2,972	2,759
Total depreciation and amortization	**$ 8,487**	$ 4,757	$ 5,090

(a) Reflects legacy Wyeth amounts for a full year in 2010. 2009 reflects legacy Wyeth amounts commencing on the Wyeth acquisition date, October 15, 2009.

(b) *Corporate*/*Other* includes Pfizer CentreSource, which includes contract manufacturing and bulk pharmaceutical chemical sales.

(c) Assets included within *Corporate*/*Other* are primarily cash and cash equivalents, short-term investments, long-term investments and loans and tax assets.

(d) Certain production facilities are shared. Property, plant and equipment, as well as capital additions and depreciation, are allocated based on estimates of physical production.

(e) *Corporate*/*Other* includes non-cash charges associated with purchase accounting related to intangible asset amortization of $5.3 billion in 2010, $2.7 billion in 2009 and $2.5 billion in 2008.

Geographic

Revenues and long-lived assets by geographic region are as follows:

	YEAR ENDED/AS OF DECEMBER 31,		
(MILLIONS OF DOLLARS)	**2010[a]**	2009[a]	2008
Revenues			
United States	**$29,046**	$21,749	$20,401
Developed Europe[b]	**16,665**	12,892	13,180
Developed Rest of World[c]	**10,091**	8,196	7,511
Emerging Markets[d]	**12,007**	7,172	7,204
Consolidated	**$67,809**	$50,009	$48,296
Long-lived assets[e]			
United States	**$43,665**	$50,901	$17,296
Developed Europe[b]	**26,729**	32,057	11,947
Developed Rest of World[c]	**1,822**	1,936	516
Emerging Markets[d]	**4,465**	5,901	1,249
Consolidated	**$76,681**	$90,795	$31,008

[a] Reflects legacy Wyeth amounts for a full year in 2010. 2009 reflects legacy Wyeth amounts commencing on the Wyeth acquisition date, October 15, 2009.
[b] Developed Europe region includes the following markets: Western Europe and the Scandinavian countries.
[c] Developed Rest of World region includes the following markets: Australia, Canada, Japan, New Zealand, and South Korea.
[d] Emerging Markets region includes, but is not limited to, the following markets: Asia (excluding Japan and South Korea), Latin America, Middle East, Africa, Central and Eastern Europe, Russia and Turkey.
[e] Long-lived assets include identifiable intangible assets (excluding goodwill) and property, plant and equipment.

Revenues by Product

Significant product revenues are as follows:

(MILLIONS OF DOLLARS)	YEAR ENDED DECEMBER 31, 2010	2009	2008
Biopharmaceutical products:			
Lipitor	**$10,733**	$11,434	$12,401
Enbrel[a], [b]	**3,274**	378	—
Lyrica	**3,063**	2,840	2,573
Prevnar/Prevenar 13[a]	**2,416**	—	—
Celebrex	**2,374**	2,383	2,489
Viagra	**1,928**	1,892	1,934
Xalatan/Xalacom	**1,749**	1,737	1,745
Effexor[a]	**1,718**	520	—
Norvasc	**1,506**	1,973	2,244
Prevnar/Prevenar (7-valent)[a]	**1,253**	287	—
Zyvox	**1,176**	1,141	1,115
Sutent	**1,066**	964	847
Premarin family[a]	**1,040**	213	—
Geodon/Zeldox	**1,027**	1,002	1,007
Detrol/Detrol LA	**1,013**	1,154	1,214
Zosyn/Tazocin[a]	**952**	184	—
Genotropin	**885**	887	898
Vfend	**825**	798	743
Chantix/Champix	**755**	700	846
Protonix[a]	**690**	68	—
BeneFIX[a]	**643**	98	—
Zoloft	**532**	516	539
Caduet	**527**	548	589
Aromasin	**483**	483	465
Revatio	**481**	450	336
Pristiq[a]	**466**	82	—
Medrol	**455**	457	459
Aricept[c]	**417**	432	482
Zithromax/Zmax	**415**	430	429
Cardura	**413**	457	499
ReFacto AF/Xyntha[a]	**404**	47	—
BMP2[a]	**400**	81	—
Rapamune[a]	**388**	57	—
Fragmin	**341**	359	316
Tygacil[a]	**324**	54	—
Alliance revenues[d]	**4,084**	2,925	2,251
All other[e]	**8,307**	7,417	7,753
Total Biopharmaceutical products	**58,523**	45,448	44,174
Diversified products:			
Animal Health[e]	**3,575**	2,764	2,825
Consumer Healthcare[a]	**2,772**	494	—
Nutrition[a]	**1,867**	191	—
Capsugel	**752**	740	767
Total Diversified products	**8,966**	4,189	3,592
Corporate/Other	**320**	372	530
Total revenues	**$67,809**	$50,009	$48,296

[a] Legacy Wyeth products. Legacy Wyeth operations are included for a full year in 2010. In accordance with Pfizer's domestic and international year-ends, 2009 includes approximately two-and-a-half months of Wyeth's U.S. operations and approximately one-and-a-half months of Wyeth's international operations in 2009.
[b] Outside the U.S. and Canada.
[c] Represents direct sales under license agreement with Eisai.
[d] Enbrel (in the U.S. and Canada)[a], Aricept, Exforge, Rebif and Spiriva.
[e] Includes legacy Pfizer products in 2010, 2009 and 2008. Also includes legacy Wyeth products in 2010 and, as described in note (a) above, during a portion of 2009.

21. Subsequent Events

A. Acquisition of King Pharmaceuticals, Inc.

On January 31, 2011, we completed our tender offer for all of the outstanding shares of common stock of King Pharmaceuticals, Inc. (King). Upon completion of the tender offer, we accepted for purchase all of the shares validly tendered and not validly withdrawn at a purchase price of $14.25 per share, net to the seller in cash, without interest thereon and subject to any required withholding taxes. As a result, we paid approximately $3.3 billion in cash for approximately 92.5% of the outstanding shares of King common stock. Also, in accordance with the terms of the merger agreement, individuals designated by Pfizer now constitute a majority of the King Board of Directors. We intend to complete the acquisition of King through a merger on or about February 28, 2011, without a vote of the remaining shareholders of King. As a result of the merger, each remaining share of King common stock will be converted into the right to receive $14.25 per share, net in cash, without interest and less any required withholding taxes.

King's principal businesses consist of a prescription pharmaceutical business focused on delivering new formulations of pain treatments designed to discourage common methods of misuse and abuse; the Meridian auto-injector business for emergency drug delivery, which develops and manufactures the EpiPen®; and an animal health business that offers a variety of feed-additive products for a wide range of species.

The assets acquired and liabilities assumed from King, the consideration paid to acquire King, and the results of King's operations, are not reflected in our consolidated financial statements as of and for the twelve months ended December 31, 2010. Due to the significant limitations on access to King information prior to the completion of the tender offer and the limited time since the completion of the tender offer, the initial accounting for the business combination is incomplete at this time. As a result, we are unable to provide the amounts to be recognized for the major classes of assets acquired and liabilities assumed, including the information required for accounts receivables, pre-acquisition contingencies and goodwill. We will include this and other related information in our first quarter 2011 Form 10-Q.

B. New Research and Development Productivity Initiative

On February 1, 2011, we announced that we are continuing to closely evaluate our global research and development function and will accelerate our current strategies to improve innovation and overall productivity by prioritizing areas with the greatest scientific and commercial promise, utilizing appropriate risk/return profiles and focusing on areas with the highest potential to deliver value in the near term and over time. In connection with these actions:

- We estimate that we will incur pre-tax employee-termination charges in the range of approximately $800 million to $1.1 billion and other pre-tax exit and implementation charges in the range of approximately $300 million to $500 million, all of which will result in future cash expenditures. We expect most of these charges to be incurred in 2011 and the balance to be incurred in 2012.

- We estimate that we will incur total pre-tax impairment and additional depreciation—asset restructuring charges in the range of approximately $1.1 billion to $1.3 billion, of which approximately $800 million to $900 million represent additional depreciation—asset restructuring charges. Most of these charges will be associated with our Sandwich, U.K. facility. We expect most of these non-cash charges to be incurred in 2011 and the balance to be incurred in 2012.

Quarterly Consolidated Financial Data (Unaudited)

Pfizer Inc. and Subsidiary Companies

(MILLIONS OF DOLLARS, EXCEPT PER COMMON SHARE DATA)	QUARTER FIRST	SECOND	THIRD	FOURTH
2010				
Revenues	**$16,750**	**$ 17,327**	**$16,171**	**$ 17,561**
Costs and expenses[a]	**12,791**	**12,467**	**14,232**	**15,558**
Acquisition-related in-process research and development charges	**74**	**—**	**—**	**51**
Restructuring charges and certain acquisition-related costs[b]	**706**	**886**	**499**	**1,123**
Income from continuing operations before provision for taxes on income	**3,179**	**3,974**	**1,440**	**829**
Provision/(benefit) for taxes on income[c]	**1,146**	**1,488**	**564**	**(2,074)**
Income from continuing operations	**2,033**	**2,486**	**876**	**2,903**
Discontinued operations—net of tax	**2**	**(1)**	**(5)**	**(5)**
Net income before allocation to noncontrolling interests	**2,035**	**2,485**	**871**	**2,898**
Less: Net income attributable to noncontrolling interests	**9**	**10**	**5**	**8**
Net income attributable to Pfizer Inc.	**$ 2,026**	**$ 2,475**	**$ 866**	**$ 2,890**
Earnings per common share—basic:				
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 0.25**	**$ 0.31**	**$ 0.11**	**$ 0.36**
Discontinued operations—net of tax	**—**	**—**	**—**	**—**
Net income attributable to Pfizer Inc. common shareholders	**$ 0.25**	**$ 0.31**	**$ 0.11**	**$ 0.36**
Earnings per common share—diluted:				
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 0.25**	**$ 0.31**	**$ 0.11**	**$ 0.36**
Discontinued operations—net of tax	**—**	**—**	**—**	**—**
Net income attributable to Pfizer Inc. common shareholders	**$ 0.25**	**$ 0.31**	**$ 0.11**	**$ 0.36**
Cash dividends paid per common share	**$ 0.18**	**$ 0.18**	**$ 0.18**	**0.18**
Stock prices				
High	**$ 20.36**	**$ 17.39**	**$ 17.50**	**$ 17.90**
Low	**$ 16.80**	**$ 14.00**	**$ 14.14**	**$ 16.25**

[a] The increase in costs and expenses in the fourth quarter of 2010, compared to the third quarter of 2010, is due to higher *Cost of sales, Selling, informational and administrative expenses,* and *Amortization of intangible assets,* partially offset by lower charges recorded in *Other deductions—net.*

[b] The increase in the fourth quarter of 2010, compared to the third quarter of 2010, is due to higher integration charges and restructuring costs primarily related to our acquisition of Wyeth.

[c] The fourth quarter of 2010 includes a $2.0 billion tax benefit recorded as a result of a settlement of certain tax audits covering the years 2002 – 2005.

Basic and diluted EPS are computed independently for each of the periods presented. Accordingly, the sum of the quarterly EPS amounts may not agree to the total for the year.

As of January 31, 2011, there were 232,567 holders of record of our common stock (New York Stock Exchange symbol PFE).

Quarterly Consolidated Financial Data (Unaudited)

Pfizer Inc. and Subsidiary Companies

(MILLIONS OF DOLLARS, EXCEPT PER COMMON SHARE DATA)	QUARTER FIRST	SECOND	THIRD	FOURTH[a]
2009				
Revenues	$10,867	$ 10,984	$11,621	$ 16,537
Costs and expenses	6,510	7,456	7,457	13,354
Acquisition-related in-process research and development charges	—	20	—	48
Restructuring charges and certain acquisition-related costs[b]	554	459	193	3,131
Income from continuing operations before provision for taxes on income	3,803	3,049	3,971	4
Provision for taxes on income	1,074	786	1,092	(755)
Income from continuing operations	2,729	2,263	2,879	759
Discontinued operations—net of tax	1	3	2	8
Net income before allocation to noncontrolling interests	2,730	2,266	2,881	767
Less: Net income attributable to noncontrolling interests	1	5	3	—
Net income attributable to Pfizer Inc.	$ 2,729	$ 2,261	$ 2,878	$ 767
Earnings per common share—basic[c]:				
Income from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.41	$ 0.34	$ 0.43	$ 0.10
Discontinued operations—net of tax	—	—	—	—
Net income attributable to Pfizer Inc. common shareholders	$ 0.41	$ 0.34	$ 0.43	$ 0.10
Earnings per common share—diluted[c]:				
Income from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.40	$ 0.34	$ 0.43	$ 0.10
Discontinued operations—net of tax	—	—	—	—
Net income attributable to Pfizer Inc. common shareholders	$ 0.40	$ 0.34	$ 0.43	$ 0.10
Cash dividends paid per common share	$ 0.32	$ 0.16	$ 0.16	$ 0.16
Stock prices				
High	$ 18.48	$ 15.60	$ 16.98	$ 18.99
Low	$ 11.62	$ 12.75	$ 14.11	$ 16.07

[a] In accordance with our domestic and international fiscal year-ends, approximately two-and-a-half months of Wyeth's U.S. operations and approximately one-and-a-half months of Wyeth's international operations are included in our consolidated financial statements for the quarter ended December 31, 2009. For additional information, see *Note 2. Acquisition of Wyeth*. The increase in revenues and costs and expenses in the fourth quarter of 2009 primarily reflects the results of Wyeth's operations, as well as higher purchase accounting charges resulting from the Wyeth acquisition.

[b] Restructuring charges and certain acquisition-related costs includes restructuring charges recorded in the fourth quarter of 2009 related to our acquisition of Wyeth.

[c] Earnings per share in fourth-quarter 2009 was impacted by the increased number of shares outstanding in comparison with prior 2009 quarters, resulting primarily from shares issued to partially fund the Wyeth acquisition.

Basic and diluted EPS are computed independently for each of the periods presented. Accordingly, the sum of the quarterly EPS amounts may not agree to the total for the year.

Financial Summary
Pfizer Inc. and Subsidiary Companies

(MILLIONS, EXCEPT PER COMMON SHARE DATA)	YEAR ENDED/AS OF DECEMBER 31, 2010[a]	2009[a]	2008	2007	2006
Revenues	**$ 67,809**	$ 50,009	$ 48,296	$ 48,418	$ 48,371
Research and development expenses[b]	**9,413**	7,845	7,945	8,089	7,599
Other costs and expenses	**45,635**	26,932	27,349	28,234	25,586
Acquisition-related in-process research and development charges[c]	**125**	68	633	283	835
Restructuring charges and certain acquisition-related costs[d]	**3,214**	4,337	2,675	2,534	1,323
Income from continuing operations before provision for taxes on income	**9,422**	10,827	9,694	9,278	13,028
Provision for taxes on income	**1,124**	2,197	1,645	1,023	1,992
Income from continuing operations before cumulative effect of a change in accounting principles	**8,298**	8,630	8,049	8,255	11,036
Discontinued operations—net of tax—(loss)/income	**(9)**	14	78	(69)	8,313
Less: Net income attributable to noncontrolling interests	**32**	9	23	42	12
Net income attributable to Pfizer Inc.	**$ 8,257**	$ 8,635	$ 8,104	$ 8,144	$ 19,337
Effective tax rate—continuing operations	**11.9%**	20.3%	17.0%	11.0%	15.3%
Depreciation and amortization[e]	**$ 8,487**	$ 4,757	$ 5,090	$ 5,200	$ 5,293
Property, plant and equipment additions[e]	**1,513**	1,205	1,701	1,880	2,050
Cash dividends paid	**6,088**	5,548	8,541	7,975	6,919
Working capital	**31,859**	24,445	16,067	25,014	25,559
Property, plant and equipment, less accumulated depreciation	**19,123**	22,780	13,287	15,734	16,632
Total assets	**195,014**	212,949	111,148	115,268	115,546
Long-term debt	**38,410**	43,193	7,963	7,314	5,546
Long-term capital[f]	**145,323**	151,478	68,662	80,134	84,993
Total Pfizer Inc. shareholders' equity	**87,813**	90,014	57,556	65,010	71,358
Earnings per common share—basic:					
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.03**	$ 1.23	$ 1.19	$ 1.19	$ 1.52
Discontinued operations—net of tax	**—**	—	0.01	(0.01)	1.15
Net income attributable to Pfizer Inc. common shareholders	**$ 1.03**	$ 1.23	$ 1.20	$ 1.18	$ 2.67
Earnings per common share—diluted:					
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.02**	$ 1.23	$ 1.19	$ 1.18	$ 1.52
Discontinued operations—net of tax	**—**	—	0.01	(0.01)	1.14
Net income attributable to Pfizer Inc. common shareholders	**$ 1.02**	$ 1.23	$ 1.20	$ 1.17	$ 2.66
Market value per share (December 31)	**$ 17.51**	$ 18.19	$ 17.71	$ 22.73	$ 25.90
Return on Pfizer Inc. shareholders' equity	**10.39%**	13.42%	13.22%	11.94%	28.20%
Cash dividends paid per common share	**$ 0.72**	$ 0.80	$ 1.28	$ 1.16	$ 0.96
Shareholders' equity per common share[g]	**$ 10.96**	$ 11.19	$ 8.56	$ 9.65	$ 10.05
Current ratio	**2.11:1**	1.66:1	1.59:1	2.15:1	2.16:1
Weighted-average shares used to calculate:					
Basic earnings per common share amounts	**8,036**	7,007	6,727	6,917	7,242
Diluted earnings per common share amounts	**8,074**	7,045	6,750	6,939	7,274

[a] Legacy Wyeth operations are included for a full year in 2010. In accordance with Pfizer's domestic and international year-ends, includes approximately two-and-a-half months of Wyeth's U.S. operations and approximately one-and-a-half months of Wyeth's international operations in 2009.

[b] *Research and development expenses* includes co-promotion charges, upfront and milestone payments for intellectual property rights of $393 million in 2010, $489 million in 2009; $377 million in 2008; $603 million in 2007; and $292 million in 2006.

[c] 2010 and 2009 amounts relate to the resolution of a contingency related to our 2008 acquisition of CovX. In 2008, 2007 and 2006, we recorded charges for the estimated portion of the purchase price of acquisitions allocated to in-process research and development.

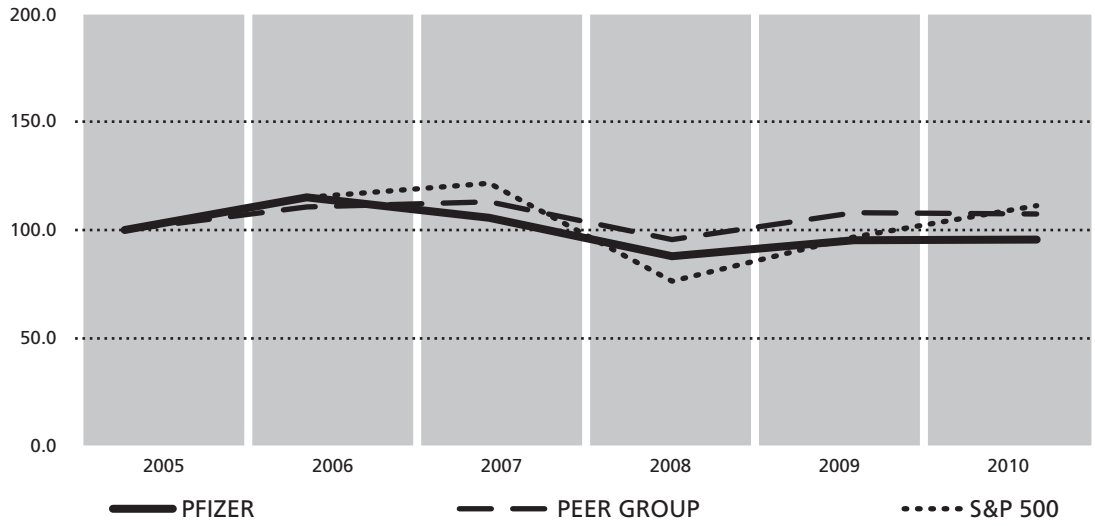
[d] *Restructuring charges and certain acquisition-related costs* primarily includes the following:
2010—Restructuring charges of $2.2 billion related to our acquisition of Wyeth and other cost-reduction initiatives.
2009—Restructuring charges of $3.0 billion related to our acquisition of Wyeth and other cost-reduction initiatives.
2008—Restructuring charges of $2.6 billion related to our cost-reduction initiatives.
2007—Restructuring charges of $2.5 billion related to our cost-reduction initiatives.
2006—Restructuring charges of $1.3 billion related to our cost-reduction initiatives.

[e] Includes discontinued operations.

[f] Defined as long-term debt, deferred taxes and total shareholders' equity. In 2009, increase reflects the long-term debt and deferred tax liabilities associated with the acquisition of Wyeth.

[g] Represents total Pfizer Inc. shareholders' equity divided by the actual number of common shares outstanding (which excludes treasury shares and those held by our employee benefit trusts). The increase in 2009 was due to the issuance of equity to partially finance the Wyeth acquisition.

Peer Group Performance Graph



Five Year Performance

	2005	2006	2007	2008	2009	2010
PFIZER	100.0	115.2	105.8	88.0	95.3	95.6
PEER GROUP	100.0	110.7	113.0	95.7	108.0	107.5
S&P 500	100.0	115.2	121.6	76.6	96.9	111.4

Notes: Pfizer's pharmaceutical peer group consists of the following companies: Abbott Laboratories, Amgen, AstraZeneca, Bristol-Myers Squibb Company, Eli Lilly and Company, GlaxoSmithKline, Johnson & Johnson and Merck and Co.

Exhibit 21

SUBSIDIARIES OF THE COMPANY

The following is a list of subsidiaries of the Company as of December 31, 2010, omitting some subsidiaries which, considered in the aggregate, would not constitute a significant subsidiary.

NAME	WHERE INCORPORATED
337609 B.C. Ltd.	Canada
685 TA LLC	Delaware
A S Ruffel (Mozambique) Limitada	Mozambique
A. H. Robins (Philippines) Company, Inc.	Philippines
A. H. Robins International Company	Nevada
A.S. Ruffel (Private) Limited	Zimbabwe
AC Acquisition Holding Company	Delaware
Agouron Pharmaceuticals, Inc.	California
AHP Finance Ireland Limited	Ireland
AHP FSC (Barbados) Ltd.	Barbados
AHP Holdings B.V.	Netherlands
AHP Holdings Pty. Limited	Australia
AHP Manufacturing B.V.	Netherlands
AHP Services Japan Co., Ltd.	Japan
Alginate Industries (Ireland) Ltd.	Ireland
American Food Industries, Inc.	Delaware
American Home Products Holdings (U.K.) Limited	United Kingdom
Andean Services S.A.	Colombia
Argatroban Royalty Sub LLC	Delaware
Arthur Webster (New Zealand) Pty. Limited	Australia
Arthur Webster Pty. Limited	Australia
Ayerst-Wyeth Pharmaceuticals LLC	Delaware
Berdan Insurance Company	Vermont
BINESA 2002, S.L.	Spain
Biocor Animal Health Inc.	Delaware
Bioren, Inc.	Delaware
BioRexis Pharmaceutical Corporation	Delaware
Blue Whale Re Ltd.	Vermont
C.E. Commercial Holdings C.V.	Netherlands
C.E. Commercial Investments C.V.	Netherlands
C.P. Pharma Gyógyszerkereskedelmi Korlátolt Felelõsségû Társaság	Hungary
C.P. Pharmaceuticals International C.V.	Netherlands
Capsugel (Thailand) Co. Ltd.	Thailand
Capsugel Belgium BVBA	Belgium
Capsugel de Mexico, S. de R.L. de C.V.	Mexico
Capsugel France	France
Capsugel Healthcare Limited	India
Capsugel Japan Inc. (KK)	Japan
Capsugel Ploermel	France
Carlerba—Produtos Químicos e Farmacêuticos, Lda.	Portugal
Catapult Genetics (Australia) Pty Ltd	Australia

NAME	WHERE INCORPORATED
Catapult Genetics Pty Ltd	Australia
Catapult Systems Limited	United Kingdom
Charlie Papa Operations, LLC	New Jersey
CICL Corporation	Delaware
COC I Corporation	Delaware
Coley Pharmaceutical GmbH	Germany
Coley Pharmaceutical Group, Inc.	Delaware
Compania Farmaceutica Upjohn, S.A.	Guatemala
Consumer Health Products (Minority Interests) Company	United Kingdom
Continental Farmaceutica, S.L.	Spain
Continental Pharma, Inc.	Delaware
CovX Research LLC	Delaware
Covx Technologies Ireland Limited	Ireland
Cyanamid Agriculture Limited	United Kingdom
Cyanamid de Argentina S.A.	Delaware
Cyanamid de Colombia, S.A.	Delaware
Cyanamid de Mexico, S. de R.L. de C.V.	Mexico
Cyanamid Inter-American Corporation	Delaware
Cyanamid International Sales Corporation	Virgin Islands
Cyanamid of Great Britain Limited	United Kingdom
Davis Medica, Sociedad Limitada, Sociedad Unipersonal	Spain
Dimminaco AG	Switzerland
Distribuidora Mercantil Centro Americana, S.A	Delaware
Embrex Bio-Tech Trade (Shanghai) Co., Ltd.	People's Republic of China
Embrex De Mexico S. de R.L. de C.V.	Mexico
Embrex Europe Limited	United Kingdom
Embrex Poultry Health, LLC	North Carolina
Embrex, Inc.	North Carolina
Encysive (UK) Limited	United Kingdom
Encysive Canada Inc.	Canada
Encysive Pharmaceuticals Inc.	Delaware
Encysive, L.P.	Delaware
EP-ET, LLC	Delaware
Esperion LUV Development, Inc.	Delaware
Farminova Produtos Farmaceuticos de Inovacao, Lda.	Portugal
Farmitalia Carlo Erba Limited	United Kingdom
Farmogene Productos Farmaceuticos Lda	Portugal
FoldRx Pharmaceuticals Limited	United Kingdom
FoldRx Pharmaceuticals, Inc.	Delaware
Fort Dodge (Hong Kong) Limited	Hong Kong
Fort Dodge (Solv) Limited	United Kingdom
Fort Dodge Animal Health (Pty) Ltd.	South Africa
Fort Dodge Animal Health Limited	United Kingdom
Fort Dodge Animal Health Philippines, Inc.	Philippines
Fort Dodge Animal Health, S. DE R.L. DE C.V.	Mexico
Fort Dodge Asia Exports, Inc.	Delaware
Fort Dodge Australia Pty. Limited	Australia
Fort Dodge de Venezuela, C.A.	Venezuela
Fort Dodge Dominicana, S.A.	Dominican Republic

NAME	WHERE INCORPORATED
Fort Dodge Laboratories Inc.	Iowa
Fort Dodge Laboratories Ireland Limited	Ireland
Fort Dodge Manufatura Ltda.	Brazil
Fort Dodge Saude Animal Ltda.	Brazil
Fort Dodge U.K. Limited	United Kingdom
Fort Dodge Veterinaria, S.A.	Spain
G. D. Searle & Co. Limited	United Kingdom
G. D. Searle International Capital LLC	Delaware
G. D. Searle LLC	Delaware
G. D. Searle South Africa (Pty) Ltd.	South Africa
Genetics Institute of Europe B.V.	Netherlands
Genetics Institute, LLC	Delaware
GI Europe, Inc.	Delaware
GI Japan, Inc.	Delaware
Gödecke GmbH	Germany
Greenstone LLC	Delaware
Haptogen Limited	Scotland
ImmunoPharmaceutics, Inc.	California
Industrial Santa Agape, S.A.	Guatemala
Instituto Pasteur de Lisboa Virginio Leitao Vieira dos Santos & Filhos S.A.	Portugal
International Affiliated Corporation LLC	Delaware
Invicta Farma, S.A.	Spain
John Wyeth & Brother Limited	United Kingdom
Jouveinal Holland B.V.	Netherlands
Kenfarma, S.A.	Spain
Kiinteistö oy Espoon Pellavaniementie 14	Finland
Kommanditbolaget Hus Gron	Sweden
Korea Pharma Holding Company Limited	Hong Kong
Laboratoires Pfizer SA	Morocco
Laboratorios Ayerst-Hormona S.A.	Colombia
Laboratorios Parke Davis, S.L.	Spain
Laboratorios Pfizer Ltda.	Brazil
Laboratórios Pfizer, Lda.	Portugal
Laboratorios Wyeth Inc.	Delaware
Laboratorios Wyeth S.A.	Peru
Laboratorios Wyeth S.A.	Venezuela
Lederle S.L.	Spain
Lothian Developments V SPRL	Belgium
LW Investments Limited	Bermuda
MDP Holdings, Inc.	Delaware
MED Urological, Inc.	Minnesota
Meridica Limited	United Kingdom
MPP Trustee Limited	United Kingdom
MTG Divestitures LLC	Delaware
Nefox Farma, S.A.	Spain
Neusentis Limited	United Kingdom
Nostrum Farma, S.A.	Spain
O.C.T. (Thailand) Ltd.	Thailand
Orfi-Farma S.L.	Spain

NAME	WHERE INCORPORATED
Paris Montrouge II (Nederland) B.V.	Netherlands
Parke Davis & Co. Limited	Isle of Jersey
Parke Davis International Limited	Bahamas
Parke Davis Productos Farmaceuticos Lda	Portugal
Parke Davis Pty Limited	Australia
Parke, Davis & Company LLC	Michigan
Parke-Davis Manufacturing Corp.	Delaware
Parke-Davis, Inc.	Philippines
P-D Co., Inc.	Delaware
Peak Enterprises LLC	Delaware
PF Asia Manufacturing Coöperatief U.A.	Netherlands
PF Prism US LLC	Delaware
Pfizer (China) Research and Development Co. Ltd.	People's Republic of China
Pfizer (Malaysia) Sdn Bhd	Malaysia
Pfizer (Perth) Pty Limited	Australia
Pfizer (S.A.S.)	France
Pfizer (Thailand) Limited	Thailand
Pfizer (Wuhan) Research and Development Co. Ltd.	People's Republic of China
Pfizer AB	Sweden
Pfizer Africa & Middle East for Pharmaceuticals, Animal Health & Chemicals S.A.E.	Egypt
Pfizer Afrique de L'Ouest	Senegal
Pfizer AG	Switzerland
Pfizer Animal Health B.V.	Netherlands
Pfizer Animal Health India Limited	India
Pfizer Animal Health Korea Ltd.	Korea
Pfizer Animal Health MA EEIG	United Kingdom
Pfizer Animal Health SA	Belgium
Pfizer ApS	Denmark
Pfizer AS	Norway
Pfizer Asia Contract Operations Pte. Ltd.	Singapore
Pfizer Asia Holdings B.V.	Netherlands
Pfizer Asia Manufacturing Pte. Ltd.	Singapore
Pfizer Asia Pacific Pte Ltd.	Singapore
Pfizer Atlantic Holdings S.a.r.l.	Luxembourg
Pfizer Australia Holdings Pty Limited	Australia
Pfizer Australia Investments B.V.	Netherlands
Pfizer Australia Investments Pty. Ltd.	Australia
Pfizer Australia Pty Limited	Australia
Pfizer B.V.	Netherlands
Pfizer BH D.o.o.	Bosnia and Herzegovina
Pfizer Biologics Ireland Holdings Limited	Ireland
Pfizer Biotech Corporation	Taiwan
Pfizer Biotechnology Ireland	Ireland
Pfizer Bolivia S.A.	Bolivia
Pfizer Canada Inc.	Canada
Pfizer Caribe Limited	Guernsey
Pfizer CentreSource Asia Pacific Pte. Ltd.	Singapore
Pfizer CH B.V.	Netherlands

NAME	WHERE INCORPORATED
Pfizer Chile S.A.	Chile
Pfizer Cia. Ltda.	Ecuador
Pfizer Commercial Holdings Coöperatief U.A.	Netherlands
Pfizer Consumer Healthcare GmbH	Germany
Pfizer Consumer Healthcare Ltd.	United Kingdom
Pfizer Continental Holdings SARL	Luxembourg
Pfizer Continental Services LLC	Delaware
Pfizer Convention III LLC	Delaware
Pfizer Convention IV LLC	Delaware
Pfizer Co-Promotions Limited	Isle of Jersey
Pfizer Cork Limited	Ireland
Pfizer Corporation	Panama
Pfizer Corporation Austria Gesellschaft m.b.H.	Austria
Pfizer Corporation Hong Kong Limited	Hong Kong
Pfizer Croatia d.o.o.	Croatia
Pfizer Deutschland GmbH	Germany
Pfizer Distribution Company	Ireland
Pfizer Domestic Ventures Limited	Isle of Jersey
Pfizer Dominicana, S.A.	Dominican Republic
Pfizer Eastern Investments B.V.	Netherlands
Pfizer Egypt S.A.E.	Egypt
Pfizer Enterprises Inc.	Delaware
Pfizer Enterprises SARL	Luxembourg
Pfizer ESP Pty Ltd	Australia
Pfizer Europe Holdings SARL	Luxembourg
Pfizer Europe MA EEIG	United Kingdom
Pfizer Europe Services LLC	Delaware
Pfizer European Service Center BVBA	Belgium
Pfizer Export AB	Sweden
Pfizer Export Company	Ireland
Pfizer Finance GmbH & Co. KG	Germany
Pfizer Finance Holding S.r.l.	Italy
Pfizer Finance Italy S.r.l.	Italy
Pfizer Finance Share Service (Dalian) Co., Ltd.	People’s Republic of China
Pfizer Finance Verwaltungs GmbH	Germany
Pfizer Financial Services N.V./S.A.	Belgium
Pfizer France Investment Holdings	France
Pfizer Free Zone Panama, S.A.	Panama
Pfizer Global Holdings B.V.	Netherlands
Pfizer Global Investments SARL	Luxembourg
Pfizer Global Supply	Ireland
Pfizer Global Trading	Ireland
Pfizer GmbH	Germany
Pfizer Group Limited	United Kingdom
Pfizer Gulf FZ-LLC	United Arab Emirates
Pfizer H.C.P. Corporation	New York
Pfizer Health AB	Sweden
Pfizer Health Solutions Inc.	Delaware
Pfizer Healthcare Consultant (Shanghai) Co., Ltd	People’s Republic of China

NAME	WHERE INCORPORATED
Pfizer Healthcare Ireland	Ireland
Pfizer Hellas, A.E.	Greece
Pfizer HK Service Company Limited	Hong Kong
Pfizer Holding France (S.C.A.)	France
Pfizer Holding Italy S.p.A.	Italy
Pfizer Holding Ventures	Ireland
Pfizer Holdings Bermuda Ltd.	Bermuda
Pfizer Holdings Europe	Ireland
Pfizer Holdings International Luxembourg (PHIL) Sarl	Luxembourg
Pfizer Holdings K.K.	Japan
Pfizer Holdings Luxembourg SARL	Luxembourg
Pfizer Holdings Mexico, S. de R.L. de C.V.	Mexico
Pfizer Holdings Netherlands B.V.	Netherlands
Pfizer Holdings Turkey Limited	Isle of Jersey
Pfizer Hungary Asset Management LLC	Hungary
Pfizer Ilaclari Limited Sirketi	Turkey
Pfizer International Bank Europe	Ireland
Pfizer International Corporation	Panama
Pfizer International Holdings	Ireland
Pfizer International Investments Ltd.	Bermuda
Pfizer International LLC	New York
Pfizer International Luxembourg SA	Luxembourg
Pfizer International Operations (S. A. S.)	France
Pfizer International Sweden	Sweden
Pfizer International Trading (Shanghai) Limited	People’s Republic of China
Pfizer Investment Capital	Ireland
Pfizer Investment Co. Ltd.	People’s Republic of China
Pfizer Investment Holdings S.a.r.l.	Luxembourg
Pfizer Investments Netherlands B.V.	Netherlands
Pfizer Ireland Investments Limited	Ireland
Pfizer Ireland Pharmaceuticals	Ireland
Pfizer Ireland Pharmaceuticals	Ireland
Pfizer Ireland Ventures	Ireland
Pfizer Italia S.r.l.	Italy
Pfizer Japan Inc.	Japan
Pfizer Jersey Capital Limited	Isle of Jersey
Pfizer Jersey Company Limited	Isle of Jersey
Pfizer Jersey Finance Limited	Isle of Jersey
Pfizer Laboratories (Pty) Limited	South Africa
Pfizer Laboratories Limited	Kenya
Pfizer Limitada	Angola
Pfizer Limited	India
Pfizer Limited	Taiwan
Pfizer Limited	Tanzania
Pfizer Limited	Thailand
Pfizer Limited	Uganda
Pfizer Limited	United Kingdom
Pfizer LLC	Delaware
Pfizer LLC	Russia

NAME	WHERE INCORPORATED
Pfizer Luxco Holdings Sarl	Luxembourg
Pfizer Luxembourg SARL	Luxembourg
Pfizer Manufacturing Belgium N.V.	Belgium
Pfizer Manufacturing Deutschland GmbH	Germany
Pfizer Manufacturing Holdings Coöperatief U.A.	Netherlands
Pfizer Manufacturing Holdings LLC	Delaware
Pfizer Manufacturing Ireland	Ireland
Pfizer Manufacturing LLC	Delaware
Pfizer Manufacturing Services	Ireland
Pfizer Medical Technology Group (Belgium) N.V.	Belgium
Pfizer Mexico, S.A. de C.V.	Mexico
Pfizer Middle East for Pharmaceuticals, Animal Health and Chemicals S.A.E.	Egypt
Pfizer Namibia (Proprietary) Limited	Namibia
Pfizer Netherlands B.V.	Netherlands
Pfizer New Zealand Limited	New Zealand
Pfizer OTC B.V.	Netherlands
Pfizer Overseas LLC	Delaware
Pfizer Oy	Finland
Pfizer Pacific Coöperatief U.A.	Netherlands
Pfizer Pakistan Limited	Pakistan
Pfizer Parke Davis (Thailand) Ltd.	Thailand
Pfizer Pension Trustees (Ireland) Limited	Ireland
Pfizer PGM (S.A.S.)	France
Pfizer PGRD (S.A.S.)	France
Pfizer Pharm Algerie	Algeria
Pfizer Pharma GmbH	Germany
Pfizer Pharma Holdings Cooperatief U.A.	Netherlands
Pfizer Pharma Trade LLC	Egypt
Pfizer Pharmaceutical (Wuxi) Co., Ltd.	People's Republic of China
Pfizer Pharmaceutical India Pvt. Ltd.	India
Pfizer Pharmaceutical Trading Limited Liability Company (a/k/a Pfizer Kft. or Pfizer LLC)	Hungary
Pfizer Pharmaceuticals B.V.	Netherlands
Pfizer Pharmaceuticals Global Coöperatief U.A.	Netherlands
Pfizer Pharmaceuticals Israel Ltd.	Israel
Pfizer Pharmaceuticals Korea Limited	Korea
Pfizer Pharmaceuticals Limited	Cayman Islands
Pfizer Pharmaceuticals LLC	Delaware
Pfizer Pharmaceuticals Ltd.	People's Republic of China
Pfizer Pharmaceuticals Tunisie Sarl	Tunisia
Pfizer PHF	Ireland
Pfizer Pigments Inc.	Delaware
Pfizer Polska Sp. z.o.o.	Poland
Pfizer Precision Holdings SARL	Luxembourg
Pfizer Prev—Sociedade de Previdencia Privada	Brazil
Pfizer Private Limited	Malaysia
Pfizer Private Ltd.	Singapore
Pfizer Production LLC	Delaware

NAME	WHERE INCORPORATED
Pfizer Products Inc.	Connecticut
Pfizer Products India Private Limited	India
Pfizer Romania SRL	Romania
Pfizer S.A.	Colombia
Pfizer S.A.	Peru
Pfizer S.G.P.S. Lda.	Portugal
Pfizer S.R.L.	Argentina
Pfizer SA (Belgium)	Belgium
Pfizer Saidal Manufacturing	Algeria
Pfizer Santé Familiale SAS	France
Pfizer Science and Technology Ireland Limited	Ireland
Pfizer Searle Investment Limited	Isle of Jersey
Pfizer Service Company BVBA	Belgium
Pfizer Service Company Ireland	Ireland
Pfizer Services 1 (S.N.C.)	France
Pfizer Services 3 (SNC)	France
Pfizer Services 4 (SNC)	France
Pfizer Services LLC	Delaware
Pfizer Shared Services	Ireland
Pfizer Shareholdings Intermediate SARL	Luxembourg
Pfizer Singapore Trading Pte. Ltd.	Singapore
Pfizer Spain Holdings Coöperatief U.A.	Netherlands
Pfizer Specialities Ghana	Ghana
Pfizer Specialties Limited	Nigeria
Pfizer Sterling Investments Limited	Isle of Jersey
Pfizer Strategic Investment Company Limited	Isle of Jersey
Pfizer Suzhou Animal Health Products Co., Ltd.	People’s Republic of China
Pfizer Suzhou Pharmaceutical Co., Ltd.	People’s Republic of China
Pfizer Trading Polska sp.z.o.o.	Poland
Pfizer Transactions Ireland	Ireland
Pfizer Transactions LLC	Delaware
Pfizer Transactions Luxembourg SARL	Luxembourg
Pfizer Tunisie SA	Tunisia
Pfizer UK Group Limited	United Kingdom
Pfizer Vaccines LLC	Delaware
Pfizer Venezuela, S.A.	Venezuela
Pfizer Warner Lambert Luxembourg SARL	Luxembourg
Pfizer Zona Franca, S.A.	Costa Rica
Pfizer, Inc.	Philippines
Pfizer, S.A.	Costa Rica
Pfizer, S.A. de C.V.	Mexico
Pfizer, S.L.	Spain
Pfizer, spol. s r.o.	Czech Republic
Pharmacia & Upjohn Cambridge Limited	United Kingdom
Pharmacia & Upjohn Company LLC	Delaware
Pharmacia & Upjohn Company, Inc.	Delaware
Pharmacia & Upjohn LLC	Delaware
Pharmacia & Upjohn Trading Corporation	Michigan
Pharmacia & Upjohn, S.A. de C.V.	Mexico

NAME	WHERE INCORPORATED
Pharmacia (South Africa) (Pty) Ltd	South Africa
Pharmacia Africa Ltd.	United Kingdom
Pharmacia Animal Health Limited	United Kingdom
Pharmacia Asia Limited	Hong Kong
Pharmacia B.V.	Netherlands
Pharmacia Brasil Ltda.	Brazil
Pharmacia Corporation	Delaware
Pharmacia de Centroamerica S.A.	Panama
Pharmacia GmbH	Germany
Pharmacia Grupo Pfizer, S.L.	Spain
Pharmacia Hepar Inc.	Delaware
Pharmacia Holding AB	Sweden
Pharmacia Inter-American LLC	Michigan
Pharmacia International B.V.	Netherlands
Pharmacia International Inc.	South Dakota
Pharmacia Ireland	Ireland
Pharmacia Korea Ltd.	Korea
Pharmacia Laboratories Limited	United Kingdom
Pharmacia Limited	United Kingdom
Pharmacia Limited Company	Michigan
Pharmacia Little Island Limited	Ireland
Pharmacia Malaysia Sdn Bhd	Malaysia
Pharmacia Searle Limited	United Kingdom
Pharmacia UK Limited	United Kingdom
PHIVCO Corp.	Delaware
PHIVCO Jersey (Holdco) Limited	Isle of Jersey
PHIVCO Luxembourg SARL	Luxembourg
PowderJect Research Limited	United Kingdom
PowderJect Vaccines, Inc.	Delaware
PowderMed Limited	United Kingdom
PowderMed, Inc.	Delaware
Preve Oy	Finland
ProRe SA	Luxembourg
Prosec (Ireland) Limited	Ireland
Prosec Forsakrings AB (Prosec Insurance Co. Ltd.)	Sweden
PT. Capsugel Indonesia	Indonesia
PT. Fort Dodge Indonesia	Indonesia
PT. Pfizer Indonesia	Indonesia
PT. Wyeth Indonesia	Indonesia
PZR Ltd.	United Kingdom
PZR Property Limited	United Kingdom
Quigley Company, Inc.	New York
Renrall LLC	Wyoming
Rinat Neuroscience Corp.	Delaware
Rivepar	France
RMV Produtos Veterinarios Ltda.	Brazil
Roerig Produtos Farmaceuticos, Lda.	Portugal
Roerig S.A.	Chile
Roerig, S.A.	Venezuela

NAME	WHERE INCORPORATED
Route 24 Holdings, Inc.	Delaware
Salsbury Chemicals Ltd.	United Kingdom
Sao Cristovao Participacoes Ltda.	Brazil
Searle & Co.	Delaware
Searle Laboratorios, Lda.	Portugal
Searle LLC	Nevada
Searle Ltd.	Bermuda
Serenex, Inc.	Delaware
Servicios Corporativos FDAH, S. de R.L. de C.V.	Mexico
Shanghai Wyeth Nutritional Company Limited	People's Republic of China
Shiley International	California
Shiley LLC	California
Sinergis Farma-Produtos Farmaceuticos, Lda.	Portugal
Site Realty, Inc.	Delaware
Solinor LLC	Delaware
Sugen, Inc.	Delaware
Suzhou Capsugel Ltd.	People's Republic of China
Synbiotics Corporation	California
Synbiotics Europe S.A.S.	France
Tabor Corporation	Delaware
The Pfizer Incubator LLC	Delaware
The Upjohn Holding Company M LLC	Delaware
The Upjohn Manufacturing Company LLC	Delaware
Thiakis Limited	United Kingdom
Thorney Company	Ireland
Trans-Europe Assurance Limited	Ireland
Trans-Europe Holdings Inc.	Delaware
Upjohn International Holding Company	Delaware
Upjohn Laboratorios Lda.	Portugal
Upjohn Pharmaceuticals Limited	Delaware
Vermont Whey Company	Vermont
Viagra Ltd	United Kingdom
Vicuron Holdings LLC	Delaware
Vicuron Pharmaceuticals Italy S.r.l.	Italy
Vinci Farma, S.A.	Spain
Warner Lambert (UK) Limited	United Kingdom
Warner Lambert Company (M) Sdn Bhd	Malaysia
Warner Lambert del Uruguay S.A.	Uruguay
Warner Lambert Ilac Sanayi ve Ticaret Limited Sirketi	Turkey
Warner Lambert Poland Sp.z.o.o.	Poland
Warner Lambert Zimbabwe (Private) Limited	Zimbabwe
Warner-Lambert (East Africa) Limited	Kenya
Warner-Lambert (Nigeria) Limited	Nigeria
Warner-Lambert (Tanzania), Limited	Tanzania
Warner-Lambert (Thailand) Limited	Thailand
Warner-Lambert Company AG	Switzerland
Warner-Lambert Company LLC	Delaware
Warner-Lambert de El Salvador, S.A. de C.V.	El Salvador
Warner-Lambert de Honduras, Sociedad Anonima	Honduras

NAME	WHERE INCORPORATED
Warner-Lambert de Puerto Rico, Inc.	Puerto Rico
Warner-Lambert Guatemala, Sociedad Anonima	Guatemala
Warner-Lambert Ireland	Ireland
Warner-Lambert Kenya Limited	Kenya
Warner-Lambert Pottery Road Limited	Ireland
Warner-Lambert SA (Pty) Limited	South Africa
Warner-Lambert, S.A.	Delaware
WCH Netherlands East LLC	Delaware
WCH Netherlands West LLC	Delaware
Webster Animal Health (UK) Limited	United Kingdom
Whitehall International Inc.	New York
Whitehall Laboratories Inc.	Delaware
Whitehall Laboratorios S.A.	Uruguay
Whitehall-Robins AG	Switzerland
W-L (Europe)	United Kingdom
W-L (Portugal)	United Kingdom
W-L (Spain)	United Kingdom
WL de Guatemala, Sociedad Anonima	Guatemala
W-L LLC	Delaware
Wyeth (Asia) Limited	Delaware
Wyeth (Far East) Limited	Hong Kong
Wyeth (H.K.) Limited	Hong Kong
Wyeth (Hong Kong) Holding Company Limited	Hong Kong
Wyeth (Malaysia) SDN. BHD.	Malaysia
Wyeth (Shanghai) Trading Company Limited	People's Republic of China
Wyeth (Singapore) Pte. Ltd.	Singapore
Wyeth (Thailand) Ltd.	Thailand
Wyeth AB	Sweden
Wyeth Advertising Inc.	New York
Wyeth Australia Pty. Limited	Australia
Wyeth Ayerst Inc.	Delaware
Wyeth Ayerst SARL	Luxembourg
Wyeth Consumer Healthcare B.V.	Netherlands
Wyeth Consumer Healthcare Ltd.	Delaware
Wyeth Consumer Healthcare Pty. Limited	Australia
Wyeth Egypt Ltd.	Egypt
Wyeth Egypt Trading Ltd.	Egypt
Wyeth Europa Limited	United Kingdom
Wyeth Farma, S.A.	Spain
Wyeth Holdings Corporation	Maine
Wyeth Ilaclari A.S.	Delaware
Wyeth Industria Farmaceutica Ltda.	Brazil
Wyeth KFT.	Hungary
Wyeth Korea, Inc.	Korea
Wyeth Lederle S.p.A.	Italy
Wyeth Lederle Vaccines S.A.	Belgium
Wyeth Limited	India
Wyeth LLC	Delaware
Wyeth Medica Ireland Limited	Ireland

NAME	WHERE INCORPORATED
Wyeth Nigeria Limited	Nigeria
Wyeth Nutritional (China) Co., Ltd.	People's Republic of China
Wyeth Nutritionals (Singapore) PTE. LTD.	Singapore
Wyeth Nutritionals Inc.	Delaware
Wyeth OOO	Russia
Wyeth Pakistan Limited	Pakistan
Wyeth Pharmaceutical Co., Ltd.	People's Republic of China
Wyeth Pharmaceuticals (Singapore) PTE. LTD.	Singapore
Wyeth Pharmaceuticals Central America Services, S.A.	Panama
Wyeth Pharmaceuticals Company	Puerto Rico
Wyeth Pharmaceuticals FZ-LLC	United Arab Emirates
Wyeth Pharmaceuticals Inc.	Delaware
Wyeth Pharmaceuticals India Private Limited	India
Wyeth Pharmaceuticals Limited	Ireland
Wyeth Pharmaceuticals S. de R.L. de C.V.	Mexico
Wyeth Philippines, Inc.	Philippines
Wyeth Puerto Rico, Inc.	Puerto Rico
Wyeth Regional Manufacturing (Singapore) PTE. LTD.	Singapore
Wyeth Research (U.K.) Ltd.	United Kingdom
Wyeth Research Ireland Limited	Ireland
Wyeth S.A. de C.V.	Mexico
Wyeth South Africa (Proprietary) Limited	South Africa
Wyeth Subsidiary Illinois Corporation	Illinois
Wyeth Whitehall Export GmbH	Austria
Wyeth Whitehall SARL	Luxembourg
Wyeth-Ayerst (Asia) Limited	Delaware
Wyeth-Ayerst (China) Limited	Delaware
Wyeth-Ayerst International Inc.	New York
Wyeth-Ayerst Lederle LLC	Puerto Rico
Wyeth-Ayerst Promotions Limited	Delaware
Wyeth-Whitehall Pharmaceuticals LLC	Puerto Rico
Yusafarm D.O.O.	Serbia and Montenegro

Exhibit 23

Consent of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Pfizer Inc:

We consent to the incorporation by reference in this Form 10-K of Pfizer Inc. of our reports dated February 28, 2011, with respect to the consolidated balance sheets of Pfizer Inc and Subsidiary Companies as of December 31, 2010 and 2009, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2010, and all related financial statement schedules, and the effectiveness of internal control over financial reporting as of December 31, 2010, which reports appear in the December 31, 2010 annual report on Form 10-K of Pfizer Inc and Subsidiary Companies.

Our report refers to Pfizer Inc.'s adoption of Financial Accounting Standards Board Statement No.141R, *Business Combinations* (included in FASB ASC Topic 805, *Business Combinations*), as of January 1, 2009.

We also consent to the incorporation by reference of our reports in the following Registration Statements:

-Form S-8 dated October 27, 1983 (File No. 2-87473),
-Form S-8 dated March 22, 1990 (File No. 33-34139),
-Form S-8 dated January 24, 1991 (File No. 33-38708),
-Form S-8 dated November 18, 1991 (File No. 33-44053),
-Form S-8 dated May 27, 1993 (File No. 33-49631),
-Form S-8 dated May 19, 1994 (File No. 33-53713),
-Form S-8 dated October 5, 1994 (File No. 33-55771),
-Form S-8 dated December 20, 1994 (File No. 33-56979),
-Form S-8 dated March 29, 1996 (File No.33-02061),
-Form S-8 dated September 25, 1997 (File No. 333-36371),
-Form S-8 dated April 24, 1998 (File No. 333-50899),
-Form S-8 dated April 22, 1999 (File No. 333-76839),
-Form S-8 dated April 27, 2001 (File No. 333-59660),
-Form S-8 dated April 27, 2001 (File No. 333-59654),
-Form S-8 dated April 16, 2003 (File No. 333-104581),
-Form S-8 dated April 16, 2003 (File No. 333-104582),
-Form S-8 dated November 18, 2003 (File No. 333-110571),
-Form S-8 dated December 18, 2003 (File No. 333-111333),
-Form S-8 dated April 26, 2004 (File No. 333-114852),
-Form S-8 dated March 1, 2007 (File No. 333-140987),
-Form S-3 dated March 1, 2007 (File No. 333-140989),
-Form S-3 dated March 30, 2007 (File No. 333-141729),
-Form S-4 dated March 27, 2009 (File No. 333-158237),
-Form S-8 dated October 16, 2009 (File No. 333-162519),
-Form S-8 dated October 16, 2009 (File No. 333-162520),
-Form S-8 dated October 16, 2009 (File No. 333-162521) and
-Form S-8 dated March 1, 2010 (File No. 333-165121).

/s/ KPMG LLP
New York, New York
February 28, 2011

Exhibit 31.1

Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Ian C. Read, certify that:

1. I have reviewed this report on Form 10-K of Pfizer Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2011

/s/ IAN C. READ
Ian C. Read
President and Chief Executive Officer

Exhibit 31.2

Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Frank A. D'Amelio, certify that:

1. I have reviewed this report on Form 10-K of Pfizer Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2011

/s/ FRANK A. D'AMELIO
Frank A. D'Amelio
Executive Vice President,
Business Operations and
Chief Financial Officer

Exhibit 32.1

Certification by the Chief Executive Officer Pursuant to 18 U. S. C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U. S. C. Section 1350, I, Ian C. Read, hereby certify that, to the best of my knowledge, the Annual Report on Form 10-K of Pfizer Inc. for the year ended December 31, 2010 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, and that the information contained in that Report fairly presents, in all material respects, the financial condition and results of operations of Pfizer Inc.

/s/ IAN C. READ
Ian C. Read
President and Chief Executive Officer

February 28, 2011

This certification accompanies this Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 32.2

Certification by the Chief Financial Officer Pursuant to 18 U. S. C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U. S. C. Section 1350, I, Frank A. D'Amelio, hereby certify that, to the best of my knowledge, the Annual Report on Form 10-K of Pfizer Inc. for the year ended December 31, 2010 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, and that the information contained in that Report fairly presents, in all material respects, the financial condition and results of operations of Pfizer Inc.

/s/ FRANK A. D'AMELIO
Frank A. D'Amelio
Executive Vice President, Business Operations and
Chief Financial Officer

February 28, 2011

This certification accompanies this Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

GRI INDEX

1. Strategy and Analysis

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	● CEO Letter	
1.2	Description of key impacts, risks, and opportunities.	●	8

● Covered ● Partially Covered ● Not Covered

2. Organizational Profile

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
2.1	Name of the organization.	●	
2.2	Primary brands, products, and/or services.	● Our Business	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.		
2.4	Location of organization's headquarters.		
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.		
2.6	Nature of ownership and legal form.		
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).		
2.8	Scale of the reporting organization	● About This Review	
2.9	Significant changes during the reporting period regarding size, structure, or ownership	● CEO Letter	
2.10	Awards received in the reporting period.	●	

● Covered ● Partially Covered ● Not Covered

3. Report Parameters

REPORT PROFILE

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.		
3.2	Date of most recent previous report (if any).		
3.3	Reporting cycle (annual, biennial, etc.)	● About This Review	
3.4	Contact point for questions regarding the report or its contents.	● Corporate and Shareholder Information	

REPORT SCOPE AND BOUNDARY

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
3.5	Process for defining report content.	● About This Review Stakeholder Engagement	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	● About This Review	
3.7	State any specific limitations on the scope or boundary of the report.	N/A	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	● About This Review	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.		
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	N/A	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	N/A	

GRI CONTENT INDEX

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
3.12	Table identifying the location of the Standard Disclosures in the report.	● About This Review	

ASSURANCE

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	N/A	

● Covered ● Partially Covered ● Not Covered

4. Governance, Commitments, and Engagement

GOVERNANCE

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	● Corporate Governance	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	● Corporate Governance	
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.		
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.		
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	● Executive Compensation Compensation Discussion and Analysis section of Pfizer's 2010 Proxy Statement	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	● Ethics	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.		
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	● Clinical Trials Stem Cells Bioethics Ethical Sales and Marketing Corporate Governance Ethics Public Policy	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.		
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.		

COMMITMENTS TO EXTERNAL INITIATIVES

GRI GUIDELINE		CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	● Ethical Sales and Marketing Environment	7
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	● Clinical Trials Ethical Sales and Marketing Human Rights Manufacturing and Supply Chain	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: - has positions in governance bodies; - participates in projects or committees; - provides substantive funding beyond routine membership dues; - views membership as strategic.	● Global EHS Partnerships	

STAKEHOLDER ENGAGEMENT

GRI GUIDELINE		CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
4.14	List of stakeholder groups engaged by the organization.		
4.15	Basis for identification and selection of stakeholders with whom to engage.	● Stakeholder Engagement	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	● Stakeholder Engagement	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	●	

● Covered ● Partially Covered ● Not Covered

5. Management Approach and Performance Indicators

ECONOMIC DISCLOSURES

The economic dimension of sustainability concerns the organization's impacts on the economic conditions of its stakeholders and on economic systems at local, national, and global levels. The Economic Indicators illustrate:

- Flow of capital among different stakeholders; and
- Main economic impacts of the organization throughout society.

Financial performance is fundamental to understanding an organization and its own sustainability. However, this information is normally already reported in financial accounts. What is often reported less, and is frequently desired by users of sustainability reports, is the organization's contribution to the sustainability of a larger economic system.

DISCLOSURE ON MANAGEMENT APPROACH (ECONOMY)

Provide a concise disclosure on the Management Approach items outlined below with reference to the following Economic Aspects:

- Economic Performance;
- Market Presence; and
- Indirect Economic Impacts.

GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
GOALS AND PERFORMANCE Organization-wide goals regarding performance relevant to the Economic Aspects. Use organization-specific Indicators (as needed) in addition to the GRI Performance Indicators to demonstrate the results of performance against goals.		
POLICY Brief, organization-wide policy (or policies) that defines the organization's overall commitment relating to the Economic Aspects listed above, or state where this can be found in the public domain (e.g., web link).		
ADDITIONAL CONTEXTUAL INFORMATION Additional relevant information required to understand organizational performance, such as: • Key successes and shortcomings; • Major organizational risks and opportunities; • Major changes in the reporting period to systems or structures to improve performance; and • Key strategies for implementing policies or achieving performance.		

ECONOMIC PERFORMANCE INDICATORS

ASPECT: ECONOMIC PERFORMANCE

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Performance Highlights Investments in Health Impact on MDGs	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Environment	7, 8
EC3	Coverage of the organization's defined benefit plan obligations.		
EC4	Significant financial assistance received from government.		

ASPECT: MARKET PRESENCE

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.		6
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.		6

ASPECT: INDIRECT ECONOMIC IMPACTS

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Expanding Access to Health	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Expanding Access to Health	

ENVIRONMENTAL DISCLOSURES

The environmental dimension of sustainability concerns an organization's impacts on living and non-living natural systems, including ecosystems, land, air, and water. Environmental Indicators cover performance related to inputs (e.g., material, energy, water) and outputs (e.g., emissions, effluents, waste). In addition, they cover performance related to biodiversity, environmental compliance, and other relevant information such as environmental expenditure and the impacts of products and services.

DISCLOSURE ON MANAGEMENT APPROACH (ENVIRONMENT)

Provide a concise disclosure on the Management Approach items outlined below with reference to the following Environmental Aspects:

- Materials;
- Energy;
- Water;
- Biodiversity;
- Emissions, Aunts, and Waste;
- Products and Services;
- Compliance;
- Transport; and
- Overall

GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
GOALS AND PERFORMANCE Organization-wide goals regarding performance relevant to the Environment Aspects. Use organization-specific Indicators (as needed) in addition to the GRI Performance Indicators to demonstrate the results of performance against goals.	Environment	
POLICY Brief, organization-wide policy (or policies) that defines the organization's overall commitment related to the Environmental Aspects listed above or state where this can be found in the public domain (e.g., web link).	Environment	
ORGANIZATIONAL RESPONSIBILITY The most senior position with operational responsibility for Environmental Aspects or explain how operational responsibility is divided at the senior level for these Aspects. This differs from Disclosure 4.1, which focuses on structures at the governance level.	Environment	
TRAINING AND AWARENESS Procedures related to training and raising awareness in relation to the Environmental Aspects.		
MONITORING AND FOLLOW-UP Procedures related to monitoring and corrective and preventive actions, including those related to the supply chain. List of certifications for environment-related performance or certification systems, or other approaches to auditing/verification for the reporting organization or its supply chain.		

ADDITIONAL CONTEXTUAL INFORMATION

Additional relevant information required to understand organizational performance, such as:

- Key successes and shortcomings;
- Major organizational risks and opportunities;
- Major changes in the reporting period to systems or structures to improve performance; and
- Key strategies and procedures for implementing policies or achieving goals.

ENVIRONMENTAL PERFORMANCE INDICATORS

ASPECT: MATERIALS

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
EN1	Materials used by weight or volume.		8
EN2	Percentage of materials used that are recycled input materials.		8, 9

ASPECT: ENERGY

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
EN3	Direct energy consumption by primary energy source.		8
EN4	Indirect energy consumption by primary source.		8
EN5	Energy saved due to conservation and efficiency improvements.		8, 9
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Environment	8, 9
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Environment	8, 9

ASPECT: WATER

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
EN8	Total water withdrawal by source.		8
EN9	Water sources significantly affected by withdrawal of water.		
EN10	Percentage and total volume of water recycled and reused.		8

ASPECT: BIODIVERSITY

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	●	8
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	●	8
EN13	Habitats protected or restored.	●	8
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	●	8
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	●	8

ASPECT: EMISSIONS, EFFLUENTS, AND WASTE

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
EN16	Total direct and indirect greenhouse gas emissions by weight.		8
EN17	Other relevant indirect greenhouse gas emissions by weight.		8
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.		8, 9
EN19	Emissions of ozone-depleting substances by weight.		8
EN20	NO, SO, and other significant air emissions by type and weight.		8
EN21	Total water discharge by quality and destination.		
EN22	Total weight of waste by type and disposal method.		8
EN23	Total number and volume of significant spills.		8
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.		8
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.		8

ASPECT: PRODUCTS AND SERVICES

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	● Environment	8, 9
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.		8, 9

ASPECT: COMPLIANCE

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.		8

ASPECT: TRANSPORT

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.		8

ASPECT: OVERALL

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
EN30	Total environmental protection expenditures and investments by type.		8

SOCIAL DISCLOSURES

The social dimension of sustainability concerns the impacts an organization has on the social systems within which it operates. The GRI Social Performance Indicators identify key Performance Aspects surrounding labor practices, human rights, society, and product responsibility.

LABOR PRACTICES AND DECENT WORK

The specific Aspects under the category of Labor Practices are based on internationally recognized universal standards, including:

- United Nations Universal Declaration of Human Rights and its Protocols;
- United Nations Convention: International Covenant on Civil and Political Rights;
- United Nations Convention: International Covenant on Economic, Social, and Cultural Rights;
- ILO Declaration on Fundamental Principles and Rights at Work of 1998 (in particular the eight core conventions of the ILO); and
- The Vienna Declaration and Programme of Action.

DISCLOSURE ON MANAGEMENT APPROACH (LABOR PRACTICES AND DECENT WORK)

Provide a concise disclosure on the following Management Approach items with reference to the Labor Aspects listed below. The ILO Tripartite Declaration Concerning Multinational Enterprises and Social Policy (in particular the eight core conventions of the ILO) and the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises, should be the primary reference points.

- Employment;
- Labor/Management Relations;
- Occupational Health and Safety;
- Training and Education; and
- Diversity and Equal Opportunity.

GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
GOALS AND PERFORMANCE Organization-wide goals regarding performance relevant to the Labor Aspects, indicating their linkage to the internationally recognized universal standards. Use organization-specific Indicators (as needed) in addition to the GRI Performance Indicators to demonstrate the results of performance against goals.		
POLICY Brief, organization-wide policy (or policies) that defines the organization's overall commitment related to the Labor Aspects, or state where this can be found in the public domain (e.g., web link). Also reference their linkage to the international standards indicated above.	● Human Rights Colleagues	
ORGANIZATIONAL RESPONSIBILITY The most senior position with operational responsibility for Labor Aspects or explain how operational responsibility is divided at the senior level for these Aspects. This differs from Disclosure 4.1, which focuses on structures at the governance level.		
TRAINING AND AWARENESS Procedures related to training and raising awareness in relation to the Labor Aspects.	●	
MONITORING AND FOLLOW-UP Procedures related to monitoring and corrective and preventive actions, including those related to the supply chain. List of certifications for labor-related performance or certification systems, or other approaches to auditing/verifying the reporting organization or its supply chain.	●	
ADDITIONAL CONTEXTUAL INFORMATION Additional relevant information required to understand organizational performance, such as: • Key successes and shortcomings; • Major organizational environmental risks and opportunities related to issues; • Major changes in the reporting period to systems or structures to improve performance; and • Key strategies and procedures for implementing policies or achieving goals	●	

LABOR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS

ASPECT: EMPLOYMENT

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
LA1	Total workforce by employment type, employment contract, and region.	●	
LA2	Total number and rate of employee turnover by age group, gender, and region.	●	6
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	●	6

ASPECT: LABOR/MANAGEMENT RELATIONS

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
LA4	Percentage of employees covered by collective bargaining agreements.	●	1, 3
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	●	3

ASPECT: OCCUPATIONAL HEALTH AND SAFETY

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	●	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.		
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	● Colleagues	
LA9	Health and safety topics covered in formal agreements with trade unions.	●	

ASPECT: TRAINING AND EDUCATION

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
LA10	Average hours of training per year per employee by employee category.	●	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	● Colleagues	
LA12	Percentage of employees receiving regular performance and career development reviews.	●	

ASPECT: DIVERSITY AND EQUAL OPPORTUNITY

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	● Colleagues	1, 6
LA14	Ratio of basic salary of men to women by employee category.	●	1, 6

HUMAN RIGHTS

Human Rights Performance Indicators require organizations to report on the extent to which human rights are considered in investment and supplier/contractor selection practices. Additionally, the Indicators cover employee and security forces training on human rights as well as non-discrimination, freedom of association, child labor, indigenous rights, and forced and compulsory labor.

Generally recognized human rights are defined by the following Conventions and Declarations:

- United Nations Universal Declaration of Human Rights and its Protocols;
- United Nations Convention: International Covenant on Civil and Political Rights;
- United Nations Convention: International Covenant on Economic, Social, and Cultural Rights;
- ILO Declaration on Fundamental Principles and Rights at Work of 1998 (in particular the eight core conventions of the ILO); and
- The Vienna Declaration and Programme of Action.

DISCLOSURE ON MANAGEMENT APPROACH (HUMAN RIGHTS)

Provide a concise disclosure on the following Management Approach items with reference to the Human Rights Aspects listed below. The ILO Tripartite Declaration Concerning Multinational Enterprises and Social Policy (in particular the eight core conventions of the ILO which consist of Conventions 100, 111, 87, 98, 138, 182, 20 and 1059), and the Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises should be the primary reference points.

- Investment and Procurement Practices;
- Non-discrimination;
- Freedom of Association and Collective Bargaining;
- Abolition of Child Labor;
- Prevention of Forced and Compulsory Labor;
- Complaints and Grievance Practices;
- Security Practices; and
- Indigenous Rights.

GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
GOALS AND PERFORMANCE Organization-wide goals regarding performance relevant to the Human Rights Aspects, indicating their linkage to the international declarations and standards listed above. Use organization-specific Indicators (as needed) in addition to the GRI Performance Indicators to demonstrate the results of performance against goals.		
POLICY Brief, organization-wide policy (or policies) that defines the organization's overall commitment to the Human Rights Aspects (including policies which may be reasonably considered likely to affect the decision of employees to join a trade union or bargain collectively), or state where this can be found in the public domain (e.g., web link). Also reference their linkage to the international declarations and standards indicated above.	● Human Rights	
ORGANIZATIONAL RESPONSIBILITY The most senior position with operational responsibility for Human Rights Aspects or explain how operational responsibility is divided at the senior level for these Aspects. This differs from Disclosure 4.1, which focuses on structures at the governance level.		
TRAINING AND AWARENESS Procedures related to training and raising awareness in relation to the Human Rights Aspects.	●	
MONITORING AND FOLLOW-UP Procedures related to monitoring and corrective and preventive actions, including those related to the supply chain. List of certifications for human rights-related performance, or certification systems, or other approaches to auditing/verifying the reporting organization or its supply chain.	●	
ADDITIONAL CONTEXTUAL INFORMATION Additional relevant information required to understand organizational performance, such as: • Key successes and shortcomings; • Major organizational risks and opportunities; • Major changes in the reporting period to systems or structures to improve performance; and • Key strategies and procedures for implementing policies or achieving goals.		

HUMAN RIGHTS PERFORMANCE INDICATORS

ASPECT: INVESTMENT AND PROCUREMENT PRACTICES

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	●	1, 2, 3, 4, 5, 6
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.		1, 2, 3, 4, 5, 6
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.		1, 4, 5, 6

ASPECT: NON-DISCRIMINATION

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
HR4	Total number of incidents of discrimination and actions taken.	●	1, 6

ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	●	1, 3

ASPECT: CHILD LABOR

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	●	1, 5

ASPECT: FORCED AND COMPULSORY LABOR

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	●	1, 4

ASPECT: SECURITY PRACTICES

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	●	1, 2

ASPECT: INDIGENOUS RIGHTS

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	●	1

SOCIETY

Society Performance Indicators focus attention on the impacts organizations have on the communities in which they operate, and disclosing how the risks that may arise from interactions with other social institutions are managed and mediated. In particular, information is sought on the risks associated with bribery and corruption, undue impudence in public policy-making, and monopoly practices.

DISCLOSURE ON MANAGEMENT APPROACH (SOCIETY)

Provide a concise disclosure on the following Management Approach items with reference to the Society Aspects:

- Community;
- Corruption;
- Public Policy;
- Anti-Competitive Behavior; and
- Compliance.

GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
GOALS AND PERFORMANCE Organization-wide goals regarding performance relevant to the Aspects indicated above. Use organization-specific Indicators as needed in addition to the GRI Performance Indicators to demonstrate the results of performance against goals.		
POLICY Brief, organization-wide policy (or policies) that defines the organization's overall commitment relating to the Society Aspects or state where this can be found in the public domain (e.g., web link).	● Ethics	
ORGANIZATIONAL RESPONSIBILITY The most senior position with operational responsibility for Society Aspects or explain how operational responsibility is divided at the senior level for these Aspects. This differs from Disclosure 4.1, which focuses on structures at the governance level.	●	
TRAINING AND AWARENESS Procedures related to training and raising awareness in relation to the Society Aspects.	●	
MONITORING AND FOLLOW-UP Procedures related to monitoring and corrective and preventive actions, including those related to the supply chain. List of certifications for performance or certifications systems, or other approaches to auditing/verifying the reporting organization or its supply chain.	●	
ADDITIONAL CONTEXTUAL INFORMATION Additional relevant information required to understand organizational performance, such as: • Key successes and shortcomings; • Major organizational risks and opportunities; • Major changes in the reporting period to systems or structures to improve performance; and • Key strategies for implementing policies or achieving performance.	●	

SOCIETY PERFORMANCE INDICATORS

ASPECT: COMMUNITY

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.		1

ASPECT: CORRUPTION

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
SO2	Percentage and total number of business units analyzed for risks related to corruption.	●	10
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	●	10
SO4	Actions taken in response to incidents of corruption.	●	10

ASPECT: PUBLIC POLICY

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
SO5	Public policy positions and participation in public policy development and lobbying.	● Ethics	10
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	● Ethics	10

ASPECT: ANTI-COMPETITIVE BEHAVIOR

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.		

ASPECT: COMPLIANCE

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	●	

PRODUCT RESPONSIBILITY

Product Responsibility Performance Indicators address the aspects of a reporting organization's products and services that directly abet customers, namely, health and safety, information and labeling, marketing, and privacy.

These aspects are chiefly covered through disclosure on internal procedures and the extent to which these procedures are not complied with.

DISCLOSURE ON MANAGEMENT APPROACH (PRODUCT RESPONSIBILITY)

Provide a concise disclosure on the following Management Approach items with reference to the Product Responsibility Aspects:

- Customer Health and Safety;
- Product and Service Labeling;
- Marketing Communications;
- Customer Privacy; and
- Compliance.

GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
GOALS AND PERFORMANCE Organization-wide goals regarding performance relevant to the Product Responsibility Aspects. Use organization-specific Indicators (as needed) in addition to the GRI Performance Indicators to demonstrate the results of performance against goals.		
POLICY Brief, organization-wide policy (or policies) that defines the organization's overall commitment to the Product Responsibility Aspects, or state where this can be found in the public domain (e.g., web link).	● Patient Safety Research & Development Colleagues Ethics	
ORGANIZATIONAL RESPONSIBILITY The most senior position with operational responsibility for Product Responsibility Aspects, or explain how operational responsibility is divided at the senior level for Product Responsibility Aspects. This differs from Disclosure 4.1, which focuses on structures at the governance level.		
TRAINING AND AWARENESS Procedures related to training and raising awareness in relation to the Product Responsibility Aspects.	●	
MONITORING AND FOLLOW-UP Procedures related to monitoring and corrective and preventive actions, including those related to the supply chain. List of certifications for product responsibility-related performance or certification systems, or other approaches to auditing/verifying the reporting organization or its supply chain.	●	
ADDITIONAL CONTEXTUAL INFORMATION Additional relevant information required to understand organizational performance, such as: • Key successes and shortcomings; • Major organizational risks and opportunities; • Major changes in the reporting period to systems or structures to improve performance; and • Key strategies for implementing policies or achieving performance.	●	

PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS

ASPECT: CUSTOMER HEALTH AND SAFETY

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	● Environment Research & Development Patient Safety	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	●	

ASPECT: PRODUCT AND SERVICE LABELING

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	● Research & Development Ethics	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	●	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	●	

ASPECT: MARKETING COMMUNICATIONS

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	● Ethics	10
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	●	

ASPECT: CUSTOMER PRIVACY

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	●	

ASPECT: COMPLIANCE

	GRI GUIDELINE	CORRESPONDING PFIZER MATERIAL	UNGC PRINCIPLE
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	●	

● Covered ● Partially Covered ● Not Covered