

2006 ANNUAL REVIEW



Strong Medicine

Our Prescription for Change

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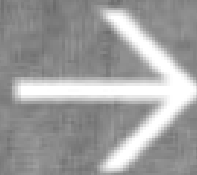


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To Our Owners,

I am writing to you at a time of rapid change—for Pfizer and for the global pharmaceutical industry. Since I became Chief Executive Officer last July and formed our new management team, all of our energies have been focused on improving the performance and prospects of the company—and therefore on creating value for you.

Pfizer has considerable strengths—talented, experienced and dedicated people, outstanding medicines, a promising pipeline, strong financial resources, and unmatched scale. We have a powerful foundation and legacy on which to build our future.

At the same time, both our operating environment and our industry are changing rapidly in ways that present significant new challenges to meet, as well as exciting new opportunities to seize. And, despite strong performances from many of our in-line products and a promising pipeline, recent and future losses of exclusivity on some of the most successful medicines in history will temper our revenue growth.

We are in the early stages of making the changes we must make to succeed in light of our changing business environment. We are realistic. We are determined. And we are moving with a sense of urgency. We are also committed to being open and transparent in communicating our progress to everyone with a stake in our future.

Pfizer is exceptionally well-positioned to capitalize on what may be this century's most compelling opportunity. The world's population is aging, but incomes are growing and the expectations for improved healthcare are increasing accordingly, in both the developed and the developing world. The demand for what we do—and what we can and will do in the future—will continue to grow. Despite the enormous progress society has made in preventing and treating disease, there is still a long list of unmet medical needs that lead to premature illness, disability and death.

Innovative medicines and related products and services are the world's best hope for meeting those needs in a cost-effective manner.

The good news is that, while demand for better healthcare grows, scientists are gaining more and more knowledge about how the body works, and

what it needs to stay healthy. At Pfizer, we have more product candidates, more clinical trials and more research programs than at any time in our history. We have a broad set of promising new therapies in oncology, cardiovascular disease, obesity, schizophrenia, rheumatoid arthritis, HIV infection and Alzheimer's disease, among others.

All told, we have more than 175 new compounds in development, and the resources to develop them and find more. We are very optimistic that, in the years ahead, you will see Pfizer associated with the kind of medical breakthroughs that we've introduced throughout our history. Our ultimate goal is to have a larger, more diversified portfolio of uniquely valuable medicines, complemented by value-added products and services.

At the same time, we understand that our perception of what's innovative only matters if our customers share it. Governments, managed care organizations and physicians have enormous influence over patients' ability to obtain and afford our medicines and we need to work in close partnership with them, so that our innovations reach as many patients as possible.

We must also become more open to new people and innovative ideas, wherever we can find them. And it is essential that we become a more streamlined company—one that listens to its employees and customers, moves quickly, and gives its people more opportunities for growth while holding them accountable for performance.

Making these kinds of changes will take time and commitment. But we have already taken several important steps.

We appointed a new executive leadership team and we are continuing to develop the leadership we need going forward. We cut back on layers of

1

execute now: Maximize returns in both the short and the long term.

- We will maximize shareholder returns through greater portfolio focus and prioritizing new product pipelines, and drive a wide range of financial opportunities.
- With Ligand's track record of consistently superior results in the core markets, we are setting higher bars. We are putting greater focus on our goal of delivering all new molecules to our customers with in the core markets.

2

execute now: Establish a lean and more flexible cost base.

- We will pursue cost savings through site rationalization in research and manufacturing, streamlined organizational structures and business model/line rework, increased outsourcing, and procurement savings.
- We will continue a substantial portion of our R&D settings operations globally and development work, as well as certain business development and licensing opportunities.

3

execute now: Create another, more accountable operating units that will enhance innovation and focus on the advantages of our scale and resources.

- We will focus on organizations that combine the entrepreneurial spirit of a small company with the scale and global reach of a large one. We will become more nimble, more productive and more innovative.

4

execute now: Actively and more meaningfully engage with customers, partners, physicians and other collaborators to provide them with greater value.

- We will be open to both close and innovative approaches, and will adopt a more collaborative attitude in all of our relationships with people inside our company. We will work harder to build customer ground and better to reference that work to customers - our first step.
- We also understand that your success is being made out of our life, and we working harder than ever in developing alliances and partnerships that bring us into the structure and resources and finally substantially reduce our research, research and development activities.

5

execute now: Make it our a great place to work.

- We will continue increasing with lower management levels and incentives to get leaders closer to their people and customers, other colleagues - after that of right to their customers, and improve accountability and ownership.
- We will give colleagues the opportunity to express their ideas, to give and to receive their personal opinions and their contributions to our success.

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