Pfizer Inc.
2009 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 2009 Annual Report on Form 10-K and in the "Forward-Looking Information and Factors That May Affect Future Results" section of this Financial Review.

The Financial Review is organized as follows:

- *Overview of Our Performance and Operating Environment*. This section provides information about the following: our business; our 2009 performance; our operating environment, strategy and response to key opportunities and challenges; our cost-reduction initiatives; our strategic initiatives, such as acquisitions, dispositions, licensing and collaborations; and our financial guidance for 2010 and our financial targets for 2012.

- *Accounting Policies*. This section, beginning on page 8, 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 11, 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, beginning on page 16, provides an analysis of our revenues and products for the three years ended December 31, 2009, including an overview of important product developments; a discussion about our costs and expenses; and a discussion of Adjusted Income, which is an alternative view of performance used by management.

- *Financial Condition, Liquidity and Capital Resources*. This section, beginning on page 35, provides an analysis of our consolidated balance sheets as of December 31, 2009 and 2008, and consolidated cash flows for each of the three years ended December 31, 2009, 2008 and 2007, as well as a discussion of our outstanding debt and other commitments that existed as of December 31, 2009. 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, beginning on page 39, 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 39, 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 results, operations and business plans and prospects. 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 and Operating Environment

Our Business

On October 15, 2009, we completed our acquisition of Wyeth. Our mission continues to be 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.

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.

The acquisition of Wyeth 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. Our financial statements reflect the assets, liabilities and operating results of Wyeth commencing from the acquisition date. In accordance with our domestic and international fiscal year-ends, approximately two-and-a-half months of the fourth calendar quarter of 2009 in the case of Wyeth's domestic operations and approximately one-and-a-half months of the fourth calendar quarter of 2009 in the case of Wyeth's international operations are included in our consolidated financial statements for the year ended December 31, 2009.

Our 2009 Performance

In 2009, there were significant events and factors impacting almost all income statement elements. Our 2009 revenues increased compared to 2008, primarily due to the addition of legacy Wyeth products from the closing of the acquisition on October 15, 2009 through Pfizer's international and domestic year-ends. Also, in 2009, we continued to face an extremely competitive environment in the biopharmaceutical industry. Details of our 2009 performance follow:

- *Revenues* of $50.0 billion increased by approximately $1.7 billion compared to 2008, primarily due to:
  - 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.

The significant impacts on revenues for 2009, compared to 2008, are as follows:

	2009 vs. 2008	
(MILLIONS OF DOLLARS)	INCREASE/ (DECREASE)	% CHANGE
Lipitor[a]	$(967)	(8)
Norvasc[b]	(271)	(12)
Camptosar[b]	(231)	(41)
Chantix/Champix[c]	(146)	(17)
Zyrtec[b]	(129)	(100)
Celebrex	(106)	(4)
Detrol/Detrol LA	(60)	(5)
Aricept[d]	(50)	(10)
Viagra	(42)	(2)
Revatio	114	34
Sutent	117	14
Hemophilia family[e]	145	*
Zosyn/Tazocin[e]	184	*
Premarin family[e]	213	*
Lyrica	267	10
Prevnar/Prevenar 7[e]	287	*
Enbrel (outside the U.S. and Canada)[e]	378	*
Effexor[e]	520	*
Alliance revenues[f]	674	30
Animal heath products[g]	(61)	(2)
Consumer healthcare products[e]	494	*
Nutrition products[e]	191	*

[a] Lipitor was unfavorably impacted primarily by foreign exchange, as well as competitive pressures and other factors.
[b] Zyrtec/Zyrtec D lost U.S. exclusivity in late January 2008, at which time we ceased selling this product. Camptosar lost exclusivity in the U.S. in February 2008 and in Europe in July 2009. Norvasc lost exclusivity in Japan in July 2008 and Canada in July 2009.
[c] Chantix/Champix has been negatively impacted by changes to its label in 2008 and additional label changes in July 2009 (see the "Revenues—Biopharmaceutical—Selected Product Descriptions" section of this Financial Review).
[d] Represents direct sales under our license agreement with Eisai Co., Ltd.
[e] Legacy Wyeth products and operations.
[f] 2009 includes Enbrel sales in the U.S. and Canada.
[g] Includes legacy Wyeth products.
* Calculation not meaningful.

- *Income from continuing operations* was $8.6 billion in 2009 compared to $8.0 billion in 2008, reflecting:
  - increased revenues, primarily as a result of revenues from legacy Wyeth products;
  - the non-recurrence of a $2.3 billion, pre-tax and after-tax, charge in 2008 related to the resolution of certain investigations concerning Bextra and various other products and the non-recurrence of a $640 million after-tax charge in 2008 related to the resolution of certain litigation involving our non-steroidal anti-inflammatory drugs (NSAID); and
  - lower costs incurred in connection with our cost-reduction initiatives,

  largely offset by:
  - the unfavorable impact of foreign exchange;

- higher net interest expense, mainly due to the issuance of approximately $24 billion in senior unsecured notes during the first half of 2009 to partially finance the acquisition of Wyeth, as well as lower interest income;
- an increase in the 2009 effective tax rate, attributable mainly to increased tax costs associated with certain business decisions executed to finance the acquisition of Wyeth, net of a $556 million tax benefit related to the sale of one of our biopharmaceutical companies, Vicuron Pharmaceuticals, Inc. (Vicuron), and a $174 million favorable income tax adjustment; and
- higher purchase accounting adjustments and acquisition-related costs.

Our Operating Environment, Strategy and Responses to Key Opportunities and Challenges

Our Operating Environment

Industry-Specific Challenges
The majority of our revenues come from the manufacture and sale of Biopharmaceutical products. The biopharmaceutical industry is competitive and requires us to address a number of industry-specific challenges, which can significantly impact the sales of our products. 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, including Lipitor, Effexor and Zosyn are expected to face significantly increased generic competition over the next few years.

Regulatory Environment and Pipeline Productivity—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.

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). 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. 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. Also, healthcare reform in the U.S., if enacted, could increase pricing and access restrictions on our products and could have a significant impact on our business.

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 weak economy. The impact of the weak economy on our Biopharmaceutical operations has been largely in the U.S. market, affecting the performance of products such as Lipitor, Celebrex and Lyrica. We believe that patients, experiencing the effects of the weak economy, 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. The weak economy also has 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. Our Diversified business consisting of Animal Health, Consumer Healthcare, Nutrition and Capsugel, also has been impacted by the weak economy, which has adversely affected global spending on veterinary care and on personal healthcare products.

Despite the challenging financial markets, Pfizer maintains a strong financial position. We have a strong balance sheet and liquidity that we believe provide us with financial flexibility. Our long-term debt is rated high quality and investment grade by both Standard & Poor's and Moody's Investors Service. As market conditions change, we continue to monitor our liquidity position. We have 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, investment-grade available-for-sale debt securities. As a result, we continue to believe that we have the ability to meet our liquidity needs for the foreseeable future. For further discussion of our financial condition, see the "Financial Condition, Liquidity and Capital Resources" section of this Financial Review.

DOCKET ALARM

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts

Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research

With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips

Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS
Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS
Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS
Sync your system to PACER to automate legal marketing.