

## CHAIRMAN'S REPORT TO SHAREHOLDERS

### To Our Owners:

Pfizer continued its transformation in 2008 and, early in 2009, announced a major move to accelerate that process—an agreement to acquire Wyeth, America's fifth-largest pharmaceutical company. The combined organization will be the world's premier biopharmaceutical company: diverse, flexible, a leader in nearly all dimensions of human and animal medicines and vaccines, and well positioned in both developed and emerging markets.



**JEFF KINDLER**

**CHAIRMAN OF THE BOARD AND  
CHIEF EXECUTIVE OFFICER**

Preparing Pfizer to take this transformational step began with our efforts late in 2006 and in 2007 to reduce the number of layers in the company, streamline decision-making and expand our discovery efforts. Our transformation continued in 2008 with a new strategic framework called “Our Path Forward”—and later that year with the reorganization of the company into smaller, more agile business units. Every step of the way, Pfizer colleagues have worked to increase the ability of the company to deal with a very fast-changing business environment. We’ve titled this report “Doing Things Differently” because that’s exactly the approach we’re taking—challenging the status quo of our industry and breaking away from old practices that are no longer relevant in a new environment. A streamlined, more flexible, strategically grounded Pfizer is now ready to create one of the most dynamic and diversified companies in the global health care industry.

### Commitments Made, Commitments Kept

Our drive for change, however, starts with one of the oldest paths to trust and accomplishment—keeping our commitments. In these annual letters to you, I’ve repeated what I believe—that all Pfizer leaders, starting with me, must be accountable for meeting the commitments we’ve made to find new sources of revenue, become faster and more efficient, and build a strong pipeline of new compounds and product extensions. Action by action, quarter by quarter, we are establishing Pfizer as a company that keeps promises.

At the beginning of 2008, we made or reaffirmed four major commitments to you, our investors. These were:

- To hold revenues steady, despite the deteriorating economic environment and the losses-of-exclusivity we faced in 2007 and 2008.
- To complete the program to achieve an absolute reduction in our adjusted total costs<sup>(1)</sup> of at least \$1.5 billion–\$2 billion, on a constant currency basis, as compared with 2006.
- To achieve adjusted diluted earnings per share<sup>(2)</sup> performance of at least \$2.35 per share.
- To improve R&D productivity, as measured by medicines moving into late-stage development.

Here’s how we did in meeting each of these commitments.

**HOLDING REVENUES STEADY** Our 2008 full-year revenues were \$48.3 billion, compared with \$48.4 billion in 2007. This was in line with the guidance we gave early in 2008. We achieved this goal despite the loss of exclusivity of three large-selling medicines, Norvasc, Zyrtec/ZyrtecD and Camptosar, which accounted for \$2.9 billion in 2008 revenue and \$5.5 billion in revenue in 2007. We also achieved this goal despite shrinking economies in nearly all of our major markets.

**REDUCING OUR ADJUSTED TOTAL COSTS<sup>(1)</sup>** We completed the cost-reduction program we announced in 2006 by exceeding our cost-reduction target. By the end of 2008, we decreased our adjusted total costs<sup>(1)</sup> by \$2.8 billion, when compared with 2006 costs, on a constant currency basis. We remain

absolutely committed to streamlining our business further and creating a cost structure that gives us the most flexibility during these uncertain times.

### ACHIEVING OUR ADJUSTED DILUTED EARNINGS PER SHARE<sup>(2)</sup> TARGET

We were at the high end of our 2008 guidance range, delivering \$2.42 in adjusted diluted earnings per share<sup>(2)</sup>, an improvement of 11 percent over 2007.

**IMPROVING R&D PRODUCTIVITY** We are on track to achieve the R&D objectives we shared with you in March 2008. These are:

- 15 to 20 Phase III starts in 2008–2009.
- 24 to 28 new molecular entities or new indications in the Phase III pipeline by the end of 2009.
- 15 to 20 regulatory submissions from 2010 to 2012.

Our Phase III pipeline is the largest in our history and includes 12 programs focused on the high-priority disease areas of diabetes, oncology, inflammation/immunology, Alzheimer’s disease, psychosis and pain. You can learn much more about Pfizer’s current pipeline of new compounds and indications by visiting [www.pfizer.com](http://www.pfizer.com).

I know it’s difficult to talk about keeping our commitments in operating performance when Pfizer’s share price hit a 10-year low in the first quarter of 2009. The fact that nearly all public companies faced a crushing loss of investor confidence is of little comfort to the millions of people who hold Pfizer shares. No one in Pfizer is satisfied with the company’s share price. We recognize that to build shareholder value, we have to continue to keep our commitments year after year. Operational success will, over time, drive up the value of the company.

While it is not reflected yet in the share price, Pfizer is very solid financially and will be exceptionally well positioned in the global health care marketplace. We manage our cash conservatively and have moved strongly to deal with serious problems that threaten our growth. Meeting our commitments in such a tough environment is testimony to the more than 80,000 Pfizer colleagues who serve patients and many other customers in every important health care market around the world. They performed superbly, not only in making sure that we kept our 2008 commitments, but also in embracing the reality that we must lead the change in our industry and not just follow it.

### Becoming More Entrepreneurial—and Accountable

In late 2006, when I became CEO, I said that one of Pfizer’s biggest immediate challenges was to simplify an organization that had grown too complex and cumbersome. One colleague, in an e-mail to me, put it best: “Get the bureaucracy out of our way. Give us the tools to do our work and the authority to make decisions. Then hold us accountable for the decisions we make.”

Making Pfizer work better meant changing both the culture and the structure of our organization. In 2008 we took a dramatic step to reshape Pfizer into a more flexible, entrepreneurial and, yes, accountable organization. We completely reorganized our global market-leading Pharmaceutical segment into customer-focused business units devoted to Primary Care, Specialty Care, Oncology, Emerging Markets and Established Products.

We then took this concept an extra step, putting the late-stage development of new compounds under the control of each business unit leader. This means there is one person accountable for the life cycle of a new medicine, from after proof-of-concept until the time Pfizer loses market exclusivity for that medicine. Even after the loss-of-exclusivity, the Established Products unit can gain additional value from that medicine in a number of important markets around the world.

Our new approach enables us to move forward with the entrepreneurial zeal inherent in small businesses, backed by the scope and strength of a global enterprise. This review will give you more details on our new organization, including the key offerings and strategic approach of each business unit within our Pharmaceutical segment, as well as the operations of our Animal Health segment, which is also a leader in its market.

### Accelerating Innovation

In this review last year, we reported on our drive to open a second front in the search for new cures and vaccines. We organized the Biotherapeutics and Bioinnovation Center, which is both independent of, and interdependent with, Pfizer Global Research & Development. Just over a year into that transformation, we are excited about the progress made by both research groups, their ability to collaborate as alliances are formed with other research organizations, and their potential to “supercharge” our pipeline with medicines and vaccines that address some of the world’s most pressing medical needs.

“ We’ve focused our discovery efforts more intently on areas where the world desperately needs new treatments. ”

In 2008 we completed a plan that largely brings all of the discovery scientists working on a specific therapeutic area under one roof. This sounds counterintuitive in the age of the Internet, but we believe that personal interaction is what energizes scientific inquiry. We’ve focused our discovery efforts more intently on areas where the world desperately needs new treatments—Alzheimer’s disease, cancer, infections and inflammation, to name some of the prominent therapeutic areas where we are making good progress. We also created a Target Generation Unit that will use advances in human genetics and systems biology to overcome one of the biggest hurdles in biopharmaceutical research—the attrition of compounds at each stage of the clinical process.

Investing in truly cutting-edge science, in 2008 we launched Pfizer Regenerative Medicines to build on the growing understanding of how stem cells work. Pfizer is the first biopharmaceutical company to have a unit dedicated to stem cell therapeutics, one of the most exciting disciplines in bioscience.

We believe that the great work of scientists at Pfizer can be multiplied through collaborations with experts outside our company. In 2008 we saw continued progress in striking a variety of new research and development alliances. We entered into an agreement with Medivation to develop a compound, Dimebon, for treating Alzheimer’s disease and Huntington’s disease. We created a partnership with Entelos, a physiological modeling company, and with academic researchers, on a three-year project to better understand diabetes and other endocrine disorders. We also added to our key research partnerships with outstanding academic institutions, among them the University of Pennsylvania, the University of California, San Francisco, Washington University in St. Louis and the Broad Institute of MIT and Harvard University.

### Corporate Governance

With corporate governance in the headlines, I want to take this opportunity to thank Pfizer’s independent directors for their commitment and engagement. It is testimony to the quality of the company and our Board that we are able to attract leaders who can have their pick of directorships among the world’s largest publicly held companies. Our newest Director, Stephen W. Sanger, joined the Board on February 1, 2009. He previously served as Chairman of General Mills, Inc., from 1995 until his retirement in 2008.

William R. Howell, the Chairman Emeritus of J.C. Penney Company, Inc., will retire from the Board of Directors on April 23, 2009. W.R. joined Pfizer’s Board from Warner-Lambert’s and served with distinction, most recently on the Audit Committee. I am grateful for his wide-ranging contributions, strong oversight and wise counsel.

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### Improving Trust

“Doing things differently” means working harder to listen to our customers and to respond to what they tell us. They’ve said that this industry is too complex to understand easily and that we need to build a much stronger bond of trust between Pfizer and all those who have an interest in our business, especially those who use and prescribe our medicines.

This past year, we’ve pushed to make more information about our medicines and science available to the public. We’ve now put the results, positive and negative, of more than 1,000 clinical trials into the public domain, through our Web site, [www.pfizer.com](http://www.pfizer.com). In 2008 we also began listing on our Web site all the grants and charitable contributions Pfizer makes to U.S.-based medical, scientific and patient organizations. We changed our approach to funding continuing medical education. We are continuing to fund such programs through not-for-profit organizations such as universities, teaching hospitals and medical societies, and ending funding for continuing medical education done through for-profit companies. We stopped distributing pens, pads and other items emblazoned with our drug brand names at doctors’ offices. We also launched the industry’s most comprehensive medicine safety Web site to give people more information on assessing the risks and benefits of new medicines. In February 2009 we announced that we will disclose compensation for doctors and clinicians outside our company who do critical work with us. We are moving quickly to put important information about our business and scientific practices into the public domain, in response to what customers have told us they want.

We have also worked to put issues that diminish trust behind us. In 2008 our results were affected by a \$2.3 billion pre-tax and after-tax charge resulting from an agreement in principle with the U.S. Department of Justice to resolve a previously reported investigation regarding allegations of past off-label promotional practices concerning Bextra, a medicine withdrawn in 2005, as well as certain other open investigations.

### Pfizer and Wyeth

Pfizer’s path forward now includes an agreement to acquire Wyeth. Once this acquisition is complete, Pfizer will be uniquely positioned to promote health and wellness at all stages of life, and respond more effectively to unmet medical needs. We will also be one of the most diversified companies in the global health care industry, overcoming reliance on any single product. The new company will offer people a range of treatments for every stage of life—from vitamins for prenatal care to baby formula to vaccines to readily available consumer products to therapies for pain, cancer and Alzheimer’s disease. We will lead in nearly every dimension of biopharmaceuticals and in almost all of the world’s major markets.

Pfizer’s acquisition of Wyeth will be a transformational step enabled by a willingness to do things differently. We look to the future with optimism and relish the work we have yet to do to make Pfizer the world’s premier biopharmaceutical company. Thank you for your continued confidence in our people, our products and our plans for the future.

Sincerely,



Jeff Kindler  
Chairman of the Board and Chief Executive Officer  
MARCH 12, 2009

(1) Represents primarily the total of Adjusted Cost of Sales<sup>(2)</sup>, Adjusted SI&A expenses<sup>(2)</sup> and Adjusted R&D expenses<sup>(2)</sup>.

(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 Cost of Sales, Adjusted SI&A expenses and Adjusted R&D expenses are income statement line items prepared on the same basis, and, therefore, components of the overall Adjusted Income measure. A reconciliation of 2008 and 2007 adjusted income and its components and adjusted diluted EPS to reported net income and its components and reported diluted EPS is provided in our Form 8-K filed on January 26, 2009, which is available on our Web site at [www.pfizer.com](http://www.pfizer.com) in the “Investors—SEC Filings” section.