Pfizer

Life is our life's work

Our Values

Integrity
Innovation
Respect for People
Customer Focus
Teamwork
Leadership
Performance
Community

About Pfizer

Pfizer Inc discovers, develops, manufactures, and markets leading prescription medicines for humans and animals, as well as many of the world's best-known consumer products. Pfizer had global revenues of $29.6 billion in 2000. Pfizer plans to make a research and development investment of about $5 billion in 2001.

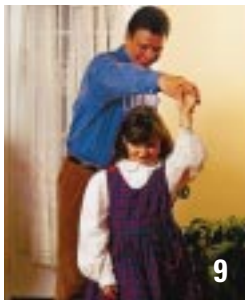
Financial Highlights

	Year ended December 31				
				% Change	
(millions, except per share data)	**2000**	1999	1998	**00/99**	99/98
Revenues	**$29,574**	$27,376	$23,231	**8**	18
Income from continuing operations before provision for taxes on income and minority interests	**5,781**	6,945	4,397	**(17)**	58
Provision for taxes on income	**2,049**	1,968	1,163	**4**	69
Discontinued operations – net of tax	**8**	(20)	1,401	*	*
Net income	**3,726**	4,952	4,633	**(25)**	7
Research and development expenses	**4,435**	4,036	3,305	**10**	22
Property, plant, and equipment additions	**2,191**	2,493	1,951	**(12)**	28
Cash dividends paid	**2,197**	1,820	1,501	**21**	21
Diluted earnings per common share	**.59**	.78	.73	**(24)**	7
Cash dividends paid per common share	**.36**	.30 2/3	.25 1/3	**17**	21
Shareholders' equity per common share	**2.58**	2.28	2.06	**13**	11
Weighted average shares – diluted	**6,368**	6,317	6,362	**1**	(1)
Number of common shares outstanding	**6,314**	6,218	6,220	**2**	–

Percentages may reflect rounding adjustments.
All financial data throughout this report have been restated to reflect the merger with Warner-Lambert Company on June 19, 2000, which was accounted for as a pooling of interests. Pre-merger cash dividends paid per common share are those of Pfizer.
*Calculation not meaningful.

About the Cover

Stacey Kelly has been married for a little more than a year, but is looking forward to many more anniversaries. Read her story on page 13.



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To Our Shareholders

Two thousand was a remarkable year for Pfizer and for our shareholders. With the closure in June of our acquisition of Warner-Lambert, Pfizer became the largest pharmaceutical enterprise in the world. We have essentially completed the integration, achieving larger-than-anticipated synergies and cost savings thus far. With an extremely broad portfolio of market-leading medicines and an unmatched commitment to research and development, Pfizer is doing more for human life than any other health care company has done before.

The past year also marked a milestone for me personally. On January 1, 2001, I retired as Chief Executive Officer and was succeeded in that position by Hank McKinnell, previously Pfizer's President and Chief Operating Officer. In April of 2001, I will conduct my tenth and final annual shareholder meeting as Chairman of the Board, after which I will also turn that post over to Hank.

"Today, Pfizer faces the task of advancing our position of industry leadership. I have no doubt that our company will meet that challenge."

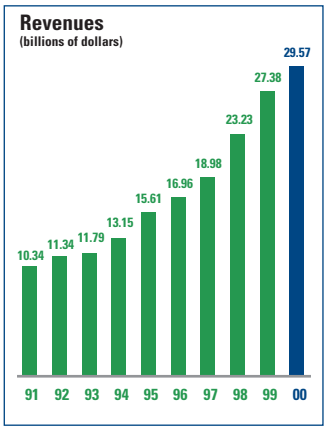
I have been privileged to lead Pfizer during a decade of dramatic growth. Between 1991 and 2000, our company increased its R&D investment sevenfold, and its total revenue from continuing operations six times. Worldwide sales of Pfizer's prescription medicines, including our copromoted products, grew at an average annual rate of 22%—twice the rate of the market. Our company advanced from fourteenth to first place among global pharmaceutical enterprises in prescription sales.

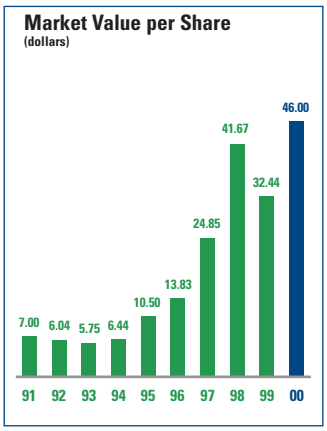
Our shareholders have benefited tremendously from Pfizer's performance. Although 2000 was the worst year for stocks since 1981, our company ended the year with a market capitalization of $290 billion, representing a 44% increase over 1999. Over the past ten years, Pfizer's stock split four times, and our split-adjusted stock price rose almost 1,300%. And this year, our first-quarter dividend is 11 cents, up 22% over the first quarter of 2000.

Led by our pharmaceuticals business, Pfizer produced strong financial results in 2000. Our company achieved total reported revenues of $29.6 billion, representing 8% growth over 1999. Net income grew 25% to $6.5 billion, and diluted earnings per share rose 24% to $1.02, both excluding certain significant items and merger-related costs. We continue to anticipate average annual diluted earnings per share growth of 25% or more through 2002.

Driven by the continued strength of our in-line and copromoted medicines, Pfizer's 2000 human pharmaceuticals revenues increased 18% to $22.9 billion, excluding the effects of foreign exchange and the withdrawals of Rezulin and Trovan. In an industry record, eight of our products achieved global revenues of at least $1 billion each. With 2000 sales exceeding $5 billion, Lipitor remained the largest-selling medication in the world for cholesterol reduction, as well as the second-largest-selling pharmaceutical product of any kind. Norvasc continued to be the world's number one antihypertensive. Zoloft held its position as the most-prescribed medicine in the United States for treating depression. Zithromax remained the largest-selling macrolide antibiotic worldwide, as well as the number one branded oral antibiotic in the United States. Viagra continued to be the world's leading oral treatment for erectile dysfunction. Neurontin remained the best-selling anticonvulsant drug worldwide for epilepsy. And Diflucan continued to rank as the world's number one prescription antifungal.

"Pfizer Global Research and Development is today the largest operation of its kind in the world, with 12,000 researchers at research centers on three continents."





Our alliance products also performed very well. Celebrex, discovered and developed by Pharmacia and copromoted by Pfizer, remained the number one branded antiarthritic medicine in the world. And Aricept, which we copromote with Eisai Co., Ltd., the company that discovered it, continued to rank as the world's leading cognitive therapy for Alzheimer's disease.

Pfizer's pipeline of new medicines is impressive. In late 2000, we completed regulatory filings for Vfend, our treatment for serious fungal infections. In February of 2001, Pfizer received regulatory approval from the U.S. Food and Drug Administration (FDA) to market Geodon, our new antipsychotic medicine. Also this year, we expect to bring to market Zyrtec-D, a combined decongestant and antihistamine, and we plan to file new data that should lead to final approval of Relpax, our innovative migraine therapy. We also anticipate that regulatory filings will be completed during 2001 for valdecoxib, a new treatment for arthritis developed by Pharmacia that will be comarketed by Pfizer; pregabalin for neuropathic pain and epilepsy; and Exubera for diabetes. These new products join seven other candidates in late-stage development.

We also enjoy many opportunities in our nonpharmaceutical businesses. In 2000, our Warner-Lambert Consumer Group achieved sales of $5.5 billion, representing a 1% gain over 1999. Our Animal Health Group posted revenues of $1.1 billion during 2000, a 21% decline from the previous year. We anticipate considerable improvement in both businesses during 2001 as a result of significant initiatives to refocus, restructure, and revitalize them.

Our company remains committed to possessing the industry's strongest research and development program. Pfizer Global Research and Development is today the largest operation of its kind in the world, with 12,000 researchers at research centers on three continents. In June of 2000, Pfizer inaugurated the world's largest drug discovery center, located in Groton, Connecticut. This state-of-the-art facility hosts more than 700 researchers and is a major component of the current worldwide expansion of Pfizer's R&D capabilities. In 2000, we invested $4.4 billion in research and development, and this year we expect to boost that total to approximately $5 billion—more than any other company in any industry. Overall, Pfizer has 156 development projects under way, targeting all of the major disease categories.

In 2000, Pfizer continued to lead the pharmaceutical industry in sales and marketing. Our global sales organization numbers more than 30,000 field and marketing personnel dedicated to the effective transfer of knowledge from our laboratories to practicing physicians. In January of 2001, physicians surveyed by Scott-Levin, a leading industry-consulting firm, rated Pfizer's more than 8,000 U.S. sales representatives number one in quality for the sixth year in a row.

Throughout the world, Pfizer remains committed to bringing medicines to patients who need them. In 2000, Sudan joined five other African and Asian countries that receive donations of Pfizer's Zithromax through the International Trachoma Initiative. This powerful antibiotic has proven to be an effective weapon in the fight against trachoma, the world's leading cause of preventable blindness. We hope to expand our Zithromax donations to as many as five additional countries by 2004. In December, Pfizer announced an agreement with the South African Ministry of Health to provide our antifungal medicine Diflucan free of charge to HIV-infected South Africans who suffer from cryptococcal meningitis and esophageal candidiasis. In the United States, our Sharing the Care program has filled 4.6 million prescriptions, worth more than $240 million, for 1.5 million low-income, uninsured patients.

I would like to acknowledge with gratitude the outstanding service of George B. Harvey, who will retire from Pfizer's board on April 26, after seven years of membership. I would also like to welcome the six new board members who joined Pfizer from Warner-Lambert last June: Robert N. Burt, William H. Gray III, William R. Howell, George A. Lorch, Alex J. Mandl, and Michael I. Sovern. On a sad note, we suffered the loss of board member Thomas G. Labrecque, who passed away in October. We were honored to have a man of his stature and talent serve as a director for more than seven years.

Today, Pfizer faces the task of advancing our position of industry leadership. I have no doubt that our company will meet that challenge. We have excellent leaders, a broad base of key products, a diverse new-product pipeline, and an industry-leading R&D commitment. Our products and research facilities are unparalleled, but they are not our most important asset. That distinction belongs to our remarkable people. Everything that our company has achieved always comes back to them. As I prepare to retire as Chairman, I want to thank all of my colleagues for their extraordinary accomplishments, and for their commitment to the values that have made Pfizer the global leader in health care.

William C. Steere, Jr.
Chairman of the Board
February 22, 2001

A Conversation with Hank McKinnell, Pfizer's President, CEO, And Incoming Chairman

On January 1, 2001, Hank McKinnell became Pfizer's Chief Executive Officer, having spent the previous 19 months as President and Chief Operating Officer. He also leads the company's largest operation, the Pfizer Pharmaceuticals Group.

On May 1, 2001, Hank McKinnell will become Chairman of the Board. He is only the twelfth person in Pfizer's 152-year history to hold this position.

He speaks of his vision for the company and the path ahead.

Let's start with an obvious question—how do you feel about becoming Pfizer's leader?

I am excited, energized, and honored that the Board of Directors has chosen me to be the twelfth Chairman and CEO of Pfizer.

Pfizer is a crown jewel among companies. The fact that only a dozen people have ever led the company speaks to its enduring values.

I have been fortunate to work with and learn from three Pfizer chairmen during my 30 years with the company. I worked very closely with Bill Steere to transform Pfizer in the 1990s. All of us at Pfizer are grateful to Bill for his leadership. We are also determined to build on the foundation of success set in the last decade.

Pfizer in the 1990s set its sights on becoming the number one drug company by 2001. That mission was achieved a year early. What does Pfizer want to be a decade from now?

First and foremost, we want to sustain and expand our leadership, and to continue to increase shareholder value at rates that meet the expectations of our investors. That sounds like "all business," but in achieving that goal, we can emerge as the company that does more for health and well-being than any other company on the planet.

I want Pfizer to be the one company ready to shape the genomics-enabled revolution in pharmaceuticals that will unfold during my tenure as Chairman. We want to be more than reactive.

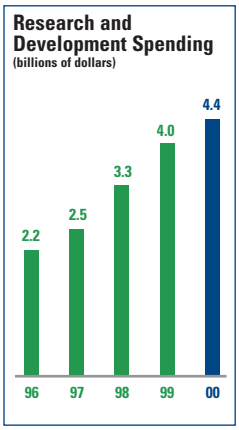
We want to drive this revolution. We recognize that within a decade, just about every dimension of how drugs are discovered, developed, manufactured, and marketed will be transformed. We at Pfizer must lead that change.

On the subject of change, you have seen many changes in your 30-year Pfizer career. What have you learned from your leadership experiences?

Each step of my career has taught me something new about leadership, and I continue to learn every day.

I have a wide range of international experiences. I started with Pfizer in Japan, where I learned about the power of building consensus. I was the country manager in Iran, just before the revolution. I learned there how to lead in turbulent times and to build an inclusive, winning team.

Ten years of my career were spent in Asia, where I managed what is an important area for Pfizer. Japan is the second-largest market in the world for pharmaceuticals, and Pfizer is well positioned there and in other key Asian markets.



I led the Pfizer Pharmaceuticals Group, and still do. This is Pfizer's largest division. We had remarkable success in the 1990s, launching six drugs in three years and emerging as the company with the best sales and marketing team, according to our customers. With the Pfizer Pharmaceuticals Group, I pushed to break down the barriers between our U.S. and overseas operations and to instill a new culture, focusing globally on teamwork and best practices.

My career at Pfizer has also included stints as Chief Financial Officer and Chief Operating Officer. These positions provided new and often intense experiences in how the company operates. In those roles, as well as in my new one, there is no escaping the spotlight on financial performance.

I serve on the boards of a number of nonprofit organizations, including the New York Public Library, the world's largest library network. These experiences not only affirm our value of Community, but they illuminate how people from different backgrounds approach leadership.

Finally, last year I led the team integrating Pfizer and Warner-Lambert. It was the challenge of our lives, but we succeeded—and succeeded splendidly.

That integration taught me how much capacity this company has for change and how people can rise to meet the most difficult of challenges.

Let's talk about Pfizer's acquisition of Warner-Lambert. Pfizer used to shy away from these kinds of combinations. What changed?

The field of opportunity. Like most companies, we plan for many scenarios, including acquisitions. But Pfizer was the second-fastest-growing major drug company in the world. An acquisition would have slowed our growth, something we did not want or need.

Then, to our surprise, the one major drug company growing faster than Pfizer became available. Not only that, but Warner-Lambert was a company we knew and one that matched up extremely well with Pfizer.

This was simply an opportunity we could not pass up, since we believed it would quickly add value.

And the results?

They speak for themselves—but most of all, they speak for the people who work here.

We closed the deal in five months and began operating as a single company from the first day. We exceeded our initial goals for cost savings.

We added shareholder value, increased our market shares, and added critical mass in virtually every business and every region.

And we did all of this without the wreckage one typically sees in other major mergers. The vast majority of our employees believe the integration was done in keeping with our value of Respect for People. Now we are growing at such a pace that our biggest headache isn't that we have too many people, it is that we don't have enough. We are hiring in all businesses.

You were able to predict a number of synergies from the combination. Have there been any unexpected benefits?

Most of the benefits are those we expected. We gained thousands of researchers and sales professionals, as well as new expertise in areas like virology. Also, we now have one of the world's leading consumer health care businesses, a world-class platform for moving prescription products over the counter.

One unexpected benefit is the number of new ideas emerging as the two companies come together. Pfizer and Warner-Lambert had much in common, but we had different approaches to business. We are building competitive advantage by taking the best from both companies.

We've also found benefit in the opportunity to fine-tune our culture. Making the best of an acquisition means taking the best from the cultures of both companies. We are now building a culture with even more inclusion. At Pfizer, leadership means finding and developing people from different backgrounds and honoring different points of view. I believe all of us are smarter collectively than any of us individually. The more of us there are with different experiences and approaches and the more our backgrounds diverge, the smarter we will all become.

As a result of the Warner-Lambert acquisition, Pfizer has more than $5 billion in annual sales coming from its consumer products businesses. How do these businesses fit into the company's strategy?

Our core business is the discovery, development, and marketing of innovative pharmaceuticals for human and animal health. The vast majority of our products support this core business. Products like Listerine and Lubriderm are great brands that boost the health and well-being of people, and many of the gum, mint, and mentholated candies offered by the Adams confectionary business we acquired with Warner-Lambert also provide measurable health benefits.

Pfizer has entered into a number of alliances with other companies. What is the thinking behind this?

These alliances are important opportunities. Copromoted products help us add value by leveraging our resources, like our award-winning sales force, or an R&D budget second to none. On a broader scale, alliances are an important part of our strategy. We now have more than 450 collaborations with other companies, spanning the earliest stages of drug discovery to late-stage comarketing agreements.

In view of the success of Lipitor, Celebrex, and Aricept, you can understand why other prescription drug companies want us to be their partners. I also believe there is enormous opportunity in consumer health care, and we will seek to become the partner of choice in this arena as well.

You spoke of collaborations. Pfizer now has the world's largest privately funded biomedical R&D function. Why is R&D so important to Pfizer?

R&D is simply the lifeblood of the company. We intend to set the pace for others to follow. We will not only be prepared for an exciting future, we will shape it.

We have engineered an R&D strategy that unleashes creativity on the discovery side and then brings aggressive, disciplined action to bear on the development of promising compounds. Our plans this year in R&D include executing three major filings and pursuing two existing filings, as well as major action on advanced compounds. We have a research capability that is clearly the best in our industry. We are confident that our R&D investment and strategy will pay off handsomely.

Besides leading Pfizer, on March 31, you will become Chairman of PhRMA (Pharmaceutical Research and Manufacturers of America), the industry group representing research-focused drug companies. What are the major issues facing the industry this year?

The main issue centers on ensuring access to drugs. Everyone agrees that people who need important drugs should be able to get them. The challenge is to develop a targeted approach that sustains incentives for the American drug industry, which is the most innovative, vibrant drug industry in the world. We do not believe that access and innovation are opposite concepts. We—the industry and the governments that regulate us—are creative enough to do both. We are forging new models, such as our Diflucan donation program in South Africa. (For more information on this issue, please turn to page 73.)

Closer to home, important issues include the further modernization of the FDA, the overhaul of the U.S. Medicare program, and the sale of prescription pharmaceuticals over the Internet.

We believe that pharmaceuticals remain one of the most cost-effective ways to treat disease and ensure longer, healthier lives. Outside the U.S., we are working hard to build partnerships that bring the advantages of our medicines to a waiting world.

Today, Pfizer is one of the most valuable companies on Earth. It trades at a higher multiple than most other major pharmaceutical companies. Is there room for the stock to grow?

Yes, there is, and I am determined to continue our record of increasing shareholder value. We will deliver on our commitment of growing annual diluted earnings per share by an average of 25% through 2002, excluding certain significant items and merger-related costs.

The market is volatile, and Pfizer shares are clearly linked to the fortunes of the overall market. However, we have a stellar record of delivering shareholder value, and we expect to sustain that record through innovation, outstanding execution, and creative approaches to what is our reason for being—helping people and animals live longer, healthier lives.

No one knows Pfizer better than our own people. And so we asked them:

What does Pfizer mean to you?

Their stories could fill this report ten times over.

Their stories could be your stories.

Their stories, so powerful today, motivate us to work toward an even better tomorrow.

We proudly share some of them with you.

“Mother has always been the rock of the family.”

When I became a single parent of four children under seven, it was Mother who gave me the courage to face the challenges of raising them. And when I decided on a career in pharmaceutical sales, she was the only person I trusted enough and who loved me enough to help me with the demands of caring for my children and doing my job.

Now the mantle has passed, and it’s my turn: Mother has Alzheimer’s disease. I am privileged to be her rock and, in some way, give back some of the care, love, and support she gave me during the hardest periods of my life.

Mother has been on Aricept since it first became available, and she continually amazes me with her fierce desire for independence and her ability to keep functioning. She just celebrated her eightieth birthday, and she can dance circles around people my age, beats everyone at dominoes, and is able to live on her own in a retirement facility.

Every year, I notice that there are a couple of new things that she can no longer do, but I believe that without Aricept she would be in a nursing home. That would quickly drain her assets and she would lose more of her identity and freedom.

I know the day will come when Mother will sink into the final stages of Alzheimer’s disease, but I am very grateful that she has had every opportunity to live a full life, for as long as possible, because of Aricept.

Ginger Young of Burleson, Texas, shown with her mother, Ann Kirkpatrick, has been with Pfizer since 1978.

"Sarah is the most beautiful little girl in the world."

Pfizer has given me an unfair advantage. You see, a little more than six years ago, at eighteen months of age, our daughter, Sarah, was diagnosed with bilateral retinoblastoma—cancer in both her eyes. Throughout her radiation treatments, chemotherapy, and surgeries, my wife and I prayed that the professionals helping us could bring the wonders of modern medicine to bear to save her life.

At one point, Sarah's immune system was so degraded that she could not fight a particularly bad fungal infection. Our physician started aggressive intravenous treatment with Diflucan—and Sarah made it through this life-threatening situation. My wife and I were beyond thankful to the people at Pfizer, who dedicate every day of their lives to discovering and developing these types of life-saving medicines. After experiencing 'the fight' first-hand, I wanted to do whatever I could to help people and contribute to humanity in general. That decision now has me proudly working at Pfizer.

Sarah no longer has her sense of sight, but without the miracles of modern medical and pharmaceutical technology, things could have been much worse. My unfair advantage is the motivation I draw from the hug I get every night before bed and the smile I get in the morning from the most beautiful eight-year-old girl in the world. When troubles start to mount and the going gets tough, close your eyes for a second and let the smile of that little girl sitting bravely in the oncology clinic serve as your inspiration too.

Bob Wiles of Longmeadow, Massachusetts, joined Pfizer in 1998.

Here in Morocco, I've seen us make great strides in improving our standard of living over the years. But there are still many places where providing even the most basic health care is a challenge. Trachoma is a disease that has plagued Morocco for a long time. It is a bacterial infection of the eye that is the world's leading cause of preventable blindness. More than half a million Moroccans—and tens of millions of people around the world—suffer from trachoma. Most of them are women and children.

A few years ago, Pfizer discovered that our antibiotic Zithromax was an extremely effective treatment for trachoma. Since then, Pfizer has given away millions of doses of Zithromax in Morocco and other developing countries where the disease is most prevalent. Working in partnership with the Ministry of Health, we have seen a 75 percent reduction in the prevalence of trachoma in Morocco in just over one year. That's remarkable progress.

The children don't really understand Zithromax, of course. But they do understand hope.

Dr. Ehsan Homman-Loudiye is the medical director of Pfizer Morocco, and has been with Pfizer since 1994.

“Pfizer has brought hope
to the children of my country.”

“I have the greatest mother in the world.”

My story is simple. I have the greatest mother in the world.

Mary McCasland Cleary comes from a strong Irish Catholic family. She is the mother of thirteen wild and wonderful children. Her life has been filled with many joyous moments and heart-wrenching challenges.

One day, the challenges began to wear out her spirit. Her family no longer brought her happiness. Her faith was being tested. Instead of helping others, her days were filled with sadness. My mother was losing her will to live.

As her daughter, I saw this change. I suggested she see a doctor for depression, but she refused. Months passed and her despair became greater. About that time, Pfizer introduced the RHYTHMS program, to support those suffering from depression. I gave my mother the information to read. We discussed it and she agreed to see a doctor.

Her doctor prescribed Zoloft. Within one month, my mother was coming back to life. After six months, she was comfortable with Zoloft and with her diagnosis.

Today, my mother tries to help others who have unrecognized depression. She shares her story and her belief that Zoloft changed her life for the better. Thanks to Pfizer for the RHYTHMS program. Otherwise, my mother would have continued to believe that depression is a weakness, not an illness.

Virginia Smith of Boca Raton, Florida, has been with Pfizer since 1991.

"I want to grow old with my husband."

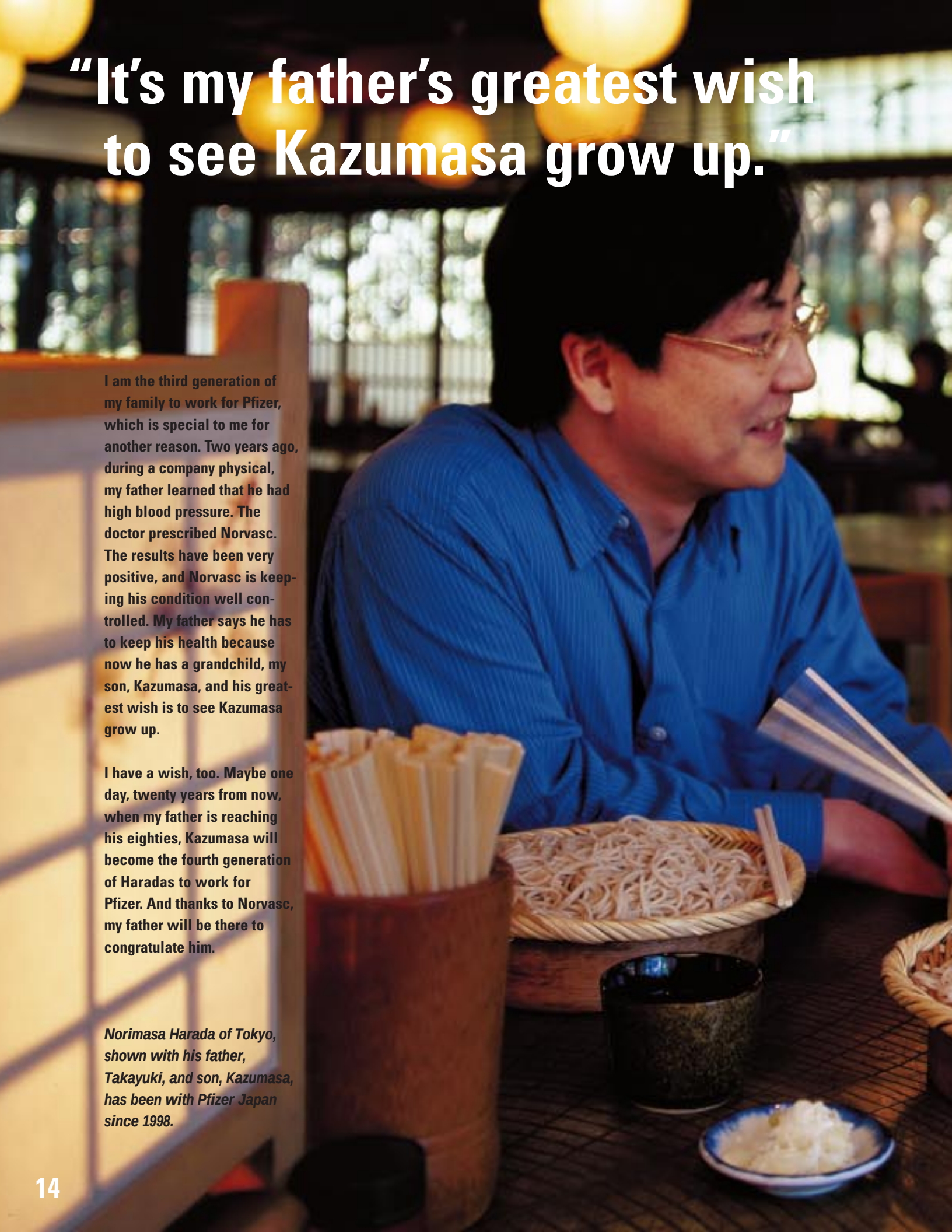
I am 30 years old and have suffered from high cholesterol since I was 18. This is a genetic trait passed on from my father's side of the family. I tried just about everything, from diet and exercise to lipid-lowering medications. Nothing seemed to help.

I know some people may think that I shouldn't worry about cholesterol levels at my age, but my doctor and I know that I am at a higher risk for cardio-vascular complications if my cholesterol isn't controlled.

I've been on Lipitor almost a year now, and my doctor and I are very pleased with the results. You see, I am recently married, and I want to grow old with my husband, Kevin. Thanks to Lipitor, I have a better chance.

Stacey Kelly of Kansas City, Missouri, has been with Pfizer since 1996.

"It's my father's greatest wish to see Kazumasa grow up."



I am the third generation of my family to work for Pfizer, which is special to me for another reason. Two years ago, during a company physical, my father learned that he had high blood pressure. The doctor prescribed Norvasc. The results have been very positive, and Norvasc is keeping his condition well controlled. My father says he has to keep his health because now he has a grandchild, my son, Kazumasa, and his greatest wish is to see Kazumasa grow up.

I have a wish, too. Maybe one day, twenty years from now, when my father is reaching his eighties, Kazumasa will become the fourth generation of Haradas to work for Pfizer. And thanks to Norvasc, my father will be there to congratulate him.

Norimasa Harada of Tokyo, shown with his father, Takayuki, and son, Kazumasa, has been with Pfizer Japan since 1998.

"Bobby is a wonderful companion."

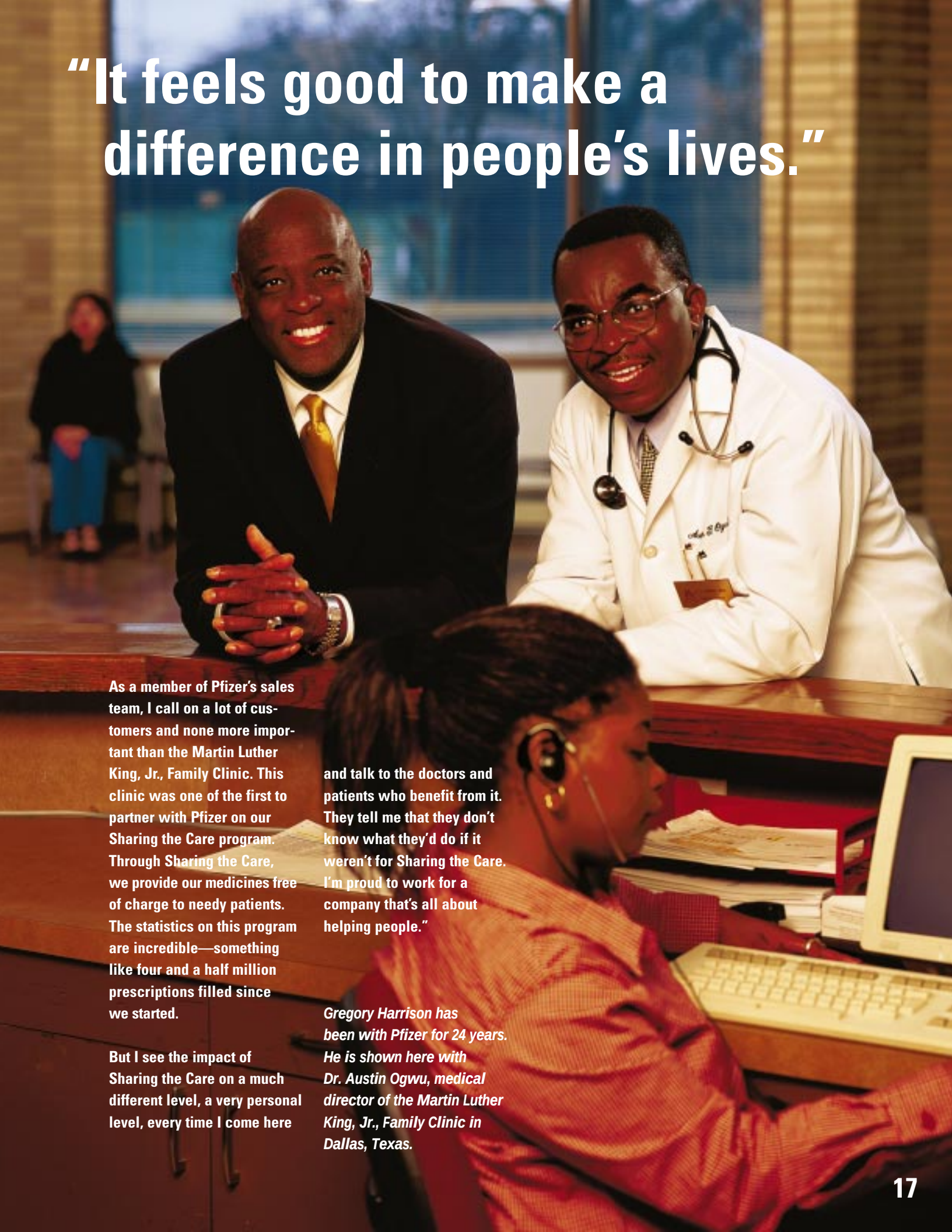
My dog Bobby is a 12-year-old German Shepherd that I found seven years ago. He had been hit by a car and left in a ditch.

Bobby's breed is particularly prone to hip dysplasia, and, coupled with his accident and his age, he developed pretty bad arthritis. Thanks to Rimadyl, Bobby is like a young dog again. He is able to parade happily down Bayshore Boulevard in Tampa, where all the dogs go to see and be seen. We are awaiting an "interview" with the Humane Society of Tampa Bay to enroll Bobby in their "Pet a Pet" program, where we'll visit nursing homes on weekends to cheer up the elderly residents.

Bobby is a wonderful companion—my husband calls him his "son"—who is happier and healthier with a little help from Pfizer.

Dawn Schiller-Verdi of Tampa, Florida, has been with Pfizer since 1996.

"It feels good to make a difference in people's lives."



As a member of Pfizer's sales team, I call on a lot of customers and none more important than the Martin Luther King, Jr., Family Clinic. This clinic was one of the first to partner with Pfizer on our Sharing the Care program. Through Sharing the Care, we provide our medicines free of charge to needy patients. The statistics on this program are incredible—something like four and a half million prescriptions filled since we started.

But I see the impact of Sharing the Care on a much different level, a very personal level, every time I come here and talk to the doctors and patients who benefit from it. They tell me that they don't know what they'd do if it weren't for Sharing the Care. I'm proud to work for a company that's all about helping people."

Gregory Harrison has been with Pfizer for 24 years. He is shown here with Dr. Austin Ogwu, medical director of the Martin Luther King, Jr., Family Clinic in Dallas, Texas.

“ It’s wonderful to see my friend his old self again.”

Jahn and I have been good friends since grammar school, and we’ve enjoyed a lot of sports activities together. Ten years ago, when Jahn turned fifty, his hip started giving him trouble because of osteoarthritis. In time, his condition worsened, and eventually he had trouble coping with daily activities. He even had to cut his work schedule in half.

Last September, we launched Celebrex in Norway. I told Jahn about this new drug and suggested he ask his doctor about it. When I saw Jahn a few weeks later, he came up to me and gave me a big hug. “I’ve got a new life,” he exclaimed. “It’s a miracle!” At first, I didn’t understand. Then he looked at me with a big smile on his face. “Celebrex, my friend. The drug is just fantastic.” He did a jig for emphasis, then told me what had happened. He had seen his doctor, who prescribed Celebrex, and from the first dose, he felt improvement—in his ability to walk, climb stairs, work full days, and take part in his favorite sports.

Now, we head for the ski trails around Oslo whenever we can get away.

Jan Baklund of Oslo, left, shown with his friend Jahn Goksør, has been with Pfizer Norway for 15 years.

Worldwide Human Pharmaceutical Revenues—Therapeutic Lines and Major Products

(millions of dollars)	2000	1999	% Change 00/99
Worldwide Human Pharmaceuticals	**$ 22,567**	$20,155	**+ 12**
Cardiovascular Diseases	**10,343**	8,825	**+ 17**
Lipitor	**5,031**	3,795	**+ 33**
Norvasc	**3,362**	2,991	**+ 12**
Cardura	**795**	784	**+ 1**
Accupril/Accuretic	**553**	514	**+ 8**
Procardia XL	**311**	510	**- 39**
Infectious Diseases	**3,528**	3,630	**- 3**
Zithromax	**1,382**	1,309	**+ 6**
Diflucan	**1,014**	989	**+ 2**
Viracept	**436**	530	**- 18**
Central Nervous System Disorders	**3,883**	3,271	**+ 19**
Zoloft	**2,140**	1,997	**+ 7**
Neurontin	**1,334**	913	**+ 46**
Diabetes	**412**	916	**- 55**
Glucotrol XL	**280**	257	**+ 9**
Viagra	**1,344**	1,016	**+ 32**
Allergy	**703**	546	**+ 29**
Zyrtec	**699**	541	**+ 29**
Alliance Revenue	**1,158**	665	**+ 74**

Percentages may reflect rounding adjustments.

With the successful completion of our merger with Warner-Lambert, and with another strong performance in 2000, Pfizer is now the world's largest pharmaceutical company. Human pharmaceutical revenues approached $23 billion, and total company revenues exceeded $29 billion.

Pfizer has the broadest portfolio of major pharmaceuticals in the world. We set an industry record in 2000 with eight of the products we support, including our alliance product Celebrex, generating revenues to Pfizer of more than $1 billion each, including three over $2 billion, two over $3 billion, and one over $5 billion. The eight billion-dollar products—Lipitor, Norvasc, Celebrex, Zoloft, Zithromax, Neurontin, Viagra, and Diflucan—represent 74% of Pfizer's human pharmaceutical revenues, and together grew 23%. Ten of our products were the most-prescribed medicines in their categories.

Pfizer is also one of the world's fastest-growing pharmaceutical companies. Excluding certain significant items and merger-related costs, net income in 2000 grew 25% to $6.5 billion, and diluted earnings per share increased 24% to $1.02. These growth rates are among the highest in the industry.

And Pfizer's product line is also relatively young. Our eight billion-dollar products have U.S. patent expirations ranging from 2004 to 2013.

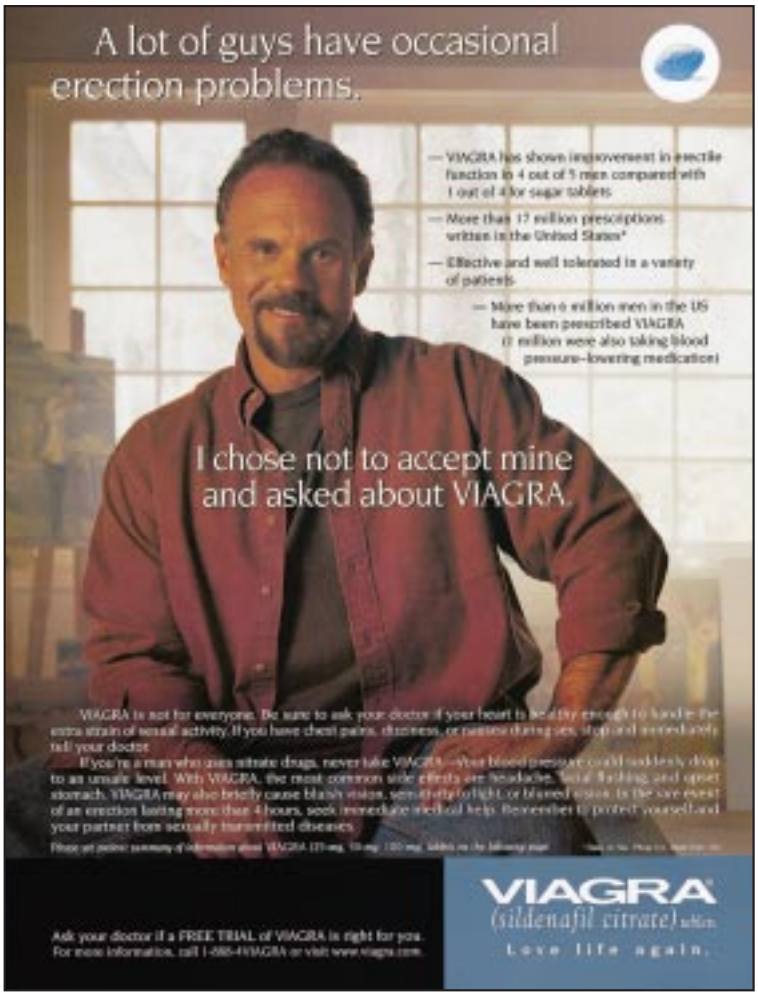
With all the good that Pfizer is already doing for human and animal health, an enormous opportunity remains for us to make breakthroughs in the battle against many inadequately treated diseases. Pfizer's research operations are the industry's largest, with a 2001 budget of approximately $5 billion and a rich pipeline of innovative medicines in all stages of development.

Pfizer now has under development 96 new chemical entities and 60 supplemental indications for currently marketed products. These programs cover 19 therapeutic categories, including several where Pfizer does not at this time market products, such as smoking cessation, frailty, stroke, and traumatic brain injury.

Cardiovascular Diseases

More than 13 million Americans suffer from coronary heart disease, the country's leading cause of death. Among the major risk factors for heart disease are high LDL (bad) cholesterol, low HDL (good)

A recent study of more than 2,600 men with erectile dysfunction who took Viagra for two to three years found that 96% of them remain satisfied with the treatment.



cholesterol, high blood pressure, and diabetes. Pfizer has leading medicines and/or pioneering research programs in each area.

High LDL cholesterol is widely prevalent, but it is a "silent killer"—both significantly underdiagnosed and undertreated. An estimated 30% of all adults in the U.S.—about 56.5 million people—have high LDL cholesterol that requires diet or drug therapy. Only 34% of these individuals have even been diagnosed with high cholesterol, much less treated.

More than 5 million patients worldwide have been treated with **Lipitor**, because there is no better reducer of LDL cholesterol. Seventy-two percent of Lipitor patients reached their National Cholesterol Education Program (NCEP) goals for LDL cholesterol.

Worldwide sales of Lipitor increased 33% to $5.0 billion in 2000, making it the most-prescribed cholesterol-lowering drug and the second-largest-selling drug in the world.

Extensive clinical testing has demonstrated Lipitor's superior profile compared to other cholesterol-lowering products. In the 4,000-patient ACCESS clinical trial, patients achieved significantly greater reductions in LDL cholesterol with Lipitor compared to other leading cholesterol-lowering drugs. In addition, significantly greater percentages of Lipitor patients reached their NCEP goals compared to those taking other agents. In the MIRACL study of more than 3,000 patients with acute coronary syndrome, Lipitor reduced their risk of death, myocardial infarction, cardiac arrest, and/or worsening angina requiring rehospitalization by 16% within only 16 weeks.

Over the next several years, we will continue to undertake major studies designed to expand Lipitor's indications, including peripheral vascular disease and stroke prevention, and to extend our understanding of poorly studied populations, including diabetics, the elderly, and women. Pfizer has also begun the Treating to New Targets (TNT) trial, a five-year study enrolling more than 10,000 patients at 250 sites worldwide, to determine whether there are further cardiovascular benefits to using higher doses of Lipitor to lower LDL cholesterol levels down to around 75 mg./dL, compared to current treatment target levels of 100 mg./dL.

Since launch in 1999, a total of more than 40 million Celebrex prescriptions have been written for about 12 million patients, a record among arthritis medicines.

In another approach to the treatment of atherosclerosis ("hardening of the arteries"), Pfizer is developing **avasimibe**, for prevention of progression, or possible regression, of atherosclerotic plaque. Phase III trials, the final stage, are currently under way, with initial results expected during 2001.

Many people with low LDL cholesterol are still at risk of coronary heart disease if they also have low HDL cholesterol. Pfizer is working on a new medicine, **CP-529,414**, that can increase HDL cholesterol. In Phase I testing, this compound dramatically increased HDL levels, in some cases by more than 70%, and was well tolerated. Pfizer is working aggressively to complete Phase II studies of this compound, and its combination with Lipitor is also being studied.

High blood pressure afflicts about 50 million Americans and hundreds of millions of patients worldwide. Like high cholesterol, high blood pressure is a silent condition that is substantially underdiagnosed and undertreated. The American Heart Association estimates that 32% of Americans with high blood pressure are unaware of their condition, 15% are aware but not on therapy, 26% are on inadequate therapy, and only 27% are on adequate therapy.

Norvasc is the world's largest-selling antihypertensive drug. Sales in 2000 increased 12% to $3.4 billion. Since its introduction in 1990, Norvasc has provided more than 15 billion patient days of therapy worldwide. Its success has been driven by its outstanding efficacy, once-daily dosing, consistent 24-hour control of hypertension and angina, and excellent safety and tolerability. Norvasc is remarkably effective in older patients and those with more severe conditions. It is the only drug in its class that can be safely used to treat hypertension and angina in patients who also have congestive heart failure. In the PREVENT clinical trial of 825 coronary artery disease patients who were normotensive, Norvasc reduced the number of major vascular procedures by 42% and the number of patients requiring hospitalization for unstable angina by 33%.

Over the next five years, clinical trials of more than 68,000 patients will further document Norvasc's safety and efficacy. The two-year,

3,000-patient CAMELOT study compares Norvasc with the angiotensin-converting enzyme (ACE) inhibitor enalapril and with placebo in the reduction of cardiovascular events and the progression of atherosclerosis in patients with coronary artery disease. ALLHAT, a five-year trial in 43,000 patients conducted under the auspices of the National Heart, Lung, and Blood Institute, is the largest trial ever undertaken in hypertension. The five-year, 18,000-patient ASCOT clinical trial will test whether Norvasc and other newer antihypertensive therapies can show reduced rates of heart attacks compared with older therapies. ASCOT will also examine whether a combination of the lipid-lowering agent Lipitor with Norvasc reduces the rates of heart attacks. Pfizer is developing a single product that combines the active ingredients of Lipitor and Norvasc.

Sales of **Cardura**, Pfizer's alpha blocker for treatment of benign prostatic hyperplasia and hypertension, increased only 1% to $795 million during 2000, in part due to the expiration of the U.S. patent. A dosage form using a time-release delivery system—**Cardura XL**—is being launched overseas.

Sales of **Accupril/Accuretic**, Pfizer's ACE inhibitor for hypertension and congestive heart failure, grew 8% to $553 million. In the U.S., Accupril is the second-largest-selling drug in its class and one of the fastest-growing.

With the introduction of new generic competition in 2000, sales of **Procardia XL**, another Pfizer treatment for hypertension and angina, declined 39% to $311 million.

Diabetes

There are more than 150 million diabetic patients worldwide, a number expected to rise rapidly. Tight control of glucose levels in the blood is critical to prevention of the long-term and devastating consequences of diabetes, including damage to the kidneys, nervous system, and eyes. **Glucotrol XL** stimulates the pancreas to produce more insulin. Sales of this medicine increased 9% to $280 million in 2000.

In the U.S., 30% to 40% of Type 2 diabetics are not achieving adequate blood glucose control on oral agents. While current treatment paradigms call for adding insulin when oral agents fail, many patients do not initiate or comply with insulin therapy due to the undesirable aspects of daily injection. Pfizer is working in partnership with Aventis Pharma to codevelop, copromote, and comanufacture an inhalable form of short-acting insulin for Type 1 and Type 2 diabetics. In Phase II trials, inhaled insulin produced blood glucose control comparable to injected insulin, with good toleration. Phase III clinical trials are under way. When approved, the product, **Exubera**, will be supplied in a device developed by Inhale Therapeutic Systems.

Infectious Diseases

According to the World Health Organization, infectious and parasitic diseases are second only to cardiovascular diseases in worldwide mortality. Pfizer has been a leader in products for treating infection since the 1940s, when the company pioneered the mass production of penicillin. Pfizer currently markets leading antibiotics, antifungals, and antiviral medicines.

With sales in 2000 of $1.4 billion, a 6% increase, **Zithromax** was the largest-selling antibiotic in its class worldwide and the third-largest-selling antibiotic overall. In the U.S., it was the leading branded antibiotic, and, despite a weak flu season, it grew at more than four times the market rate. (Zithromax and other antibiotics are appropriately prescribed for bacterial infections sometimes associated with flu.) The product is recognized by physicians for its broad efficacy, compliance advantages, favorable side-effect profile, and good-tasting liquid formulation for children. Zithromax treats most respiratory infections in adults and children with once-daily dosing for just three to five days. It is also used for skin infections in adults, middle-ear infections and strep pharyngitis in children, and a broad range of other illnesses. In 2000, Zithromax was successfully launched in Japan, our second-largest market.

In a clinical study, a single dose of Zithromax oral suspension was as effective in curing children's middle-ear infections as 10 days of twice-a-day Augmentin. A regulatory filing for the single-dose regimen in children with acute otitis media is being prepared. A new indication for treatment of *mycobacterium avium* complex, common in AIDS patients, was approved by the FDA during 2000. The WIZARD study is testing whether 600 mg. of Zithromax taken once a week reduces cardiac events in about 7,500 post-heart-attack patients with atherosclerosis who are positive for previous *Chlamydia* presence.

Diflucan remains the world's largest-selling prescription antifungal product after more than 12 years on the market. Sales in 2000 increased 2% to $1.0 billion. Diflucan treats serious fungal infections often present in critically ill patients. Such infections are difficult to diagnose and, if not treated early and effectively, can result in high mortality. Diflucan is also effective as a single-dose oral treatment for vaginal candidiasis and other non-life-threatening infections.

In 2000, Pfizer completed worldwide regulatory filings for **Vfend**, an antifungal. Available in both oral and intravenous formulations, Vfend's spectrum of activity makes it an especially attractive candidate for treatment of severe, invasive, organ-threatening infections that affect cancer and other immunocompromised patients. These infections are often difficult to diagnose quickly, and the availability of a well-tolerated, easy-to-administer, broad-spectrum drug like Vfend can radically alter the risk/benefit considerations inherent in empirical treatment.

Viracept is the world's largest-selling protease inhibitor, used in combination with other antiretroviral drugs for treatment of HIV infections. Sales recorded by Pfizer declined 18% to $436 million in 2000, largely due to increasing competition, as well as lower sales to Hoffmann-La Roche, Ltd., which is now assuming increasing responsibility for manufacturing the product for its own markets outside of North America rather than being supplied by Pfizer. A twice-daily dosing regimen was approved by the FDA in 2000.

Central Nervous System Disorders

If not properly diagnosed and treated, mental illnesses can have devastating consequences, and they are more prevalent than generally recognized. About 20 million American adults suffer from depression each year, and one in six have depression during their lifetimes. At some point in their lives, three to seven million Americans will have panic disorder, five million will have obsessive-compulsive disorder, and 20 million will have post-traumatic stress disorder.

Zoloft is the only selective serotonin reuptake inhibitor (SSRI) indicated for all four of these conditions, and it is the most-prescribed SSRI in the U.S. Worldwide sales of Zoloft increased 7% in 2000 to $2.1 billion. An oral liquid dosage form, providing more convenient dosing for children and patients who have difficulty swallowing pills, was introduced in 2000. Clinical testing is under way for additional pediatric uses and for social phobias.

Neurontin is the world's leading epilepsy medicine, used as an add-on therapy with other antiepileptic medications to treat partial seizures. Sales of the product grew 46% in 2000 to $1.3 billion. During the year, Neurontin received FDA approval for new 600 mg. and 800 mg. tablets, which allow greater flexibility in dosing and convenience for patients. It was also broadly approved in Europe during 2000 for treatment of neuropathic pain, often found in diabetic neuropathy and post-herpetic neuralgia. The U.S. regulatory filing for this indication is being assembled. In April 2000, Pfizer received a new patent in the U.S. for unique, stable formulations that contain the required low-lactam level in Neurontin.

Complementing Neurontin, the new drug candidate **pregabalin** represents a major advance for a wide range of neurological uses. In testing as an add-on therapy in epilepsy, pregabalin demonstrates high response rates and low rates of patient withdrawal compared to current therapy, including therapy for epilepsy, neuropathic pain, a variety of anxiety disorders, and chronic pain conditions for which there are only limited treatment options. In February 2001, Pfizer announced that it had restricted the use of pregabalin for certain patients in clinical trials following discussions with the FDA. The restrictions followed the FDA's analysis of previously submitted results from a lifetime mouse study that showed an increased incidence of a specific tumor type. Pfizer continues to work closely with the FDA to resolve this issue. Regulatory filings for add-on epilepsy therapy and neuropathic pain are anticipated during 2001.

Schizophrenia is a devastating illness that leads more than 50% of patients to attempt suicide and 10% to 15% to commit suicide. **Geodon** is Pfizer's new drug to treat the positive, negative, and depressive symptoms of psychosis, with proven benefits in long-term maintenance of these effects. Very importantly, Geodon causes little to no weight gain and has a favorable effect on blood lipid levels. Weight gain and incipient diabetes are emerging as side effects of several newer antipsychotic medications and this can lead to

Zyrtec is the only leading prescription antihistamine approved for the treatment of both year-round indoor and seasonal outdoor allergies.

noncompliance, estimated at almost 50% per year in psychotic patients. Geodon was approved by the FDA in February 2001. We expect to introduce Geodon in March 2001.

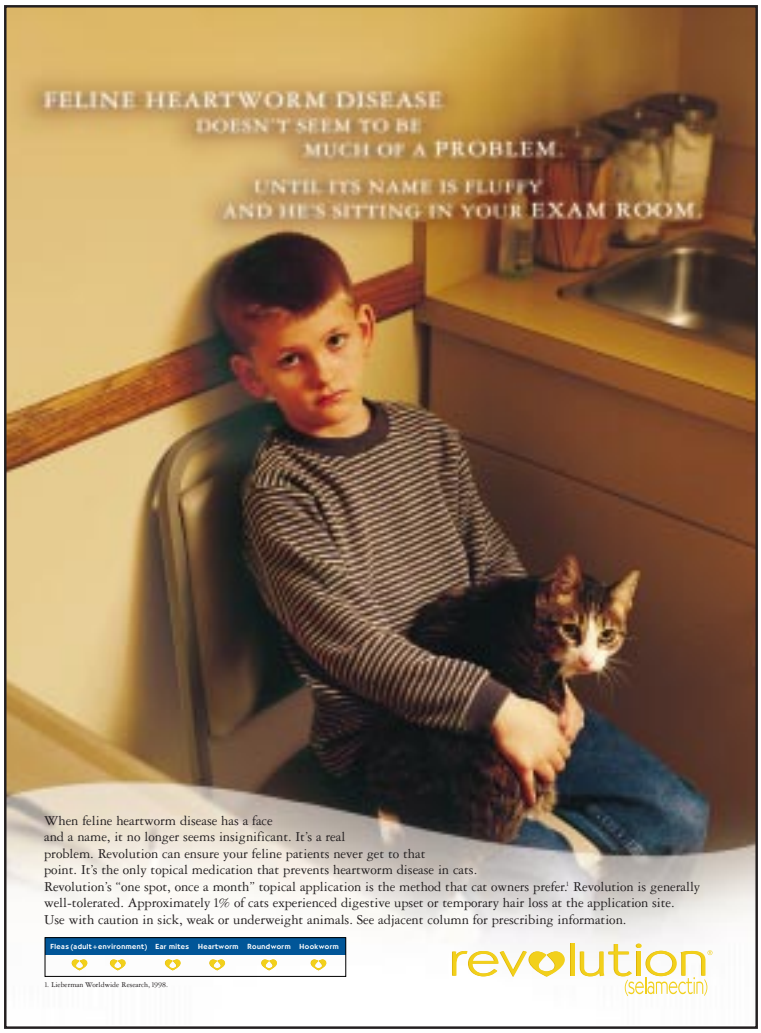
Pagoclone is a new drug candidate in Phase III clinical trials for the treatment of panic disorders and generalized anxiety disorders. Forty million patients worldwide have generalized anxiety disorders, with an additional 20 million patients suffering from either mixed anxiety disorder or panic disorders. Pagoclone has been shown to produce significant and sustained reductions in panic attacks with no effect in sleepiness.

Approximately 10% of people over the age of 65 and 50% over 85 suffer from Alzheimer's disease (AD), including about four million Americans. While the cause is not known, patients with AD have lower levels of the neurotransmitter acetylcholine. **Aricept** reduces the breakdown of acetylcholine and slows the progression of AD symptoms in patients with mild to moderate forms of the disease.

In controlled clinical trials of up to six months, more than 80% of patients taking Aricept experienced improved cognition or no further decline compared to 58% of patients on placebo. In one study, 48 weeks of treatment with Aricept delayed placement in a nursing home by more than 2½ years compared with treatment of less than 8 weeks of therapy.

Aricept is well tolerated, with a low incidence of side effects, offers convenient once-daily dosing, and can be taken with or without food. It is the most-prescribed medicine for AD, with worldwide sales in 2000 of over $700 million. In the U.S., U.K., France, Germany, and Japan, Aricept is copromoted by Pfizer and Eisai, the company that discovered and developed the compound. In these countries, Pfizer records a portion of profit as alliance revenue, which is reported as part of revenues. Pfizer directly records sales of the product in certain other countries. Aricept is currently in Phase III development for the treatment of vascular dementia.

Revolution is the first medicine for cats and dogs that treats external parasites, gastrointestinal worms, and heartworm all at once.



Relpax, Pfizer's treatment for migraine headaches, features a rapid onset of action, superior efficacy, and a lower recurrence rate than other medicines in its class, known as triptans. The product has been designated approvable by the FDA, which has requested an additional short-term safety study that Pfizer is undertaking in 2001. Based on preclinical data, which clearly identify Relpax as the most cerebral-selective triptan, we are confident that this study will reaffirm its excellent safety profile.

Allergy

An estimated 50 million Americans suffer from allergies, primarily from seasonal allergic rhinitis. **Zyrtec** provides strong, rapid, and long-lasting relief for seasonal and perennial allergies and hives with once-daily dosing. Zyrtec is the only leading prescription antihistamine approved for all of these uses. Sales increased 29% to $699 million in 2000. In two clinical studies conducted in an artificially controlled pollen environment, Zyrtec began working in about one hour, compared to about three hours for Claritin, and provided better overall relief. It is also safely used in children as young as two years old. Zyrtec syrup is the most-prescribed antihistamine syrup in the U.S.

Zyrtec-D, a formulation with the decongestant pseudoephedrine, was designated approvable by the FDA in January 2001.

Urogenital

Pharmaceutical breakthroughs, such as **Viagra** for erectile dysfunction (ED), can sometimes bring needed attention to neglected medical problems. About half of American men aged 40 to 70 are affected with ED to some degree. Viagra provides many men with a treatment that is effective, convenient, and safe. Sales of Viagra increased 32% to $1.3 billion in 2000. To date, more than 300 million Viagra tablets have been prescribed for more than 10 million men in more than 100 countries. More than four out of every five couples who try Viagra benefit from it. An analysis of 82 separate studies involving 4,497 patients taking Viagra and 3,136 patients taking placebo, presented at a recent meeting of the American College of Cardiology, found no increased risk of heart attack or death.

About 17 million people in the U.S., mostly women, suffer from overactive bladder. The vast majority are not taking medicine, but instead are severely restricting their lifestyle to accommodate this

condition. **Darifenacin**, in late-stage development, is a potent inhibitor of the muscarinic M3 receptor. Because it is more selective for the bladder over the heart, central nervous system, and salivary glands compared with the current leading therapies, darifenacin may offer a superior profile of efficacy and tolerability.

Arthritis

About one person in seven suffers from arthritis. Approximately one third of people over age 35 show some signs of osteoarthritis (OA), mainly due to years of wear and tear on their joints. Rheumatoid arthritis (RA), which affects about one in every 100 people, particularly women, is a crippling, life-shortening disease in which the immune system attacks the body's joints.

Celebrex, the first cyclooxygenase-2-specific non-steroidal anti-inflammatory drug (COX-2-specific NSAID), was developed by Pharmacia and is copromoted by Pharmacia and Pfizer for the treatment of OA and RA. In clinical trials, Celebrex was shown to be as effective as the maximum recommended dose of the prescription-strength NSAIDs naproxen and ibuprofen in treating arthritis pain and inflammation. Celebrex inhibits COX-2, an enzyme that plays a role in causing arthritis pain and inflammation, but it does not inhibit COX-1, which helps regulate normal cell function in the stomach and blood. Older NSAIDs inhibit both COX enzymes, so they may damage the stomach lining, potentially leading to ulcers and even life-threatening bleeding in some patients.

The introduction of Celebrex in 1999 was the most successful product launch in pharmaceutical history. Building on that success, sales increased 78% to $2.6 billion in 2000. Since launch, a total of more than 40 million Celebrex prescriptions have been written for about 12 million patients, a record among arthritis medicines. In the countries where Pfizer and Pharmacia copromote Celebrex, Pfizer records a portion of sales as alliance revenue, which is reported as part of revenues. In certain other countries, Pfizer directly records sales of the product. The product was launched in major European markets during 2000.

Pfizer and Pharmacia are also jointly developing **valdecoxib**, a next-generation selective COX-2 inhibitor. Valdecoxib is a powerful agent for pain, with rapid onset and prolonged efficacy with once-a-day dosing. The compound also improves physical function in patients with OA or RA. Gastrointestinal ulcer rates equivalent to placebo have been seen with the agent, for which a regulatory filing for OA, RA, and acute pain is planned in early 2001. Valdecoxib's excellent profile will permit it to compete across an $18 billion worldwide market against older NSAIDs, other non-narcotic and narcotic analgesics, and other selective COX-2 inhibitors.

Cancer

Some research indicates that NSAIDs may have broad efficacy in treatment of various cancers. Celebrex has been approved as an oral adjunct to usual care for patients with familial adenomatous polyposis, a rare and devastating hereditary disease that, left untreated, almost always leads to colorectal cancer. Celebrex is being studied in patients with sporadic adenomatous colon polyps, Barrett's esophagus, actinic keratosis, and bladder cancer.

CI-1042, in development with Onyx Pharmaceuticals, uses an adenovirus that selectively replicates in and destroys only tumor tissue deficient in the p53 gene. In clinical trials, adding CI-1042 to standard therapy of cisplatin/5-FU improved positive response rates from 37% to 63%. CI-1042 is in Phase III development as locally administered therapy in head and neck cancer and in Phase II studies for intravenous administration with potentially wider application, to include colorectal and lung cancers.

Metabolic Disorders

Lasofoxifene is a new drug candidate in Phase III testing for the treatment and prevention of osteoporosis and reduction in the incidence of breast cancer, with clinically useful lipid-lowering effects. It has been shown to improve bone mineral density and reduce vertebral fractures, with potency superior to Evista. Lasofoxifene also demonstrates a cardiovascular benefit, with a significantly greater decrease in LDL cholesterol compared to Evista, with similar endometrial effects.

Capsugel

Capsugel is the world's largest producer of two-piece capsules used in manufacturing prescription and over-the-counter pharmaceuticals and nutritional supplements. Sales increased 4% to $407 million in 2000.

Animal Health

Pfizer's Animal Health Group is the world's second-largest supplier of animal medicines. Sales in 2000 declined 21% to $1.1 billion due to the size of the initial distribution of **Revolution** requested by veterinarians in the U.S. in 1999, continuing weakness in U.S. and European livestock markets, the unfavorable impact of foreign exchange, and competitive pressures on key brands.

The world's livestock population numbers more than a billion head of cattle, 800 million pigs, and 900 million sheep. To help keep them healthy, we provide a wide range of vaccines, antiparasitics, and anti-infectives for cattle, swine, and poultry. **Dectomax**, our largest-selling product, protects cattle from 36 stages of internal and external parasites, for the broadest spectrum of control available. **RespiSure**, marketed as **Stellamune** in other parts of the world, a vaccine to prevent respiratory diseases in swine, has been sold in more than 40 countries since its introduction in 1990.

About 118 million cats and 115 million dogs are kept as pets around the world, and their numbers are growing. Our broad array of companion-animal products includes Revolution, marketed as **Stronghold** in Europe, the first and only product that protects dogs and cats from both internal and external parasites, including heartworm and fleas—all in a single, monthly, topically applied dose; the **Vanguard** line of vaccines; **Rimadyl**, an anti-inflammatory for osteoarthritis in older dogs; and **Anipryl**, approved for both canine Cognitive Dysfunction Syndrome and Cushing's Disease. **Domitor** allows veterinarians to sedate pets for short-term procedures, while the reversal agent **Antisedan** brings them back to full alertness within ten minutes. And **Clavamox**, marketed as **Synulox** in other parts of the world, enables veterinarians to treat a wide range of infections in dogs and cats.

Animal Health has a full pipeline of over 40 projects in development. This year, we expect approvals of several important line and claim extensions for key products such as Revolution/Stronghold, Rimadyl, Stellamune, **CattleMaster**, and **Advocin**. Further back in the pipeline, two new long-acting antimicrobials, **UK-287,074** and **CP-472,295**, for companion animals and livestock, respectively, have entered full development, and longer-term prospects include new vaccines for livestock and medicines for chronic diseases in companion animals.

Consumer Healthcare

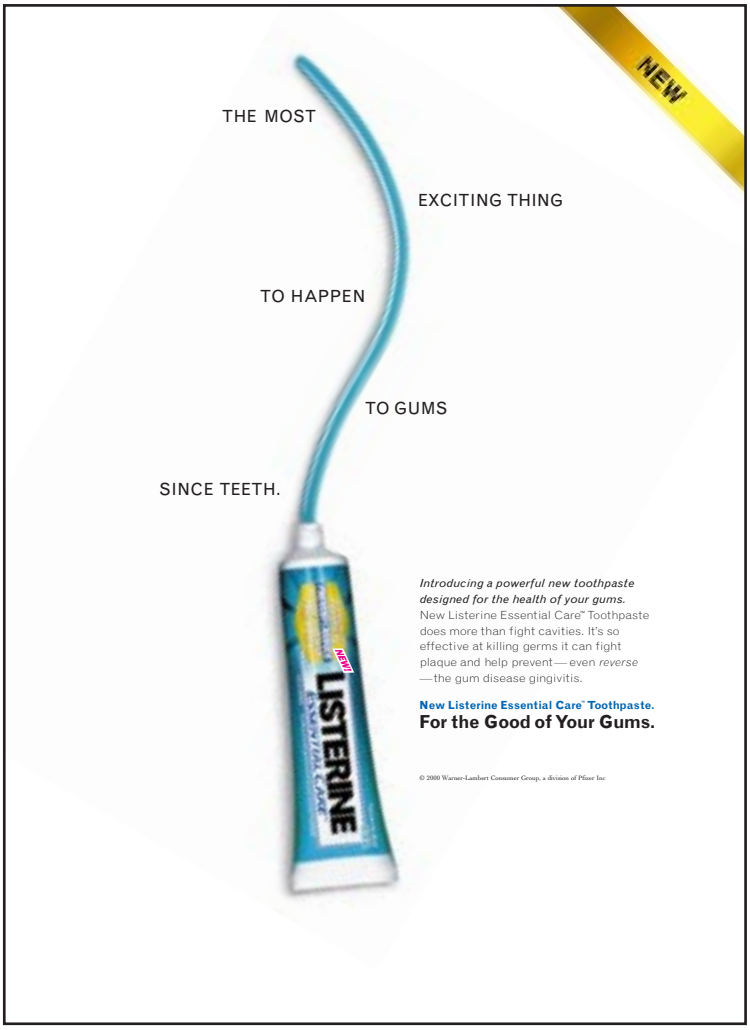
Pfizer's Consumer Healthcare Division (CHC), which had sales of $2.5 billion in 2000, markets many of the world's best-known and most-trusted consumer health brands, and offers an excellent platform for extending the commercial life of Pfizer's prescription medicines. In 2000, the division's sales declined 3% due to the impact of foreign exchange, divestiture of the Rid and Bain de Soleil product lines, and private-label competition for **Zantac 75**. Declines were partially offset by increased sales of **Listerine** and **Benadryl**.

CHC products compete primarily in the oral care, upper respiratory care, skin care, digestive health, and eye care categories. Listerine leads the oral care category as the number one therapeutic mouthwash in the world. It has the American Dental Association Seal of Acceptance for helping to control plaque and gingivitis. The Listerine brand in 2000 introduced **Listerine Essential Care** toothpaste in the U.S., which contains the same essential oils found in the mouthwash. In Canada, Pfizer launched **Listerine Pocket Paks**, an innovative, portable oral care product that is being prepared for introduction to the U.S. and global markets. Benadryl, the number one over-the-counter (OTC) antihistamine for allergies in the U.S., enjoyed strong growth due to line extensions and new clinically proven claims. **Sudafed** is the number one OTC treatment for sinus congestion in the U.S. **Zantac** prevents and relieves heartburn and contains the number one doctor-prescribed acid-reducing medicine. **Visine** is the leading OTC eye drop. **Lubriderm** moisterizing lotion, a leading global therapeutic skin-care brand, this year launched a new skin-firming line. **Neosporin** antibiotic ointment and **Cortizone** are leaders in their segments of the skin-care category. Other important CHC products include **Rolaids** antacid, **Actifed** for relief of cough, cold, and flu; **Benylin** cough products, **Sinutab** for sinus pain relief; **Efferdent** denture cleaner; **Plax** pre-brushing dental rinse; **Desitin** diaper rash treatment; **Nix** lice treatment; **BenGay** topical analgesic; **e.p.t.** home pregnancy tests; and **Unisom** sleep aids.

Adams

Pfizer's Adams Division markets a broad range of leading confectionery products. **Halls** cough drops, with their mentho-lyptus formula, provide relief for congestion and sore throats often associated with coughs and colds. Recently introduced **Trident Advantage** sugarless gums contain a substance clinically proven to strengthen teeth. **Bubbaloo**, **Bubblicious**, **Chiclets**, and **Freshen-Up** are other popular gum brands. **Dentyne**, **Certs**, **Clorets**, and **Max Air** are major brands

Listerine Essential Care toothpaste is clinically proven to kill the germs that cause bad breath, plaque, and the gum disease gingivitis.



of breath-freshening gums and mints. Adams sales in 2000 grew 6% to $2.1 billion, led by strong performances by Trident Advantage and **Dentyne Ice** gums and Halls cough drops, particularly in North America.

Shaving Products

Pfizer's Shaving Products business consists of **Schick** and **Wilkinson Sword** razors and blades and a range of manicure and toiletry products. Razor products include the new **Xtreme III** triple blade system, with a flexing and pivoting cartridge and the convenience of disposability. Other razors include the **Protector** line, with wire-wrapped blades to prevent nicks and cuts; the **Silk Effects** and **Lady Protector** product line, using the same wire-wrapped blade technology with features that appeal to women; **Slim Twin** razors with a rubber handle for increased control; and the **FX** product line with flexible cartridges. Sales of Shaving Products in 2000 were $790 million, unchanged from 1999.

Tetra

Tetra is the world's leading provider of products for the ornamental fish food market, including **TetraMin** fish foods and various fish care accessories. Sales in 2000 were $202 million, unchanged from 1999.

Future Prospects

We believe our best days lie ahead. Most of our major pharmaceuticals remain in their growth phase. Early in 2001, we expect to launch two important new products—Geodon and Zyrtec-D—and two others—Relpax and Vfend—are undergoing regulatory review. Three major products are expected to complete clinical testing and be filed during 2001—valdecoxib, pregabalin, and Exubera. Seven other products are currently in the final stage of clinical testing. Twenty-three human pharmaceutical compounds are expected to reach the decision point for advanced development within the next two years. Despite continuing negative effects from foreign exchange, we expect double-digit reported revenue growth in 2001. We are comfortable with diluted earnings per share (EPS), excluding merger-related costs and certain significant items, of at least $1.27 in 2001 and at least $1.56 in 2002, for average annual compounded EPS growth during 2000-2002 of at least 25%. We expect this growth rate to lead the industry.

Financial Review

Pfizer Inc and Subsidiary Companies

Merger with Warner-Lambert Company

On June 19, 2000, we completed our merger with Warner-Lambert Company (Warner-Lambert). As a result of this merger, each share of Warner-Lambert common stock issued and outstanding, other than shares owned directly or indirectly by Warner-Lambert, was converted into the right to receive 2.75 shares of Pfizer common stock.

The merger qualified as a tax-free reorganization and was accounted for as a pooling of interests. We restated all prior period consolidated financial statements of Pfizer to include the results of operations, financial position and cash flows of Warner-Lambert as if we had always been merged. Prior to the merger, the only significant transactions between Pfizer and Warner-Lambert occurred under the Lipitor marketing agreements. These transactions have been excluded from the restated financial information. Certain reclassifications and adjustments have been made to conform the companies' financial statements.

Overview of Consolidated Operating Results

In 2000, revenues grew 8% to $29,574 million, reflecting the strong prescription growth of our portfolio of human pharmaceuticals. Our operating results in 2000 were impacted by:

- costs related to our merger with Warner-Lambert, including transaction costs, integration costs and restructuring charges
- costs related to Warner-Lambert's termination of the Warner-Lambert/American Home Products Corporation merger
- certain significant items, including gains on the sales of certain product lines and research-related equity investments and charges associated with the sale of Animal Health's feed-additive product line and the withdrawal of Rezulin

Our 1999 operating results include:

- a charge to write off certain Trovan inventories
- transaction costs related to Warner-Lambert's merger with Agouron Pharmaceuticals, Inc. (Agouron)

Analysis of the Consolidated Statement of Income

				% Change	
(millions of dollars)	**2000**	1999	1998	**00/99**	99/98
Revenues	**$29,574**	$27,376	$23,231	**8**	18
Cost of sales	**4,907**	5,464	4,907	**(10)**	11
% of revenues	**16.6%**	20.0%	21.1%		
Selling, informational and administrative expenses	**11,442**	10,810	9,563	**6**	13
% of revenues	**38.7%**	39.5%	41.2%		
R&D expenses	**4,435**	4,036	3,305	**10**	22
% of revenues	**15.0%**	14.7%	14.2%		
Merger-related costs	**3,257**	33	—	**M+**	—
% of revenues	**11.0%**	—	—		
Other (income)/ deductions—net	**(248)**	88	1,059	*****	(92)
Income from continuing operations before taxes	**$ 5,781**	$ 6,945	$ 4,397	**(17)**	58
% of revenues	**19.5%**	25.4%	18.9%		
Provision for taxes on income	**$ 2,049**	$ 1,968	$ 1,163	**4**	69
Effective tax rate	**35.4%**	28.3%	26.4%		
Income from continuing operations	**$ 3,718**	$ 4,972	$ 3,232	**(25)**	54
% of revenues	**12.6%**	18.2%	13.9%		
Discontinued operations—net of tax	**8**	(20)	1,401	*****	*
Net income	**$ 3,726**	$ 4,952	$ 4,633	**(25)**	7
% of revenues	**12.6%**	18.1%	19.9%		

Percentages in this table and throughout the financial review may reflect rounding adjustments.

M+ — Change greater than one thousand percent.

** — Calculation not meaningful.*

Revenues

Revenues increased 8% or $2,198 million in 2000 and 18% or $4,145 million in 1999. Revenue increases in both years were primarily due to sales volume growth of our in-line products and revenue generated from product alliances. Total revenues increased 13% in 2000 and 21% in 1999 excluding:

- the negative effects of foreign exchange (3% or $673 million in 2000 and 1% or $240 million in 1999)
- Trovan (less than 1% or $98 million in 2000 and 1% or $74 million in 1999)
- Rezulin (2% or $523 million in 2000 and 1% or $123 million in 1999)

The negative currency impact on revenue growth reflects the weakening of the euro relative to the dollar, partially offset in the first three quarters of 2000 by the strengthening of the Japanese yen as compared to 1999.

Percentage Change in Revenues

	Total % Change	Analysis of % Change		
		Volume	Price	Currency
Pharmaceuticals				
2000 vs. 1999	**9.8**	**11.1**	**1.1**	**(2.4)**
1999 vs. 1998	20.8	20.3	1.2	(0.7)
Consumer Products				
2000 vs. 1999	**0.9**	**2.5**	**1.0**	**(2.6)**
1999 vs. 1998	7.3	7.1	2.5	(2.3)
Total				
2000 vs. 1999	**8.0**	**9.4**	**1.1**	**(2.5)**
1999 vs. 1998	17.8	17.4	1.4	(1.0)

Revenues by Business Segment

(millions of dollars)	2000	% Change 00/99	1999	% Change 99/98	1998
Pharmaceuticals	**$24,027**	**10**	$21,879	21	$18,106
Consumer Products	**5,547**	**1**	5,497	7	5,125
Total	**$29,574**	**8**	$27,376	18	$23,231

Pharmaceuticals

The pharmaceuticals segment includes our human pharmaceuticals and animal health businesses as well as Capsugel, a capsule manufacturing business.

				% Change	
(millions of dollars)	2000	1999	1998	00/99	99/98
Human pharmaceuticals	**$22,567**	$20,155	$16,436	**12**	23
Animal health	**1,053**	1,333	1,304	**(21)**	2
Capsugel	**407**	391	366	**4**	7
Total pharmaceuticals	**$24,027**	$21,879	$18,106	**10**	21

Human pharmaceutical revenues increased 12% in 2000 to $22,567 million and 23% in 1999 to $20,155 million. Excluding foreign exchange, the limitations on Trovan and the withdrawal of Rezulin, human pharmaceutical revenues grew by 18% in 2000 and 26% in 1999. In the U.S. market, human pharmaceutical revenue growth was 12% in 2000 and 24% in 1999, while international growth was 13% in 2000 and 21% in 1999.

In 2000, we had eight human pharmaceutical products, including our alliance product Celebrex, with sales to third parties of $1 billion or more each. These products—Lipitor, Norvasc, Zoloft, Neurontin, Celebrex, Zithromax, Viagra and Diflucan—representing 74% of human pharmaceutical revenues, grew at a combined annual rate of 23% in 2000.

Revenues—Major Human Pharmaceutical Products

				% Change	
(millions of dollars)	2000	1999	1998	00/99	99/98
Cardiovascular Diseases:	**$10,343**	$8,825	$6,843	**17**	29
Lipitor	**5,031**	3,795	2,208	**33**	72
Norvasc	**3,362**	2,991	2,541	**12**	18
Cardura	**795**	784	679	**1**	15
Accupril/Accuretic	**553**	514	454	**8**	13
Infectious Diseases:	**3,528**	3,630	3,315	**(3)**	9
Zithromax	**1,382**	1,309	1,023	**6**	28
Diflucan	**1,014**	989	904	**2**	9
Viracept	**436**	530	530	**(18)**	—
Central Nervous System Disorders:	**3,883**	3,271	2,694	**19**	21
Zoloft	**2,140**	1,997	1,803	**7**	11
Neurontin	**1,334**	913	514	**46**	78
Viagra	**1,344**	1,016	773	**32**	31
Allergy:	**703**	546	413	**29**	32
Zyrtec	**699**	541	407	**29**	33
Alliance Revenue	**1,158**	665	69	**74**	858

- **Lipitor** is the largest-selling statin medicine worldwide for the treatment of elevated cholesterol levels in the blood and it is the second-largest-selling pharmaceutical product of any kind worldwide. In May 2000, we launched Lipitor in Japan.
- **Norvasc's** sales increased because of the favorable benefits the product provides to patients—once-daily dosing, tolerability and 24-hour control for hypertension and angina.
- **Cardura** is a selective alpha blocker offering doctors and patients a safe, unique and cost-effective option for the treatment of high blood pressure and enlarged prostate. Cardura's sales growth in 2000 reflects a 12% decrease in U.S. sales due largely to the expiration of the U.S. patent in October 2000 and an increase in generic competition as a result. International sales of Cardura grew 12% in 2000.
- **Accupril** is now the second-most-prescribed angiotensin-converting enzyme (ACE) inhibitor in the U.S. Accuretic, an ACE inhibitor and diuretic, was launched in the U.S. in May 2000.
- **Zithromax** is the most-prescribed brand-name oral antibiotic in the U.S. and the third-largest-selling antibiotic worldwide. We launched Zithromax in Japan during the second quarter of 2000.
- **Diflucan's** sales growth after more than 12 years on the market reflects the product's continuing acceptance as the therapy of choice for a wide range of fungal infections.
- **Viracept** remains the top-selling protease inhibitor for AIDS. Viracept sales decreased mainly due to increasing competition from other AIDS medicines and the increasing level of manufacturing responsibility for the product being undertaken by Hoffmann-La Roche Ltd. for its own markets outside of North America rather than being supplied by us.

- **Zoloft**, for the treatment of depression, obsessive-compulsive disorder (in adults and children), panic disorder and post-traumatic stress disorder is the most-prescribed selective serotonin reuptake inhibitor in the U.S.
- **Neurontin** is the world's top-selling anticonvulsant. Neurontin was approved in a number of major European countries during 2000 for the treatment of neuropathic pain.
- **Viagra,** for the treatment of erectile dysfunction, is among the most widely prescribed medications in the world and continues to show strong growth in prescriptions. We launched Viagra in China during the third quarter of 2000.
- **Zyrtec's** sales growth reflects the product's strong, rapid and long-lasting relief for seasonal and year-round allergies and hives with once-daily dosing. Zyrtec is also approved for children as young as two years old.
- **Alliance revenue** reflects revenue associated with the co-promotion of Aricept and Celebrex. Aricept, developed by our alliance partner Eisai Co., Ltd., is used to treat symptoms of Alzheimer's disease. In February 1999, we launched Celebrex with Searle, now a part of Pharmacia Corporation, which discovered and developed the drug. Celebrex is used for the relief of symptoms of adult rheumatoid arthritis and osteoarthritis. During 2000, Celebrex achieved total global sales of $2.6 billion.

  These alliances allow us to co-promote or license these products for sale in certain countries. Under the co-promotion agreements, these products are marketed and promoted with our alliance partners. We provide cash, staff and other resources to sell, market, promote and further develop these products. Alliance revenue from co-promotion agreements is reported in the statement of income as part of *Revenues.*

  The alliance agreements include additional provisions that give our alliance partners the right to negotiate the co-promotion of certain specified Pfizer-discovered products.

On March 21, 2000, we announced that we were discontinuing the sale of Rezulin. Since March 1997, we marketed Rezulin in the U.S. with an affiliate of Sankyo Company, Ltd., from whom we licensed the product for North America and other areas. Rezulin sales were $102 million in 2000, $625 million in 1999 and $748 million in 1998.

In June 1999, the European Union's Committee for Proprietary Medicinal Products suspended the European Union (EU) licenses of the oral and intravenous formulations of our antibiotic Trovan for 12 months. The suspension has since been made permanent. In the rest of the world, including the U.S., the use of Trovan is limited to serious infections in institutionalized patients. As a result of these limitations, Trovan returns in excess of sales were $12 million in 2000 and sales were $86 million in 1999, both reflecting a decline from 1998 sales of $160 million.

Rebates under Medicaid and related state programs reduced revenues by $354 million in 2000, $296 million in 1999 and $265 million in 1998. We also provided legislatively mandated discounts to the federal government of $225 million in 2000, $176 million in 1999 and $161 million in 1998. Performance-based contracts also provide rebates to several customers.

Animal Health revenues decreased 21% to $1,053 million in 2000 and increased 2% to $1,333 million in 1999. Excluding the impact of foreign exchange, Animal Health revenues decreased 17% in 2000 and increased 6% in 1999. The decrease in 2000 revenues was due to:

- the size of the initial distribution of Revolution requested by veterinarians in the U.S. in 1999
- competitive pressures on key brands
- the continuing weakness in the U.S. and European livestock markets

The increase in Animal Health revenues in 1999 was primarily due to the performance of the companion-animal business partially offset by the weakness in U.S. and European livestock markets and the decision of the European Commission to ban certain antibiotic feed additives, including Stafac (virginiamycin) in the EU after June 30, 1999. Sales of companion-animal products increased by 30% in 1999 primarily due to the launch of Revolution and the growth of Rimadyl. Revolution was approved in the U.S. in July 1999 as the first and only topically applied medication for dogs and cats that is effective against heartworm, fleas and many other parasites. Rimadyl is a treatment for the relief of pain and inflammation associated with osteoarthritis in dogs.

In November 2000, we sold Animal Health's feed-additive product line to Phibro Animal Health, a wholly owned subsidiary of Philipp Brothers Chemicals, Inc., for cash of $45 million and a promissory note for $23 million due March 1, 2004. The sale resulted in a loss of $85 million which is recorded in *Other (income)/deductions—net.*

Consumer Products

Revenues of our consumer products businesses were as follows:

				% Change	
(millions of dollars)	**2000**	1999	1998	**00/99**	99/98
Consumer health care products	**$2,487**	$2,551	$2,300	**(3)**	11
Confectionery products	**2,068**	1,951	1,887	**6**	3
Shaving products	**790**	792	745	**—**	6
Tetra fish products	**202**	203	193	**—**	5
Total consumer products	**$5,547**	$5,497	$5,125	**1**	7

Consumer health care product revenues decreased 3% in 2000 to $2,487 million and increased 11% in 1999 to $2,551 million. The decrease in consumer health care revenue in 2000 is mainly due to the negative impact of foreign exchange, the divestitures of the Rid and Bain de Soleil product lines and private-label competition for Zantac 75, partially offset by increased sales of Listerine and Benadryl.

The increase in 1999 revenues was due to U.S. sales of Zantac 75. Prior to 1999, Zantac 75 was marketed by a joint venture we formed in 1993 with Glaxo Wellcome plc, now a part of GlaxoSmithKline plc, and sales were not reflected in our reported revenues. Income from this joint venture was previously reported in *Other (income)/deductions—net.* Other factors contributing to 1999 revenue growth were increased sales of Listerine and Lubriderm.

In June 2000, we sold the Rid line of lice-control products to Bayer Corporation for approximately $89 million in cash. The sale resulted in a pre-tax gain of approximately $78 million which is recorded in *Other (income)/deductions—net.*

In the fourth quarter of 1999, we sold the Bain de Soleil sun care product line to Schering-Plough HealthCare Products, Inc. for approximately $26 million in cash. Proceeds from the sale approximated the total of the carrying value of net assets associated with this product line and selling costs. The sale of Bain de Soleil did not have a material impact on our results of operations in 2000.

Confectionery product revenues increased 6% in 2000 to $2,068 million and 3% in 1999 to $1,951 million. The increase in confectionery revenues in 2000 was due to sales growth of Trident Advantage and Dentyne Ice gums and Halls cough drops, particularly in North America.

The increase in confectionery revenues in 1999 was due to sales growth of Trident Advantage and Dentyne Ice as well as the 1999 U.S. launch of Halls Defense Vitamin C Supplement drops.

Revenues by Country

(millions of dollars)	**2000**	% of Revenues	1999	% of Revenues	% Change
United States	**$17,953**	**61**	$16,634	61	**8**
Japan	**2,074**	**7**	1,716	6	**21**
All other countries	**9,547**	**32**	9,026	33	**6**
Total	**$29,574**	**100**	$27,376	100	**8**

(millions of dollars)	1999	% of Revenues	1998	% of Revenues	% Change
United States	$16,634	61	$13,656	59	22
Japan	1,716	6	1,365	6	26
All other countries	9,026	33	8,210	35	10
Total	$27,376	100	$23,231	100	18

Revenues were in excess of $500 million in each of 7 countries outside the U.S. in 2000. The U.S. was the only country to contribute more than 10% to total revenues.

Percentage Change in Geographic Revenues by Business Segment

	% Change in Revenues			
	U.S.		International	
	00/99	99/98	**00/99**	99/98
Pharmaceuticals	**9**	23	**11**	18
Consumer Products	**1**	11	**1**	4
Total	**8**	22	**8**	14

Product Developments

We continue to invest in R&D to provide future sources of revenue through the development of new products, as well as through additional uses for existing in-line and alliance products.

Certain significant regulatory actions by, and filings pending with, the U.S. Food and Drug Administration (FDA) follow:

U.S. FDA Approvals

Product	Indication/Dosage	Date Approved
Geodon	Psychotic disorders — oral dosage form	February 2001
Zithromax	Treatment of mycobacterium avium complex	November 2000
Viracept	Twice-daily dosing regimen	May 2000

Pending U.S. New Drug Applications

Product	Indication/Dosage	Date Filed
Vfend (voriconazole)	Serious systemic fungal infections	November 2000
Zoloft	Long-term management of anxiety disorders	May 2000
Zyrtec-D	Combination antihistamine/ decongestant formulation	January 2000
Relpax	Migraine headaches	October 1998
Geodon	Psychotic disorders — intramuscular dosage form	December 1997

In February 2001, the FDA approved the oral dosage form of ziprasidone, an antipsychotic for the treatment of schizophrenia. We expect to introduce ziprasidone in the U.S. in 20 mg., 40 mg., and 80 mg. capsules in March 2001. We intend to market ziprasidone under the trade name Geodon. Also in February 2001, a FDA advisory committee recommended approval of the intramuscular dosage form of Geodon (ziprasidone).

In January 2001, we received an approvable letter from the FDA for Zyrtec-D, a combination antihistamine/decongestant formulation.

In October 1999, we received an approvable letter from the FDA for Relpax, a treatment for migraines. We submitted additional data to the FDA in response to requests in the approvable letter. In the fourth quarter of 2000, the FDA sent us a new approvable letter, in which we were asked to conduct an additional, short-term cardiovascular physiology study. We expect to perform and file this study in 2001. The regulatory approval process has begun outside the U.S.

Ongoing or planned clinical trials for additional uses and dosage forms for our currently marketed products include:

Product	Indication/Dosage
Zithromax	Cardiovascular risk in patients with atherosclerosis (a process in which fatty substances are deposited within blood vessels) caused by certain infections Reduced treatment dosing regimen
Viagra	Female sexual arousal disorder
Zoloft	Pediatric depression Social phobia Pediatric post-traumatic stress disorder
Neurontin	Neuropathic pain
Lipitor	Broad cardiovascular-care clinical program
Lipitor/Norvasc	Single product that combines cholesterol-lowering and antihypertensive medications in Lipitor and Norvasc
Aricept	Vascular dementia
Celebrex	Sporadic adenomatous polyposis Barrett's esophagus—a precancerous condition caused by repeated damage from stomach acid regurgitation Actinic keratosis—a precancerous skin growth caused by overexposure to sunlight Bladder cancer Pain

We anticipate that regulatory filings will be completed during 2001 for the following products:

Product	Indication
inhaled insulin (under co-development with Aventis Pharma—to be supplied in a device developed by Inhale Therapeutic Systems)	Diabetes
valdecoxib (under co-development with Pharmacia Corporation)	Osteoarthritis Rheumatoid arthritis Pain
pregabalin	Pain Epilepsy Psychiatric disorders

Additional product-related programs are in various stages of discovery and development.

In 1998, we entered into worldwide agreements with Aventis Pharma to manufacture insulin and co-develop and co-promote inhaled insulin. Under the agreements, Aventis Pharma and Pfizer will contribute expertise in the development and production of insulin products, as well as selling and marketing resources. We bring to the alliance our development of inhaled insulin from our collaboration with Inhale Therapeutic Systems, Inc. Together with Aventis Pharma, we are building a new insulin manufacturing plant in Frankfurt, Germany, to support the product currently in development.

Costs and Expenses

Cost of sales decreased 10% in 2000 and increased 11% in 1999 while revenues increased 8% in 2000 and 18% in 1999. The decrease in cost of sales in 2000 reflects favorable product and business mix, manufacturing efficiencies and the favorable impact of foreign exchange as well as the write-off of Trovan inventories in 1999.

In 1999, we determined that it was unlikely that certain Trovan inventories of finished goods, bulk, work-in-process and raw materials would be used. Accordingly, in the third quarter of 1999 we recorded a charge of $310 million in *Cost of sales* to write off Trovan inventories in excess of the amount required to support expected sales. Also included in *Cost of sales* for 1999 is a benefit of $6.6 million related to the change in accounting for the cost of inventories from the "Last-in, first-out" method to the "First-in, first-out" method. Excluding the Trovan inventory charge and the benefit related to the accounting change for inventories in 1999 and asset impairments and restructuring charges in 1998, cost of sales increased 7% in 1999.

SI&A expenses increased 6% in 2000 and 13% in 1999. These increases reflect continued strong marketing and sales support for our broad portfolio of products, partially offset in 2000 by cost savings achieved from the integration of Pfizer and Warner-Lambert, especially administrative infrastructure, and the favorable impact of foreign exchange.

R&D expenses increased 10% in 2000 and 22% in 1999. These expenditures were necessary to support the advancement of potential drug candidates in all stages of development (from initial discovery through final regulatory approval). R&D expenses in 2000 reflect administrative cost savings achieved from the integration of Pfizer and Warner-Lambert and the favorable impact of foreign exchange in international research activities. For 2001, we have a total R&D budget of about $5 billion.

Merger-related costs include the following:

(millions of dollars)	2000	1999
Transaction costs	$ 226	$33
Transaction costs related to Warner-Lambert's termination of the Warner-Lambert/American Home Products merger	1,838	—
Integration costs	246	—
Restructuring charges	947	—
Total merger-related costs	$3,257	$33

- In 2000, transaction costs include banking, legal, accounting and other costs directly related to our merger with Warner-Lambert. In 1999, we incurred transaction costs, primarily for professional fees, directly related to the merger with Agouron.
- Integration costs represent external, incremental costs directly related to our merger with Warner-Lambert, including expenditures for consulting, promotion and systems integration.
- The components of the restructuring charges associated with the merger of the Warner-Lambert operations follow:

		Utilization	
(millions of dollars)	Charges in 2000	2000	2001
Employee termination costs	$876	$534	$342
Property, plant and equipment	46	46	—
Other	25	19	6
Total	$947	$599	$348

Through December 31, 2000, the charge for employee termination costs represents the approved reduction of our work force by 5,061 people, mainly comprising administrative functions for corporate, manufacturing, distribution, sales and research. We notified these people and as of December 31, 2000, 3,942 employees were terminated. We will complete terminations of the remaining personnel within one year of the notification. Employee termination costs include accrued severance benefits and costs associated with change-in-control provisions of certain Warner-Lambert employment contracts. Under the terms of Warner-Lambert employment contracts, certain terminated employees may elect to defer receipt of severance benefits. As of December 31, 2000, $177 million in severance benefits was deferred for future payments. The deferred severance benefits bear interest at the average prime interest rate for the year plus two percent. The deferred severance benefits are shown as utilized charges and are included in *Other noncurrent liabilities* in the consolidated balance sheet.

Through December 31, 2000, the impairment and disposal charges for property, plant and equipment represent the consolidation of facilities and related fixed assets, a contract termination payment and termination of certain software installation projects.

Other restructuring charges consist of charges for contract termination payments—$16 million, facility closure costs—$4 million and assets we wrote off, including inventory and intangible assets—$5 million.

At December 31, 2000, accrued restructuring charges are included in *Other current liabilities* in the consolidated balance sheet.

We expect to incur additional restructuring and integration charges in future periods as the integration of Pfizer and Warner-Lambert continues.

Other (income)/deductions—net includes other income—net of $248 million in 2000 and other deductions—net of $88 million in 1999.

Other income—net in 2000 includes the following:

- gains on the sales of research-related equity investments—$216 million
- a gain on the sale of Rid—$78 million
- a gain on the sale of the Omnicef brand—$39 million
- an increase in net interest income as a result of higher average interest rates and higher average investment levels
- foreign exchange effects resulting from the impact of currency movements
- hedging activities

partially offset by

- costs associated with the withdrawal of Rezulin—$136 million
- a loss on the sale of Animal Health's feed-additive products—$85 million

Other deductions—net in 1999 declined 92% primarily due to the absence of certain significant charges recorded in 1998 of $885 million.

Our overall **effective tax rate** for continuing operations was 35.4% in 2000 and 28.3% in 1999.

The effective tax rate for continuing operations, excluding merger-related costs and certain significant items, was 27.2% in 2000 and 28.5% in 1999. The lower tax rate in 2000, excluding merger-related costs and certain significant items, was primarily due to tax-planning initiatives.

We have received and are protesting assessments for additional taxes from the Belgian tax authorities. For additional details, see note 12 to the consolidated financial statements, "Taxes on Income."

Discontinued Operations

In 2000, we determined working capital settlement amounts and settled a lawsuit for certain of our previously discontinued businesses, resulting in income of $14 million ($8 million after-tax) recorded in *Discontinued operations—net of tax.*

In 1999, we agreed to pay a fine of $20 million to settle antitrust charges involving our former Food Science Group which is recorded in *Discontinued operations—net of tax.* For additional details, see note 21 to the consolidated financial statements, "Litigation."

During 1998, we exited the medical devices business with the sale of our remaining Medical Technology Group businesses:

- Howmedica to Stryker Corporation in December for $1.65 billion in cash
- Schneider to Boston Scientific Corporation in September for $2.1 billion in cash
- American Medical Systems to E.M. Warburg, Pincus & Co., LLC, in September for $130 million in cash
- Valleylab to U.S. Surgical Corporation in January for $425 million in cash

The net proceeds from these divestitures were used for general corporate purposes, including the repayment of commercial paper borrowings. Net income of these businesses up to the date of their divestiture and divestiture gains are included in *Discontinued operations—net of tax.*

Restructuring and Asset Impairments—1998

In 1998, we recorded restructuring charges of $270 million for plant and product line rationalizations. As a result of the restructuring, the workforce was reduced by approximately 950 manufacturing, sales and corporate personnel. In 1998, restructuring charges of $166 million were included in the pharmaceuticals segment, $11 million were included in the consumer products segment and $93 million were corporate expenses. In 1999, we substantially completed the actions under the restructuring plans announced in 1998.

In 1998, we recorded impairment charges of $213 million—$139 million in the pharmaceuticals segment and $74 million in the consumer products segment. These impairment charges were made to adjust intangible asset values, primarily goodwill and trademarks, related to certain consumer health care product lines and the carrying value of machinery and equipment related to Animal Health's antibiotic feed-additive Stafac. These charges resulted from significant changes in the marketplace, a revision of our strategies and the ban on Stafac throughout the EU.

In 1999, as a result of the 1998 restructuring activities and asset impairments, we realized cost savings of approximately $39 million and a reduction in amortization and depreciation expense of approximately $12 million.

Net Income

Net income for 2000 decreased 25% from 1999. Diluted earnings per share for 2000 were $.59, a decrease of 24% from 1999. A reconciliation between reported net income and net income excluding certain significant items, merger-related costs and 1998 discontinued operations follows:

				% Change	
(millions of dollars)	**2000**	1999	1998	**00/99**	99/98
Net income as reported	**$3,726**	$4,952	$4,633	**(25)**	7
Certain significant items and merger-related costs	**2,769**	234	682	**M+**	(66)
Discontinued operations	**—**	—	(1,401)	**—**	—
Net income excluding certain significant items, merger-related costs and 1998 discontinued operations	**$6,495**	$5,186	$3,914	**25**	32
Diluted earnings per share excluding certain significant items, merger-related costs and 1998 discontinued operations	**$ 1.02**	$ .82	$ .62	**24**	32

Certain significant items and merger-related costs follow:

(millions of dollars)	**2000**	1999	1998
Significant items, pre-tax:			
Gain on the sale of RID	**$ (78)**	$ —	$ —
Gains on the sales of research-related equity investments	**(216)**	—	—
Costs associated with the withdrawal of Rezulin	**136**	—	—
Gain on the sale of the Omnicef brand	**(39)**	—	—
Loss on the sale of feed-additive products	**85**	—	—
Trovan inventory charge	**—**	310	—
Asset impairments	**—**	—	213
Restructuring charges	**—**	—	270
Co-promotion payments to Searle	**—**	—	240
Contribution to The Pfizer Foundation	**—**	—	300
Gain on the sale of a manufacturing plant and certain prescription products	**—**	—	(67)
Gain on the sale of investments	**—**	—	(24)
Other charges, which are primarily related to legal settlements	**—**	—	126
Total significant items, pre-tax	**(112)**	310	1,058
Total merger-related costs	**3,257**	33	—
Total significant items and merger-related costs, pre-tax	**3,145**	343	1,058
Provision for taxes on income	**(376)**	(109)	(376)
Total significant items and merger-related costs, after-tax	**$2,769**	$ 234	$ 682

Financial Condition, Liquidity and Capital Resources

Our net financial asset position as of December 31 was as follows:

(millions of dollars)	**2000**	1999
Financial assets*	**$9,532**	$8,423
Short- and long-term debt	**5,412**	7,073
Net financial assets	**$4,120**	$1,350

** Consists of cash and cash equivalents, short-term loans and investments, and long-term loans and investments.*

Selected Measures of Liquidity and Capital Resources

	2000	1999
Cash and cash equivalents and short-term loans and investments (millions of dollars)*	**$7,003**	$6,659
Working capital (millions of dollars)	**5,206**	4,415
Current ratio	**1.43:1**	1.37:1
Shareholders' equity per common share**	**$ 2.58**	$ 2.28

** Cash is managed by country or region and is not always available to be used in every location throughout the world. When necessary, we utilize short-term borrowings for various corporate purposes.*

*** Represents 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 working capital and current ratio from 1999 to 2000 was primarily due to the following:

- cash from current period operations
- cash from stock option exercises
- proceeds from the sales of equity investments

partially offset by

- accruals related to merger-related costs
- purchases of property, plant and equipment and long-term loans and investments
- dividends on common stock

The increase in shareholders' equity per common share in 2000 is primarily due to net income and stock option exercises, partially offset by cash dividends.

Summary of Cash Flows

(millions of dollars)	2000	1999	1998
Cash provided by/(used in):			
Operating activities	$ 6,195	$5,493	$5,177
Investing activities	(3,753)	(3,906)	(768)
Financing activities	(3,705)	(1,627)	(3,641)
Discontinued operations	—	(20)	4
Effect of exchange-rate changes on cash and cash equivalents	4	11	21
Net (decrease)/increase in cash and cash equivalents	$(1,259)	$ (49)	$ 793

Net cash provided by operating activities increased $702 million in 2000 primarily due to:

- current period operations excluding merger-related costs
- lower income tax payments and the receipt of income tax refunds
- the timing of collections of accounts receivable
- an increase in other current liabilities

partially offset by

- payments of merger-related costs

Net cash provided by operating activities increased $316 million in 1999 primarily due to:

- an increase in income from continuing operations in 1999

partially offset by

- higher taxes paid
- the timing of collections of accounts receivable
- a decrease in deferred tax liabilities and other noncurrent liabilities

Net cash used in investing activities decreased $153 million in 2000 primarily due to:

- a decrease in capital expenditures
- proceeds from the sales of equity investments
- a decrease in purchases of short-term investments

partially offset by

- a decrease in redemptions of short-term investments
- an increase in purchases of long-term investments

Net cash used in investing activities increased $3,138 million in 1999 primarily due to:

- the absence of proceeds from the sale of MTG which occurred in 1998
- increased purchases of property, plant and equipment

partially offset by

- lower purchases of long-term investments

Net cash used in financing activities increased $2,078 million in 2000 primarily due to:

- a net decrease in borrowings
- an increase in cash dividends paid

partially offset by

- the decrease of common share purchases in 2000
- more cash received from employee stock option exercises

Net cash used in financing activities decreased $2,014 million in 1999 primarily due to the net increase in borrowings.

A $5 billion share-purchase program was begun in September 1998. In April 2000, at which time we had purchased under this program 83.4 million shares at a total cost of $3.1 billion, the Board of Directors voted to continue the program up to limits of the then-remaining $1.9 billion in additional cost and 140 million additional shares. In September 2000, the Board of Directors authorized a nine-month extension of this program up to limits of the then-remaining $1.2 billion in cost with a maximum of 140 million additional shares. This extension reflected the fact that, during the first and second quarters of 2000, we suspended our share purchases because of the then-pending Warner-Lambert merger and thus could not complete the authorized purchase program by its originally envisioned completion date. In 2000, we purchased approximately 23.1 million shares of our common stock in the open market for approximately $1.0 billion. In 1999, we purchased approximately 65.6 million shares of our common stock in the open market for approximately $2.5 billion. Since the beginning of this program, we have purchased 106.5 million shares of our common stock for approximately $4.1 billion through December 31, 2000. We are on track to complete the current authorization during the first half of 2001. In September 1998, we completed a program under which we purchased 79.2 million shares of our common stock at a total cost of $2 billion. Purchased shares are available for general corporate purposes.

We have available lines of credit and revolving-credit agreements with a select group of banks and other financial intermediaries. At December 31, 2000, major unused lines of credit totaled approximately $1.7 billion.

Our short-term debt has been rated P1 by Moody's Investors Services (Moody's) and A-1+ by Standard and Poor's (S&P). Also, our long-term debt has been rated Aaa by Moody's and AAA by S&P for the past 15 years. Moody's and S&P are the major corporate debt-rating organizations and these are their highest ratings.

In January 2001, we issued $750 million in senior unsecured notes under a $2.5 billion shelf registration statement filed with the Securities and Exchange Commission in October 2000. The notes mature on February 1, 2006, with interest payable semi-annually, beginning on August 1, 2001, at a rate of 5.625%.

Dividends on Common Stock

Our dividend payout ratio was approximately 61% in 2000, 39% in 1999 and 35% in 1998. The dividend payout ratio in 2000 reflects the effects on net income of certain significant items and merger-related costs. In December 2000, our Board of Directors declared a first-quarter 2001 dividend of $.11. The 2001 cash dividends mark the 34th consecutive year of quarterly dividend increases.

Banking Operation

Our international banking operation, Pfizer International Bank Europe (PIBE), operates under a full banking license from the Central Bank of Ireland. The results of its operations are included in *Other (income)/deductions—net*.

PIBE extends credit to financially strong borrowers, largely through U.S. dollar loans made primarily for short and medium terms, with floating interest rates. Generally, loans are made on an unsecured basis. When deemed appropriate, guarantees and certain covenants may be obtained as a condition to the extension of credit.

To reduce credit risk, PIBE has established credit approval guidelines, borrowing limits and monitoring procedures. Credit risk is further reduced through an active policy of diversification with respect to borrower, industry and geographic location. PIBE continues to enjoy S&P's highest short-term rating of A-1+.

The net income of PIBE is affected by changes in market interest rates because of repricing and maturity mismatches between its interest-sensitive assets and liabilities. PIBE is currently asset sensitive (more assets than liabilities repricing in a given period) and, therefore, we expect that in an environment of decreasing interest rates, net income would decrease. PIBE's asset and liability management reflects its liquidity, interest-rate outlook and general market conditions.

For additional details regarding our banking operation, see note 5 to the consolidated financial statements, "Banking and Insurance Subsidiaries."

Forward-Looking Information and Factors That May Affect Future Results

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This annual report and other written and oral statements that we make from time to time contain such forward-looking statements that set out anticipated results based on management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and words and terms of similar substance in connection with any discussion of future operating or financial performance. Among the factors that could cause actual results to differ materially are the following:

- the success of research and development activities and the speed with which regulatory authorizations and product launches may be achieved
- competitive developments affecting our current growth products
- the ability to successfully market both new and existing products domestically and internationally
- difficulties or delays in manufacturing
- trade buying patterns
- ability to meet generic and branded competition after the expiration of the Company's patents
- trends toward managed care and health care cost containment
- possible U.S. legislation affecting pharmaceutical pricing and reimbursement or Medicare
- exposure to product liability and other types of lawsuits
- contingencies related to actual or alleged environmental contamination
- the Company's ability to protect its intellectual property both domestically and internationally
- interest rate and foreign currency exchange rate fluctuations
- governmental laws and regulations affecting domestic and foreign operations, including tax obligations
- changes in generally accepted accounting principles
- growth in costs and expenses
- changes in our product mix
- the impact of acquisitions, divestitures, restructurings, product withdrawals and other unusual items

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 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 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.

Certain risks, uncertainties and assumptions are discussed here and under the heading entitled "Cautionary Factors That May Affect Future Results" in Item 1 of our annual report on Form 10-K for the year ended December 31, 2000, which will be filed at the end of March 2001.

This discussion of potential risks and uncertainties is by no means complete but is designed to highlight important factors that may impact our outlook.

Competition and the Health Care Environment

In the U.S., many pharmaceutical products are subject to increasing pricing pressures, which could be significantly impacted by the current national debate over Medicare reform. If the Medicare program provided outpatient pharmaceutical coverage for its beneficiaries, the federal government, through its enormous purchasing power under the program, could demand discounts from pharmaceutical companies that may implicitly create price controls on prescription drugs. On the other hand, a Medicare drug reimbursement provision may increase the volume of pharmaceutical drug purchases, offsetting at least in part these potential price discounts. In addition, managed care organizations, institutions and other government agencies continue to seek price discounts. Government efforts to reduce Medicare and Medicaid expenses are expected to increase the use of managed care organizations. This may result in managed care's influencing prescription decisions for a larger segment of the population. International operations are also subject to price and market regulations. As a result, it is expected that pressures on the pricing component of operating results will continue.

Financial Risk Management

The overall objective of our financial risk management program is to seek a reduction in the potential negative earnings effects from changes in foreign exchange and interest rates arising in our business activities. 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 are exposed to changes in foreign exchange rates. Where practical, we seek to manage expected local currency revenues in relation to local currency costs and manage local currency assets in relation to local currency liabilities. Generally, we do not use financial instruments for trading activities.

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 short-term foreign currency assets and liabilities that arise during operations. For additional details on foreign exchange exposures, see note 6-D to the consolidated financial statements, "Derivative Financial Instruments—Instruments Outstanding."

In addition, foreign currency put options are sometimes purchased to reduce a portion of the potential negative effects on earnings related to certain of our significant anticipated intercompany inventory purchases for up to one year. These purchased options hedge Japanese yen versus the U.S. dollar. There were no purchased Japanese yen options outstanding at December 31, 2000.

Also, under certain market conditions, we protect against possible declines in the reported net assets of our subsidiaries in Japan and in countries that are members of the European Monetary Union. We do this through currency swaps and borrowing in Japanese yen and borrowing in euros. Late in the fourth quarter of 2000, we terminated our currency swaps and replaced them with additional borrowings in Japanese yen. Early in the first quarter of 2001, we ceased virtually all borrowings in euros.

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 as follows:

- forward-exchange contracts and currency swaps—net present values
- purchased foreign currency options—foreign exchange option pricing model
- foreign receivables, payables, debt and loans—changes in exchange rates

In our 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 there were an adverse change in foreign exchange rates of 10%, the expected effect on net income related to our financial instruments would be immaterial. For additional details, see note 6-D to the consolidated financial statements, "Derivative Financial Instruments—Accounting Policies."

Interest Rate Risk

Our U.S. dollar interest-bearing investments, loans and borrowings are subject to interest rate risk. We invest and borrow primarily on a short-term or variable-rate basis. We are also subject to interest rate risk on Japanese yen and, in 2000 and 1999, on euro short-term borrowings. Under certain market conditions, interest rate swap contracts are used to adjust interest-sensitive assets and liabilities.

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 by net present values.

In our sensitivity analysis, we used the same change in interest rate for all maturities. All other factors were held constant. If interest rates increased by 10%, the expected effect on net income related to our financial instruments would be immaterial.

European Currency

A European currency (euro) was introduced in January 1999 to replace the separate currencies of 12 (Greece joined the original 11 in early 2001) individual countries. The major changes during the first two years of the euro's existence have occurred in the banking and financial sectors. An increasing impact at the commercial and retail level is expected through December 31, 2001, especially when euro coins and banknotes begin circulation next year. We are modifying systems and commercial arrangements to deal with the new currency, including the availability of dual currency processes to permit transactions to be denominated in legacy currencies, as well as the euro. The cost of this effort is not expected to have a material effect on our businesses or results of operations. We continue to evaluate the economic and operational impact of the euro, including its impact on competition, pricing and foreign currency exchange risks. While there is no guarantee that all problems have been foreseen and corrected, the accelerating use of the euro is not expected to cause any material disruption to our businesses.

Recently Issued Accounting Standards

On January 1, 2001, we adopted the provisions of the Emerging Issues Task Force (EITF) Issue No. 00-14, *Accounting for Certain Sales Incentives.* EITF Issue No. 00-14 addresses the income statement classification of certain sales incentives and requires us to reclassify the cost of certain sales incentives from *Selling, informational and administrative expenses* to *Revenues*. The amount of sales incentives that require reclassification to revenues is immaterial to the financial statements on both a consolidated and segment basis. Accordingly, prior period financial statements presented in the future will not be restated to reflect the provisions of EITF No. 00-14.

On January 1, 2001, we adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities—an amendment of SFAS No. 133* and SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* SFAS No. 138 amends the accounting and reporting standards of SFAS No 133 for certain derivative instruments and certain hedging activities. SFAS No. 133 requires a company to recognize all derivative instruments as assets or liabilities in its balance sheet and measure them at fair value. We do not expect the adoption of these statements to have a material impact on our financial position, results of operations or cash flows.

Litigation and Environmental Matters

Claims have been brought against us and our subsidiaries for various legal matters. In addition, our operations are subject to international, federal, state and local environmental laws and regulations. It is possible that our cash flows and results of operations could be affected by the one-time impact of the resolution of these contingencies. We believe that the ultimate disposition of these matters, to the extent not previously provided for, will not have a material impact on our financial condition, results of operations or cash flows, except where specifically commented on in note 21 to the consolidated financial statements, "Litigation."

Outlook

We expect to return to double-digit reported revenue growth in 2001, despite the expected negative impact of foreign exchange on revenues, which at year-end 2000 exchange rates, would negatively impact revenue growth in 2001 by approximately $400 million. The negative impact of foreign exchange on revenues is expected to be felt most heavily in the first half of 2001.

For 2001, diluted earnings per share is projected at $1.27 or better, excluding certain significant items and merger-related costs. The vast majority of growth in 2001 is expected to come from operations, with merger-related cost savings providing an additional benefit. We anticipate $1.2 billion in merger savings in 2001 and expect to exceed $1.6 billion in merger savings in 2002. For 2002, diluted earnings per share is projected at $1.56 or better, excluding certain significant items and merger-related costs. On this basis, we expect average annual diluted earnings per share growth of 25 percent or more during 2000-2002.

Management's Report

We prepared and are responsible for the financial statements that appear on pages 42 to 68. These financial statements are in conformity with generally accepted accounting principles 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.

We have designed a system of internal control to:

- safeguard the Company's assets,
- ensure that transactions are properly authorized, and
- provide reasonable assurance, at reasonable cost, of the integrity, objectivity and reliability of the financial information.

An effective internal control system has inherent limitations no matter how well designed and, therefore, can provide only reasonable assurance with respect to financial statement preparation. The system is built on a business ethics policy that requires all employees to maintain the highest ethical standards in conducting Company affairs. Our system of internal control includes:

- careful selection, training and development of financial managers,
- an organizational structure that segregates responsibilities,
- a communications program which ensures that the Company's policies and procedures are well understood throughout the organization, and
- an extensive program of internal audits, with prompt follow-up, including reviews of separate operations and functions around the world.

Our independent certified public accountants, KPMG LLP, have audited the annual financial statements in accordance with auditing standards generally accepted in the United States of America. The independent auditors' report expresses an informed judgment as to the fair presentation of the Company's reported operating results, financial position and cash flows. Their judgment is based on the results of auditing procedures performed and such other tests that they deemed necessary, including their consideration of our internal control structure.

We consider and take appropriate action on recommendations made by KPMG LLP and our internal auditors. We believe that our system of internal control is effective and adequate to accomplish the objectives discussed above.

W. C. Steere, Jr., *Chairman of the Board*

H. A. McKinnell, *President and Chief Executive Officer*

D. L. Shedlarz, *Principal Financial Officer*

L. V. Cangialosi, *Principal Accounting Officer*
February 22, 2001

Audit Committee's 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 auditors. Management represented to the Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Committee has reviewed and discussed the consolidated financial statements with management and the independent auditors. The Committee discussed with the independent auditors matters required to be discussed by Statement of Auditing Standards No. 61, *Communication With Audit Committees.* In addition, the Committee has discussed with the independent auditors, the auditors' independence from the Company and its management, including the matters in the written disclosures required by the Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees.* The Committee has also considered whether the independent auditors' provision of information technology and other non-audit services to the Company is compatible with the auditors' independence. The Committee discussed with the Company's internal and independent auditors the overall scope and plans for their respective audits. The Committee meets with the internal and independent auditors, with and without management present, 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. In reliance on the reviews and discussions referred to above, the Committee 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, 2000, for filing with the Securities and Exchange Commission. The Committee and the Board also have recommended, subject to shareholder approval, the selection of the Company's independent auditors.

G. B. Harvey, *Chair, Audit Committee*
February 22, 2001

Independent Auditors' Report

To the Shareholders and Board of Directors of Pfizer Inc:

We have audited the accompanying consolidated balance sheets of Pfizer Inc and Subsidiary Companies as of December 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. 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 did not audit the consolidated balance sheets of Warner-Lambert Company and its subsidiaries as of December 31, 1999 or the related consolidated statements of income, shareholders' equity and cash flows for each of the two years in the period ended December 31, 1999, which consolidated statements reflect total assets of approximately $11,442,000,000 as of December 31, 1999 and net sales of approximately $12,929,000,000 and $10,744,000,000 for the years ended December 31, 1999 and 1998, respectively. Those consolidated financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts of Warner-Lambert Company and its subsidiaries for such periods, is based solely on the report of such other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

The consolidated financial statements give retroactive effect to the merger of Pfizer Inc and Warner-Lambert Company on June 19, 2000, which has been accounted for as a pooling of interests as described in Notes 1 and 2 to the consolidated financial statements.

In our opinion, based on our audits and the report of the other auditors, 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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

New York, NY
February 22, 2001

Consolidated Statement of Income

Pfizer Inc and Subsidiary Companies

(millions, except per share data)	Year ended December 31 2000	1999	1998
Revenues	$29,574	$27,376	$23,231
Costs and expenses:			
Cost of sales	4,907	5,464	4,907
Selling, informational and administrative expenses	11,442	10,810	9,563
Research and development expenses	4,435	4,036	3,305
Merger-related costs	3,257	33	—
Other (income)/deductions—net	(248)	88	1,059
Income from continuing operations before provision for taxes on income and minority interests	5,781	6,945	4,397
Provision for taxes on income	2,049	1,968	1,163
Minority interests	14	5	2
Income from continuing operations	3,718	4,972	3,232
Discontinued operations—net of tax	8	(20)	1,401
Net income	$ 3,726	$ 4,952	$ 4,633
Earnings per common share—basic			
Income from continuing operations	$ .60	$ .81	$ .53
Discontinued operations—net of tax	—	—	.23
Net income	$ .60	$ .81	$ .76
Earnings per common share—diluted			
Income from continuing operations	$ .59	$ .79	$ .51
Discontinued operations—net of tax	—	(.01)	.22
Net income	$ .59	$ .78	$ .73
Weighted average shares—basic	6,210	6,126	6,120
Weighted average shares—diluted	6,368	6,317	6,362

See Notes to Consolidated Financial Statements which are an integral part of these statements.

Consolidated Balance Sheet

Pfizer Inc and Subsidiary Companies

(millions, except per share data)	December 31 2000	1999
Assets		
Current Assets		
Cash and cash equivalents	**$ 1,099**	$ 2,358
Short-term investments	**5,764**	4,028
Accounts receivable, less allowance for doubtful accounts:		
2000—$274; 1999—$230	**5,489**	5,368
Short-term loans	**140**	273
Inventories		
Finished goods	**1,195**	1,147
Work in process	**1,074**	977
Raw materials and supplies	**433**	464
Total inventories	**2,702**	2,588
Prepaid expenses and taxes	**1,993**	1,696
Total current assets	**17,187**	16,311
Long-term loans and investments	**2,529**	1,764
Property, plant and equipment, less accumulated depreciation	**9,425**	8,685
Goodwill, less accumulated amortization:		
2000—$300; 1999—$256	**1,791**	1,870
Other assets, deferred taxes and deferred charges	**2,578**	2,742
Total assets	**$33,510**	$31,372
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term borrowings, including current portion of long-term debt	**$ 4,289**	$ 5,299
Accounts payable	**1,719**	1,889
Dividends payable	**696**	349
Income taxes payable	**850**	748
Accrued compensation and related items	**982**	905
Other current liabilities	**3,445**	2,706
Total current liabilities	**11,981**	11,896
Long-term debt	**1,123**	1,774
Postretirement benefit obligation other than pension plans	**564**	515
Deferred taxes on income	**380**	485
Other noncurrent liabilities	**3,386**	2,752
Total liabilities	**17,434**	17,422
Shareholders' Equity		
Preferred stock, without par value; 12 shares authorized, none issued	**—**	—
Common stock, $.05 par value; 9,000 shares authorized;		
issued: 2000—6,749; 1999—6,631	**337**	332
Additional paid-in capital	**8,895**	5,943
Retained earnings	**19,599**	18,459
Accumulated other comprehensive expense	**(1,515)**	(1,045)
Employee benefit trusts	**(3,382)**	(2,888)
Treasury stock, shares at cost:		
2000—435; 1999—413	**(7,858)**	(6,851)
Total shareholders' equity	**16,076**	13,950
Total liabilities and shareholders' equity	**$33,510**	$31,372

See Notes to Consolidated Financial Statements which are an integral part of these statements.

Consolidated Statement of Shareholders' Equity

Pfizer Inc and Subsidiary Companies

(millions)	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Employee Benefit Trusts Shares	Employee Benefit Trusts Fair Value	Treasury Stock Shares	Treasury Stock Cost	Retained Earnings	Accum. Other Comprehensive Inc./(Exp.)	Total
Balance January 1, 1998	6,486	$324	$3,180	(107)	$(2,646)	(283)	$(1,993)	$12,560	$ (524)	$10,901
Comprehensive income:										
Net income								4,633		4,633
Other comprehensive expense—net of tax:										
Currency translation adjustment									(16)	(16)
Net unrealized loss on available-for-sale securities									(16)	(16)
Minimum pension liability									(77)	(77)
Total other comprehensive expense									(109)	(109)
Total comprehensive income										4,524
Cash dividends declared								(1,786)		(1,786)
Stock option transactions	82	4	1,011			—	(18)			997
Purchases of common stock						(58)	(1,912)			(1,912)
Employee benefit trusts transactions—net			1,633	5	(1,554)	2	12			91
Other	(9)	—	(195)					(4)		(199)
Balance December 31, 1998	6,559	328	5,629	(102)	(4,200)	(339)	(3,911)	15,403	(633)	12,616
Comprehensive income:										
Net income								4,952		4,952
Other comprehensive expense—net of tax:										
Currency translation adjustment									(503)	(503)
Net unrealized gain on available-for-sale securities									111	111
Minimum pension liability									(20)	(20)
Total other comprehensive expense									(412)	(412)
Total comprehensive income										4,540
Cash dividends declared								(1,894)		(1,894)
Stock option transactions	73	4	903	3	93	—	(16)			984
Purchases of common stock						(66)	(2,500)			(2,500)
Employee benefit trusts transactions—net			(735)	10	1,219	(8)	(424)			60
Other	(1)	—	146					(2)		144
Balance December 31, 1999	6,631	332	5,943	(89)	(2,888)	(413)	(6,851)	18,459	(1,045)	13,950
Comprehensive income:										
Net income								3,726		3,726
Other comprehensive expense—net of tax:										
Currency translation adjustment									(458)	(458)
Net unrealized gain on available-for-sale securities									37	37
Minimum pension liability									(49)	(49)
Total other comprehensive expense									(470)	(470)
Total comprehensive income										3,256
Cash dividends declared								(2,569)		(2,569)
Stock option transactions	115	5	2,322	16	573	—	(15)			2,885
Purchases of common stock						(23)	(1,003)			(1,003)
Employee benefit trusts transactions—net			494	(1)	(1,067)	1	11			(562)
Other	3	—	136					(17)		119
Balance December 31, 2000	**6,749**	**$337**	**$8,895**	**(74)**	**$(3,382)**	**(435)**	**$(7,858)**	**$19,599**	**$(1,515)**	**$16,076**

See Notes to Consolidated Financial Statements which are an integral part of these statements.

Consolidated Statement of Cash Flows

Pfizer Inc and Subsidiary Companies

(millions of dollars)	Year ended December 31 2000	1999	1998
Operating Activities			
Income from continuing operations	**$ 3,718**	$ 4,972	$ 3,232
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	**968**	905	797
Gains on sales of equity investments	**(216)**	—	—
Loss on sale of Animal Health feed-additive products	**85**	—	—
Costs associated with the withdrawal of Rezulin	**102**	—	—
Trovan inventory write-off	**—**	310	—
Asset impairments and restructuring charges	**—**	—	358
Deferred taxes and other	**(265)**	213	(164)
Changes in assets and liabilities, net of effect of businesses divested:			
Accounts receivable	**(498)**	(1,274)	(902)
Inventories	**(436)**	(278)	(566)
Prepaid and other assets	**365**	(127)	(486)
Accounts payable and accrued liabilities	**807**	378	970
Income taxes payable	**1,315**	144	1,143
Other deferred items	**250**	250	795
Net cash provided by operating activities	**6,195**	5,493	5,177
Investing Activities			
Purchases of property, plant and equipment	**(2,191)**	(2,493)	(1,951)
Proceeds from disposals of property, plant and equipment	**91**	83	118
Purchases of short-term investments, net of maturities	**(7,982)**	(9,270)	(5,965)
Proceeds from redemptions of short-term investments	**6,592**	7,785	4,328
Purchases of long-term investments	**(618)**	(40)	(550)
Proceeds from sales of equity investments	**346**	42	146
Increases in long-term loans	**(220)**	(41)	(40)
Purchases of other assets	**(174)**	(253)	(230)
Proceeds from sales of other assets	**184**	193	112
Proceeds from sales of businesses—net	**193**	26	3,184
Other investing activities	**26**	62	80
Net cash used in investing activities	**(3,753)**	(3,906)	(768)
Financing Activities			
Proceeds from issuances of long-term debt	**18**	14,025	4,295
Repayments of long-term debt	**(529)**	(14,046)	(4,786)
Increase in short-term debt	**1,247**	2,134	458
Decrease in short-term debt	**(2,427)**	(14)	(456)
Proceeds from common stock issuances	**59**	62	—
Purchases of common stock	**(1,005)**	(2,542)	(2,177)
Cash dividends paid	**(2,197)**	(1,820)	(1,501)
Stock option transactions and other	**1,129**	574	526
Net cash used in financing activities	**(3,705)**	(1,627)	(3,641)
Net cash (used in)/provided by discontinued operations	**—**	(20)	4
Effect of exchange-rate changes on cash and cash equivalents	**4**	11	21
Net (decrease)/increase in cash and cash equivalents	**(1,259)**	(49)	793
Cash and cash equivalents at beginning of year	**2,358**	2,407	1,614
Cash and cash equivalents at end of year	**$ 1,099**	$ 2,358	$ 2,407
Supplemental Cash Flow Information			
Cash paid during the period for:			
Income taxes	**$ 1,041**	$ 1,573	$ 1,361
Interest	**460**	379	259

See Notes to Consolidated Financial Statements which are an integral part of these statements.

1 Significant Accounting Policies

A. Consolidation and Basis of Presentation

On June 19, 2000, we completed our merger with Warner-Lambert Company (Warner-Lambert). The merger was accounted for as a pooling of interests. As a result, we restated all prior period consolidated financial statements presented to reflect the combined results of operations, financial position and cash flows of both companies as if they had always been merged. Prior to the merger, the only significant transactions between Pfizer and Warner-Lambert occurred under the Lipitor marketing agreements. We have eliminated these transactions from the restated combined financial statements. Certain adjustments and reclassifications were made to conform the presentation of the restated financial statements (see note 2, "Merger of Pfizer and Warner-Lambert").

The consolidated financial statements include our parent company and all significant subsidiaries, including those operating outside the U.S. For certain subsidiaries operating outside the U.S., balance sheet amounts are as of November 30 of each year and income statement amounts are for the full-year period ending on the same date. 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 reclassifications to the 1999 and 1998 financial statements to conform to the 2000 presentation.

In preparing the financial statements, we use some estimates and assumptions that may affect reported amounts and disclosures. Estimates are used when accounting for depreciation, amortization, employee benefits and asset valuation allowances. We are also subject to risks and uncertainties that may cause actual results to differ from estimated results, such as changes in the health care environment, competition, foreign exchange and legislation. "Forward-Looking Information and Factors That May Affect Future Results" discusses these and other uncertainties.

B. Cash Equivalents

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.*

C. Inventories

We value inventories at cost or fair value, if lower. Cost is determined as follows:

- finished goods and work-in-process at average actual cost
- raw materials and supplies at average or latest actual cost

D. Long-Lived Assets

Long-lived assets include:

- property, plant and equipment—These assets are recorded at original cost and increased by the cost of any significant improvements after purchase. We depreciate the cost evenly over the assets' estimated useful lives. For tax purposes, accelerated depreciation methods are used as allowed by tax laws.
- goodwill—Goodwill represents the difference between the purchase price of acquired businesses and the fair value of their net assets when accounted for by the purchase method. We amortize goodwill evenly over periods not exceeding 40 years. The average amortization period is 38 years.
- other intangible assets—Other intangible assets are included in *Other assets, deferred taxes and deferred charges.* We amortize these assets evenly over their estimated useful lives.

We review long-lived assets to assess recoverability from future operations using undiscounted cash flows. When necessary, we record charges for impairments of long-lived assets for the amount by which the present value of future cash flows is less than the carrying value of these assets.

E. Foreign Currency Translation

For most international operations, local currencies are considered their functional currencies. We translate assets and liabilities to their U.S. dollar equivalents at rates in effect at the balance sheet date and record translation adjustments in *Shareholders' Equity.* We translate statement of income accounts at average rates for the period. Transaction adjustments are recorded in *Other (income)/ deductions — net.*

For operations in highly inflationary economies, we translate the balance sheet items as follows:

- monetary items (that is, assets and liabilities that will be settled for cash) at rates in effect at the balance sheet date, with translation adjustments recorded in *Other (income)/ deductions — net*
- non-monetary items at historical rates (that is, those rates in effect when the items were first recorded)

F. Revenue Recognition

We record revenue from product sales when the goods are shipped and title passes to the customer. Provisions for discounts and rebates to customers and returns are provided for in the same period the related sales are recorded. At December 31, 2000, *Other current liabilities* included customer rebates of $932 million.

We have agreements to promote pharmaceutical products developed by other companies. Revenue recorded under these co-promotion agreements is derived from the sale of products. The revenue is earned when our co-promotion partners' ship the related goods and the sale is consummated with a third party. Such revenue is primarily based upon a percentage of our co-promotion partners' net sales. In most cases, *Selling, informational and administrative expenses* include expenses for selling and marketing these products.

G. Stock-Based Compensation

In accordance with Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation,* we elected to account for our stock-based compensation under Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees.*

The exercise price of stock options granted equals the market price on the date of grant. There is no recorded expense related to grants of stock options.

H. Advertising Expense

We record advertising expense as follows:

- production costs as incurred
- costs of radio time, television time and space in publications are deferred until the advertising first occurs

Advertising expense totaled approximately $3,399 million in 2000, $3,288 million in 1999 and $2,066 million in 1998.

I. Shipping and Handling Costs

Shipping and handling costs are included in *Selling, informational and administrative expenses*. Shipping and handling costs totaled approximately $190 million in 2000, $181 million in 1999 and $174 million in 1998.

2 Merger of Pfizer and Warner-Lambert

On June 19, 2000, we completed our merger with Warner-Lambert. Under an Agreement and Plan of Merger dated February 6, 2000, a wholly owned subsidiary of Pfizer merged with and into Warner-Lambert. Warner-Lambert survived the merger as a wholly owned subsidiary of Pfizer.

Under the terms of the merger, each share of Warner-Lambert common stock, par value $1.00 per share, issued and outstanding, other than shares owned directly or indirectly by Warner-Lambert, was converted into the right to receive 2.75 shares of Pfizer common stock. We issued approximately 2,440 million shares of our common stock for all the outstanding common stock of Warner-Lambert.

The merger qualified as a tax-free reorganization and was accounted for as a pooling of interests under Accounting Principles Board Opinion No. 16, *Business Combinations.*

The results of operations for the separate companies and the combined amounts presented in the consolidated financial statements for the most recent quarter prior to the merger and the prior years presented follow:

	Three Months Ended April 2,	Year Ended December 31,	
(millions of dollars)	**2000**	1999	1998
Revenues:			
Pfizer	**$4,315**	$16,204	$13,544
Warner-Lambert	**3,407**	12,929	10,744
Adjustments [1]	**(447)**	(1,532)	(874)
Reclassifications [2]	**(53)**	(225)	(183)
Combined	**$7,222**	$27,376	$23,231
Income from continuing operations:			
Pfizer	**$1,180**	$ 3,199	$ 1,950
Warner-Lambert	**(1,398)**	1,733	1,273
Adjustments [1] [3]	**14**	40	9
Combined	**$ (204)**	$ 4,972	$ 3,232

The net assets of the separate companies and the combined amount presented in the financial statements for the period prior to the merger follow:

	December 31,
(millions of dollars)	1999
Pfizer	$ 8,887
Warner-Lambert	5,098
Adjustments [1] [3]	(35)
Combined	$13,950

[1] Represents the elimination of transactions and balances between the companies under the Lipitor marketing agreements.

[2] Reclassifications made to conform to the post-merger presentation.

[3] For each of the years ended December 31, 1999 and 1998, we adjusted for the impact of a change in the calculation of Warner-Lambert's pension asset to conform to our method of calculating fair value. For the three months ended April 2, 2000, we adjusted income tax expense as a result of assuming the companies had always been combined.

In May 1999, Warner-Lambert acquired Agouron Pharmaceuticals, Inc. (Agouron), a pharmaceutical company committed to the discovery and development of innovative therapeutic products for the treatment of cancer, AIDS and other serious diseases. Each outstanding share of Agouron common stock was exchanged for .8934 shares of Warner-Lambert common stock. Warner-Lambert exchanged 28.8 million shares of its common stock for all of the common stock of Agouron.

The transaction was accounted for as a pooling of interests and qualified as a tax-free reorganization. Accordingly, all prior period consolidated financial statements presented have been restated to include combined results of operations, financial position and cash flows of Agouron as though it had always been a part of Warner-Lambert. Prior to the merger, Agouron's fiscal year ended on June 30. As a result, Agouron's financial statements were restated to conform with Warner-Lambert's December 31 year end. No adjustments were necessary to conform Agouron's accounting policies.

Certain reclassifications were made to the Agouron financial statements to conform to Warner-Lambert's presentation. The impact of combining Agouron's financial statements with ours was not material to the consolidated financial statements.

3 Merger-Related Costs

Merger-related costs include the following:

(millions of dollars)	2000	1999
Transaction costs	$ 226	$33
Transaction costs related to Warner-Lambert's termination of the Warner-Lambert/ American Home Products merger*	1,838	—
Integration costs	246	—
Restructuring charges	947	—
Total merger-related costs	$3,257	$33

**Incurred in the first quarter of 2000.*

- Transaction costs include banking, legal, accounting and other costs directly related to our merger with Warner-Lambert in 2000 and with Agouron in 1999.
- Integration costs represent external, incremental costs directly related to our merger with Warner-Lambert, including expenditures for consulting, promotion and systems integration.
- The components of the restructuring charges associated with the merger of the Warner-Lambert operations follow:

		Utilization	
(millions of dollars)	Charges in 2000	2000	2001
Employee termination costs	$876	$534	$342
Property, plant and equipment	46	46	—
Other	25	19	6
Total	$947	$599	$348

Through December 31, 2000, the charge for employee termination costs represents the approved reduction of our work force by 5,061 people, mainly comprising administrative functions for corporate, manufacturing, distribution, sales and research. We notified these people and as of December 31, 2000, 3,942 employees were terminated. We will complete terminations of the remaining personnel within one year of the notification. Employee termination costs include accrued severance benefits and costs associated with change-in-control provisions of certain Warner-Lambert employment contracts. Under the terms of Warner-Lambert employment contracts, certain terminated employees may elect to defer receipt of severance benefits. As of December 31, 2000, $177 million in severance benefits was deferred for future payments. The deferred severance benefits bear interest at the average prime rate for the year plus two percent. The deferred severance benefits are shown as utilized charges and are included in *Other noncurrent liabilities*.

Through December 31, 2000, the impairment and disposal charges for property, plant and equipment represent the consolidation of facilities and related fixed assets, a contract termination payment and termination of certain software installation projects.

Other restructuring charges consist of charges for contract termination payments—$16 million, facility closure costs—$4 million and assets we wrote off, including inventory and intangible assets—$5 million.

At December 31, 2000, accrued restructuring charges are included in *Other current liabilities*.

4 Discontinued Operations

In 2000, we determined working capital settlement amounts and settled a lawsuit for certain of our previously discontinued businesses, resulting in income of $14 million ($8 million after-tax).

In 1999, we agreed to pay a fine of $20 million to settle antitrust charges involving our former Food Science Group, divested in 1996. For additional details, see note 21, "Litigation."

In 1998, we completed the sale of the Medical Technology Group (MTG) segment. Accordingly, the consolidated financial statements and related notes reflect the results of operations of the MTG businesses—Valleylab, Schneider, American Medical Systems (AMS) and Howmedica—as discontinued operations. We completed the sales of:

- Howmedica to Stryker Corporation in December for $1.65 billion in cash
- Schneider to Boston Scientific Corporation in September for $2.1 billion in cash
- AMS to E.M. Warburg, Pincus & Co., LLC in September for $130 million in cash
- Valleylab to U.S. Surgical Corporation in January for $425 million in cash

Discontinued operations—net of tax were as follows:

(millions of dollars)	2000	1999	1998
Revenues	$ —	$ —	$1,160
Pre-tax income/(loss)	$(18)	$(20)	$ 92
Provision/(benefit) for taxes on income	(7)	—	57
Income/(loss) from operations of discontinued businesses—net of tax	(11)	(20)	35
Pre-tax gain on disposal of discontinued businesses	32	—	2,504
Provision for taxes on gain	13	—	1,138
Gain on disposal of discontinued businesses—net of tax	19	—	1,366
Discontinued operations—net of tax	$ 8	$(20)	$1,401

5 Banking and Insurance Subsidiaries

Our banking and insurance subsidiaries include Pfizer International Bank Europe (PIBE) and a small captive insurance company. PIBE periodically adjusts its loan portfolio to meet its business needs. Information about these subsidiaries follows:

Condensed Balance Sheet

(millions of dollars)	2000	1999
Cash and interest-bearing deposits	$ 38	$114
Loans—net	528	380
Other assets	7	13
Total assets	$573	$507
Certificates of deposit and other liabilities	$ 63	$ 24
Shareholders' equity	510	483
Total liabilities and shareholders' equity	$573	$507

Condensed Statement of Income

(millions of dollars)	2000	1999
Interest income	$35	$27
Interest expense	(3)	(2)
Other income—net	8	8
Net income	$40	$33

6 Financial Instruments

Most of our financial instruments are recorded in the balance sheet. Several "derivative" financial instruments are "off-balance-sheet" items.

A. Investments in Debt and Equity Securities

Information about our investments follows:

(millions of dollars)	2000	1999
Trading securities	$ 110	$ 113
Amortized cost and fair value of held-to-maturity debt securities:*		
Corporate debt	5,597	3,689
Certificates of deposit	674	1,846
Total held-to-maturity debt securities	6,271	5,535
Cost and fair value of available-for-sale debt securities*	1,089	686
Cost of available-for-sale equity securities	151	87
Gross unrealized gains	326	261
Gross unrealized losses	(10)	(4)
Fair value of available-for-sale equity securities	467	344
Total investments	$7,937	$6,678

**Gross unrealized gains and losses are not significant.*

These investments are in the following captions in the balance sheet:

(millions of dollars)	2000	1999
Cash and cash equivalents	$ 658	$1,828
Short-term investments	5,764	3,754
Long-term loans and investments	1,515	1,096
Total investments	$7,937	$6,678

The contractual maturities of the held-to-maturity and available-for-sale debt securities as of December 31, 2000, were as follows:

	Years				
(millions of dollars)	Within 1	Over 1 to 5	Over 5 to 10	Over 10	Total
Held-to-maturity debt securities:					
Corporate debt	$5,092	$254	$240	$11	$5,597
Certificates of deposit	671	3	—	—	674
Available-for-sale debt securities:					
Corporate debt	454	190	—	—	644
Certificates of deposit	95	350	—	—	445
Total debt securities	$6,312	$797	$240	$11	$7,360
Available-for-sale equity securities					467
Trading securities					110
Total investments					$7,937

B. Short-Term Borrowings

The weighted average effective interest rate on short-term borrowings outstanding at December 31 was 4.7% in 2000 and 4.3% in 1999. We had approximately $1.7 billion available to borrow under lines of credit at December 31, 2000.

C. Long-Term Debt

(millions of dollars)	2000	1999
Floating-rate unsecured notes	$ 361	$ 491
Commercial paper, expected to be refinanced on a long-term basis	—	408
5.8% notes	250	250
6% notes	250	250
6.6% notes	200	200
Floating-rate unsecured notes, expected to be refinanced on a long-term basis	—	100
Other borrowings and mortgages	62	75
Total long-term debt	$1,123	$1,774
Current portion not included above	$ 150	$ 24

The floating-rate unsecured notes mature on various dates from 2001 to 2005 and bear interest at a defined variable rate based on the commercial paper borrowing rate. The weighted average interest rate was 6.7% at December 31, 2000. These notes minimize credit risk on certain available-for-sale debt securities that may be used to satisfy the notes at maturity.

Long-term debt outstanding at December 31, 2000 matures as follows:

(millions of dollars)	2002	2003	2004	2005	After 2005
Maturities	$371	$266	$2	$201	$283

In January 2001, we issued $750 million in senior unsecured notes under a $2.5 billion shelf registration statement filed with the Securities and Exchange Commission in October 2000. The notes mature on February 1, 2006, with interest payable semi-annually, beginning on August 1, 2001, at a rate of 5.625%.

D. Derivative Financial Instruments

Purpose

"Forward-exchange contracts," "currency swaps" and "purchased currency options" are used to reduce exposure to foreign exchange risks. Also, "interest rate swap" contracts are used to adjust interest rate exposures.

Accounting Policies

We consider derivative financial instruments to be "hedges" (that is, an offset of foreign exchange and interest rate risks) when certain criteria are met. Under hedge accounting for a purchased currency option, its impact on earnings is deferred until the recognition of the underlying hedged item (inventory) in earnings. We recognize the earnings impact of the other instruments during the terms of the contracts, along with the earnings impact of the items they offset.

Purchased currency options are recorded at cost and amortized evenly to operations through the expected inventory delivery date. Gains at the transaction date are included in the cost of the related inventory purchased.

As interest rates change, we accrue the difference between the interest rates on debt recognized in the statement of income and the amounts payable to or receivable from counterparties under interest rate swap contracts. Likewise, amounts arising from currency swap contracts are accrued as exchange rates change.

The financial statements include the following items related to derivative and other financial instruments serving as hedges or offsets:

Prepaid expenses and taxes includes:

- purchased currency options
- net amounts receivable related to currency swaps in 2000

Other current liabilities includes:

- fair value of forward-exchange contracts
- net amounts payable related to interest rate swap contracts

Other noncurrent liabilities includes:

- net amounts payable related to currency swap contracts in 1999

Accumulated other comprehensive expense includes changes in the:

- foreign exchange translation of currency swaps and foreign debt

Other (income)/deductions — net includes:

- changes in the fair value of foreign exchange contracts and changes in foreign currency assets and liabilities
- payments under swap contracts to offset, primarily, interest expense or, to a lesser extent, net foreign exchange losses
- amortization of discounts or premiums on currencies sold under forward-exchange contracts

Our criteria to qualify for hedge accounting are—
Foreign currency instruments must:

- relate to a foreign currency asset, liability or an anticipated transaction that is probable and whose characteristics and terms have been identified
- involve the same currency as the hedged item
- reduce the risk of foreign currency exchange movements on our operations

Interest rate instruments must:

- relate to an asset or a liability
- change the character of the interest rate by converting a variable rate to a fixed rate or vice versa

The following table summarizes the exposures hedged or offset by the various instruments we use:

		Maximum Maturity in Years	
Instrument	Exposure	**2000**	1999
Forward-exchange contracts	Foreign currency assets and liabilities	**.5**	.5
Currency swaps	Net investments	**—**	4
	Loans	**.9**	.3
	Investments	**.6**	—
	Intercompany loan	**2.8**	—
Purchased currency options	Intercompany inventory purchases and sales	**.1**	.9
Interest rate swaps	Debt interest	**2.9**	4

Instruments Outstanding

The notional amounts of derivative financial instruments, except for currency swaps, do not represent actual amounts exchanged by the parties, but instead represent the amount of the item on which the contracts are based.

The notional amounts of our foreign currency and interest rate contracts follow:

(millions of dollars)	2000	1999
Foreign currency contracts:		
Commitments to sell foreign currencies, primarily in exchange for U.S. dollars:		
Euro*	$1,480	$1,050
Japanese yen	862	587
U.K. pounds	620	851
Canadian dollars	141	82
Australian dollars	119	96
Irish punt*	—	91
Other currencies	142	296
Commitments to purchase foreign currencies, primarily in exchange for U.S. dollars:		
Euro*	118	521
Japanese yen	86	3
U.K. pounds	69	101
Irish punt*	—	50
German marks*	—	47
Other currencies	190	194
Total forward-exchange contracts	$3,827	$3,969
Currency swaps:		
Japanese yen	$ —	$ 829
U.K. pounds	495	40
Euro	88	—
Total currency swaps	$ 583	$ 869
Purchased currency options, primarily for U.S. dollars:		
Japanese yen	$ —	$ 393
Other currencies	43	30
Total purchased currency options	$ 43	$ 423
Interest rate swap contracts—Japanese yen	$1,056	$ 353

**Effective January 1, 1999, members of the European Monetary Union were permitted to use the euro or their old currency.*

The Japanese yen for U.S. dollar currency swaps require that we make interim payments of a fixed rate of 1.1% on the Japanese yen payable and have interim receipts of a variable rate based on a commercial paper rate on the U.S. dollar receivable. Late in the fourth quarter of 2000, we terminated the currency swaps and replaced them with $740 million of Japanese yen debt and related interest rate swaps.

The U.K. pounds for U.S. dollar currency swaps require that we make interim payments of a fixed rate of 6% on the U.K. sterling payable and have interim receipts of fixed rate interest of 6.5% through 2003 on the U.S. dollar receivable.

The Japanese yen interest rate swaps effectively fixed the interest rate on floating-rate Japanese yen debt at 1.2% in 2000 and 1.4% in 1999. The floating interest rates were based on "LIBOR" rates related to the Japanese yen.

E. Fair Value

The following methods and assumptions were used to estimate the fair value of derivative and other financial instruments at the balance sheet date:

- short-term financial instruments (cash equivalents, accounts receivable and payable, forward-exchange contracts, short-term investments and borrowings)—cost approximates fair value because of the short maturity period
- loans—cost approximates fair value because of the short interest-reset period
- long-term investments, long-term debt, forward-exchange contracts and purchased currency options—fair value is based on market or dealer quotes
- interest rate and currency swap agreements—fair value is based on estimated cost to terminate the agreements (taking into account broker quotes, current interest rates and the counterparties' creditworthiness)

The differences between fair and carrying values of our derivative and other financial instruments were not material at December 31, 2000 and 1999.

F. Credit Risk

We periodically review the creditworthiness of counterparties to foreign exchange and interest rate agreements and do not expect to incur a loss from failure of any counterparties to perform under the agreements. In general, there is no requirement for collateral from customers. There are no significant concentrations of credit risk related to our financial instruments. No individual counterparty credit exposure exceeded 10% of our consolidated *Shareholders' Equity* at December 31, 2000.

7 Comprehensive Income

Changes in accumulated other comprehensive expense follow:

(millions of dollars)	Currency Translation Adjustment	Net Unrealized Gain/(Loss) on Available-For-Sale Securities	Minimum Pension Liability	Accumulated Other Comprehensive Expense*
Balance January 1, 1998	$ (509)	$ 61	$ (76)	$ (524)
Period change	(16)	(16)	(77)	(109)
Balance December 31, 1998	(525)	45	(153)	(633)
Period change	(503)	111	(20)	(412)
Balance December 31 ,1999	(1,028)	156	(173)	(1,045)
Period change	(458)	37	(49)	(470)
Balance December 31, 2000	**$(1,486)**	**$193**	**$(222)**	**$(1,515)**

**Income tax benefit for other comprehensive expense was $103 million in 1998, $163 million in 1999 and $232 million in 2000.*

The change in net unrealized gain/(loss) on available-for-sale securities includes:

(millions of dollars)	2000	1999	1998
Holding gains, net of tax	$ 156	$ 99	$ 10
Reclassification adjustment, net of tax	(119)	12	(26)
Net unrealized gain/(loss) on available-for-sale securities	$ 37	$111	$(16)

8 Inventories

In March 2000, we announced that we were discontinuing the sale of Rezulin. In 2000, we recorded charges of $136 million ($120 million after-tax, or $.02 after-tax per diluted share) in *Other (income)/deductions—net* for the one-time costs, which include inventory write-offs, associated with the withdrawal of Rezulin.

In June 1999, the European Union's Committee for Proprietary Medicinal Products suspended the European Union licenses of the oral and intravenous formulations of Trovan. Based on our evaluation of these events and related matters, in the third quarter of 1999 we recorded a charge of $310 million ($205 million after-tax, or $.03 after-tax per diluted share) in *Cost of sales* to write off Trovan inventories in excess of the amount required to support expected sales.

9 Property, Plant and Equipment

The major categories of property, plant and equipment follow:

(millions of dollars)	Useful Lives (years)	2000	1999
Land	—	$ 200	$ 224
Buildings	33⅓–50	3,898	3,329
Machinery and equipment	8–20	5,152	5,247
Furniture, fixtures and other	3–12½	3,018	2,428
Construction in progress	—	1,866	1,963
		14,134	13,191
Less: accumulated depreciation		4,709	4,506
Total property, plant and equipment		$ 9,425	$ 8,685

10 Other (Income)/Deductions—Net

The components of other (income)/deductions—net follow:

(millions of dollars)	2000	1999	1998
Interest income	$(558)	$(427)	$ (241)
Interest expense	432	401	276
Interest expense capitalized	(46)	(38)	(26)
Net interest (income)/expense	(172)	(64)	9
Gains on sales of research-related equity investments	(216)	—	—
Gain on sale of Rid	(78)	—	—
Gain on sale of the Omnicef brand	(39)	—	—
Loss on sale of Animal Health feed-additive products	85	—	—
Rezulin withdrawal provision	136	—	—
Co-promotion payments to Searle	—	—	240
Contribution to The Pfizer Foundation	—	—	300
Legal settlements involving the brand-name prescription drug antitrust litigation	—	2	57
Amortization of goodwill and other intangibles	120	104	105
Net exchange gains	(59)	(11)	(2)
Other, net	(25)	57	350
Other (income)/deductions—net	$(248)	$ 88	$1,059

11 Restructuring and Asset Impairments—1998

In 1998, we recorded restructuring charges of $270 million. These charges resulted from a review of our global operations to increase efficiencies and return on assets, thereby resulting in plant and product line rationalizations. In addition to the disposition of our MTG businesses, we exited certain product lines. In 1999, we substantially completed the actions under the restructuring plans announced in 1998.

We wrote off assets related to the product lines we exited, including inventory, intangible assets—primarily goodwill—as well as certain buildings, machinery and equipment that we no longer use and our workforce was reduced by approximately 950 manufacturing, sales and corporate personnel.

In 1998, we also recorded asset impairment charges of $213 million—$139 million in the pharmaceuticals segment and $74 million in the consumer products segment. These impairment charges were to adjust intangible asset values, primarily goodwill and trademarks, related to certain consumer health care product lines and the carrying value of machinery and equipment related to Animal Health's antibiotic feed-additive Stafac. These charges resulted from the ban on Stafac throughout the European Union, significant changes in the marketplace and a revision of our strategies, including:

- the decision to redeploy resources from personal care and minor brands to over-the-counter switches of prescription products
- the withdrawal of one of our major over-the-counter products in Italy
- an acquired product line which experienced declines in market share

The charges for the 1998 restructuring and certain asset impairments are included in the following captions in the 1998 consolidated statement of income:

(millions of dollars)	Total	COS*	SI&A*	R&D*	OD*
Restructuring charges	$270	$68	$17	$1	$184
Asset impairments	213	18	—	—	195

**COS—Cost of sales; SI&A—Selling, informational and administrative expenses; R&D—Research and development expenses; OD—Other deductions—net.*

12 Taxes on Income

Income from continuing operations before taxes consisted of the following:

(millions of dollars)	2000	1999	1998
United States	$1,017	$3,098	$1,702
International	4,764	3,847	2,695
Total income from continuing operations before taxes	$5,781	$6,945	$4,397

The provision for taxes on income from continuing operations consisted of the following:

(millions of dollars)	2000	1999	1998
United States:			
Taxes currently payable:			
Federal	$1,563	$1,099	$ 685
State and local	261	72	74
Deferred income taxes	(602)	(237)	(261)
Total U.S. tax provision	1,222	934	498
International:			
Taxes currently payable	684	1,020	840
Deferred income taxes	143	14	(175)
Total international tax provision	827	1,034	665
Total provision for taxes on income	$2,049	$1,968	$1,163

Amounts are reflected in the preceding tables based on the location of the taxing authorities. As of December 31, 2000, we have not made a U.S. tax provision on approximately $14 billion of unremitted earnings of our international subsidiaries. These earnings are expected, for the most part, to be reinvested overseas. It is not practical to compute the estimated deferred tax liability on these earnings.

We operate manufacturing subsidiaries in Puerto Rico that benefit from Puerto Rican incentive grants that expire at the end of 2015. Under the grants, we are partially exempt from income, property and municipal taxes. Under Section 936 of the U.S. Internal Revenue Code, Pfizer is a "grandfathered" entity and is entitled to the benefits under such statute until 2006.

Reconciliation of the U.S. statutory income tax rate to our effective tax rate for continuing operations follows:

(percentages)	2000	1999	1998
U.S. statutory income tax rate	35.0	35.0	35.0
Effect of partially tax-exempt operations in Puerto Rico	(1.2)	(1.5)	(2.0)
U.S. research tax credit	(1.8)	(1.2)	(1.8)
Effect of international operations	(8.6)	(4.6)	(4.7)
Effect of certain merger-related costs	12.1	—	—
All other—net	(0.1)	0.6	(0.1)
Effective tax rate for continuing operations	35.4	28.3	26.4

Deferred taxes arise because of different treatment between financial statement accounting and tax accounting, known as "temporary differences." We record the tax effect of these temporary differences as "deferred tax assets" (generally items that can be used as a tax deduction or credit in future periods) and "deferred tax liabilities" (generally items that we received a tax deduction for, but have not yet been recorded in the statement of income).

The tax effects of the major items recorded as deferred tax assets and liabilities are:

	2000 Deferred Tax		1999 Deferred Tax	
(millions of dollars)	Assets	Liabs.	Assets	Liabs.
Prepaid/deferred items	$ 549	$ 329	$ 463	$ 288
Inventories	474	103	625	123
Property, plant and equipment	31	757	50	694
Employee benefits	922	206	771	226
Restructurings and special charge*	338	61	244	—
Foreign tax credit carryforwards	491	—	270	—
Other carryforwards	716	—	455	—
Unremitted earnings	—	348	—	335
All other	471	258	296	265
Subtotal	3,992	2,062	3,174	1,931
Valuation allowance	(131)	—	(73)	—
Total deferred taxes	$3,861	$2,062	$3,101	$1,931
Net deferred tax asset	$1,799		$1,170	

**Includes tax effect of the 1991 charge for potential future Shiley C/C heart valve fracture claims.*

These deferred tax assets and liabilities, netted by taxing location, are in the following captions in the balance sheet:

(millions of dollars)	2000	1999
Prepaid expenses and taxes	$1,594	$1,157
Other assets, deferred taxes and deferred charges	585	498
Deferred taxes on income	(380)	(485)
Net deferred tax asset	$1,799	$1,170

A valuation allowance is recorded because some items recorded as deferred tax assets may not be deductible or creditable. The foreign tax credit carryforwards were generated from dividends paid or deemed to be paid by subsidiaries to the parent company between 1997 and 2000. We can carry these credits forward for five years from the year of actual payment and apply them to certain U.S. tax liabilities.

The Internal Revenue Service (IRS) has completed and closed its audits of our tax returns through 1995.

In November 1994, Belgian tax authorities notified Pfizer Research and Development Company N.V./S.A. (PRDCO), an indirect, wholly owned subsidiary of our company, of a proposed adjustment to the taxable income of PRDCO for fiscal year 1992. The proposed adjustment arises from an assertion by the Belgian tax authorities of jurisdiction with respect to income resulting primarily from certain transfers of property by our non-Belgian subsidiaries to the Irish branch of PRDCO. In January 1995, PRDCO received an assessment from the tax authorities for additional taxes and interest of approximately $432 million and $97 million, respectively, relating to these matters. In January 1996, PRDCO received an assessment from the tax authorities, for fiscal year 1993, for additional taxes and interest of approximately $86 million and $18 million, respectively. The additional assessment arises from the same assertion by the Belgian tax authorities of jurisdiction with respect to all income of the Irish branch of PRDCO. Based upon the relevant facts regarding the Irish branch of PRDCO and the provisions of the Belgian tax laws and the written opinions of outside counsel, we believe that the assessments are without merit.

We believe that our accrued tax liabilities are adequate for all years.

13 Benefit Plans

Our pension plans cover most employees worldwide. Our postretirement plans provide medical and life insurance benefits to retirees and their eligible dependents.

Information regarding our pension and postretirement benefit obligation follows:

	Pension			Postretirement		
(percentages)	2000	1999	1998	2000	1999	1998
Weighted-average assumptions:						
Discount rate:						
U.S. plans	7.8	7.8	7.0	7.8	7.8	7.0
International plans	5.3	5.3	5.6			
Rate of compensation increase:						
U.S. plans	4.5	4.4	4.2			
International plans	3.7	3.7	3.5			

The following tables present reconciliations of the benefit obligation of the plans; the plan assets of the pension plans and the funded status of the plans:

	Pension		Postretirement	
(millions of dollars)	**2000**	1999	**2000**	1999
Change in benefit obligation				
Benefit obligation at beginning of year	**$6,045**	$5,771	**$ 540**	$ 570
Service cost	**260**	240	**14**	14
Interest cost	**394**	360	**41**	37
Employee contributions	**9**	12	**1**	—
Plan amendments	**23**	15	**—**	2
Plan net (gains)/losses	**168**	84	**19**	(36)
Foreign exchange impact	**(233)**	(18)	**(1)**	—
Acquisitions	**6**	—	**—**	—
Divestitures	**(5)**	(42)	**—**	—
Curtailments	**38**	—	**35**	—
Settlements	**4**	(1)	**—**	—
Benefits paid	**(379)**	(376)	**(45)**	(47)
Benefit obligation at end of year	**$6,330**	$6,045	**$ 604**	$540
Change in plan assets				
Fair value of plan assets at beginning of year	**$6,172**	$5,617		
Actual return on plan assets	**365**	814		
Company contributions	**110**	143		
Employee contributions	**9**	12		
Foreign exchange impact	**(185)**	(18)		
Acquisitions	**1**	—		
Divestitures	**—**	(34)		
Settlements	**2**	(1)		
Benefits paid	**(355)**	(361)		
Fair value of plan assets at end of year	**$6,119**	$6,172		
Funded status:				
Plan assets in excess of/(less than) benefit obligation	**$ (211)**	$ 127	**$(604)**	$(540)
Unrecognized:				
Net transition liability/(asset)	**2**	(6)	**2**	—
Net (gains)/losses	**289**	—	**1**	(11)
Prior service costs	**263**	275	**37**	36
Net amount recognized	**$ 343**	$ 396	**$(564)**	$(515)

The components in the balance sheet consist of:

	Pension		Postretirement	
(millions of dollars)	**2000**	1999	**2000**	1999
Prepaid benefit cost	**$814**	$ 798	**$ —**	$ —
Accrued benefit liability	**(930)**	(816)	**(564)**	(515)
Intangible asset	**56**	82	**—**	—
Accumulated other comprehensive income	**403**	332	**—**	—
Net amount recognized	**$343**	$ 396	**$(564)**	$(515)

Information related to both domestic and international plans follows:

	Pension	
(millions of dollars)	**2000**	1999
Pension plans with an accumulated benefit obligation in excess of plan assets:		
Fair value of plan assets	**$ 438**	$ 435
Accumulated benefit obligation	**988**	924
Pension plans with a benefit obligation in excess of plan assets:		
Fair value of plan assets	**$3,267**	$ 934
Benefit obligation	**4,099**	1,630

At December 31, 2000, the major U.S. pension plans held approximately 6.8 million shares of our common stock with a fair value of approximately $312 million. The plans received approximately $2 million in dividends on these shares in 2000.

The assumptions used and the annual cost related to the U.S. and international plans follow:

	Pension			Postretirement		
(percentages)	**2000**	1999	1998	**2000**	1999	1998
Weighted average assumptions:						
Expected return on plan assets:						
U.S. plans	**10.0**	10.2	10.2			
International plans	**7.6**	7.1	7.8			
(millions of dollars)						
Service cost	**$ 260**	$ 240	$ 211	**$14**	$14	$ 16
Interest cost	**394**	360	341	**41**	37	40
Expected return on plan assets	**(528)**	(487)	(448)			
Amortization of:						
Prior service costs/(gains)	**29**	27	32	**(4)**	3	(9)
Net transition asset	**(6)**	(5)	(6)	**—**	—	—
Net losses	**10**	18	10	**2**	3	2
Curtailments and settlements—net*	**40**	—	33	**35**	—	(22)
Net periodic benefit cost	**$ 199**	$ 153	$ 173	**$88**	$57	$ 27

** Includes special termination pension benefits of $38 million in 2000 and $17 million in 1998.*

An average increase of 6.9% in the cost of health care benefits was assumed for 2001 and is projected to decrease over the next five years to 5.3% and to then remain at that level.

A 1% change in the medical trend rate assumed for postretirement benefits would have the following effects at December 31, 2000:

(millions of dollars)	1% Increase	1% Decrease
Total of service and interest cost components	$ 4	$ (3)
Postretirement benefit obligation	34	(32)

We have savings and investment plans for most employees in the U.S., Puerto Rico, the U.K. and Ireland. Employees may contribute a portion of their salaries to the plans and we match a portion of the employee contributions. Our contributions were $86 million in 2000, $80 million in 1999 and $74 million in 1998.

14 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 $318 million in 2000, $295 million in 1999 and $250 million in 1998. This table shows future minimum rental commitments under noncancellable operating leases at December 31, 2000:

(millions of dollars)	2001	2002	2003	2004	2005	After 2005
Lease commitments	$131	$114	$86	$75	$69	$420

15 Common Stock

We effected a three-for-one stock split of our common stock in the form of a 200% stock dividend in 1999. All share and per share information in this report reflects the stock split. Per share data may reflect rounding adjustments as a result of the stock split.

A $5 billion share-purchase program was begun in September 1998. In April 2000, at which time we had purchased under this program 83.4 million shares at a total cost of $3.1 billion, the Board of Directors voted to continue the program up to limits of the then-remaining $1.9 billion in additional cost and 140 million additional shares. In September 2000, the Board of Directors authorized a nine-month extension of this program up to limits of the then-remaining $1.2 billion in cost with a maximum of 140 million additional shares. This extension reflected the fact that, during the first and second quarters of 2000, we suspended our share purchases because of the then-pending Warner-Lambert merger and thus could not complete the authorized purchase program by its originally envisioned completion date. In 2000, we purchased approximately 23.1 million shares of our common stock in the open market at an average price of $43.46 per share. In 1999, we purchased approximately 65.6 million shares of our common stock in the open market at an average price of $38 per share. Since the beginning of this program, we have purchased 106.5 million shares of our common stock for approximately $4.1 billion through December 31, 2000. We are on track to complete the current authorization during the first half of 2001.

16 Preferred Stock Purchase Rights

Preferred Stock Purchase Rights have a scheduled term through October 2007, although the term may be extended or the Rights may be redeemed prior to expiration. One right was issued for each share of common stock issued by our company. These rights are not exercisable unless certain change-in-control events transpire, such as a person acquiring or obtaining the right to acquire beneficial ownership of 15% or more of our outstanding common stock or an announcement of a tender offer for at least 30% of our stock. The rights are evidenced by corresponding common stock certificates and automatically trade with the common stock unless an event transpires that makes them exercisable. If the rights become exercisable, separate certificates evidencing the rights will be distributed and each right will entitle the holder to purchase a new series of preferred stock at a defined price from our company. The preferred stock, in addition to preferred dividend and liquidation rights, will entitle the holder to vote with the company's common stock.

The rights are redeemable by us at a fixed price until 10 days, or longer as determined by the Board, after certain defined events, or at any time prior to the expiration of the rights.

We have reserved 3.0 million preferred shares to be issued pursuant to these rights. No such shares have yet been issued. At the present time, the rights have no dilutive effect on the earnings per common share calculation.

17 Employee Benefit Trusts

In 1993, we sold 120 million shares of treasury stock to the Pfizer Inc. Grantor Trust in exchange for a $600 million note. The Trust was established primarily to fund our employee benefit plans. In February 1999, the Trust transferred 10 million shares to us to satisfy the balance due on its note and contributed its remaining 90 million shares to the newly established Pfizer Inc. Employee Benefit Trust (EBT). The Grantor Trust was then dissolved. Shares of the EBT are used to fund employee benefit plans. The balance sheet reflects the fair value of the shares owned by the EBT as a reduction of *Shareholders' Equity.*

18 Earnings Per Share

Basic earnings per common share and diluted earnings per common share were computed as follows:

(millions, except per share data)	2000	1999	1998
Earnings:			
Income from continuing operations	$3,718	$4,972	$3,232
Discontinued operations—net of tax	8	(20)	1,401
Net income	$3,726	$4,952	$4,633
Basic:			
Weighted average number of common shares outstanding	6,210	6,126	6,120
Earnings per common share			
Income from continuing operations	$ .60	$ .81	$ .53
Discontinued operations—net of tax	—	—	.23
Net income	$ .60	$ .81	$ .76
Diluted:			
Weighted average number of common shares outstanding	6,210	6,126	6,120
Common share equivalents—stock options and stock issuable under employee compensation plans	158	191	242
Weighted average number of common shares and common share equivalents	6,368	6,317	6,362
Earnings per common share			
Income from continuing operations	$ .59	$ .79	$ .51
Discontinued operations—net of tax	—	(.01)	.22
Net income	$ .59	$ .78	$ .73

Outstanding options to purchase 115 million shares during 1999 were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares.

19 Stock Option and Performance Unit Awards

We have stock and incentive plans related to employees which allow for stock options, performance unit awards, stock appreciation rights and stock awards.

We may grant stock options to employees, including officers, under the plans. Options are exercisable after five years or less, subject to continuous employment and certain other conditions and expire 10 years after the grant date. Once exercisable, the employee can purchase shares of our common stock at the market price on the date we granted the option. The 1996 Stock Plan, a former Warner-Lambert plan, provides that, in the event of a change in control of Warner-Lambert, stock options already granted become exercisable immediately.

Shares available for award (in thousands) at:

- December 31, 1998 79,578
- December 31, 1999 198,423
- December 31, 2000 137,248

The table below summarizes information concerning options outstanding under the plans at December 31, 2000:

(thousands of shares)	Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/00	Weighted Average Remaining Contractual Term (years)	Weighted Average Exercise Price	Number Exercisable at 12/31/00	Weighted Average Exercise Price
$ 0 – $ 5	12,813	2.8	$ 4.06	12,807	$ 4.06
5 – 10	81,549	3.7	6.61	81,528	6.61
10 – 15	58,533	5.9	11.60	55,906	11.57
15 – 20	49,692	6.7	17.90	46,640	17.89
20 – 30	23,139	8.1	24.92	22,540	24.94
30 – 40	106,628	8.4	33.63	59,862	33.57
over 40	63,260	8.2	42.07	13,316	42.07

The following table summarizes the activity for the plans:

	Under Option	
(thousands of shares)	Shares	Weighted Average Exercise Price Per Share
Balance January 1, 1998	461,416	$ 8.00
Granted	79,524	29.07
Exercised	(81,607)	6.17
Cancelled	(5,008)	12.44
Balance December 31, 1998	454,325	11.97
Granted	94,168	37.32
Exercised	(75,872)	7.81
Cancelled	(5,641)	25.63
Balance December 31, 1999	466,980	17.59
Granted	65,863	32.49
Exercised	(130,756)	8.79
Cancelled	(6,473)	34.23
Balance December 31, 2000	**395,614**	**22.71**

Options granted in 1999 include options for 450 shares granted to every eligible pre-merger Pfizer employee worldwide in celebration of our 150th Anniversary.

The tax benefits related to certain stock option transactions were $1,306 million in 2000, $470 million in 1999 and $439 million in 1998.

The weighted-average fair value per stock option granted was $11.12 for 2000, $11.79 for 1999 options and $9.10 for 1998 options. We estimated the fair values using the Black-Scholes option pricing model, modified for dividends and using the following assumptions:

	2000	1999	1998
Expected dividend yield	1.54%	1.26%	1.47%
Risk-free interest rate	6.65%	5.06%	5.34%
Expected stock price volatility	30.68%	26.22%	25.59%
Expected term until exercise (years)	5.35	5.75	5.80

The following table summarizes results as if we had recorded compensation expense for the 2000, 1999 and 1998 option grants:

(millions of dollars, except per share data)	2000	1999	1998
Net income:			
As reported	$3,726	$4,952	$4,633
Pro forma	2,919	4,433	4,361
Basic earnings per share:			
As reported	$ .60	$ .81	$ .76
Pro forma	.47	.72	.71
Diluted earnings per share:			
As reported	$ .59	$ .78	$ .73
Pro forma	.46	.70	.69

The Performance-Contingent Share Award Program was established effective in 1993 to provide executives and other key employees the right to earn common stock awards. We determine the award payouts after the performance period ends, based on specific performance criteria. Under the Program, up to 120 million shares may be awarded. We awarded approximately 2.3 million shares in 2000, approximately 2.3 million shares in 1999 and approximately 2.0 million shares in 1998. At December 31, 2000, program participants had the right to earn up to 13.1 million additional shares. Compensation expense related to the Program was $170 million in 2000, $64 million in 1999 and $202 million in 1998.

We entered into two forward-purchase contracts in 1999 which were subsequently extended. These contracts offset the potential impact on net income of our liability under the Program. At settlement date we will, at the option of the counterparty to the contract, either receive our own stock or settle the contracts for cash. Other contract terms are as follows:

		Maximum Maturity in Years	
Number of Shares (thousands)	Per Share	2000	1999
3,017	$33.75	—	.9
3,032	33.80	.9	—

The financial statements include the following items related to these contracts:

Prepaid expenses and taxes includes:

- fair value of these contracts

Other (income)/deductions—net includes:

- changes in the fair value of these contracts

20 Insurance

We maintain insurance coverage adequate for our needs. Under our insurance contracts, we usually accept self-insured retentions appropriate for our specific business risks.

21 Litigation

The Company is involved in a number of claims and litigations, including product liability claims and litigations considered normal in the nature of its businesses. These include suits involving various pharmaceutical and hospital products that allege either reaction to or injury from use of the product. In addition, from time to time the Company is involved in, or is the subject of, various governmental or agency inquiries or investigations relating to its businesses.

Patent Litigation

Nifedipine Patents

On June 9, 1997, the Company received notice of the filing of an Abbreviated New Drug Application (ANDA) by Mylan Pharmaceuticals for a sustained-release nifedipine product asserted to be bioequivalent to Procardia XL. Mylan's notice asserted that the proposed formulation does not infringe relevant licensed Alza and Bayer patents and thus that approval of their ANDA should be granted before patent expiration. On July 18, 1997, the Company, together with Bayer AG and Bayer Corporation, filed a patent-infringement suit against Mylan Pharmaceuticals Inc. and Mylan Laboratories Inc. in the U.S. District Court for the Western District of Pennsylvania with respect to Mylan's ANDA. Suit was filed under Bayer AG's U.S. Patent No. 5,264,446, licensed to the Company, relating to nifedipine of a specified particle size range. On March 16, 1999, the court granted Mylan's motion to file an amended answer and antitrust counterclaims. On December 17, 1999, Mylan received final approval from the FDA for its 30 mg. extended-release nifedipine tablet. On February 28, 2000, a settlement agreement was entered into between Mylan and the Company under which the litigation was terminated and Mylan will market a generic sustained-release nifedipine product manufactured by the Company under its own trademark.

On or about February 23, 1998, Bayer AG received notice that Biovail Laboratories Incorporated had filed an ANDA for a sustained-release nifedipine product asserted to be bioequivalent to one dosage strength (60 mg.) of Procardia XL. The notice was subsequently received by the Company as well. The notice asserts that the Biovail product does not infringe Bayer's U.S. Patent No. 5,264,446. On March 26, 1998, the Company received notice of the filing of an ANDA by Biovail Laboratories of a 30 mg. dosage formulation of nifedipine alleged to be bioequivalent to Procardia XL. On April 2, 1998, Bayer and Pfizer filed a patent-infringement action against Biovail, relating to their 60 mg. nifedipine product, in the U.S. District Court for the District of Puerto Rico. On May 6, 1998, Bayer and Pfizer filed a second patent infringement action in Puerto Rico against Biovail under the same patent with respect to Biovail's 30 mg. nifedipine product. These actions have been consolidated for discovery and trial. On April 24, 1998, Biovail Laboratories Inc. brought suit in the U.S. District Court for the Western District of Pennsylvania against the Company and Bayer seeking a declaratory judgment of invalidity of and/or non-infringement of the 5,264,446 nifedipine patent as well as a finding of violation of the antitrust laws. Biovail has also moved to transfer the patent infringement actions from Puerto Rico to the Western District of Pennsylvania. Pfizer has

opposed this motion to transfer and on June 19, 1998, moved to dismiss Biovail's declaratory judgment action and antitrust action in the Western District of Pennsylvania, or in the alternative, to stay the action pending the outcome of the infringement actions in Puerto Rico. On January 4, 1999, the court in Pennsylvania granted Pfizer's motion for a stay of the antitrust action pending the outcome of the infringement actions in Puerto Rico. On January 29, 1999, the court in Puerto Rico denied Biovail's motion to transfer the patent infringement actions from Puerto Rico to the Western District of Pennsylvania. On April 12, 1999, Biovail filed a motion for summary judgment based in part on the summary judgment motion granted to Elan in the Bayer v. Elan litigation in the Northern District of Georgia. Pfizer and Bayer's response was filed on April 26, 1999. On September 20, 1999, the court in Puerto Rico denied Biovail's motion for summary judgment without prejudice to their refiling after completion of discovery in the Procardia XL patent-infringement litigation. Fact discovery has been completed, but expert discovery continues.

On April 2, 1998, the Company received notice from Lek U.S.A. Inc. of its filing of an ANDA for a 60 mg. formulation of nifedipine alleged to be bioequivalent to Procardia XL. On May 14, 1998, Bayer and Pfizer commenced suit in the U.S. District Court for the District of New Jersey against Lek for infringement of Bayer's U.S. Patent No. 5,264,446, as well as for infringement of a second Bayer patent, No. 4,412,986 relating to combinations of nifedipine with certain polymeric materials. Plaintiffs amended the complaint on November 10, 1998, limiting the action to infringement of U.S. Patent 4,412,986. On January 19, 1999, Lek filed a motion to dismiss the complaint alleging non-infringement of U.S. Patent 4,412,986. Pfizer responded to this motion and oral argument was held in abeyance pending a settlement conference. In September 1999, a settlement agreement was entered into among the parties staying this litigation until the expiration of U.S. Patent No. 4,412,986 on November 2, 2000. This suit has now been dismissed.

On February 10, 1999, the Company received a notice from Lek U.S.A. of its filing of an ANDA for a 90 mg. formulation of nifedipine alleged to be bioequivalent to Procardia XL. On March 25, 1999, Bayer and Pfizer commenced suit in the U.S. District Court for the District of New Jersey against Lek for infringement of the same two Bayer patents originally asserted against Lek's 60 mg. formulation. This case was also the subject of a settlement conference. In September, 1999, a settlement agreement was entered into among the parties staying this litigation until the expiration of U.S. Patent No. 4,412,986 on November 2, 2000. This suit has now been dismissed.

On November 9, 1998, Pfizer received an ANDA notice letter from Martec Pharmaceutical, Inc. for generic versions (30 mg., 60 mg., 90 mg.) of Procardia XL. On or about December 18, 1998, Pfizer received a new ANDA certification letter stating that the ANDA had actually been filed in the name of Martec Scientific, Inc. On December 23, 1998, Pfizer brought an action against Martec Pharmaceutical, Inc. and Martec Scientific, Inc. in the U.S. District Court for the Western District of Missouri for infringement of Bayer's patent relating to nifedipine of a specific particle size. On January 26, 1999, a second complaint was filed against Martec Scientific in the U.S. District Court for the Western District of Missouri based on Martec's new ANDA certification letter. Martec filed its response to this complaint on February 26, 1999. These actions were settled and dismissed on consent on July 6, 2000.

On September 26, 2000, Pfizer received an ANDA notice letter from Andrx Pharmaceuticals, Inc. for a generic version of 60 mg. Procardia XL. On November 9 Bayer and Pfizer brought suit against Andrx in the U.S. District Court for the Southern District of Florida for infringement of Bayer's U.S. Patent No. 5,264,446.

Pfizer filed suit on July 8, 1997, against the FDA in the U.S. District Court for the District of Columbia, seeking a declaratory judgment and injunctive relief enjoining the FDA from processing Mylan's ANDA or any other ANDA submission referencing Procardia XL that uses a different extended-release mechanism. Pfizer's suit alleges that extended-release mechanisms that are not identical to the osmotic pump mechanism of Procardia XL constitute different dosage forms requiring the filing and approval of suitability petitions under the Food Drug and Cosmetics Act before the FDA can accept an ANDA for filing. Mylan intervened in Pfizer's suit. On March 31, 1998, the court granted the government's motion for summary judgment against the Company. On July 16, 1999, the D.C. Court of Appeals dismissed the appeal on the ground that since the FDA had not approved any ANDA referencing Procardia XL that uses a different extended-release mechanism than the osmotic pump mechanism of Procardia XL, it was premature to maintain this action, stating that Pfizer has the right to bring such an action if, and when, the FDA approves such an ANDA. Subsequent to FDA's final approval of Mylan's ANDA, on December 18, 1999 Pfizer filed suit against FDA in the United States District Court for the District of Delaware. The suit alleges that FDA unlawfully approved Mylan's 30 mg. extended release product because FDA had not granted an ANDA suitability petition reflecting a difference in dosage form from Procardia XL. As a result of the settlement agreement with Mylan, Pfizer and the FDA have agreed to dismiss this suit without prejudice.

As has been publicly reported, the Federal Trade Commission is conducting a review of brand-name and generic drug litigations, settlements and agreements. As part of this overall review, documents in connection with certain of the litigations set forth above have been provided to the Commission.

Zoloft Patents

On December 17, 1999, the Company received notice of the filing of an ANDA by Zenith Goldline Pharmaceuticals for 50 mg. and 100 mg. tablets of sertraline hydrochloride alleged to be bioequivalent to Zoloft. Zenith has certified to the FDA that it will not engage in the manufacture, use or sale of sertraline hydrochloride until the expiration of Pfizer's U.S. Patent 4,536,518, which covers sertraline per se and expires December 30, 2005. Zenith has also alleged in its certification to the FDA that the manufacture, use and sale of Zenith's product will not infringe Pfizer's U.S. Patent 4,962,128, which covers methods of treating an anxiety-related disorder or Pfizer's U.S. Patent 5,248,699, which covers a crystalline polymorph of sertraline hydrochloride. These patents expire in November 2009 and August 2012, respectively. On January 28, 2000, the Company filed a patent infringement action against Zenith Goldline and its parent Ivax Corporation in the U.S. District Court for the District of New Jersey

for infringement of the '128 and '699 Patents. Zenith Goldline filed its answer on March 10, 2000, denying infringement. Discovery is in progress and a bench trial has been set for June 2001.

Fluconazole Patent

On February 1, 2000, the Company received notice of the filing of an ANDA by Novopharm Limited for 50 mg., 100 mg., 150 mg. and 200 mg. tablets of fluconazole alleged to be bioequivalent to Diflucan. Novopharm has certified to the FDA its position that the Company's U.S. Patent 4,404,216, which covers fluconazole, is invalid. This patent expires in January 2004. On March 10, 2000, the Company filed a patent infringement action under the '216 Patent against Novopharm in the U.S. District Court for the Northern District of Illinois. Discovery is ongoing. No trial date has been set.

Neurontin Patents

In April 1998 Warner-Lambert received an ANDA notice from Purepac Pharmaceutical Co., relating to 100 mg., 300 mg., and 400 mg. gabapentin capsules, which certified Purepac's opinion that the proposed Purepac products do not infringe Warner-Lambert's U.S. Patent 4,894,476 directed to gabapentin monohydrate and that the '476 Patent is invalid in view of the prior art. In June 1998 Warner-Lambert filed a lawsuit in the U.S. District Court for the District of New Jersey against Purepac and Faulding Inc., its parent company, for infringement of the '476 Patent and U.S. Patent 5,084,479 directed to a method for treating neurodegenerative diseases with compounds including gabapentin. The defendants filed a counterclaim for unfair competition under New Jersey law based upon alleged improper listing of the'476 Patent in the FDA "Orange Book" and alleged absence of probable cause for filing suit on the '476 and '479 Patents. In August 1999 the court denied the defendants' motion for summary judgment of non-infringement of the '476 and '479 Patents, and in December 2000 the court denied the Company's motion for summary judgment dismissing the defendants' counterclaim for unfair completion but bifurcated this counterclaim from the patent infringement claims for discovery and trial. Discovery on the patent infringement claims is in progress.

In May 1998 Warner-Lambert received two ANDA notice letters from TorPharm, Inc., relating to 100 mg., 300 mg., and 400 mg. gabapentin capsules, which certified TorPharm's opinion that the proposed products of its Apotex Corp. agent do not infringe Warner-Lambert's U.S. Patents 4,894,476 and 5,084,479. Warner-Lambert filed a lawsuit in the U.S. District Court for the Northern District of Illinois for infringement of the '476 and '479 Patents. In April 1999 the court denied the defendants' motion for summary judgment of non-infringement of the '479 Patent. Discovery is in progress and the parties have fully briefed the defendants' motion for summary judgment of non-infringement of the '476 Patent.

In November 1999 Warner-Lambert received an ANDA notice letter from Faulding Inc., related to 600 mg. and 800 mg. gabapentin tablets, which certified Faulding's opinion that the proposed products of its Purepac Pharmaceutical Co. subsidiary do not infringe the '476 Patent and that this patent is invalid in view of the prior art. In December 1999 Warner-Lambert filed a lawsuit in the U.S. District Court for the District of New Jersey for infringement of the '476 and '479 Patents. The defendants filed counterclaims for unfair competition under New Jersey law and federal anti-trust law violations, and in December 2000 the Court denied the Company's motion to dismiss these counterclaims. Discovery is in progress.

In November 1999 Apotex Corp. and Apotex Inc. filed suit against Warner-Lambert in the U.S. District Court for the Northern District of Illinois alleging federal antitrust violations. Warner-Lambert filed a motion to dismiss the action which was granted. Apotex subsequently added antitrust counterclaims to the copending gabapentin capsule patent infringement suit in the Northern District of Illinois. This counterclaim has been stayed pending resolution of the patent infringement issues.

In February 1999 Geneva Pharmaceuticals, Inc., filed an action in the U.S. District Court for the Eastern District of Michigan against Warner-Lambert for a declaratory judgment that its proposed 100 mg., 300 mg. and 400 mg. gabapentin capsule products do not infringe the '476 Patent directed to gabapentin monohydrate. This action has been transferred to the U.S. District Court for the District of New Jersey. Discovery is in progress. The Company's motion to dismiss this complaint and Geneva's motion for summary judgment of non-infringement are pending.

On April 25, 2000, U.S. Patent 6,054,482, which claims anhydrous gabapentin formulations containing low levels of lactam and mineral acid, was issued to Warner-Lambert's Godecke Aktiengesellschaft subsidiary (Godecke). This patent was listed in the FDA's "Orange Book" under the Company's Neurontin capsule and tablet products on the same day. On April 28 Purepac Pharmaceutical Co. (Purepac) and Faulding Inc. filed suit in the U.S. District Court for the District of New Jersey against Warner-Lambert and Godecke for a declaratory judgment that the '482 Patent is invalid and would not be infringed by Purepac's proposed gabapentin capsule and tablet products. On June 15 Warner-Lambert and Godecke moved to dismiss the complaint, and also filed suit in the same court against Purepac and Faulding Inc. seeking orders enjoining them from pursuing their declaratory judgment action and compelling them to submit appropriate certifications to the FDA regarding the '482 Patent. This suit also alleges infringement of the '482 Patent. On June 15 Warner-Lambert received a notice letter from Purepac and Faulding Inc. which certified their position that the proposed Purepac gabapentin tablet and capsule products do not infringe the '482 Patent. On July 20, Pfizer, Warner-Lambert, and Godecke filed another suit in federal court in New Jersey against Purepac and Faulding Inc. for infringement of the '482 Patent. The defendant's answer to this last suit includes counterclaims for antitrust violations under the Sherman Act and unfair competition. The three suits were consolidated and the April 28 suit was dismissed by the court. On November 27 the Company filed a motion to dismiss the counterclaims in the July 20 suit and on January 16, 2001, the defendants filed a motion for summary judgment of non-infringement. Discovery is in progress.

On June 15, 2000, Warner-Lambert received a notice letter from TorPharm, Inc., certifying its opinion that the proposed gabapentin capsule products of its Apotex Corp. agent do not infringe the '482 Patent. On July 20 Pfizer, Warner-Lambert, and Godecke filed suit in the U.S. District Court for the Northern District of Illinois for

infringement of the '482 Patent. The defendant's answer includes counterclaims for antitrust violations under the Sherman Act. On November 6 the Company filed a motion to dismiss these counterclaims.

On July 25, 2000, Warner-Lambert received a notice letter from Teva Pharmaceuticals USA (Teva), relating to 600 mg. and 800 mg. gabapentin tablets, which certified Teva's opinion that its proposed products do not infringe the '482 Patent, and on September 7 a similar notice letter relating to 100 mg., 300 mg., and 400 mg. gabapentin capsules, which also stated Teva's opinion that the '482 Patent is invalid. On August 24 and September 20, Pfizer, Warner-Lambert and Godecke filed two lawsuits, for tablets and capsules respectively, in the U.S. District Court for the District of New Jersey against Teva and Teva Pharmaceuticals Industries Ltd. for infringement of the '482 Patent.

On October 2, 2000, the Company filed a motion with the Federal Judicial Panel on Multidistrict Litigation to consolidate all of the patent cases involving U.S. Patent 6,054,482 for pretrial proceedings in the U.S. District Court for the District of New Jersey. Purepac/Faulding Inc. and Apotex/TorPharm filed oppositions. This motion was argued on January 18, 2001.

In November 2000, Warner-Lambert and Godecke received notice letters from Zenith Goldline Pharmaceuticals, Inc. relating to its proposed 100 mg., 300 mg. and 400 mg. gabapentin capsules, certifying Zenith's opinion that the Company's '482 Patent is invalid. On December 14, Pfizer Inc., Warner-Lambert and Godecke filed suit in the U.S. District Court for the District of New Jersey against Zenith Laboratories, Inc., Zenith Goldline Pharmaceuticals, Inc. and Ivax Corporation (Zenith's parent company) for infringement of the '482 Patent. In December 2000 Warner-Lambert received a notice letter from Zenith Goldline Pharmaceuticals, Inc. notifying Warner-Lambert that Zenith had filed an ANDA on 600 mg. and 800 mg. gabapentin tablets and certifying Zenith's opinion that the '482 Patent is invalid, and also that the '476 Patent and the '479 Patent are both invalid and would not be infringed by the manufacture, use or sale of the proposed Zenith tablet product. In January and February the Company filed suits against Zenith Laboratories, Inc., Zenith Goldline Pharmaceuticals, Inc. and Ivax Corporation in the U.S. District Court for the District of New Jersey for infringement of the '482 Patent (January suit) and the '476 and '479 Patents (February suit).

Celebrex Litigation

On April 11, 2000, the University of Rochester filed a patent infringement action in the U.S. District Court for the Western District of New York against the Company, G.D. Searle & Co., Inc., Monsanto Co., and Pharmacia Corp., under its U.S. Patent No. 6,048,850, relating to the use of COX-2 inhibiting compounds. It is alleged that sales of Celebrex infringe the broad method of use claims of this patent. The Company has answered denying infringement. Discovery is in progress. No trial date has been set.

Quinapril Patents

In January 1999 Warner-Lambert received a letter from Teva Pharmaceuticals USA informing it that Teva had filed an ANDA on 40 mg. quinapril hydrochloride tablets allegedly bioequivalent to the Company's ACCUPRIL product. This letter also certified Teva's opinion that the Company's U.S. Patent 4,473,450, which is directed to stable formulations of ACE inhibitor compounds and expires in February 2007, is invalid, and further informed us that manufacture, use and sale of the proposed product would await expiration of the basic product patent on quinapril hydrochloride (U.S. Patent 4,344,949) in October 2002. In March Warner-Lambert filed suit against Teva Pharmaceuticals USA in the U.S. District Court for the District of New Jersey for infringement of the '450 Patent. Discovery is in progress. No trial date has yet been scheduled.

Two additional ANDA notification letters related to quinapril hydrochloride tablets were received by the Company in January 2001, one from Geneva Pharmaceuticals, Inc. and another from Andrx Pharmaceuticals, LLC. These letters certify opinions that the '450 Patent is invalid and would not be infringed by the proposed generic products, and are being evaluated by the Company.

Schneider Catheter Litigation

On July 28, 2000, Dr. Tassilo Bonzel filed a suit against the Company and various currently or formerly affiliated codefendants in Minnesota state court alleging breach of contract, fraudulent transfer of his license agreement with Schneider (Europe) AG, unjust enrichment, breach of fiduciary duty, tortious interference with contractual relationship, and civil conspiracy, and seeking a declaratory judgment that Dr. Bonzel is free to terminate the aforementioned license agreement. The claims arise from the Company's 1998 sale of the Schneider companies to Boston Scientific Corporation (BSC), which is named in Dr. Bonzel's complaint as an involuntary plaintiff. On August 28 the Company and BSC removed the suit to the U.S. District Court for the District of Minnesota and on August 30 Dr. Bonzel filed a motion to remand it to state court, which the Company and BSC opposed. On September 5 BSC filed an action in the U.S. District Court for the District of Massachusetts for a declaratory judgment that its license with Dr. Bonzel cannot be revoked and thus that it would not be infringing Dr. Bonzel's patents on rapid exchange catheters. Additionally, on September 18 BSC filed a motion with the federal court in Minnesota to be dismissed from that action as an involuntary plaintiff.

Trademark and Unfair Competition

Trovan Trademark

On September 22, 1999, the jury in a trademark-infringement litigation brought against Pfizer in the U.S. District Court for the Central District of California by Trovan Ltd. and Electronic Identification Devices, Ltd. relating to use of the Trovan mark for trovafloxacin issued a verdict in favor of the plaintiffs with respect to liability, holding that the Company had infringed Trovan Ltd.'s mark and had acted in bad faith. Following a further damage trial, on October 12, 1999, the jury awarded Trovan Ltd. a total of $143 million in damages, comprised of $5 million actual damages, $3 million as a reasonable royalty and $135 million in punitive damages. The court held a hearing on December 27, 1999, on whether to award the plaintiffs profits based on the Company's sales of Trovan and, if so,

the amount of same. On February 24, 2000, the court entered judgment on the jury verdict and enjoined the Company's use of the Trovan mark effective October 16, 2000. The plaintiff's request to be awarded the Company's profits from Trovan sales and for treble damages was denied. Following a hearing on March 24, 2000 the court vacated its previous rulings based on the jury verdicts, including the injunction against continued use of Trovan and the cancellation of the Company's U.S. trademark registration, and granted the motion for mistrial. The court also granted the Company's remittitur motions, eliminating the "reasonable royalty" award ($3 million) and reducing the maximum damages award from $8 million to $500,000 and the maximum enhanced award from $135 million to $1.5 million. The plaintiffs have appealed to the Ninth Circuit Court of Appeals the district court's refusal to enjoin the Company's continued use of the Trovan trademark. Additionally, the district court (at the plaintiffs' request) has certified certain legal issues to the Ninth Circuit for determination before the case is retried.

Zyrtec Litigation

On October 5, 1998, Schering-Plough, Inc., sought, in the U.S. District Court for the Southern District of New York, and was denied, a temporary restraining order and moved for a temporary injunction based on its allegations that Pfizer breached a 1996 settlement agreement arising from an earlier Lanham Act suit involving the promotion of Zyrtec, in competition with Schering's Claritin. On appeal to the Second Circuit Court of Appeals, the decision denying Schering's request for a preliminary injunction was vacated and the case was remanded to the District Court. The Second Circuit found that the District Court should have made more detailed findings on the reliability of the surveys used to support the motion. Following a hearing, the District Court entered a preliminary injunction which prohibits Pfizer from claiming that Zyrtec is non-sedating or essentially non-sedating. A trial on a permanent injunction is anticipated in 2002.

Products Liability Litigation

Shiley Incorporated

As previously disclosed, a number of lawsuits and claims have been brought against the Company and Shiley Incorporated, a wholly owned subsidiary, alleging either personal injury from fracture of 60 degree or 70 degree Shiley Convexo Concave ("C/C") heart valves, or anxiety that properly functioning implanted valves might fracture in the future, or personal injury from a prophylactic replacement of a functioning valve.

In an attempt to resolve all claims alleging anxiety that properly functioning valves might fracture in the future, the Company entered into a settlement agreement in January 1992 in Bowling v. Shiley, et al., a case brought in the U.S. District Court for the Southern District of Ohio, that established a worldwide settlement class of people with C/C heart valves and their spouses, except those who elected to exclude themselves. The settlement provided for a Consultation Fund of $90 million, which was fixed by the number of claims filed, from which valve recipients received payments that are intended to cover their cost of consultation with cardiologists or other health care providers with respect to their valves. The settlement agreement established a second fund of at least $75 million to support C/C valve-related research, including the development of techniques to identify valve recipients who may have significant risk of fracture, and to cover the unreimbursed medical expenses that valve recipients may incur for certain procedures related to the valves. The Company's obligation as to coverage of these unreimbursed medical expenses is not subject to any dollar limitation. Following a hearing on the fairness of the settlement, it was approved by the court on August 19, 1992, and all appeals have been exhausted.

Generally, plaintiffs in heart valve litigations seek money damages. Based on the experience of the Company in defending these claims to date, including insurance proceeds and reserves, the Company is of the opinion that such actions should not have a material adverse effect on the financial position or results of the Company. Litigation involving insurance coverage for the Company's heart valve liabilities has been resolved.

Rezulin

Rezulin, a Warner-Lambert oral therapy for the treatment of type 2 diabetes, was launched in the United States in March 1997 and withdrawn from the market in March 2000, following reports of liver damage, including liver failure requiring liver transplants, and death. The package insert for Rezulin was revised in October 1997 in response to post-marketing reports of adverse liver events. The revised labeling recommended that physicians monitor liver enzymes periodically. The labeling subsequently was changed three times to increase the recommended frequency of liver enzyme monitoring and to add other information regarding indications and adverse liver events.

Since Rezulin's withdrawal from the market, a number of suits and claims against Warner-Lambert (and in some instances against the Company as well) have been filed. As of the beginning of January 2001, 46 Federal and 16 state class action suits have been filed seeking medical monitoring; Federal and state suits seeking damages or restitution for personal injuries on behalf of about 1,100 Rezulin patients; and claims on behalf of 160 Rezulin patients.

The cases filed in or removed to Federal courts have been consolidated for certain pretrial purposes in the U.S. District Court for the Southern District of New York by order of the Judicial Panel on Multi-District Litigation, and the class actions seeking medical monitoring are being consolidated under a single class complaint. Most of these cases are in early stages of discovery.

The Company is defending these actions and, considering its insurance and reserves, is of the opinion that these actions should not have a material adverse effect on the financial position or results of the Company.

Trovan

During May and June, 1999, the FDA and the European Union's Committee for Proprietary Medicinal Products (CPMP) reconsidered the approvals to market Trovan, a broad-spectrum antibiotic, following post-market reports of severe adverse liver reactions to the drug. On June 9, 1999, the Company announced that, regarding the marketing of Trovan in the United States, it had agreed to restrict the indications, limit product distribution, make certain other labeling

changes and to communicate revised warnings to health care professionals in the United States. On July 1, 1999, Pfizer received the opinion of the CPMP recommending a one-year suspension of the licenses to market Trovan in the European Union. The CPMP opinion has been finalized in a Final Decision by the European Commission.

Since June 1999, several suits, in both Federal and state courts, and claims, on behalf of approximately 25 Trovan patients have been received by the Company alleging liver injuries due to injection of Trovan. Approximately half of these matters have been resolved. There are also three purported state court class actions seeking damages and injunctive relief on behalf of Trovan patients and their spouses. The cases are in early stages of discovery.

The Company is defending these actions and, considering its insurance and reserves, is of the opinion that these actions should not have a material adverse effect on the financial position or results of the Company.

Asbestos Matters

Through the early 1970s, Pfizer Inc. (Minerals Division) and Quigley Company, Inc. ("Quigley"), a wholly owned subsidiary, sold a minimal amount of one construction product and several refractory products containing some asbestos. These sales were discontinued thereafter. Although these sales represented a minor market share, the Company has been named as one of a number of defendants in numerous lawsuits. These actions, and actions related to the Company's sale of talc products in the past, claim personal injury resulting from exposure to asbestos-containing products, and nearly all seek general and punitive damages. In these actions, the Company or Quigley is typically one of a number of defendants, and both have been members of the Center for Claims Resolution (the "CCR"), a joint defense organization of several defendants that has been defending these claims. The Company and Quigley have been responsible for varying percentages of defense and liability payments for all members of the CCR. With the reformation and/or dissolution of CCR, the Company and Quigley will defend the litigation separately from other CCR members. A number of cases alleging property damage from asbestos-containing products installed in buildings have also been brought against the Company, but most have been resolved and none are active.

As of December 2000, there were 58,346 personal injury claims pending against Quigley and 33,165 such claims against the Company (excluding those that are inactive or have been settled in principle), and 67 talc cases against the Company.

The Company believes that its costs incurred in defending and ultimately disposing of the asbestos personal injury claims, as well as the property damage and talc claims, will be largely covered by insurance policies issued by several primary insurance carriers and a number of excess carriers that have agreed to provide coverage, subject to deductibles, exclusions, retentions and policy limits. Litigation against excess insurance carriers seeking damages and/or declaratory relief to secure their coverage obligations has been largely resolved.

From 1967 to 1982, a Warner-Lambert subsidiary owned American Optical Company, which at certain times manufactured a line of personal protective clothing and respirators for use in general industrial settings. Certain of the protective clothing items (e.g., certain gloves) contained asbestos. American Optical discontinued production of protective clothing in 1976, and sold its protective clothing business in its entirety in 1977. In May 1982, Warner-Lambert sold American Optical. As part of that sale, the Warner-Lambert subsidiary agreed to indemnify the purchaser against product liability claims arising out of alleged use or exposure to American Optical products up to the date of closing.

As of December 2000, American Optical was named a defendant in lawsuits involving approximately 41,429 individual plaintiffs. Approximately two-thirds of these lawsuits involve claims for asbestos-related disease developed as a result of exposure to asbestos-containing protective clothing allegedly manufactured by American Optical. The remaining one-third consists of claims for silica-related disease developed as a result of exposure to silica while using allegedly defective respirators manufactured by American Optical.

Based on the Company's experience in defending the claims to date and considering its insurance and reserves, the Company is of the opinion that the actions should not have a material adverse effect on the financial position or results of the Company.

Rimadyl

In October 1999 the Company was sued in an action seeking unspecified damages, costs and attorney's fees on behalf of a purported class of people whose dogs had suffered injury or death after ingesting Rimadyl, an antiarthritic medication for older dogs. The suit, which was filed in state court in South Carolina, is in the early pretrial stages. The Company is defending this action and is of the opinion that it should not have a material adverse effect on the financial position or results of the Company.

Consumer Litigation

Plax

FDA administrative proceedings relating to Plax are pending, principally an industry-wide call for data on all anti-plaque products by the FDA. The call-for-data notice specified that products that have been marketed for a material time and to a material extent may remain on the market pending FDA review of the data, provided the manufacturer has a good faith belief that the product is generally recognized as safe and effective and is not misbranded. The Company believes that Plax satisfied these requirements and prepared a response to the FDA's request, which was filed on June 17, 1991. This filing, as well as the filings of other manufacturers, is still under review and is currently being considered by an FDA Advisory Committee. The Committee has issued a draft report recommending that plaque removal claims should not be permitted in the absence of data establishing efficacy against gingivitis. The process of incorporating the Advisory Committee recommendations into a final monograph is expected to take several years. If the draft recommendation is ultimately accepted in the final monograph, although it would have a negative impact on sales of Plax, it will not have a material adverse effect on the sales, financial position or results of the Company.

On January 15, 1997, an action was filed in Circuit Court, Chambers County, Alabama, purportedly on behalf of a class of consumers, variously defined by the laws or types of laws governing their rights and encompassing residents of up to 47 states. The complaint alleges that the Company's claims for Plax were untrue, entitling them to a refund of their purchase price for purchases since 1988. A hearing on Plaintiffs' motion to certify the class was held on June 2, 1998. We are awaiting the Court's decision. The Company is defending this action and is of the opinion that it should not have a material adverse effect on the financial position or results of the Company.

Pediculicides

Since December 1998, five actions have been filed, in state courts in Texas, California, Illinois and Louisiana, purportedly on behalf of statewide or nationwide classes of consumers who allege that Pfizer's and/or Warner-Lambert's and other manufacturers' advertising and promotional claims for Pfizer's Rid and Warner-Lambert's Nix and other pediculicides were untrue, entitling them to refunds, other damages and/or injunctive relief. One of the Texas cases has been voluntarily dismissed and the Louisiana case has been resolved. Proceedings in the California, the other Texas case and Illinois cases are still in early stages.

The Company is defending these actions and is of the opinion that they should not have a material adverse effect on the financial position or results of the Company.

Desitin

In December 1999 and January 2000, two suits were filed in California state courts against the Company and other manufacturers of zinc oxide-containing powders. The first suit was filed by the Center for Environmental Health and the second was filed by an individual plaintiff on behalf of a purported class of purchasers of baby powder products. The suits generally allege that the label of Desitin powder violates California's "Proposition 65" by failing to warn of the presence of lead, which is alleged to be a carcinogen. In January, 2000, the Company received a notice from a California environmental group alleging that the labeling of Desitin ointment and powder also violates Proposition 65 by failing to warn of the presence of cadmium, which is alleged to be a carcinogen. Several other manufacturers of zinc oxide-containing topical baby products have received similar notices. The Company believes that the labeling for Desitin complies with applicable legal requirements.

Diabinese (Brazil)

In June, the Ministry of Justice of the State of Sao Paulo, Brazil, commenced a civil public action against the Company's Brazilian subsidiary, Laboratorios Pfizer Ltda. ("Pfizer Brazil") asserting that during a period in 1991 Pfizer Brazil withheld sale of the pharmaceutical product Diabinese in violation of antitrust and consumer protection laws. The action sought the award of moral, economic and personal damages to individuals and the payment to a public reserve fund. In February 1996, the trial court issued a decision holding Pfizer Brazil liable. The trial court's opinion also established the amount of moral damages for individuals who might make claims later in the proceeding and set out a formula for calculating the payment into the public reserve fund which could have resulted in a sum of approximately $88 million. Pfizer Brazil appealed this decision. In September 1999, the appeals court issued a ruling upholding the trial court's decision as to liability. However, the appeals court decision overturned the trial court's decision concerning damages, ruling that criteria to apply in the calculation of damages, both as to individuals and as to payment of any amounts to the reserve fund, should be established only in a later stage of the proceeding. The Company believes that this action should not have a material adverse effect on the financial position or results of the Company.

Employment Litigation

A wholly-owned subsidiary of Warner-Lambert has been named as a defendant in class actions filed in Puerto Rico Superior Court by current and former employees from the Vega Baja, Carolina and Fajardo plants, as well as Kelly Services temporary employees assigned to those plants. The lawsuits seek monetary relief for alleged violations of local statutes and decrees relating to meal period payments, minimum wage, overtime and vacation pay. The Company is defending these actions and is of the opinion that they should not have a material adverse effect on the financial position or results of the Company.

Antitrust

Brand-Name Prescription Drugs Antitrust Litigation

In 1993, both Pfizer and Warner-Lambert were named, together with numerous other manufacturers of brand-name prescription drugs and certain companies that distribute brand-name prescription drugs, in suits in federal and state courts brought by various groups of retail pharmacy companies, alleging that the manufacturers violated the Sherman Act by agreeing not to give retailers certain discounts and that the failure to give such discounts violated the Robinson Patman Act. A class action was brought on the Sherman Act claim, as well as additional actions by approximately 3,500 individual retail pharmacies and a group of chain and supermarket pharmacies (the "individual actions") on both the Sherman Act and Robinson Patman Act claims. A retailer class was certified in 1994 (the "Federal Class Action"). In 1996, fifteen manufacturer defendants, including Pfizer and Warner-Lambert, settled the Federal Class Action. Pfizer's share was $31.25 million and Warner-Lambert's share was $15.1 million. Trial began in September 1998 for the class case against the non-settlers, and the District Court also permitted the opt-out plaintiffs to add the wholesalers as named defendants in their cases. The District Court dismissed the case at the close of the plaintiffs' evidence. The plaintiffs appealed and, on July 13, 1999, the Court of Appeals upheld most of the dismissal but remanded on one issue, while expressing doubts that the plaintiffs could prove any damages. The District Court has since opined that the plaintiffs cannot prove such damages.

Retail pharmacy cases also have been filed in state courts in five states, and consumer class actions were filed in state courts in fourteen states and the District of Columbia alleging injury to consumers from the failure to give discounts to retail pharmacy companies. Most of the consumer class actions have been settled in principle.

In addition to its settlement of the retailer Federal Class Action (see above), Pfizer and Warner-Lambert have also settled several major opt-out retail cases, and along with other manufacturers: (1) have entered into agreements to settle all outstanding consumer class actions, which settlements are going through the approval process in the various courts in which the actions are pending; and (2) have settled the California consumer case.

The Company believes that these brand-name prescription drug antitrust cases, which generally seek damages and certain injunctive relief should not have a material adverse effect on the financial position or results of the Company.

The Federal Trade Commission opened an investigation focusing on the pricing practices at issue in the above pharmacy antitrust litigation. In July 1996, the Commission issued subpoenas for documents to both Pfizer and Warner-Lambert, among others, to which both responded. A second subpoena was issued to both companies for documents in May 1997 and both again responded. We are not aware of any further activity.

Former Food Science Division

In 1999, the Company pleaded guilty to one count of price fixing of sodium erythorbate from July 1992 until December 1994, and one count of market allocation of maltols from December 1989 until December 1995, and paid a total fine of $20 million. The activities at issue involved the Company's former Food Science Group, a division that manufactured food additives and that the Company divested in 1996. The Department of Justice has stated that no further antitrust charges will be brought against the Company relating to the former Food Science Group, that no antitrust charges will be brought against any current director, officer or employee of the Company for conduct related to the products of the former Food Science Group, and that none of the Company's current directors, officers or employees was aware of any aspect of the activity that gave rise to the violations. Five purported class action suits involving these products have been filed against the Company; two in California State Court, and three in New York Federal Court. The Company does not believe that this plea and settlement, or civil litigation involving these products, should have a material adverse effect on the financial position or results of the Company.

Environmental Matters

The operations of the Company are subject to federal, state, local and foreign environmental laws and regulations. Under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended ("CERCLA" or "Superfund"), the Company has been designated as a potentially responsible party by the United States Environmental Protection Agency with respect to certain waste sites with which the Company may have had direct or indirect involvement. Similar designations have been made by some state environmental agencies under applicable state Superfund laws. Such designations are made regardless of the extent of the Company's involvement. The Company owns or previously owned several sites for which it may be the sole responsible party. There are also claims that the Company may be a responsible party or participant with respect to several waste site matters in foreign jurisdictions. Such claims have been made by the filing of a complaint, the issuance of an administrative directive or order, or the issuance of a notice or demand letter. These claims are in various stages of administrative or judicial proceedings. They include demands for recovery of past governmental costs and for future investigative or remedial actions. In many cases, the dollar amount of the claim is not specified. In most cases, claims have been asserted against a number of other entities for the same recovery or other relief as was asserted against the Company. The Company is currently participating in remedial action at a number of sites under federal, state, local and foreign laws.

To the extent possible with the limited amount of information available at this time, the Company has evaluated its responsibility for costs and related liability with respect to the above sites and is of the opinion that the Company's liability with respect to these sites should not have a material adverse effect on the financial position or results of the Company. In arriving at this conclusion, the Company has considered, among other things, the payments that have been made with respect to the sites in the past; the factors, such as volume and relative toxicity, ordinarily applied to allocate defense and remedial costs at such sites; the probable costs to be paid by the other potentially responsible parties; total projected remedial costs for a site, if known; existing technology; and the currently enacted laws and regulations. The Company anticipates that a portion of these costs and related liability will be covered by available insurance.

FDA Required Post-Marketing Reports

In April 1996, Pfizer received a Warning Letter from the FDA relating to the timeliness and completeness of required post-marketing reports for pharmaceutical products. The letter did not raise any safety issue about Pfizer drugs. The Company has been implementing remedial actions designed to remedy the issues raised in the letter. During 1997, the Company met with the FDA to apprise them of the scope and status of these activities. A review of the Company's new procedures was undertaken by FDA in 1999. The Company and Agency met to review the findings of this review and agreed that commitments and remedial measures undertaken by the Company related to the Warning Letter have been accomplished. The Company agreed to keep the Agency informed of its activities as it continues to modify its processes and procedures.

Neurontin Investigation

Certain employees of Warner-Lambert were served with subpoenas in January, 2000, by the U.S. Attorney's office in Boston, Massachusetts, directing them to provide testimony before a federal grand jury in Boston. The U.S. Attorney's office is conducting an inquiry into Warner-Lambert's promotion of Neurontin. The Company is cooperating with the inquiry and cannot predict what the outcome of the investigation will be.

In addition, a former employee of Warner-Lambert has commenced a civil lawsuit in the U.S. District Court for the District of Massachusetts against Warner-Lambert, on behalf of the United States, under 31 U.S.C. 3730. The lawsuit alleges that the company has violated the Federal False Claims Act based on certain alleged

sales and marketing practices concerning its drugs Neurontin and Accupril. The Company is defending this action and is of the opinion that it should not have a material adverse effect on the financial position or results of the Company.

Merger Litigation

In November 1999, following the announcement by Warner-Lambert of its executions of the American Home Products Corporation (AHP) Merger Agreement, Pfizer filed suit against Warner-Lambert, its board of directors and AHP, seeking to invalidate certain provisions in the AHP Merger Agreement and enjoin their implementation. Pursuant to a settlement agreement executed on February 6, 2000 in connection with the termination of the AHP Merger Agreement and the execution of the Pfizer Merger Agreement, Warner-Lambert, AHP and Pfizer entered into settlement agreements with respect to this litigation. Shortly thereafter the litigation against AHP was dismissed with prejudice and the litigation between Pfizer and Warner-Lambert was dismissed without prejudice.

Warner-Lambert, its Directors and AHP have been named in approximately 40 lawsuits in Delaware Chancery Court, one lawsuit in Morris County, New Jersey, and two lawsuits in federal court in New Jersey brought on behalf of purported classes of Warner-Lambert's shareholders. These lawsuits involve allegations similar to those contained in Pfizer's lawsuit, referred to above, and contain additional allegations, including that the consideration to be paid to Warner-Lambert's shareholders in the proposed merger with AHP was inadequate. The Company is defending these actions and is of the opinion that they should not have a material adverse effect on the financial position or results of the Company.

22 Segment Information and Geographic Data

We operate in the following two business segments:

- pharmaceuticals—including:
  - —treatments for heart diseases, infectious diseases, central nervous system disorders, diabetes, arthritis, erectile dysfunction and allergies, as well as the manufacture of empty hard-gelatin capsules
  - —products for food animals and companion animals, including antibiotics, vaccines and other veterinary items
- consumer products—including self-medications, shaving and fish food and fish care products, as well as confectionery products consisting of chewing gums, breath mints and cough tablets

Each separately managed segment offers different products requiring different marketing and distribution strategies.

We sell our products primarily to customers in the wholesale sector. In 2000, sales to our two largest wholesalers accounted for 13% and 11% of total revenues. These sales were concentrated in the pharmaceuticals segment.

Revenues were in excess of $500 million in each of 7 countries outside the U.S. in 2000. The U.S. was the only country to contribute more than 10% to total revenues. The following tables present segment and geographic information:

Segment Information

(millions of dollars)		Pharmaceuticals	Consumer Products	Corporate/ Other	Consolidated
Revenues	**2000**	**$24,027**	**$5,547**	**$ —**	**$29,574**
	1999	21,879	5,497	—	27,376
	1998	18,106	5,125	—	23,231
Segment profit	**2000**	**8,859**[1]	**813**[4]	**(3,891)**[5]	**5,781**[6]
	1999	7,008[2]	783	(846)[5]	6,945[6]
	1998	5,121[3]	606[3]	(1,330)[5]	4,397[6]
Identifiable assets[7]	**2000**	**15,854**	**3,796**	**13,860**	**33,510**
	1999	14,719	3,929	12,724	31,372
	1998	12,535	3,840	10,852	27,227
Property, plant and equipment additions[7]	**2000**	**1,952**	**167**	**72**	**2,191**
	1999	2,099	234	160	2,493
	1998	1,588	192	171	1,951
Depreciation and amortization[7]	**2000**	**723**	**161**	**84**	**968**
	1999	658	170	77	905
	1998	591	150	56	797

Geographic Data

(millions of dollars)		United States[8]	Japan	All Other Countries	Consolidated
Revenues	**2000**	**$17,953**	**$2,074**	**$9,547**	**$29,574**
	1999	16,634	1,716	9,026	27,376
	1998	13,656	1,365	8,210	23,231
Long-lived assets	**2000**	**6,558**	**496**	**5,197**	**12,251**
	1999	6,247	535	4,944	11,726
	1998	5,408	412	4,567	10,387

[1] Includes costs of $136 million associated with the withdrawal of Rezulin, a loss on the sale of Animal Health's feed-additive products of $85 million and a gain on the sale of Omnicef of $39 million.

[2] Includes $310 million charge to write off Trovan inventories.

[3] In 1998, pharmaceuticals includes pre-tax restructuring charges of $166 million and pre-tax impairment charges of $139 million. In 1998, consumer products includes pre-tax restructuring charges of $11 million and pre-tax impairment charges of $74 million.

[4] Includes a gain on the sale of the Rid line of lice-control products of $78 million.

[5] Includes interest income/(expense) and corporate expenses. Corporate also includes other income/(expense) of the banking and insurance subsidiaries (see note 5, "Banking and Insurance Subsidiaries") and certain performance-based compensation expenses not allocated to the operating segments. In 2000 and 1999, corporate includes merger-related costs. In 1998, corporate includes a pre-tax gain on the sale of a manufacturing plant and certain minor prescription product lines of $67 million as well as costs of $93 million related to our plans to close certain foreign manufacturing facilities.

[6] Consolidated total equals income from continuing operations before provision for taxes on income and minority interests.

[7] Certain production facilities are shared by various segments. Property, plant and equipment, as well as capital additions and depreciation, are allocated based on physical production. Corporate assets are primarily cash, short-term investments and long-term loans and investments.

[8] Includes operations in Puerto Rico.

Quarterly Consolidated Financial Data (Unaudited)

Pfizer Inc and Subsidiary Companies

(millions of dollars, except per share data)	Quarter First	Second	Third	Fourth
2000				
Revenues	**$7,222**	**$7,041**	**$7,205**	**$8,105**
Costs and expenses	**4,974**	**4,943**	**4,915**	**5,703**
Merger-related costs	**1,838**	**431**	**505**	**483**
Income from continuing operations before provision for taxes on income and minority interests	**410**	**1,667**	**1,785**	**1,919**
Provision for taxes on income	**613**	**513**	**421**	**500**
Minority interests	**1**	**4**	**3**	**7**
Income/(loss) from continuing operations	**(204)**	**1,150**	**1,361**	**1,412**
Discontinued operations—net of tax	**—**	**—**	**—**	**8**
Net income/(loss)	**$ (204)**	**$1,150**	**$1,361**	**$1,420**
Earnings/(loss) per common share—basic				
Income/(loss) from continuing operations	**$ (.03)**	**$ .18**	**$ .22**	**$ .23**
Net income/(loss)	**$ (.03)**	**$ .18**	**$ .22**	**$ .23**
Earnings/(loss) per common share—diluted				
Income/(loss) from continuing operations	**$ (.03)**	**$ .18**	**$ .21**	**$ .23**
Net income/(loss)	**$ (.03)**	**$ .18**	**$ .21**	**$ .23**
Cash dividends paid per common share	**$ .09**	**$ .09**	**$ .09**	**$ .09**
Stock prices				
High	**$37.94**	**$48.13**	**$49.00**	**$48.06**
Low	**$30.00**	**$33.69**	**$39.38**	**$41.00**
1999				
Revenues	$6,580	$6,516	$6,746	$7,534
Costs and expenses	4,870	4,819	5,206	5,503
Merger-related costs	—	33	—	—
Income from continuing operations before provision for taxes on income and minority interests	1,710	1,664	1,540	2,031
Provision for taxes on income	495	482	431	560
Minority interests	1	1	1	2
Income from continuing operations	1,214	1,181	1,108	1,469
Discontinued operations—net of tax	—	(20)	—	—
Net income	$1,214	$1,161	$1,108	$1,469
Earnings per common share—basic				
Income from continuing operations	$ .20	$ .19	$ .18	$ .24
Net income	$ .20	$ .19	$ .18	$ .24
Earnings per common share—diluted				
Income from continuing operations	$ .19	$ .19	$ .18	$ .23
Discontinued operations—net of tax	—	(.01)	—	—
Net income	$ .19	$ .18	$ .18	$ .23
Cash dividends paid per common share	$ .07⅓	$ .07⅓	$ .08	$ .08
Stock prices				
High	$48.17	$50.04	$40.69	$42.25
Low	$36.52	$31.54	$32.00	$32.19

- *Merger-related costs in 2000 include transaction, integration and restructuring costs related to our merger with Warner-Lambert Company. Merger-related costs for the first quarter of 2000 reflect costs of $1,838 million related to Warner-Lambert's termination of the Warner-Lambert/American Home Products merger. Merger-related costs in 1999 reflect transaction costs directly related to the merger with Agouron Pharmaceuticals, Inc.*
- *All data reflects the 1999 three-for-one stock split.*
- *Pre-merger cash dividends paid per common share and stock prices are those of Pfizer.*
- *As of January 31, 2001, there were approximately 202,365 record holders of our common stock (symbol PFE).*

Financial Summary

Pfizer Inc and Subsidiary Companies

(millions, except per share data)	Year Ended December 31										
	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Revenues	**$29,574**	27,376	23,231	18,975	16,957	15,606	13,149	11,788	11,337	10,342	9,383
Research and development	**4,435**	4,036	3,305	2,536	2,166	1,854	1,497	1,355	1,259	1,084	930
Other costs and expenses	**16,101**	16,362	15,529	12,460	11,155	10,611	9,076	8,240	8,019	7,478	6,855
Merger-related costs[1]	**3,257**	33	—	—	—	—	—	—	—	—	—
Divestitures, restructuring and unusual items—net[2]	**—**	—	—	—	—	—	—	1,266	(141)	844	—
Income from continuing operations before taxes and minority interests	**$ 5,781**	6,945	4,397	3,979	3,636	3,141	2,576	927	2,200	936	1,598
Provision for taxes on income	**$ 2,049**	1,968	1,163	1,081	1,073	885	665	140	583	222	431
Income from continuing operations before cumulative effect of accounting changes	**$ 3,718**	4,972	3,232	2,888	2,489	2,119	1,814	786	1,615	712	1,163
Discontinued operations—net of tax	**8**	(20)	1,401	131	165	172	171	129	113	143	117
Cumulative effect of accounting changes[3]	**—**	—	—	—	—	—	—	63	(283)	(106)	—
Net income	**$ 3,726**	4,952	4,633	3,019	2,654	2,291	1,985	978	1,445	749	1,280
Effective tax rate—continuing operations	**35.4%**	28.3%	26.4%	27.2%	29.5%	28.2%	25.8%	15.1%	26.5%	23.7%	27.0%
Depreciation	**$ 850**	773	668	588	511	466	407	367	359	314	282
Property, plant and equipment additions	**2,191**	2,493	1,951	1,391	1,085	1,024	1,029	925	928	833	706
Cash dividends paid	**2,197**	1,820	1,501	1,294	1,145	1,010	921	844	762	674	601
As of December 31											
Working capital[4]	**$ 5,206**	4,415	3,806	3,405	1,588	1,317	1,140	1,516	3,044	2,020	1,789
Property, plant and equipment—net	**9,425**	8,685	7,237	6,248	5,633	5,119	4,600	3,925	3,506	3,415	3,112
Total assets[4]	**33,510**	31,372	27,227	22,964	21,429	18,531	16,366	13,848	13,466	13,037	12,060
Long-term debt	**1,123**	1,774	1,794	2,561	2,402	1,463	1,141	1,118	1,137	843	497
Long-term capital[5]	**17,619**	16,240	14,820	13,809	12,493	9,668	7,634	6,685	7,641	7,430	7,552
Shareholders' equity	**16,076**	13,950	12,616	10,901	9,622	7,838	6,161	5,283	6,283	6,238	6,508
Per common share data:											
Basic:											
Income from continuing operations	**$ .60**	.81	.53	.48	.41	.36	.31	.13	.26	.11	.19
Discontinued operations—net of tax[3]	**—**	—	.23	.02	.03	.03	.03	.03	(.03)	.01	.02
Net income	**$ .60**	.81	.76	.50	.44	.39	.34	.16	.23	.12	.21
Diluted:											
Income from continuing operations	**$ .59**	.79	.51	.46	.40	.35	.30	.13	.26	.11	.18
Discontinued operations—net of tax[3]	**—**	(.01)	.22	.02	.03	.03	.03	.03	(.03)	.01	.02
Net income	**$ .59**	.78	.73	.48	.43	.38	.33	.16	.23	.12	.20
Market value per share (December 31)	**$ 46.00**	32.44	41.67	24.85	13.83	10.50	6.44	5.75	6.04	7.00	3.37
Return on shareholders' equity	**24.8%**	37.3%	39.4%	29.4%	30.4%	32.7%	34.7%	16.9%	23.1%	11.8%	21.0%
Cash dividends paid per share[6]	**$ .36**	.30⅔	.25⅓	.22⅔	.20	.17⅓	.15⅔	.14	.12⅓	.11	.10
Shareholders' equity per share	**$ 2.58**	2.28	2.06	1.79	1.59	1.31	1.04	.88	1.02	1.00	1.05
Current ratio	**1.43:1**	1.37:1	1.38:1	1.47:1	1.20:1	1.17:1	1.16:1	1.28:1	1.67:1	1.43:1	1.42:1
Weighted average shares used to calculate:											
Basic earnings per share amounts	**6,210**	6,126	6,120	6,084	6,039	5,955	5,918	6,048	6,205	6,207	6,204
Diluted earnings per share amounts	**6,368**	6,317	6,362	6,297	6,202	6,070	5,993	6,123	6,317	6,344	6,304

All financial information reflects the divestitures of our MTG and food science businesses as discontinued operations.

We have restated all common share and per share data for the 1999 three-for-one and the 1997, 1995 and 1991 two-for-one stock splits.

[1] Merger-related costs include the following:

2000—Transaction costs directly related to our merger with Warner-Lambert Company—$226 million; costs related to Warner-Lambert's termination of the Warner-Lambert/American Home Products merger—$1,838 million; integration costs—$246 million and restructuring charges—$947 million.

1999—Transaction costs directly related to the merger with Agouron Pharmaceuticals, Inc.—$33 million.

[2] Divestitures, restructuring and unusual items—net includes the following:

1993—Pre-tax charges of approximately $1,270 million and $56 million to cover worldwide restructuring programs, as well as unusual items and a gain of approximately $60 million realized on the sale of our remaining interest in Minerals Technologies Inc.

1992—Pre-tax gain of $259 million on the sale of a business, offset by pre-tax charges of $175 million for restructuring, consolidating and streamlining. In addition, it includes pre-tax curtailment gains of $57 million associated with postretirement benefits other than pensions of divested operations.

1991—Pre-tax charges of $300 million for potential future Shiley C/C heart valve fracture claims and $544 million to cover a worldwide restructuring program.

[3] Cumulative effect of accounting changes reflects the following:

1993—Accounting change adopted by pre-merger Warner-Lambert: SFAS No. 109—credit of $63 million or $.01 per share.

1992—Accounting changes adopted by pre-merger Pfizer: SFAS No. 106—charge of $313 million or $.05 per share; SFAS No. 109—credit of $30 million with no per share impact.

1991—Accounting change adopted by pre-merger Warner-Lambert: SFAS No. 106—charge of $106 million or $.02 per share.

Per share amounts of accounting changes are included in per share amounts presented for discontinued operations.

[4] Includes net assets of discontinued operations of our MTG businesses through 1997.

[5] Defined as long-term debt, deferred taxes on income, minority interests and shareholders' equity.

[6] Pre-merger cash dividends paid per share are those of Pfizer.

Pfizer's Elected Corporate Officers

William C. Steere, Jr.
Chairman of the Board

Henry A. McKinnell, Ph.D.
President and Chief Executive Officer;
President–Pfizer Pharmaceuticals Group

John F. Niblack, Ph.D.
Vice Chairman; President–Pfizer Global
Research and Development

C. L. Clemente
Executive Vice President–Corporate Affairs;
Secretary and Corporate Counsel

Paul S. Miller
Executive Vice President; General Counsel

David L. Shedlarz
Executive Vice President and
Chief Financial Officer

Peter B. Corr, Ph.D.
Senior Vice President; Executive Vice
President–Pfizer Global Research
and Development and President–
Worldwide Development

Karen L. Katen
Senior Vice President; Executive Vice
President–Pfizer Pharmaceuticals Group and
President–U.S. Pharmaceuticals

George M. Milne, Jr., Ph.D.
Senior Vice President; Executive Vice
President–Pfizer Global Research and
Development and President–Worldwide
Strategic Operations Management

Robert W. Norton
Senior Vice President–
Corporate Human Resources

M. Kenneth Bowler, Ph.D.
Vice President–
Federal Government Relations

Loretta V. Cangialosi
Vice President; Controller

Gary N. Jortner
Vice President; Senior Vice President–
Product Development–
Pfizer Pharmaceuticals Group

J. Patrick Kelly
Vice President; Senior Vice President–
Worldwide Marketing–
Pfizer Pharmaceuticals Group

Alan G. Levin
Vice President–Finance

Richard A. Passov
Vice President; Treasurer

Mohand Sidi Said
Vice President; Senior Vice President–
Pfizer Pharmaceuticals Group and
Area President, Asia/Africa/Latin
America/Middle East

Frederick W. Telling, Ph.D.
Vice President–Corporate Strategic
Planning and Policy

Pfizer's Board of Directors

On May 1, 2001, Bill Steere will retire as Chairman of the Board, turning that position over to Hank McKinnell. Bill Steere will remain a Pfizer board member.

Michael S. Brown, M.D. (4)
Distinguished Chair, Biomedical Sciences,
Regental Professor, University of Texas
Southwestern Medical Center

M. Anthony Burns (1, 3)
Chairman
Ryder System, Inc.

Robert N. Burt (2)
Chairman and CEO
FMC Corporation

W. Don Cornwell (2)
Chairman and CEO
Granite Broadcasting Corporation

William H. Gray III (4)
President and CEO
The College Fund/UNCF

George B. Harvey (2) ‡
Former Chairman, President, and CEO
Pitney Bowes, Inc.

Constance J. Horner (1, 4)
Guest Scholar
The Brookings Institution

William R. Howell (2)
Chairman Emeritus
J.C.Penney Company, Inc.

Stanley O. Ikenberry, Ph.D. (1, 4)
President
American Council on Education

Harry P. Kamen (4)
Former Chairman, President, and CEO
Metropolitan Life Insurance Company

George A. Lorch (3)
Chairman Emeritus
Armstrong Holdings, Inc.

Alex J. Mandl (3)
Chairman and CEO
Teligent, Inc.

Henry A. McKinnell, Ph.D.
President and CEO
Pfizer Inc; President, Pfizer
Pharmaceuticals Group

Dana G. Mead, Ph.D. (3)
Retired Chairman and CEO
Tenneco, Inc.

John F. Niblack, Ph.D.
Vice Chairman
Pfizer Inc; President
Pfizer Global Research and Development

Franklin D. Raines (3)
Chairman and CEO
Fannie Mae

Ruth J. Simmons, Ph.D. (2)
President
Smith College

Michael I. Sovern (4)
Chairman
Sotheby's Holdings, Inc.

William C. Steere, Jr. (1)
Chairman of the Board
Pfizer Inc

Jean-Paul Vallès, Ph.D. (2)
Chairman
Minerals Technologies Inc.

(1) Executive Committee*
(2) Audit Committee
(3) Executive Compensation Committee
(4) Corporate Governance Committee

* All directors are alternate members of the Executive Committee

‡ George B. Harvey will be retiring as a Pfizer Director on April 26, 2001

Corporate and Shareholder Information

Stock Listings

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

Shareholder Services and Programs

All inquiries concerning shareholder accounts of record and stock transfer matters, including direct deposit of dividends and the elimination of duplicate mailings of Annual Reports, should be directed to our Transfer Agent and Registrar:

First Chicago Trust Company,
a division of EquiServe
P.O. Box 2500
Jersey City, NJ 07303-2500
Telephone: (800) PFE 9393
Internet: www.equiserve.com

Direct Purchase Program

You may purchase your first shares of Pfizer directly through our Shareholder Investment Program. Other features of the Program include dividend reinvestment, weekly purchases of stock, and automatic monthly investments by electronic bank debit. Contact First Chicago at the address given on this page for a Shareholder Investment Program prospectus and enrollment form.

Form 10-K

Upon written request, we will provide without charge a copy of our Annual Report on Securities and Exchange Commission Form 10-K for the fiscal year ended December 31, 2000. Requests should be directed to:

Secretary
Pfizer Inc
235 East 42nd Street
New York, NY 10017-5755

The report will also be available on the Securities and Exchange Commission's EDGAR database at www.sec.gov/edgarhp.htm.

Annual Meeting of Shareholders

Our Annual Meeting will be held on Thursday, April 26, 2001, at 10:00 a.m., at our Global Research and Development site, Eastern Point Road, Groton, Connecticut. Detailed information about the meeting is contained in our Notice of Annual Meeting and Proxy Statement.

Political Action Committee

You can request a copy of the report of campaign contributions made by the Company's Political Action Committee in 2000 by contacting the office of the Secretary, Pfizer Inc.

2000 Environmental, Health and Safety Report

Pfizer takes great pride in its environmental, health and safety performance. A new report has been published detailing the Company's efforts to protect the environment and provide a safe and healthy workplace for employees. You can receive a copy of the report by calling (800) PFE 4717.

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Partnerships offer hope in sub-Saharan Africa

By Henry A. McKinnell

The health care crisis in sub-Saharan Africa is one of the great human tragedies of our lifetimes. The magnitude of this crisis has led to a valuable debate on how best to provide health care to those suffering from the epidemics that are ravaging that region. The key is partnership. Through partnerships, we can replace the destructive cycle of poverty and disease with a virtuous cycle of investment and health. To do so requires a new model of cooperation among governments, private industry, and nongovernmental organizations (NGOs).

Each partner has a critical role to play. From national governments, for example, partnerships derive their political will. In South Africa, President Mbeki's government provides political will to support Pfizer's Diflucan program, a novel public/private alliance to ease the suffering of AIDS patients. In Botswana and Senegal, Merck has formed a partnership with the Harvard AIDS Institute and the Bill and Melinda Gates Foundation to promote AIDS prevention and expand access to care; and in the Accelerating Access Initiative, a group of pharmaceutical companies have joined with UN agencies, the World Bank, and governments to provide AIDS/HIV prevention, care, and treatment in Senegal and Uganda.

Political will finds expression in more than a willingness to forge new alliances. It is also evident in the creation of an economic and social climate where innovation can take root and flourish, including the protection of private and intellectual property. Facing large-scale medical emergencies, some governments have been tempted to seize the patents that drug companies hold to their discoveries, and assign those rights to others. This practice – known as "compulsory licensing" – has longer-term consequences that are highly destructive. If governments weaken intellectual property rights in this way, they risk undermining both the ability and willingness of pharmaceutical companies to discover new cures and treatments. They also discourage the technology transfer that is essential to raise the quality of health care in the developing countries.

> *Through partnerships, we can replace the destructive cycle of poverty and disease with a virtuous cycle of investment and health.*

Governments in the developed world have an equally important role to play through "burden-sharing." The richer countries, by agreeing to pay a fair share of the costs of innovation in the marketplace, can make it possible for drug companies to provide products affordably in the poorer regions. Governments, therefore, must choose policies wisely, with an eye to the short-term *and* long-term benefits of their citizens and the global impact of their actions.

If governments provide the will, the private sector provides the way, securing expanded access to resources. These resources include not only medicines, but also the tools of prevention and education.

The role of NGOs and agencies is to provide needed expertise and capabilities, particularly at the field level. From these organizations, our partnerships draw expertise for improving and expanding medical infrastructure and accurately measuring results.

As a prime example, the International Trachoma Initiative – funded by Pfizer, the Edna McConnell Clark Foundation, and the Bill and Melinda Gates Foundation – seeks to eliminate the world's leading cause of preventable blindness. The donation of Pfizer's antibiotic Zithromax is only one facet of this broad-based campaign. These are not isolated programs. Since 1996, research-based pharmaceutical companies have committed more than $1.2 billion to long-term programs to fight diseases in sub-Saharan Africa and in other lesser-developed areas. These partnerships are not the perfect solution, but they point the way, and their potential can be greatly magnified, given that we are entering a golden age of pharmaceutical research. Over the past two decades, drug companies have invested billions in R&D programs to discover more than 40 new medicines and new indications aimed at the diseases that plague sub-Saharan Africa. Many more are on the way. A survey of pharmaceutical companies in late 2000 found 103 AIDS drugs either in clinical trials, or awaiting FDA approval. These medicines will be added to the 64 existing treatments. In 1987, there was only one.

In ensuring access to these new medicines, the watchword should be "partnership," with governments and industry ready to show that access and innovation are not antithetical concepts. It is time to expand our partnerships to a wider range of governments, companies, NGOs, and others committed to global health. Together, we can and must confront humanity's killers.

Dr. Henry A. McKinnell is CEO of Pfizer Inc. This article is adapted from his remarks at the 2001 World Economic Forum in Davos, Switzerland. It appears in the Pfizer Forum, an advertising series sponsored in the interest of encouraging public discussion on policy questions and featuring a wide range of views from leading experts.

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