



From Our CEO



Ian C. Read
Chairman and CEO

To Our Stakeholders

Last year I said we would create value in the short and long term by improving the performance of our innovative core, making the right capital allocation decisions, earning respect from society, and continuing to promote an ownership culture of confidence and trust.

Our goal with this annual review is to highlight the actions we are taking and the progress we are making through our four imperatives—to invest in the right areas for growth that take advantage of our core capabilities; to manage how we are allocating our capital; to earn respect from society; and to build an ownership culture that makes the most effective use of our global talent.

Our 2011 Performance—Hitting All Targets

Our financial performance in 2011 was strong. We met or exceeded every component of our full-year financial guidance, despite the headwinds from a challenging global business environment and the reality of absorbing about \$5 billion in revenue declines due to changes in the patent status of some products, most notably Lipitor in the U.S. We also made substantial progress in our nonfinancial performance indicators, including access to medicines, environmental stewardship and other measures of our social responsibility. Complete information on our 2011 performance can be found [here](#).



Building Value Through Our Four Imperatives

Our current and future success is rooted in the progress we make in executing against our imperatives. Here is a brief summary of our progress in 2011.

Improving the Performance of Our Innovative Core

In 2011, we recast our approach to science and innovation. We reduced our adjusted R&D¹ spending by nearly \$1 billion compared with 2010 and embarked on a series of actions designed to increase our probability of success and help us deliver more differentiated products in areas of high unmet medical need and on a smaller and more flexible cost base.

These actions included narrowing our therapeutic areas of focus, improving our ability to identify failures earlier in the research cycle, advancing the most promising compounds in our pipeline, and investing in our R&D network and the capabilities needed to drive [sustainable biomedical innovation](#).

Throughout 2011, we saw a steady cadence of late-stage [pipeline](#) progress, including positive clinical data presentations, regulatory submissions, regulatory approvals and new product launches. We also saw the emergence of a promising mix of early- to mid-stage compounds.

We have five assets that we believe are positioned to be near- and mid-term drivers for our business units—Pevnar 13/Prevenar 13 Adult, Eliquis, tofacitinib, Xalkori and Inlyta.

In December 2011, we received U.S. Food and Drug Administration (FDA) approval for the use of Pevnar 13 by adults 50 years of age and older. It is now approved in more than 40 countries, including markets within the European Union, and represents a significant expansion of our successful Pevnar/Prevenar franchise for preventing pneumococcal disease.

In 2011, Pfizer and our partner, Bristol-Myers Squibb (BMS), received approval in the European Union for Eliquis, a twice-daily oral anticoagulant, for the treatment of blood clots in patients after elective hip- or knee-replacement surgery. In addition, in late 2011, the FDA and the European Medicines Agency accepted for review the Pfizer and BMS applications for Eliquis for an indication in a larger patient population, to prevent strokes in patients with atrial fibrillation. The companies also have submitted that indication for review in Japan.

¹ See the Company's Annual Report on Form 10-K for the year ended December 31, 2011 for the definition of "adjusted income" and its components, including "adjusted research and development expenses", and for a reconciliation of 2011 "adjusted income" and its components to 2011 net income attributable to Pfizer Inc. and its components.



We are pleased with the results we have seen with tofacitinib in the Phase III rheumatoid arthritis (RA) program, which demonstrated efficacy in an extensive clinical program involving more than 5,000 RA patients. The FDA and the European Medicines Agency accepted for review our new drug applications for adult patients with moderately to severely active RA, and we have submitted that indication for review in Japan as well.

In 2011, we launched Xalkori (crizotinib), a treatment for a certain type of lung cancer marked by a specific gene mutation, in the U.S. It is a breakthrough in lung cancer treatment and is the first new drug approved by the FDA for lung cancer in six years. Xalkori represents our first entry into precision medicine—an R&D approach that defines the molecular and biologic predictors of efficacy and then groups patients based on the unique molecular or genetic characteristics of their disease. With this approach, medicines can be developed for better-defined populations of patients, often with superior efficacy when compared to medicines that are developed through non-precision approaches. We expect that in five years many of our late-stage clinical trial starts will reflect a precision medicine R&D approach.

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Early in 2012, we received FDA approval for Inlyta for patients with previously treated advanced renal cell carcinoma. With the approval of Inlyta and with other medicines such as Sutent and Xalkori as well as the work under way in finding new treatments in hematology and lung cancer, we are building a leading oncology business.

Behind these therapies, there is a next wave of new molecules in development aimed at significant unmet medical needs, including Alzheimer’s disease, Crohn’s disease, a range of cancers, severe pain, and cardiovascular and metabolic diseases. We are also investing in several promising vaccine candidates aimed at preventing life-threatening infectious diseases, such as meningitis.

I am encouraged by the depth and breadth of our current pipeline and believe it positions us well for the future.

Making the Right Capital Allocation Decisions

In 2011, we reduced our operating expenses and took several steps to allocate capital in ways that resulted in greater shareholder value. In fact, we returned more than \$15 billion in capital to shareholders through dividend payments of over \$6 billion and stock repurchases of approximately \$9 billion.



During 2011, we also embarked upon a rigorous process to look at the long-term value-creation potential of all of our businesses. After completing this process, we determined that our Animal Health and Nutrition businesses are distinct enough from our core businesses that their value may not be fully realized within Pfizer and, therefore, may best be optimized outside. For this reason, we decided to explore strategic alternatives, including a full or partial separation of each of these businesses from Pfizer through a spin-off, sale or other transaction. We have been making good progress and remain on track to announce our strategic decision for each business in 2012, with any separations occurring between July 2012 and July 2013.

In addition, we continued to pursue business development opportunities and form external collaborations to leverage our core capabilities, build on our portfolio and strengthen our geographic presence. For example, we signed a framework agreement with Zhejiang Hisun Pharmaceuticals in China to establish a joint venture in the branded generics area and a memorandum of understanding with Shanghai Pharma to explore potential business opportunities in China. We completed the acquisition of King Pharmaceuticals, Inc., which strengthened our pain portfolio, and acquired Icagen, Inc., a biotech firm specializing in new pathways for the treatment of pain. With the acquisitions of Alacer Corp. and the Ferrosan Holding A/S consumer healthcare business, we expanded the portfolio of Pfizer Consumer Healthcare's brands and entered new markets.

Earning Respect From Society

Pfizer operates in a global society that gives us a license to operate. That license is rooted in the respect and trust we earn.

We strive for society's respect and trust in a number of ways. The effort begins with listening to and learning from our customers and other stakeholders. Through what we hear and what we learn in quantitative and qualitative research, we know that customers want access to information from us that will help them live longer, healthier and happier lives.

In 2011, we took new approaches to connect us with customers. For example, our Chief Medical Officer, Dr. Freda Lewis-Hall, shared health and medical information in ways that encourage people to take charge of their health care, especially in areas such as stroke prevention, smoking cessation and the early diagnosis of cancer.

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We continue to support patient-access programs such as Pfizer Helpful Answers—a U.S. initiative that provides our medicines for free or at a savings to uninsured and underinsured patients who qualify. In the last five years alone, Pfizer has helped 3.8 million patients receive more than 40 million Pfizer prescriptions through the program.

Globally, we have extended our long-term commitments to help nations achieve the UN Millennium Development Goals, particularly in [health care](#). Specifically, we continue to work to support the global elimination of blinding trachoma by donating our oral antibiotic, Zithromax, and recently we joined an innovative partnership of public and private organizations led by the Bill & Melinda Gates Foundation that includes a consortium of global pharmaceutical companies in a new, coordinated effort to accelerate progress toward eliminating or controlling 10 neglected tropical diseases by the end of the decade. In addition, we launched the Re:Search partnership, through the World Intellectual Property Organization, to speed up progress in finding treatments and cures for neglected tropical diseases that now affect more than 1 billion people.

During 2011, we maintained leadership in [disclosing our interactions with health care providers](#) in the U.S. and further improved our speed in posting clinical trial results online.

We further advanced our environmental stewardship in 2011 by making continued progress in energy efficiency, greenhouse-gas reduction, water conservation and the management of waste. A review of our environmental record and progress is available in [this report](#).

Pfizer engages vigorously in public policy discussion to help make certain that our innovation serves patients today—and tomorrow. You can learn more about our public policy approach, including information about our U.S. Political Action Committee [here](#).

We also continue to assess and update our internal standards for a variety of business practices to help ensure compliance with all relevant laws and regulations in the markets in which we operate.



Creating an Ownership Culture

During the past year, the diverse talents, experiences and abilities of our colleagues allowed us to navigate multiple forces of change while keeping a focus on our commitment to create consistent and steady growth in revenues and earnings over time.

Ongoing success in our industry requires us to be faster as we become more innovative and entrepreneurial. It requires colleagues who understand the business, seize opportunities to make an impact and take personal accountability for their actions and a set of behaviors that will drive value throughout the company.

In 2011, we thoroughly explored what our culture is and how it needs to evolve. We engaged with leaders across the business and sought the candid input of approximately 11,000 colleagues globally. We concluded that we need a culture where colleagues behave like they are owners of the business, are not afraid to take thoughtful risks, deliver on their commitments, treat each other with trust and respect and work with integrity each and every day. Developing this ownership culture will be key to our success.

I am personally proud of Pfizer's colleagues. Pfizer people care. They embody our humanity and innovative spirit, and are determined to tackle some of the most pressing health care challenges of our time. We are committed to creating an ownership culture that unleashes the creativity of our colleagues around the world.

In December 2011, we were pleased to announce the election of **Helen H. Hobbs, M.D.**, and **Marc Tessier-Lavigne, Ph.D.**, to Pfizer's Board of Directors. Dr. Tessier-Lavigne and Dr. Hobbs have made extraordinary scientific contributions throughout their careers, and we believe they will be tremendous assets to Pfizer's diverse and independent Board.

One of our Directors will retire in April 2012. **Michael S. Brown, M.D.**, who joined our Board in 1996, has served as Chair of the Science and Technology Committee and as a member of other key committees during his tenure. His expertise and counsel on scientific matters in particular throughout his tenure have been invaluable to the company. All of us are deeply grateful for his insights, contributions and dedication to Pfizer.



Looking Ahead

In 2012, we will stay the course. We will work to increase our momentum by continuing to maximize the value of our in-line portfolio, accelerate our R&D strategy, advance our pipeline, effectively allocate our capital, operate efficiently to create a more flexible cost base, meet our financial commitments and maintain high standards of corporate governance and business ethics—all while embracing an ownership culture.

After the potential separation of our Animal Health and Nutrition businesses, Pfizer will be a global biopharmaceutical company with a core of innovative products that address unmet medical needs sustained by a productive R&D engine, a portfolio of unpatented products that help meet the global need for less-expensive, quality medicines, and a complementary Consumer Healthcare business with several well-known brands. Together, I believe that these elements will position Pfizer to generate strong cash flow and steady growth in earnings per share over time.

I remain confident that we are taking the right actions to create value for you, our shareholders. Thank you for your continued trust in us. We respect it, and with determination and perseverance, we will continue to earn it, every day.

Sincerely,

A handwritten signature in black ink, appearing to read "Ian C. Read".

Ian C. Read
Chairman and CEO