PFIZER INC
Form 10-K
February 28, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2011

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-3619

PFIZER INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-5315170**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
235 East 42nd Street New York, New York	**10017-5755**
(Address of principal executive offices)	**(Zip Code)**

(212) 733-2323

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, $.05 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232-405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant s most recently completed second fiscal quarter, July 1, 2011, was approximately $163 billion. The registrant has no non-voting common stock.

The number of shares outstanding of the registrant s common stock as of February 21, 2012 was 7,538,520,276 shares of common stock, all of one class.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2011 Annual Report to Shareholders	Parts I, II and IV
Portions of the Proxy Statement for the 2012 Annual Meeting of Shareholders	Part III

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PART I

ITEM 1. BUSINESS

General

Pfizer Inc. (which may be referred to as *Pfizer, the Company, we, us* or *our*) is a research-based, global biopharmaceutical company. We apply science and our global resources to improve health and well-being at every stage of life. We strive to set the standard for quality, safety and value in the discovery, development and manufacturing of medicines for people and animals. Our diversified global healthcare portfolio includes human and animal biologic and small molecule medicines and vaccines, as well as nutritional products and many of the world s best-known consumer healthcare products. Every day, we work across developed and emerging markets to advance wellness, prevention, treatments and cures that challenge the most feared diseases of our time. We also collaborate with other biopharmaceutical companies, healthcare providers, governments and local communities to support and expand access to reliable, affordable healthcare around the world.

The Company was incorporated under the laws of the State of Delaware on June 2, 1942.

On October 15, 2009, we completed our acquisition of Wyeth. The acquisition was a cash-and-stock transaction valued at $50.40 per share of Wyeth common stock, or a total of approximately $68.2 billion, based on the closing market price of Pfizer common stock on the acquisition date.

On January 31, 2011, we completed a tender offer for the outstanding shares of common stock of King Pharmaceuticals, Inc. (King) and acquired approximately 92.5% of the outstanding shares for approximately $3.3 billion in cash. On February 28, 2011, we acquired the remaining outstanding shares of King for approximately $300 million in cash. Commencing from January 31, 2011, our financial statements include the assets, liabilities, operating results and cash flows of King. Therefore, in accordance with our domestic and international reporting periods, our consolidated financial statements for the fiscal year ended December 31, 2011 reflect approximately 11 months of King s U.S. operations and 10 months of King s international operations.

In July 2011, we announced our decision to explore strategic alternatives for our Animal Health and Nutrition businesses, which may include, among other things, a full or partial separation of each of these businesses from Pfizer through a spin-off, sale or other transaction. We believe these potential actions may create greater shareholder value, enable us to become a more focused organization and optimize capital allocation. Given the separate and distinct nature of Animal Health and Nutrition, we may pursue a different strategic alternative for each of these businesses. Although the timeline for each evaluation may differ, we expect to announce our strategic decision for each of these businesses in 2012 and to complete any separation of these businesses between July 2012 and July 2013. For additional information, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook Our Business Development Initiatives* section of *Management s Discussion and Analysis of Financial Condition and Results of Operations* (MD&A) in our 2011 Financial Report.

On August 1, 2011, we completed the sale of our Capsugel business for approximately $2.4 billion in cash. For additional information, see the Notes to Consolidated Financial Statements *Note 2D. Acquisitions, Divestitures, Collaborative Arrangements and Equity Method Arrangements Divestitures* in our 2011 Financial Report, as well as *Other Products Capsugel* below.

Pfizer Website

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (2011 Form 10-K), Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or

furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), are available on our website *(www.pfizer.com)*, in text format and, where applicable, in interactive data file format, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC).

Throughout this 2011 Form 10-K, we incorporate by reference certain information from other documents filed or to be filed with the SEC, including our Proxy Statement for the 2012 Annual Meeting of Shareholders (2012 Proxy Statement) and the 2011 Financial Report, portions of which are filed as Exhibit 13 to this 2011 Form 10-K, and which also will be contained in Appendix A to our 2012 Proxy Statement (2011 Financial Report). The SEC allows us to disclose important information by referring to it in that manner. Please refer to such information. Our 2011 Annual Report to Shareholders consists of the 2011 Financial Report and the Corporate and Shareholder Information attached to the 2012 Proxy Statement. Our 2011 Financial Report will be available on our website *(www.pfizer.com)* on or about February 28, 2012. Our 2012 Proxy Statement will be available on our website *(www.pfizer.com)* on or about March 15, 2012.

Information relating to corporate governance at Pfizer, including our Corporate Governance Principles; Director Qualification Standards; Pfizer Policies on Business Conduct (for all of our employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer); Code of Business Conduct and Ethics for our Directors; information concerning our Directors; ways to communicate by e-mail with our Directors; Board Committees; Committee Charters; the Lead Independent Director Charter; and transactions in Pfizer securities by Directors and Officers; as well as Chief Executive Officer and Chief Financial Officer certifications, are available on our website *(www.pfizer.com)*. We will provide any of the foregoing information without charge upon written request to Matthew Lepore, Vice President and Corporate Secretary, Chief Counsel-Corporate Governance, Pfizer Inc., 235 East 42nd Street, New York, NY 10017-5755. Information relating to shareholder services, including our Shareholder Investment Program, book-entry share ownership and direct deposit of dividends, is also available on our website *(www.pfizer.com)*.

The information contained in our website does not constitute a part of this 2011 Form 10-K.

Operating Segments

We manage our operations through five operating segments Primary Care; Specialty Care and Oncology; Established Products and Emerging Markets; Animal Health and Consumer Healthcare; and Nutrition. Each operating segment has responsibility for its commercial activities and for certain research and development activities related to in-line products and in-process research and development (IPR&D) projects that generally have achieved proof-of-concept. Previously, we managed our operations through two operating segments Biopharmaceutical and Diversified.

We regularly review our segments and the approach used by management to evaluate performance and allocate resources.

A description of each of our five operating segments follows:

Primary Care operating segment includes revenues from human pharmaceutical products primarily prescribed by primary-care physicians, and may include products in the following therapeutic and disease areas: Alzheimer s disease, cardiovascular (excluding pulmonary arterial hypertension), erectile dysfunction, genitourinary, major depressive disorder, pain, respiratory and smoking cessation. Examples of products in this segment include *Celebrex*, *Chantix/Champix*, *Lipitor*, *Lyrica*, *Premarin*, *Pristiq* and *Viagra*. All revenues for such products are allocated to the Primary Care business unit, except those generated in emerging markets and those that are managed by the Established Products business unit.

Through the end of 2011, sales of *Lipitor* in the U.S. are reported in our Primary Care business unit. Beginning in 2012, sales of *Lipitor* in the U.S. will be reported in our Established Products business unit.

Specialty Care and Oncology operating segment comprises the Specialty Care business unit and the Oncology business unit.

- Specialty Care includes revenues from most human pharmaceutical products primarily prescribed by physicians who are specialists, and may include products in the following therapeutic and disease areas: anti-infectives, endocrine disorders, hemophilia, inflammation, multiple sclerosis, ophthalmology, pulmonary arterial hypertension, specialty neuroscience and vaccines. Examples of products in this business unit include *BeneFIX*, *Enbrel*, *Genotropin*, *Geodon*, the *Prevnar/Prevenar* franchise, *Rebif*, *ReFacto AF*, *Revatio*, *Xalatan*, *Xyntha* and *Zyvox*. All revenues for such products are allocated to the Specialty Care business unit, except those generated in emerging markets and those that are managed by the Established Products business unit.

- Oncology includes revenues from human prescription pharmaceutical products addressing oncology and oncology-related illnesses. Examples of products in this business unit include *Aromasin*, *Sutent*, *Torisel* and *Xalkori*. All revenues for such products are allocated to the Oncology business unit, except those generated in emerging markets and those that are managed by the Established Products business unit.

Established Products and Emerging Markets operating segment comprises the Established Products business unit and the Emerging Markets business unit.

- Established Products generally includes revenues from human prescription pharmaceutical products that have lost patent protection or marketing exclusivity in certain countries and/or regions. Typically, products are transferred to this business unit in the beginning of the fiscal year following loss of patent protection or marketing exclusivity. In certain situations, products may be transferred to this business unit at a different point than the beginning of the fiscal year following loss of patent protection or marketing exclusivity in order to maximize their value. This business unit also excludes revenues generated in emerging markets. Examples of products in this business unit include *Arthrotec*, *Effexor*, *Medrol*, *Norvasc*, *Protonix*, *Relpax* and *Zosyn/Tazocin*.

- Emerging Markets includes revenues from all human prescription pharmaceutical products sold in emerging markets, including Asia (excluding Japan and South Korea), Latin America, Middle East, Africa, Central and Eastern Europe and Turkey.

Animal Health and Consumer Healthcare operating segment comprises the Animal Health business unit and the Consumer Healthcare business unit.

- Animal Health includes worldwide revenues from products and services to prevent and treat disease in livestock and companion animals, including vaccines, parasiticides and anti-infectives.

- Consumer Healthcare generally includes worldwide revenues from non-prescription products in the following therapeutic categories: dietary supplements, pain management, respiratory and personal care. Products marketed by Consumer Healthcare include *Advil*, *Caltrate*, *Centrum*, *ChapStick*, *Preparation H* and *Robitussin*.

Nutrition operating segment generally includes revenues from a full line of infant and toddler nutritional products sold outside the U.S. and Canada. Examples of products in this segment include the *S-26* and *SMA* product lines, as well as formula for infants with special nutritional needs.

For a further discussion of our operating segments, including certain costs that are not allocated to our operating segment results, as well as comparative segment information for 2011, 2010 and 2009, see the Notes to Consolidated Financial Statements *Note 18. Segment, Geographic and Other Revenue Information Segment*

Information, including the tables therein captioned *Selected Income Statement Information, Geographic Information* and *Significant Product Revenues* in our 2011 Financial Report and the table captioned *Revenues by Segment and Geographic Area* in the MD&A in our 2011 Financial Report. The information from those tables in our 2011 Financial Report is incorporated by reference into this 2011 Form 10-K.

Our businesses are heavily regulated in most of the countries in which we operate. In the U.S., the principal authority regulating our operations is the U.S. Food and Drug Administration (FDA). The FDA regulates the safety and efficacy of the products we offer and our research quality, manufacturing processes, product promotion, advertising and product labeling. Similar regulations exist in most other countries, and in many countries the government also regulates our prices. See *Government Regulation and Price Constraints* below.

Biopharmaceutical Products

Revenues from biopharmaceutical products contributed approximately 86% of our total revenues in 2011, 87% of our total revenues in 2010 and 92% of our total revenues in 2009.

We recorded direct product sales of more than $1 billion for each of 12 biopharmaceutical products in 2011, each of 15 biopharmaceutical products in 2010 and each of nine legacy Pfizer biopharmaceutical products in 2009. These products represented 56% of our revenues from biopharmaceutical products in 2011, 60% of our revenues from biopharmaceutical products in 2010, and 56% of our revenues from biopharmaceutical products in 2009. See *Item 1A. Risk Factors Dependence on Key In-Line Products* below.

Worldwide revenues from biopharmaceutical products in 2011 were $57.7 billion, a decrease of 1% compared to 2010, primarily due to the decrease of $4.7 billion in operational revenues from *Lipitor*, *Effexor*, *Protonix*, *Xalatan*, *Caduet*, *Vfend*, *Aromasin* and *Zosyn*, and lower Alliance revenues for *Aricept*, all due to loss of exclusivity in certain markets, and a reduction in revenues of $359 million due to the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (commonly referred to as the Affordable Care Act, or ACA). This decrease was partially offset by the solid performance of *Lyrica*, the *Prevnar/Prevenar* franchise and *Enbrel*, the inclusion of operational revenues from legacy King products of approximately $950 million, which favorably impacted biopharmaceutical revenues by 2%, and the favorable impact of foreign exchange of $1.7 billion, or 3%.

Geographically, in the U.S., revenues from biopharmaceutical products decreased 9% in 2011, compared to 2010, reflecting lower revenues from *Lipitor*, *Protonix*, *Effexor*, *Zosyn*, *Xalatan*, *Vfend*, *Caduet* and *Aromasin*, all due to loss of exclusivity, lower Alliance revenues due to loss of exclusivity of *Aricept* 5mg and 10mg tablets in November 2010 and lower revenues from *Detrol/Detrol LA*, as well as the reduction in revenues of $359 million in 2011 due to the ACA. The impact of these adverse factors was partially offset by the strong performance of certain other biopharmaceutical products and the addition of U.S. revenues from legacy King products of approximately $904 million in 2011.

For additional information regarding the impact of the ACA on our revenues, see the *Overview of our Performance, Operating Environment, Strategy and Outlook Our Operating Environment U.S. Healthcare Legislation* section of the MD&A in our 2011 Financial Report.

In our international markets, revenues from biopharmaceutical products increased 5% in 2011, compared to 2010, reflecting the favorable impact of foreign exchange of 6% in 2011, partially offset by a net operational decrease. Operationally, revenues were favorably impacted by increases in the *Prevenar* franchise, *Lyrica*, *Enbrel*, *Celebrex* and Alliance revenues and unfavorably impacted by declines in *Lipitor*, *Effexor*, *Norvasc* and *Xalatan/Xalacom*. International revenues from legacy King products were not significant to our international revenues in 2011. During 2011, international revenues from biopharmaceutical products represented 59% of total revenues from biopharmaceutical products, compared to 56% in 2010.

For additional information, see the *Analysis of the Consolidated Statements of Income Biopharmaceutical Revenues* section of the MD&A in our 2011 Financial Report.

Biopharmaceutical Selected Product Descriptions:

Lipitor, for the treatment of elevated LDL-cholesterol levels in the blood, lost U.S. exclusivity on November 30, 2011, and faces generic competition in the U.S. *Lipitor* lost exclusivity in Australia in February 2012; in Japan in 2011; and in Brazil, Canada, Spain and Mexico in 2010; and it has lost exclusivity in nearly all emerging market countries. We do not expect that *Lipitor* revenues in emerging markets will be materially impacted over the next several years by the loss of exclusivity. *Lipitor* will have lost exclusivity in the majority of European markets by May 2012. See *Patents and Intellectual Property Rights* below for further information on *Lipitor*.

Lyrica is indicated for the management of post-herpetic neuralgia, neuropathic pain associated with diabetic peripheral neuropathy, the management of fibromyalgia, and as adjunctive therapy for adult patients with partial onset seizures in the U.S., and for neuropathic pain (peripheral and central), adjunctive treatment of epilepsy and general anxiety disorder in certain countries outside the U.S.

Prevnar 13/Prevenar 13 is our 13-valent pneumococcal conjugate vaccine for the prevention of various syndromes of pneumococcal disease in infants and young children and in adults 50 years of age and older. *Prevnar 13/Prevenar 13* for use in infants and young children has been launched in the U.S. for the prevention of invasive pneumococcal disease caused by the 13 serotypes in *Prevnar 13* and otitis media caused by the seven serotypes in *Prevnar*, and in the European Union (EU) and many other international markets for the prevention of invasive pneumococcal disease, otitis media and pneumococcal pneumonia caused by the vaccine serotypes. The launch of the *Prevnar 13/Prevenar 13* pediatric indication has reduced our *Prevnar/Prevenar (7-valent)* revenues (see discussion below), and we expect this trend to continue. In addition, in 2011, we received approval of *Prevnar 13/Prevenar 13* for use in adults 50 years of age and older in the U.S. for the prevention of pneumococcal pneumonia and invasive pneumococcal disease caused by the 13 serotypes in *Prevnar 13*, and in the EU for the prevention of invasive pneumococcal disease caused by the vaccine serotypes. *Prevenar 13* for use in adults 50 years of age and older also has been approved in many other international markets. We expect to commence commercial launches for the adult indication in 2012.

We currently are conducting the Community-Acquired Pneumonia Immunization Trial in Adults (CAPiTA) to fulfill requirements in connection with the FDA s approval of the *Prevnar 13* adult indication under its accelerated approval program. CAPiTA is an efficacy trial involving subjects 65 years of age and older that is designed to evaluate whether *Prevnar 13* is effective in preventing the first episode of community-acquired pneumonia caused by the serotypes contained in the vaccine. We estimate that this event-driven trial will be completed in 2013. At its regular meeting held on February 22, 2012, the U.S. Centers for Disease Control and Prevention s Advisory Committee on Immunization Practices (ACIP) indicated that it will defer voting on a recommendation for the routine use of *Prevnar 13* in adults 50 years of age and older until the results of CAPiTA, as well as data on the impact of pediatric use of *Prevnar 13* on the disease burden and serotype distribution among adults, are available. We expect that the rate of uptake for the use of *Prevnar 13* in adults 50 years of age and older will be impacted by ACIP s decision to defer voting on a recommendation for the routine use of *Prevnar 13* by that population.

Enbrel is our treatment for moderate-to-severe rheumatoid arthritis, polyarticular juvenile rheumatoid arthritis, psoriatic arthritis, plaque psoriasis and ankylosing spondylitis, a type of arthritis affecting the spine. Under our co-promotion agreement with Amgen Inc. (Amgen), we and Amgen co-promote *Enbrel* in the U.S. and Canada and share in the profits from *Enbrel* sales in those countries, which we include in Alliance revenues. Our co-promotion agreement with Amgen will expire in October 2013, and, subject to the terms of the agreement, we are entitled to a royalty stream for 36 months thereafter, which we expect will be significantly less than our current share of *Enbrel* profits from U.S. and Canadian sales. Following the end of the royalty period, we will not be entitled to any further revenues from *Enbrel* sales in the U.S. and Canada. Our exclusive rights to *Enbrel* outside the U.S. and Canada will not be affected by the expiration of the co-promotion agreement with Amgen.

Celebrex is for the treatment of the signs and symptoms of osteoarthritis and rheumatoid arthritis worldwide and for the management of acute pain in adults in the U.S. and certain markets in the EU. *Celebrex* is supported by continued educational and promotional efforts highlighting its efficacy and safety profile for appropriate patients.

Viagra remains the leading treatment for erectile dysfunction and one of the world s most recognized pharmaceutical brands after more than a decade. *Viagra* began facing generic competition in certain markets, including Spain and Finland, in December 2009.

Norvasc, for treating hypertension, lost exclusivity in the U.S. and other major markets in 2007 and in Canada in 2009.

Zyvox is the world s best selling agent among those used to treat serious Gram-positive pathogens, including methicillin-resistant staphylococcus-aureus.

Xalabrands consists of *Xalatan*, a prostaglandin, which is a branded agent used to reduce elevated eye pressure in patients with open-angle glaucoma or ocular hypertension, and *Xalacom*, a fixed combination of prostaglandin (*Xalatan*) and beta blocker (timolol), available outside the U.S. *Xalatan* lost exclusivity in the U.S. in March 2011. *Xalatan* and *Xalacom* lost exclusivity in 15 major European markets in January 2012.

Sutent is for the treatment of advanced renal cell carcinoma, including metastatic renal cell carcinoma (mRCC) and gastrointestinal stromal tumors (GIST) after disease progression on, or intolerance to, imatinib mesylate. In May 2011, the FDA approved *Sutent* for the treatment of progressive, well-differentiated pancreatic neuroendocrine tumors (pNET) in patients with unresectable locally advanced or metastatic disease. In the U.S., *Sutent* is the most prescribed oral mRCC therapy, and more than 100,000 patients have been treated with *Sutent* worldwide.

Geodon/Zeldox, an atypical antipsychotic, is indicated for the treatment of schizophrenia, as monotherapy for the acute treatment of bipolar manic or mixed episodes, and as an adjunct to lithium or valproate for the maintenance treatment of bipolar disorder. *Geodon/Zeldox* is expected to lose exclusivity in the U.S. in March 2012.

Our *Premarin* family of products remains the leading therapy to help women address moderate to severe menopausal symptoms.

Genotropin, one of the world s leading human growth hormones, is used in children for the treatment of short stature with growth hormone deficiency, Prader-Willi Syndrome, Turner Syndrome, Small for Gestational Age Syndrome, Idiopathic Short Stature (in the U.S. only) and Chronic Renal Insufficiency (outside the U.S. only), as well as in adults with growth hormone deficiency. *Genotropin* is supported by a broad platform of innovative injection-delivery devices and patient support programs.

Detrol/Detrol LA, a muscarinic receptor antagonist, is one of the most prescribed branded medicines worldwide for overactive bladder. *Detrol LA* is an extended-release formulation taken once a day. *Detrol* immediate release (*Detrol IR*) will lose exclusivity in the U.S. in September 2012.

Vfend is a broad-spectrum agent for treating yeast and molds. *Vfend* tablets lost exclusivity in the U.S. in February 2011.

Chantix/Champix is an aid to smoking-cessation treatment in adults 18 years of age and older. We are continuing our educational and promotional efforts, which are focused on addressing the significant health consequences of smoking, highlighting the *Chantix* benefit-risk proposition and emphasizing the importance of the physician-patient dialogue in helping patients quit smoking.

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In July 2011, the U.S. prescribing information was revised to include clinical data showing that *Chantix* is an effective aid to smoking-cessation treatment for smokers with stable cardiovascular disease (CVD) and mild-to-moderate chronic obstructive pulmonary disease (COPD). The revised label also includes a warning/precaution advising smokers with CVD to inform their physician of any new or worsening symptoms of cardiovascular disease, and to seek emergency medical help if they experience any symptoms of a heart attack. This safety information was added at the FDA s request following an observation of a small numeric increase in certain cardiovascular events in patients treated with *Chantix* versus those taking a placebo in a study of 700 smokers with stable cardiovascular disease. Approval of the EU labeling, revised at the European Medicines Agency s (EMA s) request to include a similar cardiovascular-related warning/precaution, was received in late December 2011, with regulators reaffirming the positive benefit/risk profile of the medication. Approval of the Japan labeling, which includes a similar precaution, occurred in late October 2011. In December 2011, Pfizer received a positive opinion from the EMA s Committee for Medical Products for Human Use for changes to the *Champix* EU label regarding schizophrenia data.

BeneFIX and *ReFacto AF/Xyntha* are hemophilia products using state of the art manufacturing that assist patients with a lifelong bleeding disorder. *BeneFIX* is the only available recombinant factor IX product for the treatment of hemophilia B, while *ReFacto AF/Xyntha* are recombinant factor VIII products for the treatment of hemophilia A. Both products are indicated for the control and prevention of bleeding in patients with these disorders and in some countries also are indicated for prophylaxis in certain situations, such as surgery.

Effexor is an antidepressant for treating adult patients with major depressive disorder, generalized anxiety disorder, social anxiety disorder and panic disorder. *Effexor* and *Effexor XR*, an extended-release formulation, face generic competition in most markets, including the U.S., where *Effexor XR* lost exclusivity on July 1, 2010. This generic competition has had a significant adverse impact on our revenues for *Effexor* and *Effexor XR*.

Zosyn/Tazocin, our broad-spectrum intravenous antibiotic, faces generic global competition. U.S. exclusivity was lost in September 2009.

Pristiq is approved for the treatment of major depressive disorder in the U.S. and in various other countries. *Pristiq* has also been approved for treatment of moderate-to-severe vasomotor symptoms associated with menopause in Thailand, Mexico, the Philippines and Ecuador.

Caduet is a single pill therapy combining *Lipitor* and *Norvasc* for the prevention of cardiovascular events. *Caduet* lost U.S. exclusivity on November 30, 2011 and faces generic competition.

Revatio is for the treatment of pulmonary arterial hypertension. In the U.S., *Revatio* tablet will lose exclusivity in September 2012, and *Revatio IV* injection will lose exclusivity in May 2013.

Prevnar/Prevenar (*7-valent*) is our 7-valent pneumococcal conjugate vaccine for preventing invasive, and, in certain international markets, non-invasive pneumococcal disease in infants and young children. Many markets have transitioned from the use of *Prevnar/Prevenar* (*7-valent*) to *Prevnar 13/Prevenar 13* (see discussion above).

Aricept, discovered and developed by Eisai Co., Ltd. (Eisai), is the most commonly dispensed medicine to treat symptoms of Alzheimer s disease. We co-promote *Aricept* with Eisai in the U.S. and several other countries and have an exclusive license to sell *Aricept* in certain other countries. Revenues associated with this co-promotion are included in Alliance revenues. We lost exclusivity for *Aricept* 5mg and 10mg tablets in the U.S. in November 2010. We expect that the *Aricept* 23mg tablet will have exclusivity in the U.S. until July 2013. *Aricept* lost exclusivity in many of the major European markets in February 2012, and our Established Products business unit is introducing a second brand of donepezil HCl (the active ingredient in *Aricept*) in Europe. *Aricept* will have exclusivity in Canada until December 2013, and our rights to *Aricept* in Japan will return to Eisai in December 2012.

Spiriva is indicated in the U.S. for the long-term, once-daily, maintenance treatment of bronchospasm associated with COPD, including chronic bronchitis and emphysema, and for reducing COPD exacerbations. We co-promote *Spiriva* with Boehringer Ingelheim (BI) in the U.S. and selected countries on a worldwide basis. Revenues associated with this co-promotion are included in Alliance revenues. Our collaboration with BI for *Spiriva* will expire on a country-by-country basis between 2012 and 2016. As a result, we expect to experience a graduated decline in revenues from *Spiriva* during that period. Our collaboration with BI for *Spiriva* will expire in the EU from 2012 and 2016, in 2014 in the U.S. and Japan, and by 2016 in all other countries where the collaboration exists.

Xalkori, the first-ever therapy targeting anaplastic lymphoma kinase (ALK), for the treatment of patients with locally advanced or metastatic non-small cell lung cancer that is ALK-positive as detected by an FDA-approved test, was approved by the FDA in August 2011.

Inlyta was approved by the FDA in January 2012 for the treatment of patients with advanced renal cell carcinoma after failure of one prior systemic therapy.

Embeda On February 23, 2011, we stopped distribution of our *Embeda* product due to failed specification tolerances related to naltrexone degradation identified in post-manufacturing testing. On March 10, 2011, we initiated a voluntary recall to wholesale and retail customers of all *Embeda* products. We are committed to returning this important product to the market as quickly as possible, once the stability issue is resolved.

Other Products

Animal Health

Our Animal Health business unit is the largest animal health business in the world. We discover, develop and sell products for the prevention and treatment of diseases in livestock and companion animals. Revenues from Animal Health products were approximately $4.2 billion in 2011, an increase of 17% compared to 2010, reflecting higher operational revenues of 14% and the favorable impact of foreign exchange of 3%. Operational revenues from Animal Health products were favorably impacted by approximately $329 million, or 9%, due to the addition of revenues from legacy King animal health products. Legacy Pfizer products grew 7% primarily driven by improving market conditions and resulting increased demand for products across the livestock business, as well as deeper market penetration in emerging markets. This was partially offset by the adverse impact of required product divestitures in 2010 related to the acquisition of Wyeth.

We market vaccines, anti-infectives, anti-inflammatories, antiemetics and parasiticides, including the following products:

Startect is a novel dual-active parasiticide that delivers a broad spectrum control of parasitic worm infestation in sheep.

Improvac/Improvest is a novel gonadotropin releasing factor (GnRF) product for swine that prevents boar taint.

Fostera PCV is a vaccine that protects pigs against porcine circovirus.

Palladia is a treatment of mast cell tumors, a common form of cancer that affects dogs; it works by killing tumor cells and by cutting off the blood supply to the tumor.

Convenia is an anti-infective for dogs and cats that delivers an assured full course of therapy from a single injection.

Cerenia is a selective NK-1 receptor antagonist for the treatment and prevention of vomiting in dogs and for the prevention of motion sickness.

Revolution/Stronghold is a topically administered parasiticide for dogs and cats that controls a number of different parasites such as fleas and heartworm.

Rimadyl relieves pain and inflammation associated with canine osteoarthritis and soft tissue orthopedic surgery.

Draxxin is an effective and convenient single dose anti-infective used to treat infections in cattle and swine.

Excede is an effective and convenient single-dose anti-infective used to treat infections in cattle and swine. *Excede* offers a convenient two-dose regimen for horses.

Zulvac is a vaccine that protects cattle and sheep against bluetongue disease.

Bopriva is a novel GnRF vaccine which temporarily reduces undesirable bull behaviors such as fighting.

The Company is exploring strategic alternatives for Animal Health, which may include, among other things, a full or partial separation from Pfizer through a spin-off, sale or other transaction. See *General* above.

Consumer Healthcare

Our Consumer Healthcare business unit is the fifth-largest over-the-counter healthcare products business in the world and sells two of the ten largest selling over-the-counter healthcare brands (*Centrum* and *Advil*) in the world. Consumer Healthcare revenues totaled $3.1 billion for 2011, an increase of 10% compared to 2010, reflecting higher operational revenues of 8% and the favorable impact of foreign exchange of 2%. The operational revenue increase in 2011 was primarily driven by increased sales of core brands including *Advil*, *Caltrate* and *Robitussin*, as well as the temporary voluntary withdrawal of *Centrum* in Europe in the third quarter of 2010. The Consumer Healthcare business unit holds strong positions in various geographic markets, with its highest revenue volume in the U.S., Canada, China, Germany, Italy, Brazil and Australia.

Major categories and product lines include:

Dietary Supplements: *Centrum* brands (including *Centrum*, *Centrum Silver*, *Centrum Men s* and *Women s*, *Centrum Performance*, *Centrum Specialists*, *Centrum Cardio*, and *Centrum Kids*), *Caltrate*, and *ProNutrient* brands (including *Probiotic*, *Omega-3*, and *Fruit and Veggie*);

Pain Management: *Advil* brands (including *Advil*, *Advil PM*, *Advil Liqui-Gels*, *Children s Advil*, *Infant s Advil*, *and Advil Migraine)*, and *ThermaCare*;

Respiratory: *Robitussin*, *Advil Cold & Sinus*, *Advil Congestion Relief*, and *Dimetapp*;

Personal Care: *ChapStick* and *Preparation H.*

In December 2011 (which falls in the first fiscal quarter of 2012 for our international operations), we completed our acquisition of the consumer healthcare business of Ferrosan Holding A/S, a Danish company engaged in the sale of science-based consumer healthcare products, including dietary supplements and lifestyle products, primarily in the Nordic region and the emerging markets of Russia and Central and Eastern Europe.

Nutrition

Pfizer Nutrition is a leader in infant nutritionals in the markets in which we operate. We have a targeted geographic presence in key markets throughout Asia, the Middle East, Europe and Latin America. Our largest markets include China, the Philippines, the U.K., Mexico and Australia, and more than 80% of our revenues are in emerging markets. Since it became part of Pfizer in 2009, the Nutrition business has grown in new and existing markets through innovation and developing and launching a number of new products. Nutrition s revenues totaled $2.1 billion in 2011, an increase of 15% compared to 2010, reflecting higher operational revenues of 11% and the favorable impact of foreign exchange of 4%. The operational revenue increase was primarily due to increased demand for premium products, launches of new products and strength in China and the Middle East.

Nutrition products include infant milk formula brands for newborns and toddlers: our *Gold* line includes brands *S-26* and/or *SMA* (brand names vary slightly from country to country), and in 2011 we launched our super-premium *Illuma* brand. We also commercialize specialty formulas such as *S-26 Gold Hypoallergenic*, *S-26 Gold Anti-Regurgitation*, *S-26 Gold Lactose-Free*, and *S-26 Picky Eater.*

The Company is exploring strategic alternatives for Nutrition, which may include, among other things, a full or partial separation from Pfizer through a spin-off, sale or other transaction. See *General* above.

For additional information regarding the revenues of our Animal Health, Consumer Healthcare and Nutrition business units, see the *Analysis of the Consolidated Statements of Income Other Product Revenues* section of the MD&A in our 2011 Financial Report.

Capsugel

On August 1, 2011, we sold our Capsugel business for approximately $2.4 billion in cash. Results of Capsugel, as well as the gain on its sale, are reflected in discontinued operations through the date of sale. Capsugel was a business that had a diverse product line of hard gelatin capsules, and liquid, softgel, non-animal, and fish gelatin capsules, all for use in pharmaceutical and dietary supplement dosage delivery. For additional information, see the Notes to Consolidated Financial Statements *Note 2D. Acquisitions, Divestitures, Collaborative Arrangements and Equity Method Arrangements Divestitures* in our 2011 Financial Report.

Research and Development

Innovation by our research and development operations is very important to our success. As a result, and also because we are predominantly a human health company, the vast majority of our research and development spending is associated with human health products, compounds and activities. Our goal is to discover, develop and bring to market innovative products that address major unmet medical needs. We spent $9.1 billion in 2011, $9.4 billion in 2010 and $7.8 billion in 2009 on research and development.

Biopharmaceutical R&D

We conduct research internally and also through contracts with third parties, through collaborations with universities and biotechnology companies and in cooperation with other pharmaceutical firms. We also seek out promising compounds and innovative technologies developed by third parties to incorporate into our discovery and development processes or projects, as well as our product lines, through collaborations, alliance and license agreements, acquisitions and other arrangements.

Drug discovery and development is time-consuming, expensive and unpredictable. According to the Pharmaceutical Research and Manufacturers of America (PhRMA), out of 5,000-10,000 screened compounds, only 250 enter preclinical testing, five enter human clinical trials and one is approved by the FDA. The process from early discovery or design to development to regulatory approval can take more than ten years. Drug candidates can fail at any stage of the process. Candidates may not receive regulatory approval even after many years of research.

As of year-end 2011, we had 262 projects in research and development, ranging from discovery through registration, of which 95 programs are in Phase 1 through registration, with the remainder of the projects in pre-clinical development. At year-end 2011, our Phase III portfolio contained 22 programs. Development of a single compound is often pursued as part of multiple different programs. While these new candidates may or may not eventually receive regulatory approval, new drug candidates entering clinical development phases are the foundation for future products.

In addition to discovering and developing new products, our research operations seek to add value to our existing products by improving their effectiveness and by discovering new uses or indications for them.

Information concerning several of our drug candidates in development, as well as supplemental filings for existing products, is set forth in the *Analysis of the Consolidated Statements of Income Product Developments Biopharmaceutical* section of the MD&A in our 2011 Financial Report. That information is incorporated by reference.

Our competitors also devote substantial funds and resources to research and development. We also compete against numerous small biotechnology companies in developing potential drug candidates. The extent to which our competitors are successful in their research could result in erosion of the sales of our existing products and products in development, as well as unanticipated product obsolescence.

We continue to closely evaluate our global research and development function and pursue strategies to improve innovation and overall productivity by prioritizing areas with the greatest scientific and commercial promise, utilizing appropriate risk/return profiles, and focusing on areas with the highest potential to deliver value in the near term and over time. To that end, our research primarily focuses on five high-priority areas that have a mix of small and large molecules immunology and inflammation; oncology; cardiovascular, metabolic and endocrine diseases; neuroscience and pain; and vaccines. In addition to reducing the number of disease areas of focus, we are realigning and reducing our research and development footprint, and outsourcing certain functions that do not drive competitive advantage for Pfizer. As a result of these actions, we expect significant reductions in our annual research and development expenses, which are reflected in our 2012 financial guidance, and we expect to incur significant costs, which are also reflected in our 2012 financial guidance. For additional information, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook Our Strategy* and *Our Financial Guidance for 2012* and *Costs and Expenses Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives* sections of the MD&A in our 2011 Financial Report.

For additional information regarding our R&D operations, see the *Analysis of the Consolidated Statements of Income Research and Development Operations* section of the MD&A in our 2011 Financial Report.

International Operations

We have significant operations outside the United States. They are managed through the same segments as our U.S. operations, with our operations in emerging markets for human pharmaceutical products managed through the Established Products and Emerging Markets segment.

Revenues from operations outside the U.S. of $40.5 billion accounted for 60% of our total revenues in 2011. Revenues exceeded $500 million in each of 18 countries outside the U.S. in 2011. The U.S. is our largest national market, comprising 40% of total revenues in 2011, 43% of total revenues in 2010 and 44% of total revenues in 2009. Japan is our second-largest national market, with 9% of total revenues in 2011, 7.5% of total revenues in 2010 and 8.7% of total revenues in 2009.

For a geographic breakdown of revenues and changes in revenues, see the table captioned *Geographic Information,* in the Notes to Consolidated Financial Statements *Note 18. Segment, Geographic and Other Revenue Information* in our 2011 Financial Report, and the table captioned *Revenues by Segment and Geographic Area* in the MD&A in our 2011 Financial Report. Those tables are incorporated by reference.

Our international businesses are subject, in varying degrees, to a number of risks inherent in carrying on business in other countries. These include currency fluctuations, capital and exchange control regulations, expropriation and other restrictive government actions. Our international businesses are also subject to government-imposed constraints, including laws and regulations on pricing, reimbursement, and access to our products. See *Government Regulation and Price Constraints* below for a discussion of these matters.

Depending on the direction of change relative to the U.S. dollar, foreign currency values can increase or decrease the reported dollar value of our net assets and results of operations. In 2011, both revenues and net income were favorably impacted by foreign exchange in general, as foreign currency movements relative to the U.S. dollar increased our revenues and net income in many countries. While we cannot predict with certainty future changes in foreign exchange rates or the effect they will have on us, we attempt to mitigate their impact through operational means and by using various financial instruments, depending upon market conditions. See the discussions in the Notes to Consolidated Financial Statements *Note 7E. Financial Instruments Derivative Financial Instruments and Hedging Activities* in our 2011 Financial Report.

Marketing

In our global