PFIZER INC
Form 10-Q
August 06, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 28, 2009

OR

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 of Incorporation)	(I.R.S. Employer Identification No.)

235 East 42nd Street, New York, New York 10017
(Address of principal executive offices) (zip code)
(212) 573-2323
(Registrant's telephone number)

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 o

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check

one):

Large Accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o NO x

At August 4, 2009, 6,749,143,013 shares of the issuer's voting common stock were outstanding

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FORM 10-Q

For the Quarter Ended
June 28, 2009

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

PFIZER INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three Months Ended		Six Months Ended	
(MILLIONS, EXCEPT PER COMMON SHARE DATA)	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Revenues	$ 10,984	$ 12,129	$ 21,851	$ 23,977
Costs and expenses:				
Cost of sales(a)	1,756	2,289	3,164	4,275
Selling, informational and administrative expenses(a)	3,350	3,863	6,226	7,355
Research and development expenses(a)	1,695	1,966	3,400	3,757
Amortization of intangible assets	583	663	1,161	1,442
Acquisition-related in-process research and development charges	20	156	20	554
Restructuring charges and acquisition-related costs	459	569	1,013	747
Other (income)/deductions – net	72	(167)	15	(500)
Income from continuing operations before provision for taxes on income	3,049	2,790	6,852	6,347
Provision for taxes on income	786	25	1,860	788
Income from continuing operations	2,263	2,765	4,992	5,559
Discontinued operations - net of tax	3	17	4	13
Net income before allocation to noncontrolling interests	2,266	2,782	4,996	5,572
Less: Net income attributable to noncontrolling interests	5	6	6	12
Net income attributable to Pfizer Inc.	$ 2,261	$ 2,776	$ 4,990	$ 5,560
Earnings per share – basic:				
Income from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.34	$ 0.41	$ 0.74	$ 0.82
Discontinued operations - net of tax	—	—	—	0.01
Net income attributable to Pfizer Inc. common shareholders	$ 0.34	$ 0.41	$ 0.74	$ 0.83

Earnings per share – diluted:								
Income from continuing operations attributable to Pfizer Inc. common shareholders	$	0.34	$	0.41	$	0.74	$	0.82
Discontinued operations - net of tax		—		—		—		—
Net income attributable to Pfizer Inc. common shareholders	$	0.34	$	0.41	$	0.74	$	0.82
Weighted-average shares used to calculate earnings per common share:								
Basic		6,728		6,732		6,726		6,736
Diluted		6,752		6,748		6,752		6,754
Cash dividends paid per common share	$	0.16	$	0.32	$	0.48	$	0.64

(a) Exclusive of amortization of intangible assets, except as disclosed in Note 10B. Goodwill and Other Intangible Assets:Other Intangible Assets.

See accompanying Notes to Condensed Consolidated Financial Statements.

PFIZER INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(millions of dollars)	June 28, 2009*	Dec. 31, 2008**
Assets		
Cash and cash equivalents	$ 2,244	$ 2,122
Short-term investments	47,403	21,609
Accounts receivable, less allowance for doubtful accounts	10,446	8,958
Short-term loans	935	824
Inventories	4,993	4,381
Taxes and other current assets	5,310	5,034
Assets held for sale	219	148
Total current assets	71,550	43,076
Long-term investments and loans	12,576	11,478
Property, plant and equipment, less accumulated depreciation	13,194	13,287
Goodwill	21,794	21,464
Identifiable intangible assets, less accumulated amortization	16,611	17,721
Other non-current assets, deferred taxes and deferred charges	3,614	4,122
Total assets	$ 139,339	$ 111,148
Liabilities and Shareholders' Equity		
Short-term borrowings, including current portion of long-term debt	$ 7,645	$ 9,320
Accounts payable	2,595	1,751
Dividends payable	1,081	2,159
Income taxes payable	607	656
Accrued compensation and related items	1,549	1,667
Other current liabilities	12,632	11,456
Total current liabilities	26,109	27,009
Long-term debt	31,864	7,963
Pension benefit obligations	4,159	4,235
Postretirement benefit obligations	1,602	1,604
Deferred taxes	2,356	2,959
Other taxes payable	7,029	6,568
Other non-current liabilities	2,985	3,070
Total liabilities	76,104	53,408
Preferred stock	66	73
Common stock	443	443
Additional paid-in capital	70,314	70,283
Employee benefit trust, at fair value	(304)	(425)
Treasury stock	(57,364)	(57,391)
Retained earnings	51,965	49,142
Accumulated other comprehensive expense	(2,079)	(4,569)
Total Pfizer Inc. shareholders' equity	63,041	57,556
Equity attributable to noncontrolling interests	194	184
Total shareholders' equity	63,235	57,740
Total liabilities and shareholders' equity	$ 139,339	$ 111,148

* Unaudited.
** Condensed from audited financial statements.

See accompanying Notes to Condensed Consolidated Financial Statements.

PFIZER INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended	
(millions of dollars)	June 28, 2009	June 29, 2008
Operating Activities		
Net income before allocation to noncontrolling interests	$ 4,996	$ 5,572
Adjustments to reconcile net income before noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization	2,014	2,716
Share-based compensation expense	169	166
Acquisition-related in-process research and development charges	20	554
Deferred taxes from continuing operations	731	439
Other non-cash adjustments	(22)	497
Changes in assets and liabilities (net of businesses acquired and divested)	(247)	(1,631)
Net cash provided by operating activities	7,661	8,313
Investing Activities		
Purchases of property, plant and equipment	(522)	(868)
Purchases of short-term investments	(38,900)	(16,106)
Proceeds from sales and redemptions of short-term investments	14,251	12,463
Purchases of long-term investments	(5,266)	(3,856)
Proceeds from sales and redemptions of long-term investments	3,484	632
Acquisitions, net of cash acquired	—	(962)
Other investing activities	346	(251)
Net cash used in investing activities	(26,607)	(8,948)
Financing Activities		
Increase in short-term borrowings, net	21,754	16,310
Principal payments on other short-term borrowings, net	(22,493)	(14,097)
Proceeds from issuances of long-term debt	23,996	602
Principal payments on long-term debt	(908)	—
Purchases of common stock	—	(500)
Cash dividends paid	(3,200)	(4,277)
Stock option transactions and other	(106)	33
Net cash provided by/(used in) financing activities	19,043	(1,929)
Effect of exchange-rate changes on cash and cash equivalents	25	(22)
Net increase/(decrease) in cash and cash equivalents	122	(2,586)
Cash and cash equivalents at beginning of period	2,122	3,406
Cash and cash equivalents at end of period	$ 2,244	$ 820

Supplemental Cash Flow Information		
Cash paid during the period for:		
Income taxes	$ 1,109	$ 1,056
Interest	299	446

See accompanying Notes to Condensed Consolidated Financial Statements.

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PFIZER INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Basis of Presentation

We prepared the condensed consolidated financial statements following the requirements of the Securities and Exchange Commission (SEC) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by accounting principles generally accepted in the United States of America (U.S. GAAP) can be condensed or omitted. Balance sheet amounts and operating results for subsidiaries operating outside the U.S. are as of and for the three-month and six-month periods ended May 24, 2009, and May 25, 2008. Subsequent events have been evaluated through August 6, 2009.

We made certain reclassifications to prior-period amounts to conform to the second-quarter and six-month 2009 presentations related to the presentation of noncontrolling interests as a result of adopting a new accounting standard (see Note 2. Adoption of New Accounting Policies).

Revenues, expenses, assets and liabilities can vary during each quarter of the year. Therefore, the results and trends in these interim financial statements may not be representative of those for the full year.

We are responsible for the unaudited financial statements included in this document. The financial statements include all normal and recurring adjustments that are considered necessary for the fair presentation of our financial position and operating results.

The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in Pfizer's Annual Report on Form 10-K for the year ended December 31, 2008.

On January 26, 2009, we announced that we entered into a definitive merger agreement under which we will acquire Wyeth in a cash-and-stock transaction valued on that date at $50.19 per share, or a total of $68 billion. While we have taken actions and incurred costs associated with the pending transaction that are reflected in our financial statements, the pending acquisition of Wyeth will not be reflected in our financial statements until consummation. (See Note 14. Pending Acquisition of Wyeth.)

Included in Other current liabilities at June 28, 2009 are $1.5 billion of deferred income taxes.

Note 2. Adoption of New Accounting Policies

As of March 30, 2009, we adopted Financial Accounting Standards Board (FASB) Staff Position (FSP) No. Statement of Financial Accounting Standards (SFAS) 115-2 and SFAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments. FSP SFAS 115-2 and SFAS 124-2 amend the guidance for evaluating and measuring "other-than-temporary" impairments for available-for-sale or held-to-maturity debt securities. The adoption of FSP SFAS 115-2 and SFAS 124-2 did not have a significant impact on our consolidated financial statements.

As of March 30, 2009, we adopted FSP No. SFAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly. FSP SFAS 157-4 provides additional guidance for estimating fair value in inactive markets and the identification of disorderly transactions. FSP SFAS 157-4 was adopted prospectively and did not have a significant impact on our consolidated financial statements, but could impact the accounting for acquisitions after adoption, including our pending acquisition of Wyeth, and other events, balances and transactions measured at fair value.

As of January 1, 2009, we adopted SFAS No. 141R, Business Combinations, as amended. SFAS 141R, as amended, retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development costs at fair value and requires the expensing of acquisition-related costs as incurred. The adoption of SFAS 141R, as amended, did not impact our consolidated financial statements upon adoption, but will impact the accounting for acquisitions after adoption, including our pending acquisition of Wyeth.

As of January 1, 2009, we adopted FSP No. SFAS 142-3, Determination of the Useful Life of Intangible Assets. FSP SFAS 142-3 amends the factors considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. Among other things, in the absence of historical experience, an entity will be required to consider assumptions used by market participants. The adoption of FSP SFAS 142-3 did not impact our consolidated financial statements upon adoption, but could impact the accounting for acquisitions after adoption, including our pending acquisition of Wyeth.

As of January 1, 2009, we adopted the provisions of SFAS No. 157, Fair Value Measurements, as amended, that we did not adopt as of January 1, 2008. SFAS 157, as amended, defines fair value, expands related disclosure requirements and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. The adoption of the remaining provisions of SFAS 157, as amended, did not have a significant impact on our consolidated financial statements upon adoption, but will impact the accounting for acquisitions after adoption, including our pending acquisition of Wyeth, and other events, balances and transactions measured at fair value.

As of January 1, 2009, we adopted SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51, Consolidated Financial Statements. SFAS 160 provides guidance for the accounting, reporting and disclosure of noncontrolling interests, previously referred to as minority interests. A noncontrolling interest represents the portion of equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent. The adoption of SFAS 160 resulted in a number of changes to the presentation of our consolidated financial statements, but the amounts associated with noncontrolling interests are not significant. SFAS 160 could impact our accounting for acquisitions after adoption, where we do not acquire 100% of the entity, and our accounting for the deconsolidations of subsidiaries.

As of January 1, 2009, we adopted Emerging Issues Task Force (EITF) Issue No. 07-1, Accounting for Collaborative Arrangements. EITF 07-1 provides guidance on determining whether an arrangement constitutes a collaborative arrangement within the scope of the Issue; how costs incurred and revenue generated on sales to third parties should be reported in the income statement; how an entity should characterize payments on the income statement; and what participants should disclose in the notes to the financial statements about a collaborative arrangement. The adoption of EITF 07-1 did not have a significant impact on our consolidated financial statements, and additional disclosures have been provided. (See Note 4. Collaborative Arrangements.)

As of January 1, 2009, we adopted EITF Issue No. 08-3, Accounting by Lessees for Maintenance Deposits. EITF 08-3 provides guidance that maintenance deposits paid by a lessee and subsequently refunded only if a lessee fulfills a maintenance obligation will be accounted for as a deposit asset. The adoption of EITF 08-3 did not have a significant impact on our consolidated financial statements.

As of January 1, 2009, we adopted EITF Issue No. 08-6, Equity Method Investment Accounting Considerations. EITF 08-6 clarifies how to account for certain transactions involving equity method investments in areas such as: how to determine the initial carrying value of the investment; how to allocate the difference between the investor's carrying value and the investor's share of the underlying equity of the investment; how to perform an impairment assessment of underlying intangibles held by the investee; how to account for the investee's issuance of additional shares; and how to account for an investment on the cost method when it had been previously accounted for under the equity method. The adoption of EITF 08-6 did not have a significant impact on our consolidated financial statements, but could impact the accounting for equity method investments after adoption.

As of January 1, 2009, we adopted EITF Issue No. 08-7, Accounting for Defensive Intangible Assets. EITF 08-7 clarifies the accounting for certain separately identifiable assets, which an acquirer does not intend to actively use but intends to hold to prevent its competitors from obtaining access to them. EITF 08-7 requires an acquirer to account for a defensive intangible asset as a separate unit of accounting, which should be amortized to expense over the period the asset diminishes in value. The adoption of EITF 08-7 did not have a significant impact on our consolidated financial statements, but could impact the accounting for acquisitions after adoption.

Note 3. Acquisitions

In the second quarter of 2008, we acquired Encysive Pharmaceuticals Inc. (Encysive), a biopharmaceutical company whose main asset is Thelin, which is used for the treatment of pulmonary arterial hypertension. The cost of acquiring Encysive, through a tender offer and subsequent merger, was approximately $200 million, including transaction costs. Upon our acquisition of Encysive, Encysive's change of control repurchase obligations under its outstanding $130 million 2.5% convertible notes were triggered and, as a result, Encysive repurchased the convertible notes in consideration for their par value plus accrued interest in June 2008. In addition, in the second quarter of 2008, we acquired Serenex, Inc. (Serenex), a privately held biotechnology company, whose main asset is SNX-5422, an oral Heat Shock Protein 90 (Hsp90) for the potential treatment of solid tumors and hematological malignancies and an extensive Hsp90 inhibitor compound library, which has potential uses in treating cancer, inflammatory and neurodegenerative diseases. In connection with these acquisitions, through the second quarter of 2008, we recorded $156 million in Acquisition-related in-process research and development charges and approximately $450 million in intangible assets.

PFIZER INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

In the first quarter of 2008, we acquired CovX, a privately held biotherapeutics company specializing in preclinical oncology and metabolic research and the developer of a biotherapeutics technology platform. Also in the first quarter of 2008, we acquired all the outstanding shares of Coley Pharmaceutical Group, Inc., (Coley), a biopharmaceutical company specializing in vaccines and drug candidates designed to fight certain cancers, allergy and asthma disorders, and autoimmune diseases, for approximately $230 million. In connection with these and two smaller acquisitions related to Animal Health, we recorded approximately $398 million in Acquisition-related in-process research and development charges during the first quarter of 2008. In the second quarter of 2009, we resolved a contingency associated with CovX and recognized $20 million in Acquisition-related in-process research and development charges.

Note 4. Collaborative Arrangements

In the normal course of business, we enter into collaborative arrangements with respect to in-line medicines, as well as medicines in development that require completion of research and regulatory approval. Collaborative arrangements are contractual agreements with third parties that involve a joint operating activity, typically a research and/or commercialization effort, where both we and our partner are active participants in the activity and are exposed to the significant risks and rewards of the activity. Our rights and obligations under our collaborative arrangements vary. For example, we have agreements to co-promote pharmaceutical products discovered by other companies, and we have agreements where we partner to co-develop and/or participate together in commercializing, marketing, promoting, manufacturing, and/or distributing a drug product.

Payments to or from our collaboration partners are presented in the statement of income based on the nature of the arrangement (including its contractual terms), the nature of the payments and applicable accounting guidance. Under co-promotion agreements, we record the amounts received from our partners as alliance revenues, a component of Revenues, when our co-promotion partners are the principal in the transaction and we receive a share in their net sales or profits. Alliance revenues are recorded when our co-promotion partners ship the product and title passes to their customer. Expenses for selling and marketing these products are included in Selling, informational and administrative expenses. In arrangements where we manufacture a product for our partner, we record revenues when our partner sells the product and title passes to their customer. All royalty payments to collaboration partners are recorded as part of Cost of sales.

The amounts and classifications of payments (income/(expense)) between us and our collaboration partners follow:

	Three Months Ended		Six Months Ended	
(millions of dollars)	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Revenues – Revenues(a)	$ 146	$ 126	$ 278	$ 226
Revenues – Alliance revenues (b)	598	563	1,180	1,051
Total Revenues from collaborative arrangements	744	689	1,458	1,277
Cost of sales (c)	(35)	(36)	(91)	(67)
Selling, informational and administrative expenses(d)	14	26	(3)	19
Research and development expenses(e)	(50)	(46)	(244)	(96)

(a) Represents sales to our partners of products manufactured by us.
(b) Substantially all related to amounts earned from our partners under co-promotion agreements.
(c) Primarily related to royalties earned by our partners and cost of sales associated with inventory purchased from our partners.

(d) Represents net reimbursements from our partners and reimbursements to our partners for Selling, informational and administrative expenses incurred.
(e) Primarily related to net reimbursements earned by our partners, except that the first quarter of 2009 also includes a $150 million milestone payment to one of our partners.

The amounts disclosed in the above table do not include transactions with third parties other than our collaboration partners, or other costs associated with the products under the collaboration arrangements.

PFIZER INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 5. Cost-Reduction Initiatives

We incurred the following costs in connection with all of our cost-reduction initiatives, which began in 2005:

	Three Months Ended		Six Months Ended	
(millions of dollars)	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Implementation costs(a)	$ 156	$ 405	$ 330	$ 762
Restructuring charges(b)	174	562	331	739
Total costs related to our cost-reduction initiatives	$ 330	$ 967	$ 661	$ 1,501

(a) For the second quarter of 2009, included in Cost of sales ($45 million), Selling, informational and administrative expenses ($85 million), Research and development expenses ($32 million), and Other (income)/deductions - net ($6 million income). For the second quarter of 2008, included in Cost of sales ($210 million), Selling, informational and administrative expenses ($100 million), Research and development expenses ($94 million) and Other (income)/deductions - net ($1 million). For the first six months of 2009, included in Cost of sales ($121 million), Selling, informational and administrative expenses ($131 million), Research and development expenses ($73 million), and Other (income)/deductions - net ($5 million). For the first six months of 2008, included in Cost of sales ($348 million), Selling, informational and administrative expenses ($175 million), Research and development expenses ($240 million) and Other (income)/deductions - net ($1 million income).
(b) Included in Restructuring charges and acquisition-related costs.

From the beginning of the cost-reduction initiatives in 2005 through June 28, 2009, the restructuring charges primarily relate to our supply network transformation efforts and the restructuring of our worldwide marketing and research and development operations, and the implementation costs primarily relate to depreciation arising from the shortening of the useful lives of certain assets, as well as system and process standardization and the expansion of shared services.

The components of restructuring charges associated with all of our cost-reduction initiatives follow:

(millions of dollars)	Costs Incurred Through June 28, 2009	Activity Through June 28, 2009(a)	Accrual as of June 28, 2009(b)
Employee termination costs	$ 5,314	$ 3,947	$ 1,367
Asset impairments	1,384	1,384	—
Other	516	420	96
Total restructuring charges	$ 7,214	$ 5,751	$ 1,463

(a) Includes adjustments for foreign currency translation.
(b) Included in Other current liabilities ($954 million) and Other noncurrent liabilities ($509 million).

During the second quarter of 2009, we expensed $29 million for Employee termination costs, $73 million for Asset impairments and $72 million for Other. During the first six months of 2009, we expensed $164 million for Employee termination costs, $91 million for Asset impairments and $76 million for Other. From June 2005 through June 28,

2009, Employee termination costs, net of the impact of a change in estimate, represent the expected reduction of the workforce by approximately 31,100 employees, mainly in manufacturing, sales and research, and approximately 25,500 of these employees have been terminated. Employee termination costs are recorded when the actions are probable and estimable and include accrued severance benefits, pension and postretirement benefits. Asset impairments primarily include charges to write down property, plant and equipment. Other primarily includes costs to exit certain activities.

PFIZER INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 6. Acquisition-Related Costs

We incurred the following acquisition-related costs primarily in connection with our pending acquisition of Wyeth:

	Three Months Ended		Six Months Ended	
(millions of dollars)	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Transaction costs (a)	$ 184	$ —	$ 553	$ —
Pre-integration costs and other(b)	101	7	129	8
Total acquisition-related costs(c)	$ 285	$ 7	$ 682	$ 8

(a) Transaction costs include banking, legal, accounting and other costs directly related to our pending acquisition of Wyeth. Substantially all of the costs incurred to date are fees related to a $22.5 billion bridge term loan credit agreement entered into with certain financial institutions on March 12, 2009, to partially fund our pending acquisition of Wyeth. The bridge term loan credit agreement was terminated in June 2009 as a result of our issuance of approximately $24.0 billion of senior unsecured notes during the first six months of 2009. All bridge term loan commitment fees have been expensed, and we are no longer subject to the covenants under that agreement (see Note 8D: Financial Instruments: Long-Term Debt).
(b) Pre-integration costs and other primarily represent external, incremental costs of integration planning that are directly related to our pending acquisition of Wyeth and include costs associated with preparing for systems and other integration activities.
(c) Included in Restructuring charges and acquisition-related costs.

Note 7. Comprehensive Income/(Expense)

The components of comprehensive income/(expense) follow:

	Three Months Ended		Six Months Ended	
(millions of dollars)	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Net income before allocation to noncontrolling interests	$ 2,266	$ 2,782	$ 4,996	$ 5,572
Other comprehensive expense:				
Currency translation adjustment and other	2,638	1,109	2,254	534
Net unrealized gains/(losses) on derivative financial instruments	(144)	27	(167)	28
Net unrealized gains/(losses) on available-for-sale securities	81	—	226	(14)
Benefit plan adjustments	18	1	177	85
Total other comprehensive loss	2,593	1,137	2,490	633
Total comprehensive income before allocation to noncontrolling interests	4,859	3,919	7,486	6,205
Less: Comprehensive income attributable to noncontrolling interests	12	15	14	23
Comprehensive income attributable to Pfizer Inc.	$ 4,847	$ 3,904	$ 7,472	$ 6,182

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PFIZER INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 8. Financial Instruments

A. Selected Financial Assets and Liabilities

Information about certain of our financial assets and liabilities follows:

(millions of dollars)	June 28, 2009	Dec. 31, 2008
Selected financial assets measured at fair value on a recurring basis (a) :		
Trading securities (b)	$ 172	$ 190
Available-for-sale debt securities (c)	50,592	30,061
Available-for-sale money market funds	7,543	398
Available-for-sale equity securities, excluding money market funds (c)	182	319
Derivative financial instruments in receivable positions (d) :		
Interest rate swaps	283	732
Foreign currency swaps	85	128
Foreign currency forward-exchange contracts	640	399
Total	59,497	32,227
Other selected financial assets (e):		
Held-to-maturity debt securities, carried at amortized cost (c)	953	2,349
Short-term loans, carried at cost	935	824
Long-term loans, carried at cost	1,181	1,568
Private equity securities, carried at cost	168	182
Total	3,237	4,923
Total selected financial assets	$ 62,734	$ 37,150
Financial liabilities measured at fair value on a recurring basis (a):		
Derivative financial instruments in a liability position (f):		
Interest rate swaps	$ 8	$ 7
Foreign currency swaps	352	153
Foreign currency forward-exchange contracts	1,381	1,083
Total	1,741	1,243
Other financial liabilities (e) , (g):		
Short-term borrowings, carried at historical proceeds, as adjusted (h)	7,645	9,320
Long-term debt, carried at historical proceeds, as adjusted (i)	31,864	7,963
Total	39,509	17,283
Total selected financial liabilities	$ 41,250	$ 18,526

(a) Fair values are determined based on valuation techniques categorized as follows: Level 1 means the use of quoted prices for identical instruments in active markets; Level 2 means the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; Level 3 means the use of unobservable inputs. Virtually all of our financial assets and liabilities measured at fair value on a recurring basis use Level 2 inputs in the calculation of fair value, except that included in available-for-sale equity securities, excluding money market funds, are $101 million as of June 28, 2009 and $87 million as of December 31, 2008 of investments that use Level 1 inputs in the calculation of fair value. None of our financial assets and liabilities measured at fair value on a recurring basis are valued based on Level 3 inputs at June 28, 2009 or December 31, 2008.

(b) Trading securities are held in trust for legacy Pharmacia severance benefits.

(c) Gross unrealized gains and losses are not significant.

(d) Designated as hedging instruments except for certain foreign currency contracts used as offsets, namely, foreign currency forward-exchange contracts with fair values of $6 million and foreign currency swaps with fair values of $77 million at June 28, 2009; and foreign currency forward-exchange contracts with fair values of $175 million and foreign currency swaps with fair values of $32 million at December 31, 2008.

(e) The differences between the estimated fair values and carrying values of our financial assets and liabilities not measured at fair value on a recurring basis were not significant as of June 28, 2009 or December 31, 2008.

(f) Designated as hedging instruments except for certain foreign currency contracts used as offsets, namely, foreign currency forward-exchange contracts with fair values of $515 million and foreign currency swaps with fair values of $32 million at June 28, 2009; and foreign currency forward-exchange contracts with fair values of $836 million and foreign currency swaps with fair values of $76 million at December 31, 2008.

(g)The carrying amounts may include adjustments for discount or premium amortization or for the effect of interest rate swaps designated as hedges.

(h) Includes foreign currency borrowings with fair values of $1.0 billion at June 28, 2009 and $1.6 billion at December 31, 2008, which are used as hedging instruments.

(i) Includes foreign currency debt with fair values of $2.0 billion at June 28, 2009 and $2.1 billion at December 31, 2008, which is used as a hedging instrument.

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The following methods and assumptions were used to estimate the fair value of our financial assets and liabilities:

· Trading equity securities - quoted market prices.

· Trading debt securities - observable market interest rates.

· Available-for-sale debt securities - matrix-pricing model using observable market quotes and credit ratings.

· Available-for-sale money market funds - observable prices.

· Available-for-sale equity securities, excluding money market funds - pricing services that principally use a composite of observable prices.

· Derivative financial instruments (assets and liabilities) - matrix-pricing model using observable market quotes and credit ratings.

· Held-to-maturity debt securities - matrix-pricing model using observable market quotes and credit ratings.

· Short-term and long-term loans - discounted future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

· Private equity securities – application of the implied volatility associated with an observable biotech index to the carrying amount of our portfolio.

· Short-term borrowings and long-term debt - matrix-pricing model using observable market quotes and our own credit rating.

In addition, we have long-term receivables where fair value uses discounted future cash flows, using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

These selected financial assets and liabilities are classified in our Condensed Consolidated Balance Sheets as follows:

(millions of dollars)	June 28, 2009	Dec. 31, 2008
Assets		
Cash and cash equivalents	$ 812	$ 1,980
Short-term investments	47,403	21,609
Short-term loans	935	824
Long-term investments and loans	12,576	11,478
Other current assets (a)	641	404
Other non-current assets (b)	367	855
Total	$ 62,734	$ 37,150
Liabilities		
Short-term borrowings	7,645	9,320
Other current liabilities (c)	1,416	1,119
Long-term debt	31,864	7,963
Other noncurrent liabilities (d)	325	124

Total	$	41,250	$	18,526

(a) At June 28, 2009, derivative instruments at fair value comprised of interest rate swaps ($1 million) and foreign currency forward-exchange contracts ($640 million) and, at December 31, 2008, comprised of interest rate swaps ($4 million), foreign currency swaps ($2 million), and foreign currency forward-exchange contracts ($398 million).
(b) At June 28, 2009, derivative instruments at fair value comprised of interest rate swaps ($282 million) and foreign currency swaps ($85 million) and, at December 31, 2008, comprised of interest rate swaps ($729 million) and foreign currency swaps ($126 million).
(c) At June 28, 2009, derivative instruments at fair value comprised of foreign currency swaps ($35 million) and foreign currency forward-exchange contracts ($1.4 billion) and, at December 31, 2008, comprised of foreign currency swaps ($36 million) and foreign currency forward-exchange contracts ($1.1 billion).
(d) At June 28, 2009, derivative instruments at fair value comprised of interest rate swaps ($8 million) and foreign currency swaps ($317 million) and, at December 31, 2008, comprised of interest rate swaps ($7 million) and foreign currency swaps ($117 million).

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We regularly evaluate all of our financial assets for impairment. For investments in debt and equity securities, when a decline in fair value, if any, is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established. For loans, an impairment charge is recorded if it is probable that we will not be able to collect all amounts due according to the loan agreement. There were no significant impairments recognized in 2009 or 2008.

B. Investments in Debt and Equity Securities

Investments in debt securities reflect the investment of proceeds obtained through the issuance of $13.5 billion of senior unsecured notes on March 24, 2009 and approximately $10.5 billion of senior unsecured notes on June 3, 2009, virtually all of which will be used to partially fund the pending acquisition of Wyeth (see Note 8D. Financial Instruments: Long-Term Debt).

Details of our investments follow:

	Contractual Maturity (in years)				
(millions of dollars)	Within 1	Over 1 to 5	Over 5 to 10	Over 10	Total as of June 28, 2009
Available-for-sale debt securities:					
U.S. government Federal Deposit Insurance Corporation guaranteed debt	$ —	$ 1,717	$ —	$ —	$ 1,717
Western European and other government debt	22,892	2,579	—	—	25,471
Corporate debt	1,815	2,076	—	—	3,891
Western European and other government agency debt	13,922	802	—	—	14,724
Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and Government National Mortgage Association asset-backed securities	200	3,208	—	—	3,408
Supranational debt	648	381	—	—	1,029
Other asset-backed securities	226	125	—	—	351
Certificates of deposit	1	—	—	—	1
Held-to-maturity debt securities:					
Certificates of deposit and other	949	4	—	—	953
Total debt securities	$ 40,653	$ 10,892	$ —	$ —	$ 51,545
Trading securities					172
Available-for-sale money market funds (a)					7,543
Available-for-sale equity securities, excluding money market funds					182
Total					$ 59,442

(a) Securities issued by the U.S. government and its agencies or instrumentalities and reverse repurchase agreements involving the same investments held.

C. Short-Term Borrowings

Short-term borrowings include amounts for commercial paper of $7.1 billion as of June 28, 2009. As of June 28, 2009, we had access to $8.3 billion of lines of credit, of which $6.1 billion expire within one year. Of these lines of credit, $8.1 billion are unused, of which our lenders have committed to loan us $7.0 billion at our request. Unused lines of credit of $7.0 billion, of which $5.0 billion expire in 2010 and $2.0 billion expire in 2013, may be used to support our commercial paper borrowings.

As a result of the issuances of senior unsecured notes in March and June 2009, the $22.5 billion bridge term loan credit agreement, which we entered into on March 12, 2009 to partially finance our pending acquisition of Wyeth, was terminated, and we are no longer subject to the covenants under that agreement.

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D. Long-Term Debt

We issued long-term debt in the first six months of 2009, virtually all of the proceeds of which will be used to partially finance our pending acquisition of Wyeth. The following table sets forth the amounts outstanding related to those issuances:

(millions of dollars)	Maturity Date		Outstanding on June 28, 2009
Senior unsecured notes:			
Issued on March 24, 2009:			
Floating rate notes at the three-month London Interbank Offering Rate (LIBOR), plus 1.95%	March 2011	$	1,250
4.45%(a)	March 2012		3,498
5.35%(a)	March 2015		2,996
6.20%(a)	March 2019		3,247
7.20%(a)	March 2039		2,529
Issued on June 3, 2009:			
3.625% euro (b)	June 2013		2,597
4.75% euro (b)	June 2016		2,808
5.75% euro (b)	June 2021		2,806
6.50% U.K. pound (b)	June 2038		2,455
Total long-term debt issued in the first six months of 2009		$	24,186

(a) Instrument is callable at any time at the greater of 100% of the principal amount or the sum of the present values of the remaining scheduled payments of principal and interest discounted at the U.S. Treasury rate, plus 0.50% plus, in each case, accrued and unpaid interest.
(b) Instrument is callable at any time at the greater of 100% of the principal amount or the sum of the present values of the remaining scheduled payments of principal and interest discounted at a comparable government bond rate, plus 0.20%, plus accrued and unpaid interest.

Long-term debt outstanding as of June 28, 2009, excluding the current portion of $54 million, matures in the following years:

(millions of dollars)	Total	2010	2011	2012	2013	After 2013
Long-term debt	$ 31,864	$ —	$ 2,525	$ 3,517	$ 2,610	$ 23,212

E. Derivative Financial Instruments and Hedging Activities

On a regular basis, we seek to minimize the impact of foreign exchange rate movements and interest rate movements on our earnings. We manage these exposures through operational means and through the use of various financial instruments.

Foreign Exchange Risk

A significant portion of our revenues, earnings and net investments in foreign affiliates is exposed to changes in foreign exchange rates. We seek to manage our foreign exchange risk in part through operational means, including managing expected same-currency revenues in relation to same-currency costs and same-currency assets in relation to same-currency liabilities. Depending on market conditions, foreign exchange risk is also managed through the use of derivative financial instruments and foreign currency debt. These financial instruments serve to protect net income and net investments against the impact of the translation into U.S. dollars of certain foreign-exchange-denominated transactions. The aggregate notional amount of foreign exchange derivative financial instruments hedging or offsetting foreign currency exposures is $55.0 billion. The derivative financial instruments primarily hedge or offset exposures in euro, Swedish kroner, U.K. pound and Japanese yen.

All derivative contracts used to manage foreign currency risk are measured at fair value and are reported as assets or liabilities on the consolidated balance sheet. Changes in fair value are reported in earnings or deferred, depending on the nature and purpose of the financial instrument (offset or hedge relationship) and the effectiveness of the hedge relationships, as follows:

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- We defer on the balance sheet the effective portion of the gains or losses on foreign currency forward-exchange contracts and foreign currency swaps that are designated as cash flow hedges and reclassify those amounts, as appropriate, into earnings in the same period or periods during which the hedged transaction affects earnings.

- We recognize the gains and losses on forward-exchange contracts and foreign currency swaps that are used to offset the same foreign currency assets or liabilities immediately into earnings along with the earnings impact of the items they generally offset. These contracts essentially take the opposite currency position of that reflected in the month-end balance sheet to counterbalance the effect of any currency movement.

- We recognize the gain and loss impact on foreign currency swaps designated as hedges of our net investments in earnings in three ways: over time–for the periodic net swap payments; immediately–to the extent of any change in the difference between the foreign exchange spot rate and forward rate; and upon sale or substantial liquidation of our net investments–to the extent of change in the foreign exchange spot rates.

We defer on the balance sheet foreign exchange gains and losses related to foreign-exchange-denominated debt designated as a hedge of our net investments and reclassify those amounts into earnings upon the sale or substantial liquidation of our net investments.

Any ineffectiveness is recognized immediately into earnings. There was no significant ineffectiveness in the second quarter and the first six months of 2009 or the second quarter and the first six months of 2008.

Interest Rate Risk

Our interest-bearing investments, loans and borrowings are subject to interest rate risk. We invest and loan primarily on a short-term or variable-rate basis; however, due to the pending acquisition of Wyeth and in light of current market conditions, we currently borrow primarily on a long-term, fixed-rate basis. From time to time, depending on market conditions, we will change the profile of our outstanding debt by entering into derivative financial instruments like interest rate swaps. The aggregate notional amount of interest rate derivative financial instruments is $5.4 billion. The derivative financial instruments hedge U.S. fixed-rate debt and euro fixed-rate debt.

All derivative contracts used to manage interest rate risk are measured at fair value and reported as assets or liabilities on the consolidated balance sheet. Changes in fair value are reported in earnings, as follows:

- We recognize the gains and losses on interest rate swaps that are designated as fair value hedges in earnings upon the recognition of the change in fair value of the hedged risk. We recognize the offsetting earnings impact of fixed-rate debt attributable to the hedged risk also in earnings.

Any ineffectiveness is recognized immediately into earnings. There was no significant ineffectiveness in the second quarter and the first six months of 2009 or the second quarter and the first six months of 2008.

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Information about gains/(losses) incurred to hedge or offset operational foreign exchange or interest rate risk is as follows:

	Gains / (Losses)	
(millions of dollars)	Three Months Ended June 28, 2009	Six Months Ended June 28, 2009
Derivative Financial Instruments in Fair Value Hedge Relationships		
Interest rate swaps		
Recognized in OID (a)	$ (3)	$ (7)
Foreign currency swaps		
Recognized in OID (a)	1	—
Derivative Financial Instruments in Cash Flow Hedge Relationships		
U.S. Treasury interest rate locks		
Recognized in OID (a)	$ —	$ (11)
Recognized in OCI (a), (b)	—	(15)
Reclassified from OCI to OID (a), (b)	—	—
Foreign currency swaps		
Recognized in OID (a)	—	—
Recognized in OCI (a), (b)	(221)	(240)
Reclassified from OCI to OID (a), (b)	—	—
Foreign currency forward exchange contracts		
Recognized in OID (a)	—	—
Recognized in OCI (a), (b)	5	8
Reclassified from OCI to OID (a), (b)	4	14
Derivative Financial Instruments in Net Investment Hedge Relationships		
Foreign currency swaps		
Recognized in OID (a)	$ —	$ (1)
Recognized in OCI (a), (b)	(15)	38
Derivative Financial Instruments Not Designated as Hedges		
Foreign currency swaps		
Recognized in OID (a)	$ 18	$ 13
Foreign currency forward-exchange contracts		
Recognized in OID (a)	(185)	(441)
Non-Derivative Financial Instruments Designated as Hedges		
Foreign currency short-term borrowings		
Recognized in OID (a)	$ —	$ —
Recognized in OCI (a), (b)	(23)	88
Foreign currency long-term debt		
Recognized in OID (a)	—	—

Recognized in OCI (a), (b)	(46)	111

(a) OCI = Other comprehensive income / (expense), a balance sheet account. OID = Other (income)/deductions – net.
(b) Amounts presented represent the effective portion of the gain or loss. For derivative financial instruments in cash flow hedge relationships, the effective portion is included in Other comprehensive income/(expense) – Net unrealized gains/(losses) on derivative financial instruments. For derivative financial instruments in net investment hedge relationships and for foreign currency debt designated as hedging instruments, the effective portion is included in Other comprehensive income/(expense) – Currency translation adjustment.

For information about the fair value of our derivative financial instruments, and the impact on our consolidated balance sheet, see Note 8A. Financial Instruments: Selected Financial Assets and Liabilities.

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Certain of our derivative instruments are covered by associated credit-support agreements that have credit-risk-related contingent features designed to reduce our counterparties' exposure to our risk of defaulting on amounts owed. The aggregate fair value of these derivative instruments that are in a liability position is $1.0 billion, for which we have posted collateral of $353 million in the normal course of business. These features include the requirement to pay additional collateral in the event of a debt-rating organization ratings downgrade. If there had been a downgrade to an A rating, or its equivalent, on June 28, 2009, we would have been required to post an additional $160 million of collateral to our counterparties. If there had been a downgrade to below an A rating, or its equivalent, on June 28, 2009, we would have been required to post an additional $192 million of collateral to our counterparties.

F. Credit Risk

On an ongoing basis, we review the creditworthiness of counterparties to foreign exchange and interest rate agreements and do not expect to incur a significant loss from failure of any counterparties to perform under the agreements.

At June 28, 2009, we have $7.1 billion invested in a major money market fund rated Aaa by Moody's Investors Service and AAA by Standard & Poor's, which invests in securities issued by the U.S. government and its agencies or instrumentalities and reverse repurchase agreements involving the same investments held. This fund participates in the U.S. Treasury Department Temporary Guarantee Program for Money Market Funds, which guarantees $290 million of our investment.

Note 9. Inventories

The components of inventories follow:

(millions of dollars)	June 28, 2009		Dec. 31, 2008	
Finished goods	$	2,237	$	2,024
Work-in-process		1,897		1,527
Raw materials and supplies		859		830
Total inventories(a)	$	4,993	$	4,381

(a) Certain amounts of inventories are in excess of one year's supply. There are no recoverability issues associated with these quantities, and the amounts are not significant.

Note 10. Goodwill and Other Intangible Assets

A. Goodwill

The changes in the carrying amount of goodwill by segment for the six months ended June 28, 2009, follow:

(millions of dollars)	Pharmaceutical		Animal Health		Other		Total	
Balance, December 31, 2008	$	21,317	$	129	$	18	$	21,464
Additions		—		—		—		—
Other(a)		316		13		1		330
Balance, June 28, 2009	$	21,633	$	142	$	19	$	21,794

(a) Primarily related to the impact of foreign exchange, except that Pharmaceutical also includes a reclassification of approximately $150 million to Assets held for sale.

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B. Other Intangible Assets

The components of identifiable intangible assets, primarily included in our Pharmaceutical segment, follow:

	June 28, 2009			Dec. 31, 2008		
(millions of dollars)	Gross Carrying Amount	Accumulated Amortization	Identifiable Intangible Assets, less Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Identifiable Intangible Assets, less Accumulated Amortization
Finite-lived intangible assets:						
Developed technology rights	$ 31,974	$ (19,237)	$ 12,737	$ 31,484	$ (17,673)	$ 13,811
Brands	1,016	(505)	511	1,016	(487)	529
License agreements	252	(90)	162	246	(78)	168
Trademarks	124	(84)	40	118	(78)	40
Other(a)	520	(292)	228	531	(291)	240
Total	33,886	(20,208)	13,678	33,395	(18,607)	14,788
Indefinite-lived intangible assets:						
Brands	2,863	—	2,863	2,860	—	2,860
Trademarks	68	—	68	70	—	70
Other	2	—	2	3	—	3
Total	2,933	—	2,933	2,933	—	2,933
Total identifiable intangible assets	$ 36,819	$ (20,208)	$ 16,611(b)	$ 36,328	$ (18,607)	$ 17,721

(a) Includes patents, non-compete agreements, customer contracts and other intangible assets.
(b) Decrease from December 31, 2008 is primarily related to amortization and the impact of foreign exchange.

Amortization expense related to acquired intangible assets that contribute to our ability to sell, manufacture, research, market and distribute products, compounds and intellectual property is included in Amortization of intangible assets as it benefits multiple business functions. Amortization expense related to acquired intangible assets that are associated with a single function is included in Cost of sales, Selling, informational and administrative expenses and Research and development expenses, as appropriate. Total amortization expense for finite-lived intangible assets was $615 million for the second quarter of 2009, $694 million for the second quarter of 2008, $1.2 billion for the first six months of 2009 and $1.5 billion for the first six months of 2008.

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Note 11. Pension and Postretirement Benefit Plans

The components of net periodic benefit costs of the U.S. and international pension plans and the postretirement plans, which provide medical and life insurance benefits to retirees and their eligible dependents, follow:

	Pension Plans							
	U.S. Qualified		U.S. Supplemental (Non-Qualified)		International		Postretirement Plans	
(millions of dollars)	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
For the Three Months Ended:								
Service cost	$ 52	$ 59	$ 5	$ 6	$ 42	$ 65	$ 7	$ 11
Interest cost	116	115	12	9	77	101	31	37
Expected return on plan assets	(116)	(162)		—	(86)	(111)	(7)	(9)
Amortization of:								
Actuarial losses	53	8	8	6	6	11	5	9
Prior service costs/(credits)	—	1	—	—	(1)	—	(1)	1
Curtailments and settlements – net	30	1	6	1	(1)	6	—	3
Special termination benefits	6	9	—	—	1	6	3	4
Net periodic benefit costs	$ 141	$ 31	$ 31	$ 22	$ 38	$ 78	$ 38	$ 56
For the Six Months Ended:								
Service cost	$ 111	$ 120	$ 10	$ 12	$ 87	$ 128	$ 15	$ 20
Interest cost	235	231	25	21	155	200	61	71
Expected return on plan assets	(234)	(325)	—	—	(172)	(222)	(13)	(18)
Amortization of:								
Actuarial losses	110	16	16	15	12	22	9	15
Prior service costs/(credits)	1	2	(1)	(1)	(2)	—	(2)	1
Curtailments and settlements – net	54	4	13	113	1	4	5	6
Special termination benefits	19	16	—	—	2	13	15	8
Net periodic benefit costs	$ 296	$ 64	$ 63	$ 160	$ 83	$ 145	$ 90	$ 103

The increase in net periodic benefit costs in the first six months of 2009, compared to the first six months of 2008, for our U.S. qualified plans was primarily driven by the amortization of actual investment losses incurred in 2008, lower than expected returns on plan assets due to the smaller asset base and the impact of our settlement losses due to our

ongoing cost-restructuring efforts.

The decrease in net periodic benefit costs in the first six months of 2009, compared to the first six months of 2008, for our U.S. supplemental (non-qualified) pension plans was largely driven by settlement charges required to be recognized in 2008 due to the lump sum benefit payments made to certain of our former executive officers and other former executives in 2008.

The decrease in net periodic benefit costs in the first six months of 2009, compared to the first six months of 2008, for our international pension plans was largely driven by strengthening of the U.S. dollar during the first six months of 2009 and differences in actuarial assumptions.

For the first six months of 2009, we contributed from our general assets $141 million to our international pension plans, $83 million to our postretirement plans and $67 million to our U.S. supplemental (non-qualified) pension plans. Contributions to our U.S. qualified pension plans in the first six months of 2009 were not significant.

During 2009, we expect to contribute from our general assets a total of $320 million to our international pension plans, $167 million to our postretirement plans, $110 million to our U.S. supplemental (non-qualified) pension plans, and $2 million to our U.S. qualified pension plans. Contributions expected to be made for 2009 are inclusive of amounts contributed during the first six months of 2009. The international pension plan contributions from our general assets include direct employer benefit payments.

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Note 12. Earnings Per Share Attributable to Common Shareholders

Basic and diluted earnings per share (EPS) attributable to Pfizer Inc. common shareholders were computed using the following data:

	Three Months Ended		Six Months Ended	
(in millions)	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
EPS Numerator - Basic:				
Income from continuing operations attributable to Pfizer Inc.	$ 2,258	$ 2,759	$ 4,986	$ 5,547
Less: Preferred stock dividends - net of tax	1	2	1	2
Income from continuing operations attributable to Pfizer Inc. common shareholders	2,257	2,757	4,985	5,545
Discontinued operations - net of tax	3	17	4	13
Net income attributable to Pfizer Inc. common shareholders	$ 2,260	$ 2,774	$ 4,989	$ 5,558
EPS Denominator - Basic:				
Weighted-average number of common shares outstanding	6,728	6,732	6,726	6,736
EPS Numerator - Diluted:				
Income from continuing operations attributable to Pfizer Inc.	$ 2,258	$ 2,759	$ 4,986	$ 5,547
Less: ESOP contribution - net of tax	—	—	—	—
Income from continuing operations attributable to Pfizer Inc. common shareholders	2,258	2,759	4,986	5,547
Discontinued operations - net of tax	3	17	4	13
Net income attributable to Pfizer Inc. common shareholders	$ 2,261	$ 2,776	$ 4,990	$ 5,560
EPS Denominator - Diluted:				
Weighted-average number of common shares outstanding	6,728	6,732	6,726	6,736
Common share equivalents: stock options, restricted stock units, stock issuable under other employee compensation plans and convertible preferred stock	24	16	26	18
Weighted-average number of common shares outstanding and common share equivalents	6,752	6,748	6,752	6,754
Stock options that had exercise prices greater than the average market price of our common stock issuable under employee compensation plans (a)	422	542	422	542

(a) These common stock equivalents were outstanding during the three months and six months ended June 28, 2009 and June 29, 2008, but were not included in the computation of diluted EPS for those periods because their

inclusion would have had an anti-dilutive effect.

In the computation of diluted EPS, Income from continuing operations attributable to Pfizer Inc. is reduced by the incremental contribution to the Employee Stock Ownership Plans (ESOPs), which were acquired as part of our Pharmacia acquisition. This contribution is the after-tax difference between the income that the ESOPs would have received in preferred stock dividends and the dividend on the common shares assumed to have been outstanding.

Note 13. Segment Information

We operate in the following business segments:

Pharmaceutical

- The Pharmaceutical segment includes products that prevent and treat cardiovascular and metabolic diseases, central nervous system disorders, arthritis and pain, infectious and respiratory diseases, urogenital conditions, cancer, eye diseases and endocrine disorders, among others.

Animal Health

- The Animal Health segment includes products that prevent and treat diseases in livestock and companion animals.

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Segment profit/(loss) is measured based on income from continuing operations before provision for taxes on income. Certain costs, such as significant impacts of purchase accounting for acquisitions, acquisition-related costs, and costs related to our cost-reduction initiatives, are included in Corporate/Other only. This methodology is utilized by management to evaluate our businesses.

Revenues and profit/(loss) by segment for the three months and six months ended June 28, 2009 and June 29, 2008 follow:

	Three Months Ended		Six Months Ended	
(millions of dollars)	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Revenues				
Pharmaceutical	$ 10,063	$ 11,053	$ 20,165	$ 21,957
Animal Health	648	715	1,185	1,334
Corporate/Other(a)	273	361	501	686
Total revenues	$ 10,984	$ 12,129	$ 21,851	$ 23,977
Segment profit/(loss) (b)				
Pharmaceutical	$ 4,960	$ 5,068	$ 10,367	$ 10,662
Animal Health	164	175	296	320
Corporate/Other(a)	(2,075)(c)	(2,453)(e)	(3,811)(d)	(4,635)(f)
Total segment profit/(loss)	$ 3,049	$ 2,790	$ 6,852	$ 6,347

(a) Corporate/Other includes our gelatin capsules business, our contract manufacturing business and a bulk pharmaceutical chemicals business, and transition activity associated with our former Consumer Healthcare business (sold in December 2006). Corporate/Other under Segment profit/(loss) also includes interest income/(expense), corporate expenses (e.g., corporate administration costs), other income/(expense) (e.g., realized gains and losses attributable to our investments in debt and equity securities), certain performance-based and all share-based compensation expenses, significant impacts of purchase accounting for acquisitions, acquisition-related costs, intangible asset impairments and costs related to our cost-reduction initiatives.

(b) Segment profit/(loss) equals Income from continuing operations before provision for taxes on income.

(c) For the three months ended June 28, 2009, Corporate/Other includes: (i) significant impacts of purchase accounting for acquisitions of $581 million, including intangible asset amortization and other charges, primarily related to our acquisition of Pharmacia in 2003; (ii) restructuring charges and implementation costs associated with our cost-reduction initiatives of $330 million; (iii) acquisition-related costs of $285 million, primarily related to our pending acquisition of Wyeth; and (iv) all share-based compensation expense.

(d) For the six months ended June 28, 2009, Corporate/Other includes: (i) significant impacts of purchase accounting for acquisitions of $1.1 billion, including intangible asset amortization and other charges, primarily related to our acquisition of Pharmacia in 2003; (ii) acquisition-related costs of $682 million, primarily related to our pending acquisition of Wyeth; (iii) restructuring charges and implementation costs associated with our cost-reduction initiatives of $661 million; and (iv) all share-based compensation expense.

(e) For the three months ended June 29, 2008, Corporate/Other includes: (i) restructuring charges and implementation costs associated with our cost-reduction initiatives of $967 million; (ii) significant impacts of purchase accounting for acquisitions of $788 million, including acquired in-process research and development, intangible asset amortization and other charges; (iii) all share-based compensation expense; and (iv) acquisition-related costs of $7 million.

(f) For the six months ended June 29, 2008, Corporate/Other includes: (i) significant impacts of purchase accounting for acquisitions of $1.9 billion, including acquired in-process research and development, intangible asset amortization and other charges; (ii) restructuring charges and implementation costs associated with our cost-reduction initiatives of $1.5 billion; (iii) all share-based compensation expense; and (iv) acquisition-related costs of $8 million.

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PFIZER INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Revenues for each group of similar products follow:

	Three Months Ended			Six Months Ended		
(millions of dollars)	June 28, 2009	June 29, 2008	% Change	June 28, 2009	June 29, 2008	% Change
Pharmaceutical:						
Cardiovascular and metabolic diseases	$ 3,902	$ 4,467	(13) %	$ 7,781	$ 8,961	(13) %
Central nervous system disorders	1,388	1,484	(6)	2,810	2,870	(2)
Arthritis and pain	623	756	(18)	1,262	1,511	(16)
Infectious and respiratory diseases	841	1,000	(16)	1,709	1,931	(11)
Urology	714	765	(7)	1,481	1,549	(4)
Oncology	558	650	(14)	1,082	1,287	(16)
Ophthalmology	404	444	(9)	817	857	(5)
Endocrine disorders	263	305	(14)	512	563	(9)
All other	772	619	25	1,531	1,377	11
Alliance revenues	598	563	6	1,180	1,051	12
Total Pharmaceutical	10,063	11,053	(9)	20,165	21,957	(8)
Animal Health	648	715	(9)	1,185	1,334	(11)
Other	273	361	(24)	501	686	(27)
Total revenues	$ 10,984	$ 12,129	(9)	$ 21,851	$ 23,977	(9)

Revenues by geographic area follow:

	Three Months Ended			Six Months Ended		
(millions of dollars)	June 28, 2009	June 29, 2008	% Change	June 28, 2009	June 29, 2008	% Change
United States(a)	$ 4,524	$ 4,756				