FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

PFIZER INC

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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, 1998

| | 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) 573-2323

(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
Preferred Stock Purchase Rights	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

NONE

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 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 the definitive proxy or information statement incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. | |

The aggregate market value of the voting stock held by non-affiliates of the registrant computed by reference to the closing price at which the stock was sold as of February 26, 1999 was approximately $165.8 billion.

The number of shares outstanding (voting) of each of the registrant's classes of common stock as of February 26, 1999 was 1,293,175,162 shares of common stock, all of one class.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 1998 Annual Report to Shareholders Parts I, II and IV

Portions of the Proxy Statement for the 1999 Annual Meeting of Shareholders
Parts I, III, and IV

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PART I

ITEM 1. BUSINESS

GENERAL

Pfizer Inc. (the COMPANY, which may be referred to as WE, US, or OUR) is a research-based, global pharmaceutical company. We discover, develop, manufacture and market innovative medicines for humans and animals.

Our home page on the Internet is at www.pfizer.com. You can learn about us by visiting that site.

RECENT DEVELOPMENT

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

- Valleylab to U.S. Surgical Corporation
- Schneider to Boston Scientific Corporation
- American Medical Systems to E.M. Warburg, Pincus & Co., LLC
- Howmedica to Stryker Corporation

Refer to Note 2 to our financial statements, DISCONTINUED OPERATIONS, on page 45 in our 1998 Annual Report, which is incorporated by reference.

NOTE THAT THROUGHOUT THIS 10-K REPORT, WE "INCORPORATE BY REFERENCE" CERTAIN INFORMATION IN PARTS OF OTHER DOCUMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC). THE SEC ALLOWS US TO DISCLOSE IMPORTANT INFORMATION BY REFERRING TO IT IN THAT MANNER. PLEASE REFER TO SUCH INFORMATION.

BUSINESS SEGMENTS

We operate in two business segments:

- PHARMACEUTICAL, which includes prescription pharmaceuticals for treating cardiovascular diseases, infectious diseases, central nervous system disorders, diabetes, erectile dysfunction, allergies, arthritis and other disorders, as well as non-prescription self-medications, and;

- ANIMAL HEALTH, which includes antiparasitic, anti-infective and anti-inflammatory medicines, and vaccines for livestock, poultry and companion animals.

These businesses derive synergies in certain research and regulatory matters, but each requires different marketing and distribution strategies. Comparative segment revenues, profits and related financial information for 1998, 1997 and 1996 are given in the table entitled SEGMENT INFORMATION on page 60 of our 1998 Annual Report. A table captioned PERCENTAGE CHANGE IN TOTAL REVENUES and a graph captioned TOTAL REVENUES BY BUSINESS SEGMENT on pages 28 and 29 of the Annual Report give segment information over the past three years. The information from those sections of the Annual Report is considered to be incorporated in this 1998 10-K report.

Our businesses are heavily regulated in most of the countries where we operate. In the U.S., the main regulatory authority we deal with is the Food and Drug Administration (FDA). The FDA regulates the safety and efficacy of the products we offer, our research quality, our manufacturing processes and our promotion and advertising. Similar government authorities act in most other countries, and in many cases also regulate our prices. See GOVERNMENT REGULATION AND PRICE CONSTRAINTS, below.

PHARMACEUTICAL SEGMENT

Our Pharmaceutical segment is comprised of the Pfizer Pharmaceuticals Group and the Consumer Health Care Group.

PFIZER PHARMACEUTICALS GROUP

In 1997, we combined our U.S. and international pharmaceutical operations

into a consolidated Pfizer Pharmaceuticals Group.

Most of our pharmaceutical sales come from products in three major therapeutic classes: cardiovascular diseases, infectious diseases and central nervous system disorders. We also have products for treatment of diabetes, erectile

dysfunction, allergies and arthritis. In 1998, prescription pharmaceuticals contributed 87% of our revenues, as compared to 84% in 1997 and 83% in 1996. 1998 sales of our major pharmaceutical products - NORVASC, PROCARDIA XL, CARDURA, ZITHROMAX, DIFLUCAN, TROVAN, ZOLOFT, VIAGRA, GLUCOTROL XL and ZYRTEC - comprised 69% of our revenues. A table captioned NET SALES - MAJOR PHARMACEUTICAL PRODUCTS on page 29 of the Annual Report is incorporated by reference.

Cardiovascular disease products that treat problems affecting the heart and the blood circulatory system are our largest therapeutic product line, accounting for roughly 31% of our revenues. NORVASC, our largest-selling product, is a once-a-day medication for hypertension (high blood pressure) and angina (heart pain). It belongs to the class of drugs known as CALCIUM CHANNEL BLOCKERS. It is the largest-selling high blood pressure medicine in the world. Our other cardiovascular products include PROCARDIA XL, also a once-a-day calcium channel blocker for hypertension and angina, and CARDURA, which is in the ALPHA BLOCKER class of medications, and is used to treat hypertension and benign prostatic hyperplasia (enlarged prostate gland). Sales of PROCARDIA XL continued to decrease during 1998, in part due to the medical community's increased emphasis on NORVASC.

We participated in the 1997 launch of LIPITOR, for treatment of high lipids (cholesterol and triglycerides) in the bloodstream, under copromotion and license arrangements with the Parke-Davis Division of Warner-Lambert Company, which discovered the drug. Following its introduction, LIPITOR surpassed several established competitors and, at the end of 1998, is the most-prescribed medicine in its category in the U.S. At the end of 1998, LIPITOR was being sold in most major world markets.

In the infectious disease medicine category, our major products are ZITHROMAX, DIFLUCAN and TROVAN. ZITHROMAX is an oral or injectable antibiotic in the chemical class known as AZALIDES. In 1998, it was the most prescribed brand-name oral antibiotic in the U.S in both the adult oral solid and the pediatric liquid suspension categories. Sales of ZITHROMAX increased in 1998 in part due to the increasing recognition by physicians of the product's effectiveness in treating a broad array of infections. DIFLUCAN is used to treat various fungal infections, including vaginal infections and certain infections that afflict AIDS and cancer patients with weakened immune systems. In 1998 we launched TROVAN, a once-daily oral dose antibiotic also available in intravenous form. It belongs to the class of chemical compounds known as QUINOLONES, and treats a broad range of infections. TROVAN's profile complements that of ZITHROMAX.

For treatment of central nervous system disorders, we offer ZOLOFT and participate in the promotion of ARICEPT. ZOLOFT is used for treatment of depression, obsessive-compulsive disorder and panic disorder. It is our second-largest selling product. Sales grew in 1998 in part from recent approvals for its use to treat obsessive-compulsive disorder and panic disorder as well as from increased field-force support. We participated in the 1997 launch of ARICEPT for treatment of mild-to-moderate Alzheimer's disease. ARICEPT substantially expanded the prior market for pharmaceutical treatment of that disease. The drug was discovered and developed by Eisai Co., Ltd., a Japanese company, which contracted with us to license and copromote the product. It is now sold in the U.S., Canada, the U.K. and several other countries. ARICEPT accounts for 97.1% of all Alzheimer's disease prescription drug sales in the U.S. and has increased the number of new prescriptions in this category more than fivefold.

In 1998, we introduced VIAGRA, our oral medication for the treatment of erectile dysfunction. Since its introduction in the U.S. in April, more than 200,000 doctors have written over 7 million prescriptions for 50 million tablets for more than 3 million patients. At the end of 1998, VIAGRA was being sold in 40 countries including the U.S. and the European Union.

Our other major pharmaceutical products include GLUCOTROL XL, for the treatment of diabetes, and ZYRTEC, which is used for the

treatment of allergies and related problems. ZYRTEC is licensed to us by the Belgian company, UCB S.A., for sales in the U.S. and Canada. We copromote ZYRTEC in the U.S. with a subsidiary of UCB S.A.

In December 1998, the FDA approved CELEBREX for the relief of symptoms of adult rheumatoid arthritis and osteoarthritis. We will copromote CELEBREX with G.D. Searle & Co. (Searle), a division of Monsanto Company, the discoverer and developer of CELEBREX, in all world markets except Japan. In February 1999, we launched CELEBREX with Searle in the U.S.

Prospective new products under development are discussed in the section below entitled RESEARCH AND PRODUCT DEVELOPMENT.

CONSUMER HEALTH CARE GROUP

Our Consumer Health Care Group products include non-prescription over-the-counter (OTC) medications, therapeutic skin care products and personal care products. Among our better-known brands in the U.S. are:

- VISINE eyedrops
- BENGAY topical analgesics
- CORTIZONE hydrocortisone skin cream
- RID anti-lice products
- UNISOM sleep aids
- DESITIN ointments
- BAIN DE SOLEIL sun care products
- PLAX pre-brushing dental rinse
- BARBASOL shave creams and gels

Several product-line extensions building on these brands have been introduced in recent years. Other products are sold only in selected international markets. Sales of the Consumer Health Care Group accounted for 3%, 4% and 5% of our total revenues in 1998, 1997 and 1996.

Our Consumer Health Care Group can expand sales of some of our prescription medications by converting them to OTC medications. For example, an OTC formulation of DIFLUCAN, known as DIFLUCAN ONE, is sold in the U.K. as a treatment for vaginal candidiasis. Similarly, ZYRTEC is sold as an OTC product in Canada under the brand name REACTINE. As market conditions permit, and when we have necessary approval from drug regulatory authorities, we plan to pursue similar launches for other products.

ANIMAL HEALTH SEGMENT

Our Animal Health Group discovers, develops, manufactures and sells products for the prevention and treatment of diseases in livestock, poultry and companion animals. We are a significant manufacturer of antibiotics, antiparasitics, anti-inflammatories, vaccines and related products for livestock and companion animals. Animal Health sales accounted for approximately 10% of our total revenues in 1998 and 12% of our total revenues in both 1997 and 1996.

Our leading Animal Health product in 1998 was DECTOMAX, a treatment for internal and external parasites, primarily in cattle. While there is substantial generic competition, sales of DECTOMAX increased due to the growth of the injectable formulation, and the introduction of the pour-on formulation in some international markets. It provides longer protection against a broader spectrum of parasites than many other products. RIMADYL, a non-steroidal anti-inflammatory for treatment of osteoarthritis in dogs, is one of the top-selling animal health care products in the U.S. In 1998, we launched ANIPRYL in the U.S. as a treatment for dogs suffering from Cushing's disease, an endocrine disorder. It has also recently been approved and launched in the U.S. and Canada for treatment of canine cognitive dysfunction syndrome.

The other principal products of our Animal Health Group are TERRAMYCIN LA-200, an injectable version of the Terramycin broad-spectrum antibiotic used for various animal diseases; our BANMINTH, NEMEX, VALBAZEN and PARATECT products to treat internal parasites; COXISTAC and AVIAX anticoccidials to treat parasitic infection in poultry; and MECADOX, an antibacterial for pigs. We also manufacture and sell an extensive line of cattle, swine and companion animal

vaccines including BOVISHIELD, RESPISURE, LEUKOCELL and VANGUARD.

In December 1998, the Council of European Agricultural Ministers voted to ban the use of our antibiotic feed additive, STAFAC (virginiamycin), throughout the European Union. The ban becomes effective at the end of June, 1999. We are seeking a reversal of this decision through legal action. We do not expect any ban on sales of STAFAC to have a material effect on future results of the Company's operations.

RESEARCH AND PRODUCT DEVELOPMENT

Innovation by our research and development operations is very important to the success of our businesses. Our goal is to discover, develop and bring to market innovative products that address major unmet medical needs. This goal has been supported by our substantial research and development investments. We spent approximately $2.3 billion in 1998, $1.8 billion in 1997 and $1.6 billion in 1996 on Company-sponsored research and development.

We are planning for future growth of our research operations. Current construction at our three major research centers will add approximately one million square feet of laboratory space. Other research facilities are also being added or expanded.

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 innovative technologies developed by third parties to acquire or incorporate into our product lines through licensing or other arrangements.

Drug development is time consuming, expensive and unpredictable. On average, only one out of many thousands of chemical compounds discovered by researchers proves to be both medically effective and safe enough to become an approved medicine. The process from discovery to regulatory approval can take more than ten years. Candidates can fail at any stage of the process, and even late-stage product candidates could fail to receive regulatory approval.

In view of the limited period of patent protection, and to gain the marketing advantage of being first to market in a particular therapeutic category, we try to be efficient as well as careful in our new product development. We strive to minimize delays in handling new product candidates and look for opportunities, such as contracting studies to outside researchers, to move development forward efficiently.

We feel that our investments in research have been rewarded by the number of pharmaceutical compounds and new therapies we have in all stages of development. In recent years, our discovery scientists have delivered dozens of new chemical compounds to early evaluation drug development stages. While each new candidate is far from regulatory approval, new drug candidates are the foundation for future products. A table and discussion of supplemental filings for existing products and drug candidates in development is set out under the heading PRODUCT DEVELOPMENTS on page 30 of our 1998 Annual Report. That table and discussion are incorporated by reference.

Our research operations add value to our existing products by improving their effectiveness and by discovering new uses for them. In 1998, for example, the FDA approved the additional use of ZYRTEC for the treatment of allergies in children two to five years of age.

Our competitors also devote substantial sums and resources to research and development. In addition, the consolidation that has occurred in our industry has created additional companies with substantial research and development resources. The competition fostered by the fruits of this research could result in erosion of sales and unanticipated product obsolescence.

INTERNATIONAL OPERATIONS

We have significant operations outside the United States. They are conducted both through our subsidiaries and through distributors, and involve the same business segments - pharmaceutical and animal health - as our U.S. operations.

Japan is our second-largest single national market, with revenues of 7%. No other single country outside the U.S. had revenues approaching 10% of our total revenues.

For a breakdown of revenues by major country areas, see the table GEOGRAPHIC DATA on page 60 of our 1998 Annual Report. That information is 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 nationalization
- other restrictive government actions

Our international businesses are also subject to government-imposed constraints, including laws on pricing or reimbursement for use of products. See the section below GOVERNMENT REGULATION AND PRICE CONSTRAINTS for discussion of those matters.

In 1998, currency movements relative to the U.S. dollar reduced our reported revenues in many countries. Depending on the direction of change relative to the U.S. dollar, foreign currency values can either improve or reduce the reported dollar value of our net assets and results of operations. We cannot predict with certainty future changes in foreign exchange rates or the effect they will have on us. We attempt to anticipate such changes, however, and try to mitigate their effects. See Note 5-D to our financial statements, DERIVATIVE FINANCIAL INSTRUMENTS, on pages 47 to 48 in our Annual Report. That discussion is incorporated by reference. Related information about valuation and risks associated with such financial instruments in parts E and F of that same Note is also incorporated by reference.

MARKETING

In our global pharmaceuticals business, we promote our products to health care providers such as doctors, nurse practitioners and hospitals, Pharmacy Benefit Managers and Managed Care Organizations (MCOs). We also market directly to consumers in the United States through direct-to-consumer print and television advertising. In addition, we sponsor general advertising to educate the public about our innovative medical research.

Our operations include several pharmaceutical sales organizations. Each sales organization markets a distinct group of products. We increased our sales force over the past several years so that our recently introduced products and late-stage candidates will reach their full potential. Our U.S. pharmaceutical sales representatives total approximately 5,400. This number reflects the creation of a new primary-care sales force, and a specialty sales force dedicated largely to rheumatology, as well as the expansion of other specialty sales forces in the U.S. Overseas operations employ about 12,300 sales representatives.

Our prescription pharmaceutical products are sold principally to wholesalers, but we also sell directly to retailers, including hospitals, clinics, government agencies and pharmacies.

Through our marketing organizations, we explain the approved uses and advantages of our products to medical professionals. We work to gain access to MCO formularies (lists of recommended or approved medicines and other products compiled by pharmacists and physicians) by demonstrating the qualities and treatment benefits of our products. We also work with MCOs to assist them with disease management, patient education and other tools that help their medical treatment routines.

Marketing of prescription pharmaceuticals depends to a degree on complex decisions about the scope of clinical trials made years before product approval. All drugs must complete

clinical trials required by regulatory authorities to show they are safe and effective for treating one or more particular medical problems. A manufacturer may choose, however, to undertake additional studies to demonstrate additional advantages of a compound, including comparative clinical trials with competitive products.

Those studies can be costly, the results are uncertain, and they can take years to complete. Balancing these considerations makes it difficult to decide whether and when to undertake such additional studies. But, when they are successful, such studies can have a major impact on approved claims and marketing strategies.

Our Consumer Health Care Group uses its own representatives to promote its products. We use substantial print and television consumer advertising for our consumer health care products. Those products are sold through various retailers.

Separate sales organizations also are used by our Animal Health business to promote its products. Its advertising and promotion are generally targeted to health professionals, directly and through medical journals. Animal health and nutrition products are sold through veterinarians, drug wholesalers, distributors, retail outlets and directly to users, including feed manufacturers and animal producers. Where appropriate, these products are also marketed through print and television advertising.

During 1998, pharmaceutical sales to our three largest pharmaceutical and consumer health care products wholesalers were:

- McKesson Corporation - 14% of our total revenues;
- Cardinal Health, Inc. - 12% of our total revenues; and
- Bergen Brunswig Corporation - 10% of our total revenues.

Those sales were concentrated in the Pharmaceutical segment. Apart from these instances, none of our business segments is dependent on any one or group of related customers.

PATENTS AND INTELLECTUAL PROPERTY RIGHTS

Our products are sold around the world under brand-name trademarks we consider in the aggregate to be of material importance. Trademark protection continues in some countries as long as the mark is used; in other countries, as long as it is registered. Registrations generally are for fixed, but renewable, terms.

We own or license a number of U.S. and foreign patents. These patents cover:

- pharmaceutical products
- pharmaceutical formulations
- product manufacturing processes
- intermediate chemical compounds used in manufacturing

Patents for individual products extend for varying periods according to the date of patent filing or grant and the legal term of patents in the various countries where patent protection is obtained. The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage, and the availability of legal remedies in the country.

In the aggregate, our patent and related rights are of material importance to our businesses in the United States and most other countries. Based on current product sales, and considering the vigorous competition with products sold by others, the patent rights we consider significant in relation to our business as a whole are those for NORVASC, CARDURA, ZITHROMAX, ZOLOFT, DIFLUCAN, GLUCOTROL XL, VIAGRA, and TROVAN. Our basic U.S. patents relating to NORVASC, ZOLOFT, DIFLUCAN, GLUCOTROL XL, TROVAN and VIAGRA expire between 2004 and 2011. The U.S. patent on CARDURA expires in 2000.

PROCARDIA XL employs a novel sustained-release drug-delivery system developed and patented by Alza Corporation. We hold an exclusive license to use this delivery system

with the active ingredient in PROCARDIA XL. The patents on the system run until 2003. Other companies also offer sustained-release forms of that ingredient or have filed applications with the FDA seeking approval of such products. One such product that has been approved has not been rated by the FDA to be appropriate for substitution in place of PROCARDIA XL. Another product filed with the FDA for approval in 1997 uses a form of the active ingredient that we believe infringes our patents, and we have sued to prevent that improper use. Additional products were filed for FDA approval in 1998, and also appear to infringe our patents. (See the discussion of these matters in Item 3 below. Also see the discussion below about PROCARDIA XL sales in the section CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS.) It is not possible to predict the timing and impact on sales of PROCARDIA XL of competition from other products.

ZITHROMAX is patented by Pliva, a Croatian pharmaceutical company. The drug is licensed exclusively to us by Pliva for sales and marketing in major countries, and we purchase the compound in bulk crude form from Pliva. Pliva's U.S. patent on ZITHROMAX expires in 2005.

We have other patent rights covering additional products that have smaller sales revenues. The U.S. patent for one such product, UNASYN, expires in 1999.

We expect that the patents on some of our newest products and late-stage product candidates could become significant to our business as a whole in the future.

The expiration of a product patent normally results in significant competition from generic products against the covered product and, particularly in the U.S., can result in a dramatic reduction in sales of the pioneering product. In some cases, however, we can continue to obtain commercial benefits from:

- product manufacturing trade secrets
- patents on processes and intermediates for the economical manufacture of the active ingredients
- patents for special formulations of the product or delivery mechanisms
- conversion of the active ingredient to over-the-counter products

The effect of product patent expiration also depends upon:

- the nature of the market and the position of the product in it
- the growth of the market
- the complexities and economics of manufacture of the product
- the requirements of generic drug laws

One of the main limitations on our operations in some countries outside the U.S. is the lack of effective intellectual property protection of our products. Under international agreements in recent years, global protection of intellectual property rights is improving. Under the North American Free Trade Agreement, Mexico improved its patent law to provide patent protection to pharmaceutical products. The General Agreement on Tariffs and Trade requires participant countries to amend their intellectual property laws to provide patent protection for pharmaceutical products by the end of a ten-year transition period. A number of countries are doing this. We have experienced significant growth in our businesses in some of those nations and our continued business expansion in those countries depends to a large degree on further patent protection improvement.

COMPETITION

Competition is intense in all of our businesses, and includes many large and small competitors.

The principal means of competition varies among product categories and business groups. Technological innovations affecting:

- efficacy
- safety
- patients' ease of use, and
- cost effectiveness

are important to success in all of our businesses. Our businesses also focus on unmet medical needs and therapeutic improvements. Our emphasis on innovation has led to our multi-billion dollar research and development investments over the past decade.

Our pharmaceutical business competes with worldwide research-based drug companies, many smaller research companies with more limited therapeutic focus, and generic drug manufacturers. Our pharmaceutical operations are among the largest in the world.

In recent years, a comparison of the total cost of medical treatments using pharmaceuticals versus alternative treatments for the same condition has become an important basis of competition. Managed Care Organizations and Pharmacy Benefit Managers look to cost advantages as well as medical benefits in making their drug formulary decisions.

Our pharmaceutical sales and marketing organization is a valuable competitive asset. Our salespeople's ability to reach medical professionals with information about our products helps us respond to competitive efforts and launch new products.

Many other companies, large and small, manufacture and sell one or more products that are similar to our consumer health care products. Sources of competitive advantage in the OTC market include:

- product quality and efficacy
- brand identity
- advertising and promotion
- product innovation
- broad distribution capabilities
- customer satisfaction
- price

Heavy expenditures for advertising, promotion and marketing are generally required to achieve consumer acceptance of consumer health care products.

We have a significant presence in the animal health marketplace, but many other companies offer competitive products. Altogether, there are hundreds of producers of animal health products throughout the world. The principal methods of competition vary somewhat depending on the particular product. They include:

- product innovation
- service
- price
- quality
- effective promotion to veterinary professionals and consumers

We promote our products directly through our sales representatives as well as through advertising.

In the current environment of competitive pressures on profit margins, we continue efforts to control the growth of our expenses. Although research and development budgets have grown significantly, we have kept our costs down in other areas such as manufacturing, distribution and sales administration by restructuring and consolidating facilities. These measures have brought us new efficiencies and reduced or contained our operating expenses.

MANAGED CARE ORGANIZATIONS

The growth of Managed Care Organizations (MCOs) in the U.S. has been a major factor in the competitive make-up of the health care marketplace. Over half the U.S. population now participates in some version of managed care. Because of the size of the patient population covered by MCOs, marketing of prescription drugs to them and the Pharmacy Benefit Managers (PBMs) that serve many of those organizations has become important to our business.

MCOs can include medical insurance companies, medical plan administrators, health-maintenance organizations, alliances of hospitals and physicians and other physician organizations. The purchasing power of MCOs has been increasing in recent years due to their growing numbers of enrolled patients. At the same time, those organizations have been consolidating into fewer, even larger entities.

This enhances their purchasing strength and importance to us.

A major objective of MCOs is to contain and, where possible, reduce health care expenditures. They typically use volume purchases and long-term contracts to negotiate discounts from pharmaceutical providers. They use their purchasing power to bargain for lower supplier prices. They also emphasize primary and preventive care, out-patient treatment, and procedures performed at doctors' offices and clinics. Hospitalization and surgery, typically the most expensive forms of treatment, are carefully managed.

As discussed above in MARKETING, MCOs and PBMs typically develop formularies to reduce their cost for medications. Formularies can be based on the prices and therapeutic benefits of the available products. Due to their lower cost, generic medicines are often favored. The breadth of the products covered by formularies can vary considerably from one MCO to another, and many formularies include alternative and competitive products for treatment of particular medical problems. MCOs use a variety of means to encourage patients' use of products listed on their formularies.

Exclusion of a product from a formulary can lead to its sharply reduced usage in the MCO patient population. Consequently, pharmaceutical companies compete aggressively to have their products included. Where possible, companies compete for inclusion based upon unique features of their products, such as greater efficacy, better patient ease of use or fewer side effects. A lower overall cost of therapy is also an important factor. Products that demonstrate fewer therapeutic advantages must compete for inclusion based primarily on price.

The growth of MCOs also appears to have led to greater usage of some drugs. The use of certain drugs can prevent the need for more costly treatments such as hospitalization, professional therapy, or even surgery. Because of these advantages, such drugs can become favored first-line treatments. In addition, the current trend of some patients to opt for managed care alternatives to Medicare may increase overall pharmaceutical usage among that elderly population. Medicare generally does not pay for medicines, so the patients must bear that cost. MCOs, however, often offer significant drug benefits for their participants.

These developments have not only created pressure on prices, but also have increased sales of products on formularies. We have been generally, although not universally, successful in having our major products included on MCO formularies.

Another way we address the interests of MCOs is by developing disease management programs. These programs can be attractive to MCOs by improving patient communications and compliance with dosage directions, which are important for effective disease treatment. They can help MCOs address various aspects of disease management, such as prevention, diagnosis and treatment of certain diseases, including use of pharmaceutical products. This comprehensive approach can improve the quality of care and lower costly complications of chronic diseases.

GENERIC PRODUCTS

One of the biggest competitive challenges we face in the U.S. is from generic pharmaceutical manufacturers. Upon the expiration of U.S. patent protection on an important product, we can lose the major portion of U.S. sales of the product within a year. Generic competitors operate without our large research and development expenses and our costs of conveying medical information about the product to the medical community. In addition, the FDA approval process exempts generics from costly and time-consuming clinical trials to demonstrate their safety and efficacy, and allows generic manufacturers to rely on the safety and efficacy of the pioneer product. Generic products need only demonstrate a level of availability in the blood stream equivalent to that of the pioneer product. This means that after we have borne the

expenses of discovering, developing and testing a medicine for safety and efficacy, obtaining regulatory approval and informing the medical community about its therapeutic benefits, generic competitors can charge much less for a competing version of our product and still be profitable.

As noted above, MCOs that focus primarily on the immediate cost of drugs may favor generics over brand-name drugs. Many governments also encourage the use of generics as alternatives to brand-name drugs in their health care programs, including Medicaid in the U.S. Laws in the U.S. generally allow, and in some cases require, pharmacists to substitute generic drugs that have been rated under government procedures to be therapeutically equivalent to a brand-name drug. The substitution must be made unless the prescribing physician expressly forbids it.

Some of our competitors who produce patented pharmaceuticals have entered the generic market; in some cases offering generic versions of their own brand-name products. We have not followed that strategy. Instead, we focus our resources on developing and marketing innovative new products and treatments.

RAW MATERIALS

Raw materials essential to our businesses are purchased worldwide in the ordinary course of business from numerous suppliers. In general, these materials are widely available from multiple sources. No serious shortages or delays were encountered in 1998, and none are expected in 1999.

GOVERNMENT REGULATION AND PRICE CONSTRAINTS

Pharmaceutical companies are subject to heavy regulation by a number of national, state and local agencies. Of particular importance is the FDA in the United States. It has jurisdiction over all our businesses and administers requirements covering the testing, safety, effectiveness, approval, manufacturing, labeling and marketing of our pharmaceutical products. In some cases, FDA requirements and/or reviews have increased the amount of time and money necessary to develop new products and bring them to market.

The FDA also regulates our consumer health care products and, along with the U.S. Department of Agriculture and the Environmental Protection Agency, our animal health products. Some regulatory actions pertaining to our products are discussed in Item 3 of this report.

Since the beginning of 1998, the approval of new drugs across the European Union (EU) is possible only using the European Medicines Evaluation Agency's (EMEA) mutual recognition or central approval processes. The use of either of these procedures should provide a more rapid and consistent approval across all fifteen member states than was the case when the approval processes were operating independently within each member state. In addition, the agreement between the EU and ten Eastern European states to base their approvals on the centralized EU approval will significantly speed the regulatory process in those countries. The EMEA does not have jurisdiction over patient reimbursement or pricing matters in EU member countries, however. We will continue to deal with individual countries on such issues.

In recent years, various legislative proposals have been offered in Congress and in some state legislatures that would bring about major changes in the affected health care systems. Some states have passed such legislation, and further federal and state proposals are possible. These could include price or patient reimbursement constraints on medicines and restrictions on access to certain products. Similar issues exist in many foreign countries where we do business. We cannot predict the outcome of such initiatives, but we will work to maintain patient access to our products and to oppose price constraints.

Also in the U.S., proposals have called for substantial changes in the Medicare and Medicaid programs. If such changes are

enacted, they may require significant reductions from currently projected government expenditures for these programs. Driven by budget concerns, Medicaid managed care systems have been under consideration in several states. If the Medicare and Medicaid programs implement changes that restrict the access of a

significant population of patients to our innovative medicines, our business could be materially affected. On the other hand, relatively little pharmaceutical use is currently covered by Medicare. As noted above, if changes to these programs shift patients to MCOs that cover pharmaceuticals, usage of pharmaceuticals could increase.

Legislation in the U.S. requires us to give rebates to state Medicaid agencies based on each state's reimbursement of pharmaceutical products under the Medicaid program. We also must give discounts or rebates on purchases or reimbursements of pharmaceutical products by certain other federal and state agencies and programs. See the discussion regarding rebates on page 29 of our 1998 Annual Report for details on the cost to us of such discounts and rebates, which is incorporated by reference.

We encounter similar regulatory and legislative issues in most other countries. For example, in 1997, Japan announced a price reduction on drugs. In Europe and some other international markets, the government provides health care at low direct cost to consumers, and regulates pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored health care system.

This international patchwork of price regulation has led to inconsistent prices and some third-party trade in our products from markets with low prices. Such trade exploiting price differences between countries can undermine our sales in markets with higher prices.

We are also subject to the jurisdiction of various other regulatory and enforcement departments and agencies, such as the Federal Trade Commission and the Department of Justice in the U.S., and are, therefore, subject to possible administrative and legal proceedings and actions by those organizations. Such actions may include product recalls, seizures and other civil and criminal sanctions. In some cases, we have initiated product recalls voluntarily.

It is difficult to predict the future impact of the broad and expanding legislative and regulatory requirements affecting us.

ENVIRONMENTAL LAW COMPLIANCE

Most of our manufacturing and certain research operations are affected by federal, state and local environmental laws. We have made, and intend to continue to make, necessary expenditures for compliance with applicable laws. We are also cleaning up environmental contamination from past industrial activity at certain sites (see Item 3, LEGAL PROCEEDINGS, below). As a result, we incurred capital and operational expenditures in 1998 for environmental protection and clean-up of certain past industrial activity as follows:

- environmental-related capital expenditures- $51 million
- other environmental-related expenses-$76 million

While we cannot predict with certainty the future costs of such clean up activities, capital expenditures, or operating costs for environmental compliance, we do not believe they will have a material effect on our capital expenditures, earnings or competitive position.

YEAR 2000 COMPUTER SYSTEMS COMPLIANCE

Many older computer software programs refer to years in terms of their final two digits only. Such programs may interpret the year 2000 to mean the year 1900, or another year instead. If not corrected, those programs could cause date-related or operational transaction failures. We developed a Compliance Assurance Process to address the Year 2000 issue in four phases: Inventory, Assessment and Planning, Implementation and Certification. No significant information technology projects

have been deferred as a result of our efforts on Year 2000.

The Inventory phase included preliminary problem determination, an inventory of information technology (IT) and non-IT hardware and software and an inventory of our key business systems and material vendors and business processes. Such systems relate to our research and development, production, distribution, financial, administrative and communication operations. This phase was substantially completed at the end of 1998. We have requested our critical

vendors, major customers, service suppliers, communication providers, product alliance partners and banks to verify their Year 2000 readiness and are currently evaluating their responses. This evaluation is complete for all of our critical trading partners, but continues for non-critical partners.

During our Assessment and Planning phase each inventoried item is assessed to evaluate its risk, to decide whether to remediate or replace, to identify its priority and to develop a plan for the system. Systems are prioritized based on their importance to the business, risk of failure, time horizon to failure and dependency on other critical items. This phase was 90% complete at December 31, 1998, and will be finished by the first quarter of 1999.

The plans developed during the Assessment and Planning phase are being executed in the Implementation phase. Remediation and replacement of non-Year 2000 compliant systems is in process and we expect our critical systems to be substantially remediated or replaced by March 31, 1999. The remaining systems, including embedded systems, will be modified by the end of the third quarter of 1999. While our Implementation efforts are approximately 65% complete, this phase will overlap with the Certification phase.

During the Certification phase, we will be testing and certifying the results of our remediation efforts. Testing begins as systems are remediated and will continue throughout 1999. Testing attempts to verify that all of our systems function correctly and extend to all interfaces with key business partners. We expect to substantially complete testing of critical systems by March 31, 1999, and the testing of the remaining systems and key third-party systems by the end of the third quarter of 1999.

Because the Company's year 2000 compliance is dependent upon key third parties also being Year 2000 compliant on a timely basis, there can be no guarantee that the Company's efforts will prevent a material adverse impact on its results of operations, financial condition or cash flows. If our systems or those of key third parties are not fully Year 2000 functional, we estimate that up to a two-week disruption in operations could occur. Such a disruption could result in delays in the distribution of finished goods or receipt of raw materials, errors in customer order taking, disruption of clinical activities or delays in product development. These consequences could have a material adverse impact on our results of operations, financial condition and cash flows if we are unable to substantially conduct our business in the ordinary course. We believe that our efforts, including the development of a contingency plan, will significantly reduce the adverse impact that any disruption in business might have.

As part of the contingency plan being developed, Business Continuity Plans (the Plans) will address critical areas of our business. The Plans will be designed to mitigate serious disruptions to our business flow beyond the end of 1999 and operate independent of our external providers' Year 2000 compliance. The Plans will likely provide for maintaining increased inventory to meet customer needs, protecting the integrity of ongoing activities, identifying and securing alternate sources of critical services, materials and utilities when possible and establishing crisis teams to address unexpected problems. We expect to complete the preliminary Plans by the end of the first quarter of 1999 and the final Plans by the end of the second quarter of 1999.

We estimate that the total cost involved in our Year 2000 program is approximately $127 million of which $36 million has been incurred as of the end of 1998. Costs for 1999 are estimated to be approximately $91 million, which reflect changes in estimates and the inclusion of accelerated replacement costs as a result of a clarification in disclosure guidelines of the Securities and Exchange Commission. These costs are expensed as incurred, except for capitalizable hardware of $5 million in 1998 and $15 million estimated for 1999 and are being funded through operating cash flows. Such costs do not include normal system upgrades and replacements.

Both our cost estimates and completion timeframes will be influenced by our ability to successfully identify Year 2000 problems, the nature and amount of programming required to fix the programs, the availability and cost of personnel trained in this area and the Year 2000 compliance success that key third parties attain. As the development of contingency plans continues, the costs to complete our Year 2000 program may increase. While these and other unforeseen factors could have a material adverse impact on our results of operations or financial condition, we believe that our ongoing efforts to address the Year 2000 issue

will minimize the possible negative consequences to our Company.

CORPORATE/FINANCIAL SUBSIDIARIES

We conduct international banking operations through a subsidiary, Pfizer International Bank Europe (PIBE), based in Dublin, Ireland. PIBE, incorporated under the laws of Ireland, operates under a banking license from the Central Bank of Ireland. It makes loans and accepts deposits in several currencies in international markets. PIBE is an active Euromarket lender to high quality corporations and governments through its portfolio of loans and money market instruments. Loans are made primarily on a short and medium term basis, typically with floating interest rates.

We also own an insurance operation, The Kodiak Company Limited, which reinsures certain assets, inland transport and marine cargo of our international operations. Financial data for these subsidiaries are set out in Note 3 to our financial statements, FINANCIAL SUBSIDIARIES, on page 45 in our 1998 Annual Report, which is incorporated by reference.

TAX MATTERS

The discussion of tax-related matters (including certain proceedings involving proposed tax adjustments relating to prior years) in Note 8 to our financial statements, TAXES ON INCOME, on pages 50 through 51 in the Annual Report is incorporated by reference.

EMPLOYEES

In our innovation-intensive business, our employees are vital to our success. We believe we have good relationships with our employees. As of December 31, 1998, we employed approximately 46,400 people in our operations throughout the world. Geographically, this total breaks down as follows:

- United States, 18,200
- Europe, 13,300
- Asia, 7,800
- Canada/Latin America, 5,600
- Africa/Middle East, 1,500

CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

(CAUTIONARY STATEMENTS UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995)

OUR DISCLOSURE AND ANALYSIS IN THIS REPORT AND IN OUR 1998 ANNUAL REPORT TO SHAREHOLDERS CONTAIN SOME FORWARD-LOOKING STATEMENTS. FORWARD-LOOKING STATEMENTS GIVE OUR CURRENT EXPECTATIONS OR FORECASTS OF FUTURE EVENTS. YOU CAN IDENTIFY THESE STATEMENTS BY THE FACT THAT THEY DO NOT RELATE STRICTLY TO HISTORICAL OR CURRENT FACTS. THEY USE WORDS SUCH AS "ANTICIPATE," "ESTIMATE," "EXPECT," "PROJECT," "INTEND," "PLAN," "BELIEVE," AND OTHER WORDS AND TERMS

OF SIMILAR MEANING IN CONNECTION WITH ANY DISCUSSION OF FUTURE OPERATING OR FINANCIAL PERFORMANCE. IN PARTICULAR, THESE INCLUDE STATEMENTS RELATING TO FUTURE ACTIONS, PROSPECTIVE PRODUCTS OR PRODUCT APPROVALS, FUTURE PERFORMANCE OR RESULTS OF CURRENT AND ANTICIPATED PRODUCTS, SALES EFFORTS, EXPENSES, THE OUTCOME OF CONTINGENCIES SUCH AS LEGAL PROCEEDINGS, AND FINANCIAL RESULTS. FROM TIME TO TIME, WE ALSO MAY PROVIDE ORAL OR WRITTEN FORWARD-LOOKING STATEMENTS IN OTHER MATERIALS WE RELEASE TO THE PUBLIC.

ANY OR ALL OF OUR FORWARD-LOOKING STATEMENTS IN THIS REPORT, IN THE 1998 ANNUAL REPORT AND IN ANY OTHER PUBLIC STATEMENTS WE MAKE MAY TURN OUT TO BE WRONG. THEY CAN BE AFFECTED BY INACCURATE ASSUMPTIONS WE MIGHT MAKE OR BY KNOWN OR UNKNOWN RISKS AND UNCERTAINTIES. MANY FACTORS MENTIONED IN THE DISCUSSION ABOVE - FOR EXAMPLE, GOVERNMENT REGULATIONS AROUND THE WORLD, YEAR 2000 SYSTEMS COMPLIANCE, GENERIC PRODUCT COMPETITION AND THE COMPETITIVE ENVIRONMENT - WILL BE IMPORTANT IN DETERMINING FUTURE RESULTS. CONSEQUENTLY, NO FORWARD-LOOKING STATEMENT CAN BE GUARANTEED. ACTUAL FUTURE RESULTS MAY VARY MATERIALLY.

WE UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE. YOU ARE ADVISED, HOWEVER, TO CONSULT ANY FURTHER DISCLOSURES WE MAKE ON RELATED SUBJECTS IN OUR 10-Q, 8-K AND 10-K REPORTS TO THE SEC. ALSO NOTE THAT WE PROVIDE THE

FOLLOWING CAUTIONARY DISCUSSION OF RISKS, UNCERTAINTIES AND POSSIBLY INACCURATE ASSUMPTIONS RELEVANT TO OUR BUSINESSES. THESE ARE FACTORS THAT WE THINK COULD CAUSE OUR ACTUAL RESULTS TO DIFFER MATERIALLY FROM EXPECTED AND HISTORICAL RESULTS. OTHER FACTORS BESIDES THOSE LISTED HERE COULD ALSO ADVERSELY AFFECT THE COMPANY. THIS DISCUSSION IS PROVIDED AS PERMITTED BY THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.

- Balancing current growth and investment for the future remains a major challenge. Our ongoing investments in new product introductions and research and development for future products could exceed corresponding sales growth. This could produce higher costs without a proportional increase in revenues.

- In the U.S., many of our pharmaceutical products are subject to increasing price pressures as managed care groups, pharmacy benefit managers and government agencies seek price discounts. Government efforts to reduce Medicare and Medicaid expenses are expected to increase the use of managed care. This may result in managed care influencing prescription decisions for a larger segment of the population. International operations are also subject to price and marketing regulations. As a result, it is expected that pressures on pricing and operating results will continue and could affect future results.

- Thirty-nine percent of our 1998 revenues arise from international operations, and we expect revenue and net income growth in 1999 to be impacted by changes in foreign exchange rates. Revenues from Asia comprised approximately 12% of total revenues in 1998 (although revenues from the Asian markets most impacted by recent economic events - Korea, Indonesia, Thailand, Malaysia, the Philippines and Taiwan - comprised only 1% of 1998 total revenues). Revenues from Latin America comprised 5% of our total revenues in 1998, including 2% from Brazil.

  These foreign-based revenues as well as our substantial international assets result in our exposure to currency exchange rate changes. In addition, our interest-bearing investments, loans and borrowings are subject to interest rate change risk. The risks of such changes and the measures we have taken to help contain those risks are discussed in the section entitled FINANCIAL RISK MANAGEMENT on pages 36 and 37 in our 1998 Annual Report. For additional details, see Note 5-D to our financial statements, DERIVATIVE FINANCIAL INSTRUMENTS, on pages 47 and 48 in our 1998 Annual Report. Those sections of the Annual Report are incorporated by reference.

  Notwithstanding our efforts to foresee and mitigate the effects of changes in fiscal

  circumstances such as these, we cannot predict with certainty all changes in currency and interest rates, inflation or other related factors affecting our businesses. These factors could affect future results.

- A new European currency (Euro) was introduced in January 1999 to eventually replace the separate currencies of eleven individual countries. This entails changes in our operations as we modify systems and commercial arrangements to deal with the new currency. Modifications are necessary in operations such as payroll, benefits and pension systems, contracts with suppliers and customers and internal financial reporting systems. Although there is a three-year transition period during which transactions may be made in the old currencies, this may require dual currency processes for our operations. We have identified issues involved and are developing and implementing solutions. The cost of this effort is not expected to have a material effect on our business or results of operations. There is no guarantee, however, that all problems have been foreseen and corrected, or that no material disruption will occur in our business. The conversion to the Euro may have competitive implications on our pricing and marketing strategies; however, the full impact is not known at this time.

- International operations could be affected by changes in intellectual property legal protections and remedies, trade regulations, and procedures and actions affecting approval, production, pricing, reimbursement and marketing of products, as well as by unstable governments and legal systems, intergovernmental disputes and possible nationalization.

- Cost-containment measures employed by governments that have the effect of limiting patient access to medicines and related issues described above in GOVERNMENT REGULATION AND PRICE CONSTRAINTS affect the growth and profitability of our operations in some countries. Those factors could affect future results.

- Business combinations among our competitors could affect our competitive position in the pharmaceutical, consumer health care and animal health businesses. Similarly, combinations among our major customers could increase their purchasing power in dealing with us. And, of course, if we ourselves should enter into one or more business combinations, our business, finances and capital structure could be affected.

- Generic competition is a major challenge in the U.S. Loss of patent protection typically leads to dramatic loss of sales in the U.S. market and could affect future results.

- Risks and uncertainties particularly apply with respect to product-related forward-looking statements. The outcome of the lengthy and complex process of identifying new compounds and developing new products is inherently uncertain. Prospective products can fail to receive regulatory approval. There are also many considerations that can affect marketing of pharmaceutical products around the world. Regulatory delays; the inability to successfully complete clinical trials; claims and concerns about safety and efficacy; new discoveries; patents and products by competitors and related patent disputes; and claims about adverse side effects are a few of the factors that could adversely affect the realization of research and development and product-related forward-looking statements.

- As discussed above in MARKETING, decisions about research studies made early in the development process of a drug candidate can have a substantial impact on the marketing strategy once the drug receives approval. More detailed studies may demonstrate additional benefits that can help in the marketing, but they consume time and resources and can delay submitting the drug candidate for initial approval. We try to plan clinical trials prudently, but there is no guarantee that a proper balance of speed and testing will be made in each case. The quality of our decisions in this area can affect our future results.

- Difficulties or delays in product manufacturing or marketing, including, but not limited to, the inability to build up production

capacity commensurate with demand, or the failure to predict market demand for or gain market acceptance of approved products could affect future results.

- We currently have three products, NORVASC, ZITHROMAX and ZOLOFT, with annual sales exceeding one billion dollars. Those products accounted for approximately 40% of our 1998 revenues. If these or any of our other major products were to become subject to a problem such as loss of patent protection, unexpected side effects, regulatory proceedings, publicity affecting doctor or patient confidence or pressure from competitive products, or if a new, more effective treatment should be introduced, the impact on our revenues could be significant.

- We cannot always predict with accuracy the timing or impact of possible future competition on sales of our products. For example, PROCARDIA XL, our patented form of sustained-release nifedipine, has been an important product for us, but its sales have been declining, and we expect that to continue. Sales of PROCARDIA XL were $1,005 million in 1996, $822 million in 1997, and $714 million in 1998. This decline has been due, at least in part, to the medical community's increased emphasis on our more advanced product, NORVASC. It is also partly attributable to the fact that there has been another form of sustained-release nifedipine available on the market since 1993, although it is not approved for treatment of all the same indications as PROCARDIA XL. Additional potentially competitive products have been filed for FDA approval. This indicates that the number of medicines that compete with PROCARDIA XL may increase, and the sales of competing products may affect our expected results.

- During 1995, the authors of some non-clinical studies questioned the safety of calcium channel blockers (CCBs). Although the clinical evidence

supported the safety of this class of medications, the FDA convened an advisory panel to review their safety. In 1996, that advisory panel found no data to support challenges to the safety of newer sustained-release and intrinsically long-acting CCBs (such as NORVASC and PROCARDIA XL - products for treatment of hypertension and angina).

Questions about this class of products continued throughout 1997, however, and included scientific publications and presentations asserting that these products were associated with various serious medical conditions.

During 1997, data from newly conducted studies and reviews and decisions by two national regulatory authorities, plus newly published National Institutes of Health (NIH) guidelines, were all supportive of the safety of long-acting CCBs like NORVASC and PROCARDIA XL and of their appropriateness as first-line medications in the treatment of hypertension.

We continue to believe that the safety and effectiveness of NORVASC and PROCARDIA XL are supported by a large body of data from numerous studies and the daily clinical experiences of physicians around the world. It is not possible, however, to predict the impact on our future sales, if any, of existing or future studies, regulatory agency actions or a continuing debate regarding CCBs.

- Growth in costs and expenses, changes in product mix and the impact of divestitures, restructuring and other unusual items that could result from evolving business strategies, evaluation of asset realization, and organizational restructuring could affect future results. For example, we may be unable to maintain or further enhance those margin improvements achieved in recent years, which would affect future results.

- In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, which becomes effective for our financial statements beginning January 1, 2000. SFAS No. 133 requires a company to recognize all derivative instruments as assets or liabilities in its balance sheet and measure them at fair value. We do not expect the adoption of this Statement to have a material impact on our

financial statements. The American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-1, ACCOUNTING FOR THE COSTS OF COMPUTER SOFTWARE DEVELOPED OR OBTAINED FOR INTERNAL USE and SOP 98-5, REPORTING ON THE COSTS OF START-UP ACTIVITIES, which are effective for our 1999 financial statements. We do not expect the adoption of these SOPs to have a material impact on our financial statements.

Such new or revised accounting standards and rules are issued from time to time. Although the standards mentioned above are not expected to have a material impact on our reported financial results, future standards and rules could have such an effect.

- As described above in the section YEAR 2000 COMPUTER SYSTEMS COMPLIANCE, we are working to address "Year 2000" problems. If we should fail to identify or fix all such problems in our own operations, or if we are affected by the inability of a sole-source supplier or a major customer (such as a large drug wholesaler or distributor) to continue operations due to such a problem, our operations and/or cash flows could be affected.

- Changes in the U.S. Tax Code and the tax laws of other countries can affect our net earnings. For example, pursuant to the Small Jobs Protection Act of 1996 (the ACT), Section 936 of the Internal Revenue Code was repealed for tax years beginning after December 31, 1995. Section 936 had created the U.S. possessions corporation income tax credit, which gave us tax benefits for certain operations in Puerto Rico. The Act provided that as an existing credit claimant, we are eligible to continue using the credit against the tax arising from our manufacturing income earned in Puerto Rico for an additional ten-year period. The amount of manufacturing income eligible for the credit during this additional period is subject to a cap based on income earned prior to 1996 in Puerto Rico. This ten-year extension does not apply to investment income earned in Puerto Rico, the credit on which

expired as of July 1, 1996. The Act did not affect the amendments made to Section 936 by the Omnibus Budget Reconciliation Act of 1993, which provided for a five-year phase-down of the U.S. possession tax credit from 100% to 40%. In addition, the Act permitted the extension of the R&D tax credit through June 30, 1998. In 1998, this credit was again extended to June 30, 1999.

- Claims have been brought against us and our subsidiaries for various legal, environmental and tax matters, and additional claims arise from time to time. In addition, our operations are subject to international, federal, state and local environmental laws and regulations. It is possible that our cash flows and results of operations could be affected by the one-time impact of the resolution of these contingencies. We believe that the ultimate disposition of current matters to the extent not previously provided for will not have a material impact on our financial condition or cash flows and results of operations, except where specifically commented upon in the discussion of such matters in LEGAL PROCEEDINGS in Item 3 in this report, and in TAX MATTERS above.

ITEM 2. PROPERTIES

Our world headquarters is located in several buildings in New York City. We own two of these buildings, including our main 33-story office tower, and rent space in others nearby. The 33-story office tower is located on a site we have leased under a long-term ground lease. Altogether, our headquarters operations occupy over one million square feet of owned and leased office space in New York City.

Our pharmaceutical business owns and leases space for sales and marketing, administrative support, and customer service functions around the world.

Our major research and development facilities are located in manufacturing/R&D complexes that we own containing multiple buildings in Groton, Connecticut, and Sandwich, England. The buildings at our Groton facility currently contain approximately three million

square feet of floor space. Approximately 1.2 million square feet is used for manufacturing, and the rest is used for research and development. An additional 550,000 square foot laboratory building, which is expected to house approximately 700 new research employees, is currently under construction. The Company also began construction in 1998 on an additional 400,000 square foot facility on a 24-acre site in nearby New London, Connecticut, to house an initial 1,300 employees from the Company's research operations.

Buildings on our 340 acre Sandwich, England campus house research, our U.K. pharmaceutical sales office and a production plant. These facilities contain almost two million square feet of floor space, approximately half of which is used for research and development. An additional 540,000 square feet of new research space is under construction.

We own other important research facilities in Nagoya, Japan; Amboise, France; and Terre Haute, Indiana. A number of smaller research and development operations around the world focus principally on their local markets. As discussed above, we have been expanding our research and development facilities in recent years to meet the challenges of handling growing research activities. In 1998, over 1.4 million square feet of research facilities was under construction at our sites in Amboise, Groton, Sandwich and Nagoya.

We have 35 production plants serving our pharmaceutical, consumer and animal health operations around the world. Sixteen of these are major facilities. These plants handle one or more of three basic types of production processes:

- fermentation
- organic synthesis
- product production

We have four major fermentation plants:

- Rixensart, Belgium
- Sao Paulo, Brazil

o Nagoya, Japan
o Sandwich, England, U.K.

Our major organic synthesis facilities are in three locations:

o Groton, Connecticut
o Ringaskiddy, Ireland
o Barceloneta, Puerto Rico

We have major product production plants at thirteen sites in ten countries:

o Sao Paulo, Brazil
o Dalian, China
o Amboise, France
o Illertissen, Germany
o Latina, Italy
o Nagoya, Japan
o Toluca, Mexico
o Sandwich, England, U.K.
o Barceloneta, Puerto Rico, U.S.
o Brooklyn, New York, U.S.
o Parsippany, New Jersey, U.S.
o Terre Haute, Indiana, U.S.
o Valencia, Venezuela

Our Consumer Health Care Group has its principal executive offices in the Company's world headquarters in New York. Its products are manufactured in a 450,000 square foot U.S. facility in Parsippany, New Jersey, which also houses its principal research operations, and a plant in San Jose Iturbide, Mexico, producing hair care products primarily for the Mexican market. Consumer Health Care's sales and marketing offices are generally leased and shared with local pharmaceutical sales offices, except in Mexico and the U.K., where Consumer Health has separate offices.

Our Animal Health business has new world headquarters in leased offices one block away from the Company's corporate headquarters in New York City. Animal Health owns its North American headquarters in Exton, Pennsylvania, and leases some additional space in a nearby office building. It also owns office space in Zaventem, Belgium for support of its international operations.

Most of Animal Health's research and manufacturing facilities are shared with our pharmaceutical business. We own major manufacturing facilities producing animal health products in:

o Lincoln, Nebraska
o Lee's Summit, Missouri
o Louvain la Neuve, Belgium

Our distribution operations are serviced by our large, state-of-the-art distribution and order fulfillment operation in a 280,000 square foot building on a 20 acre site in Memphis, Tennessee. This centrally located U.S. facility services the Company's pharmaceutical and consumer health care operations and also houses some customer service operations. Other U.S. distribution facilities for those operations are located in Clifton and Parsippany, New Jersey, and Irvine, California. The Animal Health Group operates its own distribution facilities.

In general, our properties are well maintained, adequate and suitable to their purposes. The growth of our businesses has created space pressures for certain operations, however. We have responded to such challenges with plans to provide appropriate facilities as needs are demonstrated. Note 6 to our financial statements, PROPERTY, PLANT AND EQUIPMENT on page 49 in our 1998 Annual Report, which discloses amounts invested in land, buildings and equipment, and the discussion of investing activities under the heading SUMMARY OF CASH FLOWS on page 34 of the Annual Report, which describes our capital expenditures, are incorporated by reference. See, also, the discussion under Note 11 entitled LEASE COMMITMENTS on page 53 of the Annual Report, which is also incorporated by reference.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in a number of claims and litigations, including

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

On June 9, 1997, the Company received notice of the filing of an Abbreviated New Drug Application (ANDA) by Mylan Pharmaceuticals for a sustained release nifedipine product asserted to be bioequivalent to Procardia XL. Mylan's notice asserted that the proposed formulation does not infringe relevant licensed Alza and Bayer patents and thus that approval of their ANDA should be granted before patent expiration. On July 18, 1997, the Company, together with Bayer AG and Bayer Corporation, filed a patent infringement suit against Mylan Pharmaceuticals Inc. and Mylan Laboratories Inc. in the United States District Court for the Western District of Pennsylvania with respect to Mylan's ANDA. Suit was filed under Bayer AG's U.S. Patent No. 5,264,446, licensed to the Company, relating to nifedipine of a specified particle size range. Mylan has filed its answer denying infringement and a scheduling order has been entered. Final discovery has been extended to May 3, 1999, with dispositive motions to be filed by May 21, 1999. On March 15, 1999, the FDA issued a tentative approval for Mylan's 30 mg. extended release nifedipine tablet. The tentative approval states that final approval cannot be granted until resolution of the instant patent litigation, patent expiration or expiration of the statutory stay provisions, and that the FDA is assured that there is no new information that would affect final approval.

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

seeking a declaratory judgment of invalidity of and/or non-infringement of the 5,264,446 nifedipine patent as well as a finding of violation of the antitrust laws. Biovail has also moved to transfer the patent infringement actions from Puerto Rico to the Western District of Pennsylvania. Pfizer has opposed this motion to transfer and on June 19, 1998, moved to dismiss Biovail's declaratory judgment action and antitrust action in the Western District of Pennsylvania, or in the alternative to stay the action pending the outcome of the infringement actions in Puerto Rico. On January 4, 1999, the District Court in Pennsylvania granted Pfizer's motion for a stay of the antitrust action pending the outcome of the infringement actions in Puerto Rico. On January 29, 1999, the District Court in Puerto Rico denied Biovail's motion to transfer the patent infringement actions from Puerto Rico to the Western District of Pennsylvania.

On April 2, 1998, the Company received notice from Lek U.S.A. Inc. of its filing of an ANDA for a 60 mg. formulation of nifedipine alleged to be bioequivalent to Procardia XL. On May 14, 1998, Bayer and Pfizer commenced suit against Lek for infringement of Bayer's U.S. Patent No. 5,264,446, as well as for infringement of a second Bayer patent, No. 4,412,986 relating to combinations of nifedipine with certain polymeric materials. On September 14, 1998, Lek was served with the summons and complaint. Plaintiffs amended the complaint on November 10, 1998, limiting the action to infringement of U.S. Patent 4,412,986. On January 19, 1999, Lek filed a motion to dismiss the complaint alleging infringement of U.S. Patent 4,412,986. Pfizer's response to this motion was filed on February 25, 1999.

On November 9, 1998, Pfizer received an ANDA notice letter from Martec Pharmaceutical, Inc. for generic versions (30 mg., 60 mg., 90 mg.) of Procardia XL. On or about December 18, 1998, Pfizer received a new ANDA certification

letter stating that the ANDA had actually been filed in the name of Martec Scientific, Inc. On December 23, 1998, Pfizer brought an action against Martec Pharmaceutical, Inc. and Martec Scientific, Inc. in the Western District of Missouri for infringement of Bayer's patent relating to nifedipine of a specific particle size. On January 26, 1999, a second complaint was filed against Martec Scientific in the Western District of Missouri based on Martec's new ANDA certification letter.

Pfizer filed suit on July 8, 1997, against the FDA in the United States District Court for the District of Columbia, seeking a declaratory judgment and injunctive relief enjoining the FDA from processing Mylan's ANDA or any other ANDA submission referencing Procardia XL that uses a different extended release mechanism. Pfizer's suit alleges that extended release mechanisms that are not identical to the osmotic pump mechanism of Procardia XL constitute different dosage forms requiring the filing and approval of suitability petitions under the Food Drug and Cosmetics Act before the FDA can accept an ANDA for filing. Mylan intervened in Pfizer's suit. On March 31, 1998, the U.S. District Judge granted the government's motion for summary judgment against the Company. Pfizer has appealed that decision to the D.C. Court of Appeals and arguments in the case were heard on February 1, 1999. We are awaiting the decision.

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

In an attempt to resolve all claims alleging anxiety that properly functioning valves might fracture in the future, the Company entered into a settlement agreement in January 1992 in BOWLING V. SHILEY, ET AL., a case brought in the United States District Court for the Southern District of Ohio, that established a worldwide settlement class of people with C/C heart valves and their spouses, except those who elected to

exclude themselves. The settlement provided for a Consultation Fund of $90 million, which was fixed by the number of claims filed, from which valve recipients received payments that are intended to cover their cost of consultation with cardiologists or other health care providers with respect to their valves. The settlement agreement established a second fund of at least $75 million to support C/C valve-related research, including the development of techniques to identify valve recipients who may have significant risk of fracture, and to cover the unreimbursed medical expenses that valve recipients may incur for certain procedures related to the valves. The Company's obligation as to coverage of these unreimbursed medical expenses is not subject to any dollar limitation. Following a hearing on the fairness of the settlement, it was approved by the court on August 19, 1992, and all appeals have been exhausted.

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

The Company's operations are subject to federal, state, local and foreign environmental laws and regulations. Under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended ("CERCLA" or "Superfund"), the Company has been designated as a potentially responsible party by the United States Environmental Protection Agency with respect to certain waste sites with which the Company may have had direct or indirect involvement. Similar designations have been made by some state environmental agencies under applicable state superfund laws. Such designations are made regardless of the extent of the Company's involvement. There are also claims that the Company may be a responsible party or participant with respect to several waste site matters in foreign jurisdictions. Such claims have been made by the filing of a complaint, the issuance of an administrative directive or order, or the issuance of a notice or demand letter. These claims are in various stages of administrative or judicial proceedings. They include demands for recovery of past governmental costs and for future investigative or remedial actions. In

many cases, the dollar amount of the claim is not specified. In most cases, claims have been asserted against a number of other entities for the same recovery or other relief as was asserted against the Company. The Company is currently participating in remedial action at a number of sites under federal, state, local and foreign laws.

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

The Company has entered into a consent decree settling all matters with the United States Environmental Protection Agency--Region I and the Department of Justice arising primarily out of a December 1993 multimedia environmental inspection, as well as certain state inspections, of the Company's Groton, Connecticut facility. The consent decree provides for the payment of $625,000 in fines, undertaking of an environmental project at a cost of $150,000 and certain other operational provisions, the implementation of which will not have a material adverse effect on the operations of the Company.

Through the early 1970s, Pfizer Inc. (Minerals Division) and Quigley Company, Inc. ("Quigley"), a wholly owned subsidiary, sold a minimal amount of one construction product and several refractory products containing some asbestos. These sales were discontinued thereafter. Although these sales represented a minor market share, the Company has been named as one of a number of defendants in numerous lawsuits. These actions, and actions related to the Company's sale of talc products in

the past, claim personal injury resulting from exposure to asbestos-containing products, and nearly all seek general and punitive damages. In these actions, the Company or Quigley is typically one of a number of defendants, and both are members of the Center for Claims Resolution (the "CCR"), a joint defense organization of twenty defendants that is defending these claims. The Company and Quigley are responsible for varying percentages of defense and liability payments for all members of the CCR. A number of cases alleging property damage from asbestos-containing products installed in buildings have also been brought against the Company, but most have been resolved.

On January 15, 1993, a class action complaint and settlement agreement were filed in the United States District Court for the Eastern District of Pennsylvania involving all personal injury claims by persons who have been exposed to asbestos-containing products but who have not yet filed a personal injury action against the members of the CCR (Future Claims Settlement). The District Court determined that the Future Claims Settlement was fair and reasonable. Subsequently, the United States Court of Appeals for the Third Circuit reversed the order of the District Court and on June 27, 1997, the U.S. Supreme Court affirmed the Third Circuit's order and decertified the class. The overturning of the settlement is not expected to have a material impact on the Company's exposure or on the availability of insurance for the vast majority of such cases. It is expected, too, that the CCR will attempt to resolve cases in the same manner as heretofore.

At approximately the time it filed the Future Claims Settlement class action, the CCR settled approximately 16,360 personal injury cases on behalf of its members, including the Company and Quigley. The CCR has continued to settle remaining and opt-out cases and claims on a similar basis to past settlements. As of December 28, 1998, there were 57,819 personal injury claims pending against Quigley (excluding those which are inactive or have been settled in principle), 33,185 such claims against the Company, and 68 talc cases against the Company.

The Company believes that its costs incurred in defending and ultimately disposing of the asbestos personal injury claims, as well as the property damage and talc claims, will be largely covered by insurance policies issued by several primary insurance carriers and a number of excess carriers that have agreed to provide coverage, subject to deductibles, exclusions, retentions and policy limits. Litigation is pending against several excess insurance carriers seeking damages and/or declaratory relief to secure their coverage obligations. Based on the Company's experience in defending the claims to date and the amount of insurance coverage available, the Company is of the opinion that the actions should not ultimately have a material adverse effect on the financial position or the results of operations of the Company.

The Company was named, together with numerous other manufacturers of brand name prescription drugs and certain companies that distribute brand name prescription drugs, in suits in federal and state courts brought by various groups of retail pharmacy companies. The federal cases consist principally of a class action by retail pharmacies (including approximately 30 named plaintiffs) (the "Federal Class Action"), as well as additional actions by approximately 3,500 individual retail pharmacies and a group of chain and supermarket pharmacies (the "individual actions"). These cases, which were transferred to the United States District Court for the Northern District of Illinois and coordinated for pretrial purposes, allege that the defendant drug manufacturers violated the Sherman Act by unlawfully agreeing with each other (and, as alleged in some cases, with wholesalers) not to extend to retail pharmacy companies the same discounts allegedly extended to mail order pharmacies, managed care companies and certain other customers, and by unlawfully discriminating against retail pharmacy companies by not extending them such

discounts. On November 15, 1994, the federal court certified a class (the Federal Class Action) consisting of all persons or entities who, since October 15, 1989, bought brand name prescription drugs from any manufacturer or wholesaler defendant, but specifically excluding government entities, mail order pharmacies, HMOs, hospitals, clinics and nursing homes. Fifteen manufacturer defendants, including the Company, agreed to settle the Federal Class Action subject to court approval. The Company's share pursuant to an Agreement as of January 31, 1996, was $31.25 million, payable in four annual installments without interest. The Company continues to believe that there was no conspiracy and specifically denied liability in the Settlement Agreement, but had agreed to settle to avoid the monetary and other costs of litigation. The settlement was filed with the Court on February 9, 1996 and went through preliminary and final fairness hearings. By orders of April 4, 1996, the Court: (1) rejected the settlement; (2) denied the motions of the manufacturers (including the Company) for summary judgment; (3) granted the motions of the wholesalers for summary judgment; and (4) denied the motion to exclude purchases by other than direct purchasers. On August 15, 1997, the Court of Appeals (1) reversed the denial of summary judgment for the manufacturers excluding purchases by other than direct purchasers; (2) reversed the grant of summary judgment dismissing the wholesalers; and (3) took action regarding Alabama state cases, and DuPont-Merck. In May 1996, thirteen manufacturer defendants, including the Company, entered into an Amendment to the Settlement Agreement which was filed with the Court on May 6, 1996. The Company's financial obligations under the Settlement Agreement were not increased. The Settlement Agreement, as amended, received final approval on June 21, 1996. Appeals from this decision were dismissed by the U.S. Court of Appeals for the Seventh Circuit in May 1997. Trial began in September 1998 for the class case against the non-settlers, and the District Court also permitted the opt-out plaintiffs to add the wholesalers as named defendants in their cases. The District Court dismissed the case at the close of the plaintiffs' evidence. The plaintiffs have appealed.

Retail pharmacy cases have also been filed in state courts in Alabama, California, Minnesota, Mississippi and Wisconsin. Pharmacy classes have been certified in California. The Company's motion to dismiss was granted in the Wisconsin case, and that dismissal is under appeal.

Consumer class actions have been filed in Alabama, Arizona, California, the District of Columbia, Florida, Kansas, Maine, Michigan, Minnesota, New York, North Carolina, Tennessee, Washington and Wisconsin alleging injury to consumers from the failure to give discounts to retail pharmacy companies. The New York and Washington state cases were dismissed, and an appeal is pending in New York. A case filed in Colorado state court was dismissed without appeal. A consumer class has been certified in California, and a limited consumer class has been certified in the District of Columbia. Class certification was denied in the

Michigan state case, and plaintiffs' subsequent petition for review was denied. Class certification also was denied in the Maine case.

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

The Company believes that these brand name prescription drug antitrust cases, which generally seek damages and certain injunctive relief, are without merit.

The Federal Trade Commission is conducting an investigation focusing on the pricing practices at issue in the above pharmacy antitrust litigation. In July 1996, the Commission issued a subpoena for documents to

the Company, among others, to which the Company has responded. A second subpoena was issued to the Company for documents in May 1997 and the Company has responded. This investigation continues.

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

On January 15, 1997, an action was filed in Circuit Court, Chambers County, Alabama, purportedly on behalf of a class of consumers, variously defined by the laws or types of laws governing their rights and encompassing residents of up to 47 states. The complaint alleges that the Company's claims for Plax were untrue, entitling them to a refund of their purchase price for purchases since 1988. A hearing on Plaintiffs' motion to certify the class was held on June 2, 1998. We are awaiting the Court's decision. The Company believes the complaint is without merit.

The Federal Trade Commission conducted an investigation of the advertising of Rid, which was resolved by a Consent Decree made final in December, 1998. At the same time, the New York State Attorney General's office is investigating the same or similar matters.

Since December 1998, three actions have been filed in the state courts in Houston, San Francisco, and Chicago, purportedly on behalf of statewide (California) or nationwide (Houston and Chicago) classes of consumers who allege that the Company's and other manufacturers' advertising and promotional claims for RID and other pediculicides were untrue, entitling them to refunds, other damages and/or injunctive relief. The Houston case has been removed to federal court; no proceedings have yet occurred in the other cases. The Company believes the complaints are without merit.

In April 1996, the Company received a Warning Letter from the FDA relating to the timeliness and completeness of required post marketing reports for pharmaceutical products. The letter did not raise any safety issue about Pfizer drugs. The Company has been implementing remedial actions designed to remedy the issues raised in the letter. During 1997, the Company met with the FDA to apprise them of the scope and status of these activities. A full examination of the progress made by the Company in this area will occur in 1999.

During 1998, the Company completed the sale of all of the businesses and companies that were part of the Medical Technology Group ("MTG"). As part of the sale provisions, the Company has retained responsibility for certain items including matters related to the sale of MTG products sold by the Company before the sale of the MTG businesses. A number of cases have been brought against Howmedica Inc. (some of which also name the Company) alleging that P.C.A. one-piece acetabular hip prostheses sold from 1983 through 1990 were defectively designed and manufactured and pose undisclosed risks to implantees. The Company believes that most if not all of these cases are without merit. Between 1994 and 1996, seven class actions alleging various injuries arising from implantable penile prostheses manufactured by American Medical Systems

were filed and ultimately dismissed or discontinued. Thereafter, between late 1996 and early 1998, approximately 700 former members of one or more of the purported classes, represented by some of the same lawyers who filed the class actions, filed individual suits in Circuit Court in Minneapolis alleging damages from their use of implantable penile prostheses. The Company believes that most if not all of these cases are without merit.

In June 1993, the Ministry of Justice of the State of Sao Paulo, Brazil, commenced a civil public action against the Company's Brazilian subsidiary, Laboratorios Pfizer Ltda. ("Pfizer Brazil") asserting that during a period in 1991, Pfizer Brazil withheld sale of the pharmaceutical product Diabinese in violation of antitrust and consumer protection laws. The action seeks the award of moral, economic and personal damages to individuals and the payment to a public reserve fund. On February 8, 1996, the trial court issued a decision holding Pfizer Brazil liable. The award of damages to individuals and the payment into the public reserve fund will be determined in a subsequent phase of the proceedings. The trial court's opinion sets out a formula for calculating the payment into the public reserve fund which could result in a sum of approximately $88 million. The total amount of damages payable to eligible individuals under the decision would depend on the number of persons eventually making claims. Pfizer Brazil is appealing this decision. The Company believes that this action is without merit and should not have a material adverse effect on the financial position or the results of operations of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

<TABLE>
<CAPTION>

EXECUTIVE OFFICERS OF THE COMPANY

As of March 10, 1999, the following executive officers of the Company hold the offices indicated until their successors are chosen and qualified after the next annual meeting of shareholders.

NAME	AGE	POSITION
Brian W. Barrett.....	59	Vice President; President - Animal Health Group
M. Kenneth Bowler.....	56	Vice President, Federal Government Relations
C. L. Clemente.....	61	Senior Vice President, Corporate Affairs; Secretary and Corporate Counsel; Member of the Corporate Management Committee
P. Nigel Gray.....	60	Vice President
Gary N. Jortner.....	53	Vice President; Senior Vice President, Product Development - Pfizer Pharmaceuticals Group
Karen L. Katen.....	50	Vice President; Executive Vice President - Pfizer Pharmaceuticals Group and President - U.S. Pharmaceuticals; Member of the Corporate Management Committee
J. Patrick Kelly.....	41	Vice President; Senior Vice President - Worldwide Marketing - Pfizer Pharmaceuticals Group

Alan G. Levin.....	36	Vice President; Treasurer
Henry A. McKinnell.....	56	Executive Vice President; President - Pfizer Pharmaceuticals Group; Member of the Corporate Management Committee
Victor P. Micati.....	59	Vice President; Executive Vice President - Pfizer Pharmaceuticals Group
Paul S. Miller.....	59	Senior Vice President; General Counsel; Member of the Corporate Management Committee
George M. Milne, Jr.....	55	Vice President; President, Central Research; Member of the Corporate Management Committee
John F. Niblack.....	60	Executive Vice President; Member of the Corporate Management Committee
William J. Robison.....	63	Senior Vice President - Corporate Employee Resources; Member of the Corporate Management Committee
Herbert V. Ryan.....	61	Vice President; Controller
Craig Saxton.....	56	Vice President; Executive Vice President, Central Research
David L. Shedlarz.....	50	Senior Vice President and Chief Financial Officer; Member of the Corporate Management Committee
Mohand Sidi Said.....	60	Vice President; Senior Vice President - Pfizer Pharmaceuticals Group and Area President, Asia/Africa/Middle East
William C. Steere, Jr.....	62	Chairman of the Board and Chief Executive Officer; Chair of the Corporate Management Committee
Frederick W. Telling.....	47	Vice President, Corporate Strategic Planning and Policy

</TABLE>

Information concerning Messrs. Steere, Clemente and Miller and Drs. McKinnell and Niblack is incorporated by reference from the discussion under the captions NOMINEES FOR DIRECTORS WHOSE TERMS EXPIRE IN 2001, DIRECTORS WHOSE TERMS EXPIRE IN 2000 and NAMED EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS in our Proxy Statement for the 1999 Annual Meeting of Shareholders.

BRIAN W. BARRETT

Mr. Barrett joined us in 1966 and has held various financial positions, including Chief Financial Officer of Pfizer Canada. In 1971, he was appointed Assistant Controller of Pfizer International in New York; in 1973, Director of International Planning and in 1976, Director of Planning. In 1980, Mr. Barrett was appointed Vice President - Corporate Strategic Planning; in 1983, he became Vice President - Finance for Pfizer International; in 1985, President - Africa/Middle East; and in 1991, President - Asia/Canada. In 1992, Mr. Barrett was elected one of our Vice Presidents and in 1993, became President, Northern Asia, Australasia and Canada International Pharmaceuticals Group. Mr. Barrett was named Executive Vice President, International Pharmaceuticals Group, in 1995 and President - Animal Health Group in April 1996.

M. KENNETH BOWLER

Mr. Bowler joined us in 1989 and has been Vice President - Federal Government Relations since 1990. He formerly served as Staff Director for the House Ways and Means Committee.

P. NIGEL GRAY

Mr. Gray joined us in 1975 as Export Sales Manager for Howmedica U.K., Ltd., in England, and progressed through a number of positions of increasing responsibility before being named Vice President, Marketing for Howmedica Europe in 1983. In 1987, Mr. Gray became Senior Vice President and General Manager of Howmedica International in Staines, England, then President of Howmedica International in 1992. In 1993, he was named Executive Vice President of our Hospital Products Division and President of the Medical Devices Division, and in 1994, he was elected one of our Vice Presidents. In 1995, Mr. Gray became President of our former Medical Technology Group.

GARY N. JORTNER

Mr. Jortner joined us in 1973 as a Systems Analyst for Pfizer Pharmaceuticals. In 1974, he transferred to product management and progressed through a series of promotions that resulted in his being named Group Product Manager for Pfizer

Labs in 1978. In 1981, he became Vice President of Marketing for Pfizer Labs. In 1986, he was promoted to Vice President of Operations for Pfizer Labs. In 1991, he was named Vice President and General Manager, Pfizer Labs Division. In 1992, Mr. Jortner was elected one of our Vice Presidents. In 1994, he was named Vice President; Group Vice President, Disease Management - U.S. Pharmaceuticals Group. In 1997, he became Vice President, Product Development - Pfizer Pharmaceuticals Group, and in 1998, he was promoted to Senior Vice President, Product Development - Pfizer Pharmaceuticals Group.

KAREN L. KATEN

Ms. Katen joined us in 1974 as a Marketing Associate for Pfizer Pharmaceuticals. Beginning in 1975, she progressed through a number of positions of increasing responsibility in the Roerig product management group which resulted in her being named Group Product Manager in 1978. In 1980, she transferred to Pfizer Labs as a Group Product Manager and later became Director, Product Management. In 1983, she returned to Roerig as Vice President-Marketing. In 1986, she was named Vice President and General Manager-Roerig Division. In 1992, she was elected one of our Vice Presidents. In 1993, Ms. Katen became Executive Vice President of the U.S. Pharmaceuticals Group and, in 1995, Ms. Katen was named President of the U.S. Pharmaceuticals Group. In January 1997, she became Executive Vice President - Pfizer Pharmaceuticals Group.

Ms. Katen is a Director of General Motors Corporation and Harris Corporation, and serves on the International Council of J.P. Morgan & Co.

J. PATRICK KELLY

Mr. Kelly joined us in 1981 as a Marketing Research Associate in the Pharmaceuticals Division. He became Product Analyst in 1982 and, in 1983, was made Marketing Associate in the Roerig Division. He progressed through a series of positions of increasing responsibility and became Group Product Manager for Roerig in 1989. In 1992, he was named Vice President-Marketing, Roerig in the U.S. Pharmaceuticals Group and, in 1994, became its Group Vice President, Disease Management. In 1996, he was elected one of our Vice Presidents and, in 1997, was named Senior Vice President, Disease Management - U.S. Pharmaceuticals, and later that year became Vice President - Pfizer Pharmaceuticals Group and Senior Vice President - U.S. Pharmaceuticals. In 1998, Mr. Kelly was named Senior Vice President-Worldwide Marketing-Pfizer Pharmaceuticals Group.

ALAN G. LEVIN

Mr. Levin joined us in 1987 as Senior Operations Auditor for the Controller's Division. In 1988, he joined the Treasurer's Division as Controller of the Pfizer International Bank in San Juan, Puerto Rico. He returned to New York in 1991 as Director-Finance, Asia, and in 1993 was named Senior Director-Finance, Asia. In 1995, Mr. Levin was elected our Treasurer. In 1997, he was elected Vice President; Treasurer.

VICTOR P. MICATI

Mr. Micati joined us in 1965 as a Management Candidate for Pfizer Labs. Beginning in 1966, he progressed through a number of positions of increasing responsibility in the Pfizer Labs division, which resulted in his being named Vice President - Marketing in 1971. In 1972, he became Vice President of Pharmaceutical Development for International Pharmaceuticals. In 1980, he was named Executive Vice President of Pfizer Europe. Mr. Micati returned to the International Pharmaceutical Division in 1984 as Senior Vice President, and from 1990 to 1997 was Area President, Europe. In 1992, he was elected one of our Vice Presidents. Mr. Micati was named Executive Vice President, International Pharmaceuticals Group in 1996, and in 1997 was named Executive Vice President of the Pfizer Pharmaceuticals Group.

GEORGE M. MILNE, JR.

Dr. Milne joined us in 1970 as a Research Scientist and was promoted to Senior Research Scientist and then Project Manager in 1973 and 1974, respectively. In 1978, Dr. Milne became a Discovery Manager with responsibility for research programs targeting inflammation, pain and mental disease. Following additional

postdoctoral training and research in pharmacology, he was promoted to Director and then Executive Director of the Department of Immunology and Infectious Diseases. In 1985, Dr. Milne was appointed the Vice President of global Research and Development Operations before becoming the Senior Vice President of Research and Development in 1988. In 1993, Dr. Milne was elected one of our Vice Presidents and, since that same year, has been President of our Central Research Division.

WILLIAM J. ROBISON

Mr. Robison joined us in 1961 as a Sales Representative for Pfizer Labs. After serving in a number of positions of increasing responsibility in the Labs division, he was appointed Vice President of Sales in 1980, and Senior Vice President Pfizer Labs in 1986. In 1990, he was appointed Vice President and General Manager of Pratt Pharmaceuticals. In 1992, he was named President of the Consumer Health Care Group, and was elected one of our Vice Presidents. In 1996, Mr. Robison was elected Senior Vice President Corporate Employee Resources.

HERBERT V. RYAN

Mr. Ryan joined us in 1962 as Supervisor, Capital Assets. In 1964, he was named Supervisor, Corporate Ledger and, in 1966,

became Director, Corporate Accounting. In 1981, he was appointed Assistant Controller, Corporate Accounting, and in 1993, Mr. Ryan was elected Corporate Controller. In 1997, Mr. Ryan was elected Vice President; Controller.

CRAIG SAXTON

Dr. Saxton joined us in 1976 as Clinical Projects Director for the Central Research Division of Pfizer Limited in Sandwich, England. In 1981, he was named Senior Associate Medical Director for the International Division of Pfizer Inc. and, in 1982, became the Division's Vice President, Medical Director. Dr. Saxton became Senior Vice President, Clinical Research and Development for the Central Research Division in 1988. In 1993, he was named Executive Vice President - Central Research and was elected one of our Vice Presidents.

DAVID L. SHEDLARZ

Mr. Shedlarz joined us in 1976 as Senior Financial Analyst in the Pharmaceuticals Division. Following a series of positions of increasing responsibility, including service as financial manager and controller of Marketing/Sales/Production, Diagnostics Division, he was promoted to Production Controller of the U.S. Pharmaceuticals Division in 1979. He was appointed Assistant Group Controller, U.S. Pharmaceuticals Division in 1981. In 1984, Mr. Shedlarz assumed responsibilities as Group Controller and was promoted to Vice President of Finance of the U.S. Pharmaceuticals Group in 1989. He was elected our Vice President - Finance in 1992, and he was named our Chief Financial Officer in 1995. Mr. Shedlarz assumed his responsibilities as our Senior Vice President in January 1997.

MOHAND SIDI SAID

Mr. Sidi Said joined us in 1965 as a professional sales representative. During his career, he has held a variety of management assignments in Algeria, Morocco, Kenya, Egypt, France, Belgium, and the United States. In 1996, he was elected one of our Vice Presidents and was also named Senior Vice President - Pfizer Pharmaceuticals Group and Area President - Asia/Africa/Middle East.

FREDERICK W. TELLING

Dr. Telling joined Pfizer Pharmaceuticals and Diagnostic Products Group in 1977 and progressed through a number of positions of increasing responsibility before being named Director of Planning for the Pharmaceuticals Division in 1981. In 1987, he was named Vice President of Planning and Policy and, in 1994, Senior Vice President of Planning and Policy for the U.S. Pharmaceuticals Group. In October 1994, Dr. Telling was elected our Vice President, Corporate Strategic Planning and Policy.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The principal market for our Common Stock is the New York Stock Exchange. It is also listed on the London, Paris, Brussels, and Swiss Stock Exchanges and is traded on various United States regional stock exchanges. Additional information required by this item is incorporated by reference from the table QUARTERLY CONSOLIDATED FINANCIAL DATA on page 61 of the 1998 Annual Report to Shareholders.

ITEM 6. SELECTED FINANCIAL DATA

Historical financial information is incorporated by reference from the FINANCIAL SUMMARY on page 62 of the 1998 Annual Report to Shareholders.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information required by this item is incorporated by reference from the FINANCIAL REVIEW on pages 28 through 38 of the 1998 Annual Report to Shareholders.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this item is incorporated by reference from the discussion under the heading FINANCIAL RISK MANAGEMENT on pages 36 and 37 of the 1998 Annual Report to Shareholders.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this item is incorporated by reference from the INDEPENDENT AUDITORS' REPORT found on page 39 and from the consolidated financial statements and supplementary data on pages 40 through 61 of the 1998 Annual Report to Shareholders.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Information about our Directors is incorporated by reference from the discussion under Item 1 of our Proxy Statement for the 1999 Annual Meeting of Shareholders. The balance of the response to this item is contained in the discussion entitled EXECUTIVE OFFICERS OF THE COMPANY in Part I of this report.

ITEM 11. EXECUTIVE COMPENSATION

Information about executive compensation is incorporated by reference from the discussion under the heading EXECUTIVE COMPENSATION in our Proxy Statement for the 1999 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information about security ownership of certain beneficial owners and management is incorporated by reference from the discussion under the heading SECURITY OWNERSHIP OF DIRECTORS AND OFFICERS in Item 1 of our Proxy Statement for the 1999 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information about certain relationships and transactions with related parties is incorporated by reference from the discussion under the heading RELATED TRANSACTIONS in our Proxy Statement for the 1999 Annual Meeting of Shareholders.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

14 (a)(1) FINANCIAL STATEMENTS The following consolidated financial statements, related notes and independent auditors' report, from the 1998 Annual Report to Shareholders, are incorporated by reference into Item 8 of Part II of this report:

	PAGE(S) IN THE 1998 ANNUAL REPORT TO SHAREHOLDERS
Independent Auditors' Report	39
Segment Information	60
Geographic Data	60
Consolidated Statement of Income	40
Consolidated Balance Sheet	41
Consolidated Statement of Shareholders' Equity	42
Consolidated Statement of Cash Flows	43
Notes to Consolidated Financial Statements	44 - 60
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14(a)(2) FINANCIAL STATEMENT SCHEDULES Schedules are omitted because they are not required or the information is given elsewhere in the financial statements. The financial statements of unconsolidated subsidiaries are omitted because, considered in the aggregate, they would not constitute a significant subsidiary.

14(a)(3) EXHIBITS THESE EXHIBITS ARE AVAILABLE UPON REQUEST. REQUESTS SHOULD BE DIRECTED TO C.L. CLEMENTE, SECRETARY, PFIZER INC., 235 EAST 42ND STREET, NEW YORK, NY 10017.

3(i)	-	Our Restated Certificate of Incorporation as of October 29, 1997, is incorporated by reference from our 10-Q report for the period ended September 28, 1997.
3(ii)	-	Our By-laws as amended June 23, 1994, are incorporated by reference from Exhibit 3(ii) of our report on Form 8-K dated June 23, 1994.
4(i)	-	Our Rights Agreement dated as of October 6, 1997, with ChaseMellon Shareholders Services, L.L.C. is incorporated by reference from our report on Form 8-K dated October 6, 1997.
10(i)	-	Stock and Incentive Plan as amended through January 28, 1999.
10(ii)	-	Pfizer Retirement Annuity Plan as amended through November 6, 1997 is incorporated by reference from our 1997 10-K report.
10(iii)	-	The form of severance agreement with the Named Executive Officers identified in our Proxy Statement for the 1999 Annual Meeting of Shareholders is incorporated by reference from our 1994 10-K report.
10(iv)	-	Nonfunded Deferred Compensation and Supplemental Savings Plan is incorporated by reference from our 1996 10-K report.
10(v)	-	Executive Annual Incentive Plan is incorporated by reference from the exhibit to our Proxy Statement for the 1997 Annual Meeting of Shareholders.
10(vi)	-	Performance-Contingent Share Award Program is incorporated by reference from Exhibit 10.3 to our 10-Q report for the period ended September 29, 1996.
10(vii)	-	Nonfunded Supplemental Retirement Plan is incorporated by reference from our 1996 10-K report.
10(viii)	-	The form of Indemnification Agreement with Directors is incorporated by reference from our 1996 10-K report.

10(ix)	-	The form of Indemnification Agreement with Named Executive Officers is incorporated by reference from our 1997 10-K report.
10(x)	-	Non-Employee Directors' Retirement Plan [frozen as of October 1996] is incorporated by reference from our 1996 10-K report.
10(xi)	-	Annual Retainer Unit Award Plan (for non-employee Directors) is incorporated by reference from Exhibit 10.1 to our 10-Q report for the period ended September 29, 1996.
10(xii)	-	Nonfunded Deferred Compensation and Unit Award Plan for Non-Employee Directors is incorporated by reference from Exhibit 10.2 to our 10-Q report for the period ended September 29, 1996.
10(xiii)	-	Restricted Stock Plan for Non-Employee Directors is incorporated by reference from our 1996 10-K report.
10(xiv)	-	Deferred Compensation Plan is incorporated by reference from our 1997 10-K report.
10(xv)	-	Summary of Annual Incentive Plan.
10(xvi)		Amendment to the August 13, 1998, Stock and Asset Purchase Agreement between Pfizer Inc. and Stryker Corporation dated as of October 22, 1998.
12	-	Computation of Ratio of Earnings to Fixed Charges.
13(a)	-	The 1998 Annual Report to Shareholders, which, except for those portions incorporated by reference, is furnished solely for the information of the Commission and is not to be deemed "filed".
21	-	Subsidiaries of the Company.
23	-	Consent of KPMG LLP, independent certified public accountants.
27.1	-	Financial Data Schedule for Period Ended December 31, 1998.
27.2	-	Financial Data Schedule for Period Ended December 31, 1997.
27.3	-	Financial Data Schedule for Period Ended December 31, 1996.

(b) Reports on Form 8-K

The Company filed reports on Form 8-K during the last quarter of 1998 dated October 2, and December 8, 1998.

SIGNATURES

Under the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report was signed on behalf of the Registrant by the authorized person named below.

Pfizer Inc.

By: /s/C.L. Clemente

Dated: March 25, 1999 C.L. Clemente, Senior Vice President, Secretary and Corporate Counsel

Under the requirements of the Securities Exchange Act of 1934, this report was signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

SIGNATURES	TITLE	DATE
<S>	<C>	<C>
/s/William C. Steere, Jr. (William C. Steere, Jr.)	Chairman of the Board, Director (Principal Executive Officer)	March 25, 1999
/s/David L. Shedlarz (David L. Shedlarz)	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 25, 1999

/s/Herbert V. Ryan --- (Herbert V. Ryan)	Vice President - Controller (Principal Accounting Officer)	March 25, 1999
/s/Michael S. Brown --- (Michael S. Brown)	Director	March 25, 1999
/s/M. Anthony Burns --- (M. Anthony Burns)	Director	March 25, 1999
/s/W. Don Cornwell --- (W. Don Cornwell)	Director	March 25, 1999

</TABLE>

<TABLE>
<CAPTION>

SIGNATURES	TITLE	DATE
<S>	<C>	<C>
/s/George B. Harvey --- (George B. Harvey)	Director	March 25, 1999
/s/Constance J. Horner --- (Constance J. Horner)	Director	March 25, 1999
/s/Stanley O. Ikenberry --- (Stanley O. Ikenberry)	Director	March 25, 1999
/s/Harry P. Kamen --- (Harry P. Kamen)	Director	March 25, 1999
/s/Thomas G. Labrecque --- (Thomas G. Labrecque)	Director	March 25, 1999
/s/Dana G. Mead --- (Dana G. Mead)	Director	March 25, 1999
/s/Henry A. McKinnell --- (Henry A. McKinnell)	Executive Vice President and Director	March 25, 1999
/s/John F. Niblack --- (John F. Niblack)	Executive Vice President and Director	March 25, 1999
/s/Franklin D. Raines --- (Franklin D. Raines)	Director	March 25, 1999
/s/Ruth J. Simmons --- (Ruth J. Simmons)	Director	March 25, 1999
/s/Jean-Paul Valles --- (Jean-Paul Valles)	Director	March 25, 1999

</TABLE>

INDEX TO EXHIBITS

<TABLE>
<CAPTION>

Exhibit No.		Page Number in Sequential Number System
<S>	<C>	<C>
10(i)	Stock and Incentive Plan as amended through January 28, 1999.	
10(xv)	Summary of Annual Incentive Plan.	
10(xvi)	Amendment to the August 13, 1998, Stock and Asset Purchase Agreement between Pfizer Inc. and Stryker Corporation dated as of October 22, 1998.	
12	Computation of Ratio of Earnings to Fixed Charges.	
13(a)	The 1998 Annual Report to Shareholders, which, except for those portions incorporated by reference, is furnished solely for the information of the Commission and is not to be deemed "filed".	
21	Subsidiaries of the Company.	
23	Consent of KPMG LLP, independent certified public accountants.	
27.1	Financial Data Schedule for the Period Ended December 31, 1998.	
27.2	Financial Data Schedule for the Period Ended December 31, 1997.	
27.3	Financial Data Schedule for the Period Ended December 31, 1996.	

</TABLE>

EXHIBIT 10(i)

PFIZER INC
STOCK AND INCENTIVE PLAN
(AS AMENDED THROUGH 1/28/99)

1. PURPOSE

The purpose of the Stock and Incentive Plan (known as the "Stock Option and Incentive Plan of 1965 as amended" prior to the 1980 amendment thereof and hereinafter called the "Plan") is to furnish a material incentive to employees of the Company and its subsidiaries by making available to them the benefits of a larger Common Stock ownership in the Company through stock options and otherwise. It is believed that these increased incentives will not only induce the continued service of employees but will also stimulate their efforts towards the continued success of the Company and its subsidiaries, as well as assist in the recruitment of new employees. Nothing in the Plan shall interfere with or limit in any way the right of the Company or any subsidiary to terminate any participant's employment at any time, nor confer upon any participant any right to continue in the employ of the Company or any subsidiary. No employee shall have the right to be selected to receive an option or other award under this Plan or having been so selected, to be selected to receive a future award grant or option. Neither the award nor any benefits arising out of this Plan shall constitute part of a participant's employment contract with the Company or any subsidiary and, accordingly, this Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Company without giving rise to liability on the part of the Company or any subsidiary for severance payments.

2. ADMINISTRATION

Except to the extent otherwise provided in Section 4 and Section 15, the Plan shall be administered by the Employee Compensation and Management Development Committee, which shall make, in its sole discretion, all determinations arising in the administration, construction or interpretation of the Plan including the right to construe disputed or doubtful Plan terms and provisions, and any such determination shall be conclusive and binding on all persons, except as otherwise provided by law.

3. TOTAL NUMBER OF SHARES

Subject to the provisions of Section 6(h), the maximum amount of stock which may be issued under the Plan is 338,000,000* shares of the Common Stock of the Company (comprised of 24,000,000* shares authorized in 1965, 24,000,000*

shares authorized in 1969, 24,000,000** shares authorized in 1972, 24,000,000** shares authorized in 1975, 24,000,000** shares authorized in 1980, 40,000,000*** shares authorized in 1983, 44,000,000*** shares authorized in 1986, 44,000,000*** shares authorized in 1989, 44,000,000**** shares authorized in 1992, and 46,000,000***** shares authorized in 1996).

No participant shall be granted (i) options which would result in such participant receiving more than 480,000* shares of the total number of shares authorized in 1965, more than 480,000* shares of the total number of shares authorized in 1969, or more than 480,000** shares of the total number of shares authorized in 1972, or (ii) options or awards which would result in such participant receiving more than 480,000** shares of the total number of shares authorized in 1975, more than 800,000** shares of the total number of shares authorized in 1980, more than 800,000*** shares of the total number of shares authorized in 1983, more than 1,200,000*** shares of the total number of shares authorized in 1986, more than 1,200,000*** shares of the total number of shares authorized in 1989, more than 1,200,000**** shares of the total number of shares authorized in 1992, more than 1,200,000***** shares of the total number of shares authorized in 1996, or (iii) any option, stock award or performance unit award which would result in ownership by such participant of more than ten percent of the stock of the Company within the meaning of Section 422 of the Internal Revenue Code, or (iv) any incentive stock option, as defined in Section 422 of the Internal Revenue Code granted after December 31, 1986, which would result in such participant receiving a grant of incentive stock options for stock that would have an aggregate fair market value in excess of $100,000, determined as of the time that the option is granted, that would be exercisable for the first time by such participant during any calendar year. No option with respect to any shares authorized in 1975 shall be granted to the extent that shares authorized in 1972 are available therefor, or with respect to any shares authorized in 1980 to the extent that shares authorized in 1972 or shares authorized in 1975 are available therefor, or with respect to any shares authorized in 1983 to the extent that shares authorized in 1972, 1975 or 1980 are available therefor, or with respect to any shares authorized in 1986 to the extent that shares authorized in 1972, 1975, 1980 or 1983 are available therefor, or with respect to any shares authorized in 1989 to the extent that shares authorized in 1972, 1975, 1980, 1983, or 1986 are available therefor, or with respect to any shares authorized in 1992 to the extent that shares authorized in 1972, 1975, 1980, 1983, 1986 or 1989 are available therefor or with respect to any shares authorized in 1996 to the extent that shares authorized in 1972, 1975, 1980, 1983, 1986, 1989, or 1992 are

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* Adjusted for the three-for-one stock split in 1970, the two-for-one

stock split in 1983, the two-for-one stock split in 1991, the two-for-one stock split in 1995, and the two-for-one stock split in 1997.

** Adjusted for the two-for-one stock split in 1983, the two-for-one stock split in 1991, the two-for-one stock split in 1995, and the two-for-one stock split in 1997.

*** Adjusted for the two-for-one stock split in 1991, the two-for-one stock split in 1995, and the two-for-one stock split in 1997.

**** Adjusted for the two-for-one stock split in 1995 and the two-for-one stock split in 1997.

***** Adjusted for the two-for-one stock split in 1997.

available therefor. With respect to all options and stock awards granted on or after January 1, 1972, the records of the Company shall specify the number of shares authorized in 1965, the number of shares authorized in 1969, the number of shares authorized in 1972, the number of shares authorized in 1975, the number of shares authorized in 1980, the number of shares authorized in 1983, the number of shares authorized in 1986, the number of shares authorized in 1989, the number of shares authorized in 1992 and the number of shares authorized in 1996 covered by such options or awards. None of the shares authorized in 1965, 1969 or 1972 shall be available for stock awards.

4. PARTICIPATION IN PLAN

a. Employees: All employees of the Company or its subsidiaries shall be eligible to participate in this Plan. From time to time, the Employee Compensation and Management Development Committee shall determine the employees who shall be granted options under the Plan, the number of shares of Common Stock to be optioned to each such employee, and whether such options shall be "Qualified Stock Options" as defined in Section 422 of the Internal Revenue Code, "incentive stock options" as defined in Section 422A of the Internal Revenue Code, or non-qualified stock options, or Tandem Options as defined herein; and shall determine the individual employees who shall be granted stock appreciation rights under the Plan pursuant to Section 7; and who shall be awarded shares under the Plan pursuant to Section 8, as well as the number of shares of Common Stock to be so awarded, and the restrictions, if any, to be placed thereon and who shall be granted performance unit awards under the Plan pursuant to Section 9 and tandem awards under the Plan pursuant to Section 10; provided, however, that in the case of employees who are also directors of the Company or officers of the Company in categories designated by the Executive Compensation Committee, the Executive Compensation Committee shall make these

determinations; and provided further, that the Executive Compensation Committee, or such other Committee as the Board of Directors may appoint, shall make all determinations with respect to all stock appreciation rights that are exercisable in cash or partly in stock and partly in cash and with respect to all options related thereto.

b. Ineligible Persons: For any and all purposes under this Plan, the term "employee" shall not include a person hired as an independent contractor, leased employee, consultant or a person otherwise designated by the Company at the time of hire as not eligible to participate in or receive benefits under the Plan, even if such ineligible person is subsequently determined to be an "employee" by any governmental or judicial authority.

5. TERM OF PLAN

No option with respect to shares authorized in or prior to 1969 under this Plan shall be granted pursuant to this Plan after December 31, 1978, no option with respect to shares authorized in 1972 shall be granted pursuant to this Plan after December 31, 1992, no option, stock appreciation right or stock award, with respect to shares authorized in 1975 shall be

granted pursuant to this Plan after December 31, 1992, no option, stock appreciation right, stock award, performance unit award or tandem award with respect to shares authorized in 1980 shall be granted pursuant to this Plan after December 31, 1992, no option, stock appreciation right, stock award, performance unit award or tandem award with respect to shares authorized in 1983 shall be granted pursuant to this Plan after December 31, 1992, no option, stock appreciation right, stock award, performance unit award or tandem award with respect to shares authorized in 1986 shall be granted pursuant to this Plan after December 31, 1995, no option, stock appreciation right, stock award, performance unit award or tandem award with respect to shares authorized in 1989 shall be granted pursuant to this Plan after December 31, 1998, no option, stock appreciation right, stock award, performance unit award or tandem award with respect to shares authorized in 1992 shall be granted pursuant to this Plan after December 31, 2001, no option, stock appreciation right, stock award, performance unit award or tandem award with respect to shares authorized in 1996 shall be granted pursuant to this Plan after December 31, 2005, but options, stock appreciation rights, performance unit awards, tandem awards and restrictions on awards may extend beyond such dates.

6. TERMS AND CONDITIONS OF OPTIONS

All options under the Plan shall be subject to the following terms and conditions:

(a) Option Price. The option price per share shall be not less than the fair market value of the Common Stock on the date the option is granted, as determined by the Committee in accordance with applicable provisions of the Internal Revenue Code and Treasury Department rulings and regulations thereunder.

(b) Number of Shares. The option shall state the number of shares of Common Stock covered thereby.

(c) Payment. At the time of the exercise of the option the option price shall be payable in cash and/or, if the option so provides, in shares of Common Stock valued at the market price at the time the option is exercised. The Committee may in its discretion require or permit payroll deductions or other suitable means to enable optionees to accumulate sufficient funds to exercise their options and pay the option price.

(d) Term of Option. A qualified option shall provide that it shall not be exercisable after the expiration of five years from the date such option is granted. An incentive stock option shall provide that it shall not be exercisable after the expiration of ten years from the date such option is granted. A non-qualified option may be exercisable for a period greater than ten years if so provided in the terms of the option.

(e) Exercise of Option. No option may be exercised during the first year of its term or such longer period as may be specified in the option; provided, however, in the event of a "Change of Control" of the Company, as that term is defined in Section 11(e), the Board

may in its discretion make any options that are not yet exercisable immediately exercisable, and further provided the Committee may in its discretion make any options that are not yet exercisable immediately exercisable in cases where (i) an optionee's employment is to be terminated due to a divestiture or downsizing of a business, (ii) in the case of a retiring optionee who holds options with extended vesting provisions, or (iii) otherwise, where the Committee determines that such action is appropriate to prevent inequities with respect to an optionee. Thereafter, an optionee, subject to the terms of the option, may exercise the option in whole at any time or in part from time to time either by giving written notice thereof addressed to the Treasurer of the Company, or by using other methods of notice as the Committee shall adopt, specifying the number of shares to be purchased and accompanied by payment of the option price therefor. In the event of death, the person designated in the optionee's Will, or in the absence of such designation, the legal representative of an optionee, or if a legal representative of the optionee has not been appointed, the optionee's surviving spouse, may in like manner exercise the option provided the

same was exercisable by the optionee at the time of his death, but such privilege shall expire, subject to Section 6(d) and 6(g) (iii) hereof, (i) with respect to options granted on or before January 23, 1975, six months after the death of the optionee, unless the option shall be amended to substitute a one year period for such six month period or (ii) with respect to options granted after January 23, 1975, one year after the death of the optionee; provided, however, in any event that if the option is not exercised by the last day in which it is exercisable, the option shall be exercised and the proceeds paid to the deceased optionee's estate.

(f) Outstanding Options. Any qualified option (referred to in this paragraph as "new Qualified Option") shall provide that it may not be exercised while there is outstanding any qualified stock option or restricted stock option which was granted to the optionee to purchase stock in the Company or a parent or subsidiary corporation of the Company (as defined, respectively, by sections 425(e) and (f) of the Internal Revenue Code of 1954) or in a predecessor corporation of any of such corporations, before the granting of said new Qualified Option. This limitation on exercise shall not apply during such time as such outstanding qualified or restricted options are to purchase Common Stock and the option price thereunder (determined as of the date of grant of the new option) is not more than the option price of the new Qualified Option.

(g) Termination of Option. The option, to the extent not exercised, shall terminate upon its expiration as set forth in Section 6(d) hereof, its surrender as set forth in Section 11(c) hereof, or upon breach by the optionee of any provision of the option, or when the optionee ceases to be an employee for any reason including retirement, whichever event shall first occur; provided, however, that with respect to options granted during and subsequent to August 1997 which are otherwise exercisable in accordance with Section 6(e) hereof on the date of termination of employment, three months after the optionee ceases to be an employee for any reason including retirement, however, if the option so provides, the Committee in its discretion may permit the optionee to exercise the option for reasons of hardship up to twelve months after termination, assuming that the option was otherwise exercisable; further except that, subject to Section 6(d) hereof (i) the optionee, if his employment is terminated as a result of a disability, and provided the option was exercisable

at the time of termination of employment, may elect to exercise the option, subject to Section 6(e) hereof, within twelve months after the date of termination, (ii) in the event of his death while an employee, the option shall terminate as provided in Section 6(e) hereof, and (iii) notwithstanding subsections (i) and (ii) above, if the option so provides, in the event that the optionee has retired or is eligible for retirement under Sections 4a., b. or d. of the Company's Retirement Annuity Plan, or as the same may be amended from

time to time, or under any pension or retirement plan maintained by the Company or any of its subsidiaries, the optionee, or in the event of death, the person designated in the optionee's Will, or in the absence of such designation, the legal representative of such optionee, or if a legal representative of the optionee has not been appointed, the optionee's surviving spouse, may elect to exercise the option at any time until such option expires by its terms; provided, however, in any event that if the option is not exercised by the last day in which it is exercisable, the option shall be exercised and the proceeds paid to the deceased optionee's estate; any subsequent reemployment of the optionee by the Company shall not affect such optionee's right to exercise the option as provided in this subsection (iii).

(h) Recapitalization. In the event of any change in the number or kind of outstanding shares of Common Stock of the Company by reason of a recapitalization, merger, consolidation, reorganization, separation, liquidation, stock split, stock dividend, combination of shares or any other change in the corporate structure or shares of stock of the Company, an appropriate adjustment will be made automatically, in accordance with applicable provisions of the Internal Revenue Code and Treasury Department rulings and regulations thereunder, in the number and kind of shares for which options may thereafter be granted both in the aggregate and as to each optionee, as well as in the number and kind of shares subject to options theretofore granted and the option price payable upon exercise of such options.

(i) Transferability. The option shall provide that it will not be transferable by the optionee other than by Will or the laws of descent and distribution and shall be exercisable, during the optionee's lifetime, only by him; provided, however, that the Committee in its discretion may grant (or sanction by way of an amendment to an existing grant) non-qualified stock options which may be transferred by the optionee, solely as gifts during the optionee's lifetime, to any member of the optionee's immediate family or to a trust established for the exclusive benefit of one or more members of the optionee's immediate family, in which case the terms of such option shall so state. A transfer of an option pursuant to this subjection may be effected only by the Company at the written request of an optionee and shall become effective only when recorded in the Company's record of outstanding options. In the event an option is transferred as contemplated in this subsection, such option may not be subsequently transferred by the transferee other than by Will or the laws of descent and distribution, such option shall continue to be governed by and subject to the terms and conditions of this Plan and the relevant grant, and the transferee shall be entitled to the same rights as the optionee as if no transfer had taken place. As used in this subsection, "immediate family" shall mean any spouse, child, stepchild or grandchild, and shall include relationships arising from legal adoption.

(j) Applicable Law. The option shall contain a provision that it may not be exercised at a time when the exercise thereof or the issuance of shares thereunder would constitute a violation of any federal or state law or listing requirements of the New York Stock Exchange for such shares. The provisions of the Plan shall be construed, regulated and administered according to the laws of the State of New York without giving effect to principles of conflicts of laws, except to the extent superseded by any controlling Federal statute.

(k) Incorporation by Reference. The option shall contain a provision that all the applicable terms and conditions of this Plan are incorporated by reference therein.

(l) Tandem Award. Any option constituting a part of a tandem award authorized by Section 10 hereof shall be subject to the terms and conditions of such award.

(m) Other Provisions. The option shall contain such provisions as the Committee shall deem advisable consistent with the terms of the Plan as herein set forth. In addition, the qualified stock options and the incentive stock options shall contain such other provisions as may be necessary to meet the requirements of the Internal Revenue Code and the Treasury Department rulings and regulations issued thereunder with respect to qualified stock options and incentive stock options.

7. STOCK APPRECIATION RIGHTS

The Committee may, in its discretion, grant stock appreciation rights to the holder of any qualified or non-qualified stock option granted by the Company. Such appreciation rights shall be subject to such terms and conditions consistent with the Plan as the Committee shall impose from time to time, including the following:

(a) An appreciation right may be made part of any such option at the time of its grant or at any time thereafter prior to its expiration;

(b) Upon exercise of an appreciation right the holder shall be entitled to receive:

(i) a number of shares of the Common Stock of the Company determined by dividing:

(1) the number of shares which the optionee selects, not to exceed the total number of shares that the optionee is eligible to purchase as of the exercise date under the related option, multiplied by the amount, if any, by which the fair market value of a share of the Common Stock of the Company on the exercise date exceeds the option price provided in the related option, by

(2) the fair market value of a share of the Common Stock of the Company on the exercise date; provided, however, that the total number of shares which may be received pursuant to the exercise of an appreciation right shall not exceed the total number of shares subject to the related option; or

(ii) if so provided in the award, (a) payment of cash equal to the aggregate fair market value on the date of such exercise of the number of shares of Common Stock determined under clause (i); or (b) in part cash and in part shares; all as determined by the Committee in its sole discretion;

(c) No fractional share or cash in lieu thereof will be issued upon the exercise of any such right; and

(d) Exercise of an appreciation right, in whole or in part, shall exhaust and terminate the related option with respect to the number of shares used in the calculation under subsection (b)(i)(1) of this Section 7 in determining the number of shares issued upon such exercise of the appreciation right (or which would have been issued but for any cash payment). Upon such exercise of an appreciation right, the number of shares subject to reallocation under Section 13 shall be equal to the difference between the number of shares used in the calculation under subsection (b)(i)(1) of this Section 7 and the number of shares issued to the optionee pursuant to such exercise (or which would have been issued but for any cash payment).

8. STOCK AWARDS

Stock awards will consist of shares of Common Stock of the Company issued to participating employees as additional compensation for their services to the Company. Stock awards shall be subject to the provisions of Section 3, this Section 8, Section 11(a), (c) and (d) and, during the period in which the restrictions or the Company's right of reacquisition hereinafter referred to are in effect, Section 11(b). Other than for stock awards determined in accordance with the Company's Performance-Contingent Share Award Program and paid out under this Plan, as to which there shall be no waiting period, each stock award to a participant shall provide that the shares subject to such award may not be transferred or otherwise disposed of by the participant prior to the expiration of a period or periods specified therein, which shall not occur earlier than one year following the date of the award (except that the award may permit the earlier lapse of such restriction in the event of the participant's death or disability or retirement pursuant to any pension or retirement plan maintained by the Company or any of its subsidiaries), and that the Company shall have the right to reacquire such shares upon termination of the participant's employment

with the Company while such restriction is in effect, such reacquisition to be upon the terms and conditions provided in the award. Stock awards shall also be subject to such other terms and conditions, not inconsistent therewith, as the Committee determines to be appropriate.

9. PERFORMANCE UNIT AWARDS

Performance unit awards will consist of performance units credited to participating employees. Each award shall specify the initial value of each performance unit, such value to be determined by reference to the book or market value of the Common Stock of the Company or to the Company's earnings or such other criteria related to the Company's performance as the Committee may deem appropriate. The award shall be payable in cash and/or Common Stock of the Company as the Committee shall determine in its sole discretion.

Subject to the provisions of this Section 9 and of Section 11, the Committee shall have exclusive authority to determine additional terms and conditions of each performance unit award. Such terms and conditions may include, without limitation, provisions under which:

(1) On the payment date prescribed in the award a participant shall become entitled to receive the full value of each such unit on such date, or such other amount as such award may specify;

(2) Each unit may accrue earnings determined by reference to earnings per share or dividends paid per share on the Common Stock of the Company, or to the prime or another specified lending rate, or to other criteria specified in the award and payable at such time or times as may be specified therein;

(3) The right of a participant to receive payments in respect of a performance unit may be made subject in whole or in part to the Company's attainment of earnings or other objectives specified in the award; and

(4) The determination of all relevant valuation and other data pertaining to the award shall be in the sole judgment of the Committee. Without limitation of the foregoing, in the event that an amount payable in respect of an award is based in whole or in part on the Company's earnings or the book value of its Common Stock, the Committee may make such adjustments to the publicly reported amounts of the Company's consolidated earnings or of such book value as it deems appropriate for changes in accounting practices or principles, for material acquisitions or dispositions of stock or property, for recapitalizations or reorganizations or for any other events with respect to which the Committee determines such an adjustment to be appropriate in order to avoid distortion in the operation of the Plan.

Each award shall be evidenced by a written instrument which shall set forth the number of performance units covered thereby, the initial dollar value of each such unit, the terms and conditions, if any, under which such value may change prior to the vesting of the unit, the terms and conditions under which each such unit will vest and such other matters as the Committee in its sole discretion may deem appropriate. The Committee may from time to

time establish such rules as it deems appropriate regarding the manner and timing of payments of amounts due in respect of vested units.

No performance unit award shall provide for the vesting in a participating employee of any performance unit covered thereby prior to the expiration of a period of one year after the date of the award, except that the award may provide for such vesting in the event of death or disability or retirement of the employee pursuant to a pension or retirement plan maintained by the Company or one of its subsidiaries prior to the expiration of such period. Each award shall provide that prior to the vesting of the units covered thereby they shall be subject to forfeiture (A) upon the termination of the recipient's employment with the Company, (B) as contemplated by Section 10 hereof, if such award is part of a tandem award, and (C) as may otherwise be specified in the award.

No participant shall be entitled to receive in respect of a performance unit payments of amounts exceeding twice the original value established for such unit.

The maximum dollar value of performance units which may be initially awarded to participants may not exceed 1,500,000 "Reference Units" in the aggregate for all participants, and 50,000 Reference Units for any one participant. For purposes of this paragraph:

(1) A Reference Unit shall be the equivalent of the greater of (a) the fair market value of one share of the Common Stock of the Company on the date as of which a particular award of performance units is made, or (b) the book value of a share of such Common Stock as at the end of the last completed fiscal year of the Company prior to such award date plus the cash dividends paid per share on such stock during such fiscal year; and

(2) Crediting of an award of performance units shall exhaust and terminate a number of Reference Units equal to the number obtained by dividing the credited dollar value of such performance units by the greater of the amounts referred to in subclauses (a) and (b) of Clause 1 above, and except as provided in the following sentence, such terminated Reference Units shall not be utilized for subsequent awards.

In the event that an award of performance units is forfeited or for any other reason the cash amount or the value of the shares of the Common Stock of the Company (as determined by the Committee in its sole judgment) ultimately delivered to a participant in payment for an award of performance units (other than amounts paid to the participant as earnings on the performance units) is less than the Reference Units originally exhausted and terminated upon the crediting of such award, a number of Reference Units equal to the dollar amount of such shortfall divided by the value originally assigned to such Reference Units shall be restored and become available for subsequent awards under the Plan.

Nothing contained herein shall be deemed to limit the right of the Board of Directors or a duly appointed committee thereof to authorize the payment or award of compensation other than in stock to any employee otherwise than pursuant to the Plan, regardless of the fact

that a particular form of compensation may be the same as or similar to that which the Committee may pay or award to participants under Section 9 of the Plan.

10. TANDEM AWARDS

The Committee may, in its discretion, grant tandem awards to participating employees. A tandem award shall consist of a right of election by the employee among two or more of the following: (A) an option, which may include a stock appreciation right with respect thereto, (B) a performance unit award, and (C) a stock award. Subject to the provisions of Section 11, such right of election shall be upon such terms and conditions as the Committee may specify in the tandem award, which shall include the following:

(a) The number of shares of the Common Stock of the Company covered by the option, the number of shares covered by the stock award and the number of performance units covered by the performance unit award;

(b) Provisions establishing the number of shares and performance units which will remain subject to each portion of the tandem award upon the exercise of the right of election in whole or in part; and

(c) The date on which the right of election shall terminate unless earlier exercised or terminated pursuant to the terms of the tandem award.

11. CONDITIONS APPLICABLE TO ALL AWARDS

(a) Recapitalization. In the event of any change in the number or kind of outstanding shares of Common Stock of the Company by reason of a

recapitalization, merger, consolidation, reorganization, separation, liquidation, stock split, stock dividend, combination of shares or any other change in the corporate structure or shares of stock of the Company, an appropriate adjustment will be made automatically, in accordance with applicable provisions of the Internal Revenue Code and Treasury Department rulings and regulations thereunder, in the number and kind of shares and performance units subject to Sections 8, 9 and 10 and the maximum dollar value of performance units subject to Sections 9 and 10.

(b) Transferability. Each award to a participant under Section 8, 9 or 10 shall provide that neither the award nor any right or interest of a participant therein shall be transferable by the participant other than by Will or the laws of descent and distribution, and that such award shall be exercisable, during the participant's lifetime, only by him.

(c) Surrender. The Committee may require the surrender of an option, stock appreciation right, stock award or performance unit award granted under this Plan as a condition precedent to a grant of a new option, stock appreciation right, stock award

or performance unit award for the same or a different number of shares or having the same or a different initial value in Reference Units as the option, stock appreciation right, stock award or performance unit award surrendered; provided that a qualified option or incentive stock option which is so surrendered shall, solely for the provisions of Section 6(f) hereof, be deemed to be an outstanding qualified option or incentive stock option until such surrendered qualified option or incentive stock option would have expired by reason of the lapse of time, notwithstanding the fact that it had been surrendered and was no longer exercisable. Such new option, stock appreciation right, stock award or performance unit award shall be subject to the terms or conditions specified by the Committee at the time the new option, stock appreciation right, stock award or performance unit award is granted, all determined in accordance with the provisions of this Plan without regard to the price, period of exercise, or any other terms or conditions of the option, stock appreciation right, stock award or performance unit award surrendered.

(d) Leave of Absence. If approved by the Committee, an employee's absence or leave because of military or governmental service, disability or other reason shall not be considered an interruption of employment for any purpose of the Plan.

(e) Change of Control shall mean the occurrence of any of the following events: (a) at any time during the two-year period following the Effective Date, or the beginning of a renewal term as the case may be, at least a majority of the Company's Board of Directors shall cease to consist of "Continuing

Directors" (meaning directors of the Company who either were directors at the beginning of such two-year period or who subsequently became directors and whose election, or nomination for election by the Company's stockholders, was approved by a majority of the then Continuing Directors); or (b) any "person" or "group" (as determined for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934), except any majority-owned subsidiary of the Company or any employee benefit plan of the Company or any trust or investment manager thereunder, shall have acquired "beneficial ownership" (as determined for purposes of Securities and Exchange Commission ("SEC") Regulation 13d-3) of shares of Common Stock of the Company having 20% or more of the voting power of all outstanding shares of capital stock of the Company, unless such acquisition is approved by a majority of the directors of the Company in office immediately preceding such acquisition; or (c) a merger or consolidation occurs to which the Company is a party, whether or not the Company is the surviving corporation, in which outstanding shares of Common Stock of the Company are converted into shares of another company (other than a conversion into shares of voting common stock of the successor corporation or a holding company thereof representing 80% of the voting power of all capital stock thereof outstanding immediately after the merger or consolidation) or other securities (of either the Company or another company) or cash or other property; or (d) the sale of all, or substantially all, of the Company's assets occurs; or (e) the stockholders of the Company approve a plan of complete liquidation of the Company.

12. DEFINITIONS

(a) Company. The term "Company" shall mean Pfizer Inc, a Delaware corporation.

(b) Board of Directors. The term "Board of Directors" shall mean the Board of Directors of Pfizer Inc.

(c) Employee Compensation and Management Development Committee. The term "Employee Compensation and Management Development Committee" shall mean the Employee Compensation and Management Development Committee of Pfizer Inc as constituted by resolution of the Board of Directors.

(d) Executive Compensation Committee. The term "Executive Compensation Committee" shall mean the Executive Compensation Committee of Pfizer Inc as constituted by resolution of the Board of Directors.

(e) Committee. The term "Committee" shall mean the Employee Compensation and Management Development Committee or such other committee referred to in the second proviso of the last sentence of Section 4 hereof, as may be appropriate.

(f) Subsidiary. The term "subsidiary" shall mean a subsidiary corporation of the Company as defined in Section 425(f) of the Internal Revenue Code of 1954.

(g) Common Stock. The term "Common Stock" shall mean the $.10 par value Common Stock of the Company, authorized but unissued, or issued and reacquired by the Company and held as Treasury Stock, or held by any trust established by the Company for the purpose of satisfying the Company's obligations for the issuance of Common Stock under the Plan.

(h) Tandem Options. A "Tandem Option" shall mean a qualified option or incentive stock option and a non-qualified option granted to an optionee, subject to the provision that the exercise of all or any part of either option will result in a reduction in the other option.

13. REALLOCATION OF UNUSED SHARES

Any shares which are not purchased or awarded under an option, performance unit award or right of election which has terminated or lapsed, either by its terms or pursuant to the exercise, in whole or in part, of an award or right granted under the Plan, or shares which are reacquired by the Company pursuant to Section 8 hereof, may be used for the further grant of options or, if such shares were authorized in 1975, stock awards under the Plan, or if such shares were authorized in 1980 or after, stock awards, performance unit awards or tandem awards under the Plan. For purposes of this Section 13 the number of shares subject to a tandem award under Section 10 hereof which shall be deemed not to have been purchased or awarded as of the time such award terminated or lapsed shall equal the excess, if any, of (i) the maximum number of shares which the participant was entitled to receive under

the tandem award over (ii) the number of shares which he in fact had received as of the time of such termination or lapse.

14. USE OF PROCEEDS

The proceeds received by the Company from the sale of stock under the Plan shall be added to the general funds of the Company and shall be used for such corporate purposes as the Board of Directors shall direct.

15. AMENDMENT AND REVOCATION

The Board of Directors shall have the right to alter, amend or revoke the Plan or any part thereof at any time and from time to time, provided, however, that without the consent of the participants affected no change may be made in any option or award theretofore granted, which will impair the rights of

participants under outstanding options or awards; and provided further, that the Board of Directors may not, without the approval of the holders of a majority of the outstanding Common Stock, make any alteration or amendment to the Plan which increases the maximum number of shares of Common Stock which may be issued under the Plan or the number of shares of such stock which may be issued to any one participant, extends the term of the Plan or of options granted thereunder, reduces the option price below that now provided for in the Plan, or changes the conditions of exercise of options specified in Sections 6(e) and 6(f). The Committee may make non-substantive administrative changes to the Plan so as to conform with or take advantage of governmental requirements, statutes or regulations. The Employee Compensation and Management Development Committee may delegate to another committee, as it may appoint, the authority to take any action consistent with the terms of the Plan, either before or after an option or award has been granted, which such other committee deems necessary or advisable to comply with any government laws or regulatory requirements of a foreign country, including but not limited to, modifying or amending the terms and conditions governing any options or awards, or establishing any local country plans as sub-plans to this Plan, each of which may be attached as an Appendix hereto.

16. COMPLIANCE WITH SECTION 16

With respect to Members subject to Section 16 of the Securities Exchange Act of 1934, transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the 1934 Act. To the extent that compliance with any Plan provision applicable solely to such Members is not required in order to bring a transaction by such Member into compliance with Rule 16b-3, it shall be deemed null and void as to such transaction, to the extent permitted by law and deemed advisable by the Plan administrators. To the extent any provision of the Plan or action by the Plan administrators involving such Members is deemed not to comply with an applicable condition of Rule 16b-3, it shall be deemed null and void as to such Members, to the extent permitted by law and deemed advisable by the Plan administrators.

APPENDIX A

RULES OF THE PFIZER INC STOCK AND INCENTIVE PLAN FOR EMPLOYEES IN FRANCE

1. INTRODUCTION

The Pfizer Inc Stock and Incentive Plan (hereinafter the "Plan" or the

"U.S. Plan") specifically authorizes the Committee to establish rules applicable to options granted under the U.S. Plan, including options granted to employees in France, as the Committee deems advisable. The Committee has determined that it is advisable to establish a sub-plan for the purposes of permitting such options to qualify for favorable local tax and social security treatment in France. Therefore, the Company now establishes a sub-plan of the U.S. Plan for the purpose of granting options which qualify for the favorable tax and social security treatment in France applicable to options granted under the Law no. 70-1322 of December 31, 1970, as subsequently amended, to qualifying employees who are resident in France for French tax purposes. The terms of the U.S. Plan, of which this sub-plan is a part, shall constitute the Company's stock option plan for French Employees (the "French Plan"). Under the French Plan, the qualifying employees will be granted only stock options. In no case will they be granted substitute awards, e.g., stock bonuses, restricted stock, stock appreciation rights or other similar awards.

2. DEFINITIONS

Terms used in the French Plan shall have the same meanings as set forth in the U.S. Plan.

In addition, the term "Option" shall have the following meaning:

a. Purchase options, that are rights to acquire shares repurchased by the Company prior to the grant of said options; or

b. Subscription options, that are rights to subscribe newly issued shares.

The term "Grant Date" shall be the date on which the Committee both (a) designates the optionee and (b) specifies the terms and conditions of the Option including the number of shares and the Option price.

The term "Exercise Eligibility Date" shall mean the fifth anniversary of the Grant Date.

3. ENTITLEMENT TO PARTICIPATE

Any salaried employee or corporate executive in France shall be eligible to receive options under the French Plan provided that he or she also satisfies the eligibility conditions of the U.S. Plan. Options may not be issued under the French Plan to employees or executives owning more than ten percent (10%) of the Company's capital shares or to individuals other than employees and corporate executives of a French subsidiary of the Company. Options may not be

issued to directors of a French subsidiary unless they are employed by such subsidiary.

4. CONDITIONS OF THE OPTION/OPTION PRICE

Notwithstanding any provision in the U.S. Plan to the contrary, the conditions of the Options (option price, number of underlying shares and vesting period) will not be modified after the grant date, except as provided under Section 6 of the French Plan. In this respect, Options will not be repriced, re-granted, nor will the time at which Options may be exercised be accelerated.

The option price per share of common stock payable pursuant to options issued hereunder shall be fixed by the Committee on the date the option is granted, but in no event shall the option price per share be less than the greater of:

a. with respect to purchase options over the common stock, the higher of either 80% of the average quotation price of such common stock during the 20 days of quotation immediately preceding the grant date or 80% of the average purchase price paid for such common stock by the Company;

b. with respect to subscription options over the common stock, 80% of the average quotation price of such common stock during the 20 days of quotation immediately preceding the grant date; and

c. the minimum option exercise price permitted under the U.S. Plan.

5. EXERCISE OF AN OPTION

Upon exercise of an option, the full option price will have to be paid either by check or credit transfer. The optionee may also give irrevocable instructions to a stockbroker to properly deliver the option price to the Company.

The shares acquired upon exercise of an option will be recorded in an account in the name of the shareholder, or if the shares are held by a broker after exercise, in an account in the name of the shareholder with the broker.

No Option can be exercised before the Exercise Eligibility Date. However, in the case of death of an optionee, outstanding options shall be immediately vested and exercisable under the conditions set forth by Section 7 of the French Plan.

6. CHANGES IN CAPITALIZATION

In compliance with French law, the option price shall not be modified during the option's duration. Adjustments to the option exercise price or number of shares subject to an option issued hereunder shall be made to preclude the dilution or enlargement of benefits under such option only in the case of one or more of the following transactions by the Company:

a. an increase of corporate capital by cash contribution;

b. an issuance of convertible or exchangeable bonds;

c. a capitalization of retained earnings, profits, or issuance premiums;

d. a distribution of retained earnings by payment in cash or shares; and

e. a reduction of corporate capital by set off against losses.

7. DEATH

In the event of the death of a French optionee, said individual's heirs may exercise the option within six months following the death, provided that any option which remains unexercised shall expire six months following the date of the optionee's death.

8. INTERPRETATION

It is intended that options granted under the French Plan shall qualify for the favorable tax and social security treatment applicable to stock options granted under the Law no. 70-1322 of December 31, 1970, as subsequently amended, and in accordance with the relevant provisions set forth by French tax law and the French tax administration. The terms of the French Plan shall be interpreted accordingly and in accordance with the relevant provisions set forth by French tax and social security laws, as well as the French tax and social security administrations.

9. AMENDMENTS

Subject to the terms of the U.S. Plan, the Committee reserves the right to amend or terminate the French Plan at any time.

10. ADOPTION

The French Plan was adopted by the Board of Directors of the Company at a meeting held on August 27, 1998.

APPENDIX B

SPECIAL PROVISIONS APPLICABLE TO EMPLOYEES IN THE UNITED KINGDOM

1. ADMINISTRATION; OPERATION AND EFFECT

This Amendment to the Plan, which is effective as of June 26, 1986 sets forth the Employee Share Option (UK) Scheme (hereinafter referred to as "the Scheme"). In all respects, the Scheme will be administered by the Committee as provided in Section 2 of the Plan. No amendment to the Plan shall have effect in relation to the Scheme and no amendment to the Scheme shall have effect without the prior approval of the Board of Inland Revenue in the UK. The Committee shall be responsible for ensuring that all matters relating to the Scheme are in compliance with UK tax laws and codes.

2. STOCK

Options granted under this Scheme shall be to purchase shares of the Company's authorized, but unissued or reacquired Common Stock (hereinafter referred to as "Scheme Shares") satisfying the requirements of paragraphs 7 to 11 of Schedule 10 to the Finance Act of 1984 (hereinafter referred to as "Schedule 10"). The total number of such shares with respect to which options may be granted under the Scheme is subject to the limits set out in the Plan* and the limits set out below.

3. ELIGIBILITY

Persons eligible to receive options under the Scheme shall be salaried employees of the Company's UK subsidiaries who are employed at the time of the grant of the option and whom the Committee selects from time to time PROVIDED ALWAYS that:

(a) they are contracted to work not less than 20 hours (or, in the case of directors, 25 hours) per week excluding meal breaks for the Company's UK subsidiaries; and

(b) at the date of the grant or exercise of the option, they are not ineligible to participate in the Scheme by virtue of paragraph 4(1)(b) of Schedule 10.

An option holder may hold more than one option.

4. TERMS AND CONDITIONS OF OPTIONS

Options granted under the Scheme shall be evidenced by agreements with option holders in such form as the Committee may determine. Each such agreement shall be subject to the following terms and conditions:

(a) Grants of Options

Offers of options may be sent as soon as practicable after approval of the Scheme by the UK Board of Inland Revenue, and thereafter at any time. All offers of options shall be made on the basis that participation in the Scheme will be deemed to constitute acceptance of the provisions set forth or incorporated by reference in this Amendment to the Plan. The sum of one pound sterling shall be payable by the option holder as consideration for the grant of the option to him.

(b) Number of Shares

The number of Scheme Shares subject to each option shall be stated. Such number shall be determined by the Committee, but their aggregate Market Value, as that term is defined in Schedule 10, and number of Shares shall not at any time exceed either:

(i) the aggregate fair market value or the number of Shares as is determined for such option holder by the Committee in accordance with Section 3 of the Plan; or

(ii) in total with subsisting options over Scheme Shares granted under any scheme approved by the Board of Inland Revenue under Schedule 10 the greater of:

(a) (pound)100,000; and

(b) four times the amount of the eligible employee's Relevant Emoluments (as defined in Schedule 10, paragraph 5, sub-paragraph 5), for the current or preceding Year of Assessment (defined as commencing on April 6 and ending on the following April 5) whichever of those years gives the greater amount or, if there were no Relevant Emoluments for the preceding Year of Assessment, four times the amount of the Relevant Emoluments for the period of 12 months beginning with the first day during the current Year of Assessment in respect of which there are Relevant Emoluments.

In calculating the limits stated above and the Market Value, sums denominated in US dollars shall be converted to sterling at the rate of exchange published by the Company's bankers (being a United Kingdom clearing bank) at 11 o'clock a.m. on the date of the grant of the relevant option.

(c) Option Price and Payment of Option Price

(i) The option price per share shall be no less than the mean between the high and the low selling prices on the composite tape of the New York Stock

Exchange as reported by the New York Times for the date the option is granted.

(ii) Upon the exercise of an option, the option price shall be payable in lawful money of the United States and may be paid in cash or by certified check or by bank draft.

(d) Terms and Exercise of Options

The times at which and the terms under which any option shall be exercisable shall (unless otherwise stated in accordance with the determination of the Committee and with prior approval of the Board of Inland Revenue) be as stated in Section 6(d), 6(e) and 6(g)** of the Plan provided that the reference to Section 11(c) in Section 6 of the Plan shall be replaced by a reference to Clause 4(f) of the Scheme and in no event may an option be exercised more than 12 months after an option holder's death.***

(e) Recapitalization

Section 6(h) of the Plan shall apply to the Scheme provided that any adjustments made pursuant to that Section shall be subject to the prior approval of the Board of Inland Revenue pursuant to Schedule 10 to the Finance Act 1984.

(f) Surrender

The Committee may require the surrender of an option granted under the Scheme as a condition precedent to a grant of a new option for the same or a different number of shares surrendered. Such new options shall be subject to the terms and conditions specified by the Committee at the time the new option is granted, determined in accordance with the provisions of the Plan and the Scheme without regard to the price, period of exercise or any other terms or conditions of the options surrendered.

(g) Transferability, Applicable Law and Leave of Absence

Sections 6(i), 6(j) and, subject to Clause 3 hereof, 11(d) of the Plan shall apply to the Scheme.

(h) Incorporation by Reference

The option agreement shall contain a provision that all the terms and conditions of the Scheme are incorporated by reference therein.

5. REALLOCATION OF UNUSED SHARES

Any shares which are not purchased under an option which has terminated or lapsed, either by its terms or pursuant to the exercise in whole or in part, may be used for the further grant of options, provided always that no options shall be granted to an employee at a time when his employment is interrupted.

6. AMENDMENT AND REVOCATION

Section 15 of the Plan shall apply to the Scheme but no amendment may be made so as to have effect with respect to the Scheme or the Scheme Shares without the prior approval of the Board of Inland Revenue.****

7. DEFINITIONS

(a) In the Scheme, the term the "Plan" shall mean the Company's Stock Option and Incentive Plan of 1965 as amended.

(b) Section 12 of the Plan other than sub-sections (d) and (h) shall apply to the Scheme.

(FOOTNOTES FOR UK PLAN)

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* Section 3 of the Plan was amended by resolution of the shareholders on April 26, 1990 and has effect in relation to the Scheme with the approval of the Board of Inland Revenue in the UK given June 14, 1990.

** Section 6(e), 6(g) and 11 were amended with the approval of the shareholders on April 26, 1990. These amendments have effect in relation to the Scheme with the approval of the Board of Inland Revenue in the UK given on June 14, 1990 provided that the amendment to Section 6(e) to give the Board power to "make any options that are not yet exercisable immediately exercisable" shall not have effect with regard to subsisting options granted before June 14, 1990.

*** Section 6(e) was further amended with the approval of the shareholders on April 22, 1993 by the insertion of the following words "and further provided the Committee may in its discretion make any options that are not yet exercisable immediately exercisable in cases where (i) an optionee's employment is to be terminated due to a divestiture or downsizing of a business, (ii) in the case of a retiring optionee who holds options with extended vesting provisions, or (iii) otherwise, where the Committee determines that such action is appropriate to prevent inequities with respect to an optionee" at the end of the second sentence. The amendment has effect in relation to the Scheme with the approval of the Board of Inland Revenue in the UK given on August 5, 1993 provided that the discretionary power conferred on the Committee "to make any options that are not yet exercisable immediately exercisable" shall not have effect with regard to subsisting options granted before August 5, 1993.

**** Section 15 of the Plan was amended by resolution of the Board of Directors on December 18, 1989 and has effect in relation to the Scheme with the approval of the Board of Inland Revenue in the UK given June 14, 1990.

EXHIBIT 10(xv)

SUMMARY OF PFIZER ANNUAL INCENTIVE PLAN

The Annual Incentive Plan ("AIP") was established to provide a direct link between pay and performance, thereby supporting increased overall Company performance through increased individual performance. The purposes of the AIP are to help motivate employees and attract and retain the highest quality workforce.

Management selects AIP participants, including executive officers who are not members of the Corporate Management Committee, and, in its discretion, sets the bonus potential for each participant based on level of responsibility within the Company. Annual incentive awards are based on an evaluation of either or both individual and Company performance against quantitative and qualitative measures and are subject to approval by senior management and, if appropriate, the Employee Compensation and Management Development Committee or the Executive Compensation Committee.

Amounts paid to employees constitute part of the employee's annual cash compensation.

EXHIBIT 10(xvi)

Amendment No. 1

to

Stock and Asset Purchase Agreement

AMENDMENT No. 1, dated as of October 22, 1998 (this "Amendment"), to the STOCK AND ASSET PURCHASE AGREEMENT, dated as of August 13, 1998 (the "Stock and Asset Purchase Agreement"), between Pfizer Inc., a Delaware corporation ("Pfizer"), and Stryker Corporation, a Michigan corporation ("Stryker").

W I T N E S S E T H

WHEREAS, Pfizer and Stryker desire to amend the Stock and Asset Purchase Agreement in certain respects as more fully set forth below.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained herein, and subject to and on the terms and conditions set forth, the parties hereto agree as follows:

Section 1. Capitalized terms used in this Amendment that are not otherwise defined herein shall have the meanings ascribed to such terms in the Stock and Asset Purchase Agreement.

Section 2. The Stock and Asset Purchase Agreement shall be amended as follows:

2.1 Section 2.7 shall be amended to read in its entirety as follows:

"Section 2.7 PURCHASE PRICE. (a) In consideration of the sale and transfer of the Shares and the sale and transfer of the Conveyed Assets, Purchaser shall pay to Pfizer, as agent for the Seller Corporations (or to Pfizer's Affiliates as Pfizer may on behalf of the Seller Corporations direct in the written transfer instructions hereinafter referred to), an aggregate amount of One Billion Six Hundred Fifty Million Dollars ($1,650,000,000.00) (the "Aggregate Payment"), in immediately available funds, by wire transfer in accordance with written instructions given by Pfizer to Purchaser not less than two (2) Business Days prior to the Closing, which consideration shall be subject to the purchase price adjustment provided for in Section 2.8 and shall be allocated as described below.

(b) In consideration of the sale and transfer of the Shares, Purchaser agrees to purchase from the Stock Selling Corporations the Shares for an aggregate purchase price of Five Hundred Twenty-Four Million One Hundred Eighty Thousand Dollars ($524,180,000.00), allocated among the Shares as described in Schedule 2.9 (the "Share Purchase Price").

(c) In consideration of the sale and transfer of the Conveyed Assets, the Purchaser agrees to purchase from each Asset Selling Corporation the Conveyed Assets owned by such Asset Selling Corporation for an aggregate purchase price of One Billion One Hundred Twenty-Five Million Eight Hundred Twenty Thousand Dollars ($1,125,820,000.00), allocated among the Asset Selling Corporations as described in Section 2.9

(the "Asset Purchase Price" and, together with the Share Purchase Price, the "Aggregate Purchase Price")."

2.2 The last sentence of Section 2.9 shall be deleted and replaced by the following:

"If after all other adjustments to the Allocation are made, the Allocation with respect to any Asset Selling Corporation or Conveyed Subsidiary (or Subsidiary), when expressed in the relevant local currency at the rate of exchange used to determine Final Working Capital, is less than the local currency net book value, determined in accordance with GAAP, of the Conveyed Assets of such Asset Selling Corporation or the assets of such Conveyed Subsidiary (or Subsidiary) as of the Closing Date, then the Allocation with respect to such Asset Selling Corporation or Conveyed Subsidiary (or Subsidiary) shall be adjusted so that it is equal to such local currency net book value converted at the rate of exchange used to determine Final Working Capital and a corresponding adjustment will be made, as to the first $3,000,000, to the Allocation with respect to Howmedica Inc., and as to any balance in excess of the first $3,000,000, to the Allocation with respect to Howmedica GmbH."

2.3 Schedule 2.9 shall be amended and replaced in its entirety by the Schedule 2.9 attached hereto as Annex A.

2.4 Section 4.2(c) shall be amended to read in its entirety as follows:

"(c) Purchaser shall have received funds pursuant to the credit facilities provided for in the commitment letter, dated October 22, 1998, between Purchaser, on the one hand, and Goldman Sachs Credit Partners L.P., Bank of America National Trust and Savings Association and Nationsbanc Montgomery Securities LLC (the "Arrangers") on the other hand, a copy of which has been furnished to Pfizer (the "Financing Commitment Letter"). The parties agree that Purchaser's ability to rely on the condition set forth in this Section 4.2(c) is subject to the provisions of Section 7.3(d) hereof."

2.5 Section 7.3(d) shall be amended to read in its entirety as follows:

"(d) Purchaser shall use its best efforts to cause the conditions to funding under the Financing Commitment Letter to be satisfied and to borrow the funds provided thereunder. Notwithstanding the foregoing, and subject to the following provisions of this Section 7.3(d), Purchaser shall not be required to borrow funds under the Financing Commitment Letter if the Arrangers notify

Purchaser in writing (the "Arrangers' Notice") that pursuant to the Financing Commitment Letter, they have determined that changes in the tranche amounts or interest rate margin are necessary and such changes cause the weighted average Applicable Eurodollar Rate Margin determined as set forth in the Financing Commitment Letter on the credit facilities (including the refinancing of the Japanese Yen denominated indebtedness in the amount of approximately $75 million provided for therein) to exceed 3.05 per cent per annum. Purchaser will keep Pfizer informed of the status of discussions regarding pricing of the loans from and after the date hereof and will notify Pfizer of its receipt of any Arrangers' Notice within 24 hours and will provide Pfizer with a copy thereof and the calculation of the weighted average Applicable Eurodollar Rate Margin and a

determination of the amount thereof that exceeds 3.05 per cent per annum (such amount in excess of 3.05 per cent being referred to as the "Maximum Excess Margin"). In such event, Pfizer shall have the right (but not the obligation), by notice to Purchaser within 2 Business Days of Pfizer's receipt of any Arrangers' Notice, to elect to bear and reimburse Purchaser on a quarterly basis an amount equal to the portion of the weighted average Applicable Eurodollar Rate Margin which accrued on the credit facilities during that quarter that exceeds 3.05 per cent per annum, but in no event shall Pfizer be responsible for more than the Maximum Excess Margin. If Pfizer makes such election, Purchaser shall be required to borrow the funds under the Financing Commitment Letter unless the Maximum Excess Margin exceeds .25 per cent, in which case Purchaser may elect not to borrow the funds regardless of whether Pfizer has made the election referred to above. Within 15 days of the end of each quarter, Purchaser will provide Pfizer with a written statement of the amounts outstanding under each tranche of the credit facilities during the quarter and the Applicable Eurodollar Rate Margins together with a calculation of the weighted average Applicable Eurodollar Rate Margin accrued during such quarter and the amount payable by Pfizer under this Section 7.3(d). Pfizer shall pay such amount to Purchaser within 5 Business Days of receipt of such statement from the Purchaser. Pfizer shall have no liability to reimburse Purchaser for any additional interest which may result from any changes in or waivers of the terms of payment under the credit facilities provided pursuant to the Financing Commitment Letter after Pfizer's election under this Section 7.3(d) has been made, whether such additional interest results as a consequence of changes in interest rates or spreads, refinancing, default, changes in the amounts and timing of payments or otherwise (whether any such change is permitted by the original terms of the credit agreement or results from subsequent modifications agreed to by the lenders and Purchaser)."

Section 3. REFERENCES. All references to "this Agreement" in the Stock and Asset Purchase Agreement shall mean the Stock and Asset Purchase Agreement as amended hereby.

Section 4. GOVERNING LAW. This Amendment shall be governed by the laws of the State of New York, its rules of conflict of laws notwithstanding.

Section 5. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same agreement.

Section 6. NO OTHER AMENDMENTS. Except as expressly amended hereby, the terms and conditions of the Stock and Asset Purchase Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, the parties have executed or caused this Amendment to be executed as of the date first written above.

PFIZER INC.

By: _____

Name:
Title:

STRYKER CORPORATION

By:

Name:
Title:

SCHEDULE 2.9
SECTION 2.9(i) Allocation of Purchase Price

Allocation Among Conveyed Subsidiaries and Asset Selling Corporations

<TABLE>
<CAPTION>

CONVEYED SUBSIDIARIES		
<S>	<C>	<C>
Howmedica International Inc. (Panama)	$160,571,000	
Benoist Girard & Cie S.C.A (France)	95,776,000	
Howmedica Leibinger Inc. (Delaware)	85,105,000	
Howmedica GmbH (Germany)	59,391,000	
Howmedica Leibinger GmbH & Co. KG (Germany)1	64,524,000	
Jaquet Orthopedie S.A. (Switzerland)	21,100,000	
Howmedica Iberica S.A. (Spain)	22,579,000	
Pficonprod Pty Ltd. (Australia)	15,134,000	
SUBTOTAL CONVEYED SUBSIDIARIES		$ 524,180,000
ASSET SELLING CORPORATIONS		
Howmedica Inc. (US)	$736,697,000	
Pfizer Seiyaku K.K. (Japan)	148,639,000	
Pfizer Italiana S.p.A (Italy)	67,100,000	
Howmedica France S.C.A. (France)	39,947,000	
Howmedica International Limited (U.K.)	27,008,000	
Pfizer Canada Inc. (Canada)	17,716,000	
Pfizer Medical Technology Group A.B. (Sweden)	12,298,000	
Pfizer Medical Technology Group (Netherlands) B.V.	11,061,000	
Pfizer Medical Technology Group Ltd. (U.K.)	12,558,000	
Pfizer Hellas A.E. (Greece)	12,116,000	
Roerig Farmaceutici Italiana S.p.A. (Italy)	10,076,000	
Pfizer Medical Technology Group (Belgium) N.V.	6,861,000	
Pfizer Corporation (Panama) Puerto Rico Branch	6,253,000	
Pfizer Laboratories Ltd. (New Zealand)	4,863,000	
Pfizer Limited (Taiwan)	3,474,000	
Laboratorios Pfizer Ltda. (Brazil)	1,824,000	
Laboratorios Pfizer Ltda. (Portugal)	1,737,000	
Howmedica Handelsgesellschaft m.b.H (Austria)	1,476,000	
Duchem Laboratories Ltd. (India)	1,216,000	
Pfizer Oy (Finland)	1,138,000	
Pfizer A/S (Denmark)	894,000	
Pfizer Medical Technology Group A.B. (Sweden) Norway Branch	521,000	
Pfizer Laboratories (Proprietary) Ltd. (South Africa)	347,000	
SUBTOTAL ASSET SELLING CORPORATIONS		1,125,820,000
TOTAL PURCHASE PRICE ALLOCATION		$1,650,000,000

</TABLE>

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1 Subsidiary of Conveyed Subsidiary Howmedica GmbH (Germany)

EXHIBIT 12

PFIZER INC. AND SUBSIDIARY COMPANIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

<TABLE>
<CAPTION>

	Year Ended December 31,				
	1998	1997	1996	1995	1994
	(millions of dollars, except ratios)				
<S>	<C>	<C>	<C>	<C>	<C>
Determination of Earnings:					
Income from continuing operations before provision for taxes on income, minority interests, and cumulative effect of accounting changes	$2,594	$2,867	$2,528	$2,017	$1,577
Less:					
Minority interests	2	10	6	7	5
Undistributed earnings/(losses) of unconsolidated subsidiaries	0	0	0	0	(1)
Adjusted income	2,592	2,857	2,522	2,010	1,573
Fixed charges	180	189	198	223	150
Total earnings as defined	$2,772	$3,046	$2,720	$2,233	$1,723
Fixed charges					
Interest expense (a)	$136	$147	$161	$188	$122
Rents (b)	44	42	37	35	28
Fixed charges	180	189	198	223	150
Capitalized interest	7	2	5	13	15
Total fixed charges	$187	$191	$203	$236	$165
Ratio of earnings to fixed charges	14.8	15.9	13.4	9.5	10.4

</TABLE>

(a) Interest expense includes amortization of debt discount and expenses.
(b) Rents included in the computation consist of one-third of rental expense which the Company believes to be a conservative estimate of an interest factor in its leases, which are not material.

FINANCIAL REVIEW

OVERVIEW OF CONSOLIDATED OPERATING RESULTS

In 1998, total revenues grew 23% to $13,544 million, reflecting the strong worldwide demand for our in-line products as well as our copromoted products and the introduction of two major products--Trovan and Viagra. We achieved net income growth of 51% to $3,351 million for 1998. The following are reflected in our 1998 results:

- the sale of our Medical Technology Group (MTG) businesses and the combining of our pharmaceutical and consumer health care businesses
- substantial investments in product support and research and development (R&D)
- the recording of charges associated with adjustments to asset values, the exiting of certain product lines, plant rationalizations, severance payments, copromotion payments to Searle and a contribution to The Pfizer Foundation

Accompanying financial data for all periods present MTG as discontinued operations.

ANALYSIS OF THE CONSOLIDATED STATEMENT OF INCOME

				% Change	
(millions of dollars)	1998	1997	1996	98/97	97/96
Net sales	$12,677	$10,739	$9,864	18	9
Alliance revenue	867	316	--	175	--
Total revenues	$13,544	$11,055	$9,864	23	12
Cost of sales	$ 2,094	$ 1,776	$1,695	18	5
Selling, informational and administrative expenses	$ 5,568	$ 4,401	$3,859	27	14
% of total revenues	41.1%	39.8%	39.1%		
R&D expenses	$ 2,279	$ 1,805	$1,567	26	15
% of total revenues	16.8%	16.3%	15.9%		
Other deductions-- net	$ 1,009	$ 206	$ 215	391	(5)
Income from continuing operations before taxes	$ 2,594	$ 2,867	$2,528	(10)	13
% of total revenues	19.2%	25.9%	25.6%		
Taxes on income	$ 642	$ 775	$ 758	(17)	2
Effective tax rate	24.8%	27.0%	30.0%		
Income from continuing operations	$ 1,950	$ 2,082	$1,764	(6)	18
% of total revenues	14.4%	18.8%	17.9%		
Discontinued operations-- net of tax	1,401	131	165	972	(21)
Net income	$ 3,351	$ 2,213	$1,929	51	15
% of total revenues	24.7%	20.0%	19.6%		

PERCENTAGES MAY REFLECT ROUNDING ADJUSTMENTS.

TOTAL REVENUES

Total revenues increased $2,489 million in 1998 and $1,191 million in 1997. Excluding the impact of foreign exchange, total revenues grew by 26% in 1998 and 16% in 1997. These increases were primarily due to higher sales volume of our products and revenue generated from product alliances (alliance revenue).

ELEMENTS OF TOTAL REVENUE GROWTH

[X] Volume
[X] Price
[X] Currency

The following represents a bar chart in the printed piece.

Year	Volume	Price	Currency
1998	24.8%	1.2%	(3.5)%
1997	14.0%	1.6%	(3.5)%
1996	15.5%	0.7%	(2.6)%

Volume has been the major contributor to total revenue growth in each of the last three years.

PERCENTAGE CHANGE IN TOTAL REVENUES

		Analysis of Change		
	Total % Change	Volume	Price	Currency
Pharmaceutical				
1998 vs. 1997	25.8	28.1	1.0	(3.3)
1997 vs. 1996	12.5	14.3	1.6	(3.4)
Animal Health				
1998 vs. 1997	(1.1)	.6	2.4	(4.1)
1997 vs. 1996	8.8	11.6	1.2	(4.0)
Consolidated				
1998 vs. 1997	22.5	24.8	1.2	(3.5)
1997 vs. 1996	12.1	14.0	1.6	(3.5)

Pfizer Inc and Subsidiary Companies

PHARMACEUTICAL revenues increased 26% to $12,230 million in 1998 and 13% to $9,726 million in 1997. Excluding the effect of foreign exchange, pharmaceutical revenues increased 29% in 1998 and 16% in 1997. These changes reflect the strengthening of the dollar relative to the Japanese yen, as well as several European and other Asian currencies. In the U.S. market, growth was 38% in 1998 and 17% in 1997, while international growth was 10% in 1998 and 8% in 1997. The introduction of Viagra accounts for 12% of the 1998 U.S. growth.

Our major pharmaceutical products grew 28% in 1998. These products--Norvasc, Procardia XL, Cardura, Diflucan, Zithromax, Trovan, Zoloft, Viagra, Glucotrol XL and Zyrtec--comprised 82% of worldwide pharmaceutical net sales. These products have U.S. patent expirations ranging from 2000 to 2011.

Two new pharmaceuticals, Lipitor and Aricept, were launched in 1997 through product alliances. Lipitor is a cholesterol-lowering medication developed by the Parke-Davis Division of Warner-Lambert Company. Aricept is used to treat symptoms of Alzheimer's disease and was developed by Eisai Co., Ltd. These alliances allow us to copromote or license these products for sale in certain countries. Under the copromotion agreements, these products are marketed and promoted with our alliance partners. We provide cash, staff and other resources to sell, market, promote and further develop these products. Revenue from copromotion agreements is reported in the Statement of Income as Alliance revenue. Certain alliance agreements include quid-pro-quo provisions which would give our product alliance partners the right to copromote one of our products.

Rebates under Medicaid and related state programs reduced revenues by $150 million in 1998, $99 million in 1997 and $92 million in 1996. The 1998 increase in rebates reflects growth of in-line products and the introduction of two products--Trovan and Viagra. We also provided to the federal government legislatively mandated discounts of $105 million in 1998, $88 million in 1997 and $87 million in 1996. Performance-based contracts also provide rebates to several customers and have reduced total revenue in the U.S. Volume increases in all three years more than offset these revenue reductions.

NET SALES -- MAJOR PHARMACEUTICAL PRODUCTS

				% Change	
(millions of dollars)	1998	1997	1996	98/97	97/96
CARDIOVASCULAR DISEASES:	$4,186	$3,806	$3,486	10	9
Norvasc	2,575	2,217	1,795	16	23
Procardia XL	714	822	1,005	(13)	(18)
Cardura	688	626	533	10	17
INFECTIOUS DISEASES:	2,823	2,483	2,325	14	7
Diflucan	916	881	910	4	(3)
Zithromax	1,041	821	619	27	33
Trovan	160	--	--	--	--

CENTRAL NERVOUS SYSTEM DISORDERS:	1,924	1,553	1,382	24	12
Zoloft	1,836	1,507	1,337	22	13
VIAGRA	788	--	--	--	--
DIABETES:	273	234	213	17	9
Glucotrol XL	226	175	135	29	30
ALLERGY:	422	273	156	55	74
Zyrtec/Reactine	416	265	146	57	81

PERCENTAGES MAY REFLECT ROUNDING ADJUSTMENTS.

THE DECLINE IN PROCARDIA XL IS DUE IN PART TO THE INCREASED ACCEPTANCE OF NORVASC WITHIN THE MEDICAL COMMUNITY.

TOTAL REVENUES BY BUSINESS SEGMENT

The following represents a graph in the printed piece.
(% of total revenues)

		(millions of dollars)		% Change
		1998		98/97
Pharmaceutical	90%	PHARMACEUTICAL	$12,230	26
Animal Health	10%	ANIMAL HEALTH	1,314	(1)
		TOTAL	$13,544	23
		1997		97/96
Pharmaceutical	88%	Pharmaceutical	$ 9,726	13
Animal Health	12%	Animal Health	1,329	9
		Total	$11,055	12
		1996		96/95
Pharmaceutical	88%	Pharmaceutical	$ 8,642	16
Animal Health	12%	Animal Health	1,222	-
		Total	$ 9,864	14

ANIMAL HEALTH net sales decreased 1% in 1998 due to a weak livestock market in the U.S. and poor Asian economies. Excluding the effect of foreign exchange, net sales increased 3%. Animal health net sales increased 9% in 1997, reflecting growth of several products. In 1997, sales of companion animal products increased 14% and sales of products for food animals increased 7%. Sales of Dectomax, an antiparasitic medication for livestock, grew 58% to $150 million in 1997.

In December 1998, the Council of European Agricultural Ministers voted to ban Stafac (virginiamycin), an antibacterial for poultry and swine used in animal feed, throughout the European Union after June 30, 1999. We have filed suit against the European Union, seeking reversal of the agricultural ministers' decision. We believe the decision to ban Stafac disregarded the view of the European Community Commission's own Scientific Committee on Animal Nutrition that the use of this product in animal feed posed no threat to human health. Total 1998 sales of Stafac in Western Europe were $24 million. We do not expect any ban on sales of virginiamycin to have a material effect on future results of our operations.

TOTAL REVENUES BY COUNTRY

The following represents a graph

in the printed piece.

(%of total revenues)		(millions of dollars)		% Change
		1998		98/97
United States	61%	UNITED STATES	$ 8,205	35
Japan	7%	JAPAN	943	(1)
All Other Countries	32%	ALL OTHER COUNTRIES	4,396	9
		TOTAL	$13,544	23
		1997		97/96
United States	55%	United States	$ 6,089	17
Japan	9%	Japan	949	3
All Other Countries	36%	All Other Countries	4,017	7
		Total	$11,055	12
		1996		96/95
United States	53%	United States	$ 5,193	18
Japan	9%	Japan	922	(2)
All Other Countries	38%	All Other Countries	3,749	13
		Total	$ 9,864	14

CHANGES IN GEOGRAPHIC TOTAL REVENUES BY BUSINESS SEGMENT

	% Change in Total Revenues			
	U.S.		International	
	98/97	97/96	98/97	97/96
Pharmaceutical	38	17	10	8
Animal Health	3	25	(4)	--
Consolidated	35	17	8	6

Revenues were in excess of $100 million in each of 12 countries outside the U.S. in 1998. The U.S. was the only country to contribute more than 10% to total revenues.

PRODUCT DEVELOPMENTS

We continue to invest in R&D to provide future sources of revenue through the development of new products as well as additional uses for existing products. Certain significant regulatory actions by, and filings pending with, the U.S. Food and Drug Administration (FDA) follow:

1998 U.S. FDA APPROVALS

Product	Indication	Date Approved
Zyrtec	Allergies in children 2 to 5 years of age	May 1998
Viagra	Erectile dysfunction (impotence)	March 1998

PENDING U.S. NEW DRUG APPLICATIONS

Product	Indication	Date Filed
Relpax	Migraine headaches	October 1998
Zoloft	Post-traumatic stress disorder	October 1998
Zoloft	Oral liquid dosage form	April 1998
Tikosyn	Heart rhythm disorders	March 1998
Zeldox	Psychotic disorders -- intramuscular dosage form	December 1997
Zeldox	Psychotic disorders -- oral dosage form	March 1997

On January 28, 1999, the FDA's Cardiovascular and Renal Drugs Advisory Committee recommended the approval of Tikosyn for use in the treatment of heart rhythm disorders.

We received a non-approvable letter from the FDA for Zeldox in 1998. We are undertaking additional clinical work on this product to answer questions from the FDA.

In December 1998, G.D. Searle & Co. (Searle), the pharmaceutical division of Monsanto Company, received approval from the FDA to market Celebrex for the relief of symptoms of adult osteoarthritis and rheumatoid arthritis. We will

copromote Celebrex worldwide except in Japan. In February 1999, we launched Celebrex with Searle. We are also participating with Searle in ongoing clinical trials of Celebrex for additional indications, including Alzheimer's disease and colon cancer and of a second-generation compound, valdecoxib.

Ongoing or planned clinical trials for additional uses for existing products as well as new product development programs include:

- Norvasc--for the treatment of patients with congestive heart failure attributable to causes other than impaired blood flow to the heart
- Zithromax--to decrease cardiovascular risk in patients with atherosclerosis (a process in which fatty substances are deposited within blood vessels) caused by a certain infection

- droloxifene and CP-336,156--for the prevention and treatment of osteoporosis, the prevention of breast cancer and to reduce the risk of coronary heart disease
- Alond--for the treatment of nervous system, kidney and cardiovascular disorders related to diabetes
- voriconazole and UK-292,663--for the treatment of fungal infections
- darifenacin--for the treatment of urinary urge incontinence
- ezlopitant--for the treatment of chemotherapy-induced nausea and vomiting in cancer patients
- an inhaled form of insulin for the treatment of diabetes

Sixty-five other compounds are in early-stage development.

We entered into worldwide agreements with Hoechst Marion Roussel AG (Hoechst) to manufacture insulin and codevelop and copromote inhaled insulin. Under the agreements, Hoechst and Pfizer will contribute expertise in the development and production of insulin products as well as selling and marketing resources. We bring to the alliance our development of inhaled insulin from our collaboration with Inhale Therapeutic Systems, Inc. We plan to build a new insulin manufacturing plant in Frankfurt, Germany, which will be jointly owned with Hoechst, to support the product currently in development.

COSTS AND EXPENSES

In 1998, we recorded charges for asset impairment and restructuring. These pre-tax charges were recorded in the Statement of Income as follows:

(millions of dollars)	Total	COS*	SI&A*	R&D	OD*
Asset impairments	$213	$18	$ --	$ --	$195
Restructuring charges	177	68	17	1	91

*COS -- COST OF SALES; SI&A -- SELLING, INFORMATIONAL AND ADMINISTRATIVE EXPENSES; OD -- OTHER DEDUCTIONS-NET.

We recorded an impairment charge of $110 million in the pharmaceutical segment to adjust intangible asset values, primarily goodwill and trademarks, related to consumer health care product lines.

These charges are a result of significant changes in the marketplace and a revision of our strategies, including:

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

As noted in our discussion of revenues, our animal health antibiotic feed additive, Stafac, was banned throughout the European Union, resulting in asset impairment charges of $103 million ($85 million was to adjust intangible asset values, primarily goodwill and trademarks, and $18 million was to adjust the carrying value of machinery and equipment in the pharmaceutical segment).

These events have caused the projected undiscounted cash flows of a number of our consumer health care product lines and Stafac to be less than their

carrying value. As a result, we lowered the carrying value of the above-mentioned assets to their estimated fair value.

The components of the restructuring charges follow:

(millions of dollars)	
Property, plant and equipment	$ 49
Write-down of intangibles	44
Employee termination costs	40
Other	44
Total	$177

These charges resulted from a current review of our global operations to increase efficiencies and return on assets, thereby resulting in plant and product line rationalizations. In addition to the disposition of our MTG businesses, we have exited, or plan to exit by the end of 1999, certain product lines including those associated with certain of our livestock external parasiticides and feed businesses. Also, we have decided to exit certain of our fermentation operations.

We have written off assets related to the product lines we are exiting, including inventory, intangible assets--primarily goodwill--as well as certain buildings, machinery and equipment for which we have no plans to use or sell. We have begun to seek buyers for other properties which have been written down to their estimated fair value. We will either dispose of or abandon these properties by the end of 1999.

As a result of the restructuring, the work force will be reduced by 520 manufacturing, sales and corporate personnel. Notifications to personnel have been made. At December 31, 1998, 134 employees had been terminated. We will complete terminations of the remaining personnel by December 31, 1999. Employee termination costs represent payments for severance, outplacement counseling fees, medical and other benefits and a $5 million noncash charge for the acceleration of nonvested employee stock options.

Other restructuring charges consist of charges for inventory for product lines we have exited--$12 million, contract termination payments--$9 million, facility closure costs--$7 million and environmental remediation costs associated with the disposal of certain facilities--$16 million.

Restructuring charges of $90 million are reflected in the pharmaceutical segment and $87 million are in the animal health segment.

As a result of the asset write-downs and the exiting of certain product lines, we expect a reduction in annual revenues of $71 million and a realization of annual cost savings of $67 million, of which $11 million represents a reduction in amortization and depreciation expense.

COST OF SALES increased 18% in 1998 as compared with 5% in 1997. Excluding the 1998 asset impairments and restructuring charges, cost of sales increased 13%. As a percentage of net sales, cost of sales, excluding the 1998 asset impairments and restructuring charges, declined to 15.8% in 1998 and 16.5% in 1997 from 17.2% in 1996. These declines largely reflect:

- a more favorable business and product mix
- productivity improvements

SI&A increased 27% in 1998 as compared with 14% in 1997. This increase reflects a substantial global investment in our pharmaceutical selling efforts. These efforts included the expansion of our sales forces in the U.S. and key international markets. Recent additions to our U.S. sales force include a new primary-care sales force, a specialty sales force dedicated largely to rheumatology and the expansion of other specialty sales forces in the U.S.

R&D expenses increased 26% in 1998 and 15% in 1997. These expenditures were necessary to support the advancement of potential drug candidates in all stages (from initial discovery through final regulatory approval). Pharmaceutical R&D expenses, as a percentage of pharmaceutical revenues, averaged 17% over the last three years.

OTHER DEDUCTIONS -- NET increased substantially in 1998 as compared to a minor decrease in 1997. This increase was primarily due to:

- asset impairments -- $195 million
- restructuring charges -- $91 million
- copromotion payments to Searle for rights to Celebrex-- $240 million
- a contribution to The Pfizer Foundation -- $300 million
- legal settlements involving the brand-name prescription drug antitrust litigation -- $57 million, partially offset by
- an increase in interest income on the investment of cash generated from operations and the divestiture of MTG
- foreign exchange effects

RESEARCH AND DEVELOPMENT EXPENSES

(millions of dollars)

The following represents a bar chart in the printed piece.

1994	1995	1996	1997	1998
$1,036	$1,340	$1,567	$1,805	$2,279

Research and development expenses have increased at a compound annual growth rate of 21% over the past 5 years.

Our overall EFFECTIVE TAX RATE increased from 28.0% in 1997 to 35.4% in 1998. This increase was due mainly to a higher tax rate on the gain on the disposal of discontinued operations. The effective tax rate for continuing operations decreased from 27.0% in 1997 to 24.8% in 1998. This decrease was partially due to the extension to June 30, 1999 of the R&D tax credit in the U.S. as well as to the tax benefit associated with the 1998 charges for asset impairment, restructuring, copromotion payments to Searle and the contribution to The Pfizer Foundation.

The effective tax rate for continuing operations decreased from 30.0% in 1996 to 27.0% in 1997. This decrease was mainly due to the favorable changes in the mix of income by country, partially offset by the continuing reduction of tax benefits from our operations in Puerto Rico as a result of the enactment of the Omnibus Budget Reconciliation Act of 1993 and the elimination of the tax exemption on Puerto Rican investment income.

We have received and are protesting assessments from the Belgian tax authorities. For additional details, see note 8, "Taxes on Income," beginning on page 50.

DISCONTINUED OPERATIONS

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

- Howmedica to Stryker Corporation in December for $1.65 billion in cash
- Schneider to Boston Scientific Corporation in September for $2.1 billion in cash
- American Medical Systems to E.M. Warburg, Pincus & Co., LLC in September

for $130 million in cash

- Valleylab to U.S. Surgical Corporation in January for $425 million in cash

The net proceeds from these divestitures have been or will be used for general corporate purposes including the repayment of commercial paper borrowings. Net income of these businesses up to the date of their divestiture and divestiture gains are included in DISCONTINUED OPERATIONS--NET OF TAX.

NET INCOME

Net income for 1998 increased 51% over 1997. Diluted earnings per share were $2.55 and increased by 50% over 1997. Income from continuing operations (net income after adjustment for discontinued operations) adjusted to add back certain significant charges increased by 26.6% over net income in 1997. On the same basis, diluted earnings per share were $2.00 and increased by 25.8% over 1997. The 1998 pre-tax significant charges related to:

- asset impairments -- $213 million
- restructuring charges -- $177 million
- copromotion payments to Searle -- $240 million
- contribution to The Pfizer Foundation -- $300 million
- other, which is primarily related to legal settlements-- $126 million

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

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

(millions of dollars)	1998	1997	1996
Financial assets*	$5,835	$3,034	$3,140
Short- and long-term debt	3,256	2,976	2,885
Net financial assets	$2,579	$ 58	$ 255

* CONSISTS OF CASH AND CASH EQUIVALENTS, SHORT-TERM INVESTMENTS, SHORT-TERM LOANS AND LONG-TERM LOANS AND INVESTMENTS.

Selected Measures of Liquidity and Capital Resources

	1998	1997	1996
Cash and cash equivalents and short-term investments and loans (millions of dollars)	$4,079	$1,704	$1,991
Working capital (millions of dollars)	2,739	2,448	1,914
Current ratio	1.38:1	1.49:1	1.36:1
Shareholders' equity per common share*	$ 7.00	$ 6.30	$ 5.54
Debt to total capitalization**	27%	27%	29%

* REPRESENTS TOTAL SHAREHOLDERS' EQUITY DIVIDED BY THE ACTUAL NUMBER OF COMMON SHARES OUTSTANDING (WHICH EXCLUDES TREASURY SHARES AND THOSE HELD BY THE EMPLOYEE BENEFIT TRUSTS).

** REPRESENTS TOTAL SHORT-TERM BORROWINGS AND LONG-TERM DEBT DIVIDED BY THE SUM OF TOTAL SHORT-TERM BORROWINGS, LONG-TERM DEBT AND TOTAL SHAREHOLDERS' EQUITY.

The change in working capital from 1997 to 1998 was primarily due to the following:

INCREASES IN:

- CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS--due to the receipt of cash from the MTG divestiture
- ACCOUNTS RECEIVABLE--due to the alliance revenue receivables and growth in sales volume
- INVENTORY--due to higher pharmaceutical inventory levels as a result of new products

- SHORT-TERM BORROWINGS--due to an increase in funding for common stock purchases at a higher average price net of repayments made with cash received from the MTG divestiture

- DIVIDENDS PAYABLE--related to the first-quarter 1999 dividend declared in December 1998

- INCOME TAXES PAYABLE--primarily due to changes in operations and the divestiture of the MTG businesses

- OTHER CURRENT LIABILITIES--primarily due to accrued charges associated with the divestiture of the MTG businesses and our plan to exit certain product lines

DECREASE IN NET ASSETS OF DISCONTINUED OPERATIONS--due to the sale of the MTG businesses

The increase in working capital from 1996 to 1997 was primarily due to the following:

INCREASES IN:
- ACCOUNTS RECEIVABLE--due in part to the alliance revenue receivables as well as higher sales volumes

- INVENTORY--due to higher pharmaceutical inventory levels for new products

DECREASES IN:
- Short-term loans--primarily due to the renewal of short-term loans as loans with maturities beyond one year

- Income taxes payable--primarily due to the settlements of tax-related contingencies

The increase in shareholders' equity per common share in 1998 and 1997, as well as the decrease in the 1997 percentage of debt to total capitalization was primarily due to growth in net income.

SUMMARY OF CASH FLOWS

Operations in 1998 provided significant cash inflows. Commercial paper and short-term borrowings supplement operating cash flows.

(millions of dollars)	1998	1997	1996
Cash provided by/(used in):			
Operating activities	$ 2,925	$1,422	$1,828
Investing activities	(335)	(963)	(850)
Financing activities	(1,920)	(823)	(367)
Discontinued operations	4	118	134
Effect of exchange rate changes on cash and cash equivalents	1	(27)	2
Net increase/(decrease) in cash and cash equivalents	$ 675	$ (273)	$ 747

NET CASH PROVIDED BY OPERATING ACTIVITIES increased in 1998 primarily due to:

- the inclusion of charges associated with asset impairments and restructuring in 1998 INCOME FROM CONTINUING OPERATIONS

- higher taxes payable associated with sales growth of existing and new products as well as the MTG divestitures, partially offset by tax benefits associated with charges for asset impairment, restructuring, copromotion payments to Searle and the contribution to The Pfizer Foundation

- higher compensation related accruals, reduced by

- higher receivable and inventory levels related to new products

Cash flows from operating activities decreased in 1997 as the growth in income from continuing operations was offset by an increase in accounts

receivable and inventories.

NET CASH USED IN INVESTING ACTIVITIES changed in 1998 primarily due to:

- proceeds from the sale of the MTG businesses, some of which accounts for our increase in short-term investments, reduced by
- increased long-term investments and capital expenditures

Net cash used in investing activities changed in 1997 largely due to the:

- increase in capital expenditures
- decrease in proceeds from the sale of businesses
- absence of business acquisitions in 1997

In 1999, additions to property, plant and equipment are expected to be approximately $1.5 billion.

NET CASH USED IN FINANCING ACTIVITIES increased in 1998 and 1997 largely due to the effects of:

- the increase in common stock purchases at a higher average price
- higher dividend payments to our shareholders, reduced by
- more cash received from employee stock option exercises

In September 1998, we completed a program under which we purchased 26.4 million shares of our common stock at a total cost of $2 billion. In that same month, the Board of Directors approved a new share-purchase program with authorization to purchase up to $5 billion of our company's common stock. Under the new program, we purchased approximately 4.9 million shares in the open market for approximately $525 million in the fourth quarter of 1998. Purchased shares are available for general corporate purposes.

We have available lines of credit and revolving-credit agreements with a select group of banks and other financial intermediaries. Major unused lines of credit totaled approximately $1.3 billion at December 31, 1998.

Our short-term debt has been rated P1 by Moody's Investors Services (Moody's) and A1+ by Standard and Poor's (S&P). Also, our long-term debt has been rated Aaa by Moody's and AAA by S&P for the past 13 years. Moody's and S&P are the major corporate debt-rating organizations and these are their highest ratings.

Cash Dividends Paid
Per Common Share

The following represents a bar chart in the printed piece.

1994	1995	1996	1997	1998
		(dollars)		
$0.47	$0.52	$0.60	$0.68	$0.76

The 1998 cash dividends paid represented the 31st consecutive year of dividend increases.

DIVIDENDS ON COMMON STOCK

Our dividend payout ratio, which represents cash dividends paid per common share divided by diluted earnings per common share amounted to 29.8% in 1998 and 40.0% in both 1997 and 1996. Excluding the effects on net income of discontinued operations and charges for asset impairment, restructuring, copromotion payments to Searle and the contribution to The Pfizer Foundation, the dividend payout

ratio was 38.0% in 1998. In December 1998, the Board of Directors declared a first-quarter 1999 dividend of $.22, an increase of 16% over the $.19 per share dividend declared and paid in each quarter of 1998. This marked the 32nd consecutive year of quarterly dividend increases.

BANKING OPERATION

Our international banking operation, Pfizer International Bank Europe (PIBE), operates under a full banking license from the Central Bank of Ireland. The results of its operations are included in OTHER DEDUCTIONS--NET.

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

To reduce credit risk, PIBE has established credit approval guidelines, borrowing limits and monitoring procedures. Credit risk is further reduced through an active policy of diversification with respect to borrower, industry and geographic location. PIBE continues to have S&P's highest short-term rating of A1+.

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

For additional details regarding our banking operation, see note 3, "Financial Subsidiaries," on page 45.

FORWARD-LOOKING INFORMATION AND
FACTORS THAT MAY AFFECT FUTURE RESULTS

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This annual report and other written and oral statements that we make from time to time contain such forward-looking statements that set out anticipated results based on management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as "anticipate," "estimate," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance in connection with any discussion of future operating or financial performance.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Certain risks, uncertainties and assumptions are discussed here and under the heading entitled "Cautionary Factors That May Affect Future Results" in Item 1 of our annual report on Form 10-K for the year ended December 31, 1998, which will be filed at the end of March 1999.

Prior to the filing of Form 10-K, you should refer to the discussion under the same heading in our quarterly report on Form 10-Q for the quarter ended September 27, 1998, and to the extent incorporated by reference therein, in our Form 10-K filing for 1997. This discussion of potential risks and uncertainties is by no means complete but is designed to highlight important factors that may impact our outlook.

COMPETITION AND THE HEALTH CARE ENVIRONMENT
In the U.S., many of our pharmaceutical products are subject to increasing price pressures as managed care organizations, institutions and government agencies seek price discounts. Government efforts to reduce Medicare and Medicaid expenses are expected to increase the use of managed care organizations. This

may result in managed care influencing prescription decisions for a larger segment of the population. International operations are also subject to price and market regulations. As a result, it is expected that pressures on pricing and operating results will continue.

CALCIUM CHANNEL BLOCKERS

During 1995, the authors of some nonclinical studies questioned the safety of calcium channel blockers (CCBs). Although the clinical evidence supported the safety of this class of medications, the FDA convened an advisory panel to review their safety. In 1996, that advisory panel found no data to support challenges to the safety of newer sustained-release and intrinsically long-acting CCBs (such as Norvasc and Procardia XL--products for treatment of hypertension and angina).

Questions about this class of products continued throughout 1997, however, and included scientific publications and presentations asserting that these products were associated with various serious medical conditions.

During 1997, data from newly conducted studies and reviews, etc. and decisions by two national regulatory authorities plus newly published National Institutes of Health (NIH) guidelines were all supportive of the safety of long-acting CCBs like Norvasc and Procardia XL and that they were appropriate first-line medications in the treatment of hypertension.

We continue to believe that the safety and effectiveness of Norvasc and Procardia XL are supported by a large body of data from numerous studies and the daily clinical experiences of physicians around the world. It is not possible, however, to predict the impact on our future sales, if any, of existing or future studies, regulatory agency actions or a continuing debate regarding CCBs.

FINANCIAL RISK MANAGEMENT

The overall objective of our financial risk management program is to seek a reduction in the potential negative earnings effects from changes in foreign exchange and interest rates arising in our business activities. We manage these financial exposures through operational means and by using various financial instruments. These practices may change as economic conditions change.

FOREIGN EXCHANGE RISK

A significant portion of our revenues and earnings are exposed to changes in foreign exchange rates. Where practical, we seek to relate expected local currency revenues with local currency costs and local currency assets with local currency liabilities.

Foreign exchange risk is also managed through the use of foreign currency forward-exchange contracts. These contracts are used to offset the potential earnings effects from short-term foreign currency assets and liabilities that arise during normal operations.

In addition, foreign currency put options are purchased to reduce a portion of the potential negative effects on earnings related to certain of our significant anticipated intercompany inventory purchases for up to one year. These purchased options hedge Japanese yen versus the U.S. dollar.

Also, under certain market conditions, we protect against possible declines in the reported net assets of our international subsidiaries in Japan. We do this through currency swaps and borrowing in Japanese yen.

Our financial instrument holdings at year-end were analyzed to determine their sensitivity to foreign exchange rate changes. The fair value of these instruments was determined as follows:

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

In our sensitivity analysis, we assumed that the change in one currency's rates relative to the U.S. dollar would not have an effect on other currencies' rates relative to the U.S. dollar. All other factors were held constant.

If there were an adverse change in foreign exchange rates of 10%, the expected effect on net income related to our financial instruments would be immaterial. For additional details, see note 5-D, "Derivative Financial Instruments--Accounting Policies," on page 47.

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

Our financial instrument holdings at year-end were analyzed to determine their sensitivity to interest rate changes. The fair values of these instruments were determined by net present values.

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

FOREIGN MARKETS
Thirty-nine percent of our 1998 revenues arise from international operations and we expect revenue and net income growth in 1999 to be impacted by changes in foreign exchange rates.

Revenues from Asia comprised approximately 12% of total revenues in 1998, including 7% from Japan. Revenues from the Asian markets most impacted by recent economic events--Korea, Indonesia, Thailand, Malaysia, the Philippines and Taiwan--comprised approximately 1% of 1998 total revenues. Revenues from Latin America comprised approximately 5% of total revenues in 1998, including 2% from Brazil.

EUROPEAN CURRENCY
A new European currency (Euro) was introduced in January 1999 to replace the separate currencies of 11 individual countries. This entails changes in our operations as we modify systems and commercial arrangements to deal with the new currency. Modifications are necessary in operations such as payroll, benefits and pension systems, contracts with suppliers and customers and internal financial reporting systems. Although there is a three-year transition period during which transactions can be made in the old currencies, this may require dual currency processes for our operations. We have identified issues involved and are developing and implementing solutions. The cost of this effort is not expected to have a material effect on our business or results of operations. There is no guarantee, however, that all problems have been foreseen and corrected, or that no material disruption will occur in our business. The conversion to the Euro may have competitive implications on our pricing and marketing strategies; however, the full impact is not known at this time.

TAX LEGISLATION
Pursuant to the Small Jobs Protection Act of 1996 (the Act), Section 936 of the Internal Revenue Code (the U.S. possessions corporation income tax credit) was repealed for tax years beginning after December 31, 1995. The Act allows us to continue using the credit against the tax arising from manufacturing income earned in a U.S. possession for an additional 10-year period. The amount of manufacturing income eligible for the credit during this additional period is subject to a cap based on income earned prior to 1996 in the U.S. possession. This 10-year extension period does not apply to investment income earned in a U.S. possession, the credit on which expired as of July 1, 1996. The Act does not affect the amendments made to Section 936 by the 1993 Omnibus Budget Reconciliation Act, which provided for a five-year phase-down of the U.S. possession tax credit from 100% to 40%. In addition, the 1996 Act permitted the extension of the R&D tax credit through June 30, 1998. In 1998, this credit was again extended to June 30, 1999.

RECENTLY ISSUED ACCOUNTING STANDARDS
In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, which becomes effective for our financial statements beginning January 1, 2000. SFAS No. 133 requires a company to recognize all derivative instruments as assets or liabilities in its balance sheet and measure them at fair value. We do not expect the adoption of this Statement to have a material impact on our financial statements.

The American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use and SOP 98-5, Reporting on the Costs of Start-up Activities, which are effective for our 1999 financial statements. We do not expect adoption of these SOPs to have a material impact on our financial statements.

YEAR 2000 COMPUTER SYSTEMS COMPLIANCE
Many older computer software programs refer to years in terms of their final two digits only. Such programs may interpret the year 2000 to mean the year 1900, or another year instead. If not corrected, those programs could cause date-related or operational transaction failures. We developed a Compliance Assurance Process to address the Year 2000 issue in four phases: Inventory, Assessment and

Planning, Implementation and Certification. No significant information technology projects have been deferred as a result of our efforts on Year 2000.

The Inventory phase included preliminary problem determination, an inventory of information technology (IT) and non-IT hardware and software and an inventory of our key business systems and material vendors and business processes. Such systems relate to our research and development, production, distribution, financial, administrative and communication operations. This phase was substantially completed at the end of 1998.

We have requested our critical vendors, major customers, service suppliers, communication providers, product alliance partners and banks to verify their Year 2000 readiness and are currently evaluating their responses. This evaluation is complete for all of our critical trading partners, but continues for non-critical partners.

During our Assessment and Planning phase each inventoried item is assessed to evaluate its risk, to decide whether to remediate or replace, to identify its priority and to develop a plan for the system. Systems are prioritized based on their importance to the business, risk of failure, time horizon to failure and dependency on other critical items. This phase was 90% complete at December 31, 1998, and will be finished by the end of the first quarter of 1999.

The plans developed during the Assessment and Planning phase are being executed in the Implementation phase. Remediation and replacement of non-Year 2000 compliant systems is in process and we expect our critical systems to be substantially remediated or replaced by March 31, 1999. The remaining systems, including embedded systems, will be modified by the end of the third quarter of 1999. While our Implementation efforts are approximately 65% complete, this phase will overlap with the Certification phase.

During the Certification phase, we will be testing and certifying the results of our remediation efforts. Testing begins as systems are remediated and will continue throughout 1999. Testing attempts are to verify that all of our systems function correctly and extend to all interfaces with key business partners. We expect to substantially complete testing of critical systems by March 31, 1999, and the testing of remaining systems and key third-party systems by the end of the third quarter of 1999.

Because the company's Year 2000 compliance is dependent upon key third parties also being Year 2000 compliant on a timely basis, there can be no guarantee that the company's efforts will prevent a material adverse impact on its results of operations, financial condition or cash flows. If our systems or those of key third parties are not fully Year 2000 functional, we estimate that up to a two-week disruption in operations could occur. Such a disruption could result in delays in the distribution of finished goods or receipt of raw materials, errors in customer order taking, disruption of clinical activities or delays in product development. These consequences could have a material adverse impact on our results of operations, financial condition and cash flows if we are unable to substantially conduct our business in the ordinary course. We believe that our efforts, including the development of a contingency plan, will significantly reduce the adverse impact that any disruption in business might have.

As part of the contingency plan being developed, Business Continuity Plans (the Plans) will address critical areas of our business. The Plans will be designed to mitigate serious disruptions to our business flow beyond the end of 1999 and operate independent of our external providers' Year 2000 compliance. The Plans will likely provide for maintaining increased inventory to meet customer needs, protecting the integrity of ongoing activities, identifying and securing alternate sources of critical services, materials and utilities when possible and establishing crisis teams to address unexpected problems. We expect to complete the preliminary Plans by the end of the first quarter 1999 and the final Plans by the end of the second quarter 1999.

We estimate that the total cost involved in our Year 2000 program is approximately $127 million of which $36 million has been incurred to date. Costs for 1999 are estimated to be approximately $91 million, which reflect changes in estimates and the inclusion of accelerated replacement costs as a result of a clarification in disclosure guidelines of the Securities and Exchange Commission. These costs are expensed as incurred, except for capitalizable hardware of $5 million in 1998 and $15 million estimated for 1999 and are being funded through operating cash flows. Such costs do not include normal system upgrades and replacements.

Both our cost estimates and completion timeframes will be influenced by our ability to successfully identify Year 2000 problems, the nature and amount of programming required to fix the programs, the availability and cost of personnel

trained in this area and the Year 2000 compliance success that key third parties attain. As the development of contingency plans continues, the costs to complete our Year 2000 program may increase. While these and other unforeseen factors could have a material adverse impact on our results of operations or financial condition, we believe that our ongoing efforts to address the Year 2000 issue will minimize possible negative consequences to our company.

LITIGATION, TAX AND ENVIRONMENTAL MATTERS

Claims have been brought against us and our subsidiaries for various legal and tax matters. In addition, our operations are subject to international, federal, state and local environmental laws and regulations. It is possible that our cash flows and results of operations could be affected by the one-time impact of the resolution of these contingencies. We believe that the ultimate disposition of these matters to the extent not previously provided for will not have a material impact on our financial condition or cash flows and results of operations, except where specifically commented on in note 17, "Litigation," beginning on page 55 and note 8, "Taxes on Income," beginning on page 50.

RECENT EVENTS

On January 28, 1999, we announced that, barring unusual circumstances, our Board of Directors intends to vote on a three-for-one split of our common stock on April 22, 1999. At the annual meeting to take place on the same date, shareholders will vote on a proposal to increase the authorized shares of our common stock.

MANAGEMENT'S REPORT

We prepared and are responsible for the financial statements that appear on pages 40 to 61. These financial statements are in conformity with generally accepted accounting principles and, therefore, include amounts based on informed judgments and estimates. We also accept responsibility for the preparation of other financial information that is included in this document.

We have designed a system of internal control to:

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

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

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

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

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

/s/W. C. STEERE, JR.

W. C. Steere, Jr., PRINCIPAL EXECUTIVE OFFICER

/s/D. L. SHEDLARZ

D. L. Shedlarz, PRINCIPAL FINANCIAL OFFICER

/s/H. V. RYAN

H. V. Ryan, PRINCIPAL ACCOUNTING OFFICER
FEBRUARY 25, 1999

AUDIT COMMITTEE'S REPORT

The Board of Directors reviews the audit function, the system of internal control and financial statements largely through its Audit Committee, which consists solely of directors who are not Company employees. The requirements of the Audit Committee's charter have been complied with during 1998. The Audit Committee met six times in 1998 with management, the independent auditors and internal auditors concerning their respective responsibilities. Among its various duties, the Audit Committee recommends the appointment of the Company's independent auditors. Both KPMG LLP and the internal auditors have full access to the Audit Committee and meet with it, without management present, to discuss the scope and results of their examinations including internal control, audit and financial reporting matters.

/s/G. B. HARVEY

G. B. Harvey, Chair, AUDIT COMMITTEE
FEBRUARY 25, 1999

INDEPENDENT AUDITORS' REPORT

(LOGO)

To the Shareholders and Board of Directors of Pfizer Inc:

We have audited the accompanying consolidated balance sheet of Pfizer Inc and subsidiary companies as of December 31, 1998, 1997 and 1996 and the related consolidated statements of income, shareholders' equity and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pfizer Inc and subsidiary companies at December 31, 1998, 1997 and 1996, and the results of their operations and their cash flows for each of the years then ended, in conformity with generally accepted accounting principles.

/s/KPMG LLP

New York, NY
FEBRUARY 25, 1999

Pfizer Inc and Subsidiary Companies
CONSOLIDATED STATEMENT OF INCOME

	Year ended December 31		
(millions, except per share data)	1998	1997	1996
Net sales	$12,677	$10,739	$9,864
Alliance revenue	867	316	--
Total revenues	13,544	11,055	9,864
Costs and expenses:			
Cost of sales	2,094	1,776	1,695
Selling, informational and administrative expenses	5,568	4,401	3,859
Research and development expenses	2,279	1,805	1,567
Other deductions -- net	1,009	206	215
Income from continuing operations before provision for taxes on income and minority interests	2,594	2,867	2,528

Provision for taxes on income	642	775	758
Minority interests	2	10	6
Income from continuing operations	1,950	2,082	1,764
Discontinued operations-- net of tax	1,401	131	165
Net income	$ 3,351	$ 2,213	$1,929
EARNINGS PER COMMON SHARE-- BASIC			
Income from continuing operations	$ 1.54	$ 1.66	$ 1.41
Discontinued operations-- net of tax	1.11	.10	.14
Net income	$ 2.65	$ 1.76	$ 1.55
EARNINGS PER COMMON SHARE-- DILUTED			
Income from continuing operations	$ 1.48	$ 1.60	$ 1.37
Discontinued operations-- net of tax	1.07	.10	.13
Net income	$ 2.55	$ 1.70	$ 1.50
Weighted average shares-- basic	1,263	1,257	1,248
Weighted average shares-- diluted	1,315	1,303	1,288

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS WHICH ARE AN INTEGRAL PART OF THESE STATEMENTS.

Pfizer Inc and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

	December 31		
(millions, except per share data)	1998	1997	1996
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 1,552	$ 877	$ 1,150
Short-term investments	2,377	712	486
Accounts receivable, less allowance for doubtful accounts: 1998-- $67; 1997-- $35; 1996-- $41	2,914	2,220	1,914
Short-term loans	150	115	355
Inventories			
Finished goods	697	442	371
Work in process	890	808	636
Raw materials and supplies	241	211	224
Total inventories	1,828	1,461	1,231
Prepaid expenses, taxes and other assets	1,110	637	608
Net assets of discontinued operations	--	1,420	1,432
Total current assets	9,931	7,442	7,176
Long-term loans and investments	1,756	1,330	1,149
Property, plant and equipment, less accumulated depreciation	4,415	3,793	3,456
Goodwill, less accumulated amortization: 1998-- $109; 1997-- $90; 1996-- $59	813	989	1,047
Other assets, deferred taxes and deferred charges	1,387	1,437	1,423
Total assets	$18,302	$14,991	$14,251
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term borrowings, including current portion of long-term debt	$ 2,729	$ 2,251	$ 2,204
Accounts payable	971	660	787
Dividends payable	285	--	--
Income taxes payable	1,162	729	848
Accrued compensation and related items	614	456	385
Other current liabilities	1,431	898	1,038
Total current liabilities	7,192	4,994	5,262
Long-term debt	527	725	681
Postretirement benefit obligation other than pension plans	359	394	412
Deferred taxes on income	197	127	223
Other noncurrent liabilities	1,217	818	719
Total liabilities	9,492	7,058	7,297

SHAREHOLDERS' EQUITY			
Preferred stock, without par value; 12 shares authorized, none issued	--	--	--
Common stock, $.05 par value; 3,000 shares authorized; issued: 1998-- 1,407; 1997-- 1,388; 1996-- 1,378	70	69	69
Additional paid-in capital	5,646	3,239	1,693
Retained earnings	11,439	9,349	8,017
Accumulated other comprehensive income/(expense)	(234)	(85)	145
Employee benefit trusts	(4,200)	(2,646)	(1,488)
Treasury stock, at cost: 1998-- 113; 1997-- 94; 1996-- 87	(3,911)	(1,993)	(1,482)
Total shareholders' equity	8,810	7,933	6,954
Total liabilities and shareholders' equity	$18,302	$14,991	$14,251

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS WHICH ARE AN INTEGRAL PART OF THESE STATEMENTS.

Pfizer Inc and Subsidiary Companies
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

(millions)	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Employee Benefit Trusts Shares	Employee Benefit Trusts Cost	Treasury Stock Shares	Treasury Stock Cost	Retained Earnings	Accum. Other Comprehensive Inc./(Exp.)	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance January 1, 1996	1,371	$69	$1,200	(37)	$(1,170)	(96)	$(1,615)	$6,859	$163	$5,506
Comprehensive income:										
Net income								1,929		1,929
Other comprehensive expense-- net of tax:										
Currency translation adjustment									(32)	(32)
Net unrealized gain on available-for-sale securities									15	15
Minimum pension liability									(1)	(1)
Total other comprehensive expense									(18)	(18)
Total comprehensive income										1,911
Cash dividends declared								(771)		(771)
Stock option transactions	7	--	124			10	156			280
Purchases of common stock						(1)	(27)			(27)
Employee benefit trust transactions--net			341	1	(318)					23
Other			28			--	4			32
Balance December 31, 1996	1,378	69	1,693	(36)	(1,488)	(87)	(1,482)	8,017	145	6,954
Comprehensive income:										
Net income								2,213		2,213
Other comprehensive expense-- net of tax:										
Currency translation adjustment									(253)	(253)
Net unrealized gain on available-for-sale securities									20	20
Minimum pension liability									3	3
Total other comprehensive expense									(230)	(230)
Total comprehensive income										1,983
Cash dividends declared								(881)		(881)
Stock option transactions	9	--	343			4	68			411
Purchases of common stock						(11)	(586)			(586)
Employee benefit trusts transactions--net			1,177	--	(1,158)	--	7			26
Other	1	--	26							26
Balance December 31, 1997	1,388	69	3,239	(36)	(2,646)	(94)	(1,993)	9,349	(85)	7,933
Comprehensive income:										
Net income								3,351		3,351
Other comprehensive expense-- net of tax:										
Currency translation adjustment									(74)	(74)
Net unrealized loss on available-for-sale securities									(2)	(2)

Minimum pension liability									(73)	(73)
Total other comprehensive expense									(149)	(149)
Total comprehensive income										3,202
Cash dividends declared								(1,261)		(1,261)
Stock option transactions	18	1	747			--	(18)			730
Purchases of common stock						(19)	(1,912)			(1,912)
Employee benefit trusts transactions--net			1,633	2	(1,554)	--	12			91
Other	1	--	27							27
Balance December 31, 1998	1,407	$70	$5,646	(34)	$(4,200)	(113)	$(3,911)	$11,439	$(234)	$8,810

</TABLE>
SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS WHICH ARE AN INTEGRAL PART OF THESE STATEMENTS.

Pfizer Inc and Subsidiary Companies

CONSOLIDATED STATEMENT OF CASH FLOWS

(millions of dollars)	Year ended December 31 1998	1997	1996
OPERATING ACTIVITIES			
Income from continuing operations	$1,950	$2,082	$1,764
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	489	428	359
Asset impairments and restructuring charges	323	--	--
Deferred taxes and other	(61)	13	80
Changes in assets and liabilities, net of effect of businesses acquired and divested:			
Accounts receivable	(765)	(477)	(259)
Inventories	(439)	(350)	(140)
Prepaid and other assets	(350)	(128)	(174)
Accounts payable and accrued liabilities	628	(63)	25
Income taxes payable	677	(142)	35
Other deferred items	473	59	138
Net cash provided by operating activities	2,925	1,422	1,828
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(1,198)	(878)	(690)
Proceeds from disposal of property, plant and equipment	79	47	98
Purchases of short-term investments	(5,845)	(221)	(2,850)
Proceeds from redemptions of short-term investments	4,209	28	3,490
Proceeds from sales of businesses-- net	3,059	21	353
Purchases of long-term investments	(752)	(74)	(810)
Acquisitions, net of cash acquired	--	--	(451)
Other investing activities	113	114	10
Net cash used in investing activities	(335)	(963)	(850)
FINANCING ACTIVITIES			
Proceeds from issuances of long-term debt	--	57	636
Repayments of long-term debt	(202)	(269)	(798)
Increase in short-term debt-- net	485	395	269
Purchases of common stock	(1,912)	(586)	(27)
Cash dividends paid	(976)	(881)	(771)
Stock option transactions	643	411	280
Other financing activities	42	50	44
Net cash used in financing activities	(1,920)	(823)	(367)
Net cash provided by discontinued operations	4	118	134
Effect of exchange-rate changes on cash and cash equivalents	1	(27)	2
Net increase/(decrease) in cash and cash equivalents	675	(273)	747
Cash and cash equivalents at beginning of year	877	1,150	403
CASH AND CASH EQUIVALENTS AT END OF YEAR	$1,552	$ 877	$1,150
SUPPLEMENTAL CASH FLOW INFORMATION			

Cash paid during the period for:			
Income taxes	$1,073	$ 809	$ 657
Interest	155	149	135

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS WHICH ARE AN INTEGRAL PART OF THESE STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

A--CONSOLIDATION AND BASIS OF PRESENTATION

The consolidated financial statements include the parent company and all significant subsidiaries, including those operating outside the U.S. Balance sheet amounts for the foreign operations are as of November 30 of each year and income statement amounts are for the full-year periods ending on the same date. Substantially all unremitted earnings of international subsidiaries are free of legal and contractual restrictions. All significant transactions among our businesses have been eliminated. As discussed in note 2, "Discontinued Operations," the Valleylab, Schneider, American Medical Systems (AMS), Howmedica and Strato/Infusaid businesses, which comprised the Medical Technology Group (MTG), are presented as discontinued operations. We made certain reclassifications to the 1997 and 1996 financial statements to conform to the 1998 presentation.

In preparing the financial statements, management must use some estimates and assumptions that may affect reported amounts and disclosures. Estimates are used when accounting for depreciation, amortization, employee benefits and asset valuation allowances. We are also subject to risks and uncertainties that may cause actual results to differ from estimated results, such as changes in the health care environment, competition, foreign exchange and legislation. "Forward-Looking Information and Factors That May Affect Future Results," beginning on page 35, discusses these and other uncertainties.

B--CASH EQUIVALENTS

Cash equivalents include items almost as liquid as cash, such as demand deposits, certificates of deposit and time deposits with maturity periods of three months or less when purchased. If items meeting this definition are part of a larger investment pool, we classify them as SHORT-TERM INVESTMENTS.

C--INVENTORIES

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

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

"Last-in, first-out" (LIFO) usage applies to U.S.-sourced pharmaceuticals and part of animal health inventories (approximately 8% of total inventories) and "first-in, first-out" usage applies to the rest. The replacement cost of LIFO inventories is not materially different from the LIFO value reported.

D--LONG-LIVED ASSETS

Long-lived assets include:

- property, plant and equipment--These assets are recorded at original cost increased by the cost of any significant improvements after purchase. We depreciate the cost evenly over the assets' useful lives. For tax purposes, accelerated depreciation methods are used as allowed by tax laws.
- goodwill--Goodwill represents the difference between the purchase price of acquired businesses and the fair value of their net assets when accounted for by the purchase method of accounting. We amortize goodwill evenly over periods not exceeding 40 years.
- other intangible assets--Other intangible assets are included in OTHER ASSETS, DEFERRED TAXES AND DEFERRED CHARGES. We amortize these assets evenly over their estimated useful lives.

E--FOREIGN CURRENCY TRANSLATION

For most foreign operations, local currencies are considered their functional currencies. We translate assets and liabilities to their U.S. dollar equivalents at rates in effect at the balance sheet date and record translation adjustments in SHAREHOLDERS' EQUITY. We translate Statement of Income accounts at average rates for the period. Transaction adjustments are recorded in OTHER DEDUCTIONS--NET.

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

- monetary items (that is, assets and liabilities that will be settled for cash) at rates in effect at the balance sheet date, with translation adjustments recorded in OTHER DEDUCTIONS--NET

- non-monetary items at historical rates (that is, those in effect when the items were first recorded)

F--PRODUCT ALLIANCES
We have agreements to promote pharmaceutical products developed by other companies. ALLIANCE REVENUE represents revenues earned under copromotion agreements (a percentage of net sales adjusted, in some cases, for certain specific costs). SELLING, INFORMATIONAL AND ADMINISTRATIVE EXPENSES include other expenses for selling and marketing these products.

We have license agreements in certain foreign countries for these products. When products are sold under license agreements, we record NET SALES instead of ALLIANCE REVENUE and record related costs and expenses in the appropriate caption in the Statement of Income.

G--STOCK OPTIONS
The exercise price of stock options granted equals the market price on the grant date. In general, there is no recorded expense related to stock options. Stock options outstanding are presumed to be exercised for the purposes of computing diluted weighted average shares outstanding.

H--ADVERTISING EXPENSE
We record advertising expense as follows:

- production costs as incurred

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

Advertising expense totaled $1,139 million in 1998, $898 million in 1997 and $738 million in 1996.

2 DISCONTINUED OPERATIONS
In 1998, we completed the disposal of the MTG segment. Accordingly, the consolidated financial statements and related notes reflect the results of operations and net assets of the MTG businesses--Valleylab, Schneider, AMS, Howmedica and Strato/Infusaid--as discontinued operations. We completed the sales of:

- Howmedica to Stryker Corporation in December for $1.65 billion in cash

- Schneider to Boston Scientific Corporation in September for $2.1 billion in cash

- AMS to E.M. Warburg, Pincus & Co., LLC in September for $130 million in cash

- Valleylab to U.S. Surgical Corporation in January for $425 million in cash

In 1997, we sold Strato/Infusaid to Horizon Medical Products and Arrow International for $21 million in cash.

The contractual net assets identified as part of the disposition of Valleylab, Schneider, AMS, Howmedica and Strato/Infusaid are recorded as NET ASSETS OF DISCONTINUED OPERATIONS and the net cash flows of these businesses are reported as NET CASH PROVIDED BY DISCONTINUED OPERATIONS. NET ASSETS OF DISCONTINUED OPERATIONS consisted of the following:

(millions of dollars)	1997	1996
Net current assets	$ 397	$ 347
Property, plant and equipment--net	383	394
Other net noncurrent assets and liabilities	640	691
Net assets of discontinued operations	$1,420	$1,432

DISCONTINUED OPERATIONS--NET OF TAX were as follows:

(millions of dollars)	1998	1997	1996
Net sales	$1,160	$1,449	$1,489*
Pre-tax income	$ 92	$ 232	$ 276
Provision for taxes on income	57	93	111
Income from operations of discontinued businesses--net of tax	35	139	165
Pre-tax gain/(loss) on disposal of discontinued businesses	2,504	(11)	--
Provision/(benefit) for taxes on gain/(loss)	1,138	(3)	--
Gain/(loss) on disposal of discontinued businesses--net of tax	1,366	(8)	--
Discontinued operations--net of tax	$1,401	$ 131	$ 165

* Includes $47 million of net sales related to our food science business divested in 1996.

3 FINANCIAL SUBSIDIARIES

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

CONDENSED BALANCE SHEET

(millions of dollars)	1998	1997	1996
Cash and interest-bearing deposits	$103	$115	$ 78
Loans--net	433	408	381
Other assets	15	8	53
Total assets	$551	$531	$512
Certificates of deposit and other liabilities	$ 97	$ 73	$ 87
Shareholders' equity	454	458	425
Total liabilities and shareholders' equity	$551	$531	$512

CONDENSED STATEMENT OF INCOME

(millions of dollars)	1998	1997	1996
Interest income	$ 30	$ 29	$28
Interest expense	(2)	(2)	(3)
Other income--net	1	13	2
Net income	$ 29	$ 40	$27

4 COMPREHENSIVE INCOME

Effective January 1, 1998, we adopted Statement of Financial Accounting Standards (SFAS) No. 130, REPORTING COMPREHENSIVE INCOME. This Statement establishes standards for the reporting of all changes in equity from nonshareholder sources. Prior year financial statements have been conformed to the requirements of SFAS No. 130.

Changes in ACCUMULATED OTHER COMPREHENSIVE INCOME/(EXPENSE) for the years ended December 31, 1996, 1997 and 1998 follow:

(millions of dollars)	Currency translation adjustment	Net Unrealized gain/(loss) on available-for-sale securities	Minimum pension liability	Accumulated other comprehensive income/(expense)*

Balance January 1, 1996	$ 206	$25	$ (68)	$ 163
Period change	(32)	15	(1)	(18)
Balance December 31, 1996	174	40	(69)	145
Period change	(253)	20	3	(230)
Balance December 31, 1997	(79)	60	(66)	(85)
Period change	(74)	(2)	(73)	(149)
Balance December 31, 1998	$(153)	$58	$(139)	$(234)

* Income tax benefit for other comprehensive expense was $4 million in 1996, $76 million in 1997 and $116 million in 1998.

5 FINANCIAL INSTRUMENTS

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

A--INVESTMENTS IN DEBT AND EQUITY SECURITIES

Information about our investments follows:

(millions of dollars)	1998	1997	1996
Trading securities	$ 99	$ --	$ --
Amortized cost and fair value of held-to-maturity debt securities:*			
Corporate debt	2,306	626	602
Certificates of deposit	670	655	657
Municipals	--	56	29
Other	21	104	81
Total held-to-maturity debt securities	2,997	1,441	1,369
Cost and fair value of available-for-sale debt securities*	686	686	636
Cost of available-for-sale equity securities	54	81	78
Gross unrealized gains	106	106	73
Gross unrealized losses	(8)	(4)	(8)
Fair value of available-for-sale equity securities	152	183	143
Total investments	$3,934	$2,310	$2,148

* Gross unrealized gains and losses are immaterial.

These investments are in the following captions in the Balance Sheet:

(millions of dollars)	1998	1997	1996
Cash and cash equivalents	$ 660	$ 636	$ 640
Short-term investments	2,377	712	486
Long-term loans and investments	897	962	1,022
Total investments	$3,934	$2,310	$2,148

The contractual maturities of the held-to-maturity and available-for-sale debt securities as of December 31, 1998, were as follows:

	Years				
(millions of dollars)	Within 1	Over 1 to 5	Over 5 to 10	Over 10	Total
Held-to-maturity debt securities:					
Corporate debt	$2,271	$ 35	$ --	$--	$2,306
Certificates of deposit	667	3	--	--	670
Other	--	2	10	9	21

Available-for-sale debt securities:					
Certificates of deposit	--	370	75	--	445
Corporate debt	--	91	150	--	241
Total debt securities	$2,938	$501	$235	$ 9	$3,683
Available-for-sale equity securities					152
Trading securities					99
TOTAL INVESTMENTS					$3,934

B--SHORT-TERM BORROWINGS
The weighted average effective interest rate on short-term borrowings outstanding at December 31 was 3.7% in 1998, 2.9% in 1997 and 4.9% in 1996. We had approximately $1.3 billion available to borrow under lines of credit at December 31, 1998.

C--LONG-TERM DEBT

(millions of dollars)	1998	1997	1996
Floating-rate unsecured notes	$491	$686	$636
Other borrowings and mortgages	36	39	45
Total long-term debt	$527	$725	$681
Current portion not included above	$ 4	$ 4	$261

The floating-rate unsecured notes mature on various dates from 2001 to 2005 and bear interest at a defined variable rate based on the commercial paper borrowing rate. The weighted average interest rate was 5.3% at December 31, 1998. These notes minimize credit risk on certain available-for-sale debt securities that may be used to satisfy the notes at maturity. In September 1998, we repaid $195 million of the outstanding floating-rate unsecured notes prior to their scheduled maturity by using the proceeds from the issuance of short-term commercial paper.

Long-term debt outstanding at December 31, 1998, matures as follows:

(millions of dollars)	2000	2001	2002	2003	After 2003
Maturities	$2	$131	$161	$--	$233

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

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

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

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

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

PREPAID EXPENSES, TAXES AND OTHER ASSETS include:
- o purchased currency options

OTHER CURRENT LIABILITIES include:
- o fair value of forward-exchange contracts
- o net amounts payable related to interest rate swap contracts

OTHER NONCURRENT LIABILITIES include:
- o net amounts payable related to currency swap contracts

ACCUMULATED OTHER COMPREHENSIVE INCOME/(EXPENSE) include changes in the:
- o foreign exchange translation of currency swaps and foreign debt
- o fair value of forward-exchange contracts for net investment hedges

OTHER DEDUCTIONS--NET include:
- o changes in the fair value of foreign exchange instruments and changes in foreign-denominated assets and liabilities
- o payments under swap contracts to offset, primarily, interest expense or, to a lesser extent, net foreign exchange losses
- o amortization of discounts or premiums on currencies sold under forward-exchange contracts

Our criteria to qualify for hedge accounting are:

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

INTEREST RATE INSTRUMENTS
- o The instrument must relate to an asset or a liability.
- o It must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

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

		Maximum Maturity in Years		
Instrument	Exposure	1998	1997	1996
Forward-exchange contracts	Foreign currency assets and liabilities	.5	.5	.5
	Net investments	--	--	.25
Currency swaps	Net investments	5	--	--
	Loans	1	2	1
Purchased currency options	Inventory purchases and sales	1	1	1
Interest rate swaps	Debt interest	5	1	1

INSTRUMENTS OUTSTANDING

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

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

(millions of dollars)	1998	1997	1996
FOREIGN CURRENCY CONTRACTS:			
Commitments to sell foreign currencies, primarily in exchange for U.S. dollars:			
U.K. pounds	$ 482	$ 548	$ 564
Netherlands guilders	316	4	14
Japanese yen	298	224	94
French francs	216	134	193
Australian dollars	98	59	34
Irish punt	61	107	112
German marks	50	158	131
Other currencies	201	240	234
Net investment hedges:			
Japanese yen	--	--	615

Swiss francs	--	--	342
Commitments to purchase foreign currencies, primarily in exchange for U.S. dollars:			
Irish punt	532	92	21
Netherlands guilders	156	4	--
German marks	67	73	54
U.K. pounds	53	60	128
Swiss francs	8	187	154
Other currencies	144	136	114
Total forward-exchange contracts	$2,682	$2,026	$2,804
Currency swaps:			
Japanese yen	$ 754	$ --	$ --
U.K. pounds	40	40	--
Other currencies	--	--	45
Total currency swaps	$ 794	$ 40	$ 45
Purchased currency options, primarily for U.S. dollars:			
Japanese yen	$ 364	$ 198	$ 221
German marks	--	130	28
French francs	--	46	35
Belgian francs	--	29	25
Other currencies	25	61	58
Total purchased options	$ 389	$ 464	$ 367
INTEREST RATE SWAP CONTRACTS:			
Japanese yen	$ 321	$ 814	$ 932
Swiss francs	--	405	428
Total interest rate swap contracts	$ 321	$1,219	$1,360

The Japanese yen for U.S. dollar currency swaps require that we make interim payments of a fixed rate of 1.1% on the Japanese yen payable and have interim receipts of a variable rate based on a commercial paper rate on the U.S. dollar receivable. These currency swaps replaced $625 million of Japanese yen debt, which previously served as a hedge of our net investments in Japan, as well as related interest rate swaps.

The Japanese yen and Swiss franc interest rate swaps effectively fixed the interest rate on floating rate debt as follows:

- the Japanese yen debt at 1.4% in 1998 and 1997 and 0.7% in 1996
- the Swiss franc debt at 2.1% in 1997 and 1996

The floating interest rates were based on "LIBOR" rates related to the contract currencies. In connection with the sale of the Schneider Swiss subsidiary in 1998, we terminated the Swiss franc interest rate swap contracts and ceased borrowing Swiss francs. The contracts outstanding at December 31, 1996, matured in December 1997.

E--FAIR VALUE

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

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

The differences between fair and carrying values were not material at December 31, 1998, 1997 or 1996.

F--CREDIT RISK

We periodically review the creditworthiness of counterparties to foreign exchange and interest rate agreements and do not expect to incur a loss from failure of any counterparties to perform under the agreements. In general, there is no requirement for collateral from customers. There are no significant concentrations of credit risk related to our financial instruments. No

individual counterparty credit exposure exceeded 10% of our consolidated SHAREHOLDERS' EQUITY at December 31, 1998.

6 PROPERTY, PLANT AND EQUIPMENT

The major categories of property, plant and equipment follow:

(millions of dollars)	1998	1997	1996
Land	$ 151	$ 126	$ 99
Buildings	1,669	1,534	1,422
Machinery and equipment	2,685	2,459	2,252
Furniture, fixtures and other	1,383	1,232	1,118
Construction in progress	956	516	476
	6,844	5,867	5,367
Less: accumulated depreciation	2,429	2,074	1,911
Total property, plant and equipment	$4,415	$3,793	$3,456

7 OTHER DEDUCTIONS--NET

Other deductions--net are summarized below:

(millions of dollars)	1998	1997	1996
Interest income	$ (185)	$(156)	$(133)
Interest expense	143	149	166
Interest expense capitalized	(7)	(2)	(5)
Net interest (income)/expense	(49)	(9)	28
Copromotion payments to Searle	240	--	--
Contribution to The Pfizer Foundation	300	--	--
Legal settlements involving the brand-name prescription drug antitrust litigation	57	--	--
Amortization of goodwill and other intangibles	45	48	48
Net exchange (gains)/losses	(16)	26	(2)
Other, net	432	141	141
Other deductions--net	$1,009	$ 206	$215

In 1998, we recorded charges for asset impairment and restructuring. The components of these pre-tax charges follow:

(millions of dollars)	Total	COS*	SI&A*	R&D	OD*
Asset impairments	$213	$18	$ --	$ --	$195
Restructuring charges	177	68	17	1	91

*COS--COST OF SALES; SI&A--SELLING, INFORMATIONAL AND ADMINISTRATIVE EXPENSES; OD--OTHER DEDUCTIONS-NET.

In 1998, we recorded an impairment charge of $110 million in the pharmaceutical segment to adjust intangible asset values, primarily goodwill and trademarks, related to consumer health care product lines.

These charges are a result of significant changes in the marketplace and a revision of our strategies, including:

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

Our animal health antibiotic feed additive, Stafac, was banned, effective in mid 1999, throughout the European Union, resulting in asset impairment charges of $103 million ($85 million was to adjust intangible asset values, primarily goodwill and trademarks, and $18 million was to adjust the carrying value of machinery and equipment in the pharmaceutical segment).

These events have caused the projected undiscounted cash flows of a number of our consumer health care product lines and Stafac to be less than their

carrying value. As a result, we lowered the carrying value of the above-mentioned assets to their estimated fair value. The estimated fair value is the present value of the expected associated cash flows.

The components of the restructuring charges follow:

(millions of dollars)	Charges in 1998	Utilization 1998	1999	Beyond
Property, plant and equipment	$ 49	$ 49	$--	$--
Write-down of intangibles	44	44	--	--
Employee termination costs	40	12	28	--
Other	44	11	11	22
Total	$177	$116	$39	$22

These charges resulted from a current review of our global operations to increase efficiencies and return on assets, thereby resulting in plant and product line rationalizations. In addition to the disposition of our MTG businesses, we have exited, or plan to exit by the end of 1999, certain product lines including those associated with certain of our livestock external parasiticides and feed businesses. Also, we have decided to exit certain of our fermentation operations.

We have written off assets related to the product lines we are exiting, including inventory, intangible assets--primarily goodwill--as well as certain buildings, machinery and equipment for which we have no plans to use or sell. We have begun to seek buyers for other properties which have been written down to their estimated fair value. We will either dispose of or abandon these properties by the end of 1999.

As a result of the restructuring, the work force will be reduced by 520 manufacturing, sales and corporate personnel. Notifications to personnel have been made. At December 31, 1998, 134 employees had been terminated. We will complete terminations of the remaining personnel by December 31, 1999. Employee termination costs represent payments for severance, outplacement counseling fees, medical and other benefits and a $5 million noncash charge for the acceleration of nonvested employee stock options.

Other restructuring charges consist of charges for inventory for product lines we have exited--$12 million, contract termination payments--$9 million, facility closure costs--$7 million and environmental remediation costs associated with the disposal of certain facilities--$16 million.

8 TAXES ON INCOME

Income from continuing operations before taxes consisted of the following:

(millions of dollars)	1998	1997	1996
United States	$1,184	$1,215	$1,012
International	1,410	1,652	1,516
Total income from continuing operations before taxes	$2,594	$2,867	$2,528

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

(millions of dollars)	1998	1997	1996
United States:			
Taxes currently payable:			
Federal	$344	$344	$316
State and local	24	9	49
Deferred income taxes	(162)	(23)	5
Total U.S. tax provision	206	330	370
International:			
Taxes currently payable	550	462	332
Deferred income taxes	(114)	(17)	56
Total international tax provision	436	445	388
Total provision for taxes on income	$642	$775	$758

Amounts are reflected in the preceding tables based on the location of the taxing authorities. As of December 31, 1998, we have not made a U.S. tax provision for approximately $1.5 billion on approximately $6.5 billion of unremitted earnings of our international subsidiaries. These earnings are expected, for the most part, to be reinvested overseas.

We operate a manufacturing subsidiary in Puerto Rico that benefits from a Puerto Rican incentive grant in effect through the end of 2002. Under this grant, we are partially exempt from income, property and municipal taxes. For further information on U.S.taxation of Puerto Rican operations, see "Tax Legislation" on page 37.

Reconciliations of the U.S. statutory income tax rate to our effective tax rate on continuing operations follow:

(percentages)	1998	1997	1996
U.S. statutory income tax rate	35.0	35.0	35.0
Effect of partially tax-exempt operations in Puerto Rico	(2.2)	(1.8)	(3.9)
Effect of foreign operations	(5.5)	(5.0)	(3.5)
All other--net	(2.5)	(1.2)	2.4
Effective tax rate on continuing operations	24.8	27.0	30.0

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

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

	1998		1997		1996	
(millions of dollars)	Deferred Assets	Tax Liabs.	Deferred Assets	Tax Liabs.	Deferred Assets	Tax Liabs.
Prepaid/deferred items	$ 411	$ 169	$ 252	$189	$ 241	$140
Inventories	322	72	218	60	225	95
Property, plant and equipment	39	433	30	350	32	394
Employee benefits	391	97	297	113	241	104
Restructurings and special charge*	301	--	133	--	157	--
Foreign tax credit carryforwards	117	--	159	--	65	--
Other carryforwards	97	--	135	--	250	--
Unremitted earnings	--	335	--	--	--	--
All other	169	73	119	76	106	71
Subtotal	1,847	1,179	1,343	788	1,317	804
Valuation allowance	(30)	--	(27)	--	(28)	--
Total deferred taxes	$1,817	$1,179	$1,316	$788	$1,289	$804
Net deferred tax asset	$ 638		$ 528		$ 485	

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

These amounts, netted by taxing location, are in the following captions in the Balance Sheet:

(millions of dollars)	1998	1997	1996
Prepaid expenses, taxes and other assets	$ 809	$ 425	$ 410
Other assets, deferred taxes and deferred charges	26	230	298
Deferred taxes on income	(197)	(127)	(223)

Net deferred tax asset	$ 638	$ 528	$ 485

A valuation allowance is recorded because some items recorded as foreign deferred tax assets may not be deductible or creditable. The "foreign tax credit carryforwards" were generated from dividends paid by subsidiaries to the parent company between 1993 and 1998. We can carry these credits forward to various dates through 2003 and use them in payment of certain U.S. tax liabilities.

The Internal Revenue Service has completed its audits of our tax returns through 1992.

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

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

9 PENSION AND POSTRETIREMENT BENEFITS

Effective January 1, 1998, we adopted SFAS No. 132, EMPLOYERS' DISCLOSURES ABOUT PENSIONS AND OTHER POSTRETIREMENT BENEFITS. SFAS No. 132 requires revised disclosures about pension and other postretirement benefit plans.

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

The net pension assets belonging to AMS and certain Howmedica employees were transferred to the buyers at the date of sale. We retained the accumulated benefit obligation related to Valleylab, Schneider and certain Howmedica employees.

Information regarding our pension and postretirement benefit obligation follows:

	Pension			Postretirement		
(percentages)	1998	1997	1996	1998	1997	1996
Weighted-average assumptions:						
Discount rate:						
U.S. plans	6.8	7.0	7.5	6.8	7.0	7.5
International plans	5.3	5.9	6.5			
Rate of compensation increase:						
U.S. plans	4.5	4.5	4.5			
International plans	3.4	3.9	4.2			

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

	Pension			Postretirement		
(millions of dollars)	1998	1997	1996	1998	1997	1996
CHANGE IN BENEFIT OBLIGATION						
Benefit obligation at beginning of year	$2,674	$2,130	$2,062	$ 287	$ 285	$ 290
Service cost	151	105	93	10	7	6
Interest cost	181	145	139	20	19	20

Employee contributions	6	6	7			
Plan amendments	15	274	2	--	--	--
Plan net (gains)/losses	354	240	13	(3)	(7)	(14)
Foreign exchange impact	36	(103)	(30)			
Acquisitions	--	3	7	--	--	--
Divestitures	(26)	--	(4)	--	--	--
Curtailments	(26)	(1)	4	(10)	--	--
Settlements	(10)	(1)	(1)	--	--	--
Benefits paid	(178)	(124)	(162)	(18)	(17)	(17)
Benefit obligation at end of year	$3,177	$2,674	$2,130	$ 286	$ 287	$ 285
CHANGE IN PLAN ASSETS						
Fair value of plan assets at beginning of year	$2,793	$2,410	$2,168			
Actual return on plan assets	530	491	325			
Company contributions	63	50	54			
Employee contributions	6	6	7			
Foreign exchange impact	3	(57)	(9)			
Acquisitions	--	1	7			
Divestitures	(23)	--	--			
Settlements	(13)	(1)	(1)			
Benefits paid	(165)	(107)	(141)			
Fair value of plan assets at end of year	$3,194	$2,793	$2,410			
Funded status:						
Plan assets in excess of/(less than) benefit obligation	$ 17	$ 119	$ 280	$(286)	$(287)	$(285)
Unrecognized:						
Net transition asset	(4)	(10)	(15)	--	--	--
Net (gains)/ losses	1	(86)	(14)	(26)	(24)	(19)
Prior service costs/(gains)	248	310	70	(47)	(83)	(108)
Net amount recognized	$ 262	$ 333	$ 321	$(359)	$(394)	$(412)

The components in the balance sheet consist of:

	Pension			Postretirement		
(millions of dollars)	1998	1997	1996	1998	1997	1996
Prepaid benefit cost	$ 504	$ 499	$ 474	$ --	$ --	$ --
Accrued benefit liability	(562)	(362)	(312)	(359)	(394)	(412)
Intangible asset	71	53	13	--	--	--
Accumulated other comprehensive income	249	143	146	--	--	--
Net amount recognized	$ 262	$ 333	$ 321	$(359)	$(394)	$(412)

Information related primarily to International plans:

	Pension		
(millions of dollars)	1998	1997	1996
Pension plans with an accumulated benefit obligation in excess of plan assets:			
Fair value of plan assets	$323	$294	$319
Accumulated benefit obligation	693	553	615
Pension plans with a benefit obligation in excess of plan assets:			
Fair value of plan assets	$435	$422	$438

Benefit obligation	901	774	847

At December 31, 1998, the major U.S. pension plan held approximately 2.7 million shares of our common stock with a fair value of approximately $339 million. The Plan received approximately $2 million in dividends on these shares in 1998.

The assumptions used and the annual cost related to these plans consist of the following:

	Pension			Postretirement		
(percentages)	1998	1997	1996	1998	1997	1996
Weighted average assumptions:						
Expected return on plan assets:						
U.S. plans	10.0	10.0	10.0			
International plans	8.1	7.5	7.8			
(millions of dollars)						
Service cost	$ 151	$ 105	$ 93	$ 10	$ 7	$ 6
Interest cost	181	145	139	20	19	20
Expected return on plan assets	(249)	(208)	(192)			
Amortization of:						
Prior service costs/ (gains)	24	34	21	(24)	(24)	(24)
Net transition asset	(6)	(5)	(3)	--	--	--
Net (gains)/losses	10	2	12	(1)	(1)	--
Curtailments and settlements--net*	28	--	--	(22)	--	--
Net periodic benefit cost/(gain)	$ 139	$ 73	$ 70	$(17)	$ 1	$ 2

* Includes approximately $12 million of special termination pension benefits for certain MTG employees.

An average increase of 7.5% in the cost of health care benefits was assumed for 1999 and is projected to decrease to 5.2% after six years and to then remain at that level.

A 1% change in the medical trend rate assumed for postretirement benefits would have the following effects at December 31, 1998:

(millions of dollars)	1% Increase	1% Decrease
Total of service and interest cost components	$ 1	$ (1)
Postretirement benefit obligation	13	(12)

10 SAVINGS AND INVESTMENT PLANS

We have savings and investment plans for most employees in the U.S., Puerto Rico, the U.K. and Ireland. Employees may contribute a portion of their salaries to the plans and we match a portion of the employee contributions. Our contributions were $48 million in 1998, $43 million in 1997 and $36 million in 1996.

11 LEASE COMMITMENTS

We lease properties for use in our operations. In addition to rent, the leases require us to pay directly for taxes, insurance, maintenance and other operating expenses, or to pay higher rent when operating expenses increase. Rental expense, net of sublease income, was $131 million in 1998, $127 million in 1997 and $110 million in 1996. This table shows future minimum rental commitments under noncancellable leases at December 31, 1998:

(millions of dollars)	1999	2000	2001	2002	2003	After 2003
Lease commitments	$47	$46	$36	$25	$25	$290

12 COMMON STOCK
We effected a two-for-one split of our common stock in the form of a 100% stock dividend in 1997. The split followed a vote by shareholders to increase the number of authorized common shares. All share and per share information in this report reflects the split.

In September 1998, we completed a program under which we purchased 26.4 million shares of our common stock at a total cost of $2 billion. In that same month, the Board of Directors approved a new share-purchase program with authorization to purchase up to $5 billion of our company's common stock. In 1998, we purchased approximately 19.3 million shares of our common stock at an average price of $99 per share under these share-purchase programs. Of the 19.3 million shares repurchased in 1998, 4.9 million shares were repurchased under the share-purchase program which started in September 1998, for a total cost of $525 million.

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

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

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

14 EMPLOYEE BENEFIT TRUSTS
In 1993, we sold 40 million shares of treasury stock to the Pfizer Inc. Grantor Trust in exchange for a $600 million note. The Trust is used primarily to fund our benefit plans including the stock option plan. The Balance Sheet reflects the fair value of shares owned by the Trust as a reduction of SHAREHOLDERS' EQUITY, representing unearned benefit costs. This amount is reduced as benefits are satisfied.

We record compensation expense for the benefit plans, other than stock options, based on the fair value of the shares when released.

15 STOCK OPTION AND PERFORMANCE AWARDS
We may grant stock options to any employee, including officers, under our Stock and Incentive Plan. Options are exercisable after five years or less, subject to continuous employment and certain other conditions and expire 10 years after the grant date. Once exercisable, the employee can purchase shares of our common stock at the market price on the date we granted the option.

The Plan also allows for stock appreciation rights, stock awards and performance awards. In 1996, shareholders approved amendments to increase the shares available in the Plan and to extend its term through 2005.

The following table summarizes information concerning options outstanding under the Plan at December 31, 1998:

(thousands of shares)	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/98	Weighted Average Remaining Contractual Term (Years)	Weighted Average Exercise Price	Number Exercisable at 12/31/98	Weighted Average Exercise Price

$ 0-$20	20,842	4.3	$ 15.46	20,727	$ 15.46
20- 30	17,328	5.3	22.54	15,790	22.35
30- 50	14,254	7.6	37.27	8,498	37.26
50- 80	13,278	8.7	55.08	3,031	55.08
80-120	17,502	9.7	105.63	565	105.63

The following table summarizes the activity for the Plan:

		Under Option	
(thousands of shares)	Shares Available for Grant	Shares	Weighted Average Exercise Price Per Share
Balance January 1, 1996	7,150	85,808	$ 18.37
Authorized	46,000	--	--
Granted	(18,820)	18,820	37.25
Exercised	--	(17,466)	13.44
Cancelled	684	(734)	24.00
Balance December 31, 1996	35,014	86,428	21.62
Granted	(14,204)	14,204	55.04
Exercised	--	(15,661)	16.15
Cancelled	653	(672)	38.68
Balance December 31, 1997	21,463	84,299	28.17
Granted	(17,620)	17,620	105.63
Exercised	--	(18,296)	21.11
Cancelled	404	(419)	59.73
Balance December 31, 1998	4,247	83,204	45.96

The weighted-average fair value per stock option granted was $33.92 for 1998 options, $16.77 for the 1997 options and $10.90 for the 1996 options. We estimated the fair values using the Black-Scholes option pricing model, modified for dividends and using the following assumptions:

	1998	1997	1996
Expected dividend yield	1.02%	1.76%	1.97%
Risk-free interest rate	5.23%	6.23%	6.38%
Expected stock price volatility	26.29%	25.56%	25.45%
Expected term until exercise (years)	5.75	5.50	5.25

The following table summarizes results as if we had recorded compensation expense for the 1998, 1997 and 1996 option grants:

(millions of dollars, except per share data)	1998	1997	1996
Net income:			
As reported	$3,351	$2,213	$1,929
Pro forma	3,149	2,087	1,860
Basic earnings per share:			
As reported	$ 2.65	$ 1.76	$ 1.55
Pro forma	2.49	1.66	1.49
Diluted earnings per share:			
As reported	$ 2.55	$ 1.70	$ 1.50
Pro forma	2.39	1.60	1.44

These figures reflect only the impact of grants since January 1, 1995, and reflect only part of the possible compensation expense that we would amortize over the vesting period of the grants (up to five years). In future years, therefore, the effect on net income and earnings per common share may differ from those shown above.

The Performance-Contingent Share Award Program was established effective in 1993 to provide executives and other key employees the right to earn common stock awards. We determine the award payouts after the performance period ends, based on specific performance criteria. Under the Program, up to 40 million shares may be awarded. We awarded approximately 653,000 shares in 1998, approximately 449,000 shares in 1997 and approximately 320,000 shares in 1996. At December 31, 1998, program participants had the right to earn up to 5.1 million additional shares. Compensation expense related to the Program was $202 million in 1998, $74 million in 1997 and $31 million in 1996.

In 1998, we entered into two forward-purchase contracts for 1 million shares of our common stock for $101 million to offset the potential impact on

income of our liability under the Program. These contracts mature within one year. At settlement date we will, at the option of the counterparty to the contract, either receive our own stock or settle the contracts for cash.

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

PREPAID EXPENSES, TAXES AND OTHER ASSETS include:
- fair value of these contracts

OTHER DEDUCTIONS--NET include:
- changes in the fair value of these contracts

16 INSURANCE

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

17 LITIGATION

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

On June 9, 1997, the Company received notice of the filing of an Abbreviated New Drug Application (ANDA) by Mylan Pharmaceuticals for a sustained-release nifedipine product asserted to be bioequivalent to Procardia XL. Mylan's notice asserted that the proposed formulation does not infringe relevant licensed Alza and Bayer patents and thus that approval of their ANDA should be granted before patent expiration. On July 18, 1997, the Company, together with Bayer AG and Bayer Corporation, filed a patent-infringement suit against Mylan Pharmaceuticals Inc. and Mylan Laboratories Inc. in the United States District Court for the Western District of Pennsylvania with respect to Mylan's ANDA. Suit was filed under Bayer AG's U.S. Patent No. 5,264,446, licensed to the Company, relating to nifedipine of a specified particle size range. Mylan has filed its answer denying infringement and a scheduling order has been entered. Final discovery has been extended to May 3, 1999, with disposition motions to be filed by May 21, 1999. On or about February 23, 1998, Bayer AG received notice that Biovail Laboratories Incorporated had filed an ANDA for a sustained-release nifedipine product asserted to be bioequivalent to one dosage strength (60 mg.) of Procardia XL. The notice was subsequently received by the Company as well. The notice asserts that the Biovail product does not infringe Bayer's U.S. Patent No. 5,264,446. On March 26, 1998, the Company received notice of the filing of an ANDA by Biovail Laboratory of a 30 mg. dosage formulation of nifedipine alleged to be bioequivalent to Procardia XL. On April 2, 1998, Bayer and Pfizer filed a patent-infringement action against Biovail, relating to their 60 mg. nifedipine product, in the United States District Court for the District of Puerto Rico. On May 6, 1998, Bayer and Pfizer filed a second patent infringement action in Puerto Rico against Biovail under the same patent with respect to Biovail's 30 mg. nifedipine product. These actions have been consolidated for discovery and trial. On April 24, 1998, Biovail Laboratories Inc. brought suit in the United States District Court for the Western District of Pennsylvania against the Company and Bayer seeking a declaratory judgment of invalidity of and/or non-infringement of the 5,264,446 nifedipine patent as well as a finding of violation of the antitrust laws. Biovail has also moved to transfer the patent infringement actions from Puerto Rico to the Western District of Pennsylvania. Pfizer has opposed this motion to transfer and on June 19, 1998, moved to dismiss Biovail's declaratory judgment action and antitrust action in the Western District of Pennsylvania, or in the alternative to stay the action pending the outcome of the infringement actions in Puerto Rico. On January 4, 1999, the District Court in Pennsylvania granted Pfizer's motion for a stay of the antitrust action pending the outcome of the infringement actions in Puerto Rico. On January 29, 1999, the District Court in Puerto Rico denied Biovail's motion to transfer the patent infringement actions from Puerto Rico to the Western District of Pennsylvania.

On April 2, 1998, the Company received notice from Lek U.S.A. Inc. of its filing of an ANDA for a 60 mg. formulation of nifedipine alleged to be bioequivalent to Procardia XL. On May 14, 1998, Bayer and Pfizer commenced suit against Lek for infringement of Bayer's U.S. Patent No. 5,264,446, as well as for infringement of a second Bayer patent, No. 4,412,986 relating to combinations of nifedipine with certain polymeric materials. On September 14, 1998, Lek was served with the summons and complaint. Plaintiffs amended the complaint on November 10, 1998, limiting the action to infringement of U.S. Patent 4,412,986. On January 19, 1999, Lek filed a motion to dismiss the complaint alleging infringement of U.S. Patent 4,412,986. Pfizer's response to this motion is due on February 25, 1999.

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

Pfizer filed suit on july 8, 1997, against the FDA in the United States District Court for the District of Columbia, seeking a declaratory judgment and injunctive relief enjoining the FDA from processing Mylan's ANDA or any other ANDA submission referencing Procardia XL that uses a different extended-release mechanism. Pfizer's suit alleges that extended-release mechanisms that are not identical to

the osmotic pump mechanism of Procardia XL constitute different dosage forms requiring the filing and approval of suitability petitions under the Food Drug and Cosmetics Act before the FDA can accept an ANDA for filing. Mylan intervened in Pfizer's suit. On March 31, 1998, the U.S. district judge granted the government's motion for summary judgment against the company. Pfizer has appealed that decision to the D.C. Court of Appeals and arguments in the case were heard on February 1, 1999. We are awaiting the decision.

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

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

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

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

currently participating in remedial action at a number of sites under federal, state, local and foreign laws.

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

The Company has entered into a consent decree, subject to court approval, settling all matters with the United States Environmental Protection Agency--Region I and the Department of Justice arising primarily out of a December 1993 multimedia environmental inspection, as well as certain state inspections, of the Company's Groton, Connecticut facility. The settlement provides for the payment of $625,000 in fines, undertaking of an environmental project at a cost of $150,000 and certain other operational provisions, the implementation of which will not have a material adverse effect on the operations of the Company.

Through the early 1970s, Pfizer Inc. (Minerals Division) and Quigley Company, Inc. ("Quigley"), a wholly owned subsidiary, sold a minimal amount of one construction product and several refractory products containing some asbestos. These sales were discontinued thereafter. Although these sales represented a minor market share, the Company has been named as one of a number of defendants in numerous lawsuits. These actions, and actions related to the Company's sale of talc products in the past, claim personal injury resulting from exposure to asbestos-containing products, and nearly all seek general and punitive damages. In these actions, the Company or Quigley is typically one of a number of defendants, and both are members of the Center for Claims Resolution (the "CCR"), a joint defense organization of twenty defendants that is defending these claims. The Company and Quigley are responsible for varying percentages of defense and liability payments for all members of the CCR. A number of cases alleging property damage from asbestos-containing products installed in buildings have also been brought against the Company, but most have been resolved.

On January 15, 1993, a class action complaint and settlement agreement were filed in the United States District Court for the Eastern District of Pennsylvania involving all personal injury claims by persons who have been exposed to asbestos-containing products but who have not yet filed a personal injury action against the members of the CCR (Future Claims Settlement). The District Court determined that the Future Claims Settlement was fair and reasonable. Subsequently, the United States Court of Appeals for the Third Circuit reversed the order of the District Court and on June 27, 1997, the U.S. Supreme Court affirmed the Third Circuit's order and decertified the class. The overturning of the settlement is not expected to have a material impact on the Company's exposure or on the availability of insurance for the vast majority of such cases. It is expected, too, that the CCR will attempt to resolve cases in the same manner as heretofore.

At approximately the time it filed the Future Claims Settlement class action, the CCR settled approximately 16,360 personal injury cases on behalf of its members, including the Company and Quigley. The CCR has continued to settle remaining and opt-out cases and claims on a similar basis to past settlements. As of December 28, 1998, there were 57,819 personal injury claims pending against Quigley (excluding those which are inactive or have been settled in principle), 33,185 such claims against the Company, and 68 talc cases against the Company.

The Company believes that its costs incurred in defending and ultimately disposing of the asbestos personal injury claims, as well as the property damage and talc claims, will be largely covered by insurance policies issued by several primary insurance carriers and a number of excess carriers that have agreed to provide coverage, subject to deductibles, exclusions, retentions and policy limits. Litigation is pending against several excess insurance carriers seeking damages and/or declaratory relief to secure their coverage obligations. Based on the Company's experience in defending the claims to date and the amount of insurance coverage available, the Company is of the opinion that the actions should not ultimately have a material adverse effect on the financial position or the results of operations of the Company.

The Company was named, together with numerous other manufacturers of brand-name prescription drugs and certain companies that distribute brand-name prescription drugs, in suits in federal and state courts brought by various groups of retail pharmacy companies. The federal cases consist principally of a class action by retail pharmacies (including approximately 30 named plaintiffs) (the "Federal Class Action"), as well as additional actions by approximately 3,500 individual retail pharmacies and a group of chain and supermarket pharmacies (the "individual actions"). These cases, which were transferred to the United States District Court for the Northern District of Illinois and coordinated for pretrial purposes, allege that the defendant drug manufacturers violated the Sherman Act by unlawfully agreeing with each other (and, as alleged in some cases, with wholesalers) not to extend to retail pharmacy companies the same discounts allegedly extended to mail order pharmacies, managed care companies and certain other customers, and by unlawfully discriminating against retail pharmacy companies by not extending them such discounts. On November 15, 1994, the federal court certified a class (the Federal Class Action) consisting of all persons or entities who, since October 15, 1989, bought brand-name prescription drugs from any manufacturer or wholesaler defendant, but specifically excluding government entities, mail order pharmacies, HMOs, hospitals, clinics and nursing homes. Fifteen manufacturer defendants, including the Company, agreed to settle the Federal Class Action subject to court approval. The Company's share pursuant to an Agreement as of January 31, 1996, was $31.25 million, payable in four annual installments without interest. The Company continues to believe that there was no conspiracy and specifically denied liability in the Settlement Agreement, but had agreed to settle to avoid the monetary and other costs of litigation. The settlement was filed with the Court on February 9, 1996 and went through preliminary and final fairness hearings. By orders of April 4, 1996, the Court: (1) rejected the settlement; (2) denied the motions of the manufacturers (including the Company) for summary judgment; (3) granted

the motions of the wholesalers for summary judgment; and (4) denied the motion to exclude purchases by other than direct purchasers. On August 15, 1997, the Court of Appeals (1) reversed the denial of summary judgment for the manufacturers excluding purchases by other than direct purchasers; (2) reversed the grant of summary judgment dismissing the wholesalers; and (3) took action regarding Alabama state cases, and DuPont-Merck. In May 1996, thirteen manufacturer defendants, including the Company, entered into an Amendment to the Settlement Agreement which was filed with the Court on May 6, 1996. The Company's financial obligations under the Settlement Agreement were not increased. The Settlement Agreement, as amended, received final approval on June 21, 1996. Appeals from this decision were dismissed by the U.S. Court of Appeals for the Seventh Circuit in May 1997. Trial began in September 1998 for the class case against the non-settlers, and the District Court also permitted the opt-out plaintiffs to add the wholesalers as named defendants in their cases. The District Court dismissed the case at the close of the plaintiffs' evidence. The plaintiffs have appealed.

Retail pharmacy cases have also been filed in state courts in Alabama, California, Minnesota, Mississippi and Wisconsin. Pharmacy classes have been certified in California. The Company's motion to dismiss was granted in the Wisconsin case, and that dismissal is under appeal.

Consumer class actions have been filed in Alabama, Arizona, California, the District of Columbia, Florida, Kansas, Maine, Michigan, Minnesota, New York, North Carolina, Tennessee, Washington and Wisconsin alleging injury to consumers from the failure to give discounts to retail pharmacy companies. The New York and Washington state cases were dismissed, and an appeal is pending in New York. A case filed in Colorado state court was dismissed without appeal. A consumer class has been certified in California, and a limited consumer class has been certified in the District of Columbia. Class certification was denied in the Michigan state case, and plaintiffs' subsequent petition for review was denied. Class certification also was denied in the Maine case.

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

The Company believes that these brand-name prescription drug antitrust cases, which generally seek damages and certain injunctive relief, are without merit.

The Federal Trade Commission is conducting an investigation focusing on the pricing practices at issue in the above pharmacy antitrust litigation. In July

1996, the Commission issued a subpoena for documents to the Company, among others, to which the Company has responded. A second subpoena was issued to the Company for documents in May 1997 and the Company has responded. This investigation continues.

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

On January 15, 1997, an action was filed in Circuit Court, Chambers County, Alabama, purportedly on behalf of a class of consumers, variously defined by the laws or types of laws governing their rights and encompassing residents of up to 47 states. The complaint alleges that the Company's claims for Plax were untrue, entitling them to a refund of their purchase price for purchases since 1988. A hearing on Plaintiffs' motion to certify the class was held on June 2, 1998. We are awaiting the Court's decision. The Company believes the complaint is without merit.

The Federal Trade Commission conducted an investigation of the advertising of Rid, which was resolved by a Consent Decree made final in December, 1998. At the same time, the New York State Attorney General's office is investigating the same or similar matters.

Since December 1998, three actions have been filed, in state courts in Houston, San Francisco, and Chicago, purportedly on behalf of statewide (California) or nationwide (Houston) classes of consumers who allege that the Company's and other manufacturers' advertising and promotional claims for Rid and other pediculicides were untrue, entitling them to refunds, other damages and/or injunctive relief. The Houston case has been removed to federal court; no proceedings have yet occurred in the other cases. The Company believes the complaints are without merit.

In April 1996, the Company received a Warning Letter from the FDA relating to the timeliness and completeness of required post-marketing reports for pharmaceutical products. The letter did not raise any safety issue about Pfizer drugs. The Company has been implementing remedial actions designed to remedy the issues raised in the letter. During 1997, the Company met with the FDA to apprise them of the scope and status of these activities. A full examination of the progress made by the Company in this area will occur in 1999.

During 1998, the Company completed the sale of all of the businesses and companies that were part of the Medical Technology Group. As part of the sale provisions, the Company has retained responsibility for certain items, including matters related to the sale of MTG products sold by the Company before the sale of the MTG businesses. A number of cases have been brought against Howmedica Inc. (some of which also name the Company) alleging that P.C.A. one-piece acetabular hip prostheses sold from 1983 through 1990 were defectively designed and manufactured and pose undisclosed risks to implantees. The Company believes that most if not all of these cases are without merit. Between 1994 and 1996, seven class actions alleging various injuries arising from implantable penile prostheses manufactured by American Medical Systems were filed and ultimately dismissed or discontinued. Thereafter, between late 1996 and early 1998, approximately 700 former members of one or more of the purported classes, represented by some of the same lawyers who filed the class actions, filed individual suits in Circuit Court in Minneapolis alleging damages from their use of implantable penile prostheses. The Company believes that most if not all of these cases are without merit.

In June 1993, the Ministry of Justice of the State of Sao Paulo, Brazil, commenced a civil public action against the Company's Brazilian subsidiary, Laboratorios Pfizer Ltda. ("Pfizer Brazil") asserting that during a period in 1991, Pfizer Brazil withheld sale of the pharmaceutical product Diabinese in violation of antitrust and consumer protection laws. The action seeks the award of moral, economic and personal damages to individuals and the payment to a public reserve fund. On February 8, 1996, the trial court issued a decision

holding Pfizer Brazil liable. The award of damages to individuals and the payment into the public reserve fund will be determined in a subsequent phase of the proceedings. The trial court's opinion sets out a formula for calculating the payment into the public reserve fund which could result in a sum of approximately $88 million. The total amount of damages payable to eligible individuals under the decision would depend on the number of persons eventually making claims. Pfizer Brazil is appealing this decision. The Company believes that this action is without merit and should not have a material adverse effect on the financial position or the results of operations of the Company.

Pfizer Inc and Subsidiary Companies

18 SEGMENT INFORMATION AND GEOGRAPHIC DATA
As a result of adopting SFAS No. 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION, we split the previously reported Health Care unit into two segments, pharmaceutical and MTG and combined consumer health care with pharmaceutical. We operate in the following two business segments:

- pharmaceutical--including treatments for heart diseases, infectious diseases, central nervous system disorders, diabetes, arthritis, erectile dysfunction and allergies, as well as self-medications
- animal health--products for food animals and companion animals, including antibiotics and feed supplements, vaccines and other veterinary items

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

We sell our products primarily to customers in the wholesale sector. In 1998, sales to our three largest wholesalers accounted for 14%, 12% and 10% of total revenues. These sales were concentrated in the pharmaceutical segment.

Revenues were in excess of $100 million in each of 12 countries outside the U.S. in 1998. The U.S. was the only country to contribute more than 10% to total revenues. The following tables present segment and geographic information:

SEGMENT INFORMATION

(millions of dollars)		Pharmaceutical	Animal Health	Corporate/ Other	Consolidated
Total revenues	1998	$12,230	$1,314	$ --	$13,544
	1997	9,726	1,329	--	11,055
	1996	8,642	1,222	--	9,864
Segment profit	1998	3,575	(77)	(904)(1)	2,594(2)
	1997	3,129	112	(374)(1)	2,867(2)
	1996	2,833	101	(406)(1)	2,528(2)
Identifiable assets(3)	1998	7,556	2,108	8,638	18,302
	1997	6,182	2,196	6,613(4)	14,991
	1996	5,552	2,243	6,456(4)	14,251
Property, plant and equipment additions(3)	1998	991	97	110	1,198
	1997	687	69	122	878
	1996	532	87	71	690
Depreciation and amortization(3)	1998	386	82	21	489
	1997	337	75	16	428
	1996	263	82	14	359

GEOGRAPHIC DATA

(millions of dollars)		United States(5)	Japan	All Other Countries	Consolidated
Total revenues	1998	$8,205	$943	$4,396	$13,544
	1997	6,089	949	4,017	11,055
	1996	5,193	922	3,749	9,864
Long-lived assets	1998	2,905	369	2,499	5,773
	1997	2,910	283	2,155	5,348
	1996	2,500	247	2,292	5,039

(1) Includes interest income/(expense) and corporate expenses. Also includes other income/(expense) of the financial subsidiaries (see note 3, "financial subsidiaries").
(2) Consolidated total equals income from continuing operations before

provision for taxes on income and minority interests.
(3) Certain production facilities are shared by various segments. Property, plant and equipment, as well as capital additions and depreciation, are allocated based on physical production. Corporate assets are primarily cash, short-term investments and long-term loans and investments.
(4) Includes net assets of discontinued operations.
(5) Includes operations in Puerto Rico.

Pfizer Inc and Subsidiary Companies

QUARTERLY CONSOLIDATED FINANCIAL DATA (UNAUDITED)

<TABLE>
<CAPTION>

(millions of dollars, except per share data)	Quarter First	Second	Third	Fourth	Year
<S>	<C>	<C>	<C>	<C>	<C>
1998					
Net sales	$ 2,886	$ 3,114	$ 3,110	$ 3,567	$ 12,677
Alliance revenue	150	198	220	299	867
Total revenues	3,036	3,312	3,330	3,866	13,544
Costs and expenses	2,294	2,468	2,628	3,560	10,950
Income from continuing operations before provision for taxes on income and minority interests	742	844	702	306	2,594
Provision for taxes on income	206	249	186	1	642
Minority interests	1	1	1	(1)	2
Income from continuing operations	535	594	515	306	1,950
Discontinued operations-- net of tax	157	34	882	328	1,401
Net income	$ 692	$ 628	$ 1,397	$ 634	$ 3,351
Earnings per common share-- basic					
Income from continuing operations	$ .42	$ .48	$ .40	$ .24	$ 1.54
Discontinued operations-- net of tax	.13	.02	.70	.26	1.11
Net income	$ .55	$ .50	$ 1.10	$ .50	$ 2.65
Earnings per common share -- diluted					
Income from continuing operations	$ .41	$ .45	$ .39	$ .23	$ 1.48
Discontinued operations-- net of tax	.12	.02	.67	.26	1.07
Net income	$ .53	$ .47	$ 1.06	$ .49	$ 2.55
Cash dividends paid per common share	$ .19	$ .19	$ .19	$ .19	$ .76
Stock prices*					
High	$ 97-1/2	$121-3/4	$120-5/8	$128-15/16	$128-15/16
Low	$ 71-1/16	$ 96-3/8	$ 92	$ 86	$ 71-1/16
1997					
Net sales	$ 2,686	$ 2,492	$ 2,652	$ 2,909	$ 10,739
Alliance revenue	(1)	59	95	163	316
Total revenues	2,685	2,551	2,747	3,072	11,055
Costs and expenses	1,868	1,973	1,968	2,379	8,188
Income from continuing operations before provision for taxes on income and minority interests	817	578	779	693	2,867
Provision for taxes on income	241	152	194	188	775
Minority interests	1	4	3	2	10
Income from continuing operations	575	422	582	503	2,082
Discontinued operations-- net of tax	27	35	14	55	131
Net income	$ 602	$ 457	$ 596	$ 558	$ 2,213
Earnings per common share-- basic					
Income from continuing operations	$ .46	$ .33	$ .47	$ .40	$ 1.66
Discontinued operations-- net of tax	.02	.03	.01	.04	.10

Net income	$ .48	$ .36	$ .48	$ .44	$ 1.76
Earnings per common share -- diluted					
Income from continuing operations	$ .44	$ .32	$ .45	$ .39	$ 1.60
Discontinued operations-- net of tax	.02	.03	.01	.04	.10
Net income	$ .46	$ .35	$ .46	$ .43	$ 1.70
Cash dividends paid per common share	$ .17	$ .17	$ .17	$ .17	$ .68
Stock prices*					
High	$ 49-1/2	$61-9/16	$ 64-3/4	$ 80	$ 80
Low	$ 40-5/16	$41-1/2	$ 51-1/16	$ 59-7/16	$ 40-5/16

* As reported in the Wall Street Journal. As of January 29, 1999, there were 105,760 record holders of our common stock (SYMBOL PFE).

Pfizer Inc and Subsidiary Companies

FINANCIAL SUMMARY

(millions, except per share data)	Year Ended December 31 1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Net sales	$12,677	10,739	9,864	8,684	6,825	6,080	5,816	5,352	4,757	4,220	3,960
Alliance revenue	867	316	--	--	--	--	--	--	--	--	--
Total revenues	13,544	11,055	9,864	8,684	6,825	6,080	5,816	5,352	4,757	4,220	3,960
Research and development	2,279	1,805	1,567	1,340	1,036	880	776	654	545	449	401
Other costs and expenses	8,671	6,383	5,769	5,327	4,212	3,822	3,829	3,675	3,288	3,045	2,692
Divestitures, restructuring and unusual items-- net(1)	--	--	--	--	--	741	(141)	300	--	--	--
Income from continuing operations before taxes and minority interests	2,594	2,867	2,528	2,017	1,577	637	1,352	723	924	726	867
Provision for taxes on income	642	775	758	609	445	106	368	141	235	171	228
Income from continuing operations before cumulative effect of accounting changes	$ 1,950	2,082	1,764	1,401	1,127	529	981	579	684	551	636
Discontinued operations-- net of tax	1,401	131	165	172	171	129	113	143	117	130	155
Cumulative effect of accounting changes	--	--	--	--	--	--	(283)(2)	--	--	--	--
Net income	$ 3,351	2,213	1,929	1,573	1,298	658	811	722	801	681	791
Effective tax rate-- continuing operations	24.8%	27.0%	30.0%	30.2%	28.2%	16.6%	27.2%	19.5%	25.4%	23.6%	26.3%
Depreciation	$ 420	363	309	277	236	206	209	183	167	160	158
Property, plant and equipment additions	1,198	878	690	635	620	575	592	505	466	388	292
Cash dividends paid	976	881	771	659	594	536	487	437	397	364	330
As of December 31											
Working capital(3)	$ 2,739	2,448	1,914	1,787	1,582	1,875	2,749	1,978	1,920	2,026	2,111
Property, plant and equipment-- net	4,415	3,793	3,456	3,113	2,747	2,320	1,994	2,061	1,808	1,565	1,482
Total assets(3)	18,302	14,991	14,251	12,339	10,797	8,986	9,346	9,387	8,782	8,099	7,347
Long-term debt	527	725	681	828	604	571	571	393	189	181	213
Long-term capital(4)	9,551	8,819	7,907	6,518	5,150	4,643	5,453	5,725	5,643	5,034	4,834
Shareholders' equity	8,810	7,933	6,954	5,506	4,324	3,866	4,719	5,026	5,092	4,536	4,301
Per common share data:											
Basic:											
Income from continuing operation before effect of accounting changes	$ 1.54	1.66	1.41	1.14	.92	.42	.75	.44	.52	.42	.48
Discontinued operations-- net of tax	1.11	.10	.14	.14	.14	.10	(.13)	.11	.09	.09	.12
Net income	$ 2.65	1.76	1.55	1.28	1.06	.52	.62	.55	.61	.51	.60

Diluted:											
Income from continuing operations before effect of accounting changes	$ 1.48	1.60	1.37	1.11	.91	.41	.73	.43	.51	.41	.47
Discontinued operations--net of tax	1.07	.10	.13	.14	.13	.10	(.13)	.10	.09	.09	.12
Net income	$ 2.55	1.70	1.50	1.25	1.04	.51	.60	.53	.60	.50	.59
Market value (December 31)	$125.00	74.56	41.50	31.50	19.31	17.25	18.13	21.00	10.10	8.69	7.25
Return on shareholders' equity	40.0%	29.7%	31.0%	32.0%	31.7%	15.3%	16.6%	14.3%	16.6%	15.4%	19.3%
Cash dividends paid per share	$ .76	.68	.60	.52	.47	.42	.37	.33	.30	.28	.25
Shareholders' equity per share	$ 7.00	6.30	5.54	4.45	3.55	3.11	3.63	3.82	3.86	3.43	3.25
Current ratio	1.38:1	1.49:1	1.36:1	1.37:1	1.35:1	1.60:1	1.92:1	1.62:1	1.67:1	1.75:1	2.01:1
Weighted average shares used to calculate:											
Basic earnings per share amounts	1,263	1,257	1,248	1,229	1,223	1,262	1,316	1,321	1,322	1,324	1,321
Diluted earnings per share amounts	1,315	1,303	1,288	1,259	1,243	1,282	1,346	1,357	1,349	1,358	1,355
Employees of continuing operations (thousands)	46	41	39	37	34	33	33	35	33	33	32
Total revenues per employee (thousands)	$ 292	269	256	238	202	184	177	154	145	129	124

</TABLE>

All financial information reflects the divestiture of our MTG businesses completed in 1998 and the 1996 divestiture of our food science business as discontinued operations.

We have restated all common share and per share data for the 1997, 1995 and 1991 stock splits.

(1) Divestitures, restructuring and unusual items -- net include the following:
1993 -- Pre-tax charges of approximately $745 million and $56 million to cover worldwide restructuring programs, as well as unusual items and a gain of approximately $60 million realized on the sale of our remaining interest in Minerals Technologies Inc.

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

1991-- A pre-tax charge of $300 million for potential future Shiley C/C heart valve fracture claims.

(2) Accounting changes adopted January 1, 1992: SFAS No. 106 -- $313 million or $.23 per share; SFAS No. 109 -- credit of $30 million or $.02 per share.

(3) Includes net assets of discontinued operations of our MTG businesses.

(4) Defined as long-term debt, deferred taxes on income, minority interests and shareholders' equity.

EXHIBIT 21

SUBSIDIARIES OF THE COMPANY

The following is a list of subsidiaries of the Company as of December 31, 1998, omitting some subsidiaries which, considered in the aggregate, would not constitute a significant subsidiary.

<TABLE>
<CAPTION>

NAME	WHERE INCORPORATED
<S>	<C>
A S Ruffel (Mozambique) Limitada	Mozambique
A S Ruffel (Private) Ltd	Zimbabwe
A/O Pfizer	Russia
AMS Medical Systems AG	Switzerland
Adforce Inc	New York
Anaderm Research Corp	Delaware
Bioindustria Farmaceutici S.p.A	Italy
Biomedical Sensors (Holdings) Limited	United Kingdom
Blue Cross S.r.l	Italy
C.P. Pharmaceuticals International C.V	Netherlands
Charwell Pharmaceuticals Limited	United Kingdom
Community Care Health Solutions Inc	Delaware
Compania Distribuidora Del Centro, S.A. de C.V	Mexico
Duchem Laboratories Limited	India
Farkemo S.r.l	Italy
Farminova, Produtos Farmaceuticos de Inovacao, Lda	Portugal
HII Holding, LLC	Delaware
Harmag, Inc	Panama
Health Care Ventures, Inc	Delaware
Healthcare Market Research	New York
Heinrich Mack Nachf G.m.b.H. & Co	Germany
Howmedica France S.C.A	France
Howmedica Handelsgesellschaft G.m.b.H	Austria
Invicta Farma, S.A	Spain
Irkafarm S.r.l	Italy
Laboratoire Beral, S.A	France
Laboratoires Pfizer S.A	Morocco
Laboratorios Pfizer Lda	Portugal
Laboratorios Pfizer Ltda	Brazil
Laboratorios Pfizer de Venezuela, S.A	Venezuela
Leema Chemicals & Cosmetics Pvt. Ltd	India
MED Urological, Inc	Minnesota
MTG Divestitures Limited	United Kingdom
MTG Divestitures Inc	Delaware
MTG Divestitures Pty. Ltd	Australia
Measureaim	United Kingdom
Nefox Farma, S.A	Spain

</TABLE>

<TABLE>
<CAPTION>

NAME	WHERE INCORPORATED

<S>	<C>
Nostrum Farma, S.A.	Spain
Orsim, S.A.	France
PFIZER, S.A., S. en C.	Spain
PQI Inc.	Canada
PT. Pfizer Indonesia.	Indonesia
Pfizer (Ireland) Limited.	Ireland
Pfizer (Malaysia) Sendirian Berhad.	Malaysia
Pfizer (Namibia) (Proprietary) Limited.	Namibia
Pfizer A.B.	Sweden
Pfizer A.G.	Switzerland
Pfizer A/S.	Denmark
Pfizer A/S.	Norway
Pfizer Agricare Pty. Ltd.	Australia
Pfizer Algerie Sante et Nutrition Animale s.p.a.	Algeria
Pfizer Animal Health B.V.	Netherlands
Pfizer Animal Health Korea Ltd.	South Korea
Pfizer Animal Health S.A.	Belgium
Pfizer B.V.	Netherlands
Pfizer Beteiligungs G.m.b.H.	Germany
Pfizer Bioquimicos S.A.	Venezuela
Pfizer C.A.	Ecuador
Pfizer Canada Inc.	Canada
Pfizer Chemical Corp. Ltd.	Isle of Man
Pfizer Commercial Holdings Limited.	Isle of Man
Pfizer Continental Holdings.	Ireland
Pfizer Corporation.	Panama
Pfizer Corporation Austria G.m.b.H.	Austria
Pfizer Egypt S.A.E.	Egypt
Pfizer Enterprises Inc.	Delaware
Pfizer European Service Center N.V.	Belgium
Pfizer G.m.b.H.	Germany
Pfizer Global Holdings B.V.	Netherlands
Pfizer Group Limited.	United Kingdom
Pfizer H.C.P. Corporation.	New York
Pfizer Health Solutions Inc.	Delaware
Pfizer Hellas, A.E.	Greece
Pfizer Holdings France.	France
Pfizer Holding Mexico, S. de R.L. de C.V.	Mexico
Pfizer Holding und Verwaltungs G.m.b.H.	Germany
Pfizer Holdings B.V.	Netherlands
Pfizer Holdings Europe.	Ireland
Pfizer Holdings Ireland.	Ireland
Pfizer Ilaclari A.S.	Turkey
Pfizer International Bank Europe.	Ireland
Pfizer International Corporation.	Panama
Pfizer International Holdings Limited.	Ireland
Pfizer International Inc.	New York
Pfizer Italiana S.p.A.	Italy
Pfizer Laboratories (Proprietary) Limited.	South Africa
Pfizer Laboratories Korea Limited.	South Korea

</TABLE>

<TABLE>
<CAPTION>

NAME	WHERE INCORPORATED
<S>	<C>

Pfizer Laboratories Limited.....Kenya
Pfizer Laboratories Limited.....New Zealand
Pfizer Laboratories Limited.....Pakistan
Pfizer Limitada.....Angola
Pfizer Limited.....Ghana
Pfizer Limited.....India
Pfizer Limited Korea.....South Korea
Pfizer Limited.....Tanzania
Pfizer Limited.....Thailand
Pfizer Limited.....Uganda
Pfizer Limited.....United Kingdom
Pfizer Ltd.....Taiwan
Pfizer Manufacturing Ireland.....Ireland
Pfizer Manufacturing LLC.....Delaware
Pfizer Med-Inform Beratungs G.m.b.H.....Austria
Pfizer Medical Systems, Inc.....Delaware
Pfizer Medical Technology Group (Belgium) N.V.....Belgium
Pfizer Medical Technology Group (Netherlands) BV.....Netherlands
Pfizer Medical Technology Group Aktiebolag.....Sweden
Pfizer Medical Technology Group Limited.....United Kingdom
Pfizer Medical Technology Group Pension Trustees Limited.....United Kingdom
Pfizer Netherlands L.P.....New York
Pfizer Overseas, Inc.....Delaware
Pfizer Oy.....Finland
Pfizer Pension Trustees (Ireland) Limited.....Ireland
Pfizer Pension Trustees Ltd.....United Kingdom
Pfizer Pharm Algerie SPA.....Algeria
Pfizer Pharmaceutical Trading Limited Liability Company.....Hungary
Pfizer Pharmaceuticals B.V.....Netherlands
Pfizer Pharmaceuticals Inc.
[a/k/a Pfizer Seiyaku Kabushiki Kaisha (PSK)].....Japan
Pfizer Pharmaceuticals Korea Limited.....South Korea
Pfizer Pharmaceuticals Ltd.....People's Republic of China
Pfizer Pharmaceuticals Production Corporation.....Panama
Pfizer Pharmaceuticals Production Corporation (Partnership).....Ireland
Pfizer Pharmaceuticals Production Corporation Limited.....Isle of Man
Pfizer Pharmaceuticals, Inc.....Delaware
Pfizer Pharmaceutics Israel Ltd.....Israel
Pfizer Pigments Inc.....Delaware
Pfizer Polska Sp. z.o.o.....Poland
Pfizer Private Limited.....Singapore
Pfizer Production LLC.....Delaware
Pfizer Products Inc.....Connecticut
Pfizer Pty. Ltd.....Australia
Pfizer Research and Development Company N.V./S.A.....Belgium
Pfizer Ringaskiddy Production Company.....Isle of Man
Pfizer S.A.....Peru
Pfizer S.A.....Belgium
Pfizer S.A.....Colombia
Pfizer S.A.....Costa Rica
Pfizer S.A.....France
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NAME	WHERE INCORPORATED
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Pfizer S.A.	Venezuela
Pfizer S.G.P.S. Lda.	Portugal

Pfizer S.R.L.....Argentina
Pfizer Saidal Manufacturing.....Algeria
Pfizer Service Company Ireland.....Ireland
Pfizer Servicios de Mexico, S.A. de C.V.....Mexico
Pfizer Shoji Co., Ltd.....Japan
Pfizer Specialties Limited.....Nigeria
Pfizer Technologies Ltd.....United Kingdom
Pfizer Trading Corp.....Taiwan
Pfizer Tunisie.....Tunisia
Pfizer Zona Franca S.A.....Costa Rica
Pfizer s.r.o.....Czech Republic
Pfizer, Inc.....Philippines
Pfizer, S.A. [a/k/a Pfizer Pharmaceutical].....Spain
Pfizer, S.A. de C.V.....Mexico
Programmable Pump Technologies, Inc.....Delaware
Quigley Company Inc.....New York
Radiologic Sciences, Inc.....California
Restiva S.r.l.....Italy
Roerig A.B.....Sweden
Roerig B.V.....Netherlands
Roerig Farmaceutici Italiana S.p.A.....Italy
Roerig S.A.....Chile
Roerig, Produtos Farmaceuticos, Lda.....Portugal
S.D. Investments Pty. Ltd.....Australia
Shiley Incorporated.....California
Shiley International.....California
Shiley Ltd.....United Kingdom
Site Realty, Inc.....Delaware
SmithKline Animal Health (Proprietary) Limited.....South Africa
SmithKline Animal Health (SWA) (Pty) Ltd.....Namibia
SmithKline Beecham Animal Health (Singapore) Private Limited.....Singapore
SmithKline Beecham Animal Health (Taiwan) Limited.....Taiwan
Taylor Kosmetik G.m.b.H.....Germany
The Kodiak Company Ltd.....Bermuda
Unicliffe Limited.....United Kingdom
VMI Acquisition Corp.....California
Vinci Farma, S.A.....Spain

</TABLE>

EXHIBIT 23

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of Pfizer Inc.:

We consent to incorporation herein by reference of our report dated February 25, 1999 on the consolidated balance sheet of Pfizer Inc. and subsidiary companies as of December 31, 1998, 1997 and 1996 and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, as contained in the Pfizer Inc. 1998 Annual Report to Shareholders. These consolidated financial statements and our report thereon are incorporated by reference in this Annual Report on Form 10-K for the year 1998.

We also consent to incorporation by reference of our report in the following Registration Statements:

- Form S-15 dated December 13, 1982 (File No. 2-80884),
- Form S-8 dated October 27, 1983 (File No. 2-87473),
- Form S-8 dated March 22, 1990 (File No. 33-34139),
- Form S-8 dated January 24, 1991 (File No. 33-38708),
- Form S-8 dated November 18, 1991 (File No. 33-44053),
- Form S-3 dated May 27, 1993 (File No. 33-49629),
- Form S-8 dated May 27, 1993 (File No. 33-49631),
- Form S-8 dated May 19, 1994, (File No. 33-53713),
- Form S-8 dated October 5, 1994 (File No. 33-55771),
- Form S-3 dated November 14, 1994 (File No. 33-56435),
- Form S-8 dated December 20, 1994 (File No. 33-56979),
- Form S-4 dated February 14, 1995 (File No. 33-57709),
- Form S-8 dated March 29, 1996 (File No. 33-02061),
- Form S-8 dated September 25, 1997 (File No. 333-36371), and
- Form S-8 dated April 23, 1998 (File No. 333-50899).

s/ KPMG L.L.P.

New York, New York

March 25, 1999

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM PFIZER INC. AND SUBSIDIARY COMPANIES CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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<NAME> Pfizer
<MULTIPLIER> 1,000,000

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THIS RESTATED SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM PFIZER INC. AND SUBSIDIARY COMPANIES CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED DECEMBER 31, 1997 RESTATED TO REFLECT THE RESULTS OF OPERATIONS AND NET ASSETS OF THE MTG BUSINESSES - VALLEYLAB, SCHNEIDER, AMERICAN MEDICAL SYSTEMS, HOWMEDICA AND STRATO/INFUSAID - AS DISCONTINUED OPERATIONS. THIS RESTATED SCHEDULE IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS RESTATED AS DESCRIBED ABOVE.
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<EPS-DILUTED> 1.70
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The information reported above under "EPS-PRIMARY" represents basic earnings per share for the year ended December 31, 1997.
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THIS RESTATED SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM PFIZER INC. AND SUBSIDIARY COMPANIES CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED DECEMBER 31, 1996 RESTATED TO REFLECT THE RESULTS OF OPERATIONS AND NET ASSETS OF THE MTG BUSINESSES - VALLEYLAB, SCHNEIDER, AMERICAN MEDICAL SYSTEMS, HOWMEDICA AND STRATO/INFUSAID - AS DISCONTINUED OPERATIONS. THIS RESTATED SCHEDULE IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS RESTATED AS DESCRIBED ABOVE.
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<EPS-DILUTED> 1.50
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The information reported above under "EPS-PRIMARY" represents basic earnings per share for the year ended December 31, 1996.
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