Product Liability Litigation

Diet Drug Litigation

The Company has been named as a defendant in numerous legal actions relating to the diet drugs Pondimin (which in combination with phentermine, a product that was not manufactured, distributed or sold by the Company, was commonly referred to as “fen-phen”) or Redux, which the Company estimated were used in the United States, prior to their 1997 voluntary market withdrawal, by approximately 5.8 million people. These actions allege, among other things, that the use of Redux and/or Pondimin, independently or in combination with phentermine, caused certain serious conditions, including valvular heart disease and primary pulmonary hypertension (PPH).

On October 7, 1999, the Company announced a nationwide class action settlement (the settlement) to resolve litigation brought against the Company regarding the use of the diet drugs Redux or Pondimin. The settlement covered all claims arising out of the use of Redux or Pondimin, except for PPH claims, and was open to all Redux or Pondimin users in the United States. As originally designed, the settlement was comprised of two settlement funds to be administered by an independent Settlement Trust (the Trust). Fund A (with a value at the time of settlement of $1,000.0 million plus $200.0 million for legal fees) was created to cover refunds, medical screening costs, additional medical services and cash payments, education and research costs, and administration costs. Fund A was fully funded by contributions by the Company. Fund B (which was to be funded by the Company on an as-needed basis up to a total of $2,550.0 million, plus interest) would compensate claimants with significant heart valve disease. Any funds remaining in Fund A after all Fund A obligations were met were to be added to Fund B to be available to pay Fund B injury claims. In December 2002, following a joint motion by the Company and plaintiffs’ counsel, the Court approved an amendment to the settlement agreement, which provided for the merger of Funds A and B into a combined Settlement Fund, to cover all expenses and injury claims in connection with the settlement. The merger of the two funds took place in January 2003. Pursuant to the Seventh Amendment to the settlement agreement, which was approved in 2005 and became effective on May 16, 2006, the Company has committed an additional $1,275.0 million to fund a new claims processing structure and a new payment schedule for claims for compensation based on Levels I and II, the two lowest levels of the five-level settlement matrix. Payments in connection with the nationwide settlement were $822.7 million in 2002. There were no payments made in 2003. Payments in connection with the nationwide settlement were $26.4 million in 2004, $307.5 million in 2005, $856.0 million in 2006 (including payments made in 2006 in connection with the Seventh Amendment) and $99.1 million in 2007. Payments under the nationwide settlement may continue, if necessary, until 2018.

On January 18, 2002, as collateral for the Company’s financial obligations under the settlement, the Company established a security fund in the amount of $370.0 million. In April 2002, pursuant to an agreement among the Company, class counsel and representatives of the Settlement Trust, an additional $45.0 million (later reduced to $35.0 million) was added to the security fund. In February 2003, as required by an amendment to the settlement agreement, an additional $35.2 million was added by the Company to the security fund, bringing the total amount in the security fund to $940.2 million, which is included in Other assets including deferred taxes, at December 31, 2007. The amounts in the security fund are owned by the Company and will earn interest income for the Company while residing in the security fund. The Company will be required to deposit an additional $180.0 million in the security fund if the Company’s credit rating, as reported by both Moody’s and S&P, falls below investment grade. In addition, on March 29, 2005, as collateral for the Company’s financial obligations under the Seventh Amendment, the Company established a security fund in the amount of $1,250.0 million. The amounts in the Seventh Amendment security fund are owned by the Company and will earn interest income for the Company while residing in the Seventh Amendment security fund. The $856.0 million in payments during 2006 in connection with the nationwide settlement included a $400.0 million payment that was made toward the Seventh Amendment and was paid from the Seventh Amendment security fund. As of December 31, 2007, $590.5 million of the Seventh Amendment security fund was included in Other current assets including deferred taxes, and $255.0 million was included in Other assets including deferred taxes.

The nationwide settlement agreement gave class members the right to opt out of the settlement after receiving certain initial settlement benefits if they met certain medical criteria. Approximately 63,000 class members who chose to leave the nationwide settlement subsequently filed lawsuits against the Company. As of December 31, 2007, the Company had settled approximately 99% of these claims.

In litigation involving the claims of class members who opted out of the nationwide class action settlement, a jury hearing the case of Cavender v. American Home Products Corporation, et al., No. 4:02CV1830 ERW (U.S.D.C., E.D. Mo.), in which the plaintiff alleged that she developed valvular regurgitation as a result of her use of Pondimin, found in favor of the plaintiff on June 20, 2007 and awarded $75,000 in damages. On July 20, 2007, a jury hearing the case of Dean v. American Home Products Corporation, et al., No. 4:02CV1833 ERW (U.S.D.C., E.D. Mo.), in which the plaintiff also alleged that she developed valvular regurgitation as a result of her use of Pondimin, found in favor of the Company. The Company subsequently entered into an agreement with the law firm that represented the plaintiffs in Cavender and Dean to settle the claims of that firm’s diet drug plaintiffs; as a result, the cases were dismissed prior to any ruling on post-trial motions.

On April 27, 2004, a jury in Beaumont, Texas, hearing the case of Coffey, et al. v. Wyeth, et al., No. E-167,334, 172nd Judicial District Court, Jefferson County, Texas, returned a verdict in favor of the plaintiffs for $113.4 million in compensatory damages and $900.0 million in punitive damages for the wrongful death of the plaintiffs’
decedent (Cappel), allegedly as a result of PPH caused by her use of Pondimin. On May 17, 2004, the trial court entered judgment on behalf of the plaintiffs for the full amount of the jury’s verdict, as well as $4.2 million in pre-judgment interest and $188,737 in guardian ad litem fees. The Company filed an appeal from the judgment entered by the trial court and believed that it would have had strong arguments for reversal or reduction of the awards on appeal due to the significant number of legal errors made during trial and in the charge to the jury and due to a lack of evidence to support aspects of the verdict. On April 20, 2007, the Coffey/Cappel case was dismissed following an agreement reached by the Company with the law firm representing the Coffey/Cappel plaintiffs to settle the claims of that firm’s diet drug clients.

As of December 31, 2007, the Company was a defendant in approximately 55 pending lawsuits in which the plaintiff alleges a claim of PPH, alone or with other alleged injuries. During the course of settlement discussions, certain plaintiffs’ attorneys have informed the Company that they represent additional individuals who claim to have PPH, but the Company is unable to evaluate whether any such additional purported cases of PPH would meet the national settlement agreement’s definition of PPH. The Company continues to work toward resolving the claims of individuals who allege that they have developed PPH as a result of their use of the diet drugs and intends to vigorously defend those PPH cases that cannot be resolved prior to trial.

The Company has recorded pre-tax charges in connection with the Redux and Pondimin diet drug matters, which, as of December 31, 2007 totaled $21,100.0 million. Payments to the nationwide class action settlement funds, individual settlement payments, legal fees and other items were $481.6 million, $2,972.7 million and $1,453.7 million for 2007, 2006 and 2005, respectively.

The remaining diet drug litigation accrual is classified as follows at December 31:

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued expenses</td>
<td>$1,458,309</td>
<td>$2,089,890</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>800,000</td>
<td>650,000</td>
</tr>
<tr>
<td>Total litigation accrual</td>
<td>$2,258,309</td>
<td>$2,739,890</td>
</tr>
</tbody>
</table>

The $2,258.3 million reserve at December 31, 2007 represents management’s best estimate, within a range of outcomes, of the aggregate amount required to cover diet drug litigation costs, including payments in connection with the nationwide settlement, opt outs from the nationwide settlement and PPH claims, and including the Company’s legal fees related to the diet drug litigation. It is possible that additional reserves may be required in the future, although the Company does not believe that the amount of any such additional reserves is likely to be material.

**Hormone Therapy Litigation**

The Company is a defendant in numerous lawsuits alleging injury as a result of the plaintiffs’ use of one or more of the Company’s hormone or estrogen therapy products, including Prempro and Premarin. As of December 31, 2007, the Company was defending approximately 5,400 actions brought on behalf of approximately 7,900 women in various federal and state courts throughout the United States (including in particular the United States District Court for the Eastern District of Arkansas and the Pennsylvania Court of Common Pleas, Philadelphia County) for personal injuries, including claims for breast cancer, stroke, ovarian cancer and heart disease, allegedly resulting from their use of Prempro or Premarin. These cases were filed following the July 2002 stoppage of the hormone therapy subset of the Women’s Health Initiative (WHI) study.

In addition to the individual lawsuits described above, numerous putative class actions have been filed on behalf of current or former Prempro or Premarin users in federal and state courts throughout the United States and in Canada. Plaintiffs in these cases generally allege personal injury resulting from their use of Prempro or Premarin and are seeking medical monitoring relief and purchase price refunds as well as other damages. The Company opposes class certification. Many of these plaintiffs have withdrawn or dismissed their class allegations. Only four putative class actions remain pending.

On February 1, 2005, the Florida Circuit Court certified a statewide medical monitoring class of asymptomatic Prempro users who have used the product for longer than six months (Gottlieb, et al. v. Wyeth, No. 02 18165CA 27, Cir. Ct., 11th Jud. Cir., Dade County, Florida). On appeal, the Third District Court of Appeal, by opinion dated February 15, 2006, reversed the certification of the class. Plaintiffs’ appeal to the Florida Supreme Court seeking discretionary review was denied in January 2007.

The federal Judicial Panel on Multi-District Litigation (MDL) has ordered that all federal Prempro cases be transferred for coordinated pretrial proceedings to the United States District Court for the Eastern District of Arkansas. Plaintiffs filed a Master Class Action Complaint in the MDL seeking damages for purchase price refunds and medical monitoring costs. The complaint sought to certify a 29-state consumer fraud subclass, a 29-state unfair competition subclass and a 24-state medical monitoring subclass of Prempro users. A class certification hearing was held June 1-3, 2005, and the District Court denied certification of all the proposed classes. No appeal was filed. Subsequently, however, class counsel in the MDL filed new motions for class certification, seeking certification of statewide refund classes for Prempro users in the states of California and West Virginia. Following briefing on the class certification motions, the MDL judge remanded the cases to federal courts in California and West Virginia for decision of the class certification issue. The West Virginia federal court case was subsequently dismissed. On February 19, 2008, prior to a hearing on the class certification motion in the California case, Krueger v. Wyeth, No. 03-cv-2496R, U.S.D.C., S.D. Cal., the court denied plaintiffs’ motion without prejudice. A West Virginia state court case seeking certification of a statewide purchase price refund class remains pending. In that case, Luikart v. Wyeth, et al., No. 04-C-127, Cir. Ct., Putnam County, W.V., a class certification hearing has been scheduled for November 21, 2008. A putative nationwide personal injury