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PHARMACIA CORP /DE/
Form 11-K
July 01, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 11-K

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the period from January 1, 2001 to December 31, 2001

OR

[] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-2516

A. Full title of the plan and the address of the plan, if
different from that of issuer named below:

PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and
the address of its principal executive office:

PHARMACIA CORPORATION
100 Route 206 North
Peapack, New Jersey 07977

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the
trustees (or other persons who administer the employee benefit plan) have duly
caused this annual report to be signed on its behalf by the undersigned hereunto
duly authorized.

PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

By: /s/ Peter J. McCauley

Peter J. McCauley
Director, Global Pension & Savings Plans
Secretary, Administrative Committee - U.S. Plans
Pharmacia Corporation

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June 28, 2002

CONSENT OF INDEPENDENT AUDITORS

PHARMACIA CORPORATION:

We consent to the incorporation by reference in Pharmacia Corporation's Registration Statement on Form S-8 (No. 333-91684) of our report dated June 28, 2001, appearing in this annual report on Form 11-K of the Pharmacia & Upjohn Employee Savings Plan as of December 31, 2001 and for the period from January 1, 2001 to December 31, 2001.

/s/ PricewaterhouseCoopers

PricewaterhouseCoopers

Florham Park, New Jersey
June 28, 2002

THE PHARMACIA & UPJOHN
EMPLOYEE SAVINGS PLAN

Financial Statements

December 31, 2001 and 2000

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN
Index to Financial Statements

December 31, 2001 and 2000

	Page

Report of Independent Accountants	1
Financial Statements:	
Statements of Net Assets Available for Plan Benefits as of December 31, 2001 and 2000	2
Statement of Changes in Net Assets Available for Plan Benefits for the year ended December 31, 2001	3
Notes to Financial Statements	4
Supplemental Schedules:	
Schedule H, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2001	17
Schedule H, line 4j--Schedule of Reportable Transactions for the Year Ended December 31, 2001	23

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Note: Supplemental schedules required by the Employee Retirement Income Security Act of 1974 that have not been included herein are not applicable to the Pharmacia & Upjohn Employee Savings Plan.

[Letterhead of PricewaterhouseCoopers]

Report of Independent Accountants

To the Participants and Administrator of
The Pharmacia & Upjohn Employee Savings Plan

In our opinion, the accompanying statements of net assets available for plan benefits and the related statement of changes in net assets available for plan benefits present fairly, in all material respects, the net assets available for benefits of The Pharmacia & Upjohn Employee Savings Plan (the "Plan") at December 31, 2001 and 2000, and the changes in net assets available for benefits for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of Assets Held for Investment Purposes at End of Year as of December 31, 2001 and Reportable Transactions for the year ended December 31, 2001 are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers

PricewaterhouseCoopers

June 21, 2002

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Statements of Net Assets Available for Plan Benefits

	December 31,	
	2001	2000

Assets:		
Investments, at fair value	\$1,326,957,418	\$1,683,304,487
Investments, at contract value	251,222,778	214,166,263
	-----	-----
Total investments	1,578,180,196	1,897,470,750
	-----	-----
Receivables:		
Company contributions, net of forfeitures	41,395,385	33,568,691
Participant contributions	1,435,819	3,296,318
Dividends and interest receivable	4,181,192	4,564,239
Other receivables	439,455	1,043,145
	-----	-----
Total receivables	47,451,851	42,472,393
	-----	-----
Total assets	1,625,632,047	1,939,943,143
	-----	-----
Liabilities:		
Notes payable	201,900,000	234,700,000
Interest payable	47,403,058	45,975,096
Other	510,769	622,757
	-----	-----
Total liabilities	249,813,827	281,297,853
	-----	-----
Net assets available for plan benefits	\$1,375,818,220	\$1,658,645,290
	=====	=====

See accompanying notes to the financial statements.

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN
Statement of Changes in Net Assets Available for Plan Benefits

	For the Year Ended December 31, 2001

Additions:	
Additions to net assets attributed to:	
Investment income (loss):	
Net depreciation in fair value of investments	\$ (361,449,203)
Interest	14,768,514
Dividends	25,189,646
Interest on participants' loans	3,067,565

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Total investment loss	(318,423,478)
Contributions:	
Participant	78,985,477
Rollovers	5,953,129
Company	41,896,121
Total additions (reductions)	(191,588,751)
Deductions:	
Deductions from net assets attributed to:	
Benefits paid to participants	70,686,328
Plan expenses	552,399
Interest on notes payable	19,999,592
Total deductions	91,238,319
Net decrease	(282,827,070)
Net assets available for plan benefits:	
Beginning of year	1,658,645,290
End of year	\$ 1,375,818,220

See accompanying notes to the financial statements.

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

1. Description of Plan

The following brief description of the Pharmacia & Upjohn Employee Savings Plan (the "Plan") is provided only for general information. Participants should refer to the Plan Document for a more complete description of the Plan's provisions.

General

Pharmacia & Upjohn Company (the "Company") is the sponsor of the Plan. The Plan is a defined contribution plan with two component parts: a section 401(k) plan and an Employee Stock Ownership Plan (the "ESOP"). The Plan covers substantially all domestic employees of the Company not otherwise covered by another defined contribution plan of the Company.

Administration

The Global Employee Benefits Oversight Committee and the Administrative

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Committee - U.S. Plans are responsible for administering plan operations in accordance with the Employee Retirement Income Security Act of 1974 ("ERISA") plan documents. The Global Benefits Investment Committee is responsible for monitoring plan investments.

Contributions

Participants can elect to contribute on a before-tax or after-tax basis from 1% to 18%, in 1% increments, of their Total Pay, as defined in the Plan document. The Internal Revenue Code ("IRC") contains certain limits on participant contributions to a qualified plan, such as a \$10,500 limit on a participant's before-tax contributions during the 2001 calendar year. Other limits also apply to highly compensated employees participating in the Plan.

Participants may also elect to make rollover contributions to the Plan from other qualified defined contribution plans.

Since 1990, matching contributions have been made through the ESOP. The Company matching contributions are the basis for allocating shares of the Company's Convertible Perpetual Preferred Stock ("Preferred Stock") to participants' accounts. Dividends paid to the participants' ESOP accounts are also allocated in Preferred Stock.

The Company will match 100% of participant contributions, from 1% to 5% of Total Pay, in the form of Preferred Stock within the ESOP. The Plan will allocate shares of Preferred Stock to participants such that, at the time of allocation, the total value of the shares allocated is equivalent to the Company match. The value of a share of Preferred Stock will be the closing price of one share of Pharmacia common stock multiplied by a 1.7255 conversion factor.

Cash dividends on Preferred Stock shares allocated to participants' accounts prior to January 1, 2000 are exchanged for additional shares of Preferred Stock using the \$40.30 per-share stated value (the purchase price paid by the ESOP at its inception). Cash dividends on Preferred Stock shares allocated to participants' accounts on or after January 1, 2000 are exchanged for additional shares of Preferred Stock using the Pharmacia common stock price multiplied by the 1.7255 conversion factor.

4

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

The Company contributes to the ESOP cash amounts that are necessary to enable the Plan to make its regularly scheduled payments of principal and interest due on the ESOP's outstanding debt and to release Preferred Stock to cover allocations to participant accounts. Employer dividends paid to the ESOP on the unallocated Preferred Stock and certain other funds are also used to repay the debt incurred by the Plan to purchase the Preferred Stock from the Company at the inception of the leveraged ESOP (see Note 4).

Investment Options

Participant contributions received by the Plan are invested at the direction of the participants in accordance with the terms of the Plan document.

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Each participant may direct his or her contributions to the following fund options:

- (a) Income Fund,
- (b) American Balanced Fund,
- (c) Indexed Stock Fund,
- (d) Neuberger Berman Guardian Fund,
- (e) American Century Ultra Fund,
- (f) Templeton Foreign Fund,
- (g) Pharmacia Common Stock Fund, or
- (h) Any combination of the above, provided that a minimum of five percent and a multiple of one percent is directed to each fund selected.

The funds above (not including the Pharmacia Common Stock Fund) are also offered in six pre-mixed portfolios, which are designed to match investments to a level of risk and return that the participant is most comfortable with. Participants may elect to transfer or allocate their participant contribution balances and earnings thereon to any of the above funds.

Company matching contributions and earnings thereon are only posted to the ESOP Fund. Upon completing ten years of employment service and attaining age 55, participants are allowed to transfer a portion of their Pharmacia Common Stock Fund balance (i.e., pertaining to Company contributions and earnings thereon) and their ESOP Fund balance into the other investment fund options. For participants age 55 - 59 and for participants age 60 and older, 25% and 50% can be transferred to other investment funds, respectively. Those age 60 and older that have already diversified their current Common Stock 25%, may only diversify another 25%.

Participant Accounts

Each participant's account is credited with the participant's contributions, Company contributions, and plan earnings. Participants' accounts are valued on a daily basis. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account balance.

Vesting

Participants are always 100% vested in their contributions to the Plan and earnings thereon.

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

As of January 1, 2000, all Company contributions and earnings thereon are 100% vested for all active participants on or after January 1, 2000.

Participants who terminated employment prior to January 1, 2000 with less than five years of employment service and less than three years of participation in the Plan are subject to the vesting schedule below:

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Years of Participation	Non-forfeitable Percentage
1 but less than 2	33 1/3%
2 but less than 3	66 2/3%
3 or more	100%

Participants who cease participation in the Plan may be entitled to forfeited amounts if they re-participate in the Plan within five years.

Participant Loans

The Plan has a loan provision which allows participants to borrow from their fund accounts a minimum of \$500 up to a maximum equal to the lesser of 50% of their vested account balance or \$50,000 (reduced by the highest outstanding loan balance within the previous twelve months). Loan terms range from 1-5 years or up to 10 years for the purchase of a primary residence. Loans for the purchase of a home have a \$3,000 minimum loan amount. The loans are secured by the balance in the participant's account and bear a pre-established interest rate. Interest is credited to the account of the participant. Repayments may not necessarily be made to the same fund from which amounts were borrowed. Repayments are credited to the applicable funds based on the participant's investment elections at the time of repayment.

Payment of Benefits

Participants who leave the Company may elect to receive their vested Plan balance. However, their Pharmacia Common Stock Fund and ESOP accounts may be subject to forfeiture based upon years of participation and service (if the participant terminated employment prior to January 1, 2000).

Benefits are paid either in cash or in cash and Pharmacia common stock. Pharmacia common stock is issued only with respect to the participant's accounts in the Pharmacia Common Stock Fund and the ESOP Fund. Upon retirement or death, the full value of the participant's accounts is paid in either a lump sum, in installments or by the purchase of an annuity contract. If a participant elects to receive common stock, each share of the Preferred Stock (based on participant records) will be converted into 1.7255 shares of Pharmacia common stock.

Participants may also elect to make in-service withdrawals subject to certain restrictions.

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

2. Summary of Accounting Policies

Method of Accounting

The financial statements of the Plan have been prepared on the accrual basis of accounting.

Use of Estimates

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The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Shares of mutual funds are valued at quoted market prices which represent the net asset value of shares held by the Plan at year-end. Common/collective trust funds are stated at redemption value as determined by the trustees of such funds based upon the underlying securities stated at fair value. Investments in money market instruments are generally short-term and are valued at cost, which approximates market. Investments in guaranteed investment contracts ("GICs") and synthetic investment contracts ("SICs") are reported at their contract value by the insurance companies and underlying banks, respectively, because these investments have fully benefit-responsive features (see Note 5). Pharmacia Common Stock is valued at quoted market price as of the last business day of the Plan year. The value of outstanding participant loans is determined based on the outstanding principal balance as of the last day of the Plan year, which approximates fair value.

Pharmacia Preferred Stock is valued using the higher of the per-share stated value of \$40.30 or the quoted market price of Pharmacia common stock multiplied by 1.7255 on the last business day of the plan year. (Note: Preferred Stock share balances maintained by the plan's trustee and recordkeeper are on a basis equal to one-thousandth of the share balance reflected on the Company's financial statements and the \$40,300 stated value.)

Purchases and sales of securities are reflected on a trade-date basis. Dividend income is recorded on the ex-dividend date. Income from other investments is recorded as earned on an accrual basis.

The Plan presents in the statement of changes in net assets available for plan benefits, the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains and losses and the unrealized appreciation (depreciation) on those investments.

Payment of Benefits

Benefit payments are recorded when paid.

Plan Expenses

The Plan pays certain outside service provider expenses (e.g., recordkeeping and trustee fees) incurred in the operation of the Plan. Investment manager fees are paid by the Plan and are netted against investment income. Certain other expenses are paid by the Company.

7

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

Forfeitures

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Forfeited amounts are used to pay expenses of the Plan, interest on ESOP debt incurred by the Plan and to reduce Company contributions. Forfeitures which have not been utilized amounted to \$737 and \$21,630 as of December 31, 2001 and 2000, respectively.

Risks and Uncertainties

The Plan provides for various investment options in any combination of stocks, mutual funds, common/collective trusts, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks in the near term would materially affect participants' account balances and the amounts reported in the statement of net assets available for plan benefits and the statement of changes in net assets available for plan benefits.

3. Investments

The following presents investments that represent 5 percent or more of the plan's net assets.

	December 31,	
	2001	2000
Neuberger Berman Guardian Fund (5,006,943 and 4,836,623 units, respectively)	\$ 72,300,261	\$ 71,7
American Balanced Fund (4,976,248 and 4,068,225 units, respectively)	78,873,531	62,9
Indexed Stock Fund (6,562,885 and 6,596,621 units, respectively)	213,687,551	243,7
American Century Ultra Fund (5,361,812 and 5,292,897 units, respectively)	148,200,486	171,3
Pharmacia Common Stock (5,370,542 and 5,052,303 shares, respectively)*	229,053,616	308,1
Pharmacia Preferred Stock (6,399,670 and 6,517,533 shares, respectively)*	470,968,194	686,0

*Nonparticipant-directed

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

During 2001, the plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by \$361,449,203 as follows:

2001

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Mutual funds	\$ (32,148,634)
Common Stock	(95,027,431)
Preferred Stock	(205,450,896)
Common/collective trust funds	(28,822,242)

	\$ (361,449,203)
	=====

4. Nonparticipant-directed Investments

Pharmacia Common Stock Fund

Effective April 1, 1999, the Pharmacia Common Stock Fund was added as an investment option into which participants can direct their contributions and/or transfer existing balances. However, certain Company contribution balances (and earnings thereon) within the Pharmacia Common Stock Fund can only be transferred out of the fund into other investment options after participants satisfy certain age and service requirements. All assets and activity within this fund have been disclosed as nonparticipant-directed for purposes of this report.

Below are the net assets and significant components of the changes in net assets relating to the Pharmacia Common Stock Fund:

	2001	2000
Investments:		
Short-term investment funds	\$ 2,193,935	\$ 1,747,268
Pharmacia Common Stock	229,053,616	308,190,483
	-----	-----
Total investments	231,247,551	309,937,751
Receivables:		
Dividends and interest receivable	4,776	14,993
Receivable from other investment funds	790,011	--
Participant contributions	118,054	221,197
Investments sold	52,874	1,036,379
	-----	-----
Total receivables	965,715	1,272,569
Liabilities:		
Payable to other investment funds	--	278,076
Other liabilities	16,419	1,885
	-----	-----
Total liabilities	16,419	279,961
Net assets available for plan benefits	\$232,196,847	\$310,930,359
	=====	=====

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	Year ended December 31, 2001

Additions:	
Additions to net assets attributed to:	
Investment income (loss):	
Net depreciation	\$ (95,027,431)
Interest	127,854
Dividends	2,713,345

Total investment loss	(92,186,232)
Transfers from other investment funds, net	21,996,376
Participant contributions (including rollovers)	6,939,607

Total additions (reductions)	(63,250,249)

Deductions:	
Deductions from net assets attributed to:	
Benefits paid to participants	15,483,128
Plan expenses	135

Total deductions	15,483,263

Net decrease	(78,733,512)
Net assets available for plan benefits:	
Beginning of year	310,930,359

End of year	\$ 232,196,847
	=====

ESOP and Notes Payable

On March 1, 1990, the ESOP borrowed \$275 million from the Bank of New York through the issuance of amortizing notes. These notes, which are guaranteed by the Company, mature in 2004 and pay interest at an annual rate of 9.79%. The proceeds of this debt were paid to the Company to liquidate \$275 million of an original \$300 million loan from the Company to the ESOP. The remaining principal balance on these notes was \$154,900,000 with unpaid interest of \$15,164,710 and \$189,700,000 with unpaid interest of \$18,571,630 as of December 31, 2001 and 2000, respectively.

As of March 1, 1990, the ESOP also issued a new note to the Company in settlement of the remaining balance on the original ESOP loan. This note, in the amount of \$25 million, carries an interest rate of 6.25% per annum. Interest accrues and is payable, along with principal, no later than the maturity date of February 1, 2005. The balance of this note, including unpaid interest, was \$51,239,923 and \$48,225,811 at December 31, 2001 and 2000, respectively.

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Effective January 31, 1997, the ESOP and State Street Bank entered into an agreement, whereby the ESOP can borrow amounts that in the aggregate cannot exceed \$95,000,000 (collectively the "New Loans"). Any such borrowings bear interest at 7.00% per annum and will be due no later than December 31, 2010. No interest shall be due until the maturity date of any New Loans. The proceeds of each New Loan are to be used to pay principal and interest then due on any existing ESOP loans. In relation to New Loans, the ESOP had drawings of \$22,000,000 with unpaid interest of \$5,998,425 and \$20,000,000 with unpaid interest of \$4,177,655 as of December 31, 2001 and 2000, respectively.

Projected principal loan payments on the ESOP debt (net of future New Loans) are as follows:

Year	Amount
2002	\$ 43,700,000
2003	52,600,000
2004	58,600,000
2005	22,216,492
2006 to 2010	24,783,508
Total	\$201,900,000

Following are the net assets and significant components of the changes in net assets relating to the ESOP:

11

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

	December 31, 2001			
	Allocated	Unallocated	Total	Alloca
Investments:				
Short-term investment funds	\$ --	\$ 12,965,029	\$ 12,965,029	\$
Pharmacia Preferred Stock, convertible	255,437,529	215,530,665	470,968,194	306,35
Total investments	255,437,529	228,495,694	483,933,223	306,35
Receivables:				
Dividends and interest receivable	--	4,154,909	4,154,909	
Company contributions, net of forfeitures	--	41,395,385	41,395,385	
Other receivables	--	737	737	

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Total receivables		45,551,031	45,551,031	
Liabilities:	--			
Notes payable	--	201,900,000	201,900,000	
Interest payable	--	47,403,058	47,403,058	
Total liabilities		249,303,058	249,303,058	
Net assets available for plan benefits	\$255,437,529	\$ 24,743,667	\$280,181,196	\$306,35

12

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

	Year ended December 31, 2001		
	Allocated	Unallocated	Total
Additions:			
Additions to net assets attributed to:			
Investment income (loss):			
Net depreciation	\$ (89,298,487)	\$ (116,152,409)	\$ (205,450,8
Interest	--	218,179	218,1
Dividends	7,867,240	8,366,383	16,233,6
Total investment loss	(81,431,247)	(107,567,847)	(188,999,0
Company contributions	--	41,896,121	41,896,1
Allocation of 501,149 shares of Preferred Stock for Company matching contributions	39,878,104		39,878,1
Total additions (reductions)	(41,553,143)	(65,671,726)	(107,224,8
Deductions:			
Deductions from net assets attributed to:			
Benefits paid to participants	(9,374,622)	--	(9,374,6
Interest on notes payable	--	(19,999,592)	(19,999,5
Transfers to other investment funds	12,821	--	12,8
Allocation of 501,149 shares of Preferred Stock for Company matching contributions		(39,878,104)	(39,878,1
Total deductions	(9,361,801)	(59,877,696)	(69,239,4
Net decrease	(50,914,944)	(125,549,422)	(176,464,3
Net assets available for plan benefits:			

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Beginning of year	306,352,473	150,293,089	456,645,5
	-----	-----	-----
End of year	\$ 255,437,529	24,743,667	\$ 280,181,1
	=====	=====	=====

5. Investment Contracts

The Income Fund consists primarily of benefit responsive GICs and SICs. The contract value of the GICs and SICs represents the cost or face-value of the contract plus accrued interest. At December 31, 2001 and 2000, the Plan held GICs with a contract value of \$25,303,802 and \$30,147,174, respectively. The contract value of the SICs represents fair value of the underlying asset plus the contract-value of the wrapper contract associated with the underlying asset. At December 31, 2001 and 2000, fair values of assets underlying the SIC's were \$231,584,946 and \$185,229,622, respectively. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

There are no reserves against contract value for credit risk of the contract issuers or otherwise. The average portfolio yield and crediting interest rates were approximately 6% for 2001 and 2000. For GICs, the crediting interest rate, specified in the contract, is agreed upon with the issuers and is maintained for the life of the contract. For SICs, the rate is based on a formula which consists of the yield to maturity, duration, and the book and market values. The rate for SICs is periodically reset, usually quarterly, and cannot be reset below 0%.

13

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

6. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for plan benefits according to the financial statements to Form 5500.

	December 31,	
	2001	2000
Net assets available for plan benefits per the financial statements	\$ 1,375,818,220	\$ 1,658,645,29
Amounts allocated to withdrawing participants	(1,144,000)	(1,075,94
Defaulted loans deemed to be distributions	(95,385)	-
Net assets available for plan benefits per Form 5500	\$ 1,374,578,835	\$ 1,657,569,34
	=====	=====

The following is a reconciliation of benefits paid to participants

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according to the financial statements to Form 5500:

	Year ended December 31, 2001
Benefits paid to participants per the financial statements	\$ 70,686,328
Add: Amounts allocated to withdrawing participants at December 31, 2001	1,144,000
Less: Amounts allocated to withdrawing participants at December 31, 2000	(1,075,946)

Benefits paid to participants per Form 5500	\$ 70,754,382 =====

Amounts allocated to withdrawing participants are recorded on Form 5500 for benefit claims that have been processed and approved for payment prior to December 31 but not yet paid as of that date.

14

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

The following is a reconciliation of net gain (loss) per the financial statements to the Form 5500:

	Year ended December 31, 2001
Net decrease per financial statements	\$ (282,827,070)
Add: Amounts allocated to withdrawing participants at December 31, 2000	1,075,946
Less: Amounts allocated to withdrawing participants at December 31, 2001	(1,144,000)
Certain deemed distributions of participant loans at December 31, 2001	(95,385) -----
Net gain (loss) per the Form 5500	\$ (282,990,509) =====

7. Related-Party Transactions

The Plan holds shares of Pharmacia common stock and preferred stock. At

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December 31, 2001 and 2000, the Plan owned 5,370,542 and 5,052,303 shares of Pharmacia Corporation common stock at a cost of \$117,753,110 and \$87,782,347, respectively. At December 31, 2001 and 2000, the Plan owned 6,399,670 and 6,517,533 shares of Pharmacia Corporation preferred stock at a cost of \$257,920,598 and \$262,656,580, respectively. In addition, Plan funds are invested in a short-term investment fund as well as SICs issued by State Street Bank & Trust Company, a trustee of the Plan. At December 31, 2001 and 2000, the fair value of the State Street Bank & Trust Company short-term investment account was \$21,542,503 and \$43,355,639, respectively and the contract value of the SICs was \$0 for 2001 and \$15,232,902 for 2000.

8. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100 percent vested in their entire plan balance (including match and discretionary contributions and earnings thereon).

9. Tax Status of the Plan

The Plan obtained its latest determination letter on April 18, 1996, in which the Internal Revenue Service indicated that the Plan, as then designed, was in compliance with the applicable requirements of the IRC. The Plan has been amended since receiving the determination letter. However, the Company believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements. The Company applied for a new determination letter in February 2002.

15

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

10. Subsequent Event

Effective March 1, 2002, the Plan's net assets were transferred to a new trustee, The Northern Trust Company.

On June 28, 2001, the Global Employee Benefits Oversight Committee approved the amendment and restatement of the Plan, to be effective July 1, 2002. The New Plan, to be named the Pharmacia Savings Plan, will include the Retirement Choice Program and New Investment Options. Under the Retirement Choice program, participants will have a choice of two retirement benefit options. Option 1 offers additional Pension Plan benefits and Option 2 offers additional Savings Plan benefits. Participants will receive a pension and savings benefit under either option and can choose between Options 1 and 2 on an annual basis. In addition, the New Plan will offer New Investment Options in the form of eight core investment funds and four pre-mixed investment funds. The eight core investment funds are the Income Fund, the Core Bond Fund, the Value Stock Fund, the Large Company Stock Fund, the Growth Stock Fund, the Mid-Small Company Stock Fund, the International Stock Fund, and Pharmacia Common Stock Fund. The pre-mixed

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funds are the Conservative Pre-Mixed Fund, the Moderate Pre-Mixed Fund, the Moderately Aggressive Pre-Mixed Fund and the Aggressive Pre-mixed Fund. These funds offer varying degrees of risk and return. They are invested in the Core Bond Fund, the Large Company Stock Fund, the Mid-Small Company Stock Fund, and the International Stock Fund in predetermined percentages to form the funds. Participant account balances in the Pharmacia Savings and Investment Plan ("Pharmacia SIP") are to be transferred into the New Plan on July 1, 2002. All Plan assets are to be invested in the New Investment Options as of July 1, 2002.

16

Supplemental Schedules

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

Schedule H, line 4i--Schedule of Assets (Held at End of Year)

December 31, 2001

EIN# 38-1123360
Plan# 002

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment including Maturity Date, Rate of Interest, Collateral, Par, or Maturity	(d) Cost	(e) Current
Common Stock:				
*	Pharmacia Corporation	Common stock, \$2.00 par value; 5,370,542 shares	\$ 117,753,110	\$229,05
	Total common stock		\$ 117,753,110	\$229,05
Preferred stock:				
*	Pharmacia Corporation convertible - unallocated	Preferred stock, \$.01 par value; 2,928,701 shares	\$ 118,015,360	\$215,53
*	Pharmacia Corporation convertible - allocated	Preferred stock, \$.01 par value; 3,470,969 shares	139,905,238	255,43
	Total preferred stock		\$ 257,920,598	\$470,96
Mutual Funds:				
	American Century Ultra	Mutual fund: 5,361,812 units	\$ 171,057,482	\$148,20
	American Balanced	Mutual fund: 4,976,248 units	74,755,873	78,87
	Neuberger Berman Guardian	Mutual fund: 5,006,943 units	96,399,183	72,30
	Templeton Foreign	Mutual fund: 6,721,194 units	65,726,893	62,17

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Total mutual funds			-----	-----
		\$	407,939,431	\$361,54
			-----	-----
Common/Collective Trust Funds:				
Barclays Global Investors	Common/Collective Trust Fund:			
Equity Index Fund	6,562,885 units	\$	148,356,498	\$213,68
			-----	-----
Total Common/Collective Trust Fund		\$	148,356,498	\$213,68
			-----	-----
Short-Term Investment Funds:				
* State Street Bank & Trust Co.				
Short-Term Investment Fund	Money market fund	\$	21,542,503	\$ 21,54
			-----	-----
Total Short-Term Investment Funds		\$	21,542,503	\$21,542
			-----	-----

 * Represents a party-in-interest to the Plan.

17

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

Schedule H, line 4i--Schedule of Assets (Held at End of Year)

December 31, 2001

EIN# 38-1123360
 Plan# 002

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment including Maturity Date, Rate of Interest, Collateral, Par, or Maturity	(d) Cost	(e) Current
	-----	-----	-----	-----
	Guaranteed investment contracts - insurance companies:			
	American Int'l Life ICON			
	Contract No. GIC-18305	Interest rate: 5.73% Maturity date: 11/06/2003	\$ 8,343,324	\$ 8,343
	John Hancock Mutual Life Ins. Co.			
	Contract No. GAC-14500	Interest rate: 5.90% Maturity date: 02/10/2004	8,252,398	8,252
	Principal Mutual Life Ins. Co.			
	Contract No. 4238722	Interest rate: 7.03% Maturity date: 09/29/2003	5,440,890	5,440
	Travelers Insurance Co.			
	Contract No. GR17755	Interest rate: 7.10% Maturity date: 07/31/2003	3,267,190	3,267
			-----	-----
	Total Guaranteed Investment Contracts - Contract Value		\$25,303,802	\$25,303
			-----	-----

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18

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

Schedule H, line 4i--Schedule of Assets (Held at End of Year)

December 31, 2001

EIN# 38-1123360

Plan# 002

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment including Maturity Date, Rate of Interest, Collateral, Par, or Maturity	(d) Cost	(e) Current
-----		-----	-----	-----
	Synthetic Investment Contracts**: AIG Financial Products (3 contracts)			
	Contract No. 302427	Wrapper Contract SCAMT 96-3(A)		\$
		Total Contract Value Interest rate: 5.59% Maturity date: 07/15/2004	\$ 4,613,749	
	Contract No. 180162	Wrapper Contract American Express 97-1 (A)		
		Total Contract Value Interest rate: 5.95% Maturity date: 09/16/2002	5,031,506	
	Contract No. 212753	Wrapper Contract First USA 1997-6 (A) FUSAM		
		Total Contract Value Interest rate: 5.40% Maturity date: 07/17/2002	7,059,402	
	Chase Manhattan Bank (1 contract)	Wrapper Contract FEDHMLN: 6.875% 1/15/05		
	Contract No. 434193	Total Contract Value Interest rate: 7.13% Maturity date: 01/18/2005	5,127,575	
	Monumental Life Ins. Co ABS Insurance Co. (4 contracts)	Wrapper Contract Global Wrap		
	Contract No. MDA00349TR	Total Contract Value Interest rate: 5.59% Maturity date: N/A	36,862,492	

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 ** A synthetic investment contract is comprised of two components, an underlying asset and a wrapper contract. The underlying asset is valued at representative quoted market prices. The wrapper contract is valued as the difference between the fair value of the underlying asset and the contract value. Contract value represents contributions made under the contract, plus earnings, less Plan withdrawals and administrative expenses. The wrapper contract guarantees the Plan contract value.

19

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

Schedule H, line 4i--Schedule of Assets (Held at End of Year)

December 31, 2001

EIN# 38-1123360
 Plan# 002

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment including Maturity Date, Rate of Interest, Collateral, Par, or Maturity	(d) Cost	(e) Current
-----		-----	-----	-----
	Contract No. BDA00379TR-14	Wrapper Contract DCAT00-D A3 6.66% 1 05		
		Total Contract Value Interest rate: 6.97% Maturity date: 11/10/2003	4,008,590	
	Contract No. BDA00379TR-13	Wrapper Contract FNR 98-36 PM 6.25%		
		Total Contract Value Interest rate: 7.29% Maturity date: 06/19/2006	4,913,720	
	Contract No. BDA00379TR-11	Wrapper Contract FHLMC 7% 2/15/2003		
		Total Contract Value Interest rate: 6.91% Maturity date: 02/18/2003	10,271,058	
	Morgan Guaranty (2 contracts) Contract No. Upjohn06	Wrapper Contract FNR 98-63 PD 5.5 6/21		
		Total Contract Value Interest rate: 5.58% Maturity date: 12/27/2005	5,002,458	

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Contract No. Upjohn05A	Wrapper Contract CSFB 00-C1 A1 7.325%		
	Total Contract Value	4,722,667	-----
	Interest rate: 7.05%		
	Maturity date: 07/15/2008		
Rabobank Nederland (3 contracts) Contract No. UPJ030101	Wrapper Contract FH R 2082 VA 6.5 1/06		-----
	Total Contract Value	5,000,967	
	Interest rate: 5.37%		
	Maturity date: 01/17/2006		
Contract No. UPJ110001	Wrapper Contract CARAT 00-2 (A4) 6.46 7/06		-----
	Total Contract Value	4,010,633	
	Interest rate: 6.60%		
	Maturity date: 12/16/2002		

20

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

Schedule H, line 4i--Schedule of Assets (Held at End of Year)

December 31, 2001

EIN# 38-1123360
Plan# 002

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment including Maturity Date, Rate of Interest, Collateral, Par, or Maturity	(d) Cost	(e) Current
-----		-----	-----	-----
	Contract No. UPJ060101	Wrapper Contract Global Wrap		(37, -----
		Total Contract Value	36,862,492	36,
		Interest rate: 5.58%		
		Maturity date: N/A		
	UBS AG (3 contracts) Contract No. 3080	Wrapper Contract Global Wrap		(37, -----
		Total Contract Value	36,862,238	36,
		Interest rate: 5.58%		
		Maturity date: N/A		
	Contract No. 2778	Wrapper Contract		(

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	FHR 2076 PC 6 3/22		5,
	Total Contract Value	5,690,061	5,
	Interest rate: 5.84%		
	Maturity date: 08/15/2005		
Contract No. 2789	Wrapper Contract		
	COMT 00-2 A 7.2 8/08		4,
	Total Contract Value	4,245,040	4,
	Interest rate: 5.42%		
	Maturity date: 06/15/2005		
West Deutsche Landesbank (3 contracts)	Wrapper Contract		(
	Global Wrap		37,
Contract No. WLB6218	Total Contract Value	36,862,491	36,
	Interest rate: 5.59%		
	Maturity date: N/A		
Contract No. WLB6202	Wrapper Contract		(
	FHR 1243 P 7.2 4/07		4,
	Total Contract Value	4,710,840	4,
	Interest rate: 7.49%		
	Maturity date: 04/17/2006		
Contract No. WLB6210	Wrapper Contract		
	FHR 1610 PM 6.25 4/22		4,
	Total Contract Value	4,060,997	4,
	Interest rate: 5.84%		
	Maturity date: 09/17/2007		

21

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

Schedule H, line 4i--Schedule of Assets (Held at End of Year)

December 31, 2001

EIN# 38-1123360

Plan# 002

(a)	(b)	(c)	(d)	(e)
Identity of Issue, Borrower, Lessor, or Similar Party	Description of Investment including Maturity Date, Rate of Interest, Collateral, Par, or Maturity	Cost	Current	
-----	-----	-----	-----	-----
	Total Synthetic Investment Contracts - Contract Value	\$ 225,918,976	\$	225
		-----	-----	-----

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Total Investment Contracts		\$ 251,222,778	\$ 251,222,778
Participant loans:			
Participant loans	Interest rate: 5.75% - 12%	\$ -	\$ 30,000,000
Total Investments		\$1,204,734,918	\$ 1,578,000,000

22

THE PHARMACIA & UPJOHN EMPLOYEE SAVINGS PLAN

Schedule H, line 4j--Schedule of Reportable Transactions

For the Year Ended December 31, 2001

EIN# 38-1123360
Plan# 002

(a) Identify of Party Involved	(b) Description of Asset	(c) Number of Transactions	(c) Purchase Price	(d) Selling Price
State Street Bank & Trust *Company	Short-term Investment Fund	216 314	93,256,656	-- 93,213,228

(e) Lease Rental	(f) Expense Incurred with Transaction	(g) Cost of Asset	(h) Current Value of Asset on Transaction Date	(i) Net Gain or (Loss)
--	--	93,256,656	93,256,656	--
--	--	93,213,228	93,213,228	--

* Represents a party-in-interest to the Plan.

23