



March 28, 2008

Dear Hospira Shareholder:

You are cordially invited to attend the 2008 Annual Meeting of Shareholders of Hospira, Inc. at the Hotel du Pont, Eleventh and Market Streets, Wilmington, Delaware, on Tuesday, May 13, 2008 at 10:00 a.m., Eastern Time.

This booklet includes the notice of annual meeting and the proxy statement. The proxy statement describes the business to be transacted at the meeting and provides other information about the company that you should know when you vote your shares.

The principal business to be conducted at the meeting will be the election of directors and ratification of the appointment of Deloitte & Touche LLP as the firm of independent registered public accountants to serve as Hospira's auditors.

It is important that your shares be represented, whether or not you attend the meeting. Shareholders of record can vote their shares via the Internet or by using a toll-free telephone number. Instructions for using these convenient services appear on the proxy card. You can also vote your shares by marking your votes on the proxy card, signing and dating it, and mailing it promptly using the envelope provided. If you hold shares through your broker or other intermediary, that person or institution will provide you with instructions on how to vote your shares.

We look forward to your participation in the 2008 annual meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Begley".

Christopher B. Begley
Chairman and Chief Executive Officer

Hospira, Inc.
275 North Field Drive
Lake Forest, IL 60045
www.hospira.com



NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held on May 13, 2008

The 2008 Annual Meeting of Shareholders of Hospira, Inc. will be held at the Hotel du Pont, Eleventh and Market Streets, Wilmington, Delaware, on Tuesday, May 13, 2008, at 10:00 a.m., Eastern Time. The purposes of the meeting are to:

- elect three directors for three-year terms until the annual meeting in 2011 (Item 1 on the proxy card);
- ratify the appointment of Deloitte & Touche LLP as the firm of independent registered public accountants to serve as Hospira's auditors for 2008 (Item 2 on the proxy card); and
- transact such other business as may properly come before the meeting or any adjournment of the meeting.

The board of directors recommends that you vote FOR the matters described above.

A proxy statement with respect to the annual meeting accompanies and forms a part of this notice. This notice and proxy statement and the accompanying proxy card are first being mailed to shareholders on or around March 28, 2008.

The board of directors has set the close of business on March 17, 2008 as the record date for the meeting. This means that owners of common stock as of that date are entitled to receive this notice of the meeting, and vote at the meeting and any adjournments or postponements of the meeting.

Your vote is important. We encourage you to read the enclosed proxy statement and to submit a proxy so that your shares will be represented and voted even if you do not attend. You may submit your proxy over the Internet or by telephone or mail. If you do attend the meeting, you may revoke your proxy and vote in person.

By order of the board of directors

A handwritten signature in cursive script that reads "Brian J. Smith".

Brian J. Smith
Secretary
March 28, 2008

Hospira, Inc.
275 North Field Drive
Lake Forest, IL 60045
www.hospira.com

HOSPIRA, INC.
PROXY STATEMENT
FOR
2008 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 13, 2008
GENERAL INFORMATION

Why did I receive this proxy statement?

Our board of directors is soliciting proxies for use at our annual meeting of shareholders to be held on May 13, 2008, and any adjournments or postponements of the meeting. The meeting will be held at the Hotel du Pont, Eleventh and Market Streets, Wilmington, Delaware and will begin at 10:00 a.m., Eastern Time. In order to solicit your proxy, we must furnish you with this proxy statement, which contains information that we are required to provide you by law. This proxy statement and the accompanying proxy card were first sent to shareholders on or around March 28, 2008.

What will be voted on at the annual meeting?

Shareholders will vote on the following matters:

- election of directors; and
- ratification of the appointment of Deloitte & Touche LLP as the firm of independent registered public accountants to serve as Hospira's auditors.

Who may vote at the meeting?

The board of directors has set a record date of March 17, 2008, meaning that shareholders of record at the close of business on that date may vote at the meeting, or at adjournments or postponements of the meeting.

How many votes do I have?

You have one vote for each share of common stock you hold.

What constitutes a quorum?

The presence in person or by proxy of the holders of shares of common stock representing a majority of all issued and outstanding shares of common stock entitled to vote will constitute a quorum. On January 31, 2008, there were 158,690,183 shares of common stock issued and outstanding.

Shares of common stock represented by a properly completed proxy will be counted as present at the meeting for purposes of determining a quorum, even if the proxy indicates that the shareholder is abstaining from voting.

What vote is required to approve each matter?

If there is a quorum at the meeting, the following vote requirements apply.

Election of Directors. Directors are elected by a plurality of the votes present at the meeting. As a result, at the 2008 annual meeting, the three directors who receive the most votes will be elected to the board. Abstentions and instructions to withhold votes with respect to any nominee will result in those nominees receiving fewer votes but will not count as votes against that nominee.

Ratification of Independent Registered Public Accountants. To ratify the appointment of Deloitte & Touche LLP as the firm of independent registered public accountants to serve as Hospira's auditors, more votes must be cast for the proposal than against the proposal. Abstentions and broker non-votes (discussed below) will not be counted as a vote for or against the proposal.

What happens if a director nominee does not receive more votes for election than “withhold” votes in an uncontested election?

Under our policy, which is included in our corporate governance guidelines, that nominee would be elected to the board but would be required to tender his or her resignation following certification of the shareholder vote. Our independent directors would be required to take action with respect to the resignation within 90 days after the shareholder vote is certified and publicize its decision.

How do I vote by proxy?

If you are a shareholder of record, you have a choice of voting over the Internet, voting by telephone using a toll-free telephone number or completing your proxy card and mailing it in the accompanying postage-paid envelope. Please refer to your proxy card to see the options available to you. The Internet and telephone voting facilities for shareholders of record will close at 11:59 p.m., Eastern Time, on May 12, 2008. Other deadlines may apply to you if your stock is held of record by a bank, a broker or other nominee.

The proxies will vote your shares on each matter as you direct. If you do not indicate how your shares are to be voted on a matter, properly completed proxies will be voted FOR the election of all director nominees and FOR the ratification of Deloitte & Touche LLP as the firm of independent registered public accountants to serve as our auditors. Other matters that properly come before the meeting will be voted upon by the proxies in accordance with their best judgment.

What is a broker non-vote and how does it affect the voting requirements?

If your shares are held by a broker, the broker will ask you how you want your shares to be voted. If you give the broker instructions, the broker will vote your shares as you direct. If you do not give instructions, one of two things can happen. On matters on which the broker is prohibited from exercising voting authority, which is called a “broker non-vote,” your shares will not be voted. Broker non-votes will have no effect on the number of votes required to approve any of the matters being voted on at the meeting. On matters on which the broker is permitted to exercise voting authority, the broker will vote your shares in its discretion. We expect that brokers will be permitted to exercise voting authority on all matters described in this proxy statement.

How do I vote if I hold my shares through a broker, bank or other nominee?

If you hold your shares through a broker, bank or other nominee, you may instruct that person to vote your shares by following instructions that such person gives you. Most brokers offer voting by mail, by telephone and on the Internet.

How do I vote if I hold shares through the Hospira 401(k) Retirement Savings Plan or the Hospira Puerto Rico Retirement Savings Plan?

If you hold shares through the Hospira 401(k) Retirement Savings Plan or the Hospira Puerto Rico Retirement Savings Plan, you will receive a proxy card that will serve as an instruction to the respective trustee of each plan's trust as to how to vote your shares. You may vote your shares by completing the proxy card and mailing it in the postage-paid envelope provided. You may also vote by telephone or Internet by following the instructions provided with the proxy card. If you do not vote shares you hold in the Hospira 401(k) Retirement Savings Plan, Fiduciary Counselors Inc. will vote

your shares in its discretion. Fiduciary Counselors may use its own discretion with respect to those shares under the Hospira 401(k) Retirement Savings Plan for which voting instructions are not received on a timely basis. Fiduciary Counselors Inc. is the independent fiduciary of the plan for purposes of monitoring the suitability of acquiring and holding Hospira's shares. If you do not vote shares you hold in the Hospira Puerto Rico Retirement Savings Plan, the trustee of that plan's trust, Banco Popular de Puerto Rico, will vote your shares in the same proportion as shares voted by the other participants.

How do I vote in person?

If you are a shareholder of record, you may vote your shares in person at the meeting. However, we encourage you to vote by proxy in advance, even if you plan to attend the meeting.

Can I revoke a proxy?

Yes. You can revoke your proxy by:

- giving written notice to our corporate secretary;
- delivering a later-dated proxy; or
- voting in person at the meeting.

If I submit a proxy, will my vote be kept confidential?

Our policy is that all proxies, ballots, and voting tabulations that can reveal how a particular shareholder has voted be kept confidential and not be disclosed, except:

- where disclosure may be required by law or regulation;
- where disclosure may be necessary in order for us to assert or defend claims;
- where a shareholder expressly requests disclosure;
- to allow the inspectors of election to certify the results of a vote; or
- in other limited circumstances, such as a contested election or a proxy solicitation not approved and recommended by the board of directors.

Who will be tabulating and certifying votes at the meeting?

We have engaged Computershare Trust Company, our transfer agent, to serve as the tabulator of votes and a representative of Computershare to serve as inspector of election and certify the votes.

Who will pay the costs and expenses for this proxy solicitation?

We will pay all costs of soliciting proxies, including charges made by brokers and other persons holding common stock in their names or in the names of nominees, for reasonable expenses incurred in sending proxy materials to beneficial owners and obtaining their proxies. In addition to solicitation by mail, our directors, officers and employees may solicit proxies personally and by telephone, Internet and facsimile, all without extra compensation. We also have retained the services of Georgeson Inc. to aid in the solicitation of proxies at a cost of \$15,000, plus reimbursement for reasonable out-of-pocket expenses.

How can I attend the meeting?

You will need an admission ticket to enter the meeting. Shareholders of record will find an admission ticket attached to their proxy cards. If you plan to attend the meeting in person, please retain the admission ticket. A map and directions to the meeting are included on the inside back cover of this proxy statement and with your proxy card. If you arrive at the meeting without an admission ticket or you hold your stock through a broker, bank or other nominee, we will only admit you if we are able to verify that you are a Hospira shareholder. You may prove that you are a Hospira shareholder by, among other ways, providing us with a copy of a recent bank or brokerage account statement showing that you own Hospira common stock. Shareholders will be admitted to the meeting location beginning at 9:30 a.m., Eastern Time.

Important Notice Regarding Availability of Proxy Materials for the Shareholder Meeting to be Held on May 13, 2008.

The proxy statement and our 2007 Annual Report on Form 10-K are available at:
<http://www.hospirainvestor.com/phoenix.zhtml?c=175550&p=irol-reportsAnnual>

OWNERSHIP OF OUR STOCK

Based on information contained in a Schedule 13G filed by Capital World Investors, a division of Capital Research & Management Company, with the Securities and Exchange Commission on February 11, 2008, as of December 31, 2007, Capital Research & Management Company was the beneficial owner of 11,027,000 shares of Hospira common stock, which is approximately 7% of our outstanding shares of common stock.

The following table sets forth information regarding ownership of our common stock as of January 31, 2008:

- by our directors, our chief executive officer and the other named executive officers employed by us as of the date of the table; and
- by all directors and executive officers as a group.

Each person named below owns, and our current directors and executive officers as a group, collectively, own, less than 1% of our outstanding common stock.

Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934. A person is deemed to be the beneficial owner of any shares of common stock if such person has or shares the right to vote or dispose of such common stock, or has the right to acquire beneficial ownership at any time within 60 days of the date of the table. Deferred share units held by directors may not be voted or disposed of by the director until the shares are distributed to the director upon or after termination of the director's service on the board. Therefore, deferred share units are not considered to be beneficially owned and are not considered for purposes of determining the percentage of common stock owned by any person. The number of stock options exercisable within 60 days of the date of the table and the number of deferred share units owned by each person are stated separately and not included in the "Number of Shares" column.

<u>Name</u>	<u>Number of Shares</u>	<u>Stock Options Exercisable within 60 Days</u>	<u>Deferred Share Units</u>
Irving W. Bailey, II, Lead Director	15,000(1)	—	10,394(2)
Connie R. Curran, Director	—	—	17,514(2)
Roger W. Hale, Director	5,258(2)	—	1,220
Ronald A. Matricaria, Director	6,105(2)	—	—
Jacque J. Sokolov, Director	15,394(2)	—	—
John C. Staley, Director	—	—	10,394(2)
Mark F. Wheeler, Director	—	—	6,105(2)
Christopher B. Begley, Chairman of the Board of Directors and Chief Executive Officer	54,221(3)	715,000	—
Terrence C. Kearney, Chief Operating Officer	79,235(4)	378,068	—
Edward A. Ogunro, Senior Vice President, Research and Development, Medical Affairs and Chief Scientific Officer	10,954(5)	116,238	—
Brian J. Smith, Senior Vice President, General Counsel and Secretary	20,124(6)	125,001	—
Thomas E. Werner, Senior Vice President, Finance, and Chief Financial Officer	2,100	10,000	—
All directors and executive officers as a group (13 persons) .	208,391(7)	1,344,307	45,627(8)

(1) The shares held by Mr. Bailey are held indirectly through IWB Investments, L.P.

- (2) The number of shares or deferred share units, as the case may be, includes 3,772 shares or units that are subject to forfeiture under certain conditions.
- (3) The number of shares held by Mr. Begley includes 27,709 shares held in his 401(k) account.
- (4) The number of shares held by Mr. Kearney includes 3,554 shares held in his 401(k) account.
- (5) The number of shares held by Dr. Ogunro includes 959 shares held in his 401(k) account. Dr. Ogunro retired on December 31, 2007.
- (6) The number of shares held by Mr. Smith includes 9,716 shares held in his 401(k) account.
- (7) Includes 41,938 shares held in 401(k) accounts of executive officers and 11,316 shares subject to forfeiture under certain conditions.
- (8) Includes 15,088 deferred share units that are subject to forfeiture under certain conditions.

PROPOSAL 1
ELECTION OF DIRECTORS

The board is divided into three classes, with one class of directors being elected for a three-year term at each annual meeting. There are three Class I seats, three Class II seats and two Class III seats. Each director holds office until the third annual meeting after the meeting at which such director is elected and until his or her successor is duly elected and qualified, or until his or her earlier resignation, removal or death. The Class I directors are being elected at the 2008 annual meeting.

Upon the recommendation of its governance and public policy committee, the board of directors has nominated Irving W. Bailey, II, Ronald A. Matricaria, and Jacque J. Sokolov, M.D., to be elected as Class I directors and hold office until the 2011 annual meeting.

A properly submitted proxy will be voted by the persons named on the proxy card for the election of each nominee, unless you indicate that your vote should be withheld. If elected, each nominee will serve until the expiration of his term and his successor is elected and qualified or until his earlier resignation, removal or death. Each of the nominees is willing to serve if elected, and the board of directors has no reason to believe that any of the nominees will be unavailable for election, but if such a situation should arise, the proxy will be voted in accordance with the best judgment of the proxy holder for such person or persons as may be designated by the board of directors, unless the shareholder has directed otherwise.

The board of directors recommends that the shareholders vote FOR the election of Irving W. Bailey, II, Ronald A. Matricaria, and Jacque J. Sokolov, M.D. to the board of directors as Class I directors.

OUR BOARD OF DIRECTORS

Nominees for Election as Class I Directors at the 2008 Annual Meeting

Irving W. Bailey, II, age 66, has served as our director since our spin-off from Abbott Laboratories, a global broad-based healthcare company, in 2004 and has served as the lead director since the 2007 annual meeting. Mr. Bailey has served as a Managing Director of Chrysalis Ventures, a private equity management firm, from June 2001 to January 2005, and a Senior Advisor to Chrysalis Ventures since January 2005. Mr. Bailey served as President of Bailey Capital Corporation, also a private equity management firm, from January 1998 to June 2001, and as Chief Executive Officer of Providian Corporation, an insurance and diversified financial services company, from 1988 to 1997. Mr. Bailey also serves as a director of AEGON, N.V. and Computer Sciences Corporation.

Ronald A. Matricaria, age 65, has served as our director since his election to our board at the 2006 annual meeting. From April 1993 to December 2002, he served, at various times, as the Chairman, Chief Executive Officer and President of St. Jude Medical, Inc., a developer, manufacturer and distributor of cardiovascular medical devices. He retired from the St. Jude board in December 2002. Mr. Matricaria currently serves as a director of Invitrogen Corp. and Volcano Corporation.

Jacque J. Sokolov, M.D., age 53, has served as our director since our spin-off from Abbott in 2004. Dr. Sokolov has served since 1999 as the Chairman and a Senior Partner of SSB Solutions, Inc., a national healthcare management consulting, project development and investment firm. Dr. Sokolov previously served as Chairman of Coastal Physician Group, Inc., which later became PhyAmerica Physician Group, Inc., from 1994 until 1997, and as Vice President and Chief Medical Officer for Southern California Edison from 1989 until 1992. Dr. Sokolov also serves as a director of MedCath Corporation.

Continuing Directors

Class II Directors Whose Terms Expire in 2009

Christopher B. Begley, age 55, has served as our Chief Executive Officer and director since our spin-off from Abbott in 2004. He became the chairman of the board effective at the 2007 annual meeting. Prior to his becoming our Chief Executive Officer, Mr. Begley provided 18 years of service to Abbott, and was Abbott's Senior Vice President, Hospital Products, between 2000 and 2004. Prior to his appointment as Senior Vice President, Hospital Products, Mr. Begley served as Abbott's Senior Vice President, Chemical and Agricultural Products, from 1999 to 2000, Vice President, Abbott Health Systems, from 1998 to 1999, and Vice President, MediSense Operations, in 1998. Mr. Begley also serves as a director of Sara Lee Corporation, The Executives' Club of Chicago, the Healthcare Leadership Council, AdvaMed and the Generic Pharmaceutical Association.

Roger W. Hale, age 64, has served as our director since his election to our board on October 25, 2006. He has served as Chairman of the Board and Chief Executive Officer of LG&E Energy Corporation, a diversified energy services company, from August 1990 until retiring in April 2001. Prior to joining LG&E Energy, he was Executive Vice President of BellSouth Corporation, a communications services company. From 1966 to 1986, Mr. Hale held several executive positions with AT&T Co., a communications services company, including Vice President, Southern Region from 1983 to 1986. Mr. Hale is also a director of Ashland, Inc. and H&R Block, Inc.

John C. Staley, age 66, has served as our director since our spin-off from Abbott in 2004. Mr. Staley served as the Managing Partner of the Lake Michigan Area of Ernst & Young LLP, a public accounting firm, a position that he held from 1985 to his retirement in June 2001. Mr. Staley also serves as a director of eLoyalty Corporation. Mr. Staley is also a member of, and the former Chairman of, the Board of Trustees of DePaul University.

Class III Directors Whose Terms Expire in 2010

Connie R. Curran, RN, Ed.D., age 60, has served as our director since our spin-off from Abbott in 2004. Dr. Curran has served as the president of Curran Associates, a healthcare consulting firm, since July 2006. She previously served as the Executive Director of C-Change, formerly the National Dialogue on Cancer, a health advocacy organization, from 2003 to July 2006. From 1995 to 2000, Dr. Curran served as President and Chief Executive Officer of CurranCare, LLC, a healthcare consulting company. Upon the acquisition of CurranCare by Cardinal Health Consulting Services in November 2000, Dr. Curran served as President of Cardinal Health Consulting Services, a consulting company with expertise in surgical services, hospital operations and case management and home care, until February 2002. Dr. Curran has previously served as Vice President of the American Hospital Association and Dean at the Medical College of Wisconsin. Dr. Curran also serves as a director of DeVry, Inc. and Volcano Corporation.

Mark F. Wheeler, M.D., M.P.H., age 58, has served as our director since his election to our board at the 2006 annual meeting. Dr. Wheeler has served as Director of Clinical Informatics for PeaceHealth, an integrated delivery network of hospitals in the Pacific Northwest, since January 2007. He previously served as Acting Vice President Engineering, Centricity Enterprise Business Unit of General Electric Company, a diversified technology, media and financial services company, from February 2006 to January 2007. He served as chief technical architect of IDX Systems Corporation, a healthcare information technology services provider, from 1997 until December 2005, when IDX was acquired by General Electric, and served on IDX's board of directors from 1999 through 2005.

CORPORATE GOVERNANCE

Lead Director

Our corporate governance guidelines provide that if the duties of the chairman and chief executive officer are combined, the independent directors will elect a lead director. Mr. Begley is our chairman and chief executive officer and Mr. Bailey is our lead director. The lead director is an independent director and is responsible for the following:

- coordinating the activities of the independent directors;
- presiding over the executive sessions of the independent directors;
- collaborating with the chairman and chief executive officer on setting board meeting schedules and agendas; and
- assisting with the oversight of the annual performance evaluation of the board and the chief executive officer.

Meetings

Our board of directors held seven meetings during 2007. No director attended fewer than 75% of the total number of meetings of the board of directors and the committees of the board of directors on which such director served. We have no formal policy on director attendance at our annual meetings but we expect all of our directors to attend the 2008 annual meeting. All of our directors serving at the time attended the 2007 annual meeting, except for Mr. Wheeler due to a pre-excused absence.

Our independent directors must meet at least twice a year in regularly scheduled executive sessions, and, in practice, meet in an executive session without management present at every regularly scheduled board meeting. As lead director, Mr. Bailey presided at these executive sessions.

Independence

The board annually determines the independence of directors. No director may qualify as independent unless the board of directors affirms that the director has no material relationship with us. As required by our corporate governance guidelines, the board will consider all relevant facts and circumstances in connection with that determination, including the following:

- a director who is, or has been within the last three years, our employee, or whose immediate family member is, or has been within the last three years, our executive officer is not independent;
- a director who receives, or whose immediate family member receives, more than \$100,000 from us in direct compensation, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), and other than amounts received by an immediate family member for service as a non-executive employee, during any 12-month period in the last three years is not independent;
- a director who, or whose immediate family member, is a current partner of a firm that is our internal or external auditor is not independent;
- a director who is a current employee of a firm that is our internal or external auditor is not independent;
- a director with an immediate family member who is a current employee of a firm that is our internal or external auditor and who participates in such firm's audit, assurance or tax compliance (but not tax planning) practice is not independent;

- a director who, or whose immediate family member, was within the last three years a partner or employee of a firm that is our internal or external auditor and personally worked on our audit during that time is not independent;
- a director who is employed, or whose immediate family member is employed, or has been employed in the last three years, as an executive officer of another company where any of our present executive officers at the same time serves or served on that company's compensation committee is not independent;
- a director who is a current employee, or whose immediate family member is a current executive officer, of a company that makes payments to, or receives payments from, us for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues, is not independent; and
- a director who is an executive officer of a charitable organization that receives charitable contributions (other than matching contributions) from us that are in excess of the greater of \$1 million or 2% of such charitable organization's consolidated gross revenues is not independent.

On February 21, 2008, our board determined that each of Mr. Bailey, Dr. Curran, Mr. Hale, Mr. Matricaria, Dr. Sokolov, Mr. Staley and Dr. Wheeler is independent within the meaning of our director independence standards and the listing standards of the New York Stock Exchange. David A. Jones, who retired from the board effective upon the 2007 annual meeting was previously determined to be independent. In making these independence determinations, the board was not aware of any disqualifying relationship under the above criteria and, additionally, was not aware of any other relationship between such director and Hospira that would affect his or her independence. Relationships considered by the board not to impair independence are described below.

We sell products in the ordinary course of business to hospitals affiliated with PeaceHealth, Dr. Wheeler's current employer. We do not believe that the business relationship is material to either party in amount or significance. Sales to PeaceHealth-affiliated hospitals represented less than 1% of its net revenues. Dr. Wheeler is not an executive officer of PeaceHealth or the affiliated hospitals, is not involved in the business relationship, and is not compensated by us or PeaceHealth directly or indirectly as a result of such business. Accordingly, the board determined that he did not have a material interest in such business relationship and that such business relationship is not a material relationship with Dr. Wheeler.

Our director independence standards are included in our corporate governance guidelines, which are available in the investor relations section of our Web site at www.hospira.com.

Committees of the Board of Directors

Our board of directors has the following committees:

Audit Committee

Mr. Staley (chair), Dr. Curran and Dr. Wheeler serve on the audit committee. During 2007, the audit committee met ten times. All members of the committee must be independent and must satisfy the audit committee member eligibility requirements of the New York Stock Exchange and the SEC. Our board determined that Mr. Staley, Dr. Curran and Dr. Wheeler are financially literate and eligible to serve on the committee. The board has designated Mr. Staley as the "audit committee financial expert," within the meaning of the rules of the New York Stock Exchange and the SEC and our corporate governance guidelines.

The primary functions of the committee include:

- meeting periodically with our management, internal auditors and independent auditors regarding our internal controls, accounting and financial reporting;
- appointing and evaluating the independent auditors;
- reviewing and discussing our financial statements and financial press releases with our management and independent auditors; and
- establishing procedures for the receipt, retention and treatment of complaints received by our company regarding accounting matters, and the confidential, anonymous submission by our employees of concerns regarding questionable accounting matters.

Both the independent auditors and the internal auditors regularly meet privately with the audit committee and have unrestricted access to the audit committee.

The audit committee is governed by a written charter, which is available on our Web site at www.hospira.com. The eligibility criteria for committee members are included in the charter.

Compensation Committee

Mr. Matricaria (chair), Mr. Hale and Dr. Sokolov serve on the compensation committee. Through February 21, 2007, the committee was named the nominations and compensation committee and performed the responsibilities described below, as well as the responsibilities relating to director nominations and corporate governance that are now performed by the governance and public policy committee. During 2007, the compensation committee met six times. All members of the compensation committee must be independent and must be “non-employee directors” for purposes of Rule 16b-3 under the Securities Exchange Act of 1934 and “outside directors” for purposes of Section 162(m) of the Internal Revenue Code. Our board determined that Mr. Matricaria, Mr. Hale and Dr. Sokolov are eligible to serve on the committee.

The primary functions of the committee include:

- reviewing and determining the executive officers’ compensation;
- reviewing and, as it deems appropriate, recommending to the board of directors, policies, practices and procedures relating to the compensation of our officers, other managerial employees and non-employee directors and the establishment and administration of our employee benefit plans; and
- exercising authority under our employee equity incentive plan and management incentive plans.

For a description of how the compensation committee administers our executive compensation program, please see “Executive Compensation—Compensation Discussion and Analysis—General Administration” later in this proxy statement.

The compensation committee is governed by a written charter, which is available on our Web site at www.hospira.com. The eligibility standards for committee members are included in the charter.

Governance and Public Policy Committee

Dr. Curran (chair), Mr. Bailey and Mr. Hale serve on the governance and public policy committee. Its responsibilities as to nominations and corporate governance were previously performed by the former nominations and compensation committee. Its responsibilities as to public policy matters were previously performed by the audit committee. During 2007, the governance and public policy committee met three times. All members of the governance and public policy committee must be independent.

The functions of the committee include:

- developing the general criteria for selecting members of the board of directors and assisting the board in identifying and attracting qualified candidates;
- recommending to the board of directors the nominees for election as directors, considering the criteria described above and any potential nominees recommended by our shareholders;
- recommending to the board of directors persons to be elected as executive officers;
- reviewing and assessing the adequacy of our corporate governance guidelines;
- providing general oversight over certain compliance programs, policies and procedures; and
- providing general oversight over certain company political and charitable activities.

The process used by the committee and by the former nominations and compensation committee to identify a nominee to our board of directors depends on the qualities being sought. Board members should have backgrounds that, when combined, provide a portfolio of experience and knowledge that will serve our governance and strategic needs. Candidates will be considered on the basis of a range of criteria, including broad-based business knowledge and relationships, and prominence and excellent reputations in their primary fields of endeavor, as well as a global business perspective and commitment to good corporate citizenship. Directors should have demonstrated experience and ability that is relevant to the board of directors' oversight role with respect to our business and affairs.

Director candidates can be referred to the committee from a variety of sources, including by our officers, directors and shareholders. The former nominations and compensation committee had from time to time enlisted a third-party search firm to assist it in identifying and evaluating qualified candidates. The committee has the sole authority to engage director candidate search firms.

If the board determines to seek a new member and a candidate is referred to the committee, the committee will review the candidate's qualifications in light of the attributes being sought by the board. If the committee determines that a candidate's qualifications are potentially suitable for service on the board, the committee will conduct an investigation of the candidate's background. Typically, candidates are interviewed by one or more members of the committee, the lead director and our chairman before being nominated for the election to the board.

Shareholders may recommend persons as potential nominees for director by complying with the procedures set forth later in this proxy statement under "Other Shareholder Information—Procedure for Recommendation and Nomination of Directors and Transaction of Business at Annual Meeting." The committee will consider potential nominees recommended by shareholders, but has no obligation to recommend such candidates. The evaluation criteria are the same for each person considered for nomination to the board.

The governance and public policy committee is governed by a written charter, which is available on our Web site at www.hospira.com. The eligibility standards for committee members are included in the charter.

Science and Technology Committee

Dr. Sokolov (chair), Dr. Curran, Mr. Matricaria, Dr. Wheeler and Mr. Begley serve on the science and technology committee. The committee provides general oversight, and advises our board, as to certain matters relating to our product pipeline and other matters as delegated to it by the board. The committee met five times during 2007.

The science and technology committee is governed by a written charter, which is available on our Web site at www.hospira.com. The eligibility standards for committee members are included in the charter.

Director Share Ownership Guidelines

Within three years after joining the board, each non-employee director is required to own and retain a minimum number of shares of Hospira common stock whose aggregate value is equal to three times such director's annual retainer fees, and maintain that minimum throughout his or her service on the board. "Annual retainer fees" are currently \$50,000. For purposes of the ownership guidelines, common stock includes restricted stock, restricted stock units and deferred stock units awarded to non-employee directors. All directors have attained such minimum.

Communicating with the Board of Directors

You may communicate with our board of directors by writing a letter to our chairman. You may contact our independent directors by writing a letter to the chairman of our audit committee (for accounting or disclosure matters), our lead director or any of our other independent directors. The letter should be addressed to:

Director Communications
Hospira General Counsel and Secretary
Hospira, Inc.
275 North Field Drive
Department NLEG, Building H1
Lake Forest, Illinois 60045

Our general counsel and secretary will review the communication and forward the communication to the addressee or, in the absence of our addressee, to the director or directors he believes to be most appropriate.

In addition, you may contact the chairman of our audit committee through the Helpline of our Office of Ethics and Compliance by calling 1-866-311-4632. You will have the option to directly refer matters to the audit committee. Our Vice President, Ethics and Compliance will be notified in such cases.

Corporate Governance Materials

Our corporate governance guidelines, our code of business conduct and ethics, and the charters of our audit committee, compensation committee, governance and public policy committee, and science and technology committee are available in the investor relations section of our Web site at www.hospira.com. We will provide a copy of any of these materials to any shareholder free of charge upon written request to:

Corporate Governance Material Request
Hospira General Counsel and Secretary
Hospira, Inc.
275 North Field Drive
Department NLEG, Building H1
Lake Forest, Illinois 60045

DIRECTOR COMPENSATION

Our non-employee directors receive an annual cash retainer in the amount of \$50,000 per year, and meeting fees of \$1,500 for attending each board meeting and board committee meeting in person (\$1,000 for each meeting other than in person). The lead director receives additional cash fees of \$25,000 per year. Each director who serves in the role of chairman of any committee receives a chairman fee of: (1) \$10,000 for the chairman of the audit committee; and (2) \$7,500 for each other board committee.

Additionally, on the last day of the calendar quarter in which our annual meeting is held, each non-employee director receives an annual grant of restricted stock, which will generally vest as of the first regularly scheduled annual meeting of shareholders following the date of grant. For each such grant, the number of shares of restricted stock granted to each director equals that number of shares equal in value to \$150,000 as of the date of grant. Prior to September 28, 2007, the value of such restricted stock grant was \$100,000. Directors may not dispose of this stock while serving on the board.

Non-employee directors may elect to defer all or a portion of their fees and restricted stock awards. The cash-based fees will be deferred into a stock unit account. Restricted stock may, based on an election by the director, be deferred and granted as restricted stock units and recorded in the director's stock unit account. The stock unit account will be paid out, at the director's prior election, on the first business day after the calendar quarter in which the director's service terminates or in up to 10 annual installments from and after that date.

The following table shows the amount and form of compensation paid to each of our non-employee directors during 2007. Compensation includes annual retainer fees, committee chairman fees, meeting fees and restricted stock awards.

<u>Director</u>	<u>Fees Earned or Paid in Cash</u>	<u>Stock Awards(1)</u>	<u>Total</u>
Irving W. Bailey II	\$79,250	\$150,000	\$229,250
Connie R. Curran(2)	91,500	150,000	241,500
Roger W. Hale	71,875	150,000	221,875
David A. Jones(3)	19,375	—	19,375
Ronald A. Matricaria	79,125	150,000	229,125
Jacque J. Sokolov	84,125	150,000	234,125
John C. Staley	82,375	150,000	232,375
Mark F. Wheeler	77,500	150,000	227,500

(1) The value of Hospira stock awards is determined on a basis consistent with the calculation of the related expense in Hospira's income statement for the year ended December 31, 2007 included in its consolidated audited financial statements contained in Hospira's 2007 Annual Report to Shareholders. The cost resulting from the restricted stock award is recognized over the one-year vesting period based on the fair value of the stock on the date of grant. During 2007, restricted stock having a fair value of \$100,000 was awarded to each then-serving director on June 29, 2007 and restricted stock having a fair value of \$50,000 was awarded to each then-serving director on September 28, 2007.

(2) Dr. Curran elected to defer all of her cash-based fees into a stock unit account.

(3) Mr. Jones left the board of directors on May 15, 2007.

2007 COMPENSATION DISCUSSION AND ANALYSIS

This compensation discussion and analysis explains how our executive compensation program is administered and provides a general discussion of:

- the philosophy underlying our compensation program;
- the elements of our compensation program;
- the compensation paid to the named executive officers during 2007; and
- other relevant matters involving our compensation program.

Please read this compensation discussion and analysis in conjunction with the information contained in the executive compensation tables immediately following this section.

Executive Summary

Hospira's direct executive compensation program has three elements, each of which is targeted at market median of our peer group and published surveys:

- *Base Salary.* As the actual base salaries of our executives are below market median, the compensation committee is embarking on a program to increase base salaries over a three-year period to the market median.
- *Annual Cash Incentive Award.* Annual cash incentive awards or bonuses are determined against the company's performance targets that are derived from the annual operating plan and the committee's desire to incent executives to act in a lawful, compliant and ethical manner. In 2007, performance against these targets led to a pay out for the executives of 132.4% of the target level for each executive.
- *Long-Term Incentive Award.* 2007 long-term incentive represented the grant of stock options on May 15, 2007, at an exercise price of \$39.97. These options vest over three years and have a term of seven years. We believe these stock options represent "pay for performance" as the performance of the executive drives the value of Hospira's stock. For 2008, the committee decided to further emphasize the goal of pay for performance by splitting the long-term incentive award into two components: a stock option award and the award of performance shares tied to total shareholder return. The stock options constitute 60% of the total long-term incentive award and performance shares constitute 40% of the award. Performance shares will be earned based on the achievement of total shareholder return over the three year period 2008 through 2010 relative to the performance of a pre-established peer group. The peer group contains all but one of the companies used to benchmark Hospira's pay as well as additional companies not included in the pay benchmarking group. The peer group will be the companies included in the S&P 500 Health Care index as of December 31, 2007, excluding those companies classified as Managed Care Providers, which the committee feels represent a substantively different industry segment.

General Administration

The compensation committee of our board of directors oversees our executive compensation program. Until February 21, 2007, the former nominations and compensation committee of the board performed these responsibilities. References to the committee will refer to the current committee or the former committee as the context requires. The committee consists entirely of independent directors and makes compensation decisions involving our named executive officers. The independent members of our board of directors further review and approve compensation decisions involving our chief executive officer.

The committee has engaged an independent consultant, Watson Wyatt, to assist it in the performance of its duties. The consultant regularly provides the committee with analyses of competitive practice and compensation relevant to the company's executive jobs and industry. In addition, the committee routinely requests and receives recommendations from the consultant with regard to executive officer pay, long-term incentive award levels and other executive compensation matters of concern to the committee. On matters relating to executive compensation, the consultant reports directly to the committee.

During 2007, the committee adopted a new policy that prohibits Watson Wyatt from performing any other services to the company other than the duties Watson Wyatt performs as the committee's independent consultant. This is intended to strengthen the independence of Watson Wyatt and avoid any future conflicts of interest. However, as certain activities were underway already and the committee felt that terminating such activities in the mid-term would be detrimental to the company, Watson Wyatt was permitted to perform the following grandfathered services: acting as consultants in our search for a new third party administrator for our 401(k) plan, providing advice on matters related to the integration of Mayne's 401(k) plan into ours, and serving as consultants for the investments of assets held by our defined benefit and defined contribution plans. During 2007, Watson Wyatt received compensation for these other activities in the amount of \$109,830.

Role of Executive Officers and Management in Compensation Decisions

Our corporate vice president of human resources works with our chairman and chief executive officer to develop recommendations on matters of compensation philosophy, plan design and specific awards for executive officers. In conjunction with our corporate vice president of human resources, our chairman and chief executive officer assesses performance and other relevant factors and makes pay recommendations to the committee for each executive officer other than himself. Watson Wyatt, the committee's compensation consultant, provides competitive data and makes independent recommendations on competitive pay for our chairman and chief executive officer to the committee. The committee considers all of these recommendations and makes decisions as it deems appropriate. In making these decisions the committee considers multiple factors including individual performance, achievement of goals, desired versus actual competitive compensation position and retention importance. Compensation recommendations for our chairman and chief executive officer are reviewed by the chair of our compensation committee in executive session with the independent members of our board of directors prior to final approval. Our chairman and chief executive officer, corporate vice president of human resources, and senior vice president, general counsel and secretary generally attend committee meetings but are not present for executive sessions or for any discussion of their own compensation.

Market Data Used to Benchmark Pay

With the assistance of our compensation consultant, the committee benchmarks elements of our executive compensation against a peer group of companies selected from the medical device, generic pharmaceutical and hospital supply industries. The committee selects peer group companies to reflect Hospira's size, technologies, product markets and the talent pool from which we recruit. Before 2007, the group consisted evenly of medical device, generic pharmaceutical and hospital supply companies. In 2007, the committee reviewed the sources of external data in relation to the competitive market to help ensure that we attract, reward and retain executive talent from the appropriate market. Based on that review, the committee determined that our benchmark data should reflect a heavier mix of medical

device and generic pharmaceutical companies. Based on such criteria, the committee included the following companies in the peer group for the competitive analyses for 2007 compensation:

Peer Group Market Data

	12/31/2006(1) (\$000)	
	Market Capitalization	Revenue
Bard CR Inc.	\$ 8,571	\$ 1,986
Barr Pharmaceuticals Inc.	5,014	1,314
Baxter International Inc.	29,803	10,378
Becton Dickinson & Company	17,460	5,835
Biogen Idec Inc.	16,655	2,683
Boston Scientific Corp.	21,614	7,821
Cardinal Health Inc.	27,896	86,852
DENTSPLY International Inc.	4,634	1,810
Forest Laboratories	16,386	3,441
Genzyme Corp.	16,080	3,187
Gilead Sciences Inc.	29,810	3,026
Hospira, Inc.(2)	6,507	2,627
King Pharmaceuticals Inc.	3,856	1,989
Mylan Inc.	5,368	1,257
St. Jude Medical, Inc.	13,134	3,302
Stryker Corp.	22,402	5,406
Thermo Fisher Scientific Inco	8,879	8,874
Watson Pharmaceuticals Inc.	2,649	1,979

(1) All numbers are as of December 31, 2006, except for Barr Pharmaceuticals (June 30, 2006), Cardinal Health (June 30, 2007), Becton Dickinson (September 30, 2006), Forest Laboratories (March 31, 2007), and Mylan Inc. (March 31, 2007).

(2) Hospira is included in the list solely for ease of comparison.

Watson Wyatt’s competitive analyses also contained relevant published survey benchmark data from the healthcare and general industries which the committee uses as secondary sources of information to support the peer group analysis. The sources used were: Watson Wyatt Data Services (pharma and bio-tech and non-durable good manufacturing cut) and Towers Perrin (pharmaceutical cut). A mix of pharma/biotech companies ensures that we are paying in the market in which we compete. Non-durable good manufacturing companies provide us with pay levels in a more general industry. The peer group and published surveys together were used to determine market median pay opportunities for salary, annual- and long-term incentives, and total direct compensation (sum of salary, annual incentives and long-term incentives).

When making executive compensation decisions, the committee also considers executive tally sheets that reflect the total compensation, aggregate value of all long-term incentive grants, and the value of any other benefits and compensation programs that our executives have as an additional data point to the market data.

Discussion of Compensation Program

Principles

At Hospira, we recognize that all employees affect the performance of our business. Accordingly, we have designed our pay programs to help reinforce our key strategies and reward the successful execution of those strategies. We intend for our compensation program to allow us to attract, retain and motivate the best people from the industries where we compete for talent.

The goal of our program is to align the interests of our shareholders for successful business results and long-term growth with our ability to attract, retain and motivate outstanding leadership. Therefore, total compensation is determined by the success of our company. We provide total compensation opportunities that are competitive in the marketplace and include the opportunity for our executives to earn above-average rewards when merited by corporate and individual performance.

In establishing our program, we favor variable pay opportunities based on performance over fixed pay. Total direct compensation is comprised of three elements: base salary, an annual cash incentive award and a long-term equity incentive award. We intend for our program to reflect competitive market practice and to provide an appropriate mix of short- and long-term rewards to incent the achievement of both short-term goals and our long-term strategies. We target total direct compensation at the market median, based on an analysis of the compensation practices of the competitive peer group. Based on our peer group data, the committee believes that our total direct compensation mix, as explained below, is competitive with the peer group. Long-term incentive provides the highest percentage of total direct compensation, with an over 50% of the total mix. Base salary provides the lowest percentage, with a range of between 20% to 30% of the mix. We adjust the various elements of compensation to provide each executive the opportunity to earn market median total direct compensation when targeted performance is achieved.

Hospira Compensation Elements

Base Salary. We determine and adjust an executive's base salary by assessing sustained performance against individual job responsibilities including, where appropriate, the impact of performance on our business results, current salary in relation to the competitive market for the job, experience and potential for advancement. We administer the same standards for base salary increases for Hospira's executives as for other salaried employees. In addition, we do not provide our named executives with any competitive perquisites such as cars or car allowances, club memberships, financial planning, tax preparation assistance, first class air travel or supplemental insurance benefits. We instead take into account the competitive value of these types of common perquisites when we set an executive's base salary.

Annual base salaries for our named executive officers in 2006 and 2007 were as follows:

<u>Executive Officer</u>	<u>Year</u>	<u>Salary</u>
Christopher B. Begley, Chairman and Chief Executive Officer	2007	\$960,000
	2006	810,000
Terrence C. Kearney, Chief Operating Officer	2007	575,000
	2006	510,000
Thomas E. Werner, Senior Vice President, Finance and Chief Financial Officer	2007	405,000
	2006	375,000
Edward A. Ogunro, Senior Vice President, Research and Development and Medical Affairs and Chief Scientific Officer . .	2007	425,000
	2006	375,000
Brian J. Smith, Senior Vice President, General Counsel and Secretary	2007	390,000
	2006	375,100

Based on data provided by the consultant, base salaries for our named executive officers are below the competitive median. As stated under “Executive Summary” above, the adjustments in 2007 are designed to increase base salaries over a three-year period to the market median.

Annual Cash Incentive Award

Executives have an opportunity to earn an annual cash incentive award. The goal of our annual incentive plan for the named executive officers is to establish a significant link between the award and our success by rewarding participants when we achieve or exceed established financial goals and business objectives.

Our named executive officers participate in the 2004 Hospira, Inc. Performance Incentive Plan. In December of each year, the committee determines the participants in the Performance Incentive Plan for the following year. This determination establishes the goal and the base award with reference to our earnings before interest, taxes, depreciation and amortization as described below for each participant. In December 2006, the committee named Mr. Begley, Mr. Kearney, Mr. Werner, Mr. Arnott, Dr. Ogunro and Mr. Smith as participants in the plan for 2007.

The plan was approved by our shareholders in 2005, and allows for awards to be tax deductible under the requirements of Section 162(m) of the Internal Revenue Code. The plan provides for a base award equal to 2.0% of our earnings before interest, taxes, depreciation and amortization for our chief executive officer, 1.5% for our chief operating officer and 1.0% for each other named executive officer. In determining actual awards under the Performance Incentive Plan, the committee has the discretion to reduce, but not increase, actual awards from the base awards.

In practice, taking into account that a base award could be higher than intended, the committee uses its discretion to substantially reduce the actual awards from the base awards each year, and did so during 2007. In exercising this discretion and determining actual awards, at the first regularly scheduled meeting during the performance period, the committee establishes goals for that performance period and, at the first regularly scheduled meeting after completion of the performance period, measures performance against those goals. The committee has generally established the same corporate goals and goal weightings as those used for determining awards payable to Hospira’s non-executive managers under Hospira’s management incentive plan. As a result, Hospira’s entire management team has the same opportunity to earn above and below target awards. While the committee consults with management in connection with the establishment of these goals, the committee has the sole discretion to set, and measure performance against, these goals.

Using the structure of our cash incentive program, the committee establishes a target award for each officer determined as a percentage of the officer’s base salary, which is earned based on performance against the goals set by the committee. Officers earn more than the target award (up to a maximum set by committee of two times the target award) if goals are exceeded, less than the target award if goals are not achieved at the target level but achieved above a threshold level set by the committee, and no award if none of the goals meet the threshold level of performance.

The committee established the target incentive award percentages to be competitive and consistent with the committee’s desire to focus compensation opportunities for Hospira officers on variable compensation. The committee intends for executives to have the opportunity to earn market median total cash compensation when goals are met, above median compensation when goals are exceeded and to assure that compensation will be appropriately reduced when goals are not met. The target incentive award percentages for each officer position did not change from 2006 to 2007 since award opportunities were consistent with the market median. For purposes of the 2007 annual incentive award, the base salary was the actual cash flow base salary received.

For purposes of determining the 2007 cash incentive award paid to each named executive officer, the committee set the following goals and weights at its February 2007 meeting, which include the impact of the Mayne Pharma acquisition:

<u>Goal to Achieve Target Payout</u>	<u>Weight</u>	<u>Description</u>
Adjusted net income of \$344 million	40%	Our adjusted net income means our net income determined in accordance with generally accepted accounting principles, excluding restructuring charges and other expenses relating to the closing or exiting of some of our manufacturing plants, purchase accounting charges and acquisition and integration-related expenses associated with our acquisition of Mayne Pharma, and other expenses and gains that we believe are not indicative of our ongoing operating performance. We believe the adjusted measure provides a more meaningful indicator of our management's performance in managing our base business. These adjustments are described in our earnings press releases.
Net sales of \$3.47 billion	30%	Net sales is determined in accordance with generally accepted accounting principles.
Achieve \$273 million of operating cash flow during 2007	15%	Operating cash flow means our operating cash flow on the statement of cash flows less capital expenditures.
Hospira's corporate well-being	15%	Our corporate well-being goal is based upon our: <ul style="list-style-type: none"> • having an ethical and compliance-oriented work place; • building the Hospira culture by: <ul style="list-style-type: none"> • living our values and fostering an inclusive environment; • driving a financial fitness mindset; • increasing our diversity representation from a 2006 base, at all professional and management levels at Hospira; and • implementing an ongoing talent management process that includes the alignment of organization and individual goals that focus on having the right people in the right positions at the right time; and • growing Hospira by: <ul style="list-style-type: none"> • successfully integrating Mayne with Hospira; and • launching all major new products in accordance with our 2007 business plan.

For each goal, the committee established a threshold level and maximum level of performance. The maximum levels varied for each goal, at which 200% of the target payout would be earned. Maximum levels and potential payouts were established to encourage above-goal performance and results that exceed expectations. Similarly, we believe that if we do not meet goals that are established to generate shareholder return and long-term growth, management incentive payments should be reduced accordingly. The threshold performance level for each financial goal above which no payout is made for that goal is 90% of the target level. Performance at the threshold level would result in payout of 50% of the target award. Performance below the threshold level would result in no payout.

The intent of our cash incentive program is to directly link awards payable to the named executive officers with the success of our business. As the named executive officers are responsible for the overall performance of our business, the committee believed that the achievement of goals that depended on corporate performance would be reliable indicators of each executive's individual performance. The committee further believed that the attainment of corporate goals would motivate the executives to perform as a team in order to achieve the targeted payouts. While the committee recognizes that this increases the reward risk for any single executive, it believes that this approach best aligns the interests of all parties to motivate success. Therefore, the executives' entire incentive award payout depended on the achievement of the above corporate goals.

The 2007 financial goals were established to focus executive attention and action on financial and business performance that the committee believed would deliver shareholder return and long-term growth. In establishing these goals, the committee consulted with management, reviewed its 2007 business plan and set goals that were attainable based upon the execution of the plan. In placing the greatest weights on earnings and sales performance, the committee intended to emphasize annual growth of our base business at a level that the committee believed would establish positive shareholder return, balanced with emphasizing our strategy to invest for long-term growth of our business. The committee also placed emphasis on generation of cash as a key measure for our ability to invest for growth. The committee believed that components of the corporate well-being goal motivated performance within critical areas for Hospira's long-term success.

At its February 2008 meeting, the committee measured performance against the goals and approved the 2007 incentive awards.

Information regarding the 2007 targets and actual awards is as follows:

<u>Name</u>	<u>Target (% of cash flow base salary)</u>	<u>Payout Range (% of cash flow base salary)</u>	<u>Target Award (\$)</u>	<u>Actual Award (\$)</u>	<u>Actual Award (% of cash flow base salary)</u>
Christopher B. Begley	100%	0-200%	\$960,000	1,225,209	132.4%
Terrence C. Kearney	80%	0-160%	460,000	593,152	105.9%
Thomas E. Werner	80%	0-160%	324,000	421,643	105.9%
Edward A. Ogunro(1)	80%	0-160%	340,000	437,880	105.9%
Brian J. Smith	70%	0-140%	273,000	358,256	92.7%

(1) Dr. Ogunro retired on December 31, 2007. Mr. Arnott did not receive 2007 plan benefits as he resigned on January 3, 2007.

In making these awards, the committee assessed the achievement of each goal relative to plan.

We had \$357 million in net income, which exceeded the target goal set by the committee. The net income goal, weighted at 40% of the total award, was achieved at 104% of target.

We had \$3.43 billion of net sales during 2007, which was slightly less than the target goal set by the committee. The net sales goal, weighted at 30% of the total award, was achieved at 99% of target.

The company had \$344 million of operating cash flows, which exceeded the target goal set by the committee. As a result, the committee determined that the cash flow goal was well above the target level. The cash flow goal, weighted at 15% of the total award, was achieved at 126% of target, which is the maximum performance for this goal.

To assess the Hospira Wellness goal, weighted at 15%, the committee reviewed management's assessment and report on each element of the goal. The committee noted that the company exceeded all components of the goal, including the introduction of all major products in accordance with the 2007 plan, successful integration of Mayne Pharma, exceeding compliance goals, successfully driving a financial fitness mindset, maintaining a positive work environment and increasing the diversity of its work force. Based on this the committee determined a 183% achievement of this goal.

In total, based on the weightings, goal achievement was approved at 132.4% of target.

Long-Term Equity Compensation.

Our long-term equity compensation has consisted of annual stock option awards. These stock options permit the holder to buy our stock for a price equal to the stock's value when the options were awarded. The stock options vest over three years, but vest immediately upon a change in control. The stock option awards made before 2007 have a ten-year term. Awards made in 2007 have a seven-year term.

We view stock options as an important tool in aligning the long-term interests of our stockholders and employees, as recipients only benefit if the stock price appreciates over the long-term. In 2007, in consultation with Watson Wyatt, the committee considered the relative merits of stock options and other forms of long-term incentives in relation to their ability to incent management to achieve our long-term goals. From these discussions, the committee concluded that, for 2007, stock option awards provided the best opportunity to motivate longer-term management performance and to reward its achievement. The committee evaluates the structure of long-term equity compensation annually to assure that its reward strategies are aligned with our strategies.

Stock options are awarded annually to all eligible employees, including named executive officers. In 2007 and prior years, the stock options were awarded at the regularly scheduled May board of directors and committee meetings, which occurred on the date of our annual meeting of shareholders. However, in 2008, the stock options were awarded on March 6, 2008, five days after the release of our annual results of operations. During 2008, the committee decided to split the 2008 long-term incentive award into two components by awarding stock options and performance shares to the executive officers. This is intended to enhance the goal of paying for performance tied to total shareholder return. This change is discussed further under "2008 Long-Term Compensation" below.

During 2007, the committee awarded stock options to the named executive officers as follows:

<u>Name</u>	<u>Date of Award</u>	<u>Number of Shares Underlying Award</u>	<u>Value of Award(1)</u>
Mr. Begley	May 15, 2007	225,000	\$3,224,250
Mr. Kearney	May 15, 2007	110,000	1,576,300
Mr. Werner	May 15, 2007	60,000	859,800
Dr. Ogunro	May 15, 2007	60,000	859,800
Mr. Smith	May 15, 2007	40,000	573,200

(1) Amount represents the grant date value of the award. Stock option awards are valued on a basis consistent with the determination of compensation expense for our financial statements. For further details, please see Note 2 to the Grants of Plan-Based Awards table later in this proxy statement.

In determining the number of option shares granted to each executive, the committee reviewed analyses provided by Watson Wyatt. The committee targeted overall award levels at the median of competitive practice for the previously discussed peer group and published survey data. In addition, the committee considered prior award levels and its intent to focus on variable compensation in making these grants.

For awards made in 2007 and beyond, including those made in 2008, the award date is intended to be after the release of our annual results of operations in order for any material non-public information to be released before options are awarded. The timing of option awards is not otherwise coordinated with the release of material non-public information. For employees hired or promoted after the date of the annual grant, any options awarded because of the hiring or promotion of such employee are awarded on the final New York Stock Exchange trading day of the quarter in which the hire or promotion occurs. The exercise price of stock options awarded is the average of the high and low trading prices of Hospira common stock on the date of the award, which we believe is an appropriate measure of the market price of Hospira common stock. The timing of stock option awards and determination of exercise prices are included in a policy approved by the committee. Only the committee may award stock options to the named executive officers. The committee receives the approval of the independent board members for option awards to the chief executive officer.

2008 Long-Term Compensation.

During 2008, the committee decided to enhance the goal of paying for performance that is tied to shareholder return by splitting the 2008 long-term incentive award to the executive officers into two components: stock options and performance shares. The stock options constitute 60% of the annual long-term incentive award and the performance shares represent the remaining 40% of the annual long-term incentive award. These awards were issued on March 6, 2008. The stock options vest over three years and have a term of seven years. The performance shares will be earned based on the achievement of total shareholder return over the three-year period 2008-2010 relative to the performance of a pre-established peer group. The peer group will be the companies included in the S&P 500 Health Care index as of December 31, 2007, excluding those companies classified as Managed Care Providers, which the committee feels represent a substantively different industry segment. The committee selected total shareholder return as the sole performance measure because it feels that this measure best represents the ultimate performance of the company and the desired outcome for its shareholders. Under the performance share program, participants receive target awards based on the competitive market and the committee's assessment of the total compensation opportunity it wants to afford the participant. The target award will be earned if at the end of the performance period Hospira's total shareholder return for the three year period is at the median of the peer group.

Participants may earn up to two times the target award if Hospira's total shareholder return reaches or exceeds the 75th percentile of the peer group. Correspondingly, if Hospira's total shareholder return is below median, participants may earn a lesser award. No award will be earned if Hospira's total shareholder return falls below the threshold established by the committee, which is the 25th percentile. Participants may earn interim awards at the end of 2008 and 2009 based on Hospira's total shareholder return for those years. To comply with Section 162(m) of the Internal Revenue Code, the restricted stock units had to be granted within 90 days of the performance period that began on January 1, 2008. Complying with Section 162(m) allows Hospira to take a federal income tax deduction for compensation to officers in excess of \$1 million. Because our previous practice of awarding the long-term incentive award on the annual meeting date fell outside this 90-day window, the committee determined it was best to move the grant date for the long-term incentive award to five business days after the release of the 2007 financial results. The committee considered separating the long-term incentive award, but felt this would lead to confusion and lessen the motivational impact achieved by the unified award of both stock options and performance shares at the same time.

Beginning in 2008, we have provided for new provisions in our long-term incentive award agreements under which we may cancel all unexercised stock options and rescind any exercise or payment of stock options during a "recapture period" if:

- For a one-year period after leaving Hospira, a person engages in business that is competitive with Hospira or solicits Hospira's customers and suppliers; or
- For a one-year period following the termination of employment, such person solicits or employs Hospira's employees.

The recapture period is the 12-month period before or following the date the participant's employment terminates.

If such stock options are rescinded, the grantee is required to pay to Hospira the amount of any gain realized or payment received and forfeit to Hospira any shares received upon the exercise of such stock options during the recapture period. Performance shares are also subject to similar provisions that allow Hospira to terminate unearned awards and seek the return of any gains the participant makes after the awards are earned.

Other

Change of Control Agreements and Severance Pay

We have in place change of control agreements with the named executive officers who remain employed with Hospira. These agreements and the changes we have made to them are described later in this proxy statement under "Potential Payouts upon Change in Control." Payouts under those agreements are conditioned upon a change of control and either:

- the executive officer terminating for good reason or being terminated other than for cause during a specified time; or
- the executive officer terminating for any reason during a one-month period that begins six months after the change of control.

The agreements are designed to retain the named executive officers and provide continuity of management if there is an actual or threatened change of control and ensure that their compensation and benefits expectations would be satisfied in that event. The agreements with former Abbott officers were entered into at the spin-off and are similar in substance to the agreements that they had with Abbott.

Effective September 1, 2007, we adopted the Hospira Corporate Officer Severance Plan to provide severance pay and benefits to our corporate officers. The plan covers all our named executive officers, except our chairman and chief executive officer. This severance plan is described later in this proxy statement under “Potential Payments Upon Involuntary Severance.” Payouts under this plan are made to participants whose employment with us terminates involuntarily but will not be made if better benefits are available under a change of control agreement. Payments are also not available if termination is due to performance, illegal activity, failure to abide by our code of conduct, or other good cause. Consistent with our principles, we believe that this offers us a tool to attract, retain and motivate talent through a competitive severance plan that is transparent and consistent among the named executive officers.

Upon consultation with the consultant, the committee believes that overall, the agreements and plan are consistent with competitive market practice in both form and value. We do not have employment agreements or other severance agreements in place with the named executive officers. As part of its annual total compensation review, the committee also reviews executive tally sheets that detail the amounts each executive would receive under different termination scenarios.

Nonqualified Deferred Compensation Plan

On December 23, 2007, Hospira adopted the Hospira Non-Qualified Savings and Investment Plan, a nonqualified deferred compensation plan. The plan went into effect on January 1, 2008. The plan is not funded. Instead, we have established a grantor trust in order to accumulate assets to pay plan obligations. The assets and income of the trust are subject to the claims of our creditors if we become bankrupt or insolvent. All of our named executive officers and other highly compensated employees under ERISA are eligible to participate in this plan. The plan allows the participants to defer amounts in excess of the limits imposed on 401(k) plans by the Internal Revenue Code. For each payroll period, a participant who defers at least 3% of his compensation receives an employer contribution of 6% of compensation. In addition, for any participant who was both an employee and age 40 or older as of December 31, 2004, we will make an additional 3% of employer contributions for each of 2008 and 2009. Our contributions under this plan are identical to the contributions under our 401(k) plan. We adopted this plan to allow our executive officers and other highly compensated employees to save for retirement, which we believe is consistent with competitive market practice and meets a shortfall in the retirement package for executives.

Other than the Hospira Non-Qualified Savings and Investment Plan that went into effect in 2008, we do not currently offer a deferred compensation plan, except the Hospira 401(k) Retirement Savings Plan, which allows Hospira executives to participate up to the annual IRS limits on the same terms as all other employees. We offer other benefit plans, such as health, life and disability insurance, to our officers on the same basis as to all other employees.

Executive Share Retention and Ownership Guidelines

In order to promote equity ownership and further align the interests of management with Hospira’s shareholders, we have share retention and ownership guidelines for senior management. Under these guidelines, the chief executive officer must hold at least 50,000 shares and other corporate officers must hold at least 25,000 shares. These minimum holdings must be attained within five years after becoming a corporate officer. Information about the holdings is contained in the tally sheet that the committee reviews annually.

We believe that the named executive officers are making adequate progress toward achieving these minimums on time. As of December 31, 2007, Mr. Begley and Mr. Kearney achieved these minimums.

Internal Revenue Code Section 162(m)

Under Section 162(m) of the Internal Revenue Code, Hospira may not take a federal income tax deduction for compensation paid in excess of \$1 million to its chief executive officer or any of its four other highest paid executive officers. This limitation does not apply, however, to “performance-based” compensation, as defined under the Federal tax laws, under a plan approved by shareholders. Stock options and Hospira’s annual incentive awards generally qualify as “performance-based” compensation, as these awards are made under plans approved by shareholders and are, therefore, fully deductible.

The committee considers the anticipated tax treatment to Hospira and its executive officers when reviewing executive compensation. The deductibility of some types of compensation payments can depend upon the timing of an executive’s vesting or exercise of previously granted rights. Interpretations of and changes in applicable tax laws and regulations, as well as other factors beyond the committee’s control, also can affect deductibility of compensation.

The committee will continue to assess alternatives for preserving the deductibility of compensation payments and benefits. However, the committee will not necessarily seek to limit executive compensation to amounts deductible under Section 162(m), since the committee wishes to maintain the flexibility to structure compensation programs in ways that best promote the interests of Hospira and its shareholders.

COMPENSATION COMMITTEE REPORT

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis included in this proxy statement with Hospira’s management. Based on such review and discussions, the committee recommended to Hospira’s board of directors that the Compensation Discussion and Analysis be included in this proxy statement.

COMPENSATION COMMITTEE

Ronald A. Matricaria (Chair)
Roger W. Hale
Jacque J. Sokolov

EXECUTIVE COMPENSATION

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Option Awards(1)	Non-Equity Incentive Plan Compensation	Change in Pension Value	All Other Compensation(2)	Total
Christopher B. Begley, Chief Executive Officer	2007 2006	\$925,358 801,000	— —	\$3,224,250 3,519,874	\$1,225,209 757,008	\$130,465 187,408	\$20,250 19,800	\$5,525,532 5,285,090
Terrence C. Kearney, Chief Operating Officer(3)	2007 2006	560,000 469,977	— —	1,576,300 1,382,522	593,152 358,829	52,116 85,640	20,250 19,800	2,801,818 2,316,768
Thomas E. Werner, Senior Vice President, Finance and Chief Financial Officer(4)	2007 2006	398,077 147,115	— 172,575	859,800 37,550	421,643 —	— —	13,500 8,077	1,693,020 365,317
Edward A. Ogunro, Senior Vice President, Research and Development and Medical Affairs and Chief Scientific Officer	2007 2006	413,485 372,746	— —	859,800 942,008	437,880 280,423	78,378 112,998	20,250 19,800	1,809,793 1,727,975
Brian J. Smith, Senior Vice President, General Counsel and Secretary	2007 2006	386,562 372,746	— —	573,200 889,738	358,256 245,370	66,623 91,620	20,250 19,800	1,404,891 1,619,274

- (1) Represents the amount recognized as compensation expense in Hospira's financial statements for the year ended December 31, 2007. For purposes of calculating compensation expense, the value of Hospira stock option awards is determined using the Black-Scholes stock option valuation model consistent with the calculation of compensation expense in Hospira's income statement for the year ended December 31, 2007 included in its consolidated audited financial statements contained in Hospira's 2007 Annual Report to Shareholders. Please see Note 14 to the financial statements for a description of the assumptions used in making these calculations.
- (2) In all cases, represents Hospira's contribution to the named executive officer's account in the Hospira 401(k) Retirement Savings Plan.
- (3) Mr. Kearney previously served as Hospira's Chief Financial Officer from January 1, 2006 through August 11, 2006.
- (4) Mr. Werner was hired as Senior Vice President, Finance and Chief Financial Officer on August 14, 2006. The amount paid to him under "Bonus" represented a contractual minimum 2006 bonus agreed upon in connection with his hire.

Grants of Plan-Based Awards During 2007

The following table provides information regarding each plan-based award made to our named executive officers during 2007.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Number of Securities Underlying Options	Exercise Price of Option Awards	Closing market price of Hospira stock on date of award	Grant Date Value of Option Award(2)
		Threshold	Target	Maximum				
Christopher B. Begley	May 15, 2007(3)	— 462,693	— 925,385	— 1,850,770	225,000	\$ 39.97	\$ 39.98	\$3,224,250
Terrence C. Kearney	January 23, 2007(4) January 29, 2007(4) March 2, 2007(4) May 15, 2007(3) November 28, 2007(4) November 29, 2007(4) December 10, 2007(4)	— — — — — — —	— — — — — — —	— — — — — — —	11,406 17,496 33,779 110,000 16,161 2,730 6,781	35.76 36.73 39.22 39.97 42.66 43.00 43.93	35.77 36.62 39.08 39.98 43.00 42.94 43.51	126,264 126,390 298,606 1,576,300 176,439 30,685 67,946
Thomas E. Werner	May 15, 2007(3)	— 159,231	— 318,462	— 636,924	60,000	39.97	39.98	859,800
Edward A. Ogunro	May 15, 2007(3)	— 165,394	— 330,788	— 661,576	60,000	39.97	39.98	859,800
Brian J. Smith	May 15, 2007(3)	— 135,297	— 270,593	— 541,186	40,000	39.97	39.98	573,200

- (1) The awards described in the columns under "Estimated Possible Payouts Under Non-Equity Incentive Plan Awards" were paid in March 2007 and are presented in the "Non-Equity Incentive Plan Compensation" column in the preceding Summary Compensation Table. See "Compensation Discussion and Analysis—Annual Cash Incentive Award" above for a description of our annual cash incentive program. The amounts presented under "Threshold" represents the payout if all performance goals were met at the threshold level established by the committee. If no goals were met at the threshold level, no payout would be made.

- (2) The value of Hospira stock option awards is determined using the Black-Scholes stock option valuation model consistent with the calculation of compensation expense in Hospira's income statement for the year ended December 31, 2007 included in its consolidated audited financial statements contained in Hospira's 2007 Annual Report to Shareholders. Please see Note 14 to the financial statements for a description of the assumptions used in making these calculations.
- (3) Awarded in connection with Hospira's annual employee stock option award. The exercise price is the average of the high and low trading prices of Hospira common stock on the New York Stock Exchange on the date of the award. These stock options vest equally in three annual installments and have a seven-year term.
- (4) Issued in connection with the exercise of options that converted from Abbott stock options at the time of the spin-off that contained a replacement feature. Pursuant to the replacement feature, when the original option was exercised and the exercise price and applicable withholding taxes were paid with Hospira common stock, replacement options were granted for the number of shares used to make that payment. The replacement option has an exercise price equal to the closing market price of Hospira common stock on the day before the replacement option is granted (which is the deemed value of the stock used to pay the exercise price and withholding taxes), is exercisable in full six months after the date of grant, and has a term expiring on the expiration date of the original option.

Outstanding Equity Awards at December 31, 2007

The following table provides information regarding outstanding equity awards held by each named executive officer as of December 31, 2007, including the number of exercisable and unexercisable stock options held at that time. All awards described below are Hospira stock options awarded under the Hospira 2004 Long-Term Stock Incentive Plan. The closing market price for Hospira common stock on the New York Stock Exchange on December 31, 2007 was \$42.64.

Name	Option Awards			
	Number of Securities Underlying Unexercised Options— Exercisable	Number of Securities Underlying Unexercised Options— Unexercisable	Option Exercise Price	Option Expiration Date
Christopher B. Begley	500,000(1)	—	\$26.50	May 4, 2014
	—	225,000(2)	39.97	May 15, 2014
	150,000	75,000(3)	32.47	May 9, 2015
	65,000	130,000(4)	41.90	May 17, 2016
Terrence C. Kearney(5)	4,741	—	43.80	February 13, 2008
	17,843	—	43.80	February 12, 2009
	249	—	36.73	February 19, 2009
	2,281	—	43.80	February 11, 2010
	17,247	—	36.73	February 11, 2010
	31,230	—	39.22	February 9, 2011
	2,549	—	39.22	February 9, 2011
	—	6,349(6)	42.66	February 9, 2011
	—	6,781(7)	43.93	October 29, 2011
	61,781	—	36.94	February 15, 2012
	51,386	—	43.59	February 14, 2013
	—	42(6)	42.66	February 14, 2013
	—	2,730(8)	43.00	February 14, 2013
	11,406	—	35.76	February 20, 2014
	—	22(6)	42.66	February 20, 2014
	—	2,343(6)	42.66	February 20, 2014
	—	7405(6)	42.66	February 20, 2014
	10,689	—	39.26	February 20, 2014
90,000(1)	—	26.50	May 4, 2014	
—	110,000(2)	39.97	May 15, 2014	
46,666	23,334(3)	32.47	May 9, 2015	
30,000	60,000(4)	41.90	May 17, 2016	
Thomas E. Werner	—	60,000(2)	39.97	May 15, 2014
	10,000	20,000(9)	38.13	September 29, 2016
Edward A. Ogunro	52,905(1)	—	26.50	May 4, 2014
	—	60,000(2)	39.97	May 15, 2014
	46,666	23,334(3)	32.47	May 9, 2015
	16,667	33,333(4)	41.90	May 17, 2016
Brian J. Smith	80,000(1)	—	26.50	May 4, 2014
	—	40,000(2)	39.97	May 15, 2014
	33,334	16,666(3)	32.47	May 9, 2015
	11,667	23,333(4)	41.90	May 17, 2016

(1) These options vested on May 4, 2007.

- (2) One-third of these options vest on May 15, 2008, 2009 and 2010.
- (3) These options vest on May 9, 2008.
- (4) One-half of these options vest on May 17, 2008 and 2009.
- (5) Mr. Kearney received Hospira stock options that were converted from Abbott stock options at the time of the spin-off. These options are referred to as “conversion options.” The conversion options replaced Abbott Laboratories options formerly held by each of them and had varying exercise prices, vesting schedules and expiration dates that were intended to provide the same intrinsic value as those Abbott options. The conversion options have the replacement feature described under the “Grants of Plan Based Awards During 2007” table. When Mr. Kearney has made qualifying exercises of the conversion options, he has received replacement option awards.

Pursuant to the terms of the spin-off, Mr. Begley, Dr. Ogunro and Mr. Smith, who were also employed by Abbott before the spin-off, were required to retain their Abbott options rather than receiving conversion options because each was eligible to retire from Abbott at the time of the spin-off under the terms of the Abbott/Hospira Transitional Annuity Retirement Plan.

Options awarded by Hospira as part of its annual award, and for new hires and promoted employees, do not contain the replacement feature.

- (6) These options vest on May 29, 2008.
- (7) These options vest on June 11, 2008.
- (8) These options vest on May 31, 2008.
- (9) One-half of these options vest on September 29, 2008 and 2009.

Option Exercises During 2007

The following table shows the exercises of Hospira stock options made by the named executive officers during 2007 and the value realized on exercise. The value realized on exercise is the difference between the market price at the time of exercise and the exercise price of the options.

Name	Option Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise
Christopher B. Begley	—	—
Terrence C. Kearney	112,921	\$877,204
Thomas E. Werner	—	—
Edward A. Ogunro	19,903	245,135
Brian J. Smith	—	—

2007 Pension Benefits

The following table shows the number of years of credited service and the present value of the accumulated benefit obligation for each named executive officer for each applicable plan, other than Mr. Werner, who joined Hospira in 2006 and is not entitled to any pension benefits. The assumptions used to calculate the accumulated benefit obligation are described in Note 7 to the consolidated audited financial statements contained in Hospira's Annual Report to Shareholders. No payments under any plan were made to the named executive officers.

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit
Christopher B. Begley	Abbott/Hospira Transitional Annuity Retirement Plan	18	\$ 419,327
	Hospira Supplemental Pension Plan	18	3,157,814
Terrence C. Kearney	Abbott/Hospira Transitional Annuity Retirement Plan	25	485,681
	Hospira Supplemental Pension Plan	25	1,141,489
Thomas E. Werner	None	—	—
Edward A. Ogunro	Abbott/Hospira Transitional Annuity Retirement Plan	22	502,188
	Hospira Supplemental Pension Plan	22	1,654,366
Brian J. Smith	Abbott/Hospira Transitional Annuity Retirement Plan	26	598,153
	Hospira Supplemental Pension Plan	26	1,139,533

Before our spin-off from Abbott, our named executive officers, other than Mr. Werner, were participants in Abbott's defined benefit pension plans. Effective as of the time of the spin-off, we adopted a qualified pension plan, the Abbott/Hospira Transitional Annuity Retirement Plan, which replicated, in all material respects, the benefit formulas under Abbott's plan.

Description of Plans. The qualified pension plan's benefits are determined through stated formulas, which are based on an employee's benefit service years and final earnings. Our employees received credit under our plan for qualifying service years and earnings with Abbott. Earnings include base salary and bonus payments under our annual cash incentive plan. An employee's final earnings under the plan are calculated as the average of the employee's earnings for the highest five of the last ten years of service through December 31, 2004.

The plan's normal retirement date is the last day of the month after the employee reaches age 65. However, an employee hired before January 1, 2004 may choose to retire as early as the last day of any month after he reaches age 50 and has at least 10 years of service, or after he reaches age 55 and his age plus years of service total 70 or more. Any such employee may also retire early on the last day of any month after he reaches age 55 if, by age 65, his age plus years of service would total 94 or more. Employees hired after January 1, 2004 may retire early on the last day of the month after they reach age 55 and have at least 10 years of service.

In all cases, for service from January 1, 2004 through December 31, 2004, if the employee retires before age 55 the plan benefit is actuarially reduced for each year that payments are made before age 65. This means that the benefit payments are reduced proportionally so that employees receiving benefits before age 65 receive roughly the same value as those who begin receiving benefits at age 65. This is a complex calculation that is based on mortality and interest rate assumptions.

Mr. Begley, Mr. Kearney, Dr. Ogunro, and Mr. Smith are all eligible for our qualified plan benefits. They are all currently eligible for early retirement. Mr. Werner does not qualify as an eligible participant under the plan and is not entitled to receive any of its benefits.

The Internal Revenue Code and qualified plan documents place limits on the amount and types of earnings that can be considered as compensation under the plan. The Internal Revenue Code also places a dollar limit on the annual payments that may be paid from the plan. At the time of the spin-off, we also adopted a non-qualified supplemental pension plan, the Hospira Supplemental Pension Plan. The plan replicates, in all material respects, the plan provisions under Abbott's non-qualified supplemental pension plan. The plan generally provides benefits to those individuals who participate in our pension plan and whose earnings exceed limits imposed by the Internal Revenue Code or, in certain cases, the qualified plan's definition of compensation. Each named executive officer other than Mr. Werner was a participant in the non-qualified plan.

The non-qualified pension plan also provides an additional benefit, which is a monthly pension commencing on the officer's normal retirement date under the qualified plan and payable as a life annuity equal to .006% of the officer's earnings for each of the first 20 years of benefit service occurring after age 35. Additionally, the non-qualified pension plan allows such officers to retire at age 60 without early benefit reductions that would have applied under the qualified plan for early retirements.

Freezing of Plans. As a result of our evaluation of our benefit programs, effective December 31, 2004, benefits under the qualified and non-qualified pension plans were frozen. Eligible employees continued to earn benefits based on pay and years of service earned through December 31, 2004, and are entitled to all vested benefits earned when they retire. As a result of the freezing of the benefits, our employees, including the named executive officers, will not accrue additional years of benefit service after 2004 and their compensation earned after 2004 will not be taken into account for purposes of calculating the benefits. However, service earned after December 31, 2004 is counted toward vesting and for determining eligibility for retirement.

Stock Option Provisions Regarding Termination of Employment

Our stock options generally expire three months after an employee's termination of employment. However, the stock options will remain in force for their term if the holder dies during employment or retirement, retires, or becomes disabled during employment. During that period, the options continue to vest and may be exercised. For options granted before 2005, an individual is considered to have retired if his employment terminates at or after the time he reaches age 55 and has 10 years of service or if he retires under a Hospira-sponsored defined benefit retirement plan (which generally requires that the participant be 50 years old with at least 10 years of service). Mr. Begley, Mr. Kearney, Dr. Ogunro, and Mr. Smith are all currently eligible for retirement under these conditions. For options

granted in and after 2005, an individual is considered to have retired if his employment terminates at or after he reaches age 55 and has 10 years of service. All the named executive officers, except Mr. Kearney, are currently eligible for retirement under options granted in and after 2005. Mr. Werner is not currently eligible for retirement under any of the option awards.

Potential Payments upon Change in Control

We have change in control agreements with the named executive officers. The terms of those agreements are summarized below:

Term. The agreements have a three-year term and, at the end of each year, automatically renew for a year unless we give the officer notice that the agreement will not be extended. The existing agreements terminate on December 31, 2010. If a change in control occurs, the agreements will extend for two years following the change in control.

Triggering Events. During the term of the agreement, each named executive officer is entitled to receive benefits as described below if a change of control occurs and:

- the officer is terminated by us for any reason other than cause or permanent disability;
- the officer terminates for good reason, which includes, among other things, reduction in responsibility, reduction in salary, bonus or other compensation or benefits, or relocation of the officer; or
- the officer terminates for any reason during the one-month period following the date that is six months after the change in control.

An officer is also entitled to those benefits if we terminate the officer's employment if a potential change of control is pending for any reason other than cause or permanent disability. We have made changes to these agreements in order to comply with Section 409A of the Internal Revenue Code and its regulations which affect severance arrangements such as the change in control agreements. Under the changes, payments under the agreements are delayed for 6 months after the officer becomes entitled to them, except for certain welfare benefits.

Benefits. In the circumstances described above under "Triggering Events," the officers are entitled to receive:

- 2.99 times the officer's annual salary and incentive plan award, with the annual incentive plan award being the highest of:
 - the amount that would be paid during the period of termination of employment if the target levels of performance were achieved; and
 - the average annual incentive award for the three annual performance periods before the period that includes the date termination of employment;
- the prorated annual incentive plan award for the period of termination of employment (calculated as described in the bullet point above);
- the unpaid annual incentive plan award for any completed performance period for which the award has not been paid, calculated as the highest of:
 - the amount that would be paid during the period of termination of employment if the target levels of performance were achieved;
 - the actual amount that would have been paid for the completed period as determined under the terms of the annual incentive plan; and

- the average annual incentive award for the three annual performance periods before the period of termination of employment.
- an extra three years addition to actual age on the date of termination for purposes of determining the eligibility for subsidized early retirement benefits;
- up to three years of additional employee benefits, including medical, dental, health and accident, prescription, disability and life insurance coverage, as received by the officer before the change in control;
- up to three years of outplacement services; and
- payment of excise taxes, and taxes and other payment obligations as a result of having those excise taxes reimbursed.

Change of Control. Under the agreements, a change of control occurs on any date on which:

- any person or group that does not already have 30% of voting power acquires or has acquired during the 12 month period preceding the most recent acquisition ownership of our stock possessing 30% or more of the total voting power of our stock;
- the majority of our board is replaced during any 12 month period by directors whose appointment or election is not endorsed by a majority of the board members before the date of the appointment or election;
- any person or group that does not already have more than 50% stock ownership acquires stock ownership that, together with stock already owned by the person or group, constitutes more than 50% of the total fair market value or total voting power of our stock; or
- any person or group acquires or has acquired during the 12 month period ending on the date of the most recent acquisition our assets with a total gross fair market value of 40% or more of the total gross fair market value of our assets immediately before such acquisition or acquisitions.

We changed the change in control circumstances above in order to make them consistent with Section 409A of the Internal Revenue Code and its regulations.

If each named executive officer had his employment terminated on December 31, 2007 (the last business day of the year) under the circumstances described above under “Triggering Events,” we estimate that the officer would receive the benefits described below. These disclosed amounts are estimates only and do not necessarily reflect the actual amounts that would be paid, which would only be known at the time that they become eligible for payment and would only be payable if a change in control were to occur. The table reflects the amount that could be payable under the arrangements assuming that the change of control occurred at December 31, 2007, including a gross-up for certain

taxes in the event that any payments made in connection with a change in control would be subject to the excise tax imposed by the Internal Revenue Code.

Officer	2.99 Times Salary and Bonus Payment	2007 Incentive(1)	Value of Employee Benefits and Services	Pension(2)	Accelerated Vesting of Stock Options(3)	Excise Taxes and Related Payments(4)	Total
Christopher B. Begley	\$5,778,766	\$972,698	\$76,077	\$452,804	\$1,459,700	—	\$8,740,045
Terrence C. Kearney	3,094,650	460,000	75,010	363,086	575,407	—	4,568,153
Thomas E. Werner	2,566,861	453,482	74,293	—	250,400	\$1,373,362	4,718,398
Edward A. Ogunro(5)	2,370,432	367,787	74,505	241,079	422,173	—	3,475,976
Brian J. Smith	2,061,631	299,509	74,134	158,306	293,560	1,003,197	3,890,676

- (1) The 2007 incentive calculation assumes that, for purposes of the agreement, termination occurred immediately before the time of completion of the 2007 incentive period.
- (2) Represents the difference between the value of the lump-sum payout under the supplemental pension plan and the present value of vested benefits under the plan, taking into account three additional years of age for purposes of determining retirement eligibility.
- (3) Represents the in-the-money value of all unvested stock options, which vest upon a change in control, held by such person on December 31, 2007. The closing market price of Hospira common stock on December 31, 2007, the last trading day of the year, was \$42.64.
- (4) The excise tax and related payments are based upon a 20% excise tax, grossed up for additional taxes, on the amount by which the change of control payments and other benefits exceeded each officer's base period earnings. For purposes of the calculation, we assumed that the 2007 bonus related to services rendered before the change of control.
- (5) Dr. Ogunro retired on December 31, 2007 and his change of control agreement was terminated.

Potential Payments Upon Involuntary Severance

Effective September 1, 2007, we adopted the Hospira Corporate Officer Severance Plan to provide severance pay and benefits to our officers who are elected by our board or designated by the committee. Our chairman and chief executive officer is not eligible for pay or benefits under this plan. The terms of this plan are summarized below.

Triggering Events. An officer becomes eligible to receive severance pay if we terminate his or her employment for any of the following reasons:

- the officer's position is eliminated due to a reduction in force or other restructuring; or
- the officer's employment is involuntarily terminated for reasons that are not related to performance, illegal activity, failure to abide by our code of conduct, or other good cause.

Conditions. An officer receiving benefits under our long-term disability will not be entitled to severance pay at the end of the period of long-term disability. To receive benefits, the officer must meet these additional requirements:

- not be eligible for transfer to another position with us;
- sign a two-year non-compete and confidentiality agreement;
- return all our property and information;

- agree to pay all outstanding amounts owed to us and authorize us to withhold any outstanding amounts from his or her final paycheck and/or severance pay; and
- if the officer is receiving benefits under our short term disability plan, then the officer will be entitled to severance pay at the end of the period of payment of short term disability only if the officer is not then eligible for benefits under our long-term disability plan and we do not offer the officer employment with us that is comparable to what he held at the time the short term disability commenced.

Benefits. If the officer satisfies the conditions described above under “Triggering Events” and “Conditions,” the officer is entitled to receive:

- a lump sum payment on cash, after deduction of federal, state and local income taxes, of:
 - 2 years of the officer’s base salary at the rate in effect on the date of termination;
 - if the officer’s date of termination occurs after the end of the performance period of an annual incentive bonus award in which the officer participates, and before the award has been paid, a lump sum payment in cash for such prior performance period, as determined under the terms of that incentive award arrangement; and
 - for the year of termination, the officer’s pro rata annual incentive bonus award through the date of termination, with the determination of the amount of such award based on an assumption that the target level of performance has been achieved;
- a lump sum payment equivalent to 130% of the cost of 72-weeks of COBRA continuation coverage in lieu of any continued medical, dental, vision, and other welfare benefits we offer; and
- up to twelve months of outplacement services.

If each named executive officer, except the CEO, had his employment terminated on December 31, 2007 (the last business day of the year) under the circumstances described above under “Triggering Events” and “Conditions” we estimate that the officer would receive the benefits described below. These disclosed amounts are estimates only and do not necessarily reflect the actual amounts that would be paid, which would only be known at the time that they become eligible for payment.

Officer(1)	2 Years Base Salary	2007 Bonus Payment	Value of Outplacement Services	130% COBRA Coverage Payment	Total
Terrence C. Kearney	\$1,150,000	\$593,152	\$35,250	\$26,513	\$1,804,915
Thomas E. Werner	810,000	421,643	35,250	\$27,038	1,293,931
Edward A. Ogunro(2)	850,000	437,880	35,250	27,038	1,350,168
Brian J. Smith	780,000	358,256	35,250	27,890	1,201,396

(1) Mr. Begley does not participate in the plan.

(2) Dr. Ogunro retired on December 31, 2007 and the plan no longer applies to him.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Executive officers, directors and certain shareholders who own more than ten percent of our common stock are required by Section 16(a) of the Securities Exchange Act of 1934 to file reports of their ownership of the common stock with the SEC. Based on our review of the reports and representations made to us by our officers and directors, we believe that all required Section 16(a) reports were timely filed in 2007.

PROPOSAL 2
RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The audit committee of our board of directors is empowered to annually appoint a firm of independent registered public accountants to serve as our auditors. The audit committee appointed Deloitte & Touche LLP to serve as our auditors for 2008. Deloitte & Touche LLP has served as our auditors since 2004.

Although the audit committee has sole authority to appoint auditors, it is seeking the opinion of the shareholders regarding its appointment of Deloitte & Touche LLP as auditors for 2008. For this reason, shareholders are being asked to ratify this appointment. If the shareholders do not ratify the appointment of Deloitte & Touche LLP as auditors for 2008, the audit committee will take that fact into consideration, but may, nevertheless, continue to retain Deloitte & Touche LLP.

Representatives of Deloitte & Touche LLP are expected to be present at the annual meeting and will be given the opportunity to make a statement if they desire to do so. They also will be available to respond to appropriate questions.

The board of directors recommends a vote FOR ratification of the appointment of Deloitte & Touche LLP as independent registered public accountants for 2007.

ACCOUNTING MATTERS

Fees to Independent Registered Public Accountants

We incurred the following fees for services performed by Deloitte & Touche LLP for 2006 and 2007.

Audit Fees

Aggregate fees billed or expected to be billed by Deloitte & Touche LLP for professional services rendered for the audit of our 2006 and 2007 annual financial statements and for review of the financial statements included in our Quarterly Reports on Form 10-Q, the Sarbanes-Oxley Section 404 attestations, acquisition-related procedures, review of documents filed with the SEC and certain accounting consultations in connection with the audits were \$3,214,000 for 2006 and \$4,929,000 for 2007.

Audit-Related Fees

Aggregate fees billed or expected to be billed by Deloitte & Touche LLP for assurance and related services reasonably related to the performance of the audit or review of our financial statements for 2006 and 2007, and not included in the audit fees listed above under "Audit Fees" were \$69,000 for 2006 and \$0 for 2007. The services relating to these fees were principally for acquisition activity.

Tax Fees

The audit committee of our board of directors has determined that our auditor can provide certain tax services without impairing its independence. Aggregate fees billed or expected to be billed by Deloitte & Touche LLP for tax compliance, tax advice, and tax planning were \$200,000 for 2006 and \$115,000 for 2007.

All Other Fees

The audit committee of our board of directors may approve permissible non-audit services classified as "all other services" that it believes are routine and recurring services, and would not

impair the independence of the auditor. Deloitte & Touche LLP did not perform services that would be characterized as “all other services” for 2006 or 2007.

Pre-Approval Policy

The audit committee pre-approves all audit and permissible non-audit services to be provided to us by our independent auditor prior to commencement of services. Prior to engagement of the independent registered public accounting firm for the next year’s audit, management will submit a schedule of all proposed services expected to be rendered during that year for each of four categories of services to the audit committee for approval. Prior to engagement, the audit committee pre-approves these services by category of service. The fees are budgeted and the audit requires the independent registered public accounting firm and management to report actual fees versus the budget periodically by category of service. During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval. In those instances, the audit committee requires specific pre-approval before engaging the independent registered public accounting firm. Mr. Staley, the audit committee chair, has been delegated authority to pre-approve such services up to a specified aggregate fee amount and these pre-approval decisions are presented to the full audit committee at its next scheduled meeting.

REPORT OF THE AUDIT COMMITTEE

Management is responsible for Hospira's internal controls and the financial reporting process. The independent registered public accounting firm has the responsibility for performing an audit of our financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and for expressing an opinion on those financial statements based on its audit as well as expressing an opinion on (1) management's assessment of the effectiveness of internal control over financial reporting and (2) the effectiveness of internal control over financial reporting. The audit committee reviews these processes on behalf of the board of directors. In this context, the committee has reviewed and discussed the audited financial statements contained in the 2007 Annual Report on Form 10-K with Hospira's management and Deloitte & Touche LLP.

The committee has discussed and reviewed with the company's independent registered public accounting firm, Deloitte & Touche LLP, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended by the Statement on Auditing Standards No. 90 (*Communication with Audit Committees*). The committee has discussed and reviewed the results of Deloitte & Touche LLP's examination of the financial statements with and without management present.

The committee has received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1 (*Independence Discussions with Audit Committees*), as amended, and has discussed with the independent auditors their independence. The committee has also considered whether the provision of the services described above under the captions "Audit Fees," "Audit Related Fees," "Tax Fees" and "All Other Fees" is compatible with maintaining the independence of the independent auditors.

During 2007, management completed its documentation, testing and evaluation of the adequacy of Hospira's system of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules and regulations. The committee was apprised of the progress of the evaluation by both management and the independent registered accounting firm, and provided oversight and advice to management during this process. At the conclusion of this process, management reviewed with the committee its report on the effectiveness of Hospira's internal control over financial reporting. The committee also received the report from the independent registered accounting firm on management's assessment of Hospira's internal control over financial reporting.

Based on the reviews and discussions referred to above, the committee recommended to the board of directors that the audited financial statements be included in Hospira's Annual Report on Form 10-K for the year ended December 31, 2007 filed with the Securities and Exchange Commission.

AUDIT COMMITTEE

John C. Staley, Chair
Connie R. Curran
Mark F. Wheeler

OTHER INFORMATION

Hospira has been named as a defendant in a lawsuit alleging generally that the spin-off of Hospira from Abbott Laboratories interfered with employee benefits in violation of the Employee Retirement Security Act of 1974 (“ERISA”). The lawsuit was filed on November 8, 2004 in the United States District Court for the Northern District of Illinois, and is captioned: *Myla Nauman, Jane Roller and Michael Loughery v. Abbott Laboratories and Hospira, Inc.* On November 18, 2005, the complaint was amended to assert an additional claim against Abbott and Hospira for breach of fiduciary duty under ERISA. The Court has dismissed the fiduciary duty claims against Hospira. By Order dated December 30, 2005, the Court granted class action status to the lawsuit. The new claim in the amended complaint is not subject to the class certification ruling. As to the sole claim against Hospira, the court certified a class defined as: “all employees of Abbott who were participants in the Abbott Benefit Plans and whose employment with Abbott was terminated between August 22, 2003 and April 30, 2004, as a result of the spin-off of the HPD/creation of Hospira announced by Abbott on August 22, 2003, and who were eligible for retirement under the Abbott Benefit Plans on the date of their terminations.” Hospira has moved for summary judgment on the only remaining claim against it. Hospira denies all material allegations asserted against it in the complaint.

Solely as a result of the court’s ruling described above and not as a result of any action taken by any of them, Mr. Begley, Dr. Ogunro and Mr. Smith, each of whom were eligible to retire from Abbott as of the time of the spin-off, are members of the class certified by the court.

OTHER BUSINESS

The board of directors is not aware of any business or matter other than those indicated above which may properly be presented at the meeting. If, however, any other matter properly comes before the meeting, the proxy holders will, in their discretion, vote on the matter in accordance with their best judgment.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The spouse of Valentine Yien is employed by us as a manager. During 2007, his total compensation exceeded \$120,000. Ms. Yien was an executive officer up until August 1, 2007, at which time she moved into a new position.

POLICY REGARDING RELATED PERSON TRANSACTION APPROVAL

Our corporate governance guidelines require board review prior to entering into related person transactions. This guideline has been implemented through the procedures described below.

The board must approve any transaction over \$120,000 in which a related person has a material interest. Related persons include directors, executive officers, significant shareholders, their immediately family members and associated entities of these persons.

If, at any time, we or any of our executive officers or directors become aware of any relationship or potential relationship with a related person, we notify the board and review the facts of that relationship. We annually conduct a review with our executive officers and directors to determine if there are any such relationships, and our executive officers and directors are required to disclose any such relationships to us on an ongoing basis.

If, as a result of our factual review, we determine that any such relationship could potentially be a related person transaction requiring board approval, it will be submitted to the board for review and approval at the next meeting. We monitor any known relationships with related persons for changes in facts and circumstances to determine if any such relationships should be notified or re-submitted to the board. Any interested director, including a director whose immediate family member is involved in the

transaction, may not participate in the review of any such transaction. The board may delegate the authority to approve related person transactions to any of its independent committees.

OTHER SHAREHOLDER INFORMATION

Date for Receipt of Shareholder Proposals for the 2009 Annual Meeting Proxy Statement

Shareholder proposals for presentation at our 2009 annual meeting must be received by us no later than November 28, 2008, and must otherwise comply with the applicable requirements of the SEC to be considered for inclusion in the proxy statement for the 2009 annual meeting.

Procedure for Recommendation and Nomination of Directors and Transaction of Business at Annual Meeting

A shareholder may recommend persons as potential nominees for director by submitting the names of such persons in writing to the chairman of the governance and public policy committee or our secretary. Recommendations should be accompanied by a statement of qualifications and confirmation of the person's willingness to serve. A nominee who is recommended by a shareholder following these procedures will receive the same consideration as other comparably qualified nominees.

A shareholder entitled to vote for the election of directors at an annual meeting and who is a shareholder of record on:

- the record date for that annual meeting,
- on the date the shareholder provides timely notice to us, and
- on the date of the annual meeting

may directly nominate persons for director or bring business before the annual meeting by providing proper timely written notice to our secretary. A notice relating to a director nomination must include the name, age, business address, residence address and principal occupation or employment of the nominee, the class and number of our shares owned by the nominee, a description of all arrangements between the shareholder and such nominee and any other person or persons pursuant to which the nominations are to be made by the shareholder, and any other information relating to the nominee that is required to be disclosed in solicitations for proxies pursuant to the Securities Exchange Act of 1934. In addition, the notice must include the name and record address of the nominating shareholder, the class and number of our shares owned by the nominating shareholder, and notice as to whether the nominating shareholder intends to solicit proxies in connection with such nominee.

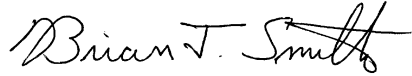
For each matter the shareholder proposes to bring before the annual meeting, the notice must include a brief description of the business to be discussed, the reasons for conducting such business at the annual meeting, the name and record address of the shareholder proposing such business, the class and number of our shares owned by the shareholder, any material interest of the shareholder in such business, notice as to whether the shareholder intends to solicit proxies in connection with the proposed matter, and any other information required to be disclosed in proxies pursuant to the Securities Exchange Act of 1934.

To be timely, written notice either to directly nominate persons for director or to bring business properly before the annual meeting must be received at our principal executive offices not less than 90 days and not more than 120 days prior to the anniversary date of the preceding annual meeting. If the annual meeting is called for a date that is not within 25 days before or after such anniversary date, notice by the shareholder must be received not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or made public in a press release or in a filing with the Securities and Exchange Commission, whichever occurs first.

General

It is important that proxies be returned promptly. Shareholders are urged, regardless of the number of shares owned, to vote their shares. Most of our shareholders may vote their shares by telephone or the Internet. Shareholders who wish to vote by mail should sign and return their proxy card in the enclosed business reply envelope. Shareholders who vote by telephone or the Internet do not need to return their proxy card.

By order of the board of directors

A handwritten signature in black ink that reads "Brian J. Smith". The signature is written in a cursive style with a large, stylized initial "B".

Brian J. Smith
Secretary

