# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

## FORM 10-K

**(Mark One)**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the fiscal year ended December 31, 2017**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period from to**
**Commission file number 1-3619**


# PFIZER INC.

(Exact name of registrant as specified in its charter)

| **Delaware** | **13-5315170** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |
| **235 East 42nd Street New York, New York** | **10017** |
| (Address of principal executive offices) | (Zip Code) |

**(212) 733-2323**
(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Name of each exchange on which registered |
|---|---|
| **Common Stock, $.05 par value** | **New York Stock Exchange** |
| **Floating Rate Notes due 2019** | **New York Stock Exchange** |
| **0.000% Notes due 2020** | **New York Stock Exchange** |
| **0.250% Notes due 2022** | **New York Stock Exchange** |
| **1.000% Notes due 2027** | **New York Stock Exchange** |

**Securities registered pursuant to Section 12(g) of the Act:** None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232-405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes ☒ No ☐
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| Large accelerated filer ☒ | Accelerated filer ☐ | Non-accelerated filer ☐ | Smaller reporting company ☐ | Emerging growth company ☐ |
|---|---|---|---|---|
| | | (Do not check if a smaller reporting company) | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒
The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, July 2, 2017 , was approximately $200 billion . This excludes shares of common stock held by directors and executive officers at July 2, 2017 . Exclusion of shares held by any person should not be construed to indicate that such person possesses the power, directly or indirectly, to direct or cause the direction of the management or policies of the registrant, or that such person is controlled by or under common control with the registrant. The registrant has no non-voting common stock.
The number of shares outstanding of the registrant's common stock as of February 20, 2018 was 5,952,864,751 shares of common stock, all of one class.

**DOCUMENTS INCORPORATED BY REFERENCE**

| | |
|---|---|
| Portions of the 2017 Annual Report to Shareholders | Parts I, II and IV |
| Portions of the Proxy Statement for the 2018 Annual Meeting of Shareholders | Part III |

## TABLE OF CONTENTS

## DEFINED TERMS

Unless the context requires otherwise, references to "Pfizer," "the Company," "we," "us" or "our" in this 2017 Form 10-K (defined below) refer to Pfizer Inc. and its subsidiaries. We also have used several other terms in this 2017 Form 10-K, most of which are explained or defined below.

| | |
|---|---|
| *2017 Financial Report* | Exhibit 13 to this 2017 Form 10-K |
| *2017 Form 10-K* | This Annual Report on Form 10-K for the fiscal year ended December 31, 2017 |
| *2018 Proxy Statement* | Proxy Statement for the 2018 Annual Meeting of Shareholders |
| *ACA* | U.S. Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act |
| *Alliance revenues* | Revenues from alliance agreements under which we co-promote products discovered or developed by other companies or us |
| *Anacor* | Anacor Pharmaceuticals, Inc. |
| *ANDA* | Abbreviated New Drug Application |
| *Astellas* | Astellas Pharma US, Inc. |
| *BLA* | Biologics License Application |
| *BMS* | Bristol-Myers Squibb Company |
| *cGMPs* | current Good Manufacturing Practices |
| *CFDA* | China Food and Drug Administration |
| *DEA* | U.S. Drug Enforcement Agency |
| *Developed Markets* | U.S., Western Europe, Japan, Canada, Australia, South Korea, Scandinavian countries, Finland and New Zealand |
| *EFPIA* | European Federation of Pharmaceutical Industries and Associations |
| *EH* | Essential Health |
| *EMA* | European Medicines Agency |
| *Emerging Markets* | Includes, but is not limited to, the following markets: Asia (excluding Japan and South Korea), Latin America, Eastern Europe, Africa, the Middle East, Central Europe and Turkey |
| *EU* | European Union |
| *Exchange Act* | Securities Exchange Act of 1934, as amended |
| *FCPA* | U.S. Foreign Corrupt Practices Act |
| *FDA* | U.S. Food and Drug Administration |
| *FFDCA* | U.S. Federal Food, Drug and Cosmetic Act |
| *HIS* | Hospira Infusion Systems |
| *Hospira* | Hospira, Inc. |
| *ICU Medical* | ICU Medical, Inc. |
| *IH* | Innovative Health |
| *IPR&D* | In-process Research and Development |
| *LOE* | Loss of Exclusivity |
| *MCO* | Managed Care Organization |
| *Medivation* | Medivation, Inc. |
| *NDA* | New Drug Application |
| *NYSE* | New York Stock Exchange |
| *OTC* | over-the-counter |
| *PBM* | Pharmacy Benefit Manager |
| *PGS* | Pfizer Global Supply |
| *PMDA* | Pharmaceuticals and Medical Device Agency in Japan |
| *R&D* | Research and Development |
| *SEC* | U.S. Securities and Exchange Commission |
| *Tax Cuts and Jobs Act or TCJA* | H.R.1, "An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018" |
| *U.K.* | United Kingdom |
| *U.S.* | United States |

# Pfizer at a Glance

*Working together for a healthier world*

**~$52.5 Billion** in Revenues in 2017

**9** Products with Direct Product and/or Alliance Revenues of Greater than $1 Billion in 2017

**2** Distinct Business Segments —
Pfizer Innovative Health *( ~$31.4 Billion 2017 Revenues )* / Pfizer Essential Health *( ~$21.1 Billion 2017 Revenues )*

**6** Primary Therapeutic Areas in Pfizer Innovative Health —
Internal Medicine, Vaccines, Oncology, Inflammation & Immunology, Rare Disease and Consumer Healthcare

**4** Pfizer Essential Health Product Categories —
Global Brands *(Legacy Established Products & Peri-LOE Products)* , Sterile Injectable Pharmaceuticals, Biosimilars and Pfizer CentreOne

**>125** Countries Where We Sell Our Products

**87** Projects in Clinical Research & Development [(1)]

**~$7.7 Billion** 2017 R&D Expense

**58** Manufacturing Sites Worldwide Operated by PGS [(2)]

**~90,200** Employees Globally [(2)]

[(1)] As of January 31, 2018
[(2)] As of December 31, 2017

*This summary does not include information that will be incorporated by reference into Part III of this 2017 Form 10-K from our 2018 Proxy Statement.*

## PART I

**ITEM 1. BUSINESS**

### ABOUT PFIZER

Pfizer Inc. is a research-based, global biopharmaceutical company. We apply science and our global resources to bring therapies to people that extend and significantly improve their lives through the discovery, development and manufacture of healthcare products. Our global portfolio includes medicines and vaccines, as well as many of the world's best-known consumer healthcare products. We work across developed and emerging markets to advance wellness, prevention, treatments and cures that challenge the most feared diseases of our time. We collaborate with healthcare providers, governments and local communities to support and expand access to reliable, affordable healthcare around the world. Our revenues are derived from the sale of our products and, to a much lesser extent, from alliance agreements, under which we co-promote products discovered or developed by other companies or us. The majority of our revenues come from the manufacture and sale of biopharmaceutical products. The Company was incorporated under the laws of the State of Delaware on June 2, 1942.

We believe that our medicines provide significant value for both healthcare providers and patients, not only from the improved treatment of diseases but also from a reduction in other healthcare costs, such as emergency room or hospitalization costs, as well as improvements in health, wellness and productivity. We continue to actively engage in dialogues about the value of our medicines and how we can best work with patients, physicians and payers to prevent and treat disease and improve outcomes. We continue to work within the current legal and pricing structures, as well as continue to review our pricing arrangements and contracting methods with payers, to maximize patient access and minimize any adverse impact on our revenues. We remain firmly committed to fulfilling our company's purpose of innovating to bring therapies to patients that extend and significantly improve their lives. By doing so, we expect to create value for the patients we serve and for our shareholders.

We are committed to capitalizing on growth opportunities by advancing our own pipeline and maximizing the value of our in-line products, as well as through various forms of business development, which can include alliances, licenses, joint ventures, collaborations, equity- or debt-based investments, dispositions, mergers and acquisitions. We view our business development activity as an enabler of our strategies, and we seek to generate earnings growth and enhance shareholder value by pursuing a disciplined, strategic and financial approach to evaluating business development opportunities.

Our significant recent business development activities include:

- On February 3, 2017, we completed the sale of our global infusion systems net assets, HIS, to ICU Medical for up to approximately $900 million , composed of cash and contingent cash consideration, ICU Medical common stock and seller financing. HIS, which was acquired as part of the Hospira acquisition in September 2015, includes IV pumps, solutions and devices.

- On December 22, 2016, for $1,045 million we acquired the development and commercialization rights to AstraZeneca's small molecule anti-infectives business, primarily outside the U.S., which includes the newly approved EU drug Zavicefta™ (ceftazidime-avibactam), the marketed agents Merrem™/Meronem™ (meropenem) and Zinforo™ (ceftaroline fosamil), and the clinical development assets aztreonam-avibactam and ceftaroline fosamil-avibactam.

- On September 28, 2016, we acquired Medivation for approximately $14.3 billion in cash ( $13.9 billion , net of cash acquired). Medivation is a biopharmaceutical company focused on developing and commercializing small molecules for oncology.

- On June 24, 2016, we acquired Anacor for approximately $4.9 billion in cash ( $4.5 billion net of cash acquired), plus $698 million debt assumed. Anacor is a biopharmaceutical company focused on novel small-molecule therapeutics derived from its boron chemistry platform.

- On September 3, 2015, we acquired Hospira, a leading provider of sterile injectable drugs and infusion technologies as well as a provider of biosimilars, for approximately $16.1 billion in cash ( $15.7 billion , net of cash acquired).

For a further discussion of our strategy and our business development initiatives, see the Notes to Consolidated Financial Statements— *Note 2. Acquisitions, Sale of Hospira Infusion Systems Net Assets, Research and Development and Collaborative Arrangements, Equity-Method Investments and Cost-Method Investment* and the *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Strategy — Our Business Development Initiatives* section in our 2017 Financial Report.

Our businesses are heavily regulated in most of the countries in which we operate. In the U.S., the principal authority regulating our operations is the FDA. The FDA regulates the safety and efficacy of the products we offer and our research, quality, manufacturing processes, product promotion, advertising and product labeling. Similar regulations exist in most other countries, and in many countries the government also regulates our prices. In the EU, the EMA regulates the scientific evaluation, supervision and safety monitoring of our products, and employs a centralized procedure for approval of drugs for the EU and the European Economic Area countries. In Japan, the PMDA is involved in a wide range of regulatory activities, including clinical studies, approvals, post-marketing reviews and pharmaceutical safety. Health authorities in many middle and lower income countries require marketing approval by a recognized regulatory authority (i.e., similar to the authority of the FDA or EMA) before they begin to conduct their application review process and/or issue their final approval. For additional information, see the *Government Regulation and Price Constraints* section below.

*Note:* Some amounts in this 2017 Form 10-K may not add due to rounding. All percentages have been calculated using unrounded amounts.

### AVAILABLE INFORMATION AND PFIZER WEBSITE

Our website is located at *www.pfizer.com* . This 2017 Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are available (free of charge) on our website, in text format and, where applicable, in interactive data file format , as soon as reasonably practicable after we electronically file this material with, or furnish it to, the SEC.

Throughout this 2017 Form 10-K, we "incorporate by reference" certain information from other documents filed or to be filed with the SEC, including our 2018 Proxy Statement and the 2017 Financial Report, portions of which are filed as Exhibit 13 to this 2017 Form 10-K, and which also will be contained in Appendix A to our 2018 Proxy Statement. The SEC allows us to disclose important information by referring to it in that manner. Please refer to this information. Our 2017

Annual Report to Shareholders consists of the 2017 Financial Report and the Corporate and Shareholder Information attached to the 2018 Proxy Statement. Our 2017 Financial Report will be available on our website on or about February 22, 2018. Our 2018 Proxy Statement will be available on our website on or about March 15, 2018.

We may use our website as a means of disclosing material information and for complying with our disclosure obligations under Regulation Fair Disclosure promulgated by the SEC. These disclosures are included on our website in the “Investors” or “News” sections. Accordingly, investors should monitor these portions of our website, in addition to following Pfizer’s press releases, SEC filings, public conference calls and webcasts, as well as Pfizer’s social media channels (Pfizer’s Facebook, YouTube and LinkedIn pages and Twitter accounts ( *@Pfizer* and *@Pfizer_News* )).

Information relating to corporate governance at Pfizer, including our Corporate Governance Principles; Director Qualification Standards; Pfizer Policies on Business Conduct (for all of our employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer); Code of Business Conduct and Ethics for Members of the Board of Directors; information concerning our Directors; ways to communicate by e-mail with our Directors; Board Committees; Committee Charters; Charter of the Lead Independent Director; and transactions in Pfizer securities by Directors and Officers; as well as Chief Executive Officer and Chief Financial Officer certifications, are available on our website. We will provide any of the foregoing information without charge upon written request to our Corporate Secretary, Pfizer Inc., 235 East 42nd Street, New York, NY 10017. We will disclose any future amendments to, or waivers from, provisions of the Pfizer Policies on Business Conduct affecting our Chief Executive Officer, Chief Financial Officer and Controller on our website as promptly as practicable, as may be required under applicable SEC and NYSE rules. Information relating to shareholder services, including the Computershare Investment Program, book-entry share ownership and direct deposit of dividends, is also available on our website.

The information contained on our website, our Facebook, YouTube and LinkedIn pages or our Twitter accounts does not, and shall not be deemed to, constitute a part of this 2017 Form 10-K. Pfizer’s references to the URLs for websites are intended to be inactive textual references only.

## COMMERCIAL OPERATIONS

We manage our commercial operations through two distinct business segments: Pfizer Innovative Health (IH) and Pfizer Essential Health (EH). The IH and EH operating segments are each led by a single manager. Each operating segment has responsibility for its commercial activities and for certain IPR&D projects for new investigational products and additional indications for in-line products that generally have achieved proof-of-concept. Each business has a geographic footprint across developed and emerging markets.

Some additional information about our business segments as of the date of the filing of this 2017 Form 10-K follows:

| Pfizer Innovative Health | Pfizer ESSENTIAL HEALTH |
|---|---|
| IH focuses on developing and commercializing novel, value-creating medicines and vaccines that significantly improve patients' lives, as well as products for consumer healthcare.<br><br>Key therapeutic areas include internal medicine, vaccines, oncology, inflammation & immunology, rare disease and consumer healthcare. | EH includes legacy brands that have lost or will soon lose market exclusivity in both developed and emerging markets, branded generics, generic sterile injectable products, biosimilars, select branded products including anti-infectives and, through February 2, 2017, HIS. EH also includes an R&D organization, as well as our contract manufacturing business. |
| We expect that the IH biopharmaceutical portfolio of innovative, largely patent-protected, in-line and newly launched products will be sustained by ongoing investments to develop promising assets and targeted business development in areas of focus to help ensure a pipeline of highly-differentiated product candidates in areas of unmet medical need. The assets managed by IH are science-driven, highly differentiated and generally require a high-level of engagement with healthcare providers and consumers. | EH is expected to generate strong consistent cash flow by providing patients around the world with access to effective, lower-cost, high-value treatments. EH leverages our biologic development, regulatory and manufacturing expertise to seek to advance its biosimilar development portfolio. Additionally, EH leverages capabilities in formulation development and manufacturing expertise to help advance its generic sterile injectables portfolio. EH may also engage in targeted business development to further enable its commercial strategies. |
| IH will have continued focus on R&D productivity and pipeline strength while maximizing the value of our recently launched brands and in-line portfolio. Our acquisitions of Anacor and Medivation expanded our pipeline in the high priority therapeutic areas of inflammation and immunology and oncology. | For EH, we continue to invest in growth drivers and manage the portfolio to extract additional value while seeking opportunities for operating efficiencies. This strategy includes active management of our portfolio; maximizing growth of core product segments; acquisitions to strengthen core areas of our portfolio further, such as our recent acquisition of AstraZeneca's small molecule anti-infectives business; and divestitures to increase focus on our core strengths. In line with this strategy, on February 3, 2017, we completed the sale of Pfizer's global infusion systems net assets, representing the infusion systems net assets that we acquired as part of the Hospira transaction, HIS, to ICU Medical. |
| **Leading brands include:**<br>- *Prevnar 13/Prevenar 13*<br>- *Xeljanz*<br>- *Eliquis*<br>- *Lyrica* (U.S., Japan and certain other markets)<br>- *Enbrel* (outside the U.S. and Canada)<br>- *Ibrance*<br>- *Xtandi*<br>- Several OTC consumer healthcare products (e.g., *Advil* and *Centrum* ) | **Leading brands include:**<br>- *Lipitor*<br>- *Premarin* family<br>- *Norvasc*<br>- *Lyrica* (Europe, Russia, Turkey, Israel and Central Asia countries)<br>- *Celebrex*<br>- *Viagra**<br>- *Inflectra/Remsima*<br>- Several sterile injectable products |

* Viagra lost exclusivity in the U.S. in December 2017. Beginning in the first quarter of 2018, revenues for Viagra in the U.S. and Canada, which were reported in IH through December 2017, will be reported in EH (which reported all other Viagra revenues excluding the U.S. and Canada through 2017). Therefore, total Viagra worldwide revenues will be reported in EH from 2018 forward.

For a further discussion of these operating segments, see the *Innovative Health* and *Essential Health* sections below and the Notes to Consolidated Financial Statements— *Note 18. Segment, Geographic and Other Revenue Information* , including the tables therein captioned *Selected Income Statement Information* , *Geographic Information* and *Significant Product Revenues* , the table captioned *Revenues by Segment and Geography* in the *Analysis of the Consolidated Statements of Income* section, and the *Analysis of Operating Segment Information* section in our 2017 Financial Report, which are incorporated by reference.

## INNOVATIVE HEALTH

The key therapeutic areas comprising our IH business segment include:

| *Therapeutic Area* | *Description* | *Key Products* |
|---|---|---|
| ***Internal Medicine*** | Includes innovative brands from two therapeutic areas, Cardiovascular Metabolic and Neuroscience and Pain, as well as regional brands. | *Lyrica* (outside Europe, Russia, Turkey, Israel and Central Asia countries), *Chantix/Champix* and *Eliquis* (jointly developed and commercialized with BMS) |
| ***Vaccines*** | Includes innovative vaccines brands across all ages—infants, adolescents and adults—in pneumococcal disease, meningitis and tick borne encephalitis, with a focus on healthcare-acquired infections and maternal health. | *Prevnar 13/Prevenar 13* (pediatric/adult), *Trumenba* and *FSME-IMMUN* |
| ***Oncology*** | Includes innovative oncology brands of biologics, small molecules and immunotherapies across a wide range of cancers. | *Ibrance, Sutent, Xalkori, Inlyta* and *Xtandi* (jointly developed and commercialized with Astellas) |
| ***Inflammation and Immunology*** | Includes innovative brands for chronic immune and inflammatory diseases. | *Enbrel* (outside the U.S. and Canada), *Xeljanz* and *Eucrisa* |
| ***Rare Disease*** | Includes innovative brands for a number of rare diseases, including hematology, neuroscience, and inherited metabolic disorders. | *BeneFix* , *Genotropin* , and *Refacto AF/Xyntha* |
| ***Consumer Healthcare*** | Includes over-the-counter (OTC) brands with a focus on dietary supplements, pain management, gastrointestinal and respiratory and personal care. According to Euromonitor International's retail sales data, in 2017, Pfizer's Consumer Healthcare business was the fifth-largest branded multi-national, OTC consumer healthcare business in the world and produced two of the ten largest selling consumer healthcare brands ( *Centrum* and *Advil* ) in the world. | Dietary Supplements: *Centrum* brands, *Caltrate* and *Emergen-C*<br><br>Pain Management: *Advil* brands and *ThermaCare*<br><br>Gastrointestinal: *Nexium 24HR/Nexium Control* and *Preparation H*<br><br>Respiratory and Personal Care: *Robitussin* , *Advil Cold & Sinus* and *ChapStick* |

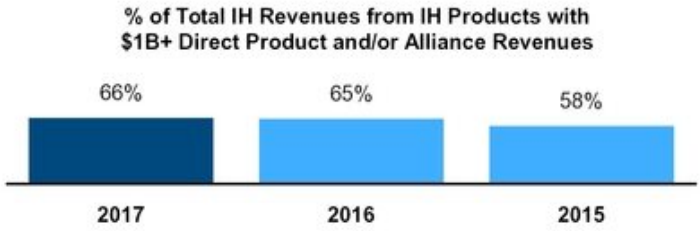
In October 2017, we announced that we are reviewing strategic alternatives for our Consumer Healthcare business. A range of options will be considered, including a full or partial separation of the Consumer Healthcare business from Pfizer through a spin-off, sale or other transaction, and we may ultimately determine to retain the business. We expect that any decision regarding strategic alternatives for Consumer Healthcare would be made during 2018.

We recorded direct product and/or alliance revenues of more than $1 billion for each of seven IH products in 2017 and 2016 and for each of five IH products in 2015 :

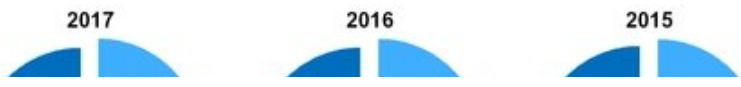
**Innovative Health $1B+ Products**

| 2017 | 2016 | 2015 |
|---|---|---|
| *Prevnar 13/Prevenar 13* | *Prevnar 13/Prevenar 13* | *Prevnar 13/Prevenar 13* |
| *Lyrica IH* | *Lyrica IH* | *Lyrica IH* |
| *Ibrance* | *Enbrel* | *Enbrel* |
| *Eliquis** | *Ibrance* | *Viagra IH* |
| *Enbrel* | *Eliquis** | *Sutent* |
| *Xeljanz* | *Viagra IH* | |
| *Sutent* | *Sutent* | |

* *Eliquis* includes alliance revenues and direct sales in 2017 and 2016.




**Geographic Revenues for Innovative Health***




* Dev Int'l = Developed Markets except U.S.; Em Mkts = Emerging Markets

For a discussion of certain IH products and additional information regarding the revenues of our IH business, including revenues of major IH products, see the Notes to Consolidated Financial Statements— *Note 18. Segment, Geographic and Other Revenue Information* and the *Analysis of the Consolidated Statements of Income — Revenues — Major Products* and *— Revenues — Selected Product Discussion* sections in our 2017 Financial Report; and for additional information on the key operational revenue drivers of our IH business, see the *Analysis of Operating Segment Information — Innovative Health Operating Segment* section of our 2017 Financial Report. For a discussion on the risks associated with our dependence on certain of our major products, see *Item 1A. Risk Factors— Dependence on Key In-Line Products* below.

## ESSENTIAL HEALTH

The product categories in our EH business segment include:

| *Product Category* | *Description* | *Key Products* |
|---|---|---|
| ***Global Brands — Legacy Established Products*** | Includes products that have lost patent protection (excluding Sterile Injectable Pharmaceuticals and Peri-LOE Products). | *Lipitor* , *Premarin* family and *Norvasc* |
| ***Global Brands — Peri-LOE Products*** | Includes products that have recently lost or are anticipated to soon lose patent protection. | *Lyrica* (Europe, Russia, Turkey, Israel and Central Asia), *Viagra** , *Celebrex* , *Pristiq* , *Zyvox* , *Vfend* , *Revatio* and *Inspra* |
| ***Sterile Injectable Pharmaceuticals*** | Includes generic injectables and proprietary specialty injectables (excluding Peri-LOE Products). | *Medrol* , *Sulperazon* , *Fragmin* and *Tygacil* |
| ***Biosimilars*** | Includes recombinant and monoclonal antibodies, primarily in inflammation, oncology and supportive care. | *Inflectra* / *Remsima* (biosimilar infliximab) (U.S. and certain international markets), *Nivestim* (biosimilar filgrastim) (certain European, Asian and Africa/Middle East markets) and *Retacrit* (biosimilar epoetin zeta) (certain European and Africa/Middle East markets) |
| ***Pfizer CentreOne*** | Includes revenues from our contract manufacturing and active pharmaceutical ingredient sales operation, including sterile injectables contract manufacturing, and revenues related to our manufacturing and supply agreements, including with Zoetis Inc. | -- |

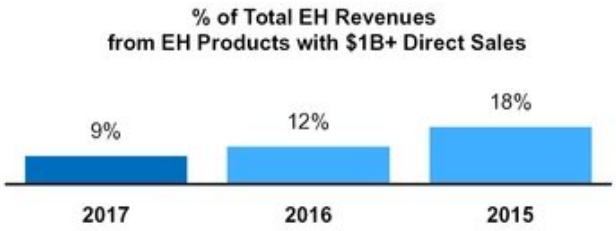
* Viagra lost exclusivity in the U.S. in December 2017. Beginning in the first quarter of 2018, revenues for Viagra in the U.S. and Canada, which were reported in IH through December 2017, will be reported in EH (which reported all other Viagra revenues excluding the U.S. and Canada through 2017). Therefore, total Viagra worldwide revenues will be reported in EH from 2018 forward.

Through February 2, 2017, our EH business segment also included HIS, which includes Medication Management products composed of infusion pumps and related software and services, as well as intravenous infusion products, including large volume intravenous solutions and their associated administration sets. On February 3, 2017, we completed the sale of HIS to ICU Medical. For additional information, see the Notes to Consolidated Financial Statements— *Note 2B. Sale of Hospira Infusion Systems Net Assets to ICU Medical, Inc. (EH).*

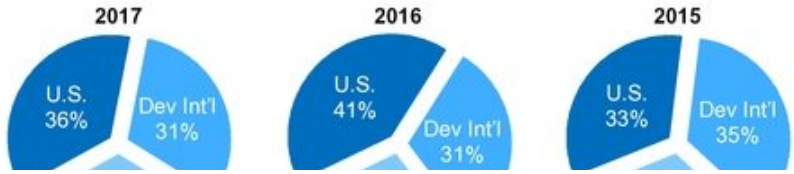
We recorded direct product revenues of more than $1 billion for one EH product in 2017 , two EH products in 2016 and three EH products in 2015 :

**Essential Health $1B+ Products**

| 2017 | 2016 | 2015 |
|---|---|---|
| *Lipitor* | *Lipitor* | *Lipitor* |
| | *Premarin* family of products | *Lyrica EH* |
| | | *Premarin* family of products |




**Geographic Revenues for Essential Health***




* Dev Int'l = Developed Markets except U.S.; Em Mkts = Emerging Markets

For a discussion of certain EH products and additional information regarding the revenues of our EH business, including revenues of major EH products, see the Notes to Consolidated Financial Statements— *Note 18. Segment, Geographic and Other Revenue Information* and the *Analysis of the Consolidated Statements of Income — Revenues — Major Products* and *— Revenues — Selected Product Discussion* sections in our 2017 Financial Report; and for additional information on the key operational revenue drivers of our EH business, see the *Analysis of Operating Segment Information — Essential Health Operating Segment* section of our 2017 Financial Report. For a discussion on the risks associated with our dependence on certain of our major products, see *Item 1A. Risk Factors— Dependence on Key In-Line Products* below.

## COLLABORATION AND CO-PROMOTION AGREEMENTS

We are party to collaboration and/or co-promotion agreements relating to certain biopharmaceutical products, including *Eliquis* , *Xtandi* and *Bavencio* .

*Eliquis* has been jointly developed and is being commercialized in collaboration with BMS. Pfizer funds between 50% and 60% of all development costs depending on the study. Profits and losses are shared equally on a global basis, except in certain countries where Pfizer commercializes *Eliquis* and pays BMS compensation based on a percentage of net sales. We have full commercialization rights in certain smaller markets. BMS supplies the product to us at cost plus a percentage of the net sales to end-customers in these markets. *Eliquis* is part of the Novel Oral Anticoagulant market; the agents in this class were developed as alternative treatment options to warfarin in appropriate patients.

*Xtandi* is being developed and commercialized through a collaboration with Astellas. The two companies share equally in the gross profits (losses) related to U.S. net sales of *Xtandi* . Subject to certain exceptions, Pfizer and Astellas also share equally all *Xtandi* commercialization costs attributable to the U.S. market. In addition, Pfizer and Astellas share certain development and other collaboration expenses, and Pfizer receives tiered royalties as a percentage of international *Xtandi* net sales (recorded in *Other (Income)/Deductions — Net* ). *Xtandi* is an androgen receptor inhibitor that blocks multiple steps in the androgen receptor signaling pathway within tumor cells.

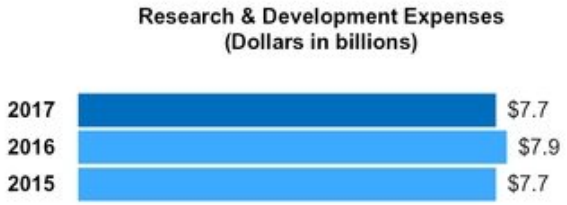
*Bavencio* is being developed and commercialized in collaboration with Merck KGaA. Both companies jointly fund all development and commercialization costs, and split equally any profits generated from selling any anti-PD-L1 or anti-PD-1

products from this collaboration. *Bavencio* is currently approved in metastatic Merkel cell carcinoma in the U.S., Europe and Japan, as well as received accelerated approval for second line treatment of locally advanced or metastatic urothelial carcinoma in the U.S.

Collaboration rights for *Enbrel* (in the U.S. and Canada), *Spiriva* and *Rebif* have expired. For additional information, including a description of certain of these expired collaboration and co-promotion agreements, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Operating Environment — Industry-Specific Challenges — Intellectual Property Rights and Collaboration/Licensing Rights* section in our 2017 Financial Report and *Item 1A. Risk Factors — Dependence on Key In-Line Products* and *— Collaborations and Other Relationships with Third Parties* sections below.

## RESEARCH AND DEVELOPMENT

Our goal is to discover, develop and bring to market innovative products that address major unmet medical needs.




### *Our R&D Priorities and Strategy*

Our R&D priorities include delivering a pipeline of differentiated therapies and vaccines with the greatest medical and commercial potential, advancing our capabilities that can position Pfizer for long-term leadership and creating new models for biomedical collaboration that will expedite the pace of innovation and productivity. To that end, our research and development primarily focuses on:

- Biosimilars;
- Inflammation and Immunology;
- Metabolic Disease and Cardiovascular Risks;
- Oncology;
- Rare Diseases; and
- Vaccines.

In January 2018, we announced our decision to end internal neuroscience discovery and early development efforts and re-allocate funding to other areas where we have stronger scientific leadership. We plan to create a dedicated neuroscience venture fund to support continued efforts to advance the field. The development of tanezumab and potential treatments for rare neuromuscular disorders is not impacted by this decision.

While a significant portion of R&D is done internally, we continue to seek out promising chemical and biological lead molecules and innovative technologies developed by third parties to incorporate into our discovery and development processes or projects, as well as our product lines, by entering into collaborations, alliances and license agreements with other companies, as well as leveraging acquisitions and equity- or debt-based investments. We also enter into agreements pursuant to which a third party agrees to fund a portion of the development costs of one of our pipeline products in exchange for rights to receive potential milestone payments, revenue sharing payments, profit sharing payments and/or royalties. For additional information on these collaborations, agreements and investments, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Strategy — Description of Research and Development Operations* section in our 2017 Financial Report.

### *Our R&D Operations*

We conduct R&D internally and also through contracts with third parties, through collaborations with universities and biotechnology companies and in cooperation with other pharmaceutical firms. We continue to strengthen our global R&D organization and pursue strategies intended to improve innovation and overall productivity in R&D to achieve a sustainable pipeline that will deliver value in the near term and over time.

Our R&D spending is conducted through a number of matrix organizations. Research Units within our Worldwide Research and Development (WRD) organization are generally responsible for research and early-stage development assets for our IH business (assets that have not yet achieved proof-of-concept). Our science-based and other platform-services organizations, where a significant portion of our R&D spending occurs, provide end-to-end scientific and technical expertise and other services to the various R&D projects, and are organized into science-based functions (which are part of our WRD organization), such as Pharmaceutical Sciences, Medicinal Chemistry, Regulatory and Drug Safety, and non-science-based functions, such as Facilities, Business Technology and Finance. Our R&D organization within the EH business supports the large base of EH products and is expected to develop potential new sterile injectable drugs and therapeutic solutions, as well as biosimilars. Our Global Product Development organization is a unified center for late-stage development for our innovative products and is generally responsible for the operational execution of clinical development of assets that are in clinical trials for our WRD and Innovative portfolios.

For discussion regarding these R&D matrix organizations and additional information on our R&D operations, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Strategy — Description of Research and Development Operations* and *Costs and Expenses — Research and Development (R&D) Expenses* sections in our 2017 Financial Report.

### *Our R&D Pipeline and Competition*

Innovation is critical to the success of our company, and drug discovery and development is time-consuming, expensive and unpredictable. According to the Pharmaceutical Benchmarking Forum, out of 17 compounds entering preclinical development, on average, only one is approved by a regulatory authority in a major market (U.S., the EU or Japan). The process from early discovery or design to development to regulatory approval can take more than ten years. Drug candidates can fail at any stage of the process, and candidates may not receive regulatory approval even after many years of research and development.

As of January 30, 2018 , we had the following number of projects in various stages of R&D:


Development of a single compound is often pursued as part of multiple programs. While these drug candidates may or may not eventually receive regulatory approval, new drug candidates entering clinical development phases are the foundation for future products. In addition to discovering and developing new products, our R&D efforts seek to add value to our existing products by improving their effectiveness, enhancing ease of dosing and by discovering potential new indications for them.

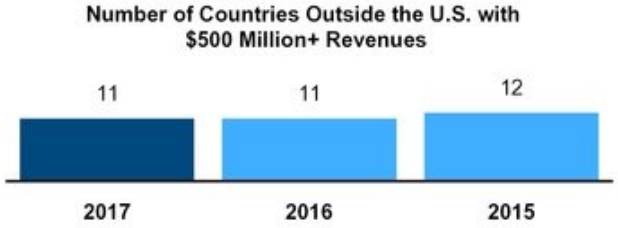
Information concerning several of our drug candidates in development, as well as supplemental filings for existing products, is set forth in the *Analysis of the Consolidated Statements of Income—Product Developments — Biopharmaceutical* section in our 2017 Financial Report, which is incorporated by reference.

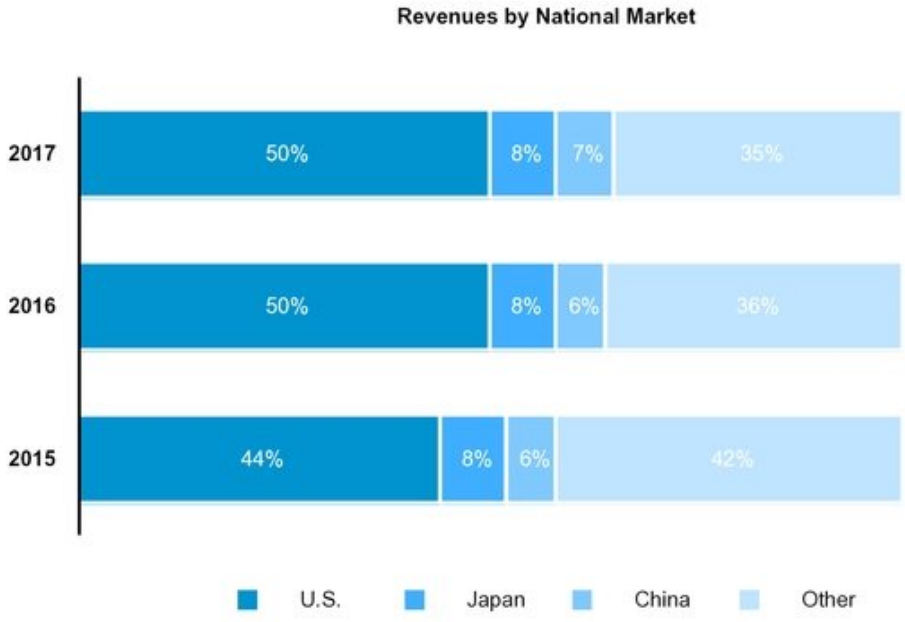
Our competitors also devote substantial funds and resources to R&D. We also compete against numerous small biotechnology companies in developing potential drug candidates. The extent to which our competitors are successful in their research could result in erosion of the sales of our existing products and potential sales of products in development, as well as unanticipated product obsolescence. In addition, several of our competitors operate without large R&D expenses and make a regular practice of challenging our product patents before their expiration. For additional information, see the *Competition* and *Item 1A. Risk Factors — Competitive Products* sections below.

## INTERNATIONAL OPERATIONS

We have significant operations outside the U.S. Operations in developed and emerging markets are managed through our two business segments: IH and EH. Emerging markets are an important component of our strategy for global leadership, and our commercial structure recognizes that the demographics and rising economic power of the fastest-growing emerging markets are becoming more closely aligned with the profile found within developed markets.

We sell our products in over 125 countries. Revenues from operations outside the U.S. of $26.5 billion accounted for 50% of our total revenues in 2017 . By total revenues, Japan and China are our two largest national markets outside the U.S. For a geographic breakdown of revenues, see the table captioned *Geographic Information* in the Notes to Consolidated Financial Statements— *Note 18. Segment, Geographic and Other Revenue Information* in our 2017 Financial Report, and the table captioned *Revenues by Segment and Geography* in our 2017 Financial Report. Those tables are incorporated by reference.




Our international operations are subject, in varying degrees, to a number of risks inherent in carrying on business in other countries, including, among other things, currency fluctuations, capital and exchange control regulations and expropriation and other restrictive government actions. See *Item 1A. Risk Factors — Risks Affecting International Operations* below. Our international businesses are also subject to government-imposed constraints, including laws and regulations on pricing, reimbursement, and access to our products. See *Government Regulation and Price Constraints — Outside the United States* below for a discussion of these matters.

Depending on the direction of change relative to the U.S. dollar, foreign currency values can increase or decrease the reported dollar value of our net assets and results of operations. While we cannot predict with certainty future changes in foreign exchange rates or the effect they will have on us, we attempt to mitigate their impact through operational means and by using various financial instruments, depending upon market conditions. For additional information, see the Notes to Consolidated Financial Statements— *Note 7F. Financial Instruments: Derivative Financial Instruments and Hedging Activities* in our 2017 Financial Report, as well as the *Forward-Looking Information and Factors That May Affect Future Results — Financial Risk Management* section in our 2017 Financial Report. Those sections of our 2017 Financial Report are incorporated by reference.

## MARKETING

In our global biopharmaceutical businesses, we promote our products to healthcare providers and patients. Through our marketing organizations, we explain the approved uses, benefits and risks of our products to healthcare providers, such as doctors, nurse practitioners, physician assistants and pharmacists; Managed Care Organizations that provide insurance coverage, such as hospitals, Integrated Delivery Systems, Pharmacy Benefit Managers and health plans; and employers and government agencies who hire MCOs to provide health benefits to their employees. We also market directly to consumers in the U.S. through direct-to-consumer advertising that seeks to communicate the approved uses, benefits and risks of our products while motivating people to have meaningful conversations with their doctors. In addition, we sponsor general advertising to educate the public on disease awareness, prevention and wellness, important public health issues, and our patient assistance programs.

Our prescription pharmaceutical products are sold principally to wholesalers, but we also sell directly to retailers, hospitals, clinics, government agencies and pharmacies, and, in the case of our vaccines products in the U.S., we primarily sell directly to the Centers for Disease Control and Prevention, wholesalers and individual provider offices. We seek to gain access for our products on healthcare authority and MCO formularies, which are lists of approved medicines available to members of the MCOs. MCOs use various benefit designs, such as tiered co-pays for formulary products, to drive utilization of products in preferred formulary positions. We also work with MCOs to assist them with disease management, patient education and other tools that help their medical treatment routines.

In 2017 , our top three biopharmaceutical wholesalers accounted for approximately 38% of our total revenues (and approximately 79% of our total U.S. revenues).

**% of 2017 Total Revenues and U.S. Revenues from Major Biopharmaceutical Wholesalers and Other Customers**


Our global Consumer Healthcare business uses its own sales and marketing organizations to promote its products, and occasionally uses distributors and agents, principally in smaller markets. The advertising and promotions for our Consumer Healthcare business are generally disseminated to consumers through television, print, digital and other media advertising, as well as through in-store promotion. Consumer Healthcare products are sold through a wide variety of channels, including distributors, pharmacies, retail chains and grocery and convenience stores. Our Consumer Healthcare business generates a significant portion of its sales from several large customers, the loss of any one of which could have a material adverse effect on the Consumer Healthcare business.

## PATENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS

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

We own or license a number of U.S. and foreign patents. These patents cover pharmaceutical and other products and their uses, pharmaceutical formulations, product manufacturing processes and intermediate chemical compounds used in manufacturing.

Patents for individual products extend for varying periods according to the date of patent filing or grant and the legal term of patents in the various countries where patent protection is obtained. The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage and the availability of legal remedies in the country. Further, patent term extension may be available in many major countries to compensate for a regulatory delay in approval of the product. For additional information, see Government Regulation and Price Constraints—Intellectual Property below.

In various markets, a period of regulatory exclusivity may be provided to certain therapeutics upon approval. The scope and term of such exclusivity will vary but, in general, the period of regulatory exclusivity will run concurrently with the term of any existing patent rights associated with the therapeutic.

In the aggregate, our patent and related rights are of material importance to our businesses in the U.S. and most other countries. Based on current product sales, and considering the vigorous competition with products sold by our competitors, the patent rights we consider most significant in relation to our business as a whole, together with the year in which the basic product patent expires (including, where applicable, the additional six-month pediatric exclusivity period and/or the granted patent term extension), are those for the medicines set forth in the table below. Unless otherwise indicated, the years set forth in the table below pertain to the basic product patent expiration for the respective products. Patent term extensions, supplementary protection certificates and pediatric exclusivity periods are not reflected in the expiration dates listed in the table below, unless they have been granted by the issuing authority. In some instances, there are later-expiring patents relating to our products directed to particular forms or compositions, to methods of manufacturing, or to use of the drug in the treatment of particular diseases or conditions. However, in some cases, such patents may not protect our drug from generic or, as applicable, biosimilar competition after the expiration of the basic patent.

| Drug | U.S. Basic Product Patent Expiration Year | Major EU Basic Product Patent Expiration Year | Japan Basic Product Patent Expiration Year |
|---|---|---|---|
| *Viagra* | 2012 (1) | 2013 | 2013 (1) |
| *Lyrica* | 2018 | 2014 (2) | 2022 (3) |

| | | | |
|---|---|---|---|
| *Chantix* | 2020 | 2021 | 2022 |
| *Sutent* | 2021 | 2021 | 2024 |
| *Ibrance* | 2023 | 2023 | 2023 |
| *Inlyta* | 2025 | 2025 | 2025 |
| *Xeljanz* | 2025 | 2027 [4] | 2025 |
| *Prevnar 13/Prevenar 13* | 2026 | 2026 [5] | 2029 |
| *Eucrisa* | 2026 | N/A [6] | N/A [6] |
| *Eliquis* [7] | 2026 | 2026 | 2026 |
| *Xtandi* [8] | 2027 | * [8] | * [8] |
| *Besponsa* | 2027 | 2023 | 2028 [9] |
| *Xalkori* | 2029 | 2027 | 2028 |
| *Bavencio* [10] | 2033 | 2032 | 2032 |

[1] In addition to the basic product patent covering *Viagra* , which expired in 2012, *Viagra* is covered by a U.S. method-of-treatment patent which, including the six-month pediatric exclusivity period associated with *Revatio* (which has the same active ingredient as *Viagra* ), expires in 2020. As a result of a patent litigation settlement, Teva Pharmaceuticals USA, Inc. launched a generic version of *Viagra* in the U.S. in December 2017. The corresponding method-of-treatment patent covering *Viagra* in Japan expired in May 2014.

[2] For *Lyrica* , regulatory exclusivity in the EU expired in July 2014.

[3] *Lyrica* is covered by a Japanese method-of-use patent which expires in 2022. The patent is currently subject to an invalidation action.

[4] *Xeljanz* EU expiry is provided by regulatory exclusivity.

[5] The EU patent that covers the combination of the 13 serotype conjugates of *Prevenar 13* has been revoked following an opposition proceeding. This first instance decision has been appealed. There are other EU patents and pending applications covering the formulation and various aspects of the manufacturing process of *Prevenar 13* that remain in force.

[6] *Eucrisa* is not approved in the EU and Japan.

[7] *Eliquis* was developed and is being commercialized in collaboration with BMS.

[8] *Xtandi* is being developed and commercialized in collaboration with Astellas, who has exclusive commercialization rights for *Xtandi* outside the U.S.

[9] *Besponsa* Japan expiry is provided by regulatory exclusivity.

[10] *Bavencio* is being developed and commercialized in collaboration with Merck KGaA.

A number of our current products have experienced patent-based expirations or loss of regulatory exclusivity in certain markets in the last few years. For additional information, including a description of certain of our expired co-promotion agreements, and a further discussion of our products experiencing, or expected to experience in 2018 , patent expirations or loss of regulatory exclusivity in the U.S., Europe or Japan, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Operating Environment — Industry-Specific Challenges — Intellectual Property Rights and Collaboration/Licensing Rights* section in our 2017 Financial Report and *Item 1A. Risk Factors — Dependence on Key In-Line Products* below.

Companies have filed applications with the FDA seeking approval of product candidates that such companies claim do not infringe our patents; these include candidates that would compete with, among other products, *Xeljanz* and *Xtandi* . We also are often involved in other proceedings, such as inter partes review, post-grant review, re-examination or opposition proceedings, before the U.S. Patent and Trademark Office, the European Patent Office, or other foreign counterparts relating to our intellectual property or the intellectual property rights of others. For additional information, see the Notes to Consolidated Financial Statements— *Note 17A1. Commitments and Contingencies—Legal Proceedings—Patent Litigation* in our 2017 Financial Report.

The expiration of a basic product patent or loss of patent protection resulting from a legal challenge normally results in significant competition from generic products against the originally patented product and can result in a significant reduction in revenues for that product in a very short period of time. In some cases, however, we can continue to obtain commercial benefits from product manufacturing trade secrets; patents on uses for products; patents on processes and intermediates for the economical manufacture of the active ingredients; patents for special formulations of the product or delivery mechanisms; or conversion of the active ingredient to OTC products.

### *Biotechnology Products*

Our biotechnology products, including *BeneFIX* , *ReFacto* , *Xyntha* , *Bavencio* , *Prevnar 13/Prevenar 13* and *Enbrel* (we market *Enbrel* outside the U.S. and Canada), may face in the future, or already face, competition from biosimilars (also referred to as follow-on biologics). In the U.S., such biosimilars would reference biotechnology products approved under the U.S. Public Health Service Act. Additionally, the FDA has approved a follow-on recombinant human growth hormone that referenced our biotechnology product, *Genotropin* , which was approved under the FFDCA.

Biosimilars are versions of biologic medicines that have been developed and proven to be similar to the original biologic in terms of safety and efficacy and to have no clinically meaningful differences. Biosimilars have the potential to offer high-quality, lower-cost alternatives to biologic medicines. Abbreviated legal pathways for the approval of biosimilars exist in certain international markets and, since the passage in 2010 of the ACA, a framework for such approval exists in the U.S.

In Europe, the European Commission has granted marketing authorizations for several biosimilars pursuant to a set of general and product class-specific guidelines for biosimilar approvals issued over the past few years.

As part of our business strategy, we are capitalizing on our expertise in biologics manufacturing, as well as our regulatory and commercial strengths, to develop biosimilar medicines. See *Item 1A. Risk Factors — Biotechnology Products* below.

We may face litigation with respect to the validity and/or scope of patents relating to our biotechnology products. Likewise, as we develop and manufacture biosimilars and seek to launch products, patents may be asserted against us.

### *International*

One of the main limitations on our operations in some countries outside the U.S. is the lack of effective intellectual property protection for our products. Under

international and U.S. free trade agreements in recent years, global protection of intellectual property rights has been improving. For additional information, see *Government Regulation and Price Constraints — Intellectual Property* below.

## COMPETITION

Our businesses are conducted in intensely competitive and often highly regulated markets. Many of our prescription pharmaceutical products face competition in the form of branded or generic drugs or biosimilars that treat similar diseases or indications. The principal forms of competition include efficacy, safety, ease of use, and cost effectiveness. Though the means of competition vary among product categories and business groups, demonstrating the value of our products is a critical factor for success in all of our principal businesses.

Our competitors include other worldwide research-based biopharmaceutical companies, smaller research companies with more limited therapeutic focus, generic and biosimilar drug manufacturers and consumer healthcare manufacturers. We compete with other companies that manufacture and sell products that treat diseases or indications similar to those treated by our major products.

This competition affects our core product business, which is focused on applying innovative science to discover and market products that satisfy unmet medical needs and provide therapeutic improvements. Our emphasis on innovation is underscored by our multi-billion-dollar investment in R&D, as well as our business development transactions, both designed to result in a strong product pipeline. Our investment in research does not stop with drug approval; we continue to invest in further understanding the value of our products for the conditions they treat, as well as potential new applications. We seek to protect the health and well-being of patients by striving to ensure that medically sound knowledge of the benefits and risks of our medicines is understood and communicated to patients, physicians and global health authorities. We also seek to continually

enhance the organizational effectiveness of all of our biopharmaceutical functions, including coordinating support for our salespersons' efforts to accurately and ethically launch and promote our products to our customers.

Operating conditions have become more challenging under mounting global pressures of competition, industry regulation and cost containment. We continue to take measures to evaluate, adapt and improve our organization and business practices to better meet customer and public needs. We believe that we have taken an industry-leading role in evolving our approaches to U.S. direct-to-consumer advertising; interactions with, and payments to, healthcare professionals; and medical education grants. We also continue to sponsor programs to address patient affordability and access barriers, as we strive to advance fundamental health system change through support for better healthcare solutions.

Our vaccines business may face competition from the introduction of alternative or next generation vaccines. For example, *Prevnar 13* may face competition in the form of alternative 13-valent or additional valent next-generation pneumococcal conjugate vaccines prior to the expiration of its patents, which may adversely affect our future results.

Our generics and biosimilars businesses compete with branded products from competitors, as well as other generics and biosimilars manufacturers. Globally, Pfizer sells generic versions of Pfizer's, as well as certain competitors', solid oral dose and sterile injectable pharmaceutical products, as well as biosimilars. We seek to maximize the opportunity to establish a "first-to-market" or early market position for our generic injectable drugs and biosimilars, as a "first-to-market" position provides customers a lower-cost alternative immediately when available and also may provide us with potentially higher levels of sales and profitability until other generic or biosimilar competitors enter the market.

Our Consumer Healthcare business faces competition from OTC business units in other major pharmaceutical and consumer packaged goods companies, and retailers who carry their own private label brands. Our competitive position is affected by several factors, including the amount and effectiveness of our and our competitors' promotional resources; customer acceptance; product quality; our and our competitors' introduction of new products, ingredients, claims, dosage forms, or other forms of innovation; and pricing, regulatory and legislative matters (such as product labeling, patient access and prescription to OTC switches).

*Managed Care Organizations*

The evolution of managed care in the U.S. has been a major factor in the competitive makeup of the healthcare marketplace. Approximately 291 million people in the U.S. now have some form of health insurance coverage. Due to the expansion of health insurance coverage (see *Government Regulation and Price Constraints — In the United States* below), the marketing of prescription drugs to both consumers and the entities that manage this expanded coverage in the U.S. continues to grow in importance.

The influence of MCOs has increased in recent years due to the growing number of patients receiving coverage through MCOs. At the same time, those organizations have been consolidating into fewer, even larger entities. This consolidation enhances both their ability to negotiate, as well as their importance to Pfizer.

The growth of MCOs has increased pressure on drug prices as well as revenues. One objective of MCOs is to contain and, where possible, reduce healthcare expenditures. MCOs typically negotiate prices with pharmaceutical providers by using formularies (which are lists of approved medicines available to members of the MCOs), clinical protocols (requiring prior authorization for a branded product if a generic product is available or requiring the patient to first fail on one or more generic products before permitting access to a branded medicine), volume purchasing, long-term contracts and their ability to influence volume and market share of prescription drugs. In addition, by placing branded medicines on higher-tier status in their formularies (leading to higher patient co-pays) or non-preferred tier status, MCOs transfer a portion of the cost of the medicine to the patient, resulting in significant out-of-pocket expenses for the patient, especially for chronic treatments. This financial disincentive is a tool for MCOs to manage drug costs and channel patients to medicines preferred by the MCOs. MCOs also use additional measures such as new-to-market blocks, exclusion lists, indication-based pricing, copay accumulator programs and value-based pricing/contracting to improve their cost containment efforts. We are closely monitoring these newer approaches and developing appropriate strategies to respond to them.

Due to their generally lower cost, generic medicines typically are placed in lowest cost tiers of MCO formularies. The breadth of the products covered by formularies can vary considerably from one MCO to another, and many formularies include alternative and competitive products for treatment of particular medical problems. MCOs are currently evaluating the appropriate placement of biosimilars on their formularies.

Exclusion of a product from a formulary or other MCO-implemented restrictions can significantly impact drug usage in the MCO patient population. Consequently, pharmaceutical companies compete to gain access to formularies for their products. Unique product features, such as greater efficacy, better patient ease of use, or fewer side effects, are generally beneficial to achieving access to formularies. However, lower overall cost of therapy is also an important factor. We have been generally, although not universally, successful in having our major products included on MCO formularies. However, increasingly our branded products are being placed on the higher tiers or in a non-preferred status.

MCOs also emphasize primary and preventive care, out-patient treatment and procedures performed at doctors' offices and clinics as another way to manage costs. Hospitalization and surgery, typically the most expensive forms of treatment, are carefully managed. Since the use of certain drugs can reduce the need for hospitalization, professional therapy, or even surgery, such drugs can become favored first-line treatments for certain diseases.

The ACA has accelerated payment reform by distributing risk across MCOs and other stakeholders in care delivery with the intent of improving quality while reducing costs, which creates pressure on MCOs to tie reimbursement to defined outcomes. Under the Trump administration, there have been ongoing efforts to modify or repeal all or certain provisions of the ACA, although the current likelihood of repeal of the ACA appears low given the failure of the Senate's multiple attempts to repeal various combinations of ACA provisions. We are monitoring any such actions to see if any changes to the ACA will be enacted that would impact our business.

*Generic Products*

One of the biggest competitive challenges that our branded products face is from generic pharmaceutical manufacturers. Upon the expiration or loss of patent protection for a product, especially a small molecule product, we can lose the major portion of revenues for that product in a very short period of time. Several competitors make a regular practice of challenging our product patents before their expiration. Generic competitors often operate without large R&D expenses, as well as without costs of conveying medical information about products to the medical community. In addition, the FDA approval process exempts generics from costly and time-consuming clinical trials to demonstrate their safety and efficacy, allowing generic manufacturers to rely on the safety and efficacy data of the innovator product. Generic competitors do not generally need to conduct clinical trials and can market a competing version of our product after the expiration or loss of our patent and often charge much less.

In addition, our patent-protected products can face competition in the form of generic versions of competitors' branded products that lose their market exclusivity.

As noted above, MCOs that focus primarily on the immediate cost of drugs often favor generics over brand-name drugs. Many governments also encourage the use of generics as alternatives to brand-name drugs in their healthcare programs, including Medicaid in the U.S. Laws in the U.S. generally allow, and in some cases require, pharmacists to substitute, for brand-name drugs, generic drugs that have been rated under government procedures to be chemically and therapeutically equivalent to brand-name drugs. In a small subset of states, prescribing physicians are able to expressly prevent such substitution.

## RAW MATERIALS

Raw materials essential to our businesses are purchased worldwide in the ordinary course of business from numerous suppliers. In general, these materials are available from multiple sources. In 2017 , we experienced periodic shortages of select materials due to constrained capacity or operational challenges with the associated suppliers. Supplier management activities are ongoing to work to ensure the necessary supply to meet our requirements for these materials. No significant impact to our operations is anticipated in 2018.

## GOVERNMENT REGULATION AND PRICE CONSTRAINTS

Pharmaceutical companies are subject to extensive regulation by government authorities in the countries in which they do business. Certain laws and regulations that govern Pfizer's business are discussed below.

*General* . Our business has been and will continue to be subject to numerous laws and regulations. Failure to comply with these laws and regulations, including those governing the manufacture and marketing of our products, could subject us to administrative and legal proceedings and actions by various governmental bodies. For additional information on these proceedings and actions, see the Notes to Consolidated Financial Statements— *Note 17A. Commitments and Contingencies—Legal Proceedings* in our 2017 Financial Report. Criminal charges, substantial fines and/or civil penalties, warning letters and product recalls or seizures, delays in product approvals, as well as limitations on our ability to conduct business in applicable jurisdictions, could result from such proceedings and actions.

*In the United States*

*Drug Regulation* . In the U.S., biopharmaceutical products are subject to extensive pre- and post-market regulations by the FDA, including regulations that govern the testing, manufacturing, safety, efficacy, labeling and storage of our products, record keeping, advertising and promotion. Our products are also subject to post-market surveillance under the FFDCA and its implementing regulations with respect to drugs, as well as the Public Health Service Act and its implementing regulations with respect to biologics. The FDA also regulates our Consumer Healthcare products.

Other U.S. federal agencies, including the DEA, also regulate certain of our products. The U.S. Federal Trade Commission has the authority to regulate the advertising of consumer healthcare products, including OTC drugs and dietary supplements. Many of our activities also are subject to the jurisdiction of the SEC.

Before a new biopharmaceutical product may be marketed in the U.S., the FDA must approve an NDA for a new drug or a BLA for a biologic. The steps required before the FDA will approve an NDA or BLA generally include preclinical studies followed by multiple stages of clinical trials conducted by the study sponsor; sponsor submission of the application to the FDA for review; the FDA's review of the data to assess the drug's safety and effectiveness; and the FDA's inspection of the facilities where the product will be manufactured.

Before a generic drug may be marketed in the U.S., the FDA must approve an ANDA. The ANDA review process typically does not require new preclinical and clinical studies, because it relies on the studies establishing safety and efficacy conducted for the referenced drug previously approved through the NDA process. The ANDA process, however, does require the sponsor to conduct one or more bioequivalence studies to show that the ANDA drug is bioequivalent to the previously approved referenced brand drug, submission of an application to the FDA for review, and the FDA's inspection of the facilities where the product will be manufactured.

As a condition of product approval, the FDA may require a sponsor to conduct post-marketing clinical studies, known as Phase 4 studies, and surveillance programs to monitor the effect of the approved product. The FDA may limit further marketing of a product based on the results of these post-market studies and programs. Any modifications to a drug or biologic, including new indications or changes to labeling or manufacturing processes or facilities, may require the submission and approval of a new or supplemental NDA or BLA before the modification can be implemented, which may require that we develop additional data or conduct additional preclinical studies and clinical trials. Our ongoing manufacture and distribution of drugs and biologics is subject to continuing regulation by the FDA, including recordkeeping requirements, reporting of adverse experiences associated with the product, and adherence to cGMPs, which regulate all aspects of the manufacturing process. We are also subject to numerous regulatory requirements relating to the advertising and promotion of drugs and biologics, including, but not limited to, standards and regulations for direct-to-consumer advertising. Failure to comply with the applicable regulatory requirements governing the manufacture and marketing of our products may subject us to administrative or judicial sanctions, including warning letters, product recalls or seizures, delays in product approvals, injunctions, fines, civil penalties and/or criminal prosecution.

*Biosimilar Regulation.* The ACA created a framework for the approval of biosimilars (also known as follow-on biologics) following the expiration of 12 years of exclusivity for the innovator biologic, with a potential six-month pediatric extension. Under the ACA, biosimilar applications may not be submitted until four years after the approval of the reference, innovator biologic.

The FDA is responsible for implementation of the legislation and approval of new biosimilars. Through those approvals and the issuance of draft and final guidance, the FDA has begun to address open questions about the naming convention for biosimilars and the use of data from a non-U.S.-licensed comparator to demonstrate biosimilarity and/or interchangeability with a U.S.-licensed reference product. Over the next several years, the FDA is expected to issue additional draft and final guidance documents impacting biosimilars. In addition, in 2017, the Biosimilar User Fee Act was reauthorized for a five-year period, which should lead to a significant increase in the FDA's biosimilar user fee revenues, thereby providing the FDA with additional resources to process biosimilar applications. Also, there have been ongoing federal legislative and administrative efforts to repeal, substantially modify or invalidate some or all of the provisions of the ACA. While none of those efforts have focused on changes to the provisions of the ACA related to the biosimilar regulatory framework, if those efforts continue in 2018 and if the ACA is repealed, substantially modified, or invalidated, it is unclear what, if any, impact such action would have on biosimilar regulation.

*Sales and Marketing* . The marketing practices of U.S. biopharmaceutical companies are generally subject to various federal and state healthcare laws that are intended to prevent fraud and abuse in the healthcare industry and protect the integrity of government healthcare programs. These laws include anti-kickback laws and false claims laws. Anti-kickback laws generally prohibit a biopharmaceutical company from soliciting, offering, receiving, or paying any remuneration to generate business, including the purchase or prescription of a particular product. False claims laws generally prohibit anyone from knowingly and willingly presenting, or causing to be presented, any claims for payment for goods (including drugs) or services to third-party payers (including Medicare and Medicaid) that are false or fraudulent and generally treat claims generated through kickbacks as false or fraudulent. Violations of fraud and abuse laws may be punishable by criminal or civil sanctions and/or exclusion from federal healthcare programs (including Medicare and Medicaid). The federal government and various states also have enacted laws to regulate the sales and marketing practices of pharmaceutical companies. The laws and regulations generally limit financial interactions between manufacturers and healthcare providers; require disclosure to the federal or state government and public of such interactions; and/or require the adoption of compliance standards or programs. Many of these laws and regulations contain ambiguous requirements or require administrative guidance for implementation. Individual states, acting through their attorneys general, have become active as well, seeking to regulate the marketing of prescription drugs under state consumer protection and false advertising laws. Given the lack of clarity in laws and their implementation, our activities could be subject to the penalties under the pertinent laws and regulations.

*Pricing and Reimbursement* . Pricing for our pharmaceutical products depends in part on government regulation. Pfizer must offer discounted pricing or rebates on purchases of pharmaceutical products under various federal and state healthcare programs, such as the Medicaid Drug Rebate Program, the "federal ceiling price" drug pricing program, the 340B drug pricing program and the Medicare Part D Program. Pfizer must also report specific prices to government agencies under healthcare programs, such as the Medicaid Drug Rebate Program and Medicare Part B. The calculations necessary to determine the prices reported are complex and the failure to report prices accurately may expose Pfizer to penalties. See the discussion regarding rebates in the *Analysis of the Consolidated Statements of Income — Revenues — Overview* section in our 2017 Financial Report and in the Notes to Consolidated Financial Statements— *Note 1G. Basis of Presentation and Significant Accounting Policies: Revenues and Trade Accounts Receivable* in our 2017 Financial Report, which are incorporated by reference.

Government and private third-party payers routinely seek to manage utilization and control the costs of our products. For example, the majority of states use preferred drug lists to restrict access to certain pharmaceutical products under Medicaid. Restrictions exist for some Pfizer products in certain states. As another example, access to our products under the Medicaid managed care program is typically determined by the health plans with which state Medicaid agencies contract to provide services to Medicaid beneficiaries. Given certain states' current and potential ongoing fiscal crises, a growing number of states are considering a variety of cost-control strategies, including capitated managed care plans that typically contain cost by restricting access to certain treatments. In addition, we expect that consolidation and integration of pharmacy chains and wholesalers, who are the primary purchasers of our pharmaceutical products in the U.S., will increase competitive and pricing pressures on pharmaceutical manufacturers, including us.

Efforts by government officials or legislators to implement measures to regulate prices or payment for pharmaceutical products, including legislation on drug importation, could adversely affect our business if implemented. Recently, there has been considerable public and government scrutiny of pharmaceutical pricing and proposals to address the perceived high cost of pharmaceuticals. There have also been recent state legislative efforts to address drug costs, which generally have focused on increasing transparency around drug costs or limiting drug prices. Recent legislation enacted includes, for example, a 2017 Maryland law that prohibits a generic drug manufacturer or wholesale distributor from engaging in price gouging in the sale of certain off-patent or generic drugs, and a 2017 California law that requires manufacturers to provide advanced notification of price increases to certain purchasers and report specified drug pricing information to the state. Certain state legislation, like the Maryland law, has been subject to legal challenges .

Adoption of new legislation at the federal or state level could further affect demand for, or pricing of, our products. We believe medicines are the most efficient and effective use of healthcare dollars based on the value they deliver to the overall healthcare system. We will continue to work with law makers and advocate for solutions that effectively improve patient health outcomes, lower costs to the healthcare system, and ensure access to medicines within an efficient and affordable healthcare system.

*Healthcare Reform.* The U.S. and state governments continue to propose and pass legislation designed to regulate the healthcare industry. For example, in March 2010, the U.S. Congress enacted the ACA that expanded healthcare coverage through Medicaid expansion and the implementation of the individual health insurance exchanges and which included changes to the coverage and reimbursement of drug products under government healthcare programs.

Under President Trump's administration, there have been ongoing efforts to modify or repeal all or certain provisions of the ACA, although the current likelihood of repeal of the ACA appears low given the failure of the Senate's multiple attempts to repeal various combinations of ACA provisions. In October 2017, the President signed an Executive Order directing federal agencies to look for ways to authorize more health plans that could be less expensive because the plans would not have to meet all of the ACA's coverage requirements, and announced that his administration will withhold the cost-sharing subsidies paid to health insurance exchange plans serving low-income enrollees. In December 2017, the comprehensive tax reform package signed into law, the Tax Cuts and Jobs Act, includes a provision that effectively repealed the ACA's individual mandate by removing the penalties. These and similar actions by the administration are widely expected to lead to fewer Americans having comprehensive ACA-compliant health insurance, even in the absence of a full legislative repeal. The revenues generated for Pfizer by the health insurance exchanges under the ACA are minor, so the impact of the recent administration actions is expected to be limited. We also may face uncertainties if our industry is looked to for savings to fund certain legislation, such as lifting the debt ceiling. One recent example is the Bipartisan Budget Act of 2018, which increased the discount we pay in the Medicare Part D coverage gap from 50% to 70%, which will modestly reduce our future Medicare Part D revenues.

We cannot predict the ultimate content, timing or effect of any changes to the ACA or other federal and state reform efforts. There is no assurance that federal or state healthcare reform will not adversely affect our future business and financial results.

*Anti-Corruption.* The FCPA prohibits U.S. corporations and their representatives from offering, promising, authorizing or making payments to any foreign government official, government staff member, political party or political candidate in an attempt to obtain or retain business abroad. The scope of the FCPA includes interactions with certain healthcare professionals in many countries. Other countries have enacted similar anti-corruption laws and/or regulations.

*Outside the United States*

We encounter similar regulatory and legislative issues in most other countries.

*New Drug Approvals.* In the EU, the approval of new drugs may be achieved using the Mutual Recognition Procedure, the Decentralized Procedure or the EU Centralized Procedure. These procedures apply in the EU member states, plus the European Economic Area countries, Norway, Iceland and Liechtenstein. The Centralized Procedure, managed by the EMA, results in one single authorization for the whole EU which provides the most rapid and efficient means of gaining approval across the EU and is the one most commonly used for new products.

In Japan, the PMDA is the point of entry for businesses looking to sell drugs in the country. The PMDA, which is involved in a wide range of regulatory activities, including clinical studies, approvals, post-marketing reviews and pharmaceuticals safety, must approve an application before a new drug product may be marketed in Japan. The PMDA also offers consultations on clinical trials of new drugs and provides advice on product classifications and approvals.

Historically, China's regulatory system has presented numerous challenges for the pharmaceutical industry, as its requirements for drug development and registration have not always been consistent with U.S. or other international standards. The CFDA, however, has introduced reforms and draft reforms in recent years, which are discussed in more detail below, that attempt to address these challenges, with 2017 being an especially active year in this respect. In the past, it has been common to see treatments entering the Chinese market two to eight years behind first marketing in the U.S. and Europe, because historically China has only issued import drug licenses to treatments approved by mature regulatory authorities such as the FDA or the EMA. In addition, to obtain marketing approvals for new drugs in China, a clinical trial authorization issued by the CFDA has historically been required for the conduct of Phase I to III clinical trials. Applications for approval of imported drugs that included China-originated data in their Multi-Regional Clinical Trials and met the relevant technical review requirements were allowed to receive local clinical trial waivers on a case-by-case basis. Historically, oral generics only had to undergo bioequivalence studies upon a filing for record with the CFDA, while sterile injectable generics often needed local confirmatory trials for regulatory approval. A Chinese drug license would only be granted if, following review, the CFDA determines that the clinical data confirm the drug's safety and effectiveness.

Health authorities in many middle and lower income countries require marketing approval by a recognized regulatory authority (i.e., similar to the authority of the FDA or the EMA) before they begin to conduct their application review process and/or issue their final approval. Many authorities also require local clinical data in the country's population in order to receive final marketing approval. These requirements delay marketing authorization in those countries relative to the U.S. and Europe.

*Pharmacovigilance.* In the EU, there is detailed legislation and guidance on pharmacovigilance, which has been increased and strengthened in recent years. The EMA's Pharmacovigilance Risk Assessment Committee has the responsibility for reviewing and making recommendations on product safety issues for the EU authorities. EU regulators may require pharmaceutical companies to conduct post-authorization safety and efficacy studies at the time of approval, or at any time afterwards in light of scientific developments. There are also additional extensive requirements regarding adverse drug reaction reporting and additional monitoring of products. Outside developed markets such as the EU and Japan, pharmacovigilance requirements vary and are generally not as extensive, but there is a trend toward increasing regulation.

*Pricing and Reimbursement* . In Europe, Japan, China, Canada, South Korea and some other international markets, governments provide healthcare at low-to-zero direct cost to consumers at the point of care and have significant power as large single payers to regulate pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored healthcare system, particularly under recent global economic pressures. Governments, including the different EU Member States, may use a variety of cost-containment measures for our pharmaceutical products, including price cuts, mandatory rebates, health technology assessments, and international reference pricing (i.e., the practice of a country linking its regulated medicine prices to those of other countries). This international patchwork of price regulation and differing economic conditions and assessments of value across countries has led to different prices in different countries, varying health outcomes and some third-party trade in our products between countries.

In particular, international reference pricing adds to the regional impact of price cuts in individual countries and can hinder patient access and innovation. Price variations, exacerbated by international reference pricing systems, also have resulted from exchange rate fluctuations. The downward pricing pressure resulting from this dynamic can be expected to continue as a result of reforms to international reference pricing policies and measures targeting pharmaceuticals in some European countries.

In addition, several important multilateral organizations, such as the United Nations (UN) and the Organization for Economic Cooperation and Development (OECD), are increasing scrutiny of international pharmaceutical pricing through issuing reports and policy recommendations (e.g., *2016 UN High Level Panel Report on Access to Medicines* and *2017 OECD Report on New Health Technologies — Managing Access, Value and Sustainability* ). Government adoption of these recommendations may lead to additional pricing pressures.

In Japan, the government recently released a basic framework for pharmaceutical pricing that will lead to the adoption of cost effectiveness assessments in some form, quarterly pricing reviews for new indications, and severe narrowing of the criteria to gain a price maintenance premium. In China, despite removal of government-set price caps the government continues to exercise indirect price control by setting reimbursement standards through a negotiation mechanism between drug manufacturers and social insurance administrations. Provincial biddings, cross-regional procurement and secondary hospital price negotiations are likely to intensify as government cost containment efforts continue.

*EU Regulatory Changes* . The EU adopted a new Clinical Trials Regulation in May 2014, which is expected to come into effect some time in late 2019. This regulation is aimed at simplifying and harmonizing the governance of clinical trials in the EU and will require increased public posting of clinical trial results.

Under its Publication of Clinical Data for Medicinal Products for Human Use policy, the EMA proactively publishes clinical trial data from application dossiers for new marketing authorizations, including data from trials taking place outside the EU, after the EMA has made a decision on the marketing authorization. The policy includes limited exceptions for commercially confidential information and the exclusion of any protected personal data.

*Brexit* . In June 2016, the U.K. electorate voted in a referendum to leave the EU, which is commonly referred to as "Brexit". In March 2017, the U.K. government formally notified the European Council of its intention to leave the EU after it triggered Article 50 of the Lisbon Treaty to begin the two-year negotiation process establishing the terms of the exit and outlining the future relationship between the U.K. and the EU. Formal negotiations officially started in June 2017. This process continues to be highly complex and the end result of these negotiations may pose certain implications to our research, commercial and general business operations in the U.K. and the EU, including the approval and supply of our products. It was announced in November 2017 that the EMA will be relocating from London, U.K. to Amsterdam, Netherlands by the expected date of Brexit in March 2019. At present, it is still unclear whether and to what extent the U.K. will remain within or aligned to the EU system of medicines regulation, and/or what separate requirements will be imposed in the U.K. after it leaves the EU. For additional information on Brexit, see the *Analysis of Financial Condition, Liquidity and Capital Resources — Global Economic Conditions — U.K.* in our 2017 Financial Report .

*China Regulatory Changes* . In an effort to encourage drug innovation and reduce backlogs for existing applications for drug approval, the CFDA has unveiled numerous reform initiatives for China's drug approval system, and engaged in significant efforts to build its capabilities. The CFDA now divides drugs into new drugs and generics, with the definition for new drugs changed from "China New" to "Global New." This means that drugs previously approved in other markets

(such as the U.S. or Europe) will not be considered new drugs under China's regulatory regime, with the exception of drugs introduced within one year of approval in mature markets. This change in definition creates more opportunities for China's domestic drug manufacturers than for multinational firms, because multinational firms have historically had significant competitive advantage in successfully achieving regulatory approvals for drugs first approved outside of China. The 2017 revisions made clear, however, that regulatory approval from the FDA or the EMA would no longer be required for approval of imported drugs, though a notable exception persists for imported vaccines, which still require prior approval from a relevant regulatory agency. The "marketing authorization holder" system, which will allow for more flexibility in contract manufacturing arrangements and asset transfers, now applies to all drugs developed and manufactured in China, but not yet to imported drugs.

While challenges remain, a number of other policy changes are streamlining and accelerating approvals of domestic and imported drugs in China. These reforms, along with China's June 2017 entry into the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use, are expected to pave the way for integration of CFDA's regulations with global practices. These changes include introducing an umbrella clinical trial authorization for all three phases of registration studies (instead of the original phase-by-phase approvals), a filing/recordation system for bioequivalence studies on generics (instead of the original review and approval system), admitting more categories of drugs as innovative drugs eligible for the fast track/"green channel" approval pathway and ongoing implementation of previously announced regulatory reforms.

*Healthcare Provider Transparency and Disclosures.* A number of countries have implemented laws requiring (or their industry associations have recommended) disclosure of transfers of value made by pharmaceutical companies to healthcare providers. For example, the EFPIA's disclosure code requires all members, including Pfizer, to disclose transfers of value to healthcare professionals and healthcare organizations.

*Intellectual Property* . The World Trade Organization Agreement on Trade Related Aspects of Intellectual Property (WTO-TRIPS) required participant countries to amend their intellectual property laws to provide patent protection for pharmaceutical products by 2005, with an extension until 2033 for least-developed countries. While we still face patent grant, enforcement and other intellectual property challenges around the world, some countries have made improvements. We include stronger patent protection among the factors we consider for continued business expansion in other participant countries.

While the global intellectual property environment has generally improved following WTO-TRIPS and bilateral/multilateral trade agreements, our future business growth depends on further progress in intellectual property protection. In emerging market countries in particular, governments have used intellectual property policies as a tool for reducing the price of imported medicines, as well as to protect their local pharmaceutical industries. There is considerable political and economic pressure to weaken existing intellectual property protection and resist implementation of any further protection, which has led to policies such as more restrictive standards for obtaining patents and more difficult procedures for patenting biopharmaceutical inventions, restrictions on patenting certain types of inventions (e.g., new medical treatment methods), revocation of patents, issuance (and threat of issuance) of compulsory licenses, weak intellectual property enforcement and failure to implement effective regulatory data protection. Our industry advocacy efforts focus on seeking a more balanced business environment for foreign manufacturers, as well as on underscoring the importance of strong intellectual property systems for local innovative industries. In developed countries as well, including the EU, we are facing an increasingly challenging intellectual property environment.

Canada's intellectual property regime for drugs provides some level of patent protection and data exclusivity (eight years plus six-month pediatric extension), but it lacks the predictability and stability that otherwise comparable countries provide. Through intense negotiations as part of the Canada/EU Comprehensive Economic & Trade Agreement (CETA), Canadian authorities reluctantly agreed to introduce a right of appeal, a form of patent term restoration and to elevate the current data protection to a treaty obligation, further aligning its intellectual property regime to the EU. In particular, CETA Article 20.25 provides *sui generis* protection for patent term extensions of two to five years for basic patents, subject to various rules and limitations.

In China, the intellectual property environment has improved, although effective enforcement and adequate legal remedies remain areas of concern. The government has taken steps to protect intellectual property rights in conformity with World Trade Organization provisions, and several companies, including Pfizer, have established R&D centers in China due to increased confidence in China's intellectual property environment. Despite this, China remained on the U.S. Trade Representative's Priority Watch List for 2017. Further, the standards for patentability in China remain more restrictive than in other major markets, including the U.S., Europe and Japan. Also, while a framework exists for protecting patents for 20 years, enforcement mechanisms are often lacking or inconsistent. For example, the absence of effective patent linkage mechanisms and preliminary injunctions, impractical evidentiary burdens, and heightened sufficiency standards have been used to invalidate patents at the enforcement stage.

In Brazil and other Latin American countries, the role of health regulatory authorities in reviewing patents (e.g., National Health Surveillance Agency in Brazil), restrictive patentability rules, ambiguity regarding the term of certain patents and backlogs at patent agencies may limit our ability to protect our products through patents. The lack of regulatory data protection and difficulties in protecting certain types of inventions, such as new medical uses of drug products, may limit the commercial lifespan of some pharmaceutical products.

In India, we have seen some progress in terms of expediting patent approval processes to reduce pendency rates and implementing training programs to enhance enforcement. Despite these positive steps, gaps remain in terms of addressing longstanding intellectual property concerns. For example, policies favoring compulsory licensing of patents, the tendency of the Indian Patent Office to revoke pharmaceutical patents in opposition proceedings (both pre- and post-grant), and restrictive standards for patentability of pharmaceutical products have made it difficult to safeguard many of our inventions and our investments in innovation. These policies heighten the risk of additional patent challenges targeting innovative pharmaceutical products, especially in areas perceived as being important to the public health of the population. Challenges against Pfizer patents in India are ongoing.

## ENVIRONMENTAL MATTERS

Most of our operations are affected by national, state and/or local environmental laws. We have made, and intend to continue to make, the expenditures necessary for compliance with applicable laws. We also are cleaning up environmental contamination from past industrial activity at certain sites. See the Notes to Consolidated Financial Statements— *Note 17A3. Commitments and Contingencies—Legal Proceedings—Commercial and Other Matters* in our 2017 Financial Report. As a result, we incurred capital and operational expenditures in 2017 for environmental compliance purposes and for the clean-up of certain past industrial activity as follows:

- environment-related capital expenditures— $30 million ; and
- other environment-related expenses— $142 million .

While capital expenditures or operating costs for environmental compliance cannot be predicted with certainty, we do not currently anticipate they will have a material effect on our capital expenditures or competitive position.

Climate change presents risks to our operations, including the potential for additional regulatory requirements and associated costs, and the potential for more frequent and severe weather events and water availability challenges that may impact our facilities and those of our suppliers. For example, in 2017, our manufacturing and commercial operations in Puerto Rico were impacted by hurricanes. For additional information, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Business — Impact of Recent Hurricanes in Puerto Rico* section of the 2017 Financial Report. We cannot provide assurance that physical risks to our facilities and supply chain due to climate change will not occur in the future; however, we have a program for

reviewing our vulnerability to potential weather-related risks and we update our assessments periodically. To date, we have concluded that, because of our facility locations, our existing distribution networks and our controls, we do not anticipate that these risks will have a material impact on Pfizer in the near term.

## TAX MATTERS

The discussion of tax-related matters in the Notes to Consolidated Financial Statements— *Note 5. Tax Matters* in our 2017 Financial Report, is incorporated by reference.

## EMPLOYEES

In our innovation-intensive business, our employees are vital to our success. We believe we have good relationships with our employees. As of December 31, 2017 , we employed approximately 90,200 people in our operations throughout the world.

## DISCLOSURE PURSUANT TO SECTION 219 OF THE IRAN THREAT REDUCTION AND SYRIA HUMAN RIGHTS ACT OF 2012

Section 219 of Iran Threat Reduction and Syria Human Rights Act of 2012 (ITRSHRA) requires disclosure by public companies of certain transactions involving the Government of Iran, as well as entities and individuals designated under Executive Order 13382 and Executive Order 13224 (the Executive Orders). In some instances, ITRSHRA requires companies to disclose these types of transactions, even if they were permissible under U.S. law or were conducted by a non-U.S. affiliate in accordance with the local law under which such entity operates.

As a global biopharmaceutical company, we conduct business in multiple jurisdictions throughout the world. During 2017 , our activities included supplying life-saving medicines, medical products and consumer products (Pfizer products) for patient and consumer use in Iran. We ship Pfizer products to Iran, and conduct related activities, in accordance with licenses issued by the U.S. Department of the Treasury's Office of Foreign Assets Control and other U.S. and non-U.S. governmental entities, and in line with our corporate policies. We will continue our global activities to improve the health and well-being of patients and consumers in a manner consistent with applicable laws and our corporate policies. To our knowledge, none of our activities during 2017 are required to be disclosed pursuant to ITRSHRA.

## ITEM 1A. RISK FACTORS

The statements in this Section describe the major risks to our business and should be considered carefully. In addition, these statements constitute our cautionary statements under the Private Securities Litigation Reform Act of 1995.

*Our disclosure and analysis in this 2017 Form 10-K and in our 2017 Annual Report to Shareholders contain forward-looking statements. From time to time, we also provide forward-looking statements in other materials we release to the public, as well as oral forward-looking statements. Such forward-looking statements involve substantial risks and uncertainties. We have tried, wherever possible, to identify such statements by using words such as "will," "may," "could," "likely," "ongoing," "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "assume," "target," "forecast," "guidance," "goal," "objective," "aim" and other words and terms of similar meaning or by using future dates in connection with any discussion of, among other things, our anticipated operating and financial performance, business plans and prospects, in-line products and product candidates, including anticipated regulatory submissions, data read-outs, approvals, performance, timing of exclusivity and potential benefits of Pfizer's products and product candidates, strategic reviews, capital allocation, business-development plans, manufacturing and product supply and plans relating to share repurchases and dividends. In particular, these include statements relating to future actions, business plans and prospects, our acquisitions and other business development activities, the disposition of the HIS net assets, prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, interest rates, foreign exchange rates, the outcome of contingencies, such as legal proceedings, plans relating to share repurchases and dividends, government regulation and financial results, including, in particular, the availability of raw materials for 2018 set forth in Item 1. Business—Raw Materials in this 2017 Form 10-K; the expected impact of the recent hurricanes in Puerto Rico set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Business—Impact of Recent Hurricanes in Puerto Rico section in our 2017 Financial Report; the anticipated progress in remediation efforts at certain of our Hospira manufacturing facilities set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Business—Product Manufacturing section in our 2017 Financial Report; the anticipated timeframe for any decision regarding strategic alternatives for Pfizer Consumer Healthcare set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Strategy—Our Business Development Initiatives section in our 2017 Financial Report; our anticipated liquidity position set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook—The Global Economic Environment and the Analysis of Financial Condition, Liquidity and Capital Resources sections in the 2017 Financial Report; the financial impact of the recently passed Tax Cuts and Jobs Act set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook—The Global Economic Environment, Significant Accounting Policies and Application of Critical Accounting Estimates and Assumptions—Income Tax Assets and Liabilities, Provision/(Benefit) for Taxes on Income—Changes in Tax Laws and Analysis of Financial Condition, Liquidity and Capital Resources—Selected Measures of Liquidity and Capital Resources—Contractual Obligations sections in our 2017 Financial Report and in Notes to Consolidated Financial Statements—Note 1. Basis of Presentation and Significant Accounting Policies and —Note 5. Tax Matters; plans relating to increasing investment in the U.S. following the expected positive net impact of the Tax Cuts and Jobs Act set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Strategy—Capital Allocation and Expense Management section in our 2017 Financial Report; the financial guidance set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Financial Guidance for 2018 section in our 2017 Financial Report; the anticipated costs and cost savings, including from our acquisition of Hospira and our cost-reduction/productivity initiatives, set forth in the Costs and Expenses—Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives section in our 2017 Financial Report and in the Notes to Consolidated Financial Statements—Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives; the expected plan for repatriating the majority of our cash held internationally in 2018 set forth in the Analysis of Financial Condition, Liquidity and Capital Resources—Selected Measures of Liquidity and Capital Resources—Domestic and International Short-Term Funds section in our 2017 Financial Report; the benefits expected from our business development transactions; the planned capital spending set forth in the Analysis of Financial Condition, Liquidity and Capital Resources—Selected Measures of Liquidity and Capital Resources—Contractual Obligations section in our 2017 Financial Report; and the contributions that we expect to make from our general assets to the Company's pension and postretirement plans during 2018 set forth in the Analysis of Financial Condition, Liquidity and Capital Resources—Selected Measures of Liquidity and Capital Resources—Contractual Obligations section and in the Notes to Consolidated Financial Statements—Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans in our 2017 Financial Report.*

*We cannot guarantee that any forward-looking statement will be realized. Achievement of anticipated results is subject to substantial risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. You should bear this in mind as you consider forward-looking statements, and you are cautioned not to put undue reliance on forward-looking statements.*

*We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law or by the rules and regulations of the SEC. You are advised, however, to consult any further disclosures we make on related subjects. Also note that we provide the following cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our businesses. These are factors that, individually or in the aggregate, may cause our actual results to differ materially from expected, projected or historical results. We note these factors*

*for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties.*

## RISKS RELATED TO OUR BUSINESS, INDUSTRY AND OPERATIONS :

### MANAGED CARE TRENDS

Consolidation among MCOs has increased the negotiating power of MCOs and other private insurers. Private third-party insurers, as well as governments, increasingly employ formularies to control costs by negotiating discounted prices in exchange for formulary inclusion. Failure to obtain or maintain timely or adequate pricing or formulary placement for our products or obtaining such pricing or placement at unfavorable pricing could adversely impact revenue. In addition to formulary tier co-pay differentials, private health insurance companies and self-insured employers have been raising co-payments required from beneficiaries, particularly for branded pharmaceuticals and biotechnology products. They are also trying newer programs like copay accumulators to shift more of the cost burden to manufacturers and patients. This cost shifting has given consumers greater control of medication choices, as they pay for a larger portion of their prescription costs and may cause consumers to favor lower cost generic alternatives to branded pharmaceuticals. MCOs also use additional measures such as new-to-market blocks, exclusion lists, indication-based pricing, and value-based pricing/contracting to improve their cost containment efforts. Private health insurance companies also are increasingly imposing utilization management tools, such as clinical protocols, requiring prior authorization for a branded product if a generic product is available or requiring the patient to first fail on one or more generic products before permitting access to a branded medicine. As the U.S. payer market concentrates further and as more drugs become available in generic form, biopharmaceutical companies may face greater pricing pressure from private third-party payers, who will continue to drive more of their patients to use lower cost generic alternatives.

### GENERIC COMPETITION

Competition from manufacturers of generic drugs is a major challenge for our branded products around the world, and the loss or expiration of intellectual property rights can have a significant adverse effect on our revenues. The date at which generic competition commences may be different from the date that the patent or regulatory exclusivity expires. However, upon the loss or expiration of patent protection for one of our products, or upon the “at-risk” launch (despite pending patent infringement litigation against the generic product) by a generic manufacturer of a generic version of one of our patented products, we can lose the major portion of revenues for that product in a very short period of time, which can adversely affect our business. A number of our products are expected to face significantly increased generic competition over the next few years.

Also, generic manufacturers have filed applications with the FDA seeking approval of product candidates that such companies claim do not infringe our patents; these include candidates that would compete with, among other products, *Xeljanz* and *Xtandi* . Our licensing and collaboration partners also face challenges by generic drug manufacturers to patents covering products for which we have licenses or co-promotion rights. In addition, our patent-protected products may face competition in the form of generic versions of competitors’ branded products that lose their market exclusivity.

### COMPETITIVE PRODUCTS

We cannot predict with accuracy the timing or impact of the introduction of competitive products, including new product entrants, in-line branded products, generic products, private label products, biosimilars and product candidates that treat diseases and conditions similar to those treated by our in-line drugs and drug candidates. The introduction of competitive products can result in erosion of the sales of our existing products and potential sales of products in development, as well as unanticipated product obsolescence. Competitive product launches have occurred in recent years, and certain potentially competitive products are in various stages of development, some of which have been filed for approval with the FDA and with regulatory authorities in other countries.

We also produce generic and biosimilar pharmaceutical products that compete with products from competitors, including other generic and biosimilar manufacturers. The ability to launch a generic or biosimilar pharmaceutical product at or before the anticipated formation of the generic or biosimilar marketplace is important to that product’s profitability. Prices for products typically decline, sometimes dramatically, following generic or biosimilar entry, and as additional companies receive approvals to market that product, competition intensifies. If a company’s generic or biosimilar product can be “first-to-market” such that its only competition is the branded drug for a period of time, higher levels of sales and profitability can be achieved until other generic or biosimilar competitors enter the market. With increasing competition in the generic or biosimilar product market, the timeliness with which we can market new generic or biosimilar products will increase in importance. Our success will depend on our ability to bring new products to market quickly. Also, we may face access challenges for our biosimilar products where our product may not receive access at parity to the innovator product and remains in a disadvantaged position. For example, *Inflectra/Remsima* has experienced access challenges among commercial payers. In September 2017, Pfizer filed suit in the U.S. District Court for the Eastern District of Pennsylvania against Johnson & Johnson (J&J) alleging that J&J’s exclusionary contracts and other anticompetitive practices concerning Remicade® (infliximab) violate federal antitrust laws.

## DEPENDENCE ON KEY IN-LINE PRODUCTS

We recorded direct product and/or alliance revenues of more than $1 billion for each of nine biopharmaceutical products in 2017: *Prevnar 13/Prevenar 13* , *Lyrica* , *Ibrance* , *Eliquis* , *Enbrel* , *Lipitor* , *Xeljanz* , *Viagra* and *Sutent* . Those products accounted for 46% of our total revenues in 2017 . If these products or any of our other major products were to become subject to problems such as loss of patent protection (if applicable), changes in prescription growth rates, material product liability litigation, unexpected side effects, regulatory proceedings, publicity affecting doctor or patient confidence, pressure from existing competitive products, changes in labeling, access pressures or, if a new, more effective treatment should be introduced, the adverse impact on our revenues could be significant. Patents covering several of our best-selling medicines have recently expired or will expire in the next few years (including some of our billion-dollar and previously billion-dollar products), and patents covering a number of our best-selling medicines are, or have been, the subject of pending legal challenges. For example, as a result of a patent litigation settlement, Teva Pharmaceuticals USA, Inc. launched a generic version of *Viagra* in the U.S. in December 2017. In addition, our revenues could be significantly impacted by the timing and rate of commercial acceptance of key new products. For additional information, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Operating Environment — Industry-Specific Challenges — Intellectual Property Rights and Collaboration/Licensing Rights — Recent Losses and Expected Losses of Product Exclusivity* section in our 2017 Financial Report.

Further, our Alliance revenues will be adversely affected by the termination or expiration of collaboration and co-promotion agreements that we have entered into and that we may enter into from time to time. For additional information on recent losses of collaborations rights, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Operating Environment — Industry-Specific Challenges — Intellectual Property Rights and Collaboration/Licensing Rights — Recent Losses of Collaboration Rights* section in our 2017 Financial Report.

## RESEARCH AND DEVELOPMENT INVESTMENT

The discovery and development of safe, effective new products, as well as the development of additional uses for existing products, are necessary for the continued strength of our businesses. Our product lines must be replenished over time in order to offset revenue losses when products lose their market exclusivity, as well as to provide for earnings growth. Our growth potential depends in large part on our ability to identify and develop new products or new indications for existing products that address unmet medical needs and receive reimbursement from payers, either through internal R&D or through collaborations, acquisitions, joint ventures or licensing or other arrangements with third parties. However, balancing current growth, investment for future growth and the delivery of shareholder return remains a major challenge. The average costs of product development continue to rise, as do the regulatory requirements in many therapeutic areas, which may affect the number of candidates funded as well as the sustainability of the R&D portfolio. Our ongoing investments in new product introductions and in R&D for new products and existing product extensions could exceed corresponding sales growth.

Additionally, our R&D investment plans and resources may not be correctly matched between science and markets, and failure to invest in the right technology platforms, therapeutic segments, product classes, geographic markets and/or in-licensing and out-licensing opportunities in order to deliver a robust pipeline could adversely impact the productivity of our pipeline. Further, even if the areas with the greatest market attractiveness are identified, the science may not work for any given program despite the significant investment required for R&D, and the commercial potential of the product may not be as competitive as expected because of the highly dynamic market environment and the hurdles in terms of access and reimbursement.

We continue to strengthen our global R&D organization and pursue strategies intended to improve innovation and overall productivity in R&D to achieve a sustainable pipeline that will deliver value in the near term and over time. There can be no assurance that these strategies will deliver the desired result, which could affect profitability in the future.

## BIOTECHNOLOGY PRODUCTS

Abbreviated legal pathways for the approval of biosimilars exist in certain international markets and, since the passage of the ACA, a framework for such approval exists in the U.S. If competitors are able to obtain marketing approval for biosimilars referencing our biotechnology products, our biotechnology products may become subject to competition from these biosimilars, with attendant competitive pressure, and price reductions could follow. For example, *Enbrel* faces ongoing biosimilar competition in most developed Europe markets, which is expected to continue. The expiration or successful challenge of applicable patent rights could trigger this competition, assuming any relevant regulatory exclusivity period has expired. We may face litigation with respect to the validity and/or scope of patents relating to our biotechnology products.

We are developing biosimilar medicines. The evolving pathway for registration and approval of biosimilar products by the FDA and regulatory authorities in certain other countries could diminish the value of our investments in biosimilars. Other risks related to our development of biosimilars include the potential for steeper than anticipated price erosion due to increased competitive intensity, coupled with high costs associated with clinical development or intellectual property challenges that may preclude timely commercialization of our potential biosimilar products. There is also a risk of lower prescriptions for biosimilars due to potential concerns over comparability with innovator medicines. See also the *Competitive Products* risk factor above.

### RESEARCH STUDIES

Decisions about research studies made early in the development process of a drug or vaccine candidate can have a substantial impact on the marketing strategy and payer reimbursement possibilities if it receives regulatory approval. For example, a wider range of studies can lead to approval for a broader set of indications that may impact the marketing and payer reimbursement process. However, each additional indication must be balanced against the time and resources required to demonstrate benefit, the increased complexity of development and the potential delays to approval of the lead indication. We try to plan clinical trials prudently and to reasonably anticipate and address challenges, but there is no guarantee that an optimal balance between trial conduct, speed and desired outcome will be achieved each time. The degree to which such potential challenges are foreseen and addressed could affect our future results.

### RISKS AFFECTING INTERNATIONAL OPERATIONS

Our international operations could be affected by currency fluctuations, capital and exchange controls, expropriation and other restrictive government actions, changes in intellectual property legal protections and remedies, trade regulations and procedures and actions affecting approval, production, pricing, and marketing of, reimbursement for and access to our products, as well as by political unrest, unstable governments and legal systems and inter-governmental disputes. Any of these changes could adversely affect our business.

Many emerging markets have experienced growth rates in excess of developed markets, leading to an increased contribution to the industry's global performance. As a result, we have been employing strategies to grow in emerging markets. However, there is no assurance that our strategies in emerging markets will be successful or that these countries will continue to sustain these growth rates. In addition, some emerging market countries may be particularly vulnerable to periods of financial or political instability or significant currency fluctuations or may have limited resources for healthcare spending. Even though we constantly monitor the evolving emerging markets for any unanticipated risk to Pfizer, certain financial or political events in such markets, as discussed above, can adversely affect our results.

### SPECIALTY PHARMACEUTICALS

Specialty pharmaceuticals are medicines that treat rare or life-threatening conditions that typically have smaller patient populations. The growing availability and use of innovative specialty pharmaceuticals, combined with their relative higher cost as compared to other types of pharmaceutical products, has generated payer interest in developing cost-containment strategies targeted to this sector. The impact of payers' efforts to control access to and pricing of specialty pharmaceuticals is increasing. For Pfizer to date, a number of factors create a more challenging paradigm given our growing specialty business portfolio. These include formulary restrictions and dispensation barriers, such as step edits, leading to higher negotiated rebates or discounts to health plans and PBMs in the U.S., as well as the increasing use of health technology assessments in markets around the world.

### CONSUMER HEALTHCARE

The Consumer Healthcare business may be impacted by economic volatility, the timing and severity of the cough, cold and flu season, generic or store brand competition affecting consumer spending patterns and market share gains of competitors' branded products or generic store brands. In addition, regulatory and legislative outcomes regarding the safety, efficacy or unintended uses of specific ingredients in our Consumer Healthcare products may require withdrawal, reformulation and/or relabeling of certain products (e.g., cough/cold products). See *The Global Economic Environment* and *Strategic Alternatives for Pfizer Consumer Healthcare* risk factors below.

### PRODUCT MANUFACTURING, SALES AND MARKETING RISKS

Difficulties or delays in product manufacturing, sales or marketing could affect future results through regulatory actions, shut-downs, approval delays, withdrawals, recalls, penalties, supply disruptions or shortages, reputational harm, product liability, unanticipated costs or otherwise. Examples of such difficulties or delays include, but are not limited to, the inability to increase production capacity commensurate with demand; the failure to predict market demand for, or to gain market acceptance of, approved products; the possibility that the supply of incoming materials may be delayed or become unavailable and that the quality of incoming materials may be substandard and not detected; the possibility that we may fail to maintain appropriate quality standards throughout the internal and external supply network and/or comply with cGMPs and other applicable regulations such as serialization (which allows for track and trace of products in the supply chain to enhance patient safety); risks to supply chain continuity and commercial operations as a result of natural (including hurricanes, earthquakes and floods) or man-made disasters at our facilities or at a supplier or vendor, including those that may be related to climate change; or failure to maintain the integrity of our supply chains against intentional and criminal acts such as economic adulteration, product diversion, product theft, counterfeit goods and cyberattacks.

Regulatory agencies periodically inspect our drug manufacturing facilities to evaluate compliance with applicable cGMP requirements. Failure to comply with these requirements may subject us to possible legal or regulatory actions, such as warning letters, suspension of manufacturing, seizure of product, injunctions, debarment or voluntary recall of a product, any of

which could have a material adverse effect on our business, financial condition and results of operations. In February 2017, we received a warning letter from the FDA communicating the FDA's view that certain violations of cGMP regulations exist at Hospira's manufacturing facility in McPherson, Kansas. We are undertaking corrective actions to address the concerns raised by the FDA. In January 2018, the FDA upgraded the status of Pfizer's McPherson, Kansas manufacturing facility to Voluntary Action Indicated (VAI) based on an October 2017 inspection. The change to VAI status will lift the compliance hold that the FDA placed on approval of pending applications, and is an important step toward resolving the issues cited in the February 2017 FDA warning letter. In addition, in September 2017, Meridian, a subsidiary of Pfizer Inc., received a warning letter from the FDA asserting the FDA's view that certain violations of cGMP and Quality System Regulations exist at Meridian's manufacturing sites in St. Louis, Missouri. We are undertaking corrective actions to address the concerns raised by the FDA, and communication with the FDA is ongoing. Until the corrective actions are implemented and approved by the FDA, the FDA may refuse to grant premarket approval of applications and/or the FDA may refuse to grant export certificates related to products manufactured at our St. Louis, Missouri sites.

### OUTSOURCING AND ENTERPRISE RESOURCE PLANNING

We outsource certain services to third parties in areas including transaction processing, accounting, information technology, manufacturing, clinical trial execution, clinical lab services, non-clinical research, safety services, integrated facilities management and other areas. For example, in 2017, we placed the majority of our clinical trial execution services with four Clinical Research Organizations (CROs). Service performance issues with these CROs may adversely impact the progression of our clinical trial programs. Outsourcing of services to third parties could expose us to sub-optimal quality of service delivery or deliverables, which may result in repercussions such as missed deadlines or other timeliness issues, erroneous data, supply disruptions, non-compliance (including with applicable legal requirements and industry standards) or reputational harm, with potential negative implications for our results.

We are migrating to a consistent enterprise resource planning system across the organization. These are enhancements of ongoing activities to standardize our financial systems. If any difficulties in the migration to or in the operation of our enterprise resource planning system were to occur, they could adversely affect our operations, including, among other ways, through a failure to meet demand for our products, or adversely affect our ability to meet our financial reporting obligations.

### COLLABORATIONS AND OTHER RELATIONSHIPS WITH THIRD PARTIES

We depend on third-party collaborators, service providers, and others in the research, development and commercialization of our products and product candidates and also enter into joint ventures and other business development transactions in connection with our business. To achieve expected longer term benefits, we may make substantial upfront payments in such transactions, which may negatively impact our reported earnings. We rely heavily on these parties for multiple aspects of our drug development, manufacturing and commercialization activities, but we do not control many aspects of those activities. Third parties may not complete activities on schedule or in accordance with our expectations. Failure by one or more of these third parties to meet their contractual or other obligations to Pfizer; failure of one or more of these parties to comply with applicable laws or regulations; or any disruption in the relationships between Pfizer and one or more of these third parties, could delay or prevent the development, approval or commercialization of our products and product candidates and could also result in non-compliance or reputational harm, all with potential negative implications for our product pipeline and business.

### BIOPHARMACEUTICAL WHOLESALERS

In 2017 , our largest biopharmaceutical wholesaler accounted for approximately 16% of our total revenues (and approximately 33% of our total U.S. revenues), and our top three biopharmaceutical wholesalers accounted for approximately 38% of our total revenues (and approximately 79% of our total U.S. revenues). If one of our significant biopharmaceutical wholesalers should encounter financial or other difficulties, such wholesaler might decrease the amount of business that it does with us, and we might be unable to collect all the amounts that the wholesaler owes us on a timely basis or at all, which could negatively impact our results of operations. In addition, we expect that consolidation and integration of pharmacy chains and wholesalers will increase competitive and pricing pressures on pharmaceutical manufacturers, including us.

### BUSINESS DEVELOPMENT ACTIVITIES

We expect to continue to enhance our in-line products and product pipeline through collaborations, alliances, license and funding agreements, joint ventures, equity- or debt-based investments, mergers and acquisitions. However, these enhancement plans are subject to the availability and cost of appropriate opportunities, competition from other pharmaceutical companies that are seeking similar opportunities and our ability to successfully identify, structure and execute transactions, including the ability to satisfy the conditions to closing of announced transactions in the anticipated timeframe or at all, and integrate acquisitions. Further, while we seek to mitigate risks and liabilities of such transactions through, among other things, due diligence, there may be risks and liabilities that such due diligence efforts fail to discover, that are not disclosed to us, or that we inadequately assess. Legal proceedings or regulatory issues often arise as a result of activities that occurred at acquired companies, their partners and other third parties. In 2016, for example, we paid $784.6 million to resolve allegations related to Wyeth's reporting of prices to the government with respect to Protonix for activities that occurred prior to our

acquisition of Wyeth. Additionally, we may not realize the anticipated benefits of such transactions, including the possibility that expected synergies and accretion will not be realized or will not be realized within the expected time frame.

### COUNTERFEIT PRODUCTS

A counterfeit medicine is one that has been deliberately and fraudulently mislabeled as to its identity and source. A counterfeit Pfizer medicine, therefore, is one manufactured by someone other than Pfizer, but which appears to be the same as an authentic Pfizer medicine. The prevalence of counterfeit medicines is a significant and growing industry-wide issue due to a variety of factors, including, but not limited to, the following: the widespread use of the Internet, which has greatly facilitated the ease by which counterfeit medicines can be advertised, purchased and delivered to individual patients; the availability of sophisticated technology that makes it easier for counterfeiters to make counterfeit medicines; the growing involvement in the medicine supply chain of under-regulated wholesalers and repackagers; the lack of adequate inspection at certain international postal facilities as counterfeit medicines are increasingly delivered direct to customers in small parcel packages; and the relatively modest risk of penalties faced by counterfeiters compared to the large profits that can be earned by them from the sale of counterfeit medicines. Further, laws against pharmaceutical counterfeiting vary greatly from country to country, and the enforcement of existing law varies greatly from jurisdiction to jurisdiction. For example, in some countries, pharmaceutical counterfeiting is not a crime; in others, it may result in only minimal sanctions. In addition, those involved in the distribution of counterfeit medicines use complex transport routes in order to evade customs controls by disguising the true source of their products.

Pfizer's global reputation makes its medicines prime targets for counterfeiting organizations. Counterfeit medicines pose a risk to patient health and safety because of the conditions under which they are manufactured—often in unregulated, unlicensed, uninspected and unsanitary sites—as well as the lack of regulation of their contents. Failure to mitigate the threat of counterfeit medicines, which is exacerbated by the complexity of the supply chain, could adversely impact our business, by, among other things, causing the loss of patient confidence in the Pfizer name and in the integrity of our medicines, potentially resulting in lost sales, product recalls, and an increased threat of litigation.

We undertake significant efforts to counteract the threats associated with counterfeit medicines, including, among other things, working with the FDA and other regulatory authorities and multinational coalitions to combat the counterfeiting of medicines and supporting efforts by law enforcement authorities to prosecute counterfeiters; assessing new and existing technologies to seek to make it more difficult for counterfeiters to copy our products and easier for patients and healthcare providers to distinguish authentic from counterfeit medicines; implementing business practices designed to protect patient health; promoting public policies intended to hinder counterfeiting; working diligently to raise public awareness about the dangers of counterfeit medicines; and working collaboratively with wholesalers, pharmacies, customs offices, and law enforcement agencies to increase inspection coverage, monitor distribution channels, and improve surveillance of distributors and repackagers. No assurance can be given, however, that our efforts and the efforts of others will be entirely successful, and the presence of counterfeit medicines may continue to increase.

## RISKS RELATED TO GOVERNMENT REGULATION AND LEGAL PROCEEDINGS :

### PRICING AND REIMBURSEMENT

U.S. and international governmental regulations that mandate price controls and limitations on patient access to our products or establish prices paid by government entities or programs for our products impact our business, and our future results could be adversely affected by changes in such regulations or policies.

In the U.S., many of our products are subject to increasing pricing pressures. Pharmaceutical product pricing is subject to enhanced government and public scrutiny and calls for reform. Some states have implemented, and other states are considering, pharmaceutical price controls or patient access constraints under the Medicaid program, and some states are considering price-control regimes that would apply to broader segments of their populations that are not Medicaid-eligible. Efforts by government officials or legislators to implement measures to regulate prices or payments for pharmaceutical products, including legislation on drug importation, could adversely affect our business if implemented. Private third-party payers, such as health plans, increasingly challenge pharmaceutical product pricing, which could result in lower prices, lower reimbursement rates and a reduction in demand for our products. Pricing pressures for our products may occur as a result of highly competitive insurance markets. Healthcare provider purchasers, directly or through group purchasing organizations, are seeking enhanced discounts or implementing more rigorous bidding or purchasing review processes.

We encounter similar regulatory and legislative issues in most other countries. In certain international markets, such as Europe, Japan, China, Canada and South Korea, governments have significant power as large single payers to regulate prices, access criteria (e.g., through public or private health technology assessments), or other means of cost control, particularly under recent global financing pressures. As a result, we expect that pressures on the pricing component of operating results will continue.

The adoption of restrictive price controls in new jurisdictions or more restrictive ones in existing jurisdictions, failure to obtain or maintain timely or adequate pricing or formulary placement for our products or obtaining such pricing or placement at unfavorable pricing could also adversely impact revenue. In our vaccines business, we participate in a tender process in many

countries for participation in national immunization programs. Failure to secure participation in national immunization programs or to obtain acceptable pricing in the tender process could adversely affect our business.

### U.S. HEALTHCARE REFORM/HEALTHCARE LEGISLATION

The U.S. healthcare industry is highly regulated and subject to frequent and substantial changes. For example, the ACA was enacted by Congress in March 2010 and established a major expansion of healthcare coverage, financed in part by a number of new rebates, discounts, and taxes that had a significant effect on our expenses and profitability. See the discussion under the *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Operating Environment — Industry-Specific Challenges — Regulatory Environment/Pricing and Access — U.S. Healthcare Legislation* section in our 2017 Financial Report and in *Item 1. Business* under the caption *Government Regulation and Price Constraints—In the United States* . We face uncertainties due to federal legislative and administrative efforts to repeal, substantially modify or invalidate some or all of the provisions of the ACA. The likelihood of such a repeal currently appears low given the recent failure of the Senate's multiple attempts to repeal various combinations of such ACA provisions. In October 2017, the President signed an Executive Order directing federal agencies to look for ways to authorize more health plans that could be less expensive because the plans would not have to meet all of the ACA's coverage requirements, and announced that his administration will withhold the cost-sharing subsidies paid to health insurance exchange plans serving low-income enrollees. These and similar actions by the administration are widely expected to lead to fewer Americans having comprehensive ACA-compliant health insurance, even in the absence of a legislative repeal. The revenues generated for Pfizer by the health insurance exchanges under the ACA are minor, so the impact of the recent administration actions is expected to be limited. There is no assurance that any future replacement, modification or repeal of the ACA will not adversely affect our business and financial results, particularly if the legislation reduces incentives for employer-sponsored insurance coverage, and we cannot predict how future federal or state legislative or administrative changes relating to healthcare reform will affect our business.

Other U.S. federal or state legislative or regulatory action and/or policy efforts could adversely affect our business, including, among others, changes in patent laws, the importation of prescription drugs from outside the U.S. at prices that are regulated by governments of various foreign countries (which is among the U.S. presidential administration's policy proposals), restrictions on U.S. direct-to-consumer advertising, limitations on interactions with healthcare professionals, or the use of comparative effectiveness methodologies that could be implemented in a manner that focuses primarily on cost differences and minimizes the therapeutic differences among pharmaceutical products and restricts access to innovative medicines.

### U.S. ENTITLEMENT REFORM

In the U.S., government action to reduce federal spending on entitlement programs including Medicare and Medicaid may affect payment for our products or services provided using our products. The Congressional Budget Office routinely releases options for reducing federal spending, and the December 2016 release includes proposals to cap Medicaid grants to the states, and to require manufacturers to pay a minimum rebate on drugs covered under part D of Medicare for low-income beneficiaries. Significant Medicare reductions could also result if Congress proceeds with certain proposals to convert the Medicare fee-for-service program into a premium support program, or Congress chooses to implement the recommendations made annually by the Medicare Payment Advisory Commission, which are primarily intended to extend the fiscal solvency of the Medicare program. These and any other significant spending reductions or cost controls affecting Medicare, Medicaid or other publicly funded or subsidized health programs that may be implemented could have an adverse impact on our results of operations.

### SUBSTANTIAL REGULATION

We are subject to extensive, complex, costly and evolving regulation by federal and state governmental authorities in the U.S., principally by the FDA and the DEA, and foreign regulatory authorities. Failure to comply with all applicable regulatory requirements may subject us to operating restrictions and criminal prosecution, monetary penalties and other disciplinary actions, including, sanctions, warning letters, product seizures, recalls, fines, injunctions, suspension, revocation of approvals, or exclusion from future participation in government healthcare programs.

### DEVELOPMENT, REGULATORY APPROVAL AND MARKETING OF PRODUCTS

Innovation is critical to the success of our company, and drug discovery and development is time-consuming, expensive and unpredictable. The outcome of the lengthy and complex process of identifying new compounds and developing new products is inherently uncertain and involves a high degree of risk and cost. The process from early discovery or design to development to regulatory approval can take many years. Drug candidates can and do fail at any stage of the process, including as the result of unfavorable pre-clinical and clinical trial results, including unfavorable new clinical data and additional analyses of existing clinical data. There can be no assurance regarding our ability to meet anticipated pre-clinical and clinical trial commencement and completion dates, regulatory submission and approval dates, and launch dates for product candidates, or as to whether or when we will receive regulatory approval for new products or for new indications or dosage forms for existing products, which will depend on the assessment by regulatory authorities of the benefit-risk profile suggested by the totality of the efficacy and safety information submitted. Decisions by regulatory authorities regarding labeling, ingredients and other matters could adversely affect the availability or commercial potential of our products. There is no assurance that we will be able to address

the comments received by us from regulatory authorities such as the FDA and the EMA with respect to certain of our drug applications to the satisfaction of those authorities, that any of our pipeline products will receive regulatory approval and, if approved, be commercially successful or that recently approved products will be approved in other markets and/or be commercially successful. There is also a risk that we may not adequately address existing regulatory agency findings concerning the adequacy of our regulatory compliance processes and systems or implement sustainable processes and procedures to maintain regulatory compliance and to address future regulatory agency findings, should they occur. In addition, there are risks associated with preliminary, early stage or interim data, including the risk that final results of studies for which preliminary, early stage or interim data have been provided and/or additional clinical trials may be different from (including less favorable than) the preliminary, early stage or interim data results and may not support further clinical development of the applicable product candidate or indication. In addition, clinical trial data are subject to differing interpretations, and, even when we view data as sufficient to support the safety and/or effectiveness of a product candidate or a new indication for an in-line product, regulatory authorities may not share our views and may require additional data or may deny approval altogether.

There are many considerations that can affect the marketing of our products around the world. Regulatory delays, the inability to successfully complete or adequately design and implement clinical trials within the anticipated quality, time and cost guidelines or in compliance with applicable regulatory expectations, claims and concerns about safety and efficacy, new discoveries, patent disputes and claims about adverse side effects are a few of the factors that can adversely affect our business. Further, claims and concerns that may arise regarding the safety and efficacy of in-line products and product candidates can result in a negative impact on product sales, product recalls or withdrawals, and/or consumer fraud, product liability and other litigation and claims. Increasing regulatory scrutiny of drug safety and efficacy, with regulatory authorities increasingly focused on product safety and the risk/benefit profile of products as they relate to already-approved products, has resulted in a more challenging, expensive and lengthy regulatory approval process due to requests for, among other things, additional clinical trials prior to granting approval or increased post-approval requirements, such as risk evaluation and mitigation strategies.

In addition, failure to put in place adequate controls and/or resources for effective collection, reporting and management of adverse events from clinical trials and post-marketing surveillance, in compliance with current and evolving regulatory requirements could result in risks to patient safety, regulatory actions and risks to product sales.

The FDA, along with other regulatory agencies around the world, has been experiencing a backlog of generic drug applications, which may result in delayed approvals of new generic products. While the FDA is taking steps to address the backlog of pending applications, continued approval delays may be experienced by generic drug applicants over the next few years.

### POST-APPROVAL DATA

As a condition to granting marketing approval of a product, the FDA may require a company to conduct additional clinical trials. The results generated in these Phase 4 trials could result in the loss of marketing approval, changes in product labeling, and/or new or increased concerns about the side effects or efficacy of a product. Regulatory agencies in countries outside the U.S. often have similar authority and may impose comparable requirements. Post-marketing studies, whether conducted by us or by others and whether mandated by regulatory agencies or voluntary, and other emerging data about marketed products, such as adverse event reports, may also adversely affect the availability or commercial potential of our products. Further, the discovery of significant problems with a product similar to one of our products that implicate (or are perceived to implicate) an entire class of products could have an adverse effect on the availability or commercial potential of the affected products. Accordingly, new data about our products, or products similar to our products, could negatively impact demand for our products due to real or perceived side effects or uncertainty regarding efficacy and, in some cases, could result in updated labeling, restrictions on use, product withdrawal or recall.

### INTERACTIONS WITH HEALTHCARE PROFESSIONALS AND GOVERNMENT OFFICIALS

Risks and uncertainties apply if we provide something of value to a healthcare professional, other healthcare provider and/or government official. If the interaction is found to be improper, government enforcement actions and penalties could result. These risks may increase as non-U.S. jurisdictions adopt or increase enforcement efforts of new anti-bribery laws and regulations. Requirements or industry standards in the U.S. and certain jurisdictions abroad that require pharmaceutical manufacturers to track and disclose financial interactions with healthcare professionals and healthcare providers increase government and public scrutiny of such financial interactions.

### CHANGES IN LAWS AND ACCOUNTING STANDARDS

Our future results could be adversely affected by changes in interpretations of existing laws and regulations, or changes in laws and regulations, including, among others, changes in accounting standards, taxation requirements (including tax rate changes, new tax laws, changes to existing tax laws and revised tax law and regulatory clarifications and/or interpretations, including changes affecting the taxation by the U.S. of income earned outside the U.S. that may result from pending and possible future proposals, including further clarifications and/or interpretations of the recently passed Tax Cuts and Jobs Act), competition laws, privacy laws and environmental laws in the U.S. and other countries. For additional information, see the *Provision/(Benefit) for Taxes on Income — Changes in Tax Laws* and *New Accounting Standards* sections, and Notes to Consolidated Financial

Statements— *Note 1B. Basis of Presentation and Significant Accounting Policies: Adoption of New Accounting Standards in 2017* in our 2017 Financial Report.

### LEGAL PROCEEDINGS

We and certain of our subsidiaries are involved in various legal proceedings, including patent, product liability and other product-related litigation, including personal injury, consumer, off-label promotion, securities, antitrust and breach of contract claims, commercial, environmental, government investigations, employment, tax litigation and other legal proceedings that arise from time to time in the ordinary course of our business. Litigation is inherently unpredictable, and excessive verdicts do occur. Although we believe we have substantial defenses in these matters, we could in the future incur judgments, enter into settlements of claims or revise our expectations regarding the outcomes of certain matters, and such developments could have a material adverse effect on our results of operations in the period in which the amounts are accrued and/or our cash flows in the period in which the amounts are paid.

Claims against our patents include challenges to the coverage and/or validity of our patents on various products or processes. Although we believe we have substantial defenses to these challenges with respect to all of our material patents, there can be no assurance as to the outcome of these matters, and a loss in any of these cases could result in a loss of patent protection for the product at issue, which could lead to a significant loss of sales of that product and could materially affect future results of operations.

Like other pharmaceutical companies, we are subject to investigations and extensive regulation by government agencies in the U.S., other developed markets and multiple emerging markets in which we operate. As a result, we have interactions with government agencies on an ongoing basis. Criminal charges, substantial fines and/or civil penalties, limitations on our ability to conduct business in applicable jurisdictions, as well as reputational harm and increased public interest in the matter could result from government investigations.

Our activities relating to the sale and marketing and the pricing of our products are subject to extensive regulation under the FFDCA, the Medicaid Drug Rebate Program, the FCPA and other federal and state statutes, including those discussed elsewhere in this 2017 Form 10-K, as well as anti-kickback and false claims laws, and similar laws in international jurisdictions. Like many companies in our industry, we have from time to time received inquiries and subpoenas and other types of information demands from government authorities, and been subject to claims and other actions related to our business activities brought by governmental authorities, as well as by consumers and private payers. In some instances, we have incurred significant expense, civil payments, fines and other adverse consequences as a result of these claims, actions and inquiries. For example, these claims, actions and inquiries may relate to alleged failures to accurately interpret or identify or prevent non-compliance with the laws and regulations associated with the dissemination of product information (approved and unapproved), potentially resulting in government enforcement and damage to our reputation. This risk may be heightened by digital marketing, including social media, mobile applications and blogger outreach.

### ENVIRONMENTAL CLAIMS AND PROCEEDINGS

We and certain of our subsidiaries are subject to numerous contingencies arising in the ordinary course of business relating to environmental claims and proceedings. Amounts recorded for contingencies can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. While we have accrued for worldwide environmental liabilities, there is no guarantee that additional costs will not be incurred beyond the amounts accrued. If we fail to properly manage the safety of our facilities and the environmental risks associated therewith or if we are required to increase our accruals for contingencies for environmental claims and proceedings in the future, it could potentially have an adverse effect on our results of operations.

## RISKS RELATED TO INTELLECTUAL PROPERTY :

### PATENT PROTECTION

Our long-term success largely depends on our ability to market technologically competitive products. We rely and expect to continue to rely on a combination of intellectual property, including patent, trademark, trade dress, copyright, trade secret and domain name protection laws, as well as confidentiality and license agreements, to protect our intellectual property and proprietary rights. If we fail to obtain and maintain adequate intellectual property protection, we may not be able to prevent third parties from launching generic versions of our branded products, using our proprietary technologies or from marketing products that are very similar or identical to ours. Our currently pending or future patent applications may not result in issued patents, or be granted on a timely basis. Similarly, any term extensions that we seek may not be granted on a timely basis, if at all. In addition, our issued patents may not contain claims sufficiently broad to protect us against third parties with similar technologies or products or provide us with any competitive advantage, including exclusivity in a particular product area. The scope of our patent claims also may vary between countries, as individual countries have distinct patent laws. We may be subject to challenges by third parties regarding our intellectual property, including, among others, claims regarding validity, enforceability, scope and effective term.

Our ability to enforce our patents also depends on the laws of individual countries and each country's practice with respect to enforcement of intellectual property rights, and the extent to which certain sovereigns may seek to engage in a policy of routine compulsory licensing of pharmaceutical intellectual property as a result of local political pressure or in the case of national emergencies. In countries that provide some form of regulatory exclusivity, mechanisms exist permitting some form of challenge to our patents by competitors or generic drug marketers prior to or immediately following the expiration of such regulatory exclusivity, and generic companies are increasingly employing aggressive strategies, such as "at risk" launches to challenge our patent rights. Most of the suits involve claims by generic drug manufacturers that patents covering our products, processes or dosage forms are invalid and/or do not cover the product of the generic drug manufacturer. Independent actions have been filed alleging that our assertions of, or attempts to enforce, patent rights with respect to certain products constitute unfair competition and/or violations of antitrust laws. Such claims may also be brought as counterclaims to actions we bring to enforce our patents. We are also party to other patent damages suits in various jurisdictions pursuant to which generic drug manufacturers, payers, governments or other parties are seeking damages from us for alleged delay of generic entry. We also are often involved in other proceedings, such as inter partes review, post-grant review, re-examination or opposition proceedings, before the U.S. Patent and Trademark Office, the European Patent Office, or other foreign counterparts relating to our intellectual property or the intellectual property rights of others. Also, if one of our patents is found to be invalid by such proceedings, generic or competitive products could be introduced into the market resulting in the erosion of sales of our existing products. For example, several of the patents in our pneumococcal vaccine portfolio have been challenged in inter partes review and post-grant review proceedings in the U.S. The invalidation of these patents could potentially allow a competitor pneumococcal vaccine into the marketplace. Further, if we are unable to maintain our existing license agreements or other agreements pursuant to which third parties grant us rights to intellectual property, including because such agreements expire or are terminated, our operating results and financial condition could be materially adversely affected.

Likewise, in the U.S. and other countries, we currently hold issued trademark registrations and have trademark applications pending, any of which may be the subject of a governmental or third-party objection, which could prevent the maintenance or issuance of the trademark. As our products mature, our reliance on our trademarks and trade dress to differentiate us from our competitors increases and as a result, if we are unable to prevent third parties from adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate our trademark rights, our business could be materially adversely affected. We actively seek to protect our proprietary information, including our trade secrets and proprietary know-how, by requiring our employees, consultants, other advisors and other third parties to execute proprietary information and confidentiality agreements upon the commencement of their employment, engagement or other relationship. Despite these efforts and precautions, we may be unable to prevent a third party from copying or otherwise obtaining and using our trade secrets or our other intellectual property without authorization, and legal remedies in some countries may not adequately compensate us for the damages caused by such unauthorized use. Further, others may independently and lawfully develop substantially similar or identical products that circumvent our intellectual property by means of alternative designs or processes or otherwise.

### THIRD PARTY INTELLECTUAL PROPERTY CLAIMS

A properly functioning intellectual property regime is essential to our business model. We are committed to respecting the valid intellectual property rights of other companies, but the patent granting process is imperfect. Accordingly, the pursuit of valid business opportunities may require us to challenge intellectual property rights held by other companies that we believe were improperly granted. Such challenges may include negotiation and litigation, which may not be successful.

Part of our EH business depends upon successfully identifying generic pharmaceutical product and biosimilar opportunities and launching products to take advantage of those opportunities, which may involve litigation, associated costs and time delays, and may ultimately not be successful. These opportunities may arise in situations where patent protection of equivalent branded products has expired, where patents have been declared invalid, or where products do not infringe the patents of others. To achieve a "first-to-market" or early market position for generic pharmaceutical products and biosimilars, we may take action, such as litigation, asserting that our products do not infringe patents of existing products or that those patents are invalid or unenforceable.

Third parties may claim that our products infringe one or more patents owned or controlled by the third party. Claims of intellectual property infringement can be costly and time-consuming to resolve, may delay or prevent product launches, and may result in significant damages. We are involved in patent-related disputes with third parties over our attempts to market generic pharmaceutical products and biosimilars. Once we have final regulatory approval of the related generic pharmaceuticals products or biosimilars, we may decide to commercially market these products even though associated legal proceedings (including any appeals) have not been resolved (i.e., "at-risk" launch). If one of our marketed products is found to infringe valid patent rights of a third party, such third party may be awarded significant damages, or we may be prevented from further sales of that product. Such damages may be enhanced as much as three-fold in the event that we or one of our subsidiaries, like Hospira, is found to have willfully infringed valid patent rights of a third party. Any of these adverse consequences could have a material adverse effect on our profitability and financial condition.

## RISK RELATED TO TECHNOLOGY :

### INFORMATION TECHNOLOGY AND SECURITY

Significant disruptions of information technology systems or breaches of information security could adversely affect our businesses. We rely to a large extent upon sophisticated information technology systems to operate our businesses. In the ordinary course of business, we collect, store and transmit large amounts of confidential information (including, but not limited to, personal information and intellectual property), and we deploy and operate an array of technical and procedural controls to maintain the confidentiality and integrity of such confidential information. We also have outsourced significant elements of our operations to third parties, including significant elements of our information technology infrastructure and, as a result, we are managing many independent vendor relationships with third parties who may or could have access to our confidential information. The size and complexity of our information technology and information security systems, and those of our third-party vendors with whom we contract (and the large amounts of confidential information that is present on them), make such systems potentially vulnerable to service interruptions or to security breaches from inadvertent or intentional actions by our employees or vendors, or from attacks by malicious third parties. Such attacks are of ever-increasing levels of sophistication and are made by groups and individuals with a wide range of motives (including, but not limited to, industrial espionage) and expertise, including organized criminal groups, “hacktivists,” nation states and others. As a global pharmaceutical company, our systems are subject to frequent attacks. Due to the nature of some of these attacks, there is a risk that they may remain undetected for a period of time. While we have invested in the protection of data and information technology, there can be no assurance that our efforts will prevent service interruptions or security breaches. Any such interruption or breach of our systems could adversely affect our business operations and/or result in the loss of critical or sensitive confidential information or intellectual property, and could result in financial, legal, business and reputational harm to us. We maintain cyber liability insurance; however this insurance may not be sufficient to cover the financial, legal, business or reputational losses that may result from an interruption or breach of our systems.

## RISKS RELATED TO OUR STRATEGIC TRANSACTIONS :

### STRATEGIC ACQUISITIONS

The success of our acquisitions of Hospira, Anacor, Medivation and AstraZeneca’s small molecule anti-infectives business will depend, in large part, on our ability to realize anticipated benefits from combining these businesses with Pfizer. We, for example, may fail to achieve cost savings anticipated with the acquisition of Hospira, or such cost savings within the expected time frame. Similarly, the accretive impact anticipated from the acquisitions of Hospira, Anacor and Medivation may not be realized or may be delayed. Integration of these businesses may result in the loss of key employees, the disruption of ongoing business, including third-party relationships, or inconsistencies in standards, controls, procedures and policies. We also may fail to generate the revenue growth for the acquired business that we expected at the time of entering into the transaction. Expected revenue from acquired products and product candidates also may be constrained by developments outside of our control. Unsuccessful clinical trials, regulatory hurdles and commercialization challenges may adversely impact revenue and income contribution from products and product candidates, including those acquired in these acquisitions. Hospira, for example, has experienced manufacturing disruptions and substantial regulatory scrutiny due to quality issues, including receiving a warning letter from the FDA in February 2017 communicating the FDA ’ s view that certain violations of cGMP regulations exist at Hospira ’ s manufacturing facility in McPherson, Kansas. Manufacturing problems, as well as any corrective actions and their operational implementation, could adversely impact the revenue we generate from products acquired from Hospira and result in substantial unanticipated costs. For additional information, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Business — Product Manufacturing* section in our 2017 Financial Report. Also, the success of our acquisition of Medivation depends on our ability to grow revenues for *Xtandi* and expand *Xtandi* into the non-metastatic castration-resistant prostate cancer setting.

### STRATEGIC ALTERNATIVES FOR PFIZER CONSUMER HEALTHCARE

In October 2017, we announced plans to review a range of strategic alternatives for our Consumer Healthcare business, including a full or partial separation of the Consumer Healthcare business from Pfizer through a spin-off, sale or other transaction, as well as the possibility that we may ultimately determine to retain the business. We expect that a decision regarding strategic alternatives for the Consumer Healthcare business would be made in 2018.

We will incur expenses in connection with the review of strategic alternatives and are likely to incur significant expenses if we determine to move forward with any strategic alternatives. Our future results may be affected by the impact of our review and, if applicable, consummation of strategic alternatives for our Consumer Healthcare business, which are subject to certain risks and uncertainties, including, among other things, the ability to realize the anticipated benefits of any strategic alternatives we may pursue, the potential for disruption to our business and diversion of management’s attention from other aspects of our business, the possibility that such strategic alternatives will not be completed on terms that are advantageous to Pfizer and the possibility that we may be unable to realize a higher value for our Consumer Healthcare through strategic alternatives.

## OTHER RISKS:

### THE GLOBAL ECONOMIC ENVIRONMENT

Like all businesses, we are exposed to both global and industry-specific economic conditions. Governments, corporations and insurance companies, which provide insurance benefits to patients, have implemented increases in cost-sharing and restrictions on access to medicines, potentially causing patients to switch to generic or biosimilar products, delay treatments, skip doses or use less effective treatments. Government financing pressures can lead to negative pricing pressure in various markets where governments take an active role in setting prices, access criteria (e.g., through public or private health technology assessments), or other means of cost control. Examples include Europe, Japan, China, Canada, South Korea and a number of other international markets. The U.S. continues to maintain competitive insurance markets, but has also seen significant increases in patient cost-sharing and growing government influence as government programs continue to grow as a source of coverage.

The global economic environment has not had, nor do we anticipate that it will have, a material impact on our liquidity or capital resources. Due to our significant operating cash flows, financial assets, access to capital markets and available lines of credit and revolving credit agreements, we continue to believe that we have, and will maintain, the ability to meet our liquidity needs for the foreseeable future. We monitor our liquidity position continuously in the face of evolving economic conditions, but there can be no guarantee that changes in global financial markets and global economic conditions will not affect our liquidity or capital resources or impact our ability to obtain financing in the future.

We continue to monitor credit, capital restrictions and economic situations in volatile regions and markets, especially where the ability to obtain U.S. dollars for local currency is unpredictable and challenging. We cannot predict the likelihood of future changes in these economic conditions, or what impact they may have on our results of operations, financial condition or business.

In addition, given that a significant portion of our business is conducted in the EU, including the U.K., the formal change in the relationship between the U.K. and the EU caused by Brexit may pose certain implications to our research, commercial and general business operations in the U.K. and the EU, including the approval and supply of our products. Details on how Brexit will be executed and the impact on the remaining EU countries will dictate how and whether the broader EU will be impacted and what the resulting impact on our business may be. For additional information, see the *Analysis of Financial Condition, Liquidity and Capital Resources — Global Economic Conditions — U.K.* section in our 2017 Financial Report.

We also continue to monitor the global trade environment and potential trade conflicts. If trade restrictions reduce global economic activity, or if other factors lead to a general economic downturn, potential impacts could include declining sales; increased costs; volatility in foreign exchange rates; a decline in the value of our financial assets and pension plan investments; required increases of our pension funding obligations; increased government cost control efforts; delays or failures in the performance of customers, suppliers, and other third parties on whom we may depend for the performance of our business; and the risk that our allowance for doubtful accounts may not be adequate.

### FOREIGN EXCHANGE AND INTEREST RATE RISK

Significant portions of our revenues, costs and expenses, as well as our substantial international net assets, are exposed to changes in foreign exchange rates. 50% of our total 2017 revenues were derived from international operations, including 21% from Europe and 20% from Japan and the rest of Asia. As we operate in multiple foreign currencies, including the euro, the Japanese yen, the Chinese renminbi, the U.K. pound, the Canadian dollar and approximately 100 other currencies, changes in those currencies relative to the U.S. dollar will impact our revenues and expenses. If the U.S. dollar were to weaken against another currency, assuming all other variables remained constant, our revenues would increase, having a positive impact on earnings, and our overall expenses would increase, having a negative impact on earnings. Conversely, if the U.S. dollar were to strengthen against another currency, assuming all other variables remained constant, our revenues would decrease, having a negative impact on earnings, and our overall expenses would decrease, having a positive impact on earnings. Therefore, significant changes in foreign exchange rates can impact our results and our financial guidance.

The impact of possible currency devaluations in countries experiencing high inflation rates or significant exchange fluctuations can impact our results and financial guidance. For additional information about our exposure to foreign currency risk, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Financial Guidance for 2018* and *Analysis of Financial Condition, Liquidity and Capital Resources* sections in our 2017 Financial Report.

In addition, our interest-bearing investments and borrowings, and our pension benefit obligations, net, and our postretirement benefit obligations, net, are subject to risk from changes in interest rates and foreign exchange rates. These risks and the measures we have taken to help contain them are discussed in the *Forward-Looking Information and Factors That May Affect Future Results — Financial Risk Management* section in our 2017 Financial Report. For additional details, see the Notes to Consolidated Financial Statements— *Note 7F. Financial Instruments: Derivative Financial Instruments and Hedging Activities* and — *Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans* in our 2017 Financial Report and the

*Significant Accounting Policies and Application of Critical Accounting Estimates and Assumptions—Benefit Plans* section in our 2017 Financial Report. Those sections of our 2017 Financial Report are incorporated by reference.

Notwithstanding our efforts to foresee and mitigate the effects of changes in external fiscal circumstances, we cannot predict with certainty changes in currency and interest rates, inflation or other related factors affecting our businesses.

### COST AND EXPENSE CONTROL/UNUSUAL EVENTS/FAILURE TO REALIZE THE ANTICIPATED BENEFITS OF STRATEGIC INITIATIVES AND ACQUISITIONS

Growth in costs and expenses, changes in product, segment and geographic mix and the impact of acquisitions, divestitures, restructurings, internal reorganizations, product withdrawals, recalls and other unusual events that could result from evolving business strategies, evaluation of asset realization and organizational restructuring could adversely affect future results. Such risks and uncertainties include, in particular, our ability to realize the projected benefits of (i) our cost-reduction and productivity initiatives; (ii) our internal separation of our commercial operations into our current operating structure; (iii) any other corporate strategic initiatives, such as our evaluation of strategic alternatives for our Consumer Healthcare business; and (iv) any acquisitions, divestitures or other initiatives, such as our acquisitions of Hospira, Anacor, Medivation and AstraZeneca's small molecule anti-infectives business.

### INTANGIBLE ASSETS, GOODWILL AND EQUITY-METHOD INVESTMENTS

Our consolidated balance sheet contains significant amounts of intangible assets, including goodwill. For IPR&D assets, the risk of failure is significant, and there can be no certainty that these assets ultimately will yield successful products. The nature of the biopharmaceutical business is high-risk and requires that we invest in a large number of projects in an effort to achieve a successful portfolio of approved products. Our ability to realize value on these significant investments is often contingent upon, among other things, regulatory approvals and market acceptance. As such, we expect that many of these IPR&D assets will become impaired and be written off at some time in the future. For goodwill, all reporting units can confront events and circumstances that can lead to a goodwill impairment charge (such as, among other things, unanticipated competition, an adverse action or assessment by a regulator, a significant adverse change in legal matters or in the business climate and/or a failure to replace the contributions of products that lose exclusivity). Any such charge may be significant. Our other intangible assets, including developed technology rights and brands, face similar risks for impairment and charges related to such assets may be significant as well. For additional details, see the *Significant Accounting Policies and Application of Critical Accounting Estimates and Assumptions* section in our 2017 Financial Report.

We also regularly review our equity-method investments for impairment. An impairment charge may result from the occurrence of unexpected adverse events or management decisions that impact our estimates of expected cash flows to be generated from these investments. We may recognize impairment charges as a result of a weak economic environment, events related to particular customers or asset types, challenging market conditions or decisions by management.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

The accuracy of our financial reporting depends on the effectiveness of our internal control over financial reporting. Internal control over financial reporting can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements and may not prevent or detect misstatements. Failure to maintain effective internal control over financial reporting, or lapses in disclosure controls and procedures, could undermine the ability to provide accurate disclosure (including with respect to financial information) on a timely basis, which could cause investors to lose confidence in our disclosures (including with respect to financial information), require significant resources to remediate the lapse or deficiency, and expose us to legal or regulatory proceedings.

### TERRORIST ACTIVITY

Our future results could be adversely affected by changes in business, political and economic conditions, including the cost and availability of insurance, due to the threat of terrorist activity in the U.S. and other parts of the world and related U.S. military action overseas.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

## ITEM 2. PROPERTIES

In 2017 , we continued to consolidate operations to achieve efficiencies and dispose of excess space. As of December 31, 2017 , we had 501 owned and leased properties, amounting to approximately 53 million square feet.

In 2017 , we reduced the number of properties in our portfolio by 66 sites and 4.2 million square feet, which includes the divestment of properties in connection with the sale of the HIS net assets to ICU Medical, the disposal of surplus real property assets and the reduction of operating space in all regions.

Pfizer continues to own and lease space around the world for sales and marketing, customer service, regulatory compliance, R&D, manufacturing and distribution, and administrative support functions. In many locations, business lines and operations are co-located to achieve synergy and operational efficiencies.

Pfizer's corporate headquarters are in New York City and Pfizer's properties extend internationally to over 90 countries.

In 2018 , we intend to progress our plans to relocate from our current New York City corporate headquarters to a more modern facility in Manhattan. We continue to advance our global workplace strategy to provide workplaces that enable collaboration and foster innovation.

We have numerous facilities across the world to support our R&D organizations, with a heavy concentration in North America. In 2018 , we continue to advance construction of new R&D facilities in St. Louis, Missouri and Andover, Massachusetts.

Our PGS division is headquartered in various locations, with leadership teams primarily in New York City, New York and in Peapack, New Jersey. As of December 31, 2017 , PGS had responsibility for 58 plants around the world, which manufacture products for our commercial divisions. Locations with major manufacturing facilities include Belgium, China, Germany, India, Ireland, Italy, Japan, Puerto Rico, Singapore and the U.S. Our PGS division's plant network strategy is expected to result in the exit of three of these sites over the next several years. PGS also operates multiple distribution facilities around the world.

In general, we believe that our properties are well-maintained, adequate and suitable for their current requirements and for our operations in the foreseeable future. See the Notes to Consolidated Financial Statements— *Note 9. Property, Plant and Equipment* in our 2017 Financial Report, which provides amounts invested in land, buildings and equipment and which is incorporated by reference. See also the discussion in the Notes to Consolidated Financial Statements— *Note 15. Lease Commitments* in our 2017 Financial Report, which is also incorporated by reference.

## ITEM 3. LEGAL PROCEEDINGS

Certain legal proceedings in which we are involved are discussed in the Notes to Consolidated Financial Statements— *Note 17A. Commitments and Contingencies—Legal Proceedings* in our 2017 Financial Report, which is incorporated by reference.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## EXECUTIVE OFFICERS OF THE COMPANY

The executive officers of the Company are set forth in this table. Each holds the office or offices indicated until his or her successor is chosen and qualified at the regular meeting of the Board of Directors to be held on the date of the 2018 Annual Meeting of Shareholders, or until his or her earlier death, resignation or removal. Each of the executive officers is a member of the Pfizer Executive Leadership Team.

| Name | Age | Position |
|---|---|---|
| Ian C. Read | 64 | Chairman of the Board since December 2011 and Chief Executive Officer of Pfizer since December 2010. President and Chief Executive Officer from December 2010 until December 2011. Previously, he served as Senior Vice President and Group President of the Worldwide Biopharmaceutical Businesses, which he led from 2006 through December 2010. In that role, he oversaw five global business units—Primary Care, Specialty Care, Oncology, Established Products and Emerging Markets. Mr. Read began his career with Pfizer in 1978 as an operational auditor. He worked in Latin America through 1995, holding positions including Chief Financial Officer, Pfizer Mexico, and Country Manager, Pfizer Brazil. In 1996, he was appointed President of Pfizer's International Pharmaceuticals Group, with responsibility for Latin America and Canada. He became Executive Vice President, Europe, in 2000, was named a Corporate Vice President in 2001, and assumed responsibility for Canada, in addition to Europe, in 2002. Mr. Read later became accountable for operations in both the Africa/Middle East region and Latin America as well. Director of Kimberly-Clark Corporation. Mr. Read serves on the Boards of Pharmaceutical Research and Manufacturers of America (PhRMA) and the Partnership of New York City. Member of the U.S.-China Business Council. Our Director since December 2010. |
| Albert Bourla | 56 | Chief Operating Officer since January 2018; Group President, Pfizer Innovative Health from June 2016 until December 2017; Group President, Global Innovative Pharma Business (responsible for Vaccines, Oncology and Consumer Healthcare since 2014) from February 2016 until June 2016. President and General Manager of Established Products Business Unit from December 2010 until December 2013. Area President Europe, Africa, Asia and Pacific of Pfizer Animal Health from 2009 until November 2010. Area President Europe, Africa and Middle East of Pfizer Animal Health from 2005 until 2009. |
| Frank A. D'Amelio | 60 | Executive Vice President, Business Operations and Chief Financial Officer since December 2010. Senior Vice President and Chief Financial Officer from September 2007 until December 2010. Prior to joining Pfizer, he was Senior Executive Vice President of Integration and Chief Administrative Officer of Alcatel-Lucent from November 2006 until August 2007. Prior to the Alcatel-Lucent merger, he was Chief Operating Officer of Lucent and before that Chief Financial Officer of Lucent. Director of Zoetis Inc. and of Humana Inc. and Chair of the Humana Audit Committee. He is a Director of the Independent College Fund of New Jersey. |
| Mikael Dolsten | 59 | President of Worldwide Research and Development since December 2010. Senior Vice President; President of Worldwide Research and Development from May 2010 until December 2010. Senior Vice President; President of Pfizer BioTherapeutics Research & Development Group from October 2009 until May 2010. He was Senior Vice President of Wyeth and President, Wyeth Research from June 2008 until October 2009. He was a Private Equity Partner at Orbimed Advisors, LLC from January 2008 until June 2008. Director of Karyopharm Therapeutics Inc. Chairman of the Translational Advisory Board of Apple Tree Partners from 2016 to 2017. |
| Charles H. Hill III | 62 | Executive Vice President, Worldwide Human Resources since December 2010. Senior Vice President, Human Resources for Worldwide Biopharmaceuticals Businesses from 2008 through December 2010. Vice President, Human Resources, Worldwide Pharmaceutical Operations from 2004 through 2008. Director of Zoetis Inc. from July 2012 until June 2013. |
| Angela Hwang | 52 | Group President, Pfizer Essential Health since January 2018. Global President, Pfizer Inflammation and Immunology from January 2016 until December 2017. Regional Head, U.S. Vaccines from January 2014 until December 2015. Vice President, Emerging Markets for the Primary Care business from September 2011 until December 2013. Vice President, U.S. Brands business within Essential Health from October 2009 until August 2011. |
| Rady A. Johnson | 56 | Executive Vice President, Chief Compliance and Risk Officer since December 2013. Senior Vice President and Associate General Counsel from October 2006 until December 2013. |
| Douglas M. Lankler | 52 | Executive Vice President and General Counsel since December 2013. Corporate Secretary from January 2014 until February 2014. Executive Vice President, Chief Compliance and Risk Officer from February 2011 until December 2013. Executive Vice President, Chief Compliance Officer from December 2010 until February 2011. Senior Vice President and Chief Compliance Officer from January 2010 until December 2010. Senior Vice President, Deputy General Counsel and Chief Compliance Officer from August 2009 until January 2010. Senior Vice President, Associate General Counsel and Chief Compliance Officer from October 2006 until August 2009. |
| Freda C. Lewis-Hall | 62 | Executive Vice President, Chief Medical Officer since December 2010. Senior Vice President, Chief Medical |

| | | |
|---|---|---|
| | | Officer from May 2009 until December 2010. Previously, she was Chief Medical Officer and Executive Vice President, Medicines Development at Vertex Pharmaceuticals from June 2008 until May 2009. Dr. Lewis-Hall was Senior Vice President, U.S. Pharmaceuticals, Medical Affairs for Bristol-Myers Squibb Company from 2003 until May 2008. Director of Tenet Healthcare Corporation from December 2014 to May 2017. |
| Kirsten Lund-Jurgensen | 58 | Executive Vice President, President, Pfizer Global Supply since December 2016. Vice President, Innovative Health Product Portfolio Management and Consumer Operations from August 2015 until December 2016. Vice President, Vaccines, Oncology, Consumer Product Portfolio Management and Consumer Operations from January 2014 until August 2015. Vice President, Product Portfolio Management for Primary Care, Established Products and Oncology from December 2012 until December 2013. Vice President of the Primary Care and Oncology Operating Unit (Manufacturing Sites in Europe, Singapore, Canada) from October 2009 until November 2012. Vice President of the Patented Products Operating Unit (Manufacturing Sites in Europe, Singapore) from May 2008 until October 2009. A Member of the Executive Committee of the National Association of Manufacturers Board of Directors. |
| Alexander R. MacKenzie | 58 | Executive Vice President, Chief Development Officer since June 2016. Senior Vice President, Chief Development Officer from March 2016 until June 2016. Group Senior Vice President and Head, Pharma Therapeutics Research and Development from 2010 until March 2016. Senior Vice President, Head of Worldwide Research from 2007 until 2010. Dr. MacKenzie represents Pfizer as a member of the Board of Directors of ViiV Healthcare Limited. |
| Laurie J. Olson | 54 | Executive Vice President, Strategy and Commercial Operations since July 2012. Senior Vice President - Strategy and Portfolio Management from 2011 until July 2012. Senior Vice President - Portfolio Management and Analytics from 2008 until 2010. Since joining Pfizer in 1987 as an Analyst in the Company's marketing research organization, Ms. Olson has served in a variety of marketing leadership positions with increasing responsibility in both the Company's U.S. and global commercial organizations. |
| Sally Susman | 56 | Executive Vice President, Corporate Affairs (formerly Policy, External Affairs and Communications) since December 2010. Senior Vice President, Policy, External Affairs and Communications from December 2009 until December 2010. Senior Vice President and Chief Communications Officer from February 2008 until December 2009. Prior to joining Pfizer, Ms. Susman held senior level positions at The Est é e Lauder Companies, including Executive Vice President from 2004 to January 2008. Director of WPP plc. |
| John D. Young | 53 | Group President, Pfizer Innovative Health since January 2018. Group President, Pfizer Essential Health from June 2016 until December 2017; Group President, Global Established Pharma Business from January 2014 until June 2016. President and General Manager, Pfizer Primary Care from June 2012 until December 2013. Primary Care Business Unit's Regional President for Europe and Canada from 2009 until June 2012. U.K. Country Manager from 2007 until 2009. Director of Johnson Controls International plc. |

## PART II

### ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The principal market for our common stock is the NYSE. Our common stock currently trades on the NYSE under the symbol "PFE". As of February 20, 2018 , there were 158,190 holders of record of our common stock. Additional information required by this item is incorporated by reference from the *Quarterly Consolidated Financial Data (Unaudited)* and *Peer Group Performance Graph* sections in our 2017 Financial Report.

The following table provides certain information with respect to our purchases of shares of the Company's common stock during the fourth fiscal quarter of 2017 :

**Issuer Purchases of Equity Securities** [a]

| Period | Total Number of Shares Purchased [b] | Average Price Paid per Share [b] | Total Number of Shares Purchased as Part of Publicly Announced Plan [a] | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan [a] |
|---|---|---|---|---|
| October 2, 2017 through October 29, 2017 | 31,838 | $ 35.61 | — | $ 6,355,862,076 |
| October 30, 2017 through November 30, 2017 | 17,257 | $ 35.11 | — | $ 6,355,862,076 |
| December 1, 2017 through December 31, 2017 | 15,332 | $ 36.09 | — | $ 16,355,862,076 |
| Total | 64,427 | $ 35.59 | — | |

[a] For additional information, see the Notes to Consolidated Financial Statements —*Note 12. Equity* in our 2017 Financial Report, which is incorporated by reference.

[b] These columns reflect (i) 59,102 shares of common stock surrendered to the Company to satisfy tax withholding obligations in connection with the vesting of awards under our long-term incentive programs; and (ii) the open market purchase by the trustee of 5,325 shares of common stock in connection with the reinvestment of dividends paid on common stock held in trust for employees who were granted performance share awards and who deferred receipt of such awards.

### ITEM 6. SELECTED FINANCIAL DATA

Information required by this item is incorporated by reference from the discussion under the heading *Financial Summary* in our 2017 Financial Report.

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

Information required by this item is incorporated by reference from the discussion under the heading *Financial Review* in our 2017 Financial Report.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this item is incorporated by reference from the discussion under the *Forward-Looking Information and Factors That May Affect Future Results—Financial Risk Management* section in our 2017 Financial Report.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this item is incorporated by reference from the *Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements* in our 2017 Financial Report and from the consolidated financial statements, related notes and supplementary data in our 2017 Financial Report.

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

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### Disclosure Controls

As of the end of the period covered by this 2017 Form 10-K, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective in alerting them in a timely manner to material information required to be disclosed in our periodic reports filed with the SEC.

### Internal Control over Financial Reporting

Management's report on the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), and the related report of our independent registered public accounting firm, are included in our 2017 Financial Report under the headings *Management's Report on Internal Control Over Financial Reporting* and *Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting* , respectively, and are incorporated by reference.

### Changes in Internal Controls

During our most recent fiscal quarter, there has not been any change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## ITEM 9B. OTHER INFORMATION

Not applicable.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information about our Directors is incorporated by reference from the discussion under the heading *Item 1 — Election of Directors* in our 2018 Proxy Statement. Information about compliance with Section 16(a) of the Exchange Act is incorporated by reference from the discussion under the heading *Securities Ownership — Section 16(a) Beneficial Ownership Reporting Compliance* in our 2018 Proxy Statement. Information about the Pfizer Policies on Business Conduct governing our employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, and the Code of Business Conduct and Ethics for Members of the Board of Directors, is incorporated by reference from the discussions under the headings *Governance — Pfizer Policies on Business Conduct* and *— Code of Conduct for Directors* in our 2018 Proxy Statement. Information regarding the procedures by which our shareholders may recommend nominees to our Board of Directors is incorporated by reference from the discussion under the headings *Item 1 — Election of Directors — Criteria for Board Membership* and *Submitting Proxy Proposals and Director Nominations for the 2019 Annual Meeting* in our 2018 Proxy Statement. Information about our Audit Committee, including the members of the Committee, and our Audit Committee financial experts, is incorporated by reference from the discussion under the heading *Governance — Board Information—Board and Committee Information — Board Committees—The Audit Committee* in our 2018 Proxy Statement. The balance of the information required by this item is contained in the discussion entitled *Executive Officers of the Company* in Part I of this 2017 Form 10-K.

### ITEM 11. EXECUTIVE COMPENSATION

Information about Director and executive compensation is incorporated by reference from the discussion under the headings *Non-Employee Director Compensation* ; *Executive Compensation* ; and *Governance—Board Information—Board and Committee Information—Board Committees — The Compensation Committee — Compensation Committee Interlocks and Insider Participation* in our 2018 Proxy Statement.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated by reference from the discussion under the headings *Executive Compensation — Compensation Tables—Equity Compensation Plan Information* and *Securities Ownership* in our 2018 Proxy Statement.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information about certain relationships and transactions with related parties is incorporated by reference from the discussion under the headings *Related Person Transactions and Indemnification — Transactions with Related Persons* in our 2018 Proxy Statement. Information about director independence is incorporated by reference from the discussion under the heading *Governance — Other Governance Practices and Policies — Director Independence* in our 2018 Proxy Statement.

### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information about the fees for professional services rendered by our independent registered public accounting firm in 2017 and 2016 is incorporated by reference from the discussion under the heading *Item 2 — Ratification of Selection of Independent Registered Public Accounting Firm — Audit and Non-Audit Fees* in our 2018 Proxy Statement. Our Audit Committee's policy on pre-approval of audit and permissible non-audit services of our independent registered public accounting firm is incorporated by reference from the discussion under the heading *Item 2 — Ratification of Selection of Independent Registered Public Accounting Firm — Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm* in our 2018 Proxy Statement.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

**15(a)(1) Financial Statements.** The following consolidated financial statements, related notes, report of independent registered public accounting firm and supplementary data from our 2017 Financial Report are incorporated by reference into Item 8 of Part II of this 2017 Form 10-K:

- Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements
- Consolidated Statements of Income
- Consolidated Statements of Comprehensive Income
- Consolidated Balance Sheets
- Consolidated Statements of Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements
- Quarterly Consolidated Financial Data (Unaudited)

**15(a)(2) Financial Statement Schedules.** Schedules are omitted because they are not required or because the information is provided elsewhere in the financial statements. The financial statements of unconsolidated subsidiaries are omitted because, considered in the aggregate, they would not constitute a significant subsidiary.

**15(a)(3) Exhibits.** These exhibits are available upon request. Requests should be directed to our Corporate Secretary, Pfizer Inc., 235 East 42nd Street, New York, New York 10017. The exhibit numbers preceded by an asterisk (*) indicate exhibits filed with this 2017 Form 10-K. All other exhibit numbers indicate exhibits filed by incorporation by reference. Exhibit numbers 10.1 through 10.27 are management contracts or compensatory plans or arrangements.

| | |
|---|---|
| 2.1 | Agreement and Plan of Merger, dated as of August 20, 2016, among Pfizer Inc., Montreal, Inc. and Medivation, Inc. is incorporated by reference from our Current Report on Form 8-K filed on August 22, 2016 (File No. 001-03619). (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the Securities and Exchange Commission upon request any omitted schedule or exhibit to the Merger Agreement.) |
| 3.1 | Our Restated Certificate of Incorporation dated April 12, 2004, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended March 28, 2004 (File No. 001-03619). |
| 3.2 | Amendment dated May 1, 2006 to Restated Certificate of Incorporation dated April 12, 2004, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended July 2, 2006 (File No. 001-03619). |
| 3.3 | Our By-laws, as amended December 18, 2017, are incorporated by reference from our Current Report on Form 8-K filed on December 21, 2017 (File No. 001-03619). |
| 4.1 | Indenture, dated as of January 30, 2001, between us and The Chase Manhattan Bank, is incorporated by reference from our Current Report on Form 8-K filed on January 30, 2001 (File No. 001-03619). |
| 4.2 | First Supplemental Indenture, dated as of March 24, 2009, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended June 28, 2009 (File No. 001-03619). |
| 4.3 | Second Supplemental Indenture, dated as of June 2, 2009, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K filed on June 3, 2009 (File No. 001-03619). |
| 4.4 | Third Supplemental Indenture, dated as of June 3, 2013, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K filed on June 3, 2013 (File No. 001-03619). |
| 4.5 | Fourth Supplemental Indenture, dated as of May 15, 2014, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on May 15, 2014 (File No. 001-03619). |

| | |
|---|---|
| 4.6 | Fifth Supplemental Indenture, dated as of October 5, 2015, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on October 6, 2015 (File No. 001-03619). |
| 4.7 | Sixth Supplemental Indenture, dated as of June 3, 2016, between us and The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (National Association)))), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on June 3, 2016 (File No. 001-03619). |
| 4.8 | Seventh Supplemental Indenture, dated as of November 21, 2016, between us and The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (National Association)))), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on November 21, 2016 (File No. 001-03619). |
| 4.9 | Eighth Supplemental Indenture, dated as of March 17, 2017, among us, The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (successor to the Chase Manhattan Bank (National Association)))), as trustee, and The Bank of New York Mellon, London Branch, as paying agent, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on March 17, 2017 (File No. 001-03619). |
| 4.10 | Ninth Supplemental Indenture, dated as of March 6, 2017, among us, The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (National Association)))), as trustee, and The Bank of New York Mellon, London Branch, as paying agent and calculation agent, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on March 6, 2017 (File No. 001-03619). |
| 4.11 | Tenth Supplemental Indenture, dated as of December 19, 2017, among us, The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (National Association)))), as trustee, and The Bank of New York Mellon, London Branch, as paying agent, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on December 19, 2017 (File No. 001-03619). |
| 4.12 | Indenture, dated as of April 10, 1992, between Wyeth (formerly American Home Products Corporation) and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's Registration Statement on Form S-3 (File No. 33-57339), filed on January 18, 1995. |
| 4.13 | Supplemental Indenture, dated as of October 13, 1992, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's Registration Statement on Form S-3 (File No. 33-57339), filed on January 18, 1995. |
| 4.14 | Fifth Supplemental Indenture, dated as of December 16, 2003, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's 2003 Annual Report on Form 10-K (File No. 001-01225). |
| 4.15 | Sixth Supplemental Indenture, dated as of November 14, 2005, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's Current Report on Form 8-K filed on November 15, 2005 (File No. 001-01225). |
| 4.16 | Seventh Supplemental Indenture, dated as of March 27, 2007, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's Current Report on Form 8-K filed on March 28, 2007 (File No. 001-01225). |
| 4.17 | Eighth Supplemental Indenture, dated as of October 30, 2009, between Wyeth, us and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, formerly The Chase Manhattan Bank), as trustee, to Indenture dated as of April 10, 1992 (as amended on October 13, 1992), is incorporated by reference from our Current Report on Form 8-K filed on November 3, 2009 (File No. 001-03619). |
| 4.18 | Except as set set forth in Exhibits 4.1-17 above, the instruments defining the rights of holders of long-term debt securities of the Company and its subsidiaries have been omitted. [1] |
| 10.1 | 2001 Stock and Incentive Plan is incorporated by reference from our Proxy Statement for the 2001 Annual Meeting of Shareholders (File No. 001-03619). |
| 10.2 | Pfizer Inc. 2004 Stock Plan, as Amended and Restated is incorporated by reference from our 2011 Annual Report on Form 10-K (File No. 001-03619). |
| 10.3 | Pfizer Inc. 2014 Stock Plan is incorporated by reference from our Proxy Statement for the 2014 Annual Meeting of Shareholders (File No. 001-03619). |
| * 10.4 | Form of Acknowledgment and Consent and Summary of Key Terms for Stock Option Grants, RSUs and TSRUs. |

[1] We agree to furnish to the SEC, upon request, a copy of each instrument with respect to issuances of long-term debt of the Company and its subsidiaries.

| | |
|---|---|
| 10.5 | Form of Executive Grant Letter is incorporated by reference from our 2015 Annual Report on Form 10-K (File No. 001-03619). |
| * 10.6 | Amended and Restated Consolidated Supplemental Pension Plan for United States and Puerto Rico Employees. |
| 10.7 | Pfizer Supplemental Savings Plan is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended April 3, 2016 (File No. 001-03619). |
| 10.8 | Amendment No. 1 to the Pfizer Supplemental Savings Plan (Amended and Restated as of January 1, 2016), is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended October 1, 2017 (File No. 001-03619). |
| * 10.9 | Amendment No. 2 to the Pfizer Supplemental Savings Plan. |
| 10.10 | Pfizer Inc. Global Performance Plan is incorporated by reference from Quarterly Report on Form 10-Q for the period ended October 1, 2017 (File No. 001-03619). |
| 10.11 | Executive Annual Incentive Plan is incorporated by reference from our 2012 Annual Report on Form 10-K (File No. 001-03619). |
| 10.12 | Amended and Restated Deferred Compensation Plan is incorporated by reference from our 2012 Annual Report on Form 10-K (File No. 001-03619). |
| 10.13 | Amendment to Amended and Restated Deferred Compensation Plan, dated June 20, 2013, is incorporated by reference from our 2013 Annual Report on Form 10-K (File No. 001-03619). |
| 10.14 | Amendment No. 2 to Amended and Restated Deferred Compensation Plan, dated April 27, 2016, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended July 3, 2016 (File No. 001-03619). |
| 10.15 | Wyeth 2005 (409A) Deferred Compensation Plan (frozen as of January 2012), together with all material Amendments, is incorporated by reference from our 2013 Annual Report on Form 10-K (File No. 001-03619). |
| 10.16 | Amended and Restated Wyeth Supplemental Employee Savings Plan (effective as of January 1, 2005 and frozen as of January 2012), together with all material Amendments is incorporated by reference from our 2011 Annual Report on Form 10-K (File No. 001-03619). |
| 10.17 | Amendment to Amended and Restated Wyeth Supplemental Employee Savings Plan, dated June 20, 2013, is incorporated by reference from our 2013 Annual Report on Form 10-K (File No. 001-03619). |
| 10.18 | The form of Indemnification Agreement with each of our non-employee Directors is incorporated by reference from our 1996 Annual Report on Form 10-K (File No. 001-03619). |
| 10.19 | The form of Indemnification Agreement with each of the Named Executive Officers identified in our 2017 Proxy Statement is incorporated by reference from our 1997 Annual Report on Form 10-K (File No. 001-03619). |
| 10.20 | Letter to Frank A. D'Amelio regarding replacement pension benefit dated August 22, 2007 is incorporated by reference from our Current Report on Form 8-K filed on August 22, 2007 (File No. 001-03619). |
| 10.21 | Executive Severance Plan is incorporated by referenced from our Current Report on Form 8-K filed on February 20, 2009 (File No. 001-03619). |
| 10.22 | Annual Retainer Unit Award Plan (for Non-Employee Directors) (frozen as of March 1, 2006) as amended, is incorporated by reference from our 2008 Annual Report on Form 10-K (File No. 001-03619). |
| 10.23 | Nonfunded Deferred Compensation and Unit Award Plan for Non-Employee Directors, as amended, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended September 28, 2014 (File No. 001-03619). |
| 10.24 | Form of Special Award Letter Agreement is incorporated by reference from our Current Report on Form 8-K filed on October 28, 2009 (File No. 001-03619). |
| 10.25 | Offer Letter to G. Mikael Dolsten, dated April 6, 2009, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended April 3, 2011 (File No. 001-03619). |
| * 10.26 | Form of Special Performance-Based Incentive Award Letter. |
| * 10.27 | Form of Special Performance-Based Incentive Grant Letter. |
| * 12 | Computation of Ratio of Earnings to Fixed Charges. |
| * 13 | Portions of the 2017 Financial Report, which, except for those sections incorporated by reference, are furnished solely for the information of the SEC and are not to be deemed "filed." |
| * 21 | Subsidiaries of the Company. |
| * 23 | Consent of Independent Registered Public Accounting Firm. |
| * 24 | Power of Attorney (included as part of signature page). |

| | |
|---|---|
| * 31.1 | Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| * 31.2 | Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| * 32.1 | Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| * 32.2 | Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| *101.INS | XBRL Instance Document |
| *101.SCH | XBRL Taxonomy Extension Schema |
| *101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| *101.LAB | XBRL Taxonomy Extension Label Linkbase |
| *101.PRE | XBRL Taxonomy Extension Presentation Linkbase |
| *101.DEF | XBRL Taxonomy Extension Definition Document |

**ITEM 16. FORM 10-K SUMMARY**

A Form 10-K summary is provided at the beginning of this 2017 Form 10-K, with hyperlinked cross-references. This allows users to easily locate the corresponding items in this 2017 Form 10-K, where the disclosure is fully presented. The summary does not include certain Part III information that is incorporated by reference from our 2018 Proxy Statement.

## SIGNATURES

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

**Pfizer Inc.**

Dated: February 22, 2018

By: /S/ MARGARET M. MADDEN
**Margaret M. Madden**
**Senior Vice President and Corporate Secretary**
**Chief Governance Counsel**

We, the undersigned directors and officers of Pfizer Inc., hereby severally constitute Douglas M. Lankler and Margaret M. Madden, and each of them singly, our true and lawful attorneys with full power to them and each of them to sign for us, in our names in the capacities indicated below, any and all amendments to this Annual Report on Form 10-K filed with the Securities and Exchange Commission.

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

| Signature | Title | Date |
|---|---|---|
| /S/ IAN C. READ<br>**Ian C. Read** | Chairman, Chief Executive Officer and Director<br>(Principal Executive Officer) | February 21, 2018 |
| /S/ FRANK A. D'AMELIO<br>**Frank A. D'Amelio** | Executive Vice President, Business Operations and<br>Chief Financial Officer (Principal Financial Officer) | February 22, 2018 |
| /S/ LORETTA V. CANGIALOSI<br>**Loretta V. Cangialosi** | Senior Vice President—Controller<br>(Principal Accounting Officer) | February 21, 2018 |
| /S/ DENNIS A. AUSIELLO<br>**Dennis A. Ausiello** | Director | February 21, 2018 |
| /S/ RONALD E. BLAYLOCK<br>**Ronald E. Blaylock** | Director | February 22, 2018 |
| /S/ W. DON CORNWELL<br>**W. Don Cornwell** | Director | February 21, 2018 |
| /S/ JOSEPH J. ECHEVARRIA<br>**Joseph J. Echevarria** | Director | February 21, 2018 |
| /S/ FRANCES D. FERGUSSON<br>**Frances D. Fergusson** | Director | February 21, 2018 |
| /S/ HELEN H. HOBBS<br>**Helen H. Hobbs** | Director | February 21, 2018 |

| Signature | Title | Date |
|---|---|---|
| /S/ JAMES M. KILTS<br>**James M. Kilts** | Director | February 21, 2018 |
| /S/ SHANTANU NARAYEN<br>**Shantanu Narayen** | Director | February 22, 2018 |
| /S/ SUZANNE NORA JOHNSON<br>**Suzanne Nora Johnson** | Director | February 21, 2018 |
| /S/ STEPHEN W. SANGER<br>**Stephen W. Sanger** | Director | February 21, 2018 |

**EXHIBIT 10.4**

**Form of Acknowledgment and Consent and Summary of Key Terms**
**for Stock Option Grants, RSUs and TSRUs**

[Acknowledgement and Consent excerpted from the Grant Agreement document]

**A.** **Data Privacy.** ***For Participants outside the U.S., you acknowledge receipt of the Employee Personal Information Protection Notice, which was previously provided by your local HR. The Notice governs the collection, use and transfer of your personal information to Fidelity Stock Plan Services (or any other broker designated by Pfizer), or their respective agents, which is necessary for your participation in the Plan. A hard copy of the Notice may be obtained from Pfizer.***

**B.** **Nature of Grant.** In accepting the 2018 Award, you acknowledge, understand and agree that:

- **i.** The Plan is established voluntarily by Pfizer, it is discretionary in nature and it may be modified, amended, suspended or terminated by Pfizer at any time as set forth in the Plan.
- **ii.** The grant of the 2018 Award is exceptional, voluntary and occasional, and does not create any contractual or other right to receive future grants of Awards, or benefits in lieu of Awards, even if Awards have been granted in the past.
- **iii.** All decisions with respect to future Award grants, if any, will be at the sole discretion of Pfizer.
- **iv.** You voluntarily participate in the Plan.
- **v.** The future value of the underlying shares is unknown, indeterminable and cannot be predicted with certainty.
- **vi.** The 2018 Award and the shares subject to the 2018 Award, and the income and value of same, are not intended to replace any pension rights or compensation.
- **vii.** If the underlying shares do not increase in value, the 2018 Award may have no value or may decrease in value, as applicable.
- **viii.** The 2018 Award and the shares subject to the 2018 Award, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments.
- **ix.** For purposes of the 2018 Award, your employment or other services will be considered terminated as of the date you are no longer actively providing services to Pfizer or your Employer (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed, any applicable collective agreement or the terms of your employment agreement, if any) and subject to the terms and conditions set forth in the Points of Interest document, your right to vest in Awards under the Plan, if any, will terminate as of such date and will not be extended by any notice period ( *e.g.* , your period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under local law, any applicable collective agreement or the terms of your employment agreement, if any); the Committee shall have the exclusive discretion to determine when you are no longer actively providing services for purposes of your 2018 Award (including whether you may still be considered to be providing services while on an approved leave of absence).
- **x.** Unless otherwise provided in the Plan or by Pfizer in its discretion, the 2018 Award and the benefits evidenced by this Agreement do not create any entitlement to have the 2018 Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting Pfizer's shares.
- **xi.** Unless otherwise agreed with Pfizer, the 2018 Award and the shares subject to the 2018 Award, and the income and value of same, are not granted as consideration for, or in connection with, the service you may provide as a director of an Affiliate of Pfizer.
- **xii.** Pfizer is not providing any tax, legal or financial advice, nor is Pfizer making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying shares.
- **xiii.** You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.
- **xiv.** The following provisions apply only if you provide services outside the United States:
  - **a.** The 2018 Award and the shares subject to the 2018 Award are not part of normal or expected compensation for any purpose.

**b.** No claim or entitlement to compensation or damages shall arise from forfeiture of the 2018 Award resulting from your ceasing to provide employment or other services to Pfizer or your Employer (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed, any applicable collective agreement or the terms of your employment agreement, if any). In consideration of the grant of the 2018 Award, you agree not to institute any claim against Pfizer and/or your Employer or any other Affiliate.

**c.** Pfizer and/or your Employer and any other Affiliate shall not be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the 2018 Award or of any amounts due to you pursuant to the settlement of the 2018 Award or the subsequent sale of any shares acquired under the 2018 Award.

**C.** **No Contract of Employment.** The 2018 Award is not a contract of employment between the Company and you. You retain the right to terminate your employment with Pfizer or one of its Affiliates as applicable, and Pfizer and its Affiliates as applicable, retain the right to terminate or modify the terms of your employment, subject to any rights retained by either party under your employment agreement, if you have an employment agreement, and no loss of rights, contingent or otherwise, under this 2018 Award upon termination of employment shall be claimed by you as an element of damages in any dispute over such termination of employment.

**D.** **Non-transferability of 2018 Award.** The 2018 Award is not transferable by you other than by Will or the laws of descent and distribution.

**E.** **Rights as a Stockholder.** Neither the Participant nor any person claiming under or through the Participant shall have any rights or privileges as a stockholder of Pfizer in respect of any shares of Pfizer common stock deliverable pursuant to the 2018 Award, unless and until such shares have been issued upon settlement of the 2018 Award.

**F.** **Compliance with Laws and Regulations.** The 2018 Award and the obligation of Pfizer to issue or deliver shares hereunder shall be subject in all respects to (i) all applicable federal, state and local laws, rules and regulations and (ii) any registration, qualification, approvals or other requirements imposed by any government or regulatory agency or body which the Committee shall, in its discretion, determine to be necessary or applicable. Moreover, the 2018 Award may not be settled if its settlement, or the receipt of shares pursuant thereto, would be contrary to applicable law. If at any time Pfizer determines, in its discretion, that the listing, registration or qualification of shares upon any national securities exchange or under any state, federal or local law, or the consent or approval of any governmental regulatory body, is necessary or desirable, Pfizer shall not be required to deliver any certificates for shares to the Participant or any other person pursuant to this Agreement, unless and until such listing, registration, qualification, consent or approval has been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Company.

**G.** **Electronic Delivery and Acceptance.** Pfizer may, in its sole discretion, decide to deliver any documents related to participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by Pfizer, Fidelity Stock Plan Services or another third party designated by Pfizer.

**H.** **Severability.** The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

**I.** **Termination of Employment Due to Retirement.** Notwithstanding the definition of Retirement set forth above, if Pfizer receives an opinion of counsel that there has been a legal judgment and/or legal development in your jurisdiction that would likely result in the favorable retirement treatment that applies to the 2018 Award being deemed unlawful and/or discriminatory, then the Committee will not apply the favorable retirement treatment at the time of your separation from your Employer or Pfizer and your 2018 Award will be treated as it would under the rules that apply if your employment with your Employer or Pfizer ends for the reasons set forth in Section II(A) (Not Retirement Eligible) of this Agreement.

**J.** **Governing Law and Venue.** The 2018 Award and the provisions of this Agreement are governed by, and subject to, United States federal and New York State law, except for the body of law pertaining to conflict of laws, as provided in the Plan, and the requirements of the New York Stock Exchange. For purposes of litigating any dispute that arises under the 2018 Award or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of New York, agree that such litigation shall be conducted in the courts of New York County, New York, or the federal courts for the United States for the Southern District of New York, where this grant is made and/or to be performed.

**K.** **Insider Trading Restrictions/Market Abuse Laws.** You acknowledge that you may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including the United States and your country of residence, which may affect your ability to acquire or sell shares or rights to shares ( *e.g.* , the 2018 Award) under the Plan during such times as you are considered to have "inside information" regarding Pfizer (as defined by the laws in your country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable insider trading policy of Pfizer. You acknowledge that it is your responsibility to comply with any applicable restrictions, and you are advised to speak to your personal legal advisor on this matter.

**L.** **Foreign Asset/Account Reporting Requirements, Exchange Controls and Tax Requirements.** Your country may have certain foreign asset and/or account reporting requirements and exchange controls, which may affect your ability to acquire or hold shares under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of shares) in a brokerage or bank account outside your country. You may be required to report such accounts, assets or transactions to the tax or other authorities in your country. You also may be required to repatriate sale proceeds or other funds received as a result of your participation in the Plan to your country through a designated bank or broker and/or within a certain time after receipt. In addition, you may be subject to tax payment and/or reporting obligations in connection with any income realized under the Plan and/or from the sale of shares. You acknowledge that it is your responsibility to be compliant with all such requirements, and that you should consult your personal legal and tax advisors, as applicable, to ensure compliance.

**M.** **Language.** If you have received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

**N.** **Additional Terms and Conditions that Apply to Grants in Certain Countries & Imposition of Other Requirements.** Any Awards granted to you under the Plan are also subject to the additional terms and conditions for your country, if any, as set forth in **Part 10 of the Points of Interest** document available on HR *On Demand* > Compensation & Stock > Stock Awards > Document Library. Moreover, if you relocate to one of the countries subject to additional terms and conditions, the additional terms and conditions for such country will apply to you to the extent that Pfizer determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. Pfizer reserves the right to impose any additional country-specific and/or other requirements on your participation in the Plan, on the 2018 Award, including requiring the immediate forced sale of shares issuable upon settlement, and on any shares acquired under the Plan to the extent Pfizer determines it is necessary or advisable for legal or administrative reasons, and to require you to accept any additional agreements or undertakings that may be necessary to accomplish the foregoing.

**O.** **Waiver.** You acknowledge that a waiver by Pfizer of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by yourself or any other participant.

[Summary of Key Terms (excerpted from Points of Interest document) for Key Employee Stock Option Grants, RSUs and TSRUs]

| Employment Change Due To: | Vested Stock Options | Unvested Stock Options | Unvested RSUs | Vested TSRUs | Unvested TSRUs |
|---|---|---|---|---|---|
| **Termination of Employment**<br><br>… for reasons other than death, total and permanent disability, retirement, restructuring, without cause within 24 months following a change in control, or Cause | … expire three months following the date of termination, but not beyond the expiration date of the grant. | …are forfeited on the date of termination. | … are forfeited on the date of termination. | … are settled on the Settlement Date. | … are forfeited on the date of termination. |
| … for Cause | … are forfeited on the date of termination and previously paid amounts may be subject to repayment. | … are forfeited on the date of termination and previously paid amounts may be subject to repayment. | … are forfeited on the date of termination and previously paid amounts may be subject to repayment. | … are forfeited on the date of termination and previously paid amounts may be subject to repayment. | … are forfeited on the date of termination and previously paid amounts may be subject to repayment. |
| **Retirement** | … may be exercised for the remainder of the full term of the grant. | …are forfeited if you retire **prior to the first anniversary of the date of grant.**<br><br>… will continue to become exercisable according to the schedule provided in this POI document **if you retire on or after the first anniversary of the date of grant.** Generally, you will have the remainder of the stock option term to exercise the stock options. | … are forfeited if retirement is **prior to first anniversary of date of grant.**<br><br>…. if retirement is **on or after the first anniversary of the date of grant,** will continue to vest and be paid according to the schedule in this POI document. | … are settled on the Settlement Date. | … are forfeited if retirement is **prior to first anniversary of date of grant.**<br><br>… if retirement is **on or after the first anniversary of date of grant** , will continue to vest according to the schedule in this POI document and will be settled on the Settlement Date **.** |
| **While on approved Leave of Absence** | … may be exercised for the remainder of the stock option term. | …will continue to become exercisable according to the schedule provided in this POI document. | ... will continue to vest and be paid according to the schedule in this POI document. | … are settled on the Settlement Date. | … will continue to vest according to the schedule in this POI document and will be settled on the Settlement Date. |

| Employment Change Due To: | Vested Stock Options | Unvested Stock Options | Unvested RSUs | Vested TSRUs | Unvested TSRUs |
|---|---|---|---|---|---|
| **Total and Permanent Disability and Approved for Long-Term Disability by Termination** | … may be exercised for the remainder of the stock option term. | … vest as of the date of the event and immediately become exercisable for the remainder of the term. | … will continue to vest and be paid according to the schedule in this POI document. | … are settled on the Settlement Date. | … will continue to vest according to the schedule in this POI document and will be settled on the Settlement Date. |
| **Termination of Employment Sale of Business/Plant Closing/Restructuring and** | | | | | |
| … not eligible for retirement | … may be exercised up to three months from the date of event, but not beyond the expiration date of the grant. | … vest as of the date of the event and immediately become exercisable for up to three months from the date of the event but not beyond the expiration date of the grant. | … a prorated portion will be paid **.** | … are settled on the Settlement Date. | … a prorated portion will continue to vest according to the schedule in this POI document and are settled on the Settlement Date. |
| … eligible for retirement and the event is prior to the first anniversary of grant date | … not applicable. | … become immediately exercisable for up to three years from the date of the event but not beyond the expiration date of the grant. | … a prorated portion will be paid **.** | … are settled on the Settlement Date. | … a prorated portion will continue to vest according to the schedule in this POI document and are settled on the Settlement Date. |
| … eligible for retirement and the event is after first anniversary of grant date | … may be exercised for the remainder of the full term of the grant. | ... will continue to become exercisable, for up to the full term of the grant, according to the schedule provided in this POI document. | … will continue to vest and be paid according to the schedule in this POI document. | … are settled on the Settlement Date. | … will continue to vest according to the schedule in this POI document and are settled on the Settlement Date. |

| Employment Change Due To: | Vested Stock Options | Unvested Stock Options | Unvested RSUs | Vested TSRUs | Unvested TSRUs |
|---|---|---|---|---|---|
| **Involuntary Termination of Employment without cause within 24 months following a change in control** | … may be exercised for the remainder of the full term of the grant. | … vest immediately become exercisable for the remainder of the term. | … will continue to vest and be paid according to the schedule in this POI document. | … are settled on the Settlement Date. | … will continue to vest according to the schedule in this POI document and will be settled on the Settlement Date. |
| **Death while still employed with the Company, and** | … may be exercised by your estate or the person you name in your Will, as the case may be. | … vest as of the date of death and immediately become exercisable by your estate or person you name in your Will, as the case may be. | … regardless of retirement eligibility, vest as of the date of death and are immediately paid to your estate or the person you name in your Will, as the case may be. | ... regardless of retirement eligibility, immediately settled. Payment is made to your estate or the person you name in your Will, as the case may be. | ... regardless of retirement eligibility, vest as of the date of death and immediately settled. Payment is made to your estate or the person you name in your Will, as the case may be. |
| …not eligible for retirement | … may be exercised up to two years from the date of your death, but not beyond the expiration date of the grant. | … may be exercised up to two years from the date of your death, but not beyond the expiration date of the grant. | | | |
| …eligible for retirement | … may be exercised up to the remainder of the full term of the grant. | … may be exercised up to the remainder of the full term of the grant. | | | |
| **Death after Retirement** | … may be exercised by your estate or the person you name in your Will, for the remainder of the full term of the grant. | … vest as of the date of death and immediately become exercisable by your estate or the person you name in your Will, for the remainder of the full term of the grant. | … vest as of the date of death and are immediately paid to your estate or the person you name in your Will, as the case may be. | ... immediately settled. Payment is made to your estate or the person you name in your Will, as the case may be. | ... vest as of the date of death and immediately settled. Payment is made to your estate or the person you name in your Will, as the case may be. |

**EXHIBIT 10.6**

# PFIZER CONSOLIDATED SUPPLEMENTAL PENSION PLAN FOR UNITED STATES AND PUERTO RICO EMPLOYEES

**As Amended and Restated**
**Effective December 31, 2016**

# TABLE OF CONTENTS

i

**TABLE OF CONTENTS**
(continued)

**TABLE OF CONTENTS**
(continued)

# INTRODUCTION

## Plan Changes

The Board of Directors of Pfizer Inc. (the "Company") approved resolutions to merge the following plans ("Merged Plans") into the Pfizer Inc Nonfunded Supplemental Retirement Plan, generally effective December 31, 2016 ("Effective Date"):

- Warner-Lambert Supplemental Pension Income Plan
- Pharmacia Supplemental Pension Plan
- Wyeth Supplemental Executive Retirement Plan
- A.L. Pharma Inc. Supplemental Pension Plan;

The Company has adopted this amendment and restatement of the surviving plan, which has been renamed as the "Pfizer Consolidated Supplemental Pension Plan for United States and Puerto Rico Employees" (the "Plan"), to:

- Reflect the foregoing plan mergers,
- Incorporate other previously adopted amendments to the Plan and the Merged Plans,
- Clarify certain language in the Plan and the Merged Plans, and
- Modify the Plan terms to reflect any additional desired changes.

Plan benefits shall be based on the accrued benefit of each Participant (whether or not then an active Employee) under the Merged Plans, as in effect immediately prior to the Effective Date of this restatement, unless the Plan terms expressly indicate that a change to any such plan is intended.

Notwithstanding anything herein to the contrary, the Plan shall be frozen with respect to new accruals to the same extent as the freeze applicable to the associated Retirement Plan, effective December 31, 2017 ("Freeze Date").

## Plan Purpose

The Company maintains the Plan in order to attract and retain officers and key employees in senior managerial and other important positions with the Company and its Affiliates that participate in the Plan (the "Associate Companies"), by providing such executives compensation in the form of supplemental pension and retirement income in amounts reasonably related to their compensation and the length of their service with their respective Associate Companies and Affiliates.

## Plan Composition and Organization

The Plan consists of six parts, as follows:

- Part A comprises administrative and general provisions applicable to all Plan Participants.
- Parts B through F apply with respect to individuals who were Participants (or their Beneficiaries) under the applicable Merged Plan referenced herein, as in effect immediately prior to the Effective Date, as follows:
    - Part B: Pfizer Inc Nonfunded Supplemental Retirement Plan
    - Part C: Warner-Lambert Supplemental Pension Income Plan
    - Part D: Pharmacia Supplemental Pension Plan
    - Part E: Wyeth Supplemental Executive Retirement Plan
    - Part F: A.L. Pharma Inc. Supplemental Pension Plan

The rights and benefits of any person entitled to or receiving benefits under the Plan shall be determined by the provisions of the Plan (or any Merged Plan) in effect at the time such person (or the person on whose behalf benefits are being paid) terminated employment, unless specifically otherwise provided herein or required by law.

**PART A**
**ADMINSTRATIVE AND GENERAL SECTIONS**
**APPLICABLE TO ALL PARTICIPANTS**

## ARTICLE 1
## INTRODUCTION

**1**
**1.1 Application of Part A**

This Part A sets forth administrative and general provisions applicable to all Plan Participants. Terms not otherwise defined in this Part A are as defined in Parts B through F of the Plan, as applicable.

**1.2 Legal Compliance**

The Plan is intended to (a) comply with Code section 409A and official guidance issued thereunder (except for amounts attributable to Grandfathered Benefits), and (b) for purposes of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, and with respect to each of Parts B through F (taking into account any relevant generally applicable provisions in this Part A) be treated as two separate, unfunded plans, as follows:

(a) An "excess benefit plan" within the meaning of Section 3(36) of ERISA that shall be comprised of accruals under the Plan that are made solely because of the applicable limitations under Section 415 of the Code, plus earnings thereon, and

(b) A separate "top-hat" plan maintained by the Associate Company for all other accruals under the Plan, plus earnings thereon, for the purpose of providing deferred compensation to a select group of management or highly compensated employees, within the meanings of Sections 201(a)(2), 301(a)(3) and 401(a)(1) of ERISA, including deferred compensation in excess of an applicable limit under the PCPP PR or the Searle PR Plan (as applicable).

Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with these intentions.

## ARTICLE 2
## DEFINITION

Whenever used herein, unless the context otherwise indicates, the following terms shall have the respective meanings set forth below:

**2**
**2.1 Affiliate**

Affiliate means:

(a) Except with respect to Grandfathered Benefits under Part C of the Plan (as referenced in paragraph (b) below), any trade or business (whether or not incorporated) which is under common control with the Company (within the meaning of Section 414(b) and (c) of the Code); provided, however, that in determining whether a Separation from Service has occurred for purposes other than Part F of the Plan (and except as provided in paragraph (b) below), Section 1.414(c)-2 of the Treasury Regulations shall be applied to determine the controlled group by substituting "50 percent" for "80 percent" in each place it appears therein.

(b) For purposes of Grandfathered Benefits under Part C of the Plan, any individual, partnership, joint venture, corporation, trust, unincorporated organization, government, or department or agency thereof ("Person"), directly or indirectly controlling, controlled by, or under direct or indirect common control with another Person. A

person shall be deemed to control another person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise.

**2.2 Associate Company**

"Associate Company" means, as indicated by the context, (a) the specific Affiliate which participates in the Plan (with the consent of the Board of Directors) and which employs (or previously employed) an Employee for purposes of applying the Part of the Plan pertaining to such Associate Company, (b) any Associate Company acting individually, or (c) collectively all Associate Companies. When action is required to be taken hereunder by an Associate Company, such action shall be authorized by its executive committee or board of directors (or a delegate of the foregoing), as appropriate.

**2.3 Beneficiary**

Subject to the provisions in any applicable Part of the Plan for determining a default Beneficiary in the absence of a valid designation or surviving designated Beneficiary, Beneficiary means the Beneficiary (or contingent Beneficiary in the event that the primary Beneficiary does not survive the Participant), as designated by the Participant under the Plan, who will receive any portion of the Plan benefit payable upon the death of the Participant or such other person as the Committee shall determine.

**2.4 Board of Directors**

Board of Directors means the board of directors of the Pfizer Inc.

**2.5 Business Day**

Business Day means each day on which the New York Stock Exchange is open for business.

**2.6 Code**

Code means the Internal Revenue Code of 1986, as amended.

**2.7 Commencement Date**

Commencement Date means the date payments under this Plan commence.

**2.8 Committee**

Committee means the Retirement Committee appointed by the Board of Directors. Unless expressly stated to the contrary, references to the Committee shall be construed by the Committee as applying to a delegate of the Committee, depending upon the context.

**2.9 Company**

Company means:

(a) For purposes of Part A of the Plan, Pfizer Inc., a Delaware corporation, and any predecessor or successor corporation through merger, consolidation or otherwise. When action is required to be taken hereunder by the Company, such action shall be authorized by the Executive Leadership Team (or any successor executive committee) or by the Board of Directors of the Company or by either of their authorized designees.

(b) For purposes of any other Part of the Plan, the entity defined as the "Company" for purpose of applying the terms of such Part of the Plan.

**2.10 Effective Date**

Effective Date means, for purposes of the effective date of this Plan restatement and the merger of the Merged Plans, December 31, 2016.

**2.11 Eligible Employee**

Eligible Employee means, with respect to each Part of the Plan, any Employee who meets any eligibility rules set forth in the provisions of such Part of the Plan. However, for purposes of eligibility for benefits that are not intended to be provided under an Excess Benefit Plan (within the meaning of Section 3(36) of ERISA), the term Eligible Employee shall include only Employees who are members of a select group of management or highly compensated employees within the meaning of Sections 201(2), 301(a)(3) and 401(a)(l) of ERISA.

Notwithstanding anything in the Plan to the contrary, the term “Eligible Employees” shall exclude individuals classified by the Company as leased employees, independent contractors or consultants or any individuals who are not paid through the Company’s regular payroll.

**2.12 Employee**

Employee means any person in the employ of the Company or an Affiliate.

**2.13 ERISA**

ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time, including any applicable rulings and regulations promulgated thereunder.

**2.14 Freeze Date**

Freeze Date means December 31, 2017, which is the date as of which benefits under the Plan shall be frozen with respect to new accruals to the same extent as the freeze applicable to the associated Retirement Plan.

**2.15 Grandfathered Benefits**

Grandfathered Benefits means benefits that were earned and vested under the applicable Merged Plan (as defined therein) as of December 31, 2004, within the meaning of Code Section 409A and regulations thereunder.

**2.16 Key Employee**

Subject to any adjustments set forth in the applicable Part of a Plan, Key Employee means an employee who, as of his or her Separation from Service is treated as a “specified employee” (as defined in Code Section 409A(a)(2)(B)(i)) of the Company or its Affiliates, determined in accordance with Code section 409A using a February 27 identification date, and effective for the 12-month period beginning on the March 1 following the identification date and ending on February 28 (or 29, if applicable) of the next calendar year.

**2.17 Merged Plan**

Merged Plan means any or all of the following plans, as the context may dictate, as in effect immediately prior to the Effective Date:

(a) Pfizer Inc Nonfunded Supplemental Retirement Plan, the applicable provisions of which are set forth in Part B of the Plan;

(b) Warner-Lambert Supplemental Pension Income Plan, the applicable provisions of which are set forth in Part C of the Plan;

(c) Pharmacia Supplemental Pension Plan, the applicable provisions of which are set forth in Part D of the Plan;

(d) Wyeth Supplemental Executive Retirement Plan, the applicable provisions of which are set forth in Part E of the Plan; and

(e) A.L. Pharma Inc. Supplemental Pension Plan, the applicable provisions of which are set forth in Part F of the Plan.

**2.18 NonGrandfathered Benefits**

NonGrandfathered Benefits means Plan benefits under the applicable Part of the Plan that are not Grandfathered Benefits (as defined therein). In addition, NonGrandfathered Benefits shall include any previously Grandfathered Benefits which have lost that status due to a material modification described in Section 1.409A-6(a)(4)(i) of the Treasury Regulations.

**2.19 Part of the Plan**

Part of the Plan means, with respect to any Participant or Beneficiary, the applicable Part of the Plan determined pursuant to Section 2.17 or as otherwise indicated expressly in the Plan terms.

**2.20 Participant**

Participant means, with respect to each applicable Part of the Plan, any Eligible Employee who satisfies the eligibility requirements set forth in such applicable Part of the Plan. In the event of the death or incompetency of a Participant, the term shall mean the Participant's personal representative or guardian.

**2.21 PCPP**

PCPP means the Pfizer Consolidated Pension Plan, as amended and restated.

**2.22 PCPP PR**

PCPP PR means Pfizer Consolidated Pension Plan for Employees Resident in Puerto Rico, as amended and restated.

**2.23 Plan**

Plan means, for purposes of Part A, the Pfizer Consolidated Supplemental Pension Plan for United States and Puerto Rico Employees. For purposes of Parts B through F of the Plan, any reference to the Plan is intended to apply solely to the applicable Part of the Plan that includes such reference unless expressly stated to the contrary.

**2.24 Plan Year**

Plan Year means the calendar year.

**2.25 Prior Plan**

Prior Plan means, unless otherwise clearly indicated in the context in which such term appears, the terms of the Plan applicable to Grandfathered Benefits, without regard to any amendments thereto that would result in any material modification of the Grandfathered Benefits.

**2.26 PSSP**

PSSP means the Pfizer Supplemental Savings Plan, as amended and restated.

**2.27 Puerto Rico Code**

Puerto Rico Code means Puerto Rico Internal Revenue Code of 2011, as amended, and such term shall be deemed to include any regulations issued thereunder.

**2.28 Puerto Rico Participant**

Puerto Rico Participant means a Participant who is employed by the Company in Puerto Rico and resides in Puerto Rico. With respect to any Puerto Rico Participant, the terms of a Merged Plan shall be construed and applied by substituting any limitation under the Puerto Rico Code for any limitation under the Code. As a result of this construction, the Plan will provide benefits to a Puerto Rico Participant that could not be provided under the applicable Part of the PCPP PR or the Searle PR Plan (for certain Participants covered under Part D of the Plan).

**2.29 Regulation**

Regulation or Treasury Regulation means regulations adopted by the Internal Revenue Service under the Code, as they may be amended from time to time.

**2.30 Retirement Plan**

Retirement Plan means the plan (or part thereof) that is tax-qualified under the Code or the Puerto Rico Code, as applicable, and which is referenced under the provisions of the applicable Part of the Plan with respect to any Plan benefit payable hereunder.

**2.31 Searle PR Plan**

Searle PR Plan means the Searle-Monsanto Puerto Rico Employees' Retirement Plan.

**2.32 Separation from Service**

Separation from Service or Separate(s) from Service means:

(a) with respect to Grandfathered Benefits, unless otherwise stated in the applicable Part of the Plan, termination of employment shall be determined in accordance with the terms of the Prior Plan; and

(b) with respect to NonGrandfathered Benefits, "separation from service" within the meaning of Code Section 409A(a)(2)(B)(i), provided however, if a Participant would otherwise incur a Separation from Service in connection with a sale of assets of the Company or an Associate Company, the Company shall retain the discretion to determine whether a Separation from Service has occurred in accordance with Treasury Regulation Section 1.409A-1(h)(4).

**2.33 Spouse**

Spouse means the person to whom a Participant is married on the date of his death or earlier determination date, if applicable; however, with respect to Grandfathered Benefits under Parts C and E, the person to whom a Participant has been married for at least one year prior to the Participant's death if he or she died prior to his or her Commencement Date.

## ARTICLE 3
## COMMITTEES

3

### 3.1 Appointment of Committees

The Board of Directors shall appoint a Committee that shall consist of at least three persons who shall serve at the pleasure of the Board of Directors.

### 3.2 Duties, Powers and Responsibilities of the Committee

(a) The Committee shall have full power, discretion, and authority to interpret the Plan, to prescribe, amend and rescind any rules, forms and procedures as it deems necessary or appropriate for the proper administration of the Plan and to make any other determinations and to take any other such actions as it deems necessary or advisable in carrying out its duties under the Plan. All action taken by the Committee arising out of, or in connection with, the administration of the Plan or any rules adopted thereunder, shall, in each case, lie within its sole discretion, and shall be final, conclusive and binding upon the Board of Directors, the Company, its Affiliates, all Employees, all Participants, all Beneficiaries and all persons and entities having an interest therein.

(b) Whenever the terms of the Plan or of a payment election require the payment of an amount by a specified date, the Committee shall use reasonable efforts to make or commence the payment by that date. The Committee shall not be (i) liable to the Participant or any other person if such payment or payment commencement is delayed for administrative or other reasons to a date that is later than the date so specified by the Plan or the payment election or (ii) required to pay interest or any other amount in respect of such delayed payment except to the extent specifically contemplated by the terms of the Plan.

(c) The Committee has the authority to adopt amendments as set forth in Section 4.1.

### 3.3 Delegation

The Committee shall have the power to delegate to any person or persons the authority to carry out such administrative duties, powers and authority relative to the administration of the Plan as the Committee may from time to time determine. Any action taken by any person or persons to whom the Committee makes such a delegation shall, for all purposes of the Plan, have the same force and effect as if undertaken directly by the Committee. If any individual to whom the Committee delegates authority is a Participant, such individual shall not resolve, or participate in the resolution of, any matter specifically relating to such individual's eligibility to participate in the Plan or the calculation or determination of such individual's Plan Benefit.

### 3.4 Indemnification and Payment of Expenses

Each member of the Committee and each employee of an Associate Company to whom Committee's responsibilities have been delegated shall be indemnified by the Company against all costs and expenses (including counsel fees, but excluding any amount representing a settlement unless such settlement be approved by the Board of Directors) reasonably incurred by or imposed upon him, in connection with or resulting from any action, suit or proceeding, to which he may be made a party by reason of his being or having been a member of a Committee (whether or not he continues to be a member of such Committee at the time when such cost or expense is incurred or imposed), or in the case of an employee of an Associate Company, his or her performance of duties in connection with the Plan, to the full extent permitted by law, except when such person acted in bad faith or engaged in fraud or willful misconduct. The foregoing rights of indemnification shall not be exclusive of other rights to which any member of a Committee may be entitled as a matter of law.

The Company shall pay all expenses of administering the Plan except as otherwise determined by the Committee. Any allocation pursuant to this Section 3.4 among Associate Companies treated as the Company for purposes of this Plan provision shall be determined by the Committee in a fair and nondiscriminatory manner.

### 3.5 Claims Procedures

Any request by a Participant or any other person for any benefit alleged to be due under the Plan shall be known as a “Claim” and the Participant or other person making a Claim, or the authorized representative of either, shall be known as a “Claimant.” The Committee or its delegate reviewer has sole discretion to determine whether a communication from an individual shall be a Claim. To the extent of their responsibility to review benefit claims or to review the denial of benefit claims, the Committee and the reviewer shall have full authority to interpret and apply, in their discretion, the provisions of the Plan. The decisions of the Committee and reviewer shall be final and binding upon any and all Claimants, including, but not limited to, Participants and their Beneficiaries, and any other individuals making a Claim or requesting review of a Claim through or under them, and shall be afforded the maximum deference permitted by law. A Participant may not maintain a court action over a disputed claim until he or she has exhausted the Plan’s claims procedures.

Claimant may submit a written application to the Committee or its delegate reviewer for payment of any benefit that he believes may be due him under the Plan, in accordance with Plan procedures. Such application shall include a general description of the benefit which the Claimant believes is due, the reasons the Claimant believes such benefit is due and any information as the Committee or its delegate reviewer may reasonably request. The Committee or its delegate reviewer will process the Claimant’s application within ninety (90) days of the receipt of the Claim by the Committee or its delegate reviewer unless special circumstances require an extension of time for processing the Claim. In such event, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial ninety (90) day period but in no event shall the extension exceed a period of ninety (90) days from the end of such initial period. The notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the final decision. If the Committee or its delegate reviewer has not determined the Claimant’s eligibility for a Plan benefit within this ninety (90) day period (one hundred eighty (180) day period if circumstances require an extension of time), the Claim is deemed denied. A Claim is considered approved only if such approval is memorialized by the Committee or its delegate reviewer in writing.

If a Claim is denied in whole or in part, the notice of denial shall set forth (i) the specific reason or reasons for the denial, (ii) specific reference to the pertinent Plan provisions on which the denial is based, (iii) a description of any additional material or information necessary for the Claimant to perfect the Claim and an explanation of why such material or information is necessary, if applicable, and (iv) an explanation that, if an adverse determination is made on review, the Claimant may have a right to bring civil action under Section 502(a) or ERISA. Within sixty (60) days of the receipt of a notice of denial of a Claim in whole or in part or a deemed denial, a Claimant (i) may request a review upon written application to the Committee, (ii) may review documents pertinent to the Claim, and (iii) may subject issues and comments in writing to the Committee. The Claimant shall be provided upon request and free of charge, reasonable access to all documents, records and other information relevant to the Claimant’s Claim for benefits.

The Committee will review a Claim for which a request for review has been made and render a decision not later than sixty (60) days after receipt of a request for review; provided, however, that if special circumstances require extension of a time for processing, a decision shall be rendered no later than one hundred and twenty (120) days after receipt of the request for review. Written notice of any such extension shall be furnished to the Claimant within sixty (60) days after receipt of request for review. The Committee’s decision shall be in writing and shall set forth (i) the specific reason or reasons for the denial on review, (ii) specific reference to the pertinent Plan provisions on which the denial on review is based, (iii) an explanation that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant’s Claim for benefits, and (iv) an explanation that if an adverse determination is made on review, the Claimant may have the right to bring a civil action under Section 502(a) of ERISA. If the decision on review is not furnished within the applicable time, the Claim shall be deemed denied on review.

### 3.6 Statute of Limitations

A Claimant wishing to seek judicial review of an adverse benefit determination under the Plan, whether in whole or in part, must file any suit or legal action, including, without limitation, a civil action under Section 502(a) of ERISA. Legal action cannot be taken with respect to any denial of a claim hereunder more than one year after the Committee has made a final determination that such claim shall be denied. The venue for such legal action shall be the Southern District of New York for claims submitted on or after the Effective Date. If any such judicial proceeding is undertaken, the evidence presented shall be strictly limited to the evidence timely presented to the Committee.

Notwithstanding anything in the Plan to the contrary, a Claimant must exhaust all administrative remedies available to such Claimant under the Plan before such Claimant may seek judicial review pursuant to Section 502(a) of ERISA.

## ARTICLE 4
## AMENDMENT AND TERMINATION OF PLAN

4

### 4.1 Amendment

Subject to any explicit provisions in an applicable Part of the Plan, the Plan may be amended at any time, by the Board of Directors or an authorized designee, which shall include the Executive Vice President, Worldwide Human Resources and the Senior Vice President, Total Rewards. The Committee may also make certain amendments which:

(a) Effectuate purely administrative changes to the Plan;

(b) Conform the Plan with or take advantage of governmental requirements, statutes or regulations; or

(c) Do not increase Plan liabilities by an amount in excess of five million dollars, nor increase Plan expenses by an amount in excess of five hundred thousand dollars.

### 4.2 Termination

The Plan may be terminated at any time, by the Board of Directors or the authorized designee. In the event the Plan is terminated:

(a) The Committee shall continue to administer the Plan in accordance with the relevant provisions thereof until all Plan benefits have been paid hereunder, except that no further accruals of benefits shall be permitted.

(b) Notwithstanding paragraph (a), the Board of Directors or the Committee, in its discretion, may accelerate payment of Plan benefits (other than Grandfathered Benefits und Parts C or E of the Plan) and such acceleration may be effected in a manner that will not result in the imposition on any Participant of additional taxes or penalties under Section 409A.

### 4.3 Restrictions

(a) Notwithstanding the foregoing, no amendment of the Plan shall apply to Grandfathered Benefits unless the amendment specifically provides that it applies to such amounts. The purpose of this restriction is to prevent a Plan amendment from resulting in an inadvertent “material modification” (within the meaning of Treasury Regulation Section 1.409A-6(a)(4)(i)) to Grandfathered Benefits.

(b) Except as provided in Paragraph (c), no amendment or termination may reduce the amount of a Participant’s Plan benefit as of the date of such amendment or termination without the Participant’s written consent; and provided further that it shall not be a reduction of a Participant’s Plan benefit if the amount of the Plan benefit is reduced solely as a result of an increase in the Participant’s Retirement Plan benefit.

(c) Notwithstanding any provision in the Plan to the contrary, with respect to a Participant’s NonGrandfathered Benefit, the Board of Directors or the Committee shall have the independent right, prospectively and/or retroactively, to amend or modify the Plan in accordance with Code Section 409A, in each case, without the consent of any Participant, to the extent that the Board of Directors or the Committee deems such action to be necessary or advisable to address regulatory or other changes or developments that affect the terms of the Plan with the intent of effecting Code Section 409A compliance. Any determinations made by the Board of Directors or the Committee under this Section 4.3 shall be final, conclusive and binding on all persons.

(d) All actions, including Plan amendments, which are undertaken by the Board of Directors, the Committee, or any other authorized persons, shall be authorized by a duly adopted resolution approved by the respective body.

## ARTICLE 5
## ABSENCE OF FUNDING

**5**

### 5.1 Unfunded Plan

The Plan is intended to constitute an "unfunded" plan of deferred compensation for Participants and Beneficiaries. The sole obligation of the Company or an Associate Company hereunder to a Participant, or any other person claiming through or under any such individual, is a contractual obligation to make payments in accordance with the terms hereof and any such person shall have no rights with respect to any interests under the Plan greater than those of a general unsecured creditor of the Company or an Associate Company.

### 5.2 Creation of a Rabbi Trust

No amount of cash or other property shall be set aside as a separate trust for the payment of any Plan benefit, except that the Committee or the Board of Directors, in its discretion (or as required under the provisions of the applicable Part of the Plan with respect to a "Change in Control" as defined therein), may establish a grantor trust to fund benefits payable under the Plan and administrative costs relating to the Plan. The assets of said trust shall be held separate and apart from other funds of the Company or an Associate Company and shall be used exclusively for the purposes set forth in the Plan and the applicable trust agreement, subject to the following conditions:

(a) the creation of said trust shall not cause the Plan to be other than "unfunded" for purposes of ERISA;

(b) the Company shall be treated as the "grantor" of said trust for purposes of Sections 671 and 677 of the Code;

(c) said trust agreement shall provide that the trust fund assets may be used to satisfy claims of the Company's general creditors; and

(d) any assets held in trust shall be subject to the investment authority of the Plan Assets Committee appointed by the Company.

## ARTICLE 6
## CHANGES IN ELECTED PAYMENT FORMS, DEFERRALS, AND OTHER DELAYS

**6**

### 6.1 Modifying a Payment Form

The following provisions of this Section 6.1 shall apply if, and only if, the applicable Part of the Plan permits a Participant or Beneficiary to change his or her payment election with respect to a NonGrandfathered Benefit. In that case, any such election shall satisfy the following requirements:

(a) A Participant or Beneficiary who has elected an annuity payment form at any time prior to the Commencement Date for such benefit may make one or more subsequent elections to have such benefit paid at the same time, but in another annuity payment form available under the applicable Part of the Plan. Such new payment form shall be the actuarial equivalent of the original annuity elected by the Participant or Beneficiary, determined in accordance with the provisions of the applicable Part of the Plan.

(b) Except as provided in the preceding paragraph (a) and subject to the provisions in the applicable Part of the Plan, a Participant or Beneficiary may make one or more subsequent elections to change the time or form of a payment, provided that the following conditions are satisfied:

(i) An election change may not take effect until at least twelve (12) months after the date on which the election change is made;

(ii) A distribution pursuant to an election change (other than a payment on account of death) may not be made earlier than at least five (5) years from the date the distribution would have otherwise have been paid; and

(iii) In the case of an election to change the time or form of a distribution related to a payment at a specified time or pursuant to a fixed schedule, the election change must be made at least twelve (12) months before the date the distribution is scheduled to be paid.

**6.2 Mandated Six-Month Delay For Key Employees**

Notwithstanding a payment election by a Participant or Beneficiary and any default rules under the provisions of the applicable Part of the Plan and except as otherwise provided in this Section 6.2, any amounts payable to a Participant who is a Key Employee under the Plan with respect to his NonGrandfathered Benefit during the period beginning on the date of the Participant's Separation from Service (other than by reason of death), and ending on the six-month anniversary of such date. Payment shall be delayed and not paid to the Participant until the first Business Day of the month following foregoing delay period.

(a) With respect to a Key Employee covered under Parts B and E of the Plan, in no event will payment be made prior to the later of the date prescribed in the preceding paragraph or in January following the Participant's Separation from Service.

(b) In the event of a Key Employee's death, payment shall be made (without regard to the six-month delay) as of the first business day of the month after such Participant's death; except that

(i) For purposes of Parts B and E of the Plan, in no event will payment be made prior to the month of January following the Participant's Separation from Service.

(ii) For purposes of Parts C and E of the Plan, if a Participant dies on or after the date of the Participant's Separation from Service and prior to payment pursuant to this Section 6.2, in no event shall payment be made to the Participant's joint annuitant (if the benefit form elected by the Participant is a joint annuity) or, if there is no joint annuitant, the Participant's Beneficiary, as applicable, together with any interest credited thereon, prior to the January 1 st following the calendar year in which the Participant's death occurs.

(c) At the end of the applicable delay period, the delayed amounts shall be increased with interest pursuant to procedures adopted for such purpose at the interest rate being used to determine lump-sum payments under the Retirement Plan.

**6.3 Other Permitted Delays**

(a) Subject to paragraph (b), the distribution of NonGrandfathered Benefits shall be delayed upon the reasonable anticipation of one or more of the following events:

(i) The tax deduction by the Company or the Associate Company with respect to such payment would be eliminated by application of Code Section 162(m); or

(ii) The making of the payment would violate Federal securities laws or other applicable law.

(b) For purposes of Section 6.3(a):

(i) any procedures shall be applied consistently to similarly situated employees,

(ii) the Participant shall not have a choice as to the timing of the payment, and

(iii) any payment delayed pursuant to this 6.3 shall be paid in accordance with Code Section 409A.

**6.4 Notional Transfers**

A Participant may elect to transfer the full lump sum value of his NonGrandfathered Benefit under the Part B, D, or E of the Plan (as applicable) to the PSSP upon the later to occur of the Participant's Separation from Service or age 55. Such value (the "Notional Transfer") shall be determined in accordance with the actuarial assumptions used to determine lump sum distributions payable as of the transfer date under the provisions of the applicable Part of the Plan. Pursuant to the transfer election form (as prescribed by the Committee) and the terms of the PSSP, no distribution of the Notional Transfer shall begin until the January following the five-year anniversary of the latest to occur of: (1) the Participant's Separation from Service; (2) the Participant's attainment of age 55; or (3) the date the Participant's benefit under the applicable Part of the Plan (i.e., Part B, D, or E) was scheduled to be paid under such Part of the Plan, such that any transfer election shall be treated as a redeferral election, subject to the restriction in Section 6.1. Thereafter, Notional Transfers shall be paid from the PSSP in the form of a lump sum or installments as elected at the time that the Notional Transfer election is made.

## ARTICLE 7
## TAX WITHHOLDING AND PAYMENT ACCELERATION

**7**

**7.1 Tax Reporting and Payment**

(a) The Company or other payor may withhold from a benefit payment under the Plan or a Participant's wages in order to meet any federal, state, or local tax withholding obligations with respect to such benefits.

(b) The Company or other payor shall report Plan payments and other Plan-related information to the appropriate governmental agencies as required under applicable laws.

(c) If the Participant's benefits under the Plan are includible in federal taxable income pursuant to Section 409A, such benefits shall be distributed immediately to the Participant. Each Participant, however, shall be responsible for the payment of all individual tax liabilities relating to any such benefits.

(d) The payment of NonGrandfathered Benefits shall be accelerated as necessary to pay Federal Insurance Contributions Act ("FICA") taxes and any corresponding income taxes and/or to satisfy any withholding requirements related thereto, in a timely manner.

**7.2 De Minimus Benefits**

(a) Notwithstanding a Participant's otherwise applicable payment form, the Committee shall pay a Participant's entire Plan interest under Part B or D of the Plan with a present value that does not exceed $10,000 (determined as of the Commencement Date) in a single lump sum.

(b) Notwithstanding a Participant's otherwise applicable payment date or payment form, the Committee shall pay a Participant's Grandfathered Benefit or NonGrandfathered Benefit under Part E of the Plan in a single lump sum if the present value of such benefit (determined separately for the Grandfathered Benefit and NonGrandfathered Benefit components) does not exceed $5,000. For purposes of the immediately preceding sentence, in applying the $5,000 threshold to the NonGrandfathered Benefit, such benefit shall be aggregated with such Participant's benefit subject to Code Section 409A under each other Company Non-Account Plan (as defined in Part E of the Plan) in which the Participant participates. Such lump sum amount shall be payable on the last Business Day of the month following the month in which the Separation from Service occurs with respect to his NonGrandfathered Benefit and as soon as administratively practicable after his Separation from Service with respect to his Grandfathered Benefit.

**7.3 Other Acceleration of Payment**

The Committee, in its sole discretion but subject to uniformly applied procedures, may accelerate payment of all or a portion of a Participant's NonGrandfathered Benefit for any other reasons permitted by Treasury Regulation Section 1.409A-3(j)(4). Moreover, Plan benefit payments may be accelerated due to Plan termination as provided in Section 4.2(b).

## ARTICLE 8
## BENEFIT ALIENATION RULES

**8**

**8.1 No Transfer or Assignment**

Except as expressly provided herein:

(a) No Participant or Beneficiary shall have the power or right to transfer (otherwise than by will or the laws of descent and distribution), alienate, or otherwise encumber the Participant's interest under the Plan.

(b) The Company's obligations under this Plan are not assignable or transferable except to (i) any corporation or partnership which acquires all or substantially all of the Company's assets or (ii) any corporation or partnership into which the Company may be merged or consolidated. The provisions of the Plan shall inure to the benefit of each Participant and the Participant's Beneficiaries, heirs, executors, administrators or successors-in-interest.

(c) To the maximum extent permitted by law, no benefit payable under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any attempt to do so shall be void, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy, or liable for or subject to the debts, contracts, liabilities, engagements or torts of the Participant.

(d) If any person entitled to a benefit hereunder shall be adjudicated a bankrupt or shall attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge such benefit, or if any attempt is made to subject any such benefit to the debts, contracts, liabilities, engagements or torts of any person entitled to such benefit, then such benefit shall, in the discretion of the Committee, cease and terminate, and in that event the Committee may cause such benefit, or any part thereof, to be held or applied for the benefit of such person, his Spouse, children or other dependents, or any of them, or other Beneficiary, in such manner and in such proportion as the Committee shall determine.

**8.2 Offset by an Associate Company**

Notwithstanding the preceding provisions of this Article 8, if a Participant or Beneficiary becomes entitled to a distribution of NonGrandfathered Benefits under the Plan or Grandfathered Benefits under Part D of the Plan, and if at such time the payee has outstanding any debt, obligation, or other liability representing an amount owing to the Company or any Associate Company, then the Company or such Associate Company may offset the amount owed to it against the amount of benefits otherwise distributable. Such determination shall be made by the Committee or its delegate.

**8.3 No Duplicate Benefits**

Nothing in the Plan, including the ability of a Participant to make separate payment elections with respect to his Grandfathered and NonGrandfathered Benefits (if applicable), shall obligate the Company or any Associate Company to pay duplicate benefits to any Participant.

## ARTICLE 9
## MISCELLANEOUS

**9**

### 9.1 Errors in Calculating Lump Sum Option Payments

With respect to a NonGrandfathered Benefit, whenever due to (a) a bona fide mathematical or actuarial error, or (b) additional compensation for purposes of the Plan for the taxable year of the Participant in which the Participant has a Separation from Service which has been administratively impracticable to take into account at the time of such Separation from Service, the amount of such NonGrandfathered Benefit is determined after such payment to have been less than if such error had not been made or such compensation taken into account, then a supplemental corrective lump sum payment correcting such error or taking into such additional compensation may be made by the Company or Associate Company prior to December 31st of the year in which the lump sum payment was made. After such December 31st, no further corrective payment shall be made.

### 9.2 Additional Payments that Cannot be Made under a Retirement Plan

Any amounts which may not be paid under a Retirement Plan referenced in the applicable Part of the Plan governing a Participant's benefit due to such Participant having more than $132,000 in pensionable earnings in 2004 (as adjusted in accordance with tax laws and regulations) shall be payable under the Plan in accordance with the terms of the Appendix to the Applicable Part of the PCPP, as indicated in the following chart.

| Applicable Part of the Plan | Applicable Part of the PCPP | Appendix to the Applicable Part of the PCPP |
|---|---|---|
| B | B | B |
| C (NonGrandfathered Benefits) | C | K |
| D | D | F |

### 9.3 Beneficiary Designation

Each Participant may designate a Beneficiary or Beneficiaries (which Beneficiary may be an entity that is not a natural person) to receive any payments which may be made following the Participant's death. Such designation may be changed or canceled at any time without the consent of any such Beneficiary. Any such designation, change or cancellation must be made in a form approved by the Committee and shall not be effective until received by the Committee, or its designee. If no Beneficiary has been named, or the designated Beneficiary or Beneficiaries shall have predeceased the Participant, the provisions in the applicable Part of the Plan governing such Participant's benefit shall determine the default Beneficiary and, in the absence of any such provisions, the Beneficiary shall be the Participant's estate. If a Participant designates more than one Beneficiary, the interests of such Beneficiaries shall be paid in equal shares, unless otherwise provided in the Participant's designation or pursuant to the terms of the applicable Part of the Plan.

### 9.4 Limitation of Participant's Rights

Nothing in this Plan shall be construed as conferring upon any Participant any right to continue in the employment of the Company or an Associate Company, nor shall it interfere with the rights of the Company or an Associate Company to terminate the employment of any Participant and/or to take any personnel action affecting any Participant without regard to the effect which such action may have upon such Participant as a recipient or prospective recipient of benefits under the Plan. Any amounts payable hereunder shall not be deemed salary or other compensation to a Participant for the purposes of computing benefits to which the Participant may be entitled under any other arrangement established by the Company or an Associate Company for the benefit of its employees, except as expressly provided therein.

**9.5 Facilitation of Payment**

The Committee may require, as a condition to the payment of any amounts under this Plan, that a Participant or Beneficiary disclose such information and furnish any documentation as the Committee shall deem necessary to determine the Plan benefit. All such information shall be held in confidence by the Committee. In the event that the Committee shall determine that all such necessary information shall not have been provided, it shall redetermine the Plan benefit to be paid thereafter, and it may, on a finding of an intentional omission or misrepresentation by a Participant or Beneficiary, reduce subsequent payments by the amount of any such prior payments in excess of amounts actually due or terminate payments under the Plan to such Participant or Beneficiary.

**9.6 Notices**

Any notice or filing required or permitted to be given to the Committee under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to such entity or individual as the Committee may designate from time to time. Such notice shall be deemed given as to the date of delivery, or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. In addition, the Committee may authorize electronic transmissions or such other media (or combination thereof), pursuant to uniformly applied procedures, provided that documentation regarding the date of any such transmission is reflected therein.

**9.7 No Limitation on Company Actions**

Nothing contained in the Plan shall be construed to prevent the Company from taking any action that is deemed by it to be appropriate or in its best interest. No Participant, Beneficiary, or other person shall have any claim against the Employer as a result of such action

**9.8 Governing Law**

The Plan shall be construed in accordance with and governed by the laws of the state of New York, without reference to the principles of conflict of laws.

**9.9 Headings**

Headings are inserted in this Plan for convenience of reference only and are to be ignored in the construction of the provisions of the Plan.

**9.10 Gender, Singular and Plural**

All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may read as the plural and the plural as the singular.

**9.11 Severability**

If any provision of this Plan is held unenforceable, the remainder of the Plan shall continue in full force and effect without regard to such unenforceable provision and shall be applied as though the unenforceable provision were not contained in the Plan.

**9.12 Discretion of the Board of Directors and the Committee**

All consents of the Board of Directors and all consents of the Committee herein provided for may be granted or withheld in the sole and absolute discretion of said Board of Directors or of the Committee, as the case may be (or the authorized delegate), and, if granted, may be granted on such terms and conditions as said Board of Directors or the Committee, as the case may be (or the authorized delegate), in its sole and absolute discretion shall determine. All determinations hereunder made by the Board of Directors and all such determinations made by the Committee (or the authorized delegate of either) shall likewise be made in the sole and absolute discretion of said Board of Directors or the Committee, as the case may be (or the authorized delegate).

**9.13 Inability to Locate Payee**

Each Participant who has terminated service with a right to a Plan benefit and any surviving Beneficiary shall be responsible for informing the Committee, in writing, of their respective current mailing addresses for purposes of receiving benefits. Any Plan benefit which is unclaimed, including outstanding checks, may, as determined by the Committee, be forfeited, subject to reinstatement pursuant to any claim submitted in accordance with Section 3.5.

**9.14 Payments to Minors and Incompetents**

If a Participant or Beneficiary entitled to receive any benefits hereunder is a minor or is deemed by the Committee or is adjudged to be legally incapable of giving valid receipt and discharge for such benefits, the benefits will be paid to such persons as the Committee might designate or to the duly appointed guardian.

**9.15 Legal Counsel for Plan**

Legal counsel engaged by the Committee shall not be deemed to represent a Participant or Beneficiary as a result of that engagement. Legal counsel engaged by any party with regard to settlor matters shall not be deemed to represent the Plan, the Committee, a Plan Participant, or Beneficiary as a result of that engagement. The Committee shall not be obligated to disclose to any Participant, Beneficiary, or other party, any otherwise-privileged communications between the Committee and legal counsel for the Plan. Legal advice provided to the Plan or the Committee belongs to the Plan or the Committee, not to Participants or Beneficiaries. For clarity, the provisions of this Section 9.15 shall apply even if legal counsel fees are paid from any trust established pursuant to Section 5.2, and shall not prevent legal counsel from representing both the Committee or the Plan and the Company or any Associate Company, whether at the same time or at different times.

**9.16 Currency Exchange**

The determination of any currency exchange rate for a benefit payable in other than U.S. dollars shall be made at the last day of the second month preceding the Commencement Date. If the exchange rate on such date is not representative of the exchange rate in effect over a representative period, then the Committee may select an average exchange rate in effect over a representative period of time.

**9.17 Miscellaneous**

The Plan shall be binding upon and inure to the benefit of the parties, their legal representatives, successors and assigns, and all persons entitled to benefits hereunder. Any notice given by registered mail shall be deemed to have been given upon the date of delivery indicated on the registered mail return receipt, if correctly addressed.

**PART B**
**PROVISIONS APPLICABLE TO THE PFIZER SUB-PLAN**

## ARTICLE 1
## INTRODUCTION

1

This Part B applies to individuals who are Participants in the Pfizer Inc Nonfunded Supplemental Retirement Plan immediately prior to the Effective Date or who become Participants in the Plan thereafter pursuant to the eligibility and participation requirements of this Part B of the Plan with respect to their employment with Pfizer Inc. (“Company”). However, this Part B of the Plan is applicable only to benefits that accrued under the Pfizer Inc Nonfunded Supplemental Retirement Plan or under this Part B of the Plan and shall not apply to benefits that a Participant may also have under another Part of the Plan.

## ARTICLE 2
## DEFINITIONS

2

See Article 2 of Part A of the Plan.

## ARTICLE 3
## ELIGIBILITY

3

This Part B of the Plan applies to Employees of the Company whose benefits under Part B of the PCCP (the "Annuity Plan") are limited by reason of Code section 415 and, on and after January 1, 1989, Code section 401(a)(17), to amounts less than would be payable under the provisions of the Annuity Plan if calculated without reference to the limitations imposed by Code section 415 and, on and after January 1, 1989, Code section 401(a)(17); and (b) anyone entitled to a benefit described in Section 4.2 of this Part B.

An Employee shall also be eligible under this Part B of the Plan if he or she is entitled to benefits under the part of the PCPP PR for the Pfizer Retirement Annuity Plan for Employees Resident in Puerto Rico, but only with respect to such benefits that are limited by a provision of the Puerto Rico Code.

## ARTICLE 4
## SUPPLEMENTAL BENEFITS

4

### 4.1 Benefit Amount

The Company shall, in the case of each Eligible Employee pay supplemental benefits equal to the difference between the benefits payable under the Annuity Plan and the benefits that would be payable under the provisions of the Annuity Plan if calculated without reference to the limitations imposed by Code section 415 and, on and after January 1, 1989, Code section 401(a)(17), and further the Company shall make payments supplementing the amounts payable under the Annuity Plan for Employees who elect to defer income under the Pfizer Inc Nonfunded Deferred Compensation and Supplemental Savings Plan or the Pfizer Inc Deferred Compensation Plan (or a successor to either such plan) by treating such deferred amounts as though they were a part of the employee's "Creditable Earnings" under the Annuity Plan.

**4.2 Adjustment to Benefit Amount**

Notwithstanding Section 4.1 or any other provision of this Part B of the Plan, the amount of supplemental payments by the Company may, to the extent provided in separate written agreements with an Employee, be increased by calculating the benefits payable under the provisions of this Part B of the Plan which are to be calculated without reference to the limitations imposed by Code section 415 and Code section 401(a)(17) as adjusted in any of the following manners by: (a) imputing additional credited service, which may or may not be taken into account for vesting and participation purposes as determined in the written agreement, (b) imputing additional earnings, and/or (c) offsetting amounts relating to benefits actually paid or payable under qualified or nonqualified plans of prior employers. No such adjustment to the amount of any benefit pursuant to this Section 4.2 shall affect the time or form of payment of any benefit payable under this Part B of the Plan.

**4.3 Pfizer Enhanced Employee Separation Program**

In addition to the benefit payable under the first sentence of Section 4.1, if any, the Company shall make a lump sum cash payment to those Employees who (i) have attained age fifty (50) on the date of their termination, (ii) accepted the pension enhancement offered to them under the Pfizer Enhanced Employee Separation Program implemented in connection with the April 2003 acquisition of Pharmacia Corporation (the “Enhancement”), (iii) after giving effect to the Enhancement, are eligible for early retirement, normal retirement, or the rule of 90 described under Section 4.2 of the Annuity Plan (the “Rule of 90”), and (iv) were credited with pensionable earnings within the meaning of the Annuity Plan in 2002 of between $103,000 and $200,000. The Enhancement shall not apply to any Employee terminated after the April 2003 acquisition of Pharmacia Corporation and subsequently rehired.

The amount of the lump sum cash payment shall be equal to the difference between (i) and (ii) where: (i) is the present value of the accrued benefit of the Employee under the Annuity Plan determined as of the Employee's termination date if calculated (a) by giving effect to a five (5) point enhancement in age and/or service solely for purposes of determining early retirement or normal retirement eligibility under the Annuity Plan and the Rule of 90, but not for purposes of actuarial reduction on account of age under Schedules B or C of the Annuity Plan if the Employee has not attained normal retirement age or met the Rule of 90 after taking into account the five (5) point enhancement (but no more than a combined total of five (5) points in the combination of age and service which provides the Employee with the greater benefit), and (b) without reference to the limitations of Code sections 415 and 401(a)(17); and (ii) is the present value of the sum of (a) the accrued benefit of the Employee under the Annuity Plan determined as of the Employee's termination date and (b) the payments, if any, by the Company to the Employee under the first sentence of Section 4.1 above.

Calculation of present value shall be made using the Annuity Plan’s actuarial assumptions for payment of lump sums. Such lump sum payment shall be made as soon as practicable following the Employee’s Separation from Service, but in no event more than ninety (90) days following such Separation from Service. As described in Section 9.2 of Part A of the Plan, any amounts which may not be paid under Appendix B of Part B of the PCPP due to the Participant having more than $132,000 in pensionable earnings in 2004 (as adjusted in accordance with tax laws and regulations) shall be payable hereunder in accordance with the terms of such Appendix B.

**ARTICLE 5**
**DISTRIBUTIONS**

5

**5.1 Grandfathered Benefits.**

With respect to Grandfathered Benefits under this Part B of the Plan, at least six (6) months before an Employee ceases to be an Employee of the Company, the Employee may elect, or may modify an election that the Employee had previously made, to receive payment of such Grandfathered Benefits by the Company in a lump sum or in annual installments, and provided that in the absence of an election, such supplemental payments by the Company shall be made in ten annual installments (10-year Certain). Calculation of present value shall be made using the Annuity Plan’s actuarial assumptions for payment of lump sums at the time of the Commencement Date of the Annuity Plan benefit. The lump sum payment or first annual installment payment shall be made in the January coincident with or following the commencement of the employee’s (or Spouse’s in the case of the employee’s death prior to commencement) benefit under the Annuity Plan. This Section 5.1 is intended to reflect the requirements of the

Pfizer Inc Nonfunded Supplemental Retirement Plan as in effect on October 3, 2004, without any subsequent material modification and shall be interpreted to that effect.

**5.2 NonGrandfathered Benefits.**

With respect to NonGrandfathered Benefits, except as provided in Sections 5.5, 5.6, and 5.7, the Employee will receive payment of such NonGrandfathered Benefits in a lump sum in the January coincident with or following the later of (i) such Employee's Separation from Service or (ii) attainment of the earliest of the following: (a) attainment of age fifty five (55), or (b), such Employee's age added to years of Creditable Service as determined under the Annuity Plan equaling or exceeding ninety (90). Except in the case of death or a re-deferral under Sections 5.4 and 5.7, respectively, when the NonGrandfathered Benefits are converted to a lump sum form of payment, such lump sum shall be calculated using the actuarial assumptions for calculations of lump sum benefits under the Annuity Plan at the first of the month coincident with or following the later of (i) such Employee's Separation from Service or (ii) attainment of the earliest of the following: (a) attainment of age fifty five (55), or (b), such Employee's age added to years of Creditable Service as determined under the Annuity Plan equaling or exceeding ninety (90). Notwithstanding the foregoing, payments may not be made to a Key Employee upon Separation from Service before the date determined in accordance with Section 6.2 of Part A of the Plan.

**5.3 Transition Elections.**

With respect to employees with NonGrandfathered Benefits that were earned or vested prior to December 31, 2007, transition distribution elections allowing for the election of optional forms of payment other than the lump sum form for NonGrandfathered Benefits, were filed by certain employees with NonGrandfathered Benefits, and such elections shall be enforced and irrevocable except to the extent any NonGrandfathered Benefits are subsequently re-deferred as allowed under Section 7.

**5.4 Death.**

(a) Standard Death Benefit

Notwithstanding any elections under, or provisions of, this Part B of the Plan to the contrary, with respect to NonGrandfathered Benefits, upon the Employee’s death, NonGrandfathered Benefits shall be paid to the Employee’s Beneficiary (to the extent payable), in a lump sum in the January following the “Earliest Death Benefit Commencement Date,” which is later of (i) the Employee’s date of death; or (ii) at the time when the Employee would have attained the earliest of the following: (a) attainment of age fifty five (55), or (b), such Employee's age added to years of Creditable Service as determined under the Annuity Plan equaling or exceeding ninety (90). Such payment shall be made regardless of any re-deferral by the Employee under Section 5.7, and irrespective of whether the Employee was a Key Employee. When the supplemental annuity payments under this Section 5.4(a) are converted to a lump sum form of payment, such lump sum shall be calculated using the actuarial assumptions for calculations of lump sum benefits under the Annuity Plan at the first of the month coincident with or following the “Earliest Death Benefit Commencement Date.

(b) Enhanced Active Death Benefit

The Beneficiary (or other individual or entity, as applicable) of a Participant who dies during active employment (excluding anyone on a leave of absence due to long–term disability) with an Associate Company under this Part B of the Plan on or after June 1, 2015, after having reached Normal Retirement Age or Early Retirement Age (as such terms are defined in the applicable provisions for determining the Employee’s benefit under the Annuity Plan) shall be eligible for an enhanced death benefit in lieu of any other death benefit provided under this Part B to the Plan, subject to the spousal consent requirements described herein for married Participants.

(i) The amount of the enhanced active death benefit shall equal the lump sum value of the Participant’s Plan benefit paid as a single life annuity, based on the Participant’s age and the actuarial assumptions for calculating lump sum payments under the Annuity Plan as of the first day of the month coincident with or next following the Participant’s date of death.

(A) The enhanced active death benefit for a married Participant shall consist of a grandfathered ("GF") portion and a nongrandfathered ("NGF") portion, as follows:

(I) The GF portion for a married Participant shall equal the lump sum value of the survivor portion of the Participant's Grandfathered Benefit payable as a 50% joint and survivor annuity with the Spouse as the contingent annuitant, based on the surviving Spouse's age.

(II) The NGF portion for a married Participant shall equal the excess of the total enhanced active death benefit determined in (b)(i), over the GF portion determined in the immediately preceding paragraph (I).

(B) The entire enhanced active death benefit for an unmarried Participant shall be treated as the NGF portion.

(ii) The enhanced active death benefit shall be paid as follows:

(A) If the Participant is married and the surviving Spouse waives the Qualified Pre-retirement Survivor Annuity ("QPSA") under the Annuity Plan, the NGF portion shall be transferred as a notional transfer to the Participant's PSSP account and the GF portion shall be paid directly to the Participant's surviving Spouse. If the Participant is married and the surviving Spouse does not waive the QPSA under the Annuity Plan, the lump sum value of the survivor portion of the Participant's Plan benefit payable as a 50% joint and survivor annuity with the Spouse as the contingent annuitant shall be paid directly to the Participant's surviving Spouse and no further enhanced active death benefit shall be payable.

(B) If the Participant is unmarried, the enhanced active death benefit shall be transferred as a notional transfer to the Participant's PSSP account.

A notional transfer to the PSSP shall be made as soon as administratively practicable following the Participant's death and shall be subject to the PSSP beneficiary designations. A distribution from PSSP is generally made on the January 1 coincident with or next following date of death. However, in the event that a valid spousal QPSA waiver is signed in the year following the year of death, the distribution from PSSP must be made no later than the last day of the calendar year following the calendar year in which the death occurred.

Payment of the enhanced active death benefit shall be made regardless of any re-deferral by the Employee under Section 5.7 of this Part B, and irrespective of whether the Employee was a Key Employee.

**5.5 Disability.**

Notwithstanding any elections under, or provisions of, this Part B of the Plan to the contrary, with respect to NonGrandfathered Benefits, such payments shall be paid in a lump sum in the January coincident with or following the latest to occur of: (i) the Employee's cessation of entitlement to benefits under the Company's long-term disability program; (ii) the Employee's Separation from Service; or (iii) the Employee's attainment of age 65. If the Employee subsequently recovers from Disability and resumes work with the Company, NonGrandfathered Benefits accrued to such date of return to work shall continue to be paid in accordance with the foregoing sentence. Any NonGrandfathered Benefits accrued thereafter shall be governed under Section 5.2.

**5.6 Automatic Cash Out.**

See Section 7.2 of Part A of the Plan.

**5.7 Deferral of Payment.**

Notwithstanding any election or provision of this Part B of the Plan to the contrary, an Employee may make one or more subsequent elections to change the time and form of a payment for a NonGrandfathered Benefit, subject to the conditions set forth in Section 6.1 of Part A to the Plan. Payment shall also be delayed pursuant to Section 6.3 of Part A of the Plan.

**5.8 In-Service Notional Transfers**

(a) An eligible Participant (as defined herein) may elect a one-time in-service transfer of the full lump sum value of his NonGrandfathered Benefit under this Part B of the Plan ("Notional Transfer") to the PSSP in accordance with the following:

(b) A Participant shall be eligible to elect a Notional Transfer if he would be eligible to retire and commence unreduced benefits under the PCPP (assuming he had terminated employment), such that he has either attained age 65 or that the sum of his age and his years of Creditable Service (whether partial or complete), equals or exceeds 90 ("Rule of 90").

(c) The Notional Transfer amount shall be determined in accordance with the actuarial assumptions used to determine lump sum distributions payable as of the transfer date under the provisions of this Part B of the Plan.

(d) In electing a Notional Transfer, the Participant forfeits the right to any potential future accruals under any Part of the Plan, except that such amount shall be adjusted in 2016 to reflect any 2015 bonus amount paid in early 2016 (and any applicable FICA taxes).

(e) The amount that is subject to the Notional Transfer shall thereafter be subject to the terms of the PSSP, except that it shall be distributed from the PSSP at the same time and in the same form that such amount would have been distributed from this Part B of the Plan had the transfer not been elected, without regard to any additional distributions payable to such Participant from the PSSP.

(f) A Notional Transfer election shall be permitted between October 1, 2015 and November 9, 2015, and shall become effective on January 1, 2016.

## PART C
## TERMS APPLICABLE TO THE WARNER-LAMBERT SUB-PLAN

### ARTICLE 1
### INTRODUCTION

1

This Part C applies to individuals who are Participants in the Warner-Lambert Supplemental Pension Income Plan immediately prior to the Effective Date pursuant to the eligibility and participation requirements of this Part C of the Plan with respect to their employment with Warner-Lambert Company ("Company").

### ARTICLE 2
### DEFINITIONS

2

**2.1 Average Final Compensation**

Average Final Compensation means the total amount of an Employee's Compensation for the three calendar years during which his Compensation was the highest of the five year period of Service ending with his Retirement Date, divided by 3. The determination of any currency exchange rate shall be made as of the Retirement Date.

**2.2 Average Final Salary**

Average Final Salary means the total amount of an Employee's Salary for the three calendar years during which his salary was the highest of the five year period of Service ending with his Retirement Date, divided by 3. The determination of any currency exchange rate shall be made as of the Retirement Date.

**2.3 Basic Pension Income**

Basic Pension Income means the amount of annual pension benefits determined in accordance with Article 5 hereof.

**2.4 Compensation**

Compensation means an Employee's Salary during the calendar year plus the amount, if any, allocated to the Employee as additional incentive compensation with respect to the preceding year pursuant to Section 3.4 of the Warner-Lambert Company Incentive Compensation Plan or any successor plan, not including any amount allocated subject to restrictions dependent upon future per share earnings of the Company.

**2.5 Early Retirement Date**

Early Retirement Date means the first day of the calendar month coincident with or next following any date, prior to a Participant's Normal Retirement Date and on or after his 55th birthday, on which his employment shall terminate.

**2.6 Normal Retirement Date**

Normal Retirement Date means the first day of the calendar month coincident with or next following a Participant's 65th birthday.

**2.7 Pension Income Objective**

Pension Income Objective means the annual amount determined in accordance with Article 4 hereof.

**2.8 Plan**

Plan means, for purposes of Part C, the Warner-Lambert Supplemental Pension Income Plan as set forth herein and as amended from time to time or this Part C of the Plan.

**2.9 Postponed Retirement Date**

Postponed Retirement Date means the first day of the calendar month coincident with or next following any date, subsequent to a Participant's Normal Retirement Date, on which the Participant Separates from Service (or with respect to Grandfathered Benefits, the date he terminates employment with the Company).

**2.10 Retired Senior Executive**

Retired Senior Executive means a person who has met the requirements of Article 4 or 13, as the case may be.

**2.11 Retirement Date**

Retirement Date means an individual's Retirement Date shall be his Normal, Early or Postponed Retirement Date, whichever is coincident with or next follows his termination of Service.

**2.12 Retirement Plan**

Retirement Plan means the Warner-Lambert Retirement Plan, as amended from time to time, and as currently set forth in Part C of the PCCP.

**2.13 Retirement Plan Benefit**

Retirement Plan Benefit means the amount of the annual benefit that a Retired Senior Executive is eligible to receive under the Retirement Plan, determined without regard to the flat dollar benefit of Section 3 (or with respect to Grandfathered Benefits, Section 9) of Article 6 of the Retirement Plan, and under Article 7, determined as of and commencing on his Retirement Date or, if greater, the amount of such benefit that he would have been eligible to receive if he had begun to participate in the Retirement Plan when he first became eligible to do so and thereafter neither voluntarily ceased to make contributions to, nor elected a refund of contributions under, the Retirement Plan.

**2.14 Salary**

Salary means effective January 1, 1990, an Employee's annualized basic rate of remuneration as of the first day of the calendar year for services performed for the Company or its Affiliates, excluding any bonuses or other compensation.

**2.15 Salary/Age Minimum**

(a) Salary/Age Minimum means a number, representing the combination of Salary, expressed in $1,000 units, and age required for eligibility for a Supplemental Pension Income, which shall equal 200 on the effective date of the Plan. For each calendar year subsequent to calendar year 1975, the Salary/Age Minimum shall equal:

(b) the Salary/Age Minimum for the preceding year; plus or minus

(c) one-fourth of the percentage increase or decrease in the Bureau of Labor Statistics Consumer Price Index for Urban Wage Earners and Clerical Workers: U.S. City Average, All Items, 1967=100, for such preceding year multiplied by the difference between such preceding year's Salary/Age Minimum and 65.

**2.16 Service**

Service means a period of service with the Company or its Affiliates determined in accordance with service rules applicable to the Retirement Plan in effect at the time when the determination shall be made.

**2.17 Spouse's Supplemental Pension Income**

Spouse's Supplemental Pension Income means the annual amount of benefits to be paid to a surviving Spouse under Article 6 hereof.

**2.18 Supplemental Pension Income**

Supplemental Pension Income means the annual amount of benefits to be paid to a Retired Senior Executive under Article 6 hereof.

**2.19 Supplemental Retirement Plan Income**

Supplemental Retirement Plan Income means the benefits to be paid to a Participant (or his Spouse, contingent annuitant or other person) under Article 7 hereof.

**ARTICLE 3**
**ELIGIBILITY FOR SUPPLEMENTAL PENSION INCOME**

3
**3.1** An Employee of the Company shall be eligible to receive a Supplemental Pension Income (and also for NonGrandfathered Benefits, be a Retired Senior Executive) in an amount determined in accordance with Article 6 hereof if he meets the following requirements as of his Early or Normal Retirement Date:

(a) he has attained age fifty-five (55) or, for executives hired on or after January 1, 1996, age sixty-two (62);

(b) he has completed at least five (5) years of Service;

(c) the sum of his Average Final Salary divided by $1,000 plus his age in years equals or exceeds the Salary/Age Minimum;

(d) he is not entitled to receive Equity Annuity Retirement Income pursuant to Article 7 of the Retirement Plan;

(e) he holds a non-banded corporate officer position or a senior management position designated by the Company as eligible to participate in this Plan (as set forth in the attached Appendix I, as revised from time to time); and

(f) if his employment with the Company terminates on an Early Retirement Date prior to age 62, the Committee has approved his eligibility.

An Employee shall also be eligible under this Part C of the Plan if he or she is entitled to benefits under the part of the PCPP PR for the Warner-Lambert Retirement Plan for Employees Resident in Puerto Rico, but only with respect to such benefits that are limited by a provision of the Puerto Rico Code.

**3.2** The Committee, acting within its discretion, may designate an Employee who meets all of the requirements of Section 3.1 hereof as of his Early or Normal Retirement Date except (c) and/or (e) as being eligible to receive a Supplemental Pension Income (and also for NonGrandfathered Benefits, be a Retired Senior Executive), provided:

(a) with respect to Section 3.1(c), the sum referred to therein equals or exceeds 90% of the Salary/Age Minimum as of his Early or Normal Retirement Date; and

(b) with respect to Section 3.1(e), the Employee held a non-banded corporate officer position or a senior management position designated by the Company as eligible to participate in this Plan (as set forth in the attached Appendix I, as revised from time to time) during at least 24 months of the five year period of Service ending with his Early or Normal Retirement Date.

**3.3** For the purposes of Section 3.1 and Section 3.2, an Employee whose Service is terminated by his death shall be deemed to have retired immediately prior to the date of his death. If he would have qualified as a Retired Senior Executive at that time, his surviving Spouse, if any, shall be eligible for a Spouse's Supplemental Pension Income in accordance with Section 6.3.

**ARTICLE 4**
**PENSION INCOME OBJECTIVE**

4
**4.1** For each Retired Senior Executive whose employment terminates on a Normal or Postponed Retirement Date, his Pension Income Objective shall be:

(a) Executives Hired Before January 1, 1996:

(i) 3.36% for each year of his Service after he attains age 45, up to 10 years; plus

(ii) 2.24% for each year of his Service after he attains age 45, in excess of 10 and up to 20 years times his Average Final Compensation. No period of Service after Normal Retirement Date shall be taken into account in determining a Pension Income Objective, except as otherwise required by law.

A person is considered to have attained age 45 on the first day on the month coincident with or next following his 45th birthday.

(b) Executives Hired On Or After January 1, 1996

The Pension Income Objective shall be the percentage of Average Final Compensation determined in accordance with the schedule set forth below:

Pension Income Objective Percentage Based on Service

| Age | Years of Service | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | ≥15 | 14 | 13 | 12 | 11 | 10 | 9 | 8 | 7 | 6 | 5 |
| 65 | 56.0 | 52.4 | 48.8 | 45.2 | 41.6 | 38.0 | 34.4 | 30.8 | 27.2 | 23.6 | 20.0 |
| 64 | 54.4 | 51.2 | 47.9 | 44.5 | 41.0 | 37.6 | 34.0 | 30.4 | 26.8 | 23.3 | 19.7 |
| 63 | 52.8 | 50.0 | 46.9 | 43.8 | 40.5 | 37.1 | 33.6 | 30.0 | 26.5 | 22.9 | 19.4 |
| 62 | 51.2 | 48.8 | 46.0 | 43.0 | 39.9 | 36.7 | 33.1 | 29.6 | 26.1 | 22.6 | 19.0 |

**4.2** For each Retired Senior Executive hired before January 1, 1996 whose employment with the Company terminates on an Early Retirement Date, a Pension Income Objective shall be calculated in the amount provided in Section 4.1(a) hereof, reduced by the amount obtained by multiplying the sum of:

(a) 6% for each year, if any, between the date payments commence under this Plan and his 60th birthday; plus

(b) 3% for each year, if any, between the later of the date payments commence under this Plan or his 60th birthday and his 62nd birthday.

**4.3** Periods of Service and age of less than a year shall be included in the calculations required by this Article 4 as the number of months in such period divided by 12. Credit shall be given for each month through the first of the month coincident with or next following the completion of such period.

## ARTICLE 5
## BASIC PENSION INCOME

5

**5.1** For each Retired Senior Executive there shall be computed a Basic Pension Income as of his Retirement Date. The Basic Pension Income shall equal the sum of the amounts of annual pension benefit determined in accordance with Section 5.2 or Section 5.3, whichever is applicable.

**5.2** The Basic Pension Income for each Retired Senior Executive whose employment with the Company terminates on a Normal or Postponed Retirement Date shall be the sum of the following amounts determined as of his Normal Retirement Date and converted as hereinafter described:

(a) his Retirement Plan Benefit;

(b) the amount of any pension benefit that he is eligible to receive or has previously received under a pension plan maintained by any Affiliate of the Company or any other company;

(c) for executives hired on or after January 1, 1996, the pension equivalent of the amount of the company provided benefit that he is eligible to receive or has previously received under a defined contribution plan maintained by any Affiliate of the Company or any other company if such plan is the primary retirement income plan of such company;

(d) the amount of any annual pension benefit that he is eligible to receive or has previously received under the Social Security Act or would be eligible to receive if he were to realize no net earnings from self-employment and no wages for services rendered after his Retirement Date;

(e) the amount of any pension, retirement income, severance or termination pay (or similar benefit) that he is eligible to receive or has previously received which is required under the law of any country other than the United States of America or under the law of any territory or possession of the United States of America; and

(f) the amount of any other pension benefit that he is eligible to receive or has previously received under any other pension plan, contract or program, including a pension plan established by the Retired Senior Executive with respect to periods of self-employment.

Amounts of Basic Pension Income shall be determined before any reduction which may have resulted from an election by the Retired Senior Executive to receive a lump-sum benefit in lieu of a pension benefit, whether or not related to his own contributions. The amount of any annual pension benefit payments which commence prior or subsequent to Normal Retirement Date shall be determined as if the payment of such benefits commenced on Normal Retirement Date irrespective of the date on which the pension actually commenced. The amount of any annual pension (not including Section 5.2(d) amounts) determined at Normal Retirement Date other than on the basis of a single life annuity for a Retired Senior Executive who is not married or on a 50% joint and survivor basis for a Retired Senior Executive who is married shall be converted actuarially to a pension payable on such basis, respectively, using the actuarial assumptions specified in the Retirement Plan (or for Grandfathered Benefits, Section 7 of Appendix B of the Retirement Plan).

Any amount of Basic Pension Income which is payable from a plan under which the normal form of benefit is not a pension benefit shall be converted using the actuarial assumptions specified in the Retirement Plan (or for Grandfathered Benefits Section 7 of Appendix B of the Retirement Plan) to a pension payable at age 65 on the basis of a single life annuity for a Participant who is not married or on a 50% joint and survivor basis for a Participant who is married. The conversion shall be based upon the age of the person and value of such benefit when the executive terminated employment with the company maintaining such plan.

For purposes of this Article V, the marital status of a Retired Senior Executive shall be determined at the Retirement Date and the actual date of birth of the current Spouse will be used.

**5.3** The Basic Pension Income for a Retired Senior Executive who terminates employment on an Early Retirement Date shall be the sum of the amounts of annual pension benefits listed in Section 5.2 hereof, determined as if the payment of such benefits commenced on the Retired Senior Executive's Normal Retirement Date. Each component of Basic Pension Income shall be actuarially reduced (based upon the factors of the plan under which the benefit is being provided or, if such factors are not available or applicable, under the factors applicable to the Retirement Plan in effect on the Retirement Date) to the later of the Early Retirement Date or the earliest date such pension benefits are actually available. In the event that the payment of any annual pension benefit listed in Section 5.2 hereof shall first become available on a date following the Early Retirement Date of such Retired Senior Executive, the amount of such annual pension benefit shall be included in the Basic Pension Income of such Retired Senior Executive only from and after the first date on which the benefit is available. As applied to Social Security benefits, the preceding sentence shall be applied to a Retired Senior Executive (1) whose Retirement Date is prior to age 62 by estimating the amount of Social Security benefits that will be available at age 62 based upon the law in effect at the Retirement Date, with such amount being included in the Basic Pension Income of such Retired Senior Executive commencing at age 62, and (2) whose Retirement Date is at or after age 62 by including the amount of Social Security benefits available at the Retirement Date based on the law in effect at such Retirement Date in the Basic Pension Income of the Retired Senior Executive commencing at the Retirement Date.

**5.4** Notwithstanding the foregoing, payments to or other amounts realized by the Retired Senior Executive pursuant to a deferred compensation agreement, a profit sharing plan (except as provided in Section 5.2(c) hereof), a stock option or alternate stock plan or any other incentive compensation plan or agreement shall not be included in computing his Basic Pension Income.

**ARTICLE 6**
**SUPPLEMENTAL PENSION INCOME**

6
**6.1** There shall be paid to each Retired Senior Executive who commences payment of benefits hereunder, a Supplemental Pension Income which shall be an annual amount equal to the excess, if any, of his Pension Income Objective computed in accordance with Article 4 hereof over his Basic Pension Income computed in accordance with Article 5 hereof, except as provided in Section 6.2, payable for the life of the Retired Senior Executive.

**6.2** With respect to executives hired by the Company on or after January 1, 1996, the Pension Income Objective based upon service (as provided in Section 4.1(b)) shall be reduced by another employer's benefit in accordance with Section 5.2(b) only to the extent that total annual pension income from all sources (including this Plan) exceeds the maximum objective set forth in the schedule below for the age at which the executive terminates employment with the Company.

Maximum Attainable Pension Income Objective by Retirement Age

| Retirement Age | Maximum Objective |
|---|---|
| 65 | 56.0% |
| 64 | 54.4% |
| 63 | 52.8% |
| 62 | 51.2% |

**6.3** The provisions of this Section 6.3 shall apply if a Retired Senior Executive shall die.

(a) If a Retired Senior Executive is survived by a surviving Spouse, such surviving Spouse shall be paid a Spouse's Supplemental Pension Income which shall be an amount equal to one-half of the amount of the Supplemental Pension Income which otherwise would have been payable to the Retired Senior Executive, payable for the life of such surviving Spouse. Effective for Participants who die while actively employed on or after January 1, 2018, the death benefit payable under this paragraph (a) with respect to a Participant’s NonGrandfathered Benefit

shall be payable in the form of a lump sum instead of an annuity. The amount of such lump sum payment shall equal the present value of the benefit otherwise payable to the surviving Spouse in an annuity as of the date on which the Participant would have attained age 62 (or his date of death, if later). This present value determination shall be based on the surviving Spouse's age and the actuarial assumptions for calculating lump sum payments under the Retirement Plan as of the first day of the month coincident with or next following the Participant's date of death.

(b) Notwithstanding the preceding paragraph (a), the Beneficiary(or individual or entity, as applicable) of a Participant who dies during active employment (excluding a Participant on a leave of absence due to long–term disability) with an Associate Company under Part C of the Plan on or after June 1, 2015, after having reached Normal Retirement Age or Early Retirement Age (as such terms are defined in the applicable provisions for determining the Employee's benefit under the Retirement Plan) shall be eligible for an enhanced death benefit in lieu of any other death benefit provided under this Part C to the Plan, subject to the spousal consent requirements described herein for married Participants.

(i) The amount of the enhanced active death benefit shall equal the lump sum value of the Participant's Plan benefit payable as of the date on which the Participant would have attained age 62 (or his date of death, if later) in the form of a single life annuity. This lump sum value determination shall be based on the Participant's age and the actuarial assumptions for calculating lump sum payments under the Retirement Plan as of the first day of the month coincident with or next following the Participant's date of death.

The enhanced active death benefit for a married Participant shall consist of a grandfathered ("GF") portion and a nongrandfathered ("NGF") portion, as follows:

(I) The GF portion for a married Participant shall equal the lump sum value of the survivor portion of the Participant's Grandfathered Benefit payable as a 50% joint and survivor annuity with the Spouse as the contingent annuitant, based on the surviving Spouse's age.

(II) The NGF portion for a married Participant shall equal the excess of the total enhanced active death benefit determined in paragraph (b)(i), over the GF portion determined in the immediately preceding paragraph (I).

The entire enhanced active death benefit for an unmarried Participant shall be treated as the NGF portion.

(ii) The enhanced active death benefit shall be paid as follows:

(I) If the Participant is married and the surviving Spouse waives the Qualified Pre-retirement Survivor Annuity ("QPSA") under the Retirement Plan, the NGF portion shall be transferred as a notional transfer to the Participant's PSSP account and the GF portion shall be paid directly to the Participant's surviving Spouse as an annuity.

(II) If the Participant is unmarried, the enhanced active death benefit shall be transferred as a notional transfer to the Participant's PSSP account.

(III) If the Participant is married and the surviving Spouse does not waive the QPSA under the Retirement Plan, the survivor portion of the Participant's Plan benefit payable as a 50% joint and survivor annuity with the Spouse as the contingent annuitant shall be paid directly to the Participant's surviving Spouse and no further enhanced active death benefit shall be payable. If the Participant dies prior to January 1, 2018, the entire death benefit shall be paid as an annuity, and if the Participant dies on or after January 1, 2018, the GF portion shall be paid as an annuity and the NGF portion shall be paid as a single lump sum payment to the surviving Spouse.

A notional transfer to the PSSP shall be made as soon as administratively practicable following the Participant's death and subject to the PSSP beneficiary designations. A distribution from PSSP is generally made on the January 1 coincident with or next following date of death. However, in the event that a valid spousal QPSA waiver is signed in the year following the year of death, the distribution from PSSP must be made no later than the last day of the calendar year following the calendar year in which the death occurred.

(iii) Payment of the enhanced active death benefit shall be made regardless of any re-deferral by the Employee under Section 10.3 of this Part C, and irrespective of whether the Employee was a Key Employee.

**ARTICLE 7**
**SUPPLEMENTAL RETIREMENT PLAN INCOME**

7

**7.1** There shall be paid to each Participant (or his Spouse, contingent annuitant or other person), in accordance with Section 7.2 hereof, a Supplemental Retirement Plan Income which shall be the additional amount which would have been payable to him or her from the Retirement Plan if the limitations of the Code were not applicable. For this purpose, the limitations of the Code include, but are not limited to, Sections 415, 401(a)(17) and 401(a)(4), and therefore, this Section 7.1 shall include, but not be limited to, the additional amount that would be payable to him or her if Compensation as defined in the Retirement Plan was to include deferred annual bonuses (but not long term bonuses) and Compensation in excess of: (a) with respect to NonGrandfathered Benefits, the compensation limitation of Code Section 401(a)(17) (as adjusted); and (b) with respect to Grandfathered Benefits, $150,000 (as adjusted).

**7.2** Grandfathered Supplemental Retirement Plan Income .. Distribution of Supplemental Plan Income which comprises Grandfathered Benefits shall be made in accordance with the Plan terms as in effect on October 3, 2004 as expressly included in this Part C of the Plan. Payment of Supplemental Retirement Plan Income to a Participant or to his Spouse, contingent annuitant or other person shall be governed by the provisions of the Retirement Plan in all respects (including payment Commencement Date), except that any amounts otherwise payable as Equity Annuity Retirement Income as referred to in Article 7 of the Retirement Plan shall be payable hereunder as Dollar Annuity Retirement Income as referred to in Article VI of the Retirement Plan, and except that any election of a 75% joint and survivor annuity in the Retirement Plan shall be payable as a 50% joint and survivor annuity.

**7.3** NonGrandfathered Supplemental Retirement Plan Income . Except with respect to a Participant who is Disabled under the Retirement Plan which is governed by Section 7.4 below, with respect to Supplemental Retirement Plan Income that comprises NonGrandfathered Benefits (the "NonGrandfathered Supplemental Retirement Plan Income"), the Employee will receive payment of such supplemental payments by the Company commencing with the later of (a) the first of the month following Separation from Service, (b) the first of the month coincident or following the Employee's attainment of age fifty five (55), (c) or such later date as may be elected under Article 15 (which shall be the Commencement Date), and determined in accordance with Section 7.1 as if the Employee terminated employment and commenced to receive benefits under the Retirement Plan as of such Commencement Date.

For Participants who incur a Separation of Service on or after January 1, 2007, upon the death of the Participant prior to commencement hereunder, NonGrandfathered Benefits shall be paid to the Participant's Spouse in the January following the later of (i) the Participant's date of death; or (ii) at the time when the Participant would have attained the age fifty five (55). For Participants who die or Separate from Service prior to January 1, 2007, NonGrandfathered Benefits shall be paid to the Participant's Spouse on the later of (i) the Participant's date of death; or (ii) at the time when the Participant would have attained the age fifty five (55). In the event of death, such distribution to a Spouse shall be made regardless of any re-deferral by the Participant under Article 15. If a Participant is not married at the time of death, no NonGrandfathered Benefits or Grandfathered Benefits are payable under this Plan.

Notwithstanding the foregoing, distributions made to a Key Employee upon Separation from Service must comply with Section 6.2 of Part A of the Plan.

The form of payment to a married Participant or to his Spouse shall be a 50% joint and survivor annuity. The form of payment to a single Participant shall be a single life annuity, except the Participant may elect another annuity form to the extent permitted by Code Section 409A (other than a 75% joint and survivor annuity which may not be elected by the Participant under this Plan), provided that such other form of annuity is actuarially equivalent to such single life annuity applying reasonable actuarial methods and assumptions within the meaning of Code Section 409A.

Any amounts otherwise payable as Equity Annuity Retirement Income as referred to in Article 7 of the Retirement Plan shall be payable hereunder as Dollar Annuity Retirement Income as referred to in Article 6 of the Retirement Plan.

**7.4** Disability . With respect to NonGrandfathered Supplemental Retirement Plan Income payable to a Participant who is Disabled (as defined under the Retirement Plan), such payments shall be paid commencing with the first

month of the next taxable year following the latest to occur of: (i) the Employee's cessation of entitlement to benefits under the Company's long-term disability program; (ii) the Employee's Separation from Service, or (iii) the Employee's attainment of age 65. If the Participant subsequently recovers from Disability and resumes work with the Company, NonGrandfathered Supplemental Retirement Plan Income accrued to such date of return to work shall continue to be paid in accordance with the foregoing sentence. Any NonGrandfathered Supplemental Retirement Plan Income accrued thereafter shall be governed under Section 7.3 as if the Participant did not have the prior Disabled status.

**ARTICLE 8**
**ABSENCE OF FUNDING**

8

See Article 5 of Part A of the Plan.

**ARTICLE 9**
**ADMINISTRATION**

9

See Article 3 of Part A of the Plan.

**ARTICLE 10**
**MANNER OF PAYMENT OF SUPPLEMENTAL PENSION INCOME**

10

**10.1** Grandfathered Supplemental Pension Income . With respect to Supplemental Pension Income that comprises Grandfathered Benefits:

(a) An amount equal to one-twelfth of the Supplemental Pension Income shall be paid to a Retired Senior Executive commencing on the date payments begin from the Retirement Plan and on the first day of each calendar month thereafter, but not after the first day of the calendar month in which the Retired Senior Executive shall die.

(b) An amount equal to one-twelfth of the Spouse's Supplemental Pension Income provided in accordance with Section 6.3 hereof shall be paid to a surviving Spouse on the first day of the calendar month next following the month in which the Retired Senior Executive shall die, and on the first day of each calendar month thereafter, but not after the first day of the month in which the surviving Spouse shall die.

**10.2** Non-Grandfathered Supplemental Pension Income . With respect to Supplemental Pension Income that comprises NonGrandfathered Benefits, no NonGrandfathered Supplemental Pension Income is payable under the Plan.

**ARTICLE 11**
**MISCELLANEOUS**

11

**11.1** Each Retired Senior Executive shall, after his Retirement Date, make himself available for such consultative and advisory services as the Company may reasonably request, taking fairly into consideration the age, health, residence, and individual circumstances of the Retired Senior Executive and the total amount of his Supplemental Pension Income. If such Retired Senior Executive shall unreasonably refuse to render such services, the Company's obligation to make further payments under the Plan shall forthwith terminate.

**11.2** No loan shall be made by the Company to any person of any amount of his benefit hereunder or of any amount the security for which is his benefit hereunder.

## ARTICLE 12
## AMENDMENT

12

**12.1** The Board of Directors shall have the right at any time or from time to time to modify, amend or terminate the Plan in whole or in part, as set forth in Article 4 of Part A of the Plan; provided, however, that no such modification, amendment or termination shall reduce the amount of any benefits payable under the Plan on the date thereof; and further provided, that following a Change in Control of the Company (as defined in Section 13.2 hereof), no modification or amendment shall be made, directly or indirectly, to the provisions of Article XIII hereof without the consent of 90% of the individuals described therein.

**12.2** This Part C of the Plan reflects the terms of the Warner-Lambert Supplemental Pension Income Plan as in effect on January 1, 1975, and as amended by all amendments thereto since that date. In the case of Employees who terminate employment with the Company after January 1, 1980, the determination of Salary and Compensation for all years shall be in accordance with the terms of the above referenced plan as then in effect.

**12.3** See Section 4.3(a) of Part A of the Plan. For purposes of Grandfathered Benefits under this Part C of the Plan, subject to the restriction of Section 12.2 or action by the Board of Directors or the Committee or authorized designees to the contrary, this Plan shall be deemed amended or modified at the time of amendment or modification of the Retirement Plan to the extent necessary to (i) provide consistency in the provisions of this Plan and the Retirement Plan with respect to definitions and their related operational provisions, and (ii) maintain the relationship between the benefits provided by this Plan and the Retirement Plan. Amendments or modifications to the Plan made pursuant to this section shall be effective as of the effective date of the related amendment or modification to the Retirement Plan unless the Board of Directors or Committee declare otherwise.

**12.4** See Sections 4.1, 4.2, and 4.3(d) of Part A of the Plan for additional provisions governing Plan amendments.

## ARTICLE 13
## EFFECT OF CERTAIN EVENTS

13

**13.1** Notwithstanding anything to the contrary contained in this Plan, the provisions set forth in this Section shall apply following a Change in Control of the Company (as defined in Section 13.2 hereof):

(a) an Employee shall be eligible to receive a Supplemental Pension Income in an amount determined in accordance with Article 6 hereof if he held a non-banded corporate officer position or a senior management position designated by the Company as eligible to participate in this Plan (as set forth in the attached Appendix I to this Part C, as revised from time to time) prior to such Change in Control of the Company and an “Activation Event” (as defined in the Executive Severance Plan) shall have occurred with respect to such Employee;

(b) the provisions of Sections 9.5 of Part A of the Plan and 11.1 of this Part C shall no longer apply; and

(c) as soon as practicable after an Employee has satisfied the requirements set forth in (a) above (whether or not such Employee has terminated his Service), or with respect to a Retired Senior Executive, as soon as practicable upon such Change in Control of the Company, the Company shall furnish to such Employee or Retired Senior Executive (or, if applicable, his surviving Spouse) a letter which acknowledges the right of such Employee or Retired Senior Executive (or surviving Spouse) to receive, and the obligation of the Company to provide, benefits in accordance with the provisions of this Plan. The Company shall furnish a similar letter to each Participant (or his Spouse, contingent annuitant or other person) who is receiving or is entitled to receive Supplemental Retirement Plan Income pursuant to Article 8 hereof. The aforementioned letters shall constitute an enforceable contract with the Company.

**13.2** For purposes hereof, a “Change in Control of the Company” shall be deemed to have occurred if (i) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Act”)) is or becomes the beneficial owner (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities

of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities, (ii) the stockholders of the Company approve a merger, consolidation, sale or disposition of all or substantially all of the Company's assets or plan of liquidation, or (iii) the composition of the Board of Directors (as defined in Section 2.4) at any time during any consecutive twenty-four (24) month period changes such that the Continuity Directors (as hereinafter defined) cease for any reason to constitute at least fifty-one percent (51%) of the Board. For purposes of the foregoing clause (iii), "Continuity Directors" means those members of the Board who either (a) were directors at the beginning of such consecutive twenty-four (24) month period, or (b)(1) filled a vacancy during such twenty-four (24) month period created by reason of (x) death, (y) a medically determinable physical or mental impairment which renders the director substantially unable to function as a director or (z) retirement at the last mandatory retirement age in effect for at least two (2) years, and (2) were elected, nominated or voted for by at least fifty-one percent (51%) of the current directors who were also directors at the commencement of such twenty-four (24) month period.

**13.3** To the extent that implementation of the Warner-Lambert Enhanced Severance Plan and the Warner-Lambert Executive Severance Plan requires the accrual of amounts hereunder, this Plan is hereby amended to include such amounts as Supplemental Retirement Plan Income under Article 7 hereof.

**13.4** Article 13 hereof shall not apply to any employee who is not an "Employee" (as defined in Section 3.1 of the Enhanced Severance Plan) as of the date of approval by the stockholders of Warner-Lambert Company of the transaction contemplated by the Agreement and Plan of Merger, dated as of February 6, 2000, among Pfizer Inc., Seminole Acquisition Sub Corp. and Warner-Lambert Company. The foregoing shall not affect the rights of any Beneficiary of a Participant.

## ARTICLE 14
## LUMP SUM PAYMENT

14

SECTION 14.1. Notwithstanding any other provisions hereof, in the event that (x) with respect to the Grandfathered Benefit, an Employee receives a lump sum payment from the Retirement Plan in lieu of all other benefits under such plan or (y) the benefit under this Plan (including all benefits under Articles 7 and 10) which is payable to the Employee is less than $50 per month at normal retirement age or at any earlier date in which benefits are payable hereunder (regardless of the amount payable to such Employee from the Retirement Plan), then the Employee shall receive a lump sum payment of the benefit which is payable from this Plan. With respect to Grandfathered Benefits under Part C of the Plan, the amount thereof shall be determined in accordance with Section 6 of Appendix B of the Retirement Plan, and with respect to NonGrandfathered Benefits, the amount thereof shall be determined using the actuarial assumptions of the Retirement Plan. The foregoing provisions of this Section 14.1 shall apply separately with respect to the Grandfathered and NonGrandfathered Benefits.

**APPENDIX I**

| INCUMBENT | POSITION |
|---|---|
| Bourne, James P. | President OTC/Shave Products – Japan |
| Corr, Peter B. | Vice President & President, Warner-Lambert/Parke-Davis Research & Development |
| Craig, John S. | Vice President & President, Adams – USA |
| Cresswell, Ronald M. | Senior Vice President & Chief Scientific Officer |
| De Vink, Lodewijk Jr | Chairman of the Board, President and Chief Executive Officer |
| Fino, Raymond M. | Senior Vice President, Human Resources |
| Gross, Philip M. | Senior Vice President, Strategic Management Processes |
| Johnson, Gregory L. | Senior Vice President & General Counsel |
| Larini, Ernest J. | Chief Financial Officer & Executive Vice President, Administration |
| Lazo, Jorge F. | Senior Vice President & President, Adams Sector |
| Morton, Saunders M. | Senior Vice President & President, Consumer Healthcare Sector |
| Oberkfell, Harold F. | Vice President, Knowledge Management |
| Renshaw, Maurice A. | Vice President & President, Parke-Davis – USA |
| Thomas, Barbara S. | Vice President & President, Consumer Healthcare – USA |
| Walsh, John F. | Vice President & President, Shaving Products Group |
| Wild, Anthony H. | Executive Vice President & President, Pharmaceutical Sector |
| Keelty, Richard | Senior Vice President, Public Affairs |

Part C: Terms Applicable To The Warner-Lambert Sub-Plan

## PART D
## TERMS APPLICABLE TO PHARMACIA SUB-PLAN

### ARTICLE 1
### INTRODUCTION

1

This Part D applies to individuals who are Participants in the Pharmacia Corporation Supplemental Pension Plan immediately prior to the Effective Date or who become Participants in the Plan thereafter pursuant to the eligibility and participation requirements of this Part D of the Plan.

In recognition of the valuable services provided to The Upjohn Company ("Upjohn"), a predecessor of Pharmacia & Upjohn, Inc. ("P&U") by its executive employees, the Board of Directors adopted The Upjohn Supplemental Retirement Plan, effective January 1, 1976, as amended and restated effective July 19, 1988, to provide additional retirement benefits to those individuals whose benefits under certain "qualified" retirement plans sponsored by Upjohn, were affected by certain limitations imposed by the Code, as defined below. In addition, Upjohn also adopted another plan, known as The Upjohn Replacement and Deferred Benefit Plan, also effective as of July 19, 1988, to provide additional retirement benefits to those individuals whose benefits under certain "qualified" retirement plans sponsored by Upjohn were also affected by certain other limitations imposed by the Code. P&U merged the Replacement and Deferred Benefit Plan with and into the Upjohn Supplemental Retirement Plan, and renamed the merged plan the Supplemental Pension Plan (the "Prior P&U Plan"), effective as of January 1, 2000, and made certain other desirable changes to the Prior P&U Plan's text, so that all of the benefits payable under the merged plans as of January 1, 2000 would be provided under the terms and conditions of the Prior Plan.

In 2000, P&U merged with and into a subsidiary of Pharmacia Corporation. At the time of the merger, Pharmacia Corporation (formerly, the Monsanto Company) sponsored the Pharmacia Corporation ERISA Parity Pension Plan (the "Pharmacia Parity Plan"), formerly the Monsanto Company ERISA Parity Pension Plan, and the Pharmacia Corporation Supplemental Retirement Plan (the "Pharmacia Supplemental Retirement Plan"), formerly the Monsanto Company Supplemental Retirement Plan. Effective as of July 1, 2002, the Pharmacia Parity Plan and the Pharmacia Supplemental Retirement Plan were merged with and into the Prior P&U Plan so that all of the benefits payable under the Pharmacia Parity Plan or the Pharmacia Supplemental Retirement Plan as of July 1, 2002 would be provided under the terms and conditions of the Prior P&U Plan.

The Plan is hereby amended and restated as of the Effective Date and merged into the Plan, as reflected in this Part D of the Plan.

### ARTICLE 2
### DEFINITIONS

2

Any terms not defined in this Article shall have the definition as set forth in later Articles of this Part D of the Plan, or in the Pension Plan or Cash Balance Plan, as applicable.

**2.1 Actuarial Equivalence**

Actuarial Equivalence means a benefit of equal actuarial value as determined in accordance with the assumptions and methods used for determining actuarial equivalence under the Pension Plan (or Cash Balance Plan, as applicable).

**2.2 Cash Balance Plan**

Cash Balance Plan means the Pharmacia Cash Balance Pension Plan as set forth in Part F of the PCCP, as amended from time to time.

**2.3 Company**

Company means Pfizer Inc.

**2.4 Compensation**

Compensation means the Participant's "compensation," as defined in the Pension Plan (or the Cash Balance Plan, as applicable) but without regard to any of the Limitations and including the amount of any such compensation deferred under a plan maintained by the Company pursuant to sections 125 or 401(k) of the Code or any other plan of deferred compensation.

**2.5 Early Retirement**

Early Retirement means the retirement of a Participant prior to Normal Retirement on the date the Participant begins to receive a benefit under the Pension Plan (or Cash Balance Plan, as applicable).

**2.6 Employment Commencement Date**

Employment Commencement Date means the first day on which an individual became an Employee. Notwithstanding the foregoing, if any interruption of employment occurred after the date described in the preceding sentence, then the Employment Commencement Date shall be the first day on which the individual became an Employee after the most recent such interruption of the employment relationship between the Employee and the Company unless the Company specifies an earlier date.

**2.7 Employment Termination Date**

Employment Termination Date means the date on which the active employment of the Employee by the Company is terminated.

**2.8 Limitations**

Limitations means the limitations imposed by the Code or the Pension Plan in calculating a Participant's retirement benefit under the Pension Plan including (i) the limitation of sections 401(a)(17), 404(1) and 415 of the Code, (ii) a provision of the Pension Plan excluding incentive compensation from being taken into account under the Pension Plan as "compensation" and (iii) the limitation that precludes deferred compensation (other than pursuant to section 125 or 401(k) of the Code) from being credited as current compensation other than to the extent already taken into account under clause (ii).

**2.9 Normal Retirement**

Normal Retirement shall mean the retirement of a Participant on or after the date the Participant begins to receive a benefit under the Pension Plan (or Cash Balance Plan, as applicable) that is not actuarially reduced on account of early commencement.

**2.10 Pension Plan**

Pension Plan means the Pharmacia Pension Plan, as amended from time to time, and as currently set forth in Part D of the PCCP.

**2.11 Plan**

Plan means, for purposes of this Part D, the Pharmacia Supplemental Pension Plan as may be amended from time to time and as set forth in this Part D of the Plan.

**2.12 Pension Plan Benefits**

Pension Plan Benefits means the amount of benefit due to the Participant under the Pension Plan in the form of an annuity that is Actuarially Equivalent to the form of a single life annuity; provided, however, that in the event that a Supplemental Benefit is to be paid prior to Normal Retirement the amount of "Pension Plan Benefits" shall be the Early Retirement benefit due to the Participant under the Pension Plan that is Actuarially Equivalent to the Normal Retirement benefit payable under such Plan.

**2.13 Supplemental Benefit**

Supplemental Benefit means a supplemental retirement benefit calculated under Article 4 as of any date of reference, bifurcated into Grandfathered Benefits and NonGrandfathered Benefits, as defined above.

## ARTICLE 3
## ELIGIBILITY

**3**
**3.1 Original Participants**

Any Employee on January 1, 1976 who was a Participant in this Plan, the Pharmacia Parity Plan, or the Pharmacia Supplemental Retirement Plan on June 30, 2002 shall be a Participant in this Part D of the Plan as of January 1, 1976.

**3.2 New Participants**

Eligible Employees under this Part D of the Plan include each individual who becomes an Eligible Employee (as defined in Section 2.11 of Part A of the Plan) after January 1, 1976 and who is an executive employee of the Pharmacia Corporation employed on a regular, full-time basis. Any such individual shall become a Participant in this Part D of the Plan on the later of the date (i) the individual becomes an Eligible Employee, or (ii) the future date as of which the Employee's retirement benefit under the Pension Plan or under the Cash Balance Plan becomes subject to the Limitations, but in either case only after approval by the Administrator and notification to the Employee. An Employee shall also be eligible under this Part D of the Plan if he or she entitled to benefits under the part of the PCPP PR for the Pharmacia Pension Plan for Employees Resident in Puerto Rico or under the Searle PR Plan, but only with respect to such benefits that are limited by a provision of the Puerto Rico Code.

## ARTICLE 4
## SUPPLEMENTAL BENEFIT

4
**4.1 Amount**

The Supplemental Benefit of a Participant shall be an annual amount equal to (a) plus (b), determined as of the Participant's Employment Termination Date for Grandfathered Benefits and at the time specified in Section 5.7 for NonGrandfathered Benefits, where:

(a) equals the difference between:

(i) the accrued benefit that would be payable to the Participant under the Pension Plan on the basis that all of the Limitations are ignored in calculating such benefit under the Pension Plan; and

(ii) the amount of the Participant's Pension Plan Benefits; and

(b) for Participants in the Pharmacia Parity Plan or Pharmacia Supplemental Retirement Plan as of June 30, 2002, equals the difference between:

(i) the accrued benefit that would be payable to the Participant under the Cash Balance Plan on the basis that all of the Limitations are ignored in calculating such benefit under the Pension Plan; and

(ii) the benefit actually accrued under the Cash Balance Plan (plus, for Participants in the Pharmacia Supplemental Retirement Plan, the benefit accrued under the Pharmacia Parity Plan as of June 30, 2002).

For purposes of calculating the Supplemental Benefit, both of the benefits under clauses (a)(i) and (a)(ii) shall be calculated on the basis of the single life annuity that would then be due to the Participant under the Pension Plan (or the Cash Balance Plan) based on service and Compensation at the time of determination. Each such calculation shall be done separately with respect to Grandfathered Benefits and NonGrandfathered Benefits.

**4.2 Vesting**

A Participant's right to a Supplemental Benefit pursuant to Section 4.1 shall be non-forfeitable at the same time as the Participant's Pension Plan Benefits as determined under the terms of the Pension Plan.

**4.3 Survivor Benefit**

If a Participant dies before beginning to receive a Supplemental Benefit, the Participant's Beneficiary shall be entitled to receive payment of a Supplemental Benefit as provided in Section 5.5 or 5.9, as applicable.

**4.4 Transfers**

Notwithstanding any other provision of this Part D of the Plan to the contrary, if a Participant is transferred to the employment of an affiliate of Pfizer Inc. that has not adopted this Part D of the Plan ("non-covered employment"), upon the approval of the Administrator acting on behalf of the Company, (i) any Supplemental Benefit to which such Participant would be entitled under this Part D of the Plan may be increased by treating such Participant's non-covered employment as if it were service covered by the this Part D of the Plan and by aggregating such service with such Participant's other service covered by this Part D of the Plan; provided, however, that, in such event, the Participant's Supplemental Benefit determined under Section 4.1 shall be calculated by taking into account under clause (a)(ii) or (b)(ii) as applicable, the benefit due under any pension plan of the affiliate that is based upon such Participant's non-covered employment. Further, with respect to Grandfathered Benefits only, (i) the liability for the Supplemental Benefit under this Plan may be transferred to any similar plan of the affiliate, (ii) the Supplemental Benefit under this Plan may be canceled in favor of a plan of the affiliate that provides a benefit that is equal to or greater than the Supplemental Benefit payable under this Plan at the time of the transfer, or (iii) the Supplemental Benefit under this Plan may be frozen and paid when the Participant reaches Normal Retirement or Early Retirement after transferring to the employ of the affiliate.

**ARTICLE 5**
**DISTRIBUTION OF SUPPLEMENTAL BENEFIT**

5

**5.1 Grandfathered Benefits – Distributions**

Except as provided in Section 5.2, a Participant's Grandfathered Benefit shall be paid in the same form and at the same time as the Pension Plan Benefits due to the Participant under the Pension Plan, or the benefits under the Cash Balance Plan, as applicable. Notwithstanding the foregoing sentence, if the Participant chooses to receive the Pension Plan Benefits or benefits under the Cash Balance Plan in the form of a Joint and 75% annuity, the Grandfathered Benefit shall be paid in the form of a Joint and 50% annuity. No Temporary Annuity Option (as described in the Pension Plan) and no Level Income Option (as described in the Cash Balance Plan) shall be available with respect to the Grandfathered Benefit.

**5.2 Early Payment**

A Participant's Supplemental Benefit that begins to be paid prior to Normal Retirement shall be reduced to its Actuarial Equivalent on account of commencement prior to Normal Retirement. A Participant shall file a written notice with the Administrator to receive his or her Supplemental Benefit in the manner provided by the Administrator.

**5.3 Special Election**

Notwithstanding anything herein to the contrary, any Participant who was a Participant in the Pharmacia Parity Plan or the Pharmacia Supplemental Retirement Plan as of June 30, 2002 and who had made an election to receive or defer a portion of his or her Grandfathered Benefit under such plan as of June 30, 2002, shall receive his or her Grandfathered Benefit in the manner provided in his or her election. During any such deferral period, such a Participant's Grandfathered Benefit shall be credited with interest at the previous year's average of the Moody BAA Bond index or such other rate as the Administrator shall determine. Notwithstanding anything herein or in the Pharmacia Parity Plan or the Pharmacia Supplemental Retirement Plan to the contrary, any Participant who was a Participant in the Pharmacia Parity Plan or the Pharmacia Supplemental Retirement Plan as of June 30, 2002 and who had not made an election to receive or defer a benefit payment under such plan as of June 30, 2002, shall receive his or her entire Grandfathered Benefit in the manner provided in Sections 5.1 and 2 hereof.

**5.4 Automatic Cash Out**

See Section 7.2(a) of Part A of the Plan.

**5.5 Grandfathered Benefits – Death**

If a Participant dies after beginning to receive a Supplemental Benefit, any further payments shall be made according to the form of such Supplemental Benefit then being paid to the Participant. If a Participant dies prior to beginning to receive a Supplemental Benefit comprised of Grandfathered Benefits, the Participant's Beneficiary shall be entitled to receive a survivor benefit equal to the survivor portion of the benefit due under the Pension Plan but using the methodology set forth in Section 4.1. Such survivor benefit shall be paid in the same form and at the same time as the Beneficiary receives benefits under the Pension Plan, and the Supplemental Benefit shall be Actuarially Equivalent on account of early commencement if payment commences prior to what would have been the Participant's Normal Retirement.

**5.6 Prior Plan**

For distributions prior to January 1, 2005, any distribution that was payable to a Participant under the Prior Plan may be deferred under the Savings Plus Plan on such terms and conditions as the Administrator shall provide.

**5.7 NonGrandfathered Benefits – Distributions**

With respect to NonGrandfathered Benefits, except as provided in Sections 5.9 in the event of death, 5.10 in the event of disability, and Section 8.16 in the event of a Re-deferral, the Participant will receive payment of such supplemental payments by the Company in a lump sum on the first of the month following the later of (i) such Employee's Separation from Service or (ii) attainment of age fifty five (55) (or age fifty (50) prior to January 1, 2007). Except in the case of death or a Re-deferral, when the supplemental annuity payments under this Section are converted to a lump sum form of payment, such lump sum shall be calculated using the actuarial assumptions for calculations of lump sum benefits under the Pension Plan or Cash Balance Plan as applicable, on such date. Notwithstanding the foregoing, payments may be made to a Key Employee upon Separation from Service only in accordance with Section 6.2 of Part A of the Plan. Notwithstanding the foregoing, if the Participant chooses to receive the Pension Plan Benefits or the benefit under the Cash Balance Plan in the form of a Joint and 75% annuity, the NonGrandfathered Benefit shall be paid in the form of a Joint and 50% annuity. No Temporary Annuity Option (as described in the Pension Plan) and no Level Income Option (as described in the Cash Balance Plan) shall be available with respect to the NonGrandfathered Benefit.

**5.8 NonGrandfathered Benefits – Transition Elections**

With respect to Participants with NonGrandfathered Benefits that were earned or vested prior to December 31, 2007, transition distribution elections allowing for the election of optional forms of payment other than the lump sum form for NonGrandfathered Benefits, were filed by certain Participants with NonGrandfathered Benefits, and such elections shall be enforced and irrevocable except to the extent any NonGrandfathered Benefits are subsequently re-deferred as allowed under Section 8.16.

**5.9 NonGrandfathered Benefits – Death**

Notwithstanding any elections under, or provisions of, this Supplemental Plan to the contrary, with respect to NonGrandfathered Benefits, upon the Participant's death, NonGrandfathered Benefits shall be paid to the Participant's Beneficiary (to the extent payable), in a lump sum in the January (or the first of the month for deaths prior to January 1, 2007), following the later of the Participant's date of death or the date the Participant would have attained age fifty five (55) (or age fifty (50) for Participants in the Pension Plan who terminated or died prior to January 1, 2007). Such distribution shall be made regardless of any Re-deferral by the Participant under Section 8.16, and irrespective of whether the Participant is a Key Employee. When the supplemental annuity payments under this Section are converted to a lump sum form of payment, such lump sum shall be calculated using the actuarial assumptions for calculations of lump sum benefits under the Pension Plan or Cash Balance Plan as applicable in the January (or the first of the month for deaths prior to January 1, 2007), following the later of (i) the Participant's death, or (ii) at the time when the Participant would have attained age fifty five (55) (or age fifty (50) for Participants in the Pension Plan who terminated or died before January 1, 2007).

**5.10 NonGrandfathered Benefits – Disability**

Notwithstanding any elections under, or provisions of, this Supplemental Plan to the contrary, with respect to NonGrandfathered Benefits, such payments shall be paid in a lump sum at the latest to occur of: (i) the Participant's cessation of entitlement to benefits under the Company's long-term disability program; (ii) the Participant's Separation from Service; or (iii) the Participant's attainment of age 65. If the Participant subsequently recovers from Disability and resumes work with the Company, NonGrandfathered Benefits accrued to such date of return to work shall continue to be paid in accordance with the foregoing sentence. Any NonGrandfathered Benefits accrued thereafter shall be governed under Section 5.7 as if the Participant did not have the prior Disability.

# PART E
# TERMS APPLICABLE TO WYETH SUB-PLAN

## ARTICLE 1
## INTRODUCTION

1

This Part E applies to individuals who are Participants in the Wyeth Supplemental Executive Retirement Plan immediately prior to the Effective Date or who become Participants in the Plan thereafter pursuant to the eligibility and participation requirements of this Part E of the Plan.

The Plan supplements the benefits of Participants whose benefits under the Retirement Plan are limited as a result of Deferrals or by operation of the Code Limits.

## ARTICLE 2
## DEFINITIONS

2

**2.1 2005 Restatement Date**

2005 Restatement Date means January 1, 2005.

**2.2 25, 50, 75 or 100% Joint and Survivor Annuity**

25, 50, 75 or 100% Joint and Survivor Annuity has the meaning set forth in Section 5.6(a)(2).

**2.3 Boehringer Rule of 70 Participant**

Boehringer Rule of 70 Participant means an Eligible Employee who as of the date of his Separation from Service:

(a) Is fully vested in his Plan Benefit on the date that he incurs a Separation from Service;

(b) Is notified by the Company that he is eligible for the Boehringer Rule of 70 Benefit;

(c) Does not incur a Separation from Service in connection with Project Impact and is not eligible for the Pfizer Rule of 70 Benefit; and

(d) As of the date of the Participant's Separation from Service his combined age and Years of Vesting Service equals or exceeds 70.

An otherwise Eligible Employee who is employed at the Rouses Point location (other than an Eligible Employee who is covered by a transition benefit plan related to the Pfizer Agreement) or incurs a Separation from Service in connection with Project Impact, shall not be treated as a Boehringer Rule of 70 Participant.

**2.4 Code Limits**

Code Limits means Sections 401(a)(17) and 415 of the Code and any other provisions of the Code which limit the amount of benefits that a Participant may accrue or receive under or from the Retirement Plan.

**2.5 Company**

Company means, for purposes of this Part E, Wyeth.

**2.6 Company Non-Account Plan**

Company Non-Account Plan means any arrangement sponsored by the Company, other than the Plan, that is a "non-account balance plan," as such term is defined under Section 409A and that is required to be aggregated with the Plan under Treasury Regulation 1.409A-1I(2)(C).

**2.7 DCP**

DCP means the Prior DCP and the New DCP.

**2.8 DCP Option**

DCP Option has the meaning set forth in Section 5.6(a)(6).

**2.9 Default Payment Form**

Default Payment Form means (a) with respect to a Participant's Grandfathered Benefit, the form of payment elected by the Participant under the Retirement Plan; provided, however that if the Participant elects, following his Separation from Service, to receive his benefit under the Retirement Plan in the Lump-Sum Option, the form of annuity elected by the Participant under the Plan; and (b) with respect to a Participant's NonGrandfathered Benefit, the Lump-Sum Option.

**2.10 Deferral Plan**

Deferral Plan means each of the DCP, the Wyeth Supplemental Employee Savings Plan, as amended from time to time, and/or any other non-qualified plan of the Company designated from time to time by the Committee pursuant to which Participants may elect to defer annual, base compensation or annual, cash bonus compensation, sales bonuses or sales commissions.

**2.11 Deferrals**

Deferrals means any cash compensation earned by a Participant from the Company that is not taken into account in determining a Participant's accrued benefit under the Retirement Plan because of the Participant's election under a Deferral Plan to defer the receipt of such compensation.

**2.12 Early Commencement Factors**

Early Commencement Factors means the factors set forth in Appendix A.

**2.13 Elected Payment Date**

Elected Payment Date means (a) with respect to the Grandfathered Benefit, the first day of any month after a Participant's Separation from Service elected by the Participant in accordance with Section 5.2 and/or (b) with respect to the NonGrandfathered Benefit, the Normal Payment Date, unless the Participant elects the DCP Option in accordance with Section 5.3, or elects to redefer his NonGrandfathered Benefit into the DCP in accordance with Section 7, in which case Elected Payment Dates shall be determined in accordance with the applicable terms of the DCP.

**2.14 Elected Payment Form**

Elected Payment Form means the Payment Form elected by a Participant (a) for the payment of his Grandfathered Benefit in accordance with Section 5.2, and/or (b) for the payment of his NonGrandfathered Benefit in accordance with Section 5.3 or Section 7.

**2.15 Eligible Employee**

Eligible Employee means an Employee of the Company (a) whose terms and conditions of employment are not subject to a collective bargaining agreement, (b) whose rate of annual base compensation for a calendar year equals or exceeds $155,000.00, and (c) who is eligible to participate in the Retirement Plan. Notwithstanding the foregoing, an individual shall not become an "Eligible Employee" until the first day of the month following the date on which such individual satisfies the requirement of clause (c) of the previous sentence. An Employee shall also be eligible under this Part E of the Plan if he or she is entitled to benefits under the part of the PCPP PR for the Puerto Rico portion of the Wyeth Retirement Plan — U.S., but only with respect to such benefits that are limited by a provision of the Puerto Rico Code.

**2.16 Lump-Sum Option**

Lump-Sum Option has the meaning set forth in Section 5.6(a)(5).

**2.17 New DCP**

New DCP means the Wyeth 2005 (409A) Deferred Compensation Plan, as amended and restated as of the 2005 Restatement Date, and as subsequently amended from time to time thereafter.

**2.18 Normal Retirement Date**

Normal Retirement Date means the first day of the first month following a Participant's 65th birthday, unless such birthday falls on the first of the month, in which case Normal Retirement Date means the Participant's 65th birthday.

**2.19 Normal Payment Date**

Normal Payment Date means (a) with respect to a Participant's Grandfathered Benefit, the following: (i) if the Payment Form is other than the Lump-Sum Option or the DCP Option, the first day of the first period for which an amount is payable to the Participant under the Retirement Plan; and (ii) if the payment form is the Lump-Sum Option, the Payment Date specified in Section 5.2(c); and (b) with respect to a Participant's NonGrandfathered Benefit, the following: (i) for a Participant who incurs a Separation from Service with a Vested Plan Benefit prior to attaining age 55, the first day of the month coincident with or next following the month in which he attains age 55; and (ii) for a Participant who incurs a Separation from Service with a Vested Plan Benefit on or after attaining age 55, the first day of the month following his Separation from Service. Notwithstanding the foregoing, any payment made within 90 days of the Normal Payment Date shall be considered to be made on the Normal Payment Date.

**2.20 Participant**

Participant means an Eligible Employee who has met the requirements for participation in the Plan in accordance with Section 3.

**2.21 Payment Date**

Payment Date means the Elected Payment Date or, if no such date has been elected or is permitted to be elected by the Participant, the Normal Payment Date, in each case for the commencement of payment of a Plan Benefit. References to Commencement Date in the provisions of Part A of the Plan shall be deemed to refer to Payment Date in applying such provisions with respect to Participants covered under this Part E.

**2.22 Payment Delay Period**

Payment Delay Period means, solely with respect to a Lump-Sum Option payment of a Participant's Grandfathered Benefit, the twelve-month period beginning on the first day of the month following the month in which occurs the Participant's Separation from Service.

**2.23 Payment Election**

Payment Election means the elections made by a Participant for his Grandfathered Benefit and/or NonGrandfathered Benefit, as applicable, under Section 5 or Section 7, as applicable.

**2.24 Payment Form**

Payment Form means the Elected Payment Form or, if no such form is elected or is permitted to be elected by the Participant, the Default Payment Form, in each case for the payment of a Plan Benefit.

**2.25 Plan**

Plan means, for purposes of this Part E, this Wyeth Supplemental Executive Retirement Plan, as amended from time to time and as set forth in this Part E of the Plan.

**2.26 Plan Benefit**

Plan Benefit means, as of a given date, the benefit, expressed as a Single Life Annuity commencing at the Participant's Normal Retirement Date, that a Participant has accrued under the Plan in accordance with Section 4.2.

**2.27 Pfizer Rule of 70 Participant**

Pfizer Rule of 70 Participant means an Eligible Employee who, as of the date of his Separation from Service:

(a) Is fully vested in his Plan benefit;

(b) has been involuntarily terminated from the Company prior to the end of the two-year period commencing on the Closing Date (as defined in the Agreement and Plan of Merger), dated as of January 25, 2009, by and among Pfizer Inc., Wagner Acquisition Corp., and Wyeth (the Pfizer Agreement"),

(c) Has been notified by the Company that he is eligible for the Rule of 70 in connection with Pfizer Inc.'s acquisition of the Company (the "Pfizer Rule of 70 Benefit"), and

(d) Has a combined age and Years of Vesting Service equal to or in excess of 70.

An otherwise Eligible Employee who is employed at the Rouses Point location (other than an Eligible Employee who is covered by a transition plan related to the Pfizer Agreement) or who incurs a Separation from Service in connection with Project Impact, shall not be treated as a Pfizer Rule of 70 Participant.

**2.28 Prior DCP**

Prior DCP means the terms of the Wyeth Deferred Compensation Plan (as amended and restated as of November 20, 2003), as set forth in the Company's written documentation, rules, practices and procedures applicable to such plan (but without regard to any amendments thereto after October 3, 2004 that would result in any material modification of such plan, within the meaning of Section 409A).

**2.29 Prior Plan**

Prior Plan means the terms of the Plan in effect immediately prior to the 2005 Restatement Date, as set forth in the Company's written documentation, rules, practices and procedures applicable to the Plan (but without regard to any amendments thereto after October 3, 2004 that would result in any material modification of the Grandfathered Benefit, within the meaning of Section 409A).

**2.30 Retirement Eligible**

Retirement Eligible means a Participant who, as of the date of his Separation from Service, is (a) at least age 55 with at least five Years of Vesting Service or (b) at least age 65.

**2.31 Retirement Plan**

Retirement Plan, with respect to Part E of the Plan, means the Wyeth Retirement Plan - United States, as amended from time to time and as currently set forth in Part E of the PCCP, and with respect to a Participant who effective December 30, 2010, became a Participant in the PCPP PR, Retirement Plan shall mean the PCPP PR.

**2.32 Rule of 70 Participant**

Rule of 70 Participant means and Eligible Employee who as of the date of his Separation from Service:

(a) Is fully vested in his Plan Benefit on the date that he incurs a Severance From Service;

(b) Is involuntarily terminated by the Company (A) prior to the end of the two year period that commences on the Closing Date as defined in the Agreement and Plan of Merger, dated as of January 25, 2009, by and among Pfizer, Inc., Wagner Acquisition Corp., and Wyeth (the "Pfizer Agreement"), and is notified by the Company that he is eligible for the Pfizer Rule of 70 Benefit in connection with Pfizer Inc.'s acquisition of the Company; or (B) is involuntarily terminated by the Company on or after October 16, 2011, is a U.S. legacy Wyeth manufacturing employee terminated in connection with the restructuring at the Pearl River, New York and Richmond, Virginia manufacturing sites and is notified by the Company that he is eligible for the Pfizer Rule of 70 Benefit in connection with such restructuring; or (C) is involuntarily terminated by the Company in connection with the ESI implementation on or after October 16, 2011, with an exit before June 19, 2012, is a U.S. legacy Wyeth and is notified by the Company that he is eligible for the Pfizer Rule of 70 Benefit in connection with Pfizer Inc.'s ESI implementation;

(c) The Participant's base salary for the calendar year prior to the calendar year in which he incurs a Severance From Service is more than or equal to $155,000; and

(d) As of the date of his Separation from Service, has a combined age and Years of Vesting Service equal to or in excess of 70.

**2.33 Separation from Service**

Separation from Service means (a) as defined in Part A for purposes of NonGrandfathered Benefits, and (b) for purposes of the Grandfathered Benefit, "Separation from Service" shall be determined in accordance with the terms of the Prior Plan.

**2.34 Single Life Annuity**

Single Life Annuity has the meaning set forth in Section 5.6(a)(1).

**2.35 Ten Year Certain and Life Option**

Ten Year Certain and Life Option has the meaning set forth in Section 5.6(a)(3).

**2.36 Transition Elections**

Transition Elections means elections made by a Participant prior to January 1, 2009 in accordance with the provisions of Notices 2005-1, 2006-79 and 2007-86 promulgated by the U.S. Treasury Department and the Internal Revenue Service and the Proposed Regulations under Section 409A, 70 Fed. Reg. 191 (Oct 4, 2005).

**2.37 Valid Notional Rollover**

Valid Notional Rollover means a notional rollover constituting a full and complete settlement of the Company's obligations to the Participant with respect to the portion of the Grandfathered Benefit credited to the Prior DCP or the NonGrandfathered Benefit credited to the New DCP by a Participant who is Retirement Eligible at the time of his Separation from Service.

**2.38 Vested Plan Benefit**

Vested Plan Benefit means a Plan Benefit that has vested in accordance with Section 4.3.

**2.39 Wyeth Retirement Plans**

Wyeth Retirement Plans means the Retirement Plan, the American Cyanamid and Subsidiaries Supplemental Employees Retirement Plan and the American Cyanamid and Subsidiaries ERISA Excess Plan.

**2.40 Year of Vesting Service**

Year of Vesting Service has the meaning ascribed to it in the Retirement Plan as of January 1, 2006 and, prior to such date, has the meaning ascribed to "Continuous Service", as such term was defined in the Retirement Plan prior to January 1, 2006.

**ARTICLE 3**
**PARTICIPATION**

3
**3.1 Continuing Participants**

Any individual who participated in the Prior Plan immediately prior to the 2005 Restatement Date continued to be a Participant in the Plan on such date.

**3.2 New Participants**

An Employee of the Company who does not become a Participant in the Plan in accordance with Section 3.1 shall commence participation in the Plan as of the date on which such Employee first becomes an Eligible Employee. Eligible Employees shall not accrue any Plan Benefit prior to their commencement of participation in the Plan; provided that when participation commences at Participant's accrued Plan Benefit shall be calculated as of the later of the date the Participant was first employed by the Company and the date the Participant reached age 21.

**3.3 Enrollment**

Each Participant shall complete, execute and return to the Administrative Record Keeper such forms as are required from time to time by the Administrative Record Keeper, and such forms shall be submitted to the Administrative Record Keeper within such time periods specified by the Administrative Record Keeper. A Participant's failure to submit in a complete and timely manner any such forms to the Administrative Record Keeper shall subject the Participant to the default rules specified in the Plan. For purposes of the Plan, "'forms" prescribed by the Administrative Record Keeper can be in paper, electronic or such other media (or combination thereof) as the Administrative Record Keeper shall specify from time to time.

**3.4 Exclusions**

No employee of the Company who is not an Eligible Employee shall be eligible to participate in the Plan. In addition, the Committee may, if it determines it to be necessary or advisable to comply with ERISA, the Code or other

applicable law, exclude one or more Eligible Employees or one or more classes of Eligible Employees from Plan participation.

**ARTICLE 4**
**PLAN FORMULA AND VESTING**

4

**4.1 Applicability of Prior Plan**

The benefit payable to a Participant who had a Separation from Service prior to the 2005 Restatement Date shall be governed by the terms of the Prior Plan as in effect on the date of his Separation from Service.

**4.2 Plan Benefit Formula**

The Plan Benefit of a Participant who has a Separation from Service on or after the 2005 Restatement Date shall equal the positive difference , if any, that results from subtracting the amount determined under Section 4.2(b) from the amount determined under Section 4.2(a):

(a) The Participant's annual accrued benefit under the terms of the "Final Average Annual Pension Earnings" formula of the Retirement Plan calculated as of the date of the Participant's Separation from Service as if:

(i) for purposes of calculating such accrued benefit, the Participant's compensation for each calendar year included the Participant's Deferrals for each such calendar year; and

(ii) for purposes of calculating such accrued benefit, except with respect to a Puerto Rico Participant who effective December 30, 2010, became a Participant in the PCPP PR and consented to the transfer of his benefit hereunder to the PCPP PR, the Code Limits did not apply.

less

(b) The Participant's annual accrued benefit under the Wyeth Retirement Plans, as of the date of the Participant's Separation from Service.

(c) Rate of Annual Earnings . The Rate of Earnings to be included in the determination of "Final Average Annual Pension Earnings" under Section 2.19 of the Retirement Plan means:

(i) Except as provided in (ii), the sum of

(A) base salary rate (including 401(k) salary deferral contributions, elective contributions to a plan subject to Section 125 of the Code and elective amounts that are not includible in the gross income of the Employee by reason of Section 132(f)(4) of the Code) as of April 1st of each Plan Year starting on or after January 1, 2011, and January 1st of each Plan Year starting prior to January 1, 2011 (except that for any Participant with a Severance From Service Date between January 1, 2011 and March 31, 2011, it shall be the base salary rate in effect on January 1, 2011),

(B) cash bonuses paid by the Company or an Associate Company in such Plan Year, including any payments under the Wyeth Performance Incentive Award Program ("PIA") or its successor plan, and

(C) overtime earnings, shift differentials and premium pay, sales commissions, and sales bonuses paid in the prior Plan Year.

(ii) Notwithstanding the foregoing:

(A) The Rate of Annual Earnings shall exclude any amounts deferred under any nonqualified deferred compensation plan; and

(B) For a Participant whose base salary on the date of his Severance From Service is equal to or more than $155,000, and who has attained his Early Retirement Date prior to the earlier of December 31, 2017 or Severance From Service and is actively employed in the U.S. on December 31, 2017, subparagraph (i)(B) above shall be substituted with the following if such substitution shall result in a larger Accrued Benefit for the Participant: "(B) cash bonuses paid by the Company or an Associate Company in the year earned, including any payments under the Wyeth Performance Incentive Award Program ("PIA") or its successor plan, and for the year of retirement the annualized PIA bonus received in the year of retirement shall be used provided that the annualized PIA bonus in the year of retirement cannot be greater than the largest PIA bonus percentage received in either of the previous two years multiplied by the final year's annual base salary rate; and."

**4.3 Vesting**

Anything in the Plan to the contrary notwithstanding, no Plan Benefit or other amount shall be payable to a Participant under the Plan unless the Participant has either (a) completed three Years of Vesting Service or (b) is at least age 60, in each case, as of the date of the Participant's Separation from Service. Notwithstanding the foregoing, all Affected Employees (as defined in the Amended and Restated Asset Purchase Agreement, dated September 17, 2009, by and among Pfizer Inc., Wyeth and Boehringer Ingelheim Vetmedica, Inc. (the "Boehringer Agreement")) shall become 100% vested in their Plan Benefits as of the Closing Date (as defined in the Boehringer Agreement).

**4.4 Plan Benefit Components.**

(a) Grandfathered Benefit

1. The portion of a Participant's Plan Benefit which is a Grandfathered Benefit (and the procedures applicable to a Participant's election to receive such Grandfathered Benefit, which are set forth in Section 5.2) shall be based upon the terms of the Prior Plan and the Retirement Plan in effect immediately prior to the 2005 Restatement Date, disregarding for this purpose any change or amendment to the terms of the Retirement Plan effective after October 3, 2004 that would result in any material modification, within the meaning of Section 409A of the Grandfathered Benefit.

2. The Grandfathered Benefit of a Puerto Rico Participant shall comprise (i) the portion of his Plan Benefit that was earned and vested as of December 31, 2004 and (ii) the portion of his Plan Benefit that was earned or vested on or alter January 1, 2005, but only in the event such Puerto Rico Participant does not become employed by the Company in the United States (other than in Puerto Rico) on or after January 1, 2005.

3. A Participant's Grandfathered Benefit shall not be increased if the payment of the Grandfathered Benefit is made after the Participant's Normal Retirement Date.

(b) NonGrandfathered Benefit . A Participant's NonGrandfathered Benefit shall mean any portion of the Participant's Plan Benefit which is not a Grandfathered Benefit.

(c) Special Adjustment at Separation from Service to the NonGrandfathered Benefit . Solely to the extent necessary to comply with Section 409A, a special allocation shall be made to the Plan Benefit of a Participant who was not eligible to retire under the Plan as of December 31, 2004 with a subsidized early retirement benefit (solely by reason of the Participant as of December 31, 2004 not having ten or more Years of Vesting Service as of such date) and who subsequently becomes eligible to retire under the Plan with a subsidized early retirement benefit (including on account of becoming a Rule of 70 Participant) at a later date. For such a Participant, any early

retirement subsidy earned by the Participant based on Years of Vesting Service credited for periods after December 31, 2004 and attributable to the Participant's Grandfathered Benefit shall be treated for all purposes of the Plan as part of the Participant's NonGrandfathered Benefit. The adjusted NonGrandfathered Benefit (including the subsidized portion of the Grandfathered Benefit that is treated by operation of this Section 4.4(c) as part of the NonGrandfathered Benefit) shall be determined at the time of the Participant's Separation from Service by the formula [(X – Y)/Z], where " X " is the Plan Benefit multiplied by the applicable subsidized Early Commencement Factor set forth in Appendix A ; where " Y " is the Grandfathered Benefit multiplied by the applicable unsubsidized Early Commencement Factor set forth in Appendix A ; and where " Z " is the applicable subsidized Early Commencement Factor set forth in Appendix A (all such Early Commencement Factors to be determined based upon the Participant's (including on account of becoming a Rule of 70 Participant) age and Years of Vesting Service at Separation from Service).

(d) Other Actuarial Rules and Procedures . The Committee shall from time to time promulgate such additional rules and procedures as the Committee deems necessary or advisable to facilitate the calculation and allocation of a Participant's Plan Benefit between the Grandfathered Benefit and the NonGrandfathered Benefit in a manner that is intended to result in Section 409A Compliance.

**4.5 Payment Prior to Normal Retirement**

If the Payment Date for a Participant's Grandfathered Benefit and/or NonGrandfathered Benefit, as applicable, is prior to the Participant's Normal Retirement Date, then the amount of the Grandfathered Benefit and/or NonGrandfathered Benefit, as applicable, shall be reduced for early commencement by the applicable Early Commencement Factors set forth in Appendix A .

**4.6 Rule of 70 Benefit**

(a) The Boehringer Rule of 70 Benefit shall be equal to the benefit that the Boehringer Rule of 70 Participant would receive under the Retirement Plan if he was eligible for the Rule of 70 benefit under Section 4.3(d) of the Retirement Plan. The Boehringer Rule of 70 Benefit shall be paid on the Normal Payment Date and in the Default Payment Form.

(b) The Pfizer Rule of 70 Benefit shall equal the benefit that the Pfizer Rule of 70 Participant would receive under the Retirement Plan if he was eligible for the Rule of 70 benefit under Section 4.3(d) of the Retirement Plan. The Pfizer Rule of 70 Benefit shall be paid on the Normal Payment Date in the Default Payment Form.

**4.7 Benchmark Rule of 70 Benefit**

The Benchmark Rule of 70 Benefit hereunder shall be equal to the benefit that a Participant would have been eligible for provided in Section 4.3(f) of the Retirement Plan but for the fact that such Participant does not make less than $155,000. The Benchmark Rule of 70 Benefit shall be paid on the Normal Payment Date in the Default Payment Form.

**4.8 Wyeth Change in Control Plan Benefit**

Any benefit payable pursuant to Section 4(iv)(D) of the applicable change in control agreement, shall be payable hereunder.

**ARTICLE 5**
**PAYMENT ELECTIONS**

5
**5.1 General Rules**

(a) Separate Elections . Subject to Section 5.3 hereof, a Participant shall be permitted to make a separate Payment Election for his Grandfathered Benefit and his NonGrandfathered Benefit. The rules applicable to

Payment Elections for Grandfathered Benefits are set forth in Section 5.2. The rules applicable to Payment Elections for NonGrandfathered Benefits are set forth in Section 5.3.

(b) Section 409A Transition . The Transition Elections made by a Participant shall supplement and, to the extent inconsistent therewith, shall supersede the corresponding provisions of this Section 5.

**5.2 Payment Elections for Grandfathered Benefits**

(a) Election Form and Election Timing . A Participant may elect prior to or in connection with his Separation from Service to have his Grandfathered Benefit paid in any of the available forms of payment described in Section 5.6. The Elected Payment Form for a Grandfathered Benefit may be different from the form of payment elected by the Participant under the Retirement Plan. A Participant shall make his Payment Election for his Grandfathered Benefit prior to the date of, or in connection with, the Participant's Separation from Service, and if no Payment Election is made prior to the date of, or in connection with, the Participant's Separation from Service, the Participant's Grandfathered Benefit shall be payable in the Default Payment Form on the applicable Normal Payment Date.

(b) Payment Date for Annuities . If the Payment Form for a Participant's Grandfathered Benefit is other than the Lump-Sum Option or the DCP Option, the payment of the Participant's Grandfathered Benefit shall commence on the Participant's applicable Normal Payment Date, unless the Participant has specified an Elected Payment Date. An Elected Payment Date for an annuity shall not be earlier than the first day of the month coincident with or next following the month in which a Participant attains age 55, and shall not be later than the Participant's Normal Retirement Date (or, if the Participant's Separation from Service is later, the first day of the month following the month in which occurs the Participant's Separation from Service).

(c) Payment Dates for Lump-Sum Option . A Participant shall not be permitted to specify an Elected Payment Date for his Grandfathered Benefit if such Grandfathered Benefit is payable in the Lump-Sum Option. The Payment Date for such Lump-Sum Option shall be determined in accordance with the following provisions:

1. Participants Who Are Not Retirement Eligible . If a Participant who is not Retirement Eligible at the time of his Separation from Service has elected prior to, or in connection with, his Separation from Service the Lump-Sum Option for the payment of his Grandfathered Benefit, such Lump-Sum Option shall be paid on the later of (i) the first day of the first month following the expiration of the Payment Delay Period and (ii) the first day of the month coincident with or next following the month in which the Participant attains age 55.

2. Participants Who Are Retirement Eligible . If a Participant who is Retirement Eligible at the time of his Separation from Service has elected prior to, or in connection with, his Separation from Service the Lump-Sum Option for the payment of his Grandfathered Benefit, such Lump-Sum Option shall be paid on the first day of the first month following the end of the Payment Delay Period.

If payment of a Participant's Lump-Sum Option is delayed under this Section 5.2(c) solely by operation of the Payment Delay Period, the Participant's Grandfathered Benefit shall be credited with interest on a quarterly basis during the applicable portion of the Payment Delay Period based upon the interest rate being used to determine Lump-Sum Option payments under the Retirement Plan for each such quarter. In the event a Participant dies during the Payment Delay Period, his Grandfathered Benefit shall be paid to his Beneficiary together with any interest credited thereto in a lump-sum payment as soon as administratively practicable after such Participant's death.

(d) Valid Notional Rollovers to the Prior DCP . A Participant who elects prior to, or in connection with, his Separation from Service to receive his Grandfathered Benefit in the Lump-Sum Option shall be permitted, in accordance with the deferral rules of the Prior Plan, to elect prior to, or in connection with, his Separation from Service the DCP Option for some or all of the amount otherwise payable in the Lump-Sum Option. The effective date of the Valid Notional Rollover made in connection with the DCP Option will be the date that the portion of the Lump-Sum Option subject to the Valid Notional Rollover would otherwise have been paid to the Participant under Section

5.2(c) (determined, solely for this purpose, without regard to the Payment Delay Period). Any such Valid Notional Rollover shall be subject to the applicable terms and provisions of the Prior DCP. Notwithstanding anything herein to the contrary, no amount shall be distributed under the Prior DCP on account of a Valid Notional Rollover prior to the conclusion of the Payment Delay Period.

(e) Special Default Rule . If the portion of a Participant's Plan Benefit that is intended to be a Grandfathered Benefit shall, for any reason, become subject to Section 409A, such benefit shall be paid in accordance with the Payment Election (or applicable default payment rule) for such Participant's NonGrandfathered Benefit.

**5.3 Payment Elections for NonGrandfathered Benefits**

This Section 5.3 applies notwithstanding anything to the contrary in Part A of the Plan, except as required by law.

(a) Election Timing; Participants Who Accrue a Plan Benefit Prior to January 1, 2009 . An employee who first becomes a Participant and accrues a NonGrandfathered Benefit prior to January 1, 2009, and an employee who is hired prior to November 1, 2008 with an annual base salary of $230,000.00 or more (the " 2008 New Executives ") shall make, by no later than December 31, 2008, a Transition Election with respect to his NonGrandfathered Benefit; provided , however , that an election made in 2008 shall apply solely to the amount that would not otherwise be payable to him in 2008 and shall not cause any amounts to be paid to him in 2008 that would not otherwise be payable to him in 2008. For purposes of clarification, a Participant accrues a benefit under the Plan only to the extent that a Participant's benefits under the Retirement Plan are limited as a result of Deferrals or by operation of Code Limits.

(b) Payment Date for Participants Who Accrue a Plan Benefit Prior to January 1, 2009 . An employee who first becomes a Participant and accrues a Plan Benefit prior to January 1, 2009 shall receive or commence receiving payment of his NonGrandfathered Benefit on the Participant's applicable Normal Payment Date, unless (i) the Participant (A) elects in accordance with his Transition Election the DCP Option for all or a portion of his NonGrandfathered Benefit and (B) specifies an Elected Payment Date in accordance with this Section 5.3 or (ii) the Participant makes a redeferral election in accordance with Section 7.

(c) Payment Forms for Participants Who Accrue a Plan Benefit Prior to January 1, 2009 . An employee who first becomes a Participant and accrues a Plan Benefit prior to January 1, 2009 may elect to receive his NonGrandfathered Benefit in any of the available forms of payment described in Section 5.6. The Elected Payment Form for a NonGrandfathered Benefit may be different than the form of payment elected by the Participant under the Retirement Plan. If a Participant does not specify an Elected Payment Form for his NonGrandfathered Benefit, such Participant's NonGrandfathered Benefit shall be paid in the Default Payment Form. A Participant may only elect one payment form for his NonGrandfathered Benefit, unless he elects the DCP Option. In the event a Participant elects to receive a portion of his NonGrandfathered Benefit in the form of the DCP Option, the remainder of the Participant's Plan Benefit shall be paid in the Default Payment Form.

(d) Special Rule for Certain Executives Hired in 2008 . A 2008 New Executive shall be entitled to make a contingent Payment Election prior to December 31, 2008 with respect to any NonGrandfathered Benefit to which he may be entitled in the future. A 2008 New Executive shall be permitted to make the same Payment Elections with respect to his NonGrandfathered Benefit, as an employee who first becomes a Participant and accrues a Plan Benefit prior to January 1, 2009.

(e) Separation from Service in 2009 . If a Participant described in Section 5.3(a) makes a Payment Election during 2008, incurs a Separation from Service between January 1, 2009 and December 31, 2009 and has elected to receive his NonGrandfathered Benefit in a Lump-Sum Option, such payment of the Lump-Sum Option shall not be made until January 1, 2010. If the payment of a Lump-Sum Option is delayed beyond the Normal Payment Date in accordance with the previous sentence, a Participant's NonGrandfathered Benefit shall be credited with interest on a quarterly basis based upon the interest rate being used to determine Lump-Sum Option payments under the Retirement Plan for each quarter of such delay. In the event a Participant dies during the period of any such delay, his NonGrandfathered Benefit shall be paid to his Beneficiary together with any interest credited thereto in a lump-sum payment on the tenth day of the month following the date of such Participant's death.

(f) Payment Date and Payment Form for Participants Who Accrue a Plan Benefit On or After January 1, 2009 . A Participant who first accrues a Plan Benefit on or after January 1, 2009 (other than a 2008 New Executive), shall receive his NonGrandfathered Benefit on the Normal Payment Date and in the Default Payment Form. Such Participant shall not be permitted to select an Elected Payment Date or an Elected Payment Form; provided , however , that such Participant shall be permitted to make a redeferral election in accordance with Section 7.

(g) Payment Date and Payment Form for Participants Who Transfer from Puerto Rico to the United States . Notwithstanding anything in Section 5.3 to the contrary, a Puerto Rico Participant shall receive his NonGrandfathered Benefit on the Normal Payment Date and in the Default Payment Form. Such Puerto Rico Participant shall not be permitted to select an Elected Payment Date or an Elected Payment Form; provided , however , that such Puerto Rico Participant shall be permitted to make a redeferral election in accordance with Section 7.

(h) Rehire . Notwithstanding the foregoing provisions of Section 5.3, an Eligible Employee who is rehired by the Company or otherwise again becomes an Eligible Employee, alter accruing a NonGrandfathered Benefit under the Plan or a benefit under any other Company Non-Account Plan shall not be entitled to make a Payment Election. In the event such an Eligible Employee previously Separated from Service with the Company, payment of his NonGrandfathered Benefit accrued prior to such Separation from Service shall not be suspended or otherwise delayed and any additional NonGrandfathered Benefit accrued by such an Eligible Employee shall be paid on the Normal Payment Date and in the Default Payment Form. In the event such an Eligible Employee did not incur a Separation from Service, the additional benefit accrued by the Participant shall be distributed on the Payment Date and in the Payment Form applicable to the NonGrandfathered Benefit previously accrued by the Participant.

(i) Modifying a Payment Form . An Employee who first becomes a Participant and accrues a Plan Benefit prior to January 1, 2009 and who elects to receive his NonGrandfathered Benefit in an annuity Payment Form described in Section 5.6(a)(1) or (2) may, at any time prior to the Payment Date for such NonGrandfathered Benefit, elect to have his NonGrandfathered Benefit paid in another annuity Payment Form described in Section 5.6(a)(1) or (2) that is the actuarial equivalent of the original annuity elected by the Participant. For this purpose, actuarial equivalence shall be determined in accordance with Section 5.6(b). Except as permitted by Section 7, a Participant who elects to have his NonGrandfathered Benefit paid in the form of a Ten-Year Certain and Life Option. Lump-Sum Option or DCP Option shall not be permitted to change the Payment Form so elected.

(j) Valid Notional Rollovers to the New DCP . An Employee who first becomes a Participant and accrues a Plan Benefit prior to January 1, 2009 shall be permitted to elect the DCP Option for some or all of the amount otherwise payable under the Plan, provided that in the event that such Participant elects the DCP Option for only a portion of his NonGrandfathered Benefit, he shall receive the remaining portion of his NonGrandfathered Benefit in the Lump Sum Option. The effective date of the Valid Notional Rollover made in connection with the DCP Option will be the first day of the month following the Participant's Separation from Service, even if the portion of the Participant's NonGrandfathered Benefit subject to the Valid Notional Rollover would otherwise have been paid to the Participant at a later date. Any such Valid Notional Rollover shall be subject to the terms of the New DCP. If a Participant who has elected the DCP Option is not Retirement Eligible at the time of his Separation from Service, then (i) the election of the DCP Option shall be void and of no force and effect and (ii) the Participant's NonGrandfathered Benefit shall be paid on the Default Payment Date and in the Default Payment Form.

**5.4 Payment of *De Minimis* Grandfathered Amounts**

See Section 7.2(b) of Part A of the Plan. Lump-sum values under this Section 5.4 shall be determined using the same actuarial assumptions as would be applied under the Retirement Plan for the purpose of determining the actuarial equivalent Lump-Sum Option value of Retirement Plan benefits of the Participant as of the date of his Separation from Service.

**5.5 Certain Accelerated Payments of 409A Amounts**

See Section 7.3 of Part A of the Plan.

**5.6 Available Forms of Payment**

(a) Forms of Payment . A Participant's Grandfathered Benefit and/or NonGrandfathered Benefit, as applicable, may be paid in the forms of payment available under the Retirement Plan as follows; provided , however , that a Participant who first accrues a Plan Benefit on or after January 1, 2009 (other than the 2008 New Executives) may only receive payment of his NonGrandfathered Benefit in the Lump-Sum Option:

1. " Single Life Annuity " means a Participant's Grandfathered Benefit and/or NonGrandfathered Benefit, as applicable, payable as an annuity in equal monthly installments over the life of the Participant, commencing as of the Payment Date and terminating in the month in which the Participant dies, with no further payments thereafter.

2. " 25, 50, 75 or 100% Joint and Survivor Annuity " means a Participant's actuarially reduced Grandfathered Benefit and/or NonGrandfathered Benefit, as applicable, payable as an annuity in equal monthly installments over the life of the Participant, commencing as of the Payment Date and terminating in the month in which the Participant dies, with a survivor contingent annuity for the life of the Participant's surviving contingent annuitant, commencing in the month following the month in which the Participant died and terminating in the month in which the Participant's surviving contingent annuitant dies, which is either 25%, 50%, 75% or 100% of the monthly payment to the Participant, as elected by the Participant. Following such contingent annuitant's death, no further payments shall be made.

3. " Ten Year Certain and Life Option " means a Participant's actuarially reduced Grandfathered Benefit and/or NonGrandfathered Benefit, as applicable, payable in monthly installments over the life of the Participant, commencing as of the Payment Date, with a guarantee that if the Participant dies within 120 months ( *i.e.* , ten years) of the applicable Payment Date, such reduced Grandfathered Benefit and/or NonGrandfathered Benefit, as applicable, shall be paid to the Participant's Beneficiary the balance of the 120 month ( *i.e.* , ten year) for guaranteed period in the month following the month in which the date of the Participant's death occurs, or, upon the Participant's death, if the Participant's Beneficiary so elects with respect to the Grandfathered Benefit, the commuted value of the remaining payments shall be paid to such Beneficiary in a lump-sum amount. If the Participant survives the 120 month ( *i.e.* , ten year) guaranteed period, he shall continue to receive the actuarially reduced Grandfathered Benefit and/or NonGrandfathered Benefit, as applicable, through the month in which the Participant dies.

4. " Lump-Sum Option " means the actuarial equivalent of a Participant's Grandfathered Benefit and/or NonGrandfathered Benefit, as applicable, payable in a cash lump sum on the Payment Date.

5. " DCP Option " means the actuarial equivalent of a Participant's Grandfathered Benefit and/or NonGrandfathered Benefit, as applicable (or the applicable portion thereof) that the Participant elects, in accordance with the terms of the Plan, to convert into a cash lump-sum amount to be credited in a Valid Notional Rollover to the DCP. A Participant who elects the DCP Option with respect to some or all of his Grandfathered Benefit shall be subject to the applicable terms and provisions of the Prior DCP and shall have the amount of the Valid Notional Rollover credited to the Prior DCP. A Participant who elects or contingently elects the DCP Option with respect to some or all of his NonGrandfathered Benefit shall be subject to the applicable terms and provisions of the New DCP, shall be required to make his payment elections under the New DCP at the time the DCP Option is elected and shall have the amount of the Valid Notional Rollover credited to the New DCP.

(b) Actuarial Equivalence . The actuarial equivalence of forms of payment in Sections 5.6(a)(1) through (4) above of a Grandfathered Benefit and/or NonGrandfathered Benefit, as applicable, shall be determined in accordance with the factors and assumptions specified in the Retirement Plan (or such other factors or assumptions

specified from time to time by the Committee), in a manner which is intended to result in compliance with Code Section 409A.

## ARTICLE 6
## DEATH BENEFITS

6

### 6.1 No Vesting Solely as a Result of Death

No survivor or death benefit shall be payable to any person under this Section 6 in respect of a Participant unless the Participant had a Vested Plan Benefit on the date of the Participant's death (or, if earlier, the date of the Participant's Separation from Service). If a death benefit is payable under this Section 6, no other amounts shall be payable in respect of a Participant under the Plan, and the default payment rules and any prior Payment Elections made by the Participant shall be disregarded.

### 6.2 Death on or After Payment Date

If a Participant dies on or after his Payment Date, (i) no survivor or death benefit shall be payable under this Section 6, (ii) any survivor or death benefits payable under the Plan shall be based solely upon the Payment Form applicable to the Participant, and (iii) no survivor or death benefits shall be payable under the Plan if the applicable Payment Form (e.g., a Single Life Annuity) does not contemplate the payment of any survivor or death benefits. The terms and provisions of the DCP (and not the Plan) shall govern the payment of any death benefit in respect of the portion of a Participant's Plan Benefit that has been credited under the DCP in connection with a Valid Notional Rollover. Solely for purposes of this Section 6, the Payment Date for the portion of a Participant's Plan Benefit that is transferred to the DCP in a Valid Notional Rollover shall be the date as of which the amount subject to the Valid Notional Rollover is first credited to the DCP.

### 6.3 Death on or After Attaining Age 55 and Prior to Payment Date; Participants Who Accrue a Plan Benefit Prior to January 1, 2009

If a Participant with a Vested Plan Benefit, who first becomes a Participant and accrues a Plan Benefit prior to January 1, 2009 (or who is a 2008 New Executive), dies on or after attaining age 55 and prior to the Participant's Payment Date, the Participant's surviving Spouse, if any, shall be eligible, subject to a Participant's election under Section 6.8, for a survivor annuity under the Plan calculated under Section 4.2 (and reduced for early commencement in accordance with the applicable Early Commencement Factor from Appendix A) as if (i) the Participant had elected a 50% Joint and Survivor Annuity commencing immediately prior to the date of the Participant's death and (ii) the Participant died immediately following the commencement of such annuity. The survivor annuity contemplated by this Section 6.3 shall commence in the month following the month in which the Participant died and shall terminate in the month in which the surviving Spouse dies.

### 6.4 Death Prior to Attaining Age 55 and Prior to Payment Date; Participants Who Accrue a Plan Benefit Prior to January 1, 2009

If a Participant with a Vested Plan Benefit, who first becomes a Participant and accrues a Plan Benefit prior to January 1, 2009 (or who is a 2008 New Executive), dies prior to attaining age 55 and prior to the Participant's Payment Date, the Participant's surviving Spouse, if any, shall be eligible, subject to a Participant's election under Section 6.8, for a survivor annuity under the Plan calculated under Section 4.2 (and reduced for early commencement in accordance with the applicable Early Commencement Factor from Appendix A) as if (i) the Participant incurred a Separation from Service on the date of death or, if earlier, on the date of Separation from Service, (ii) the Participant survived until age 55, (iii) the Participant incurred a Separation from Service having elected a 50% Joint and Survivor Annuity commencing in the month following the month in which the Participant attained age 55, and (iv) the Participant died on the day after attaining age 55. The survivor annuity contemplated by this Section 6.4 shall commence in the month following the month in which the Participant would have attained age 55 and shall terminate in the month in which the surviving Spouse dies.

**6.5 Death Benefits for Participants Who First Accrues a Plan Benefit On or After January 1, 2009**

If a Participant with a Vested Plan Benefit, who first accrues a Plan Benefit on or after January 1, 2009 (other than a 2008 New Executive), dies prior to his Payment Date, the Participant's surviving Spouse, if any, shall receive a cash lump-sum payment under the Plan equal to the actuarial equivalent (determined in accordance with Section 5.6(b)) of the death benefit described in Section 6.3 or Section 6.4, as applicable, in the January following the calendar year in which the Participant's death occurs.

**6.6 Death Benefits to Participants Who Die Without a Surviving Spouse**

The provisions of this Section 6.6 shall apply effective July 24, 2006 to a Participant described in Section 6.3 or 6.4 and a Participant described in Section 6.5 who, at the time of death while employed by the Company, is not survived by a surviving Spouse:

1. For purposes of calculating the amount of the death benefit under Section 6.3 or 6.4, as applicable, the Participant shall be deemed to have been survived by a surviving Spouse of the opposite gender with a date of birth that is the same as the date of birth of the Participant.

2. The actuarial equivalent (determined in accordance with Section 5.6(b)) of the benefit described in Section 6.3 or Section 6.4, as applicable, shall be paid to the estate of the Participant in the January following the calendar year in which the Participant's death occurs.

3. Any survivor benefit provided by this Section 6.6 shall be treated as a NonGrandfathered Benefit for purposes of the Plan (even if it is calculated with respect to the Participant's Grandfathered Benefit) and shall be payable only in a lump-sum and not in any other form of payment.

**6.7 Rules of Application**

The provisions of this Section 6 shall be applied separately with respect to a Participant's Grandfathered Benefit and NonGrandfathered Benefit. Except as provided in Section 6.6(3), the payment of the survivor annuity under Section 6.3 or 6.4. as applicable, attributable to a Participant's Grandfathered Benefit may not be accelerated or deferred or paid in any alternative Payment Form.

**6.8 Special Lump-Sum Election**

An employee who first becomes a Participant and accrues a Plan Benefit prior to January 1, 2009 (or who is a 2008 New Executive) may irrevocably elect at the time that the Participant makes his Payment Election to have the actuarial equivalent (determined in accordance with Section 5.6(b)) of the death benefit attributable to his NonGrandfathered Benefit payable under Section 6.3 or 6.4, as applicable, paid to the Participant's surviving Spouse (determined without regard to Section 6.6) in the January following the calendar year in which the Participant's death occurs. The consent of the surviving Spouse shall not be required for any such election by the Participant.

Notwithstanding the preceding, the following shall apply to a Participant who (a) is described in Section 6.3 or 6.4, (b) does not have a lump sum election in effect pursuant to this Section 6.8, and (c) dies on or after January 1, 2018. In that case, the death benefit payable under Section 6.3 or Section 6.4 (as applicable) with respect to a Participant's NonGrandfathered Benefit shall be paid in a single lump sum. The amount of such lump sum payment shall equal the present value of the benefit otherwise payable to the surviving Spouse in an immediate annuity. This present value determination shall be based on the surviving Spouse's age and the actuarial assumptions for calculating lump sum payments under the Retirement Plan as of the first day of the month coincident with or next following the Participant's date of death.

Regardless of a Participant's date of death, the provisions of this Section 6.8 regarding a Participant who has a lump sum election in effect or the provisions of Section 6.5 regarding a Participant who first accrues a benefit

after 2008 shall continue to apply with respect to any lump sum payment attributable a Participant's NonGrandfathered Benefit.

**6.9 Enhanced Active Death Benefit**

Notwithstanding any other provision in this Article 6, the Beneficiary (or individual or entity, as applicable) of a Participant who dies during active employment (e.g., excluding anyone on a leave of absence due to long –term disability) with an Associate Company under Part E of the Plan on or after June 1, 2015, after having reached Normal Retirement Age or Early Retirement Age (as such terms are defined in the applicable provisions for determining the Employee's benefit under the Retirement Plan) shall be eligible for an enhanced death benefit in lieu of any other death benefit provided under this Part E to the Plan, subject to the spousal consent requirements described herein for married Participants.

(a) The amount of the enhanced active death benefit shall equal the lump sum value of the Plan benefit that would have been payable to the Participant as an immediate single life annuity, commencing on the first day of the month coincident with or next following the Participant's date of death (assuming he had survived). This lump sum value determination shall be based on the Participant's age and the actuarial assumptions for calculating lump sum payments under the Retirement Plan as of the first day of the month coincident with or next following the Participant's date of death.

(i) The enhanced active death benefit for a married Participant shall consist of a grandfathered ("GF") portion and a nongrandfathered ("NGF") portion, as follows:

(I) The GF portion for a married Participant shall equal the lump sum value of the survivor portion of the Participant's Grandfathered Benefit payable as a 50% joint and survivor annuity with the Spouse as the contingent annuitant, based on the Spouse's age.

(II) The NGF portion for a married Participant shall equal the excess of the total enhanced active death benefit determined in (a), over the GF portion determined in the immediately preceding paragraph (I).

(ii) The entire enhanced active death benefit for an unmarried Participant shall be treated as the NGF portion.

(b) The enhanced active death benefit shall be paid as follows:

(i) If the Participant is married and the surviving Spouse waives the Qualified Pre-retirement Survivor Annuity ("QPSA") under the Retirement Plan, the NGF portion shall be transferred as a notional transfer to the Participant's PSSP account and the GF portion shall be paid directly to the Participant's surviving Spouse as an annuity.

(ii) If the Participant is unmarried, the enhanced active death benefit shall be transferred as a notional transfer to the Participant's PSSP account.

(iii) If the Participant is married and the surviving Spouse does not waive the QPSA under the Retirement Plan, the survivor portion of the Participant's Plan benefit payable as a 50% joint and survivor annuity with the Spouse as the contingent annuitant shall be paid directly to the Participant's surviving Spouse and no further enhanced active death benefit shall be payable. The GF portion shall be paid as an annuity. The following shall apply with respect to the NGF portion:

(I) The NGF portion shall be paid as a single lump sum payment to the surviving Spouse if (A) the Participant had a lump sum election pursuant to Section 6.8 on file, (B) the Participant did not have any accrued benefit prior to January 1, 2009 (described in Section 6.5), or (C) the Participant died on or after January 1, 2018.

(II) The NGF portion shall be paid as an annuity in the same manner as the GF portion if the immediately preceding paragraph (I) does not apply, such that the Participant is not subject to Section 6.5 or a lump sum election made pursuant to Section 6.8.

(c) Payment of the enhanced active death benefit shall be made regardless of any re-deferral by the Employee under 7.1 of this Part E, and irrespective of whether the Employee was a Key Employee.

## ARTICLE 7
## NOTIONAL ROLLOVERS AT SEPARATION

7

### 7.1 Notional Rollover Elections to the DCP

Subject to this Article 7, a Participant who will be Retirement Eligible at his Separation from Service, shall be permitted to elect, prior to his Separation from Service (and, in the manner contemplated by Section 7.2, if applicable), to transfer in a Valid Notional Rollover all or a portion of the amount of his benefit to the New DCP instead of having such amount paid to the Participant on the applicable Payment Date. The amount transferred to the New DCP in a Valid Notional Rollover shall be credited to the New DCP as of the first day of the month following the Participant's Separation from Service, even if the Payment Date for the benefit is a later date. Subject to this Article 7, a Participant who will be Retirement Eligible at his Separation from Service and who has previously elected to receive all or a portion of his benefit in the DCP Option shall be permitted to redefer payment, in the manner contemplated by Section 7.2 (if applicable), of the amount subject to the DCP Option, subject to the applicable payment terms of the New DCP.

At the time of the Notional Rollover election, the Participant must make his or her payment elections that shall be applicable to such Notional Rollover amount under the New DCP. Any transfer to the New DCP in connection with a Valid Notional Rollover must be made in accordance with the applicable terms and provisions of the New DCP as then in effect and, once the deferred amount is notionally rolled over and credited under the New DCP, the effect of such rollover shall constitute a full and complete settlement of the Company's obligations to the Participant under this Plan. On or after January 1, 2009, Notional Rollover authorized under this Article 7 and payment elections under the New DCP shall be made separately with respect to Grandfathered and NonGrandfathered Benefits.

### 7.2 Redeferral Requirements For Certain NonGrandfathered Benefits

Subject to Section 7.3, the elections described in Sections 7.1 with respect to NonGrandfathered Benefits for which Notional Rollover elections are made or revised on or after January 1, 2009, shall be subject to the following requirements:

(a) The election must be made and become irrevocable (other than in the case of the death of the Participant) at least one year prior to the then effective Payment Date.

(b) The election shall not become effective for at least one year after the election is made.

(c) If the benefit is transferred to the New DCP in a Valid Notional Rollover, the Commencement Date elected by the Participant under the New DCP for the benefit for the amount so transferred must not be earlier than the fifth anniversary of the original Payment Date.

### 7.3 Limitations on Notional Rollovers

Notwithstanding the foregoing provisions of this Article 7, no Participant shall be permitted to elect a Valid Notional Rollover for any portion of his Plan Benefit following the date of the Participant's Separation from Service. A Valid Notional Rollover shall be void and of no effect if the Participant is not Retirement Eligible at the time of his Separation from Service. In that case, any benefits subject to the void election will be paid from this Plan in a lump sum.

**APPENDIX A**
**EARLY COMMENCEMENT FACTORS**

**Subsidized Early Commencement Factor** (used for (A) the NonGrandfathered Benefit for a Participant whose Separation from Service occurs on or after attaining age 55 and completing ten or more Years of Vesting Service; (B) for the Grandfathered Benefit of a Participant whose Separation from Service occurs on or after attaining age 55 and completing ten or more Years of Vesting Service and who, as of December 31, 2004, had at least ten Years of Vesting Service); (C) for the NonGrandfathered Benefit of a Rule of 70 Participant; (D) Pfizer Rule of 70 Benefits; and (E) for the Boehringer Rule of 70 Benefits.

1.00 less ¼% for each month by which the Payment Date precedes the Normal Retirement Date.

**Unsubsidized Early Commencement Factor** (used for all other purposes):

The actuarially equivalent factor applicable to the accrued benefit of a terminated vested Participant under the Retirement Plan.

**PART F**
**TERMS APPLICABLE TO THE A.L. PHARMA SUB-PLAN**
**ARTICLE 1**
**INTRODUCTION**

1
**1.1 History**

The A. L. Pharma Inc. Supplemental Pension Plan (the "Plan") is maintained by Alpharma Inc. (the "Company"). The Plan was originally established by A. L. Pharma Inc. effective as of July 1, 1994 and was amended and restated effective January 1, 2005 and January 1, 2008.

**1.2 Purpose**

The Company maintains the Alpharma Inc. Pension Plan (the "Pension Plan"),which is intended to meet the requirements of a "qualified plan" under the Code and which is currently set forth in Part F of the PCCP. While the Code places limitations on the maximum amount of an employee's compensation that may be taken into account for determining benefits payable under a qualified plan, the Employee Retirement Income Security Act of 1974, as amended ("ERISA"'), permits the payment under an "unfunded plan" of the benefits which may not be paid under a qualified plan because of such limitation. The purpose of this Plan is to provide a certain level of additional benefits which may not be provided under the pension plan because of the maximum compensation limitation of the Code. Effective January 1, 2006, participation in, and accruals under, the Plan were frozen.

**ARTICLE 2**
**ELIGIBILITY AND BENEFITS**

2
**2.1 Eligibility**

Only those highly compensated or key management Employees of the Company or its Affiliates, who participate in the Pension Plan (or are entitled to benefits under the part of the PCPP PR for the Puerto Rico portion of the Alpharma Inc. Pension Plan that are limited by a provision of the Puerto Rico Code) and who were employed on June 30, 1994, shall participate in this Part F of the Plan, subject to the conditions and limitations of the Plan. Any such highly compensated key management employees hired after June 30, 1994 and before January 1, 2006, shall be eligible to participate in the Plan at the discretion of the Committee.

**2.2 Amount of Benefits**

Subject to Section 2.3 below, with respect to a Participant who becomes entitled to a pension benefit under the Pension Plan, and such benefit has been limited as a result of the maximum compensation limitation imposed by Section 401(a)(17) of the Code (as such maximum compensation limitation is incorporated in the Pension Plan and as it may be changed from time to time), he or she shall be entitled to receive under this Plan the portion of the Participant's benefit under the Pension Plan which exceeds the benefit payable to the Participant under the Pension Plan after applying the legal maximum compensation limitation; provided, however, that the annual compensation earned by a Participant for this purpose shall not exceed $235,840. Such estimated limitation shall be determined by the Committee (as defined in section 3.1). A Participant's benefit under this Plan shall be referred to hereinafter as a Participant's "Supplemental Pension Benefit." With respect to determining a Participant's Supplemental Pension Benefit, service after December 31, 2005 and compensation paid after the last payroll period ending in 2005, shall not be taken into account.

**2.3 Vesting**

If a Participant resigns or is dismissed from the employ of the Company and all of its controlled group members prior to completing at least five years of employment service with the Company or any member of its controlled group, the Participant shall not be entitled to any benefit under the Plan. Notwithstanding the foregoing, Participants (i) whose employment was transferred from the controlled group that includes the Company to the controlled group that includes Actavis Group on or about December 16, 2005, or (ii) who were employees involuntarily terminated as a result of the sale of the Company's generics business, shall be entitled to a benefit under the Plan based on their service through their termination date, regardless of whether such Participants had completed at least five years of employment service on their termination date.

**ARTICLE 3**
**PAYMENTS**

3

Supplemental Pension Benefit under the Plan shall be paid in a lump sum:

(a) To the Participant on the date that is six months after his or her Separation from Service, but in no event later than the later of (i) December 31 of the calendar year in which the Participant has been Separated from Service for six months, or (ii) the fifteenth day of the third calendar month following the date on which the Participant has been Separated from Service for six months; or

(b) In the event of his or her death, the Participant's Beneficiary,

The lump sum payment shall be determined using Applicable Interest Rate and the Applicable Mortality, both as defined under the Code and the regulations thereunder. Notwithstanding anything in the Plan to contrary, if a Participant is receiving his or her Supplemental Pension Benefit in the form of an annuity, upon the Participant's death, his or her Beneficiary shall be entitled to survivor benefits provided under the form of annuity, if any.

**EXHIBIT 10.9**

**Amendment No. 2 to the Pfizer Supplemental Savings Plan**

**(the "PSSP")**

*** * ***

*(New material underlined twice; deletions crossed out)*

1. New Sections are added as additional definitions in Article II to read as follows and the Sections in Article II shall be renumbered as appropriate:

Pension Transfer. The term "Pension Transfer" shall mean a Member who is actively employed and eligible to accrue a defined benefit under the Pfizer Consolidated Pension Plan on December 31, 2017, and who becomes a Retirement Savings Eligible Employee on January 1, 2018.

TCN Transfer. The term "TCN Transfer" shall mean an amount transferred into the Plan of the balance of an individual's benefits under the Pfizer Inc. Third Country National Plan and credited under the Plan. Distribution of a TCN Transfer from the Plan will begin the January following the Member's Separation from Service in a lump sum payment. A TCN Transfer may be re-deferred as provided in Section 6.8.

2. Section 2.31 is amended to add the following language to the end thereof to read as follows:

2.31 Regular Earnings .
…
However, for Pension Transfers, solely for purposes of the Retirement Savings Contribution, Regular Earnings shall not include any GPP bonus paid or deferred in 2018 which reflects payment for services performed in 2017.

3. Section 3.5 is amended to add new subsection (c) to read as follows:

(c) For any Pension Transfer, the definition of "Regular Earnings" in connection solely with the calculation of the 2018 Retirement Savings Contributions under the Plan for such Pension Transfer shall not include any GPP bonus paid to or deferred by such Pension Transfer during 2018 which reflects performance during 2017.

4. The first sentence of Section 5.1 is amended to read as follows:

5.1 Creation of Accounts . The Company will maintain an Account (which may include Special Accruals) under the Plan in the name of each Member, as well as separate Accounts for a Member's Active Death Benefit SERP Transfer, Transfer to PSPP, In Service Transfer to PSSP , and TCN Transfer, if applicable.

5. New Appendix E is added to read as follows:

APPENDIX E

**SPECIAL PROVISIONS APPLICABLE TO LEGACY WYETH, WARNER LAMBERT, AND PHARMACIA EMPLOYEES**

Effective as of January 1, 2018, each of the legacy Wyeth employees ("Wyeth Employees"), legacy Warner-Lambert Inc. employees ("WL Employees"), and legacy Pharmacia Corp. employees ("Pharmacia Employees") who are PRAP Members, shall become eligible to participate in the Retirement Savings Contribution under the Plan in connection with the freeze of the pension plans. In connection with the calculation of the Retirement Savings Contribution, the provisions shall follow the applicable provisions of the Qualified Plan.

6. New Appendix F is added to read as follows:

APPENDIX F

**SPECIAL PROVISIONS APPLICABLE TO ANACOR PHARMACEUTICALS, INC., HOSPIRA, INC., AND MEDIVATION, INC. EMPLOYEES**

Effective as of the respective effective dates listed below, each of the legacy Anacor Pharmaceuticals, Inc. employees ("Anacor Employees"), the legacy Hospira, Inc. employees ("Hospira Employees"), and legacy Medivation, Inc. employees ("Medivation Employees"), shall be eligible to participate in the Plan. Years of Service shall be credited as provided under the Qualified Plan. "Regular Earnings" shall include only compensation on and after the date the participant becomes eligible under the Plan, and shall not include any GPP bonus paid or deferred with respect to services performed before eligibility in the Plan for purposes of the calculation of the Retirement Savings Contribution. In addition, for Hospira Employees, Regular Earnings shall not include any GPP bonus paid or deferred with respect to services performed before eligibility in the Plan for purposes of Contributions under the Plan.

1. Anacor Employees shall be eligible to participate in the Plan on and after September 1, 2017.

2. Hospira Employees shall be eligible to participate in the Plan on and after January 1, 2018.

3. Medivation Employees shall be eligible to participate in the Plan on and after January 1, 2018.

-

**EXHIBIT 10.26**

Form of Special Performance-Based Incentive Award Letter

**Pfizer Inc**
**235 East 42nd Street**
**New York, NY 10017-5755**

[DATE]
[NAME]
[ADDRESS]

Dear [NAME]

The purpose of this letter is confirm that on [DATE], the Compensation Committee of the Board of Directors of Pfizer Inc. approved the following grant for you under Pfizer's Executive Long-Term Incentive Program ("Program").

| Award Type | Grant Price | Shares (#) | Dates |
|---|---|---|---|
| 5-Year Performance Total Shareholder Return Units ("5-YR PTSRUs") | [$XX.XX] | [###] | Grant Date [DATE]<br>Vesting Date – (See Below )<br>Settlement Date [DATE] |

The 5-Yr PTSRUs are subject to the following performance requirements: (i) your continuous employment by Pfizer through [Date] (or such earlier time as determined by the Board) and you are either employed by Pfizer or are subject to and comply with a non-compete and non-solicitation agreement until [DATE]; and (ii) Pfizer's total shareholder return (TSR) is at least 25% or higher on average for 30 consecutive trading days anytime within the five-year performance period (which ends on the fifth anniversary of the grant date, [DATE]).

The TSR performance condition will not be waived for any reason including: death, termination without cause or disability. The service condition will be waived and the award will only vest and settle upon your death immediately following the performance condition being achieved either before death or within the five-year term. Upon termination without cause or long-term disability, the service condition will be waived (excluding the non-compete or non-solicitation provisions) and, if the performance condition is met, the award will vest and settle on the fifth anniversary of grant. The PTSRUs will be forfeited if the TSR goal (at least 25% or higher on average for 30 consecutive trading days) is not attained during the performance period.

Your award is contingent upon your acceptance by [DATE] of the terms and conditions in the Grant Agreement, including the restrictive covenants/non-compete provisions, which will be sent to you in the near future. Additional information about your grant is included in the generic Executive Points of Interest (POI) document and Pfizer Inc. 2014 Stock Plan which are posted on Fidelity NetBenefits. The Grant Agreement and POI document provide you with more detailed information about your grant and contain general information about the Program, applicable income tax consequences, and points of contact. This long-term incentive grant is governed by the terms and conditions set forth in this letter and the Grant Agreement, POI document and Pfizer Inc. 2014 Stock Plan.

It is important for you to read these materials, and sign and return the Grant Agreement to [NAME] by [DATE]. It is recommended that you consult a qualified financial or tax advisor before making any decisions regarding the disposition of the stock resulting from the vesting of these awards.

This award is in recognition of what you have done and will continue to do for Pfizer and its patients, employees and shareholders. I have great confidence in Pfizer's future, and I look forward to working with you toward that future.

Sincerely,
[SIGNATURE]

**EXHIBIT 10.27**

Form of Special Performance-Based Incentive Grant Letter

**Pfizer Inc**
**235 East 42nd Street**
**New York, NY 10017-5755**

[DATE]
[NAME]
[ADDRESS]

Dear [NAME]:

I am pleased to confirm to you that on [DATE], the Compensation Committee of the Board of Directors of Pfizer Inc. approved the following grant for you under Pfizer's Executive Long-Term Incentive Program ("Program").

| Award Type | Grant Price | Shares (#) | Dates |
|---|---|---|---|
| 5-Year Performance Total Shareholder Return Units ("5-YR PTSRUs") | [$XX.XX] | [###] | Grant Date – [DATE]<br>Vesting Date – See Below<br>Settlement Date – [DATE] |
| Restricted Stock Units ("RSUs") | [$XX.XX] | [###] | Grant Date – [DATE]<br>Vesting Date – [DATE] |

The PTSRUs are subject to the following performance requirements: (i) your continuous employment by Pfizer through [DATE]; and (ii) Pfizer's total shareholder return (TSR) is at least 25% or higher on average for 30 consecutive trading days anytime within the five-year performance period (which ends on the fifth anniversary of the grant date, [DATE]).

The TSR performance condition will not be waived for any reason including: death, termination without cause or disability. The service condition will be waived and the award will vest and settle upon your death immediately following the performance condition being achieved either before death or within the five-year term. Upon termination without cause or long-term disability, the service condition will be waived and, if the performance condition is met, the award will vest and settle on the fifth anniversary of grant. The PTSRUs will be forfeited if the TSR goal (at least 25% or higher on average for 30 consecutive trading days) is not attained during the performance period.

Your award is contingent upon your acceptance by [DATE]of the terms and conditions in the Grant Agreement, including the restrictive covenants/non-compete provisions, which will be sent to you in the near future. Additional information about your grant is included in the generic Executive Points of Interest (POI) document and Pfizer Inc. 2014 Stock Plan which are posted on Fidelity NetBenefits. The Grant Agreement and POI document provide you with more detailed information about your grant and contain general information about the Program, applicable income tax consequences, and points of contact. This long-term incentive grant is governed by the terms and conditions set forth in this letter and the Grant Agreement, POI document and Pfizer Inc. 2014 Stock Plan.

It is important for you to read these materials, and sign and return the Grant Agreement to [NAME] by [DATE]. It is recommended that you consult a qualified financial or tax advisor before making any decisions regarding the disposition of the stock resulting from the vesting of these awards.

These awards are in recognition of what you have done and continue to do for Pfizer, its patients, employees and shareholders. I have great confidence in Pfizer's future, and I look forward to working with you toward that future.

Sincerely,
[SIGNATURE]

**EXHIBIT 12**

# Pfizer Inc. and Subsidiary Companies
## Computation of Ratio of Earnings to Fixed Charges

| (MILLIONS OF DOLLARS, EXCEPT RATIOS) | Year Ended December 31, **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Determination of earnings: | | | | | |
| Income from continuing operations before provision for taxes on income, noncontrolling interests and cumulative effect of a change in accounting principles | $ 12,305 | $ 8,351 | $ 8,965 | $ 12,240 | $ 15,716 |
| Less: | | | | | |
| Noncontrolling interests | 57 | 44 | 39 | 47 | 43 |
| Income attributable to Pfizer Inc. | 12,248 | 8,307 | 8,925 | 12,192 | 15,673 |
| Add (deduct): | | | | | |
| Capitalized interest | (72) | (61) | (32) | (41) | (32) |
| Amortization of capitalized interest | 41 | 59 | 25 | 31 | 34 |
| Equity (income)/loss from equity-method investments | (274) | (49) | 191 | (24) | (67) |
| Distributed income of equity-method investments | 269 | 119 | 161 | 136 | 162 |
| Fixed charges | 1,376 | 1,285 | 1,282 | 1,435 | 1,495 |
| Total earnings as defined | $ 13,588 | $ 9,661 | $ 10,554 | $ 13,729 | $ 17,265 |
| Fixed charges: | | | | | |
| Interest expense [a] | $ 1,270 | $ 1,186 | $ 1,199 | $ 1,360 | $ 1,414 |
| Preferred stock dividends [b] | 2 | 2 | 2 | 3 | 3 |
| Rents [c] | 105 | 97 | 81 | 72 | 78 |
| Fixed charges | 1,376 | 1,285 | 1,282 | 1,435 | 1,495 |
| Capitalized interest | 72 | 61 | 32 | 41 | 32 |
| Total fixed charges | $ 1,448 | $ 1,346 | $ 1,314 | $ 1,476 | $ 1,527 |
| Ratio of earnings to fixed charges | 9.4 | 7.2 | 8.0 | 9.3 | 11.3 |

[a] Interest expense includes amortization of debt premium, discount and other debt costs. Interest expense does not include interest related to tax matters (primarily uncertain tax positions) of $271 million for 2017 ; $242 million for 2016 ; $246 million for 2015 ; $182 million for 2014 ; and $222 million for 2013 .

[b] Preferred stock dividends related to our Series A convertible perpetual preferred stock held by an employee stock ownership plan trust.

[c] Rents included in the computation consist of one-third of rental expense, which we believe to be a conservative estimate of an interest factor in our leases, which are not material.

Amounts may not add due to rounding. Percentages have been calculated using unrounded amounts.

# Pfizer Inc. 2017 Financial Report

## GLOSSARY OF DEFINED TERMS

Unless the context requires otherwise, references to "Pfizer," "the Company," "we," "us" or "our" in this 2017 Financial Report (defined below) refer to Pfizer Inc. and its subsidiaries. We also have used several other terms in this 2017 Financial Report, most of which are explained or defined below:

| | |
|---|---|
| *2017 Financial Report* | This Financial Report for the fiscal year ended December 31, 2017, which was filed as Exhibit 13 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 |
| *2017 Form 10-K* | Annual Report on Form 10-K for the fiscal year ended December 31, 2017 |
| *AAV* | Adeno-Associated Virus |
| *ABO* | Accumulated postretirement benefit obligation |
| *ACA (Also referred to as U.S. Healthcare Legislation)* | U.S. Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act. |
| *ACIP* | Advisory Committee on Immunization Practices |
| *ALK* | anaplastic lymphoma kinase |
| *Allergan* | Allergan plc |
| *Alliance revenues* | Revenues from alliance agreements under which we co-promote products discovered or developed by other companies or us |
| *AM-Pharma* | AM-Pharma B.V. |
| *Anacor* | Anacor Pharmaceuticals, Inc. |
| *Astellas* | Astellas Pharma U.S. Inc. |
| *ASU* | Accounting Standards Update |
| *ATM-AVI* | *aztreonam-avibactam* |
| *Bamboo* | Bamboo Therapeutics, Inc. |
| *Baxter* | Baxter International Inc. |
| *BMS* | Bristol-Myers Squibb Company |
| *BRCA* | BReast CAncer susceptibility gene |
| *CDC* | U.S. Centers for Disease Control and Prevention |
| *Cellectis* | Cellectis SA |
| *Celltrion* | Celltrion Inc. and Celltrion Healthcare, Co., Ltd. (collectively) |
| *Citibank* | Citibank N.A. |
| *CLBP* | chronic low back pain |
| *CML* | chronic myelogenous leukemia |
| *Developed Markets* | U.S., Western Europe, Japan, Canada, Australia, South Korea, Scandinavian countries, Finland and New Zealand |
| *EEA* | European Economic Area |
| *EH* | Essential Health |
| *ELT* | Executive Leadership Team |
| *EMA* | European Medicines Agency |
| *Emerging Markets* | Includes, but is not limited to, the following markets: Asia (excluding Japan and South Korea), Latin America, Eastern Europe, Africa, the Middle East, Central Europe and Turkey |
| *EPS* | earnings per share |
| *EU* | European Union |
| *FASB* | Financial Accounting Standards Board |
| *FDA* | U.S. Food and Drug Administration |
| *GAAP* | Generally Accepted Accounting Principles |
| *GHD* | growth hormone deficiency |
| *GIST* | gastrointestinal stromal tumors |
| *GPD* | Global Product Development organization |
| *GS&Co.* | Goldman, Sachs & Co. |
| *HER* | human epidermal growth factor receptor |
| *HER2-* | human epidermal growth factor receptor 2-negative |
| *hGH-CTP* | human growth hormone |
| *HIS* | Hospira Infusion Systems |
| *Hisun* | Zhejiang Hisun Pharmaceuticals Co., Ltd. |
| *Hisun Pfizer* | Hisun Pfizer Pharmaceuticals Company Limited |
| *Hospira* | Hospira, Inc. |
| *HR+* | hormone receptor-positive |
| *ICU Medical* | ICU Medical, Inc. |
| *IH* | Innovative Health |
| *InnoPharma* | InnoPharma, Inc. |

| | |
|---|---|
| *IPR&D* | in-process research and development |
| *IRC* | Internal Revenue Code |
| *IRS* | U.S. Internal Revenue Service |
| *IV* | intravenous |
| *Janssen* | Janssen Biotech Inc. |
| *J&J* | Johnson & Johnson Corp. |
| *King* | King Pharmaceuticals, Inc. |
| *LDL* | low density lipoprotein |
| *LEP* | Legacy Established Products |
| *LIBOR* | London Interbank Offered Rate |
| *Lilly* | Eli Lilly & Company |
| *LOE* | loss of exclusivity |
| *MCC* | Merkel Cell Carcinoma |
| *MCO* | Managed Care Organization |
| *MDV* | multi-dose vial |
| *Medivation* | Medivation, Inc. |
| *Merck* | Merck & Co., Inc. |
| *Moody's* | Moody's Investors Service |
| *NAV* | Net asset value |
| *NDA* | new drug application |
| *NovaQuest* | NovaQuest Co-Investment Fund II, L.P. or NovaQuest Co-Investment Fund V, L.P., as applicable |
| *NSCLC* | non-small cell lung cancer |
| *NYSE* | New York Stock Exchange |
| *OA* | osteoarthritis |
| *OPKO* | OPKO Health, Inc. |
| *OTC* | over-the-counter |
| *PARP* | poly ADP ribose polymerase |
| *PBM* | Pharmacy Benefit Manager |
| *PBO* | Projected benefit obligation |
| *Pharmacia* | Pharmacia Corporation |
| *PPS* | Portfolio Performance Shares |
| *PP&E* | Property, plant & equipment |
| *PSAs* | Performance Share Awards |
| *PTSRUs* | Performance Total Shareholder Return Units |
| *PTUs* | Profit Units |
| *RCC* | renal cell carcinoma |
| *recAP* | recombinant human Alkaline Phosphatase |
| *R&D* | research and development |
| *RPI* | RPI Finance Trust |
| *RSUs* | Restricted Stock Units |
| *Sandoz* | Sandoz, Inc., a division of Novartis AG |
| *Sangamo* | Sangamo Therapeutics, Inc. |
| *SEC* | U.S. Securities and Exchange Commission |
| *SGA* | small for gestational age |
| *S&P* | Standard and Poor's |
| *SIP* | Sterile Injectable Pharmaceuticals |
| *Tax Cuts and Jobs Act or TCJA* | H.R.1, "An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018" |
| *Teuto* | Laboratório Teuto Brasileiro S.A. |
| *Teva* | Teva Pharmaceuticals USA, Inc. |
| *TSR* | Total Shareholder Return |
| *TSRUs* | Total Shareholder Return Units |
| *UC* | urothelial carcinoma |
| *U.K.* | United Kingdom |
| *U.S.* | United States |
| *VAI* | Voluntary Action Indicated |
| *VAT* | value added tax |
| *ViiV* | ViiV Healthcare Limited |
| *WRD* | Worldwide Research and Development |
| *Zoetis* | Zoetis Inc. |

## INTRODUCTION

See the Glossary of Defined Terms at the beginning of this 2017 Financial Report for terms used throughout this Financial Review. Our Financial Review is provided to assist readers in understanding the results of operations, financial condition and cash flows of Pfizer Inc. and its subsidiaries (the Company). It should be read in conjunction with the consolidated financial statements and Notes to Consolidated Financial Statements. The discussion in this Financial Review contains forward-looking statements that involve substantial risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, such as those discussed in Part 1, Item 1A, "Risk Factors" of our 2017 Form 10-K and in the "Forward-Looking Information and Factors That May Affect Future Results", "Our Operating Environment" and "Our Strategy" sections of this Financial Review.

The Financial Review is organized as follows:



Certain amounts in our Financial Review may not add due to rounding. All percentages have been calculated using unrounded amounts.

## OVERVIEW OF OUR PERFORMANCE, OPERATING ENVIRONMENT, STRATEGY AND OUTLOOK

### Financial Highlights

The following charts provide a summary of certain financial performance (in billions, except per share data):

**2017 Total Revenues—$52.5 billion**
A decrease of 1% compared to 2016


**2017 Net Cash Flow from Operations—$16.5 billion**
An increase of 4% compared to 2016


**2017 Reported Diluted EPS—$3.52**
An increase of over 100% compared to 2016


**2017 Adjusted Diluted EPS (Non- GAAP )—$2.65***
An increase of 11% compared to 201 6


* For an understanding of Adjusted diluted EPS (which is a non-GAAP financial measure), including reconciliations of certain GAAP reported to non-GAAP adjusted information, see the “Non-GAAP Financial Measure (Adjusted Income)” section of this Financial Review.

### Our Business

We apply science and our global resources to bring therapies to people that extend and significantly improve their lives through the discovery, development and manufacture of healthcare products. Our global portfolio includes medicines and vaccines, as well as many of the world’s best-known consumer healthcare products. We work across developed and emerging markets to advance wellness, prevention, treatments and cures that challenge the most feared diseases of our time. We collaborate with healthcare providers, governments and local communities to support and expand access to reliable, affordable healthcare around the world. Our revenues are derived from the sale of our products and, to a much lesser extent, from alliance agreements, under which we co-promote products discovered or developed by other companies or us (Alliance revenues).

We manage our commercial operations through two distinct business segments: Pfizer Innovative Health (IH) and Pfizer Essential Health (EH). For additional information, see Notes to Consolidated Financial Statements— *Note 18A. Segment, Geographic and Other Revenue Information: Segment Information* and the “Our Strategy—Commercial Operations” section of this Financial Review below.

The majority of our revenues come from the manufacture and sale of biopharmaceutical products. The biopharmaceutical industry is highly competitive and highly regulated. As a result, we face a number of industry-specific factors and challenges, which can significantly impact our results. These factors include, among others: the loss or expiration of intellectual property rights and the expiration of co-promotion and licensing rights, the ability to replenish innovative biopharmaceutical products, healthcare legislation, pipeline productivity, the regulatory environment, pricing and access pressures and competition. We also face challenges as a result of the global economic environment. For additional information about these factors and challenges, see the “Our Operating Environment” and “The Global Economic Environment” sections of this Financial Review and Part I, Item 1A, “Risk Factors,” of our 2017 Form 10-K.

The financial information included in our consolidated financial statements for our subsidiaries operating outside the U.S. is as of and for the year ended November 30 for each year presented. Pfizer's fiscal year-end for U.S. subsidiaries is as of and for the year ended December 31 for each year presented.

| References to developed and emerging markets in this Financial Review include: | |
|---|---|
| Developed markets | U.S., Western Europe, Japan, Canada, Australia, South Korea, Scandinavian countries, Finland and New Zealand |
| Emerging markets (include, but are not limited to) | Asia (excluding Japan and South Korea), Latin America, Eastern Europe, Africa, the Middle East, Central Europe and Turkey |

References to operational variances in this Financial Review pertain to period-over-period growth rates that exclude the impact of foreign exchange as well as the negative currency impact related to Venezuela in 2015. The operational variances are determined by multiplying or dividing, as appropriate, our current year U.S. dollar results by the current year average foreign exchange rates and then multiplying or dividing, as appropriate, those amounts by the prior-year average foreign exchange rates. Although exchange rate changes are part of our business, they are not within our control. Exchange rate changes, however, can mask positive or negative trends in the business; therefore, we believe presenting operational variances provides useful information to evaluate the results of our business.

On December 22, 2017, the U.S. enacted significant changes to U.S. tax law following the passage and signing of the TCJA. The TCJA is complex and significantly changes the U.S. corporate income tax system by, among other things, reducing the Federal corporate income tax rate from 35% to 21%, transitioning U.S. international taxation from a worldwide tax system to a territorial tax system and imposing a repatriation tax on deemed repatriated accumulated post-1986 earnings of foreign subsidiaries. For information on estimates and assumptions in connection with the TCJA, see Notes to Consolidated Financial Statements— *Note 5A . Tax Matters: Taxes on Income from Continuing Operations.*

In October 2017, we announced that we are reviewing strategic alternatives for our Consumer Healthcare business. A range of options will be considered, including a full or partial separation of the Consumer Healthcare business from Pfizer through a spin-off, sale or other transaction, and we may ultimately determine to retain the business.

Our significant business development activities include:

- On February 3, 2017, we completed the sale of our global infusion systems net assets, HIS, to ICU Medical for up to approximately $900 million , composed of cash and contingent cash consideration, ICU Medical common stock and seller financing. At closing, we received 3.2 million newly issued shares of ICU Medical common stock, which we initially valued at approximately $428 million , a promissory note in the amount of $75 million and net cash of approximately $200 million before customary adjustments for net working capital. In addition, we are entitled to receive a contingent amount of up to an additional $225 million in cash based on ICU Medical's achievement of certain cumulative performance targets for the combined company through December 31, 2019. The operating results of HIS are included in our consolidated statement of income and EH's operating results through February 2, 2017 and, therefore, our financial results, and EH's operating results, for the year ended December 31, 2017 reflect approximately one month of HIS domestic operations and approximately two months of HIS international operations, while our financial results, and EH's operating results, for the year ended December 31, 2016 reflect 12 months of HIS global operations and for the year ended December 31, 2015 reflect four months of HIS U.S. operations and three months of HIS international operations. Assets and liabilities associated with HIS are presented as held for sale in the consolidated balance sheet as of December 31, 2016.
- On December 22, 2016, which falls in the first fiscal quarter of 2017 for our international operations, we acquired the development and commercialization rights to AstraZeneca's small molecule anti-infectives business, primarily outside the U.S. for $1,045 million , composed of cash and contingent consideration. Commencing from the acquisition date, our financial statements reflect the assets, liabilities, operating results and cash flows of this business, and, in accordance with our international reporting period, our financial results, EH's operating results, and cash flows for the year ended December 31, 2017 reflect approximately 11 months of the small molecule anti-infectives business acquired from AstraZeneca.
- On September 28, 2016, we acquired Medivation for $81.50 per share. The total fair value of consideration transferred for Medivation was approximately $14.3 billion in cash ( $13.9 billion , net of cash acquired). Of this consideration, approximately $365 million was not paid as of December 31, 2016, and was recorded in *Other current liabilities* . The remaining consideration was paid as of December 31, 2017 . Commencing from the acquisition date, our financial statements reflect the assets, liabilities, operating results and cash flows of Medivation. Therefore, Medivation operations are reflected in our financial results, IH's operating results, and cash flows for the year ended December 31, 2017. In accordance with our domestic and international reporting periods, our consolidated financial statements for the year ended December 31, 2016 reflect approximately three months of Medivation operations.
- On June 24, 2016, we acquired Anacor for $99.25 per share. The total fair value of consideration transferred for Anacor was approximately $4.9 billion in cash ( $4.5 billion , net of cash acquired), plus $698 million debt assumed. Commencing from the acquisition date, our financial statements reflect the assets, liabilities, operating results and cash flows of Anacor. Therefore, Anacor operations are reflected in our financial results, IH's operating results, and cash flows for the year ended December 31, 2017. In accordance with our domestic and international reporting periods, our consolidated financial statements for the year ended December 31, 2016 reflect approximately six months of Anacor operations.
- On April 6, 2016, we announced that the merger agreement between Pfizer and Allergan entered into on November 22, 2015 was terminated by mutual agreement of the companies. The decision was driven by the actions announced by the U.S. Department of Treasury on April 4, 2016, which the companies concluded qualified as an "Adverse Tax Law Change" under the merger agreement. In connection with the termination of the merger agreement, on April 8, 2016 (which fell into Pfizer's second fiscal quarter of 2016), Pfizer paid Allergan $150 million (pre-tax) for reimbursement of Allergan's expenses associated with the terminated transaction (see the Notes to Consolidated Financial Statements— *Note 4 . Other (Income)/Deductions — Net* ). Pfizer and Allergan also released each other from any and all claims in connection with the merger agreement.
- On September 3, 2015, we acquired Hospira for approximately $16.1 billion in cash ( $15.7 billion , net of cash acquired). Commencing from the acquisition date, our financial statements reflect the assets, liabilities, operating results and cash flows of Hospira. In accordance with our

domestic and international reporting periods, our consolidated financial statements for the year ended December 31, 2015 reflect four months of Hospira U.S. operations and three months of Hospira international operations.

For additional information, see Notes to Consolidated Financial Statements— *Note 2. Acquisitions, Sale of Hospira Infusion Systems Net Assets, Research and Development and Collaborative Arrangements, Equity-Method Investments and Cost-Method Investment* and the "Our Strategy", "Our Business Development Initiatives" and "Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives" sections of this Financial Review.

Impact of Recent Hurricanes in Puerto Rico

We have manufacturing and commercial operations in Puerto Rico, which were impacted by the recent hurricanes toward the end of the third quarter in 2017. While our three manufacturing sites sustained some damage and became inoperable due to issues impacting Puerto Rico overall, as of the date of this 2017 Financial Report filing, all three sites have resumed operations and remediation activities continue. Given prior inoperability along with ongoing remediation of our sites, there could be certain product shortages in the coming months. Our commercial sales offices in Puerto Rico have been operational since October 9, 2017.

In 2017, we recorded $195 million in *Cost of sales* for inventory losses, overhead costs related to the period in which the plants could not operate, and incremental costs to date resulting from the hurricanes in Puerto Rico. We may record additional losses in future periods but we are unable to predict them with certainty at this time. As a result of dual source supply options and sufficient pre-hurricane inventory levels, we currently expect the impact on future revenues to be insignificant. We will continue to monitor the situation closely and make any updates to our outlook if warranted.

Product Manufacturing

We periodically encounter difficulties or delays in manufacturing, including due to legal or regulatory actions, such as warning letters, suspension of manufacturing or voluntary recall of a product. In February 2017, for example, we received a warning letter from the FDA communicating the FDA's view that certain violations of current Good Manufacturing Practice regulations exist at Hospira's manufacturing facility in McPherson, Kansas. We are undertaking corrective actions to address the concerns raised by the FDA. In January 2018, the FDA upgraded the status of Pfizer's McPherson, Kansas manufacturing facility to VAI based on an October 2017 inspection. The change to VAI status will lift the compliance hold that the FDA placed on approval of pending applications, and is an important step toward resolving the issues cited in the February 2017 FDA warning letter. Within our Essential Health portfolio, we have been experiencing product shortages with some products. The product shortages are primarily for products from the legacy Hospira portfolio and are largely driven by capacity constraints and technical issues. Any continued product shortage interruption at this manufacturing facility could negatively impact our financial results, specifically in our SIP portfolio. In addition to the McPherson facility, we continue to remediate issues at other legacy Hospira facilities manufacturing sterile injectables within our Essential Health portfolio. We expect to make substantial progress on our remediation efforts during 2018.

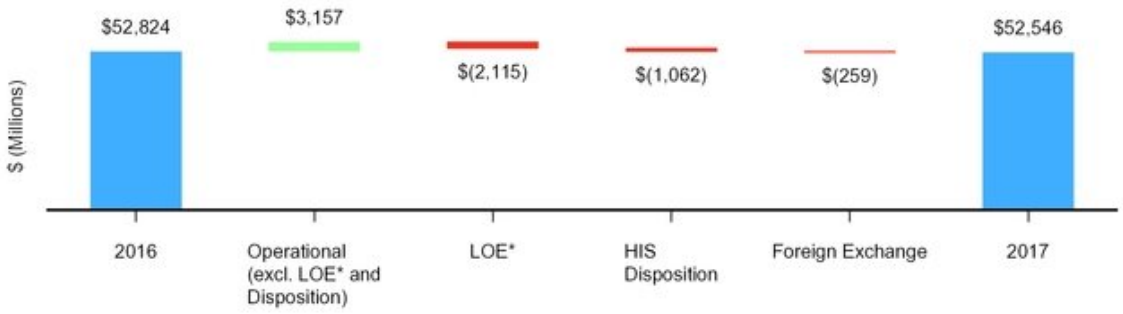
## Our 2017 Performance

Revenues— 2017

*Revenues* in 2017 decrease d by $278 million , or 1% , compared to 2016 , which reflects a slight net operational decrease of $20 million , or less than 1%, and an unfavorable impact of foreign exchange of $259 million , or less than 1% .

Compared to 2016, total revenues for 2017 were unfavorably impacted by approximately $200 million as a result of 2017 having one less selling day in both U.S. and international markets.

The following graph illustrates the components of the decrease in revenues in 2017 :




* LOE generally pertains to period-over-period revenue impacts for products across our portfolios experiencing patent expirations or loss of regulatory exclusivity in certain developed markets.

The following provides an analysis of the decrease in revenues in 2017 :

| (MILLIONS OF DOLLARS) | | |
|---|---|---|
| 2016 *Revenues* | $ | 52,824 |
| Operational growth/(decline): | | |
| Continued growth from key brands [a] and growth from Biosimilars [b] | | 2,810 |
| Increase in Xtandi alliance revenues in the U.S. (September 2016 acquisition of Medivation) | | 450 |
| Declines from Peri-LOE Products, Enbrel (driven by declines in most developed Europe markets), Viagra (IH) (in the U.S.), and our SIP and LEP portfolios, as well as a decline in Prevnar 13/Prevenar 13 (primarily in the U.S.) | | (2,375) |
| Disposition-related operational impact—February 2017 sale of HIS [c] | | (1,062) |
| Other operational factors, net | | 157 |
| Operational decline, net | | (20) |
| Operational revenues | | 52,804 |
| Unfavorable impact of foreign exchange | | (259) |
| 2017 *Revenues* | $ | 52,546 |

[a] K ey brands include Ibrance and Eliquis (both globally), as well as Xeljanz and Lyrica (IH) (both primarily in the U.S.).
[b] Growth in Biosimilars was primarily driven by Inflectra in the U.S. and developed Europe markets.
[c] In 2017, financial results include approximately one month of HIS domestic operations and approximately two months of HIS international operations, compared to 12 months of HIS global operations in 2016.

See the "Analysis of the Consolidated Statements of Income — Revenues — Overview" section below for more information, including a discussion of key drivers of our revenue performance.

Income from Continuing Operations Before Provision/(Benefit) for Taxes on Income— 2017

The following provides an analysis of the increase in *Income from continuing operations before provision/benefit) for taxes on income* for 2017 :

| (MILLIONS OF DOLLARS) | | |
|---|---|---|
| *Income from continuing operations before provision/(benefit) for taxes on income* for the year ended December 31, 2016 | $ | 8,351 |
| Unfavorable change in revenues | | (278) |
| Favorable/(Unfavorable) changes: | | |
| Nonrecurrence of 2016 impairment on remeasurement of HIS net assets and lower loss on sale of HIS [a] | | 1,657 |
| Lower *Restructuring charges and certain acquisition-related costs* [b] | | 1,237 |
| Lower *Cost of sales* [c] | | 1,089 |
| Lower certain asset impairments [a] | | 1,052 |
| Lower certain legal matters, net [a] | | 269 |
| Higher dividend income [a] | | 256 |
| Lower business and legal entity alignment costs [a] | | 190 |
| Higher net gains on asset disposals [a] | | 172 |
| Lower *Selling, information and administrative expenses* [d] | | 53 |
| Higher *Amortization of intangible assets* [e] | | (703) |
| Higher net losses on early retirement of debt [a] | | (687) |
| Lower royalty-related income [a] | | (406) |
| All other items, net | | 52 |
| *Income from continuing operations before provision/(benefit) for taxes on income* for the year ended December 31, 2017 | $ | 12,305 |

[a] See the Notes to Consolidated Financial Statements— *Note 4. Other (Income)/Deductions—Net.*
[b] See the "Costs and Expenses—Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives" section of this Financial Review.
[c] See the "Costs and Expenses—Cost of Sales" section of this Financial Review.
[d] See the "Costs and Expenses—Selling, Informational and Administrative Expenses" section of this Financial Review.
[e] See the "Costs and Expenses—Amortization of Intangible Assets" section of this Financial Review.

For information on our tax provision and effective tax rate see the "Provision/(Benefit) for Taxes on Income" section of this Financial Review and Notes to Consolidated Financial Statements— *Note 5A . Tax Matters: Taxes on Income from Continuing Operations.*

## Our Operating Environment

### Industry-Specific Challenges

Intellectual Property Rights and Collaboration/Licensing Rights

The loss, expiration or invalidation of intellectual property rights, patent litigation settlements with generic manufacturers and the expiration of co-promotion and licensing rights can have a significant adverse effect on our revenues. Many of our branded products have multiple patents that expire at varying dates, thereby strengthening our overall patent protection. However, once patent protection has expired or has been lost prior to the expiration date as a result of a legal challenge, we lose exclusivity on these products, and generic pharmaceutical manufacturers generally produce similar products and sell them for a lower price. The date at which generic competition commences may be different from the date that the patent or regulatory exclusivity expires. However, when generic competition does commence, the resulting price competition can substantially decrease our revenues for the impacted products, often in a very short period of time. Also, if one of our patents is found to be invalid by judicial, court or administrative proceedings, such as inter partes review, post-grant review, re-examination or opposition proceedings, before the U.S. Patent and Trademark Office, the European Patent Office, or other foreign counterparts, generic or competitive products could be introduced into the market resulting in the erosion of sales of our existing products. For example, several of the patents in our pneumococcal vaccine portfolio have been challenged in inter partes review and post-grant review proceedings in the U.S. The invalidation of these patents could potentially allow a competitor pneumococcal vaccine into the marketplace.

As a result of a patent litigation settlement, Teva launched a generic version of *Viagra* in the U.S. in December 2017.

We lost or expect to lose exclusivity for various other products in various markets over the next few years, including, among others, the expiration of the basic product patent for Lyrica in the U.S. in December 2018. Pfizer is currently pursuing a six-month patent-term extension for pediatric exclusivity for Lyrica in the U.S. with the FDA.

For additional information, see the “Recent Losses and Expected Losses of Product Exclusivity” section below.

Our biotechnology products, including BeneFIX, ReFacto, Xyntha, Bavencio, Prevnar 13/Prevenar 13 and Enbrel (we market Enbrel outside the U.S. and Canada), may face in the future, or already face, competition from biosimilars (also referred to as follow-on biologics). If competitors are able to obtain marketing approval for biosimilars referencing our biotechnology products, our biotechnology products may become subject to competition from these biosimilars, with attendant competitive pressure, and price reductions could follow. For example, Enbrel faces ongoing biosimilar competition in most developed Europe markets, which is expected to continue. The expiration or successful challenge of applicable patent rights could trigger this competition, assuming any relevant regulatory exclusivity period has expired.

We have lost exclusivity for a number of our products in certain markets and we have lost collaboration rights with respect to a number of our alliance products in certain markets, and we expect certain products to face significantly increased generic competition over the next few years.

Specifically:

Recent Losses and Expected Losses of Product Exclusivity

The following table provides information about certain of our products recently experiencing, or expected to experience in 2018 , patent expirations or loss of regulatory exclusivity in the U.S., Europe or Japan, showing, by product, the key dates or expected key dates, the markets impacted and the revenues associated with those products in those markets:

| (MILLIONS OF DOLLARS) | | | Product Revenues in Markets Impacted | | |
|---|---|---|---|---|---|
| Products | Key Dates [a] | Markets Impacted | Year Ended December 31, | | |
| | | | **2017** | 2016 | 2015 |
| Viagra [b] | June 2013<br>May 2014<br>December 2017 | Major European markets<br>Japan<br>U.S. | **$ 850** | $ 1,217 | $ 1,338 |
| Rapamune | January 2014<br>June 2015 | U.S.<br>Major European markets | **90** | 115 | 129 |
| Inspra [c] | March 2014<br>July 2015 | Major European markets<br>Japan | **87** | 97 | 118 |
| Lyrica [d] | July 2014<br>December 2018 | Major European markets<br>U.S. | **3,901** | 3,831 | 3,710 |
| Zyvox [e] | August 2014<br>First half of 2015<br>January 2016 | Japan<br>U.S.<br>Major European markets | **103** | 235 | 644 |
| Enbrel [f] | August 2015<br>September 2015 | Major European markets<br>Japan | **1,686** | 2,146 | 2,402 |
| Relpax | December 2015<br>December 2016 | Major European markets<br>U.S. | **176** | 263 | 295 |
| Vfend | July 2016<br>January 2016 | Major European markets<br>Japan | **150** | 299 | 349 |
| Tygacil | April 2016 | U.S. | **45** | 80 | 110 |
| Pristiq [g] | March 2017 | U.S. | **133** | 578 | 553 |

[a] Unless stated otherwise, “Key Dates” indicate patent-based expiration dates.

(b) As a result of a patent litigation settlement, Teva launched a generic version of Viagra in the U.S. in December 2017.
(c) Generic versions of Inspra became available in major European markets following the March 2014 expiry of regulatory exclusivity for Inspra in most major European markets, allowing generic companies to submit applications for marketing authorizations for their generic products.
(d) Generic versions of Lyrica became available in major European markets following the July 2014 expiry of regulatory exclusivity for Lyrica in the EU, allowing generic companies to submit applications for marketing authorizations for their generic products. The basic product patent for Lyrica in the U.S. is expected to expire in December 2018. Pfizer is currently pursuing a six-month patent-term extension for pediatric exclusivity in the U.S. with the FDA.
(e) Pursuant to terms of a settlement agreement, certain formulations of Zyvox became subject to generic competition in the U.S. in January 2015. Other formulations of Zyvox became subject to generic competition in the U.S. in the first half of 2015.
(f) In January 2016, an etanercept biosimilar referencing Enbrel was approved by the European Commission.
(g) As a result of a patent litigation settlement with several generic manufacturers, generic versions of Pristiq launched in the U.S. in March 2017.

Recent Losses of Collaboration Rights

The following table provides information about certain of our alliance revenue products that have experienced losses of collaboration rights, showing, by product, the date of the loss of the collaboration rights, the markets impacted and the alliance revenues associated with those products in those markets:

| (MILLIONS OF DOLLARS) | | | Alliance Revenues in Markets Impacted | | |
|---|---|---|---|---|---|
| Products | Date of Loss of Collaboration Rights | Markets Impacted | Year Ended December 31, | | |
| | | | **2017** | 2016 | 2015 |
| Spiriva [a] | April 2014 (U.S.), between 2012 and 2016 (Japan, certain European countries, Australia, Canada and South Korea) | U.S., Japan, certain European countries, Australia, Canada and South Korea | **$ —** | $ 6 | $ 27 |
| Rebif [b] | End of 2015 | U.S. | **13** | — | 371 |

(a) Our collaboration with Boehringer Ingelheim for Spiriva expired on a country-by-country basis between 2012 and 2016. On April 29, 2014, our alliance in the U.S. came to an end.
(b) Our collaboration agreement with EMD Serono Inc. to co-promote Rebif in the U.S. expired at the end of 2015. Patent litigation brought by Biogen Idec MA Inc. against EMD Serono Inc. and Pfizer is pending in the U.S. District Court for the District of New Jersey, and EMD Serono Inc. has acknowledged that they are obligated to satisfy any award of damages.

In addition, we expect to lose exclusivity for various other products in various markets over the next few years. For additional information, see the “Patents and Other Intellectual Property Rights” section in Part I, Item 1, “Business”, of our 2017 Form 10-K.

Our financial results in 2017 reflect the impact of the loss of exclusivity of various products (and the expiration of certain alliance product contract rights) discussed above.

We will continue to aggressively defend our patent rights whenever we deem appropriate. For more detailed information about our significant products, see the discussion in the “Revenues—Major Products” and “Revenues—Selected Product Discussion” sections of this Financial Review. For a discussion of certain recent developments with respect to patent litigation, see Notes to Consolidated Financial Statements— *Note 17A1. Commitments and Contingencies: Legal Proceedings — Patent Litigation* .

Regulatory Environment/Pricing and Access—U.S. Healthcare Legislation

In March 2010, the ACA was enacted in the U.S. For additional information, see the “Government Regulation and Price Constraints” section in Part I, Item 1, “Business”, of our 2017 Form 10-K.

We recorded the following amounts as a result of the U.S. Healthcare Legislation:

| | Year Ended December 31, | | |
|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 |
| Reduction to *Revenues* , related to the Medicare “coverage gap” discount provision | **$ 450** | $ 410 | $ 399 |
| *Selling, informational and administrative expenses* , related to the fee payable to the federal government (which is not deductible for U.S. income tax purposes), based on our prior-calendar-year share relative to other companies of branded prescription drug sales to specified government programs | **307** | 312 | 251 |

Regulatory Environment/Pricing and Access—Government and Other Payer Group Pressures

The pricing of medicines by pharmaceutical manufacturers and the cost of healthcare, which includes medicines, medical services and hospital services, continues to be important to payors, governments, patients, and other stakeholders. We believe that medicines are amongst the most powerful tool for patients in curing, treating and preventing illness and disability, and that all patients should have appropriate access to the medicines their doctors prescribe. We consider a number of factors when determining a medicine’s price, including, for example, its impact on patients and their disease, other available treatments, the medicine’s potential to reduce other healthcare costs (such as hospital stays), and affordability. Within the U.S., in particular, we may also engage with patients, doctors and healthcare plans regarding their views. We then negotiate with insurers, including PBMs and MCOs, often providing significant discounts to them from the initial price. The price that patients pay for the medicines their physicians prescribe is ultimately set by healthcare providers and insurers. On average, insurers cover a much lower share of prescription drug costs than medical services, which results in a greater proportion of out-of-pocket costs being passed on to patients for medicines, thereby making them less accessible and affordable. We will continue to work with insurance providers, governments and others to improve access to today’s innovative treatments.

Governments, MCOs and other payer groups continue to seek increasing discounts on our products through a variety of means, such as leveraging their purchasing power, implementing price controls, and demanding price cuts (directly or by rebate actions). In Europe, Japan, China, Canada, South Korea and some other international markets, governments provide healthcare at low-to-zero direct cost to consumers at the point of care and have significant power as large single payers to regulate pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored healthcare system, particularly under recent global economic pressures. In the U.S., government action to reduce federal spending on entitlement programs including Medicare and Medicaid may affect payment for our products or services provided using our products. Any significant spending reductions or cost controls affecting Medicare, Medicaid or other publicly funded or subsidized health programs that may be implemented could have an adverse impact on our results of operations. Significant Medicare reductions could also result if Congress proceeds with certain proposals to convert the Medicare fee-for-service program into a premium support program, or Congress chooses to implement the recommendations made annually by the Medicare Payment Advisory Commission, which are primarily intended to extend the fiscal solvency of the Medicare program.

Consolidation among MCOs has increased the negotiating power of MCOs and other private insurers. Private third-party insurers, as well as governments, increasingly employ formularies to control costs by negotiating discounted prices in exchange for formulary inclusion. Failure to obtain or maintain timely or adequate pricing or formulary placement for our products or obtaining such pricing or placement at unfavorable pricing could adversely impact revenue.

Efforts by government officials or legislators to implement measures to regulate prices or payments for pharmaceutical products, including legislation on drug importation, could adversely affect our business if implemented. Recently, there has been considerable public and government scrutiny of pharmaceutical pricing and proposals to address the perceived high cost of pharmaceuticals. There have also been recent state legislative efforts to address drug costs, which generally have focused on increasing transparency around drug costs or limiting drug prices. Recent legislation enacted includes, for example, a 2017 Maryland law that prohibits a generic drug manufacturer or wholesale distributor from engaging in price gouging in the sale of certain off-patent or generic drugs, and a 2017 California law that requires manufacturers to provide advanced notification of price increases to certain purchasers and report specified drug pricing information to the state. Certain state legislation, like the Maryland law, has been subject to legal challenges.

Adoption of new legislation at the federal or state level could further affect demand for, or pricing of, our products. We believe medicines are the most efficient and effective use of healthcare dollars based on the value they deliver to the overall healthcare system. We will continue to work with law makers and advocate for solutions that effectively improve patient health outcomes, lower costs to the healthcare system, and ensure access to medicines within an efficient and affordable healthcare system.

We face uncertainties due to federal legislative and administrative efforts to repeal, substantially modify or invalidate some or all of the provisions of the ACA. The likelihood of such a repeal currently appears low given the failure of the Senate's multiple attempts to repeal various combinations of ACA provisions. In October 2017, the President signed an Executive Order directing federal agencies to look for ways to authorize more health plans that could be less expensive because the plans would not have to meet all of the ACA's coverage requirements, and announced that his administration will withhold the cost-sharing subsidies paid to health insurance exchange plans serving low-income enrollees. In December 2017, the comprehensive tax reform package signed into law, the TCJA (see the "The Global Economic Environment" section below for more information), includes a provision that effectively repealed the ACA's individual mandate by removing the penalties. These and similar actions by the administration are widely expected to lead to fewer Americans having comprehensive ACA-compliant health insurance, even in the absence of a legislative repeal. However, the revenues generated for Pfizer by the health insurance exchanges under the ACA are minor, so the impact of the recent administration actions is expected to be limited. There is no assurance that any future replacement, modification or repeal of the ACA will not adversely affect our business and financial results, particularly if the legislation reduces incentives for employer-sponsored insurance coverage. We also may face uncertainties if our industry is looked to for savings to fund certain legislation, such as lifting the debt ceiling. One recent example is the Bipartisan Budget Act of 2018, which increased the discount we pay in the Medicare Part D coverage gap from 50% to 70%, which will modestly reduce our future Medicare Part D revenues.

The potential for additional pricing and access pressures in the commercial sector continues to be significant. Some employers, seeking to avoid the tax on high-cost health insurance in the ACA to be imposed in 2020, are already scaling back healthcare benefits and an increasing number are implementing high deductible benefit designs. This is a trend that is likely to continue. Private third-party payers, such as health plans, increasingly challenge pharmaceutical product pricing, which could result in lower prices, lower reimbursement rates and a reduction in demand for our products. Pricing pressures for our products may occur as a result of highly competitive insurance markets. Healthcare provider purchasers, directly or through group purchasing organizations, are seeking enhanced discounts or implementing more rigorous bidding or purchasing review processes.

Overall, there is increasing pressure on U.S. providers to deliver healthcare at a lower cost and to ensure that those expenditures deliver demonstrated value in terms of health outcomes. Longer term, we are seeing a shift in focus away from fee-for-service payments towards outcomes-based payments and risk-sharing arrangements that reward providers for cost reductions. These new payment models can, at times, lead to lower prices for, and restricted access to, new medicines. At the same time, these models can also expand utilization by encouraging physicians to screen, diagnose and focus on outcomes.

Outside the U.S., governments, including the different EU Member States, may use a variety of cost-containment measures for our pharmaceutical products, including price cuts, mandatory rebates, health technology assessments, and international reference pricing (i.e., the practice of a country linking its regulated medicine prices to those of other countries). This international patchwork of price regulation and differing economic conditions and assessments of value across countries has led to different prices in different countries, varying health outcomes and some third-party trade in our products between countries.

In particular, international reference pricing adds to the regional impact of price cuts in individual countries and can hinder patient access and innovation. Price variations, exacerbated by international reference pricing systems, also have resulted from exchange rate fluctuations. The

downward pricing pressure resulting from this dynamic can be expected to continue as a result of reforms to international reference pricing policies and measures targeting pharmaceuticals in some European countries.

In addition, several important multilateral organizations, such as the United Nations (UN) and the Organization for Economic Cooperation and Development (OECD), are increasing scrutiny of international pharmaceutical pricing through issuing reports and policy recommendations (e.g., *2016 UN High Level Panel Report on Access to Medicines* and *2017 OECD Report on New Health Technologies — Managing Access, Value and Sustainability* ). Government adoption of these recommendations may lead to additional pricing pressures.

In response to the evolving U.S. and global healthcare spending landscape, we are continuing to work with health authorities, health technology assessment and quality measurement bodies and major U.S. payers throughout the product-development process to better understand how these entities value our compounds and products. Further, we are seeking to develop stronger internal capabilities focused on demonstrating the value of the medicines that we discover or develop, register and manufacture, by recognizing patterns of usage of our medicines and competitor medicines along with patterns of healthcare costs.

Regulatory Environment—Pipeline Productivity

The discovery and development of safe, effective new products, as well as the development of additional uses for existing products, are necessary for the continued strength of our businesses. We have encountered increasing regulatory scrutiny of drug safety and efficacy, even as we continue to gather safety and other data on our products, before and after the products have been launched. Our product lines must be replenished over time in order to offset revenue losses when products lose their market exclusivity, as well as to provide for earnings growth. We devote considerable resources to R&D activities. These activities involve a high degree of risk and cost and may take many years, and with respect to any specific R&D project, there can be no assurance that the development of any particular product candidate or new indication for an in-line product will achieve the desired clinical endpoints and safety profile, will be approved by regulators or will be successful commercially.

During the development of a product, we conduct clinical trials to provide data on the drug's safety and efficacy to support the evaluation of its overall benefit-risk profile for a particular patient population. In addition, after a product has been approved and launched, we continue to monitor its safety as long as it is available to patients, and post-marketing trials may be conducted, including trials requested by regulators and trials that we do voluntarily to gain additional medical knowledge. For the entire life of the product, we collect safety data and report potential problems to the FDA and other regulatory authorities. The FDA and regulatory authorities in other jurisdictions may evaluate potential safety concerns related to a product or a class of products and take regulatory actions in response, such as updating a product's labeling, restricting the use of a product, communicating new safety information to the public, or, in rare cases, removing a product from the market.

Competition

Many of our prescription pharmaceutical products face competition in the form of branded or generic drugs or biosimilars that treat similar diseases or indications. For additional information, see the "Competition" section in Part I, Item 1, "Business", of our 2017 Form 10-K.

## The Global Economic Environment

In addition to the industry-specific factors discussed above, we, like other businesses, are exposed to the economic cycle, which impacts our biopharmaceutical operations globally.

- Governments, corporations, and insurance companies, which provide insurance benefits to patients, have implemented increases in cost-sharing and restrictions on access to medicines, potentially causing patients to switch to generic or biosimilar products, delay treatments, skip doses or use less effective treatments. Government financing pressures can lead to negative pricing pressure in various markets where governments take an active role in setting prices, access criteria (e.g., through public or private health technology assessments), or other means of cost control. Examples include Europe, Japan, China, Canada, South Korea and a number of other international markets. The U.S. continues to maintain competitive insurance markets, but has also seen significant increases in patient cost-sharing and growing government influence as government programs continue to grow as a source of coverage.
- We continue to monitor developments regarding government and government agency receivables in several European markets, including Greece, where economic conditions remain challenging and uncertain. For further information about our *Accounts Receivable* , see the "Analysis of Financial Condition, Liquidity and Capital Resources" section of this Financial Review.
- Significant portions of our revenues, costs and expenses, as well as our substantial international net assets, are exposed to changes in foreign exchange rates. We seek to manage our foreign exchange risk in part through operational means, including managing same-currency revenues in relation to same-currency costs and same-currency assets in relation to same-currency liabilities. Depending on market conditions, foreign exchange risk also is managed through the use of derivative financial instruments and foreign currency debt. As we operate in multiple foreign currencies, including the euro, the Japanese yen, the Chinese renminbi, the U.K. pound, the Canadian dollar and approximately 100 other currencies, changes in those currencies relative to the U.S. dollar will impact our revenues and expenses. If the U.S. dollar were to weaken against another currency, assuming all other variables remained constant, our revenues would increase, having a positive impact on earnings, and our overall expenses would increase, having a negative impact on earnings. Conversely, if the U.S. dollar were to strengthen against another currency, assuming all other variables remained constant, our revenues would decrease, having a negative impact on earnings, and our overall expenses would decrease, having a positive impact on earnings. Therefore, significant changes in foreign exchange rates can impact our results and our financial guidance.

  The impact of possible currency devaluations in countries experiencing high inflation rates or significant exchange fluctuations, including Venezuela, can impact our results and financial guidance. In the fourth quarter of 2015, we recorded a foreign currency loss of $806 million and an inventory impairment charge of $72 million related to conditions in Venezuela. For further information about our exposure to foreign currency risk, see the "Analysis of Financial Condition, Liquidity and Capital Resources" and the "Our Financial Guidance for 2018 " sections

of this Financial Review. For further information about our foreign currency losses related to Venezuela, see Notes to Consolidated Financial Statements— *Note 4 . Other (Income)/Deductions — Net.*

- In June 2016, the U.K. electorate voted in a referendum to leave the EU, which is commonly referred to as "Brexit". In March 2017, the U.K. government formally notified the European Council of its intention to leave the EU after it triggered Article 50 of the Lisbon Treaty to begin the two-year negotiation process establishing the terms of the exit and outlining the future relationship between the U.K. and the EU. Formal negotiations officially started in June 2017. This process continues to be highly complex and the end result of these negotiations may pose certain implications to our research, commercial and general business operations in the U.K. and the EU, including the approval and supply of our products.

  We generated approximately 2% of our worldwide revenues from the U.K. in 2017 . However, except for the foreign currency exchange impact from the weakening U.K. pound relative to the U.S. dollar to date, there are no other immediate-term impacts to our business as there has not yet been a formal change in the relationship between the U.K. and the EU. In addition, because of the significant uncertainties associated with the negotiation process, any potential long-term impacts are not currently determinable.
- On December 22, 2017, the U.S. enacted significant changes to U.S. tax law following the passage and signing of the TCJA. The TCJA is complex and significantly changes the U.S. corporate income tax system by, among other things, reducing the Federal corporate income tax rate from 35% to 21%, transitioning U.S. international taxation from a worldwide tax system to a territorial tax system and imposing a repatriation tax on deemed repatriated accumulated post-1986 earnings of foreign subsidiaries. Given the significant changes resulting from and complexities associated with the TCJA, the estimated financial impacts for 2017 as well as the estimated impact on 2018 financial guidance for the effective tax rate on adjusted income are provisional and subject to further analysis, interpretation and clarification of the TCJA, which could result in changes to these estimates during 2018. For additional information, see the "Our Financial Guidance for 2018 ", "Provision/(Benefit) for Taxes on Income" and "Analysis of Financial Condition, Liquidity and Capital Resources" sections of this Financial Review and Notes to Consolidated Financial Statements— *Note 5A . Tax Matters: Taxes on Income from Continuing Operations.*

Pfizer maintains a strong financial position while operating in a complex global environment. Due to our significant operating cash flows, financial assets, access to capital markets and available lines of credit and revolving credit agreements, we continue to believe that we have, and will maintain, the ability to meet our liquidity needs for the foreseeable future. Our long-term debt is rated high quality by both S&P and Moody's. As market conditions change, we continue to monitor our liquidity position. We have taken and will continue to take a conservative approach to our financial investments. Both short-term and long-term investments consist primarily of high-quality, highly liquid, well-diversified, available-for-sale debt securities. For further discussion of our financial condition and credit ratings, see the "Analysis of Financial Condition, Liquidity and Capital Resources" section of this Financial Review.

These and other industry-wide factors that may affect our businesses should be considered along with information presented in the "Forward-Looking Information and Factors That May Affect Future Results" section of this Financial Review and in Part I, Item 1A, "Risk Factors," of our 2017 Form 10-K.

## Our Strategy

We believe that our medicines provide significant value for both healthcare providers and patients, not only from the improved treatment of diseases but also from a reduction in other healthcare costs, such as emergency room or hospitalization costs, as well as improvements in health, wellness and productivity. We continue to actively engage in dialogues about the value of our medicines and how we can best work with patients, physicians and payers to prevent and treat disease and improve outcomes. We continue to work within the current legal and pricing structures, as well as continue to review our pricing arrangements and contracting methods with payers, to maximize patient access and minimize any adverse impact on our revenues. We remain firmly committed to fulfilling our company's purpose of innovating to bring therapies to patients that extend and significantly improve their lives. By doing so, we expect to create value for the patients we serve and for our shareholders.

### Commercial Operations

We manage our commercial operations through two distinct business segments: Pfizer Innovative Health (IH) and Pfizer Essential Health (EH). The IH and EH operating segments are each led by a single manager. Each operating segment has responsibility for its commercial activities and for certain IPR&D projects for new investigational products and additional indications for in-line products that generally have achieved proof-of-concept. Each business has a geographic footprint across developed and emerging markets.

Some additional information about our business segments as of the date of the filing of this 2017 Financial Report follows:

| Pfizer Innovative Health | Pfizer ESSENTIAL HEALTH |
|---|---|
| • IH focuses on developing and commercializing novel, value-creating medicines and vaccines that significantly improve patients' lives, as well as products for consumer healthcare.<br>Key therapeutic areas include internal medicine, vaccines, oncology, inflammation & immunology, rare disease and consumer healthcare. | • EH includes legacy brands that have lost or will soon lose market exclusivity in both developed and emerging markets, branded generics, generic sterile injectable products, biosimilars, select branded products including anti-infectives and, through February 2, 2017, HIS. EH also includes an R&D organization, as well as our contract manufacturing business. |
| • We expect that the IH biopharmaceutical portfolio of innovative, largely patent-protected, in-line and newly launched products will be sustained by ongoing investments to develop promising assets and targeted business development in areas of focus to help ensure a pipeline of highly-differentiated product candidates in areas of unmet medical need. The assets managed by IH are science-driven, highly differentiated and generally require a high-level of engagement with healthcare providers and consumers. | • EH is expected to generate strong consistent cash flow by providing patients around the world with access to effective, lower-cost, high-value treatments. EH leverages our biologic development, regulatory and manufacturing expertise to seek to advance its biosimilar development portfolio. Additionally, EH leverages capabilities in formulation development and manufacturing expertise to help advance its generic sterile injectables portfolio. EH may also engage in targeted business development to further enable its commercial strategies. |
| • IH will have continued focus on R&D productivity and pipeline strength while maximizing the value of our recently launched brands and in-line portfolio. Our acquisitions of Anacor and Medivation expanded our pipeline in the high priority therapeutic areas of inflammation and immunology and oncology. | • For EH, we continue to invest in growth drivers and manage the portfolio to extract additional value while seeking opportunities for operating efficiencies. This strategy includes active management of our portfolio; maximizing growth of core product segments; acquisitions to strengthen core areas of our portfolio further, such as our recent acquisition of AstraZeneca's small molecule anti-infectives business; and divestitures to increase focus on our core strengths. In line with this strategy, on February 3, 2017, we completed the sale of Pfizer's global infusion systems net assets, representing the infusion systems net assets that we acquired as part of the Hospira transaction, HIS, to ICU Medical. |
| **Leading brands include:**<br>- *Prevnar 13/Prevenar 13*<br>- *Xeljanz*<br>- *Eliquis*<br>- *Lyrica* (U.S., Japan and certain other markets)<br>- *Enbre* l (outside the U.S. and Canada)<br>- *Ibrance*<br>- *Xtandi*<br>- Several OTC consumer healthcare products (e.g., *Advil* and *Centrum* ) | **Leading brands include:**<br>- *Lipitor*<br>- *Premarin* family<br>- *Norvasc*<br>- *Lyrica* (Europe, Russia, Turkey, Israel and Central Asia countries)<br>- *Celebrex*<br>- *Viagra* *<br>- *Inflectra/Remsima*<br>- Several sterile injectable products |

* Viagra lost exclusivity in the U.S. in December 2017. Beginning in the first quarter of 2018, revenues for Viagra in the U.S. and Canada, which were reported in IH through December 2017, will be reported in EH (which reported all other Viagra revenues excluding the U.S. and Canada through 2017). Therefore, total Viagra worldwide revenues will be reported in EH from 2018 forward.

For additional information about the 2017 performance of each of our operating segments, see the "Analysis of Operating Segment Information" section of this Financial Review.

Description of Research and Development Operations

Innovation is critical to the success of our company, and drug discovery and development is time-consuming, expensive and unpredictable. Our goal is to discover, develop and bring to market innovative products that address major unmet medical needs. Our R&D priorities include:

- delivering a pipeline of differentiated therapies and vaccines with the greatest medical and commercial potential;
- advancing our capabilities that can position Pfizer for long-term leadership; and
- creating new models for biomedical collaboration that will expedite the pace of innovation and productivity.

To that end, our R&D primarily focuses on:

- Biosimilars;
- Inflammation and Immunology;
- Metabolic Disease and Cardiovascular Risks;
- Oncology;
- Rare Diseases; and
- Vaccines.

In January 2018, we announced our decision to end internal neuroscience discovery and early development efforts and re-allocate funding to other areas where we have stronger scientific leadership. We plan to create a dedicated neuroscience venture fund to support continued efforts to advance the field. The development of tanezumab and potential treatments for rare neuromuscular disorders is not impacted by this decision.

We continue to strengthen our global R&D organization and pursue strategies intended to improve innovation and overall productivity in R&D to achieve a sustainable pipeline that will deliver value in the near term and over time. Our R&D spending is conducted through a number of matrix organizations:

- Research Units within our WRD organization are generally responsible for research and early-stage development assets for our IH business (assets that have not yet achieved proof-of-concept). Our Research Units are organized by therapeutic area to enhance flexibility, cohesiveness and focus. Because of our structure, we can rapidly redeploy resources within a Research Unit between various projects as necessary because the workforce shares similar skills, expertise and/or focus.
- Our R&D organization within the EH business supports the large base of EH products and is expected to develop potential new sterile injectable drugs and therapeutic solutions, as well as biosimilars.
- Our GPD organization is a unified center for late-stage development for our innovative products and is generally responsible for the operational execution of clinical development of assets that are in clinical trials for our WRD and Innovative portfolios. GPD is expected to enable more efficient and effective development and enhance our ability to accelerate and progress assets through our pipeline. GPD combines certain previously separate development-related functions from the IH business and the WRD organization to achieve a development capability that is expected to deliver high-quality, efficient, and well-executed clinical programs by enabling greater speed, greater cost efficiencies, and reduced complexity across our development portfolio. GPD also provides technical support and other services to Pfizer R&D projects.
- Our science-based and other platform-services organizations, where a significant portion of our R&D spending occurs, provide technical expertise and other services to the various R&D projects, and are organized into science-based functions (which are part of our WRD organization), such as Pharmaceutical Sciences, Medicinal Chemistry, Regulatory and Drug Safety, and non-science-based functions, such as Facilities, Business Technology and Finance. As a result, within each of these functions, we are able to migrate resources among projects, candidates and/or targets in any therapeutic area and in most phases of development, allowing us to react quickly in response to evolving needs.

We manage R&D operations on a total-company basis through our matrix organizations described above. Specifically, a single committee with representation from the R&D groups and the IH commercial organization is accountable for aligning resources among all of our WRD, GPD and IH R&D projects and for seeking to ensure optimal capital allocation across the Innovative R&D portfolio. We believe that this approach also serves to maximize accountability and flexibility. Our EH R&D organization manages its resources separately from the WRD and GPD organizations.

Generally, we do not disaggregate total R&D expense by development phase or by therapeutic area since, as described above, we do not manage a significant portion of our R&D operations by development phase or by therapeutic area. Further, as we are able to adjust a significant portion of our spending quickly, as conditions change, we believe that any prior-period information about R&D expense by development phase or by therapeutic area would not necessarily be representative of future spending.

While a significant portion of R&D is done internally, we continue to seek out promising chemical and biological lead molecules and innovative technologies developed by third parties to incorporate into our discovery and development processes or projects, as well as our product lines, by entering into collaborations, alliance and license agreements with other companies, as well as leveraging acquisitions and equity- or debt-based investments. These agreements enable us to co-develop, license or acquire promising compounds, technologies or capabilities. We also enter into agreements pursuant to which a third party agrees to fund a portion of the development costs of one of our pipeline products in exchange for rights to receive potential milestone payments, revenue sharing payments, profit sharing payments and/or royalties. Collaboration, alliance, license and funding agreements and equity- or debt-based investments allow us to share risk and cost and to access external scientific and technological expertise, and enable us to advance our own products as well as in-licensed or acquired products.

For additional information about R&D by operating segment, see the “Analysis of Operating Segment Information” section of this Financial Review. For additional information about our pending new drug applications and supplemental filings, see the “Analysis of the Consolidated Statements of Income—Product Developments—Biopharmaceutical” section of this Financial Review. For additional information about recent transactions and strategic investments that we believe have the potential to advance our pipeline, see the “Our Strategy—Our Business Development Initiatives” section of this Financial Review.

### Intellectual Property Rights

We continue to aggressively defend our patent rights against increasingly aggressive infringement whenever appropriate, and we will continue to support efforts that strengthen worldwide recognition of patent rights while taking necessary steps to ensure appropriate patient access. In addition, we will continue to employ innovative approaches designed to prevent counterfeit pharmaceuticals from entering the supply chain and to achieve greater control over the distribution of our products, and we will continue to participate in the generics market for our products, whenever appropriate, once they lose exclusivity. Also, the pursuit of valid business opportunities may require us to challenge intellectual property rights held by other companies that we believe were improperly granted. Such challenges may include negotiation and litigation, which may not be successful. For additional information about our current efforts to enforce our intellectual property rights and certain other patent proceedings, see Notes to Consolidated Financial Statements— *Note 17A1. Commitments and Contingencies: Legal Proceedings — Patent Litigation.* For information on risks related to patent protection and intellectual property claims by third parties, see "Risks Related to Intellectual Property" in Part I, Item 1A, “Risk Factors” in our 2017 Form 10-K.

Capital Allocation and Expense Management

We seek to maintain a strong balance sheet and robust liquidity so that we continue to have the financial resources necessary to take advantage of prudent commercial, research and business development opportunities and to directly enhance shareholder value through share repurchases and dividends. For additional information about our financial condition, liquidity, capital resources, share repurchases (including accelerated share repurchases) and dividends, see the "Analysis of Financial Condition, Liquidity and Capital Resources" section of this Financial Review. For additional information about our recent business development activities, see the "Our Strategy—Our Business Development Initiatives" section of this Financial Review.

In December 2017 , our Board of Directors declared a first-quarter 2018 dividend of $0.34 per share, an increase from the $0.32 per-share quarterly dividend paid during 2017 . For additional information, see the "Analysis of Financial Condition, Liquidity and Capital Resources" section of this Financial Review and Notes to Consolidated Financial Statements— *Note 12. Equity.*

We remain focused on achieving an appropriate cost structure for the Company. For additional information about our cost-reduction and productivity initiatives, see the "Costs and Expenses—Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives" section of this Financial Review and Notes to Consolidated Financial Statements— *Note 3 . Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives.*

Increasing Investment in the U.S. —After evaluating the expected positive net impact the TCJA will have on us, we have decided to take several actions:

- Over the next five years, we plan to invest approximately $5.0 billion in capital projects in the U.S., including the strengthening of our manufacturing presence in the U.S.
- In the fourth quarter of 2017, we made a $200 million charitable contribution to the Pfizer Foundation, an organization that provides grant and investment funding to support organizations and social entrepreneurs in an effort to improve healthcare delivery.
- We made a $500 million voluntary contribution to our U.S. pension plan in February 2018.
- We have also allocated approximately $100 million for a special, one-time bonus to be paid to all non-executive Pfizer colleagues that is expected to be paid in the first quarter of 2018.

Our Business Development Initiatives

We are committed to capitalizing on growth opportunities by advancing our own pipeline and maximizing the value of our in-line products, as well as through various forms of business development, which can include alliances, licenses, joint ventures, collaborations, equity- or debt-based investments, dispositions, mergers and acquisitions. We view our business development activity as an enabler of our strategies, and we seek to generate earnings growth and enhance shareholder value by pursuing a disciplined, strategic and financial approach to evaluating business development opportunities. We continue to evaluate business development transactions that have the potential to strengthen one or both of our businesses and their capabilities, such as our acquisitions of Hospira, Medivation, Anacor and AstraZeneca's small molecule anti-infectives business, as well as collaborations, and alliance and license agreements with other companies, including our collaborations with Cellectis, OPKO and Merck KGaA. We assess our businesses, assets and scientific capabilities/portfolio as part of our regular, ongoing portfolio review process and also continue to consider business development activities that will advance our businesses. In October 2017, we announced that we are reviewing strategic alternatives for our Consumer Healthcare business. A range of options will be considered, including a full or partial separation of the Consumer Healthcare business from Pfizer through a spin-off, sale or other transaction, and we may ultimately determine to retain the business. We expect that any decision regarding strategic alternatives for Consumer Healthcare would be made during 2018. For additional information on our business development activities, see Notes to Consolidated Financial Statements— *Note 2. Acquisitions, Sale of Hospira Infusion Systems Net Assets, Research and Development and Collaborative Arrangements, Equity-Method Investments and Cost-Method Investment* .

The more significant recent transactions and events are described below:

- Sale of Hospira Infusion Systems Net Assets to ICU Medical, Inc. (EH) —On February 3, 2017, we completed the sale of our global infusion systems net assets, HIS, to ICU Medical. In connection with this transaction, we recognized pre-tax losses of approximately $55 million in 2017 in *Other (income)/deductions—net,* representing adjustments to amounts previously recorded in 2016 to write down the HIS net assets to fair value less costs to sell. We may record additional adjustments to the loss on the sale of HIS net assets in future periods, pending final working capital adjustments, among other agreement provisions, which we do not expect to have a material impact on our consolidated financial statements.
- Acquisition of AstraZeneca's Small Molecule Anti-Infectives Business (EH) —On December 22, 2016, which falls in the first fiscal quarter of 2017 for our international operations, we acquired the development and commercialization rights to AstraZeneca's small molecule anti-infectives business, primarily outside the U.S. The total fair value of the consideration transferred for this business was approximately $555 million in cash plus the fair value of contingent consideration of $490 million .
- Acquisition of Medivation, Inc. (IH) —On September 28, 2016, we acquired Medivation for $81.50 per share. The total fair value of consideration transferred for Medivation was approximately $14.3 billion in cash ( $13.9 billion , net of cash acquired). Medivation's portfolio includes Xtandi (enzalutamide), an androgen receptor inhibitor that blocks multiple steps in the androgen receptor signaling pathway within tumor cells. Xtandi is being developed and commercialized through a collaboration with Astellas. Astellas has exclusive commercialization rights for Xtandi outside the U.S. In addition, Medivation has a development-stage oncology asset in its pipeline, talazoparib, which is currently in a Phase 3 study for the treatment of BRCA-mutated breast cancer.
- Acquisition of Bamboo Therapeutics, Inc. (IH) —On August 1, 2016, we acquired all the remaining equity in Bamboo, a privately-held biotechnology company, focused on developing gene therapies for the potential treatment of patients with certain rare diseases relating to neuromuscular conditions and those affecting the central nervous system, for $150 million , plus potential milestone payments of up to $495 million contingent upon the progression of key assets through development, regulatory approval and commercialization. We previously purchased a minority stake in Bamboo in the first quarter of 2016 for a payment of approximately $43 million . This acquisition provides us

with several clinical and pre-clinical assets that complement our rare disease portfolio, an advanced recombinant AAV vector design and production technology, and a fully functional Phase I/II gene therapy manufacturing facility.

- Acquisition of Anacor Pharmaceuticals, Inc. (IH) —On June 24, 2016, we acquired Anacor for $99.25 per share. The total fair value of consideration transferred for Anacor was approximately $4.9 billion in cash ( $4.5 billion net of cash acquired) plus $698 million debt assumed. Anacor's crisaborole, a non-steroidal topical PDE-4 inhibitor with anti-inflammatory properties, was approved by the FDA on December 14, 2016 under the trade name, Eucrisa, for the treatment of mild-to-moderate atopic dermatitis in patients two years of age and older, commonly referred to as a type of eczema. Anacor also holds the rights to Kerydin, a topical treatment for onychomycosis (toenail fungus) that is distributed and commercialized by Sandoz in the U.S.
- Research and Development Arrangement with NovaQuest Co-Investment Fund II, L.P. —On November 1, 2016, we announced the discontinuation of the global clinical development program for bococizumab. During December 2016, $31.3 million was refunded to NovaQuest representing amounts NovaQuest prepaid for development costs (under the May 2016 agreement described below) that were not used for program expenses due to the discontinuation of the development program. No additional payments have been or are expected to be received from or paid to NovaQuest under this agreement, which was effectively terminated on November 18, 2016.

  In May 2016, our agreement with NovaQuest became effective, under which NovaQuest agreed to fund up to $250 million in development costs related to certain Phase III clinical trials of Pfizer's bococizumab compound and Pfizer agreed to use commercially reasonable efforts to develop and obtain regulatory approvals for such compound. NovaQuest's development funding was expected to cover up to 40% of the development costs and was to be received over five quarters during 2016 and 2017. As there was a substantive and genuine transfer of risk to NovaQuest, the development funding applicable to program expenses during 2016 was recognized as an obligation to perform contractual services and therefore has been recognized as a reduction of *Research and development expenses* as incurred. The reduction to *Research and development expenses* for 2016 totaled $180.3 million .
- Research and Development Arrangement with NovaQuest Co-Investment Fund V, L.P. —In April 2016, Pfizer entered into an agreement with NovaQuest under which NovaQuest will fund up to $200 million in development costs related to certain Phase III clinical trials of Pfizer's rivipansel compound and Pfizer will use commercially reasonable efforts to develop and obtain regulatory approvals for such compound. NovaQuest's development funding is expected to cover up to 100% of the development costs and will be received over approximately 12 quarters from 2016 to 2019. As there is a substantive and genuine transfer of risk to NovaQuest, the development funding is recognized by us as an obligation to perform contractual services and therefore is a reduction of *Research and development expenses* as incurred. The reduction to *Research and development expenses* totaled $72.1 million for 2017 and $46.6 million for 2016. Following potential regulatory approval, NovaQuest will be eligible to receive a combination of fixed milestone payments of up to approximately $267 million in total, based on achievement of first commercial sale and certain levels of cumulative net sales as well as royalties on rivipansel net sales over approximately eight years. Fixed sales-based milestone payments will be recorded as intangible assets and amortized to *Amortization of intangible assets* over the estimated commercial life of the rivipansel product and royalties on net sales will be recorded as *Cost of sales* when incurred.
- Research and Development Arrangement with RPI Finance Trust —In January 2016, Pfizer entered into an agreement with RPI, a subsidiary of Royalty Pharma, under which RPI will fund up to $300 million in development costs related to certain Phase III clinical trials of Pfizer's Ibrance (palbociclib) product primarily for adjuvant treatment of hormone receptor positive early breast cancer (the Indication). RPI's development funding is expected to cover up to 100% of the costs primarily for the applicable clinical trials through 2021. As there is a substantive and genuine transfer of risk to RPI, the development funding is recognized by us as an obligation to perform contractual services and therefore is a reduction of *Research and development expenses* as incurred. The reduction to *Research and development expenses* totaled $75.6 million for 2017 and $44.9 million for 2016. If successful and upon approval of Ibrance in the U.S. or certain major markets in the EU for the Indication based on the applicable clinical trials, RPI will be eligible to receive a combination of approval-based fixed milestone payments of up to $250 million dependent upon results of the clinical trials and royalties on certain Ibrance sales over approximately seven years. Fixed milestone payments due upon approval will be recorded as intangible assets and amortized to *Amortization of intangible assets* over the estimated commercial life of the Ibrance product and sales-based royalties will be recorded as *Cost of sales* when incurred.
- Acquisition of Hospira (EH) —On September 3, 2015, we acquired Hospira, a leading provider of sterile injectable drugs and infusion technologies as well as a provider of biosimilars, for approximately $16.1 billion in cash ( $15.7 billion , net of cash acquired).
- Acquisition of a Minority Interest in AM-Pharma B.V. (IH) —In April 2015, we acquired a minority equity interest in AM-Pharma, a privately-held Dutch biopharmaceutical company focused on the development of recAP for inflammatory diseases, and secured an exclusive option to acquire the remaining equity in the company. The option becomes exercisable after completion of a Phase II trial of recAP in the treatment of Acute Kidney Injury related to sepsis, which is currently expected in the first quarter of 2018. Under the terms of the agreement, we originally paid $87.5 million for both the exclusive option and the minority equity interest, which was recorded as a cost-method investment in *Long-term investments.* During the fourth quarter of 2017, we recognized a loss of $43 million for an impairment of our long-term investment.
- Collaboration with OPKO Health, Inc. —We entered into a collaborative agreement with OPKO, which closed in January 2015, to develop and commercialize OPKO's long-acting hGH-CTP for the treatment of GHD in adults and children, as well as for the treatment of growth failure in children born SGA who fail to show catch-up growth by two years of age. hGH-CTP has the potential to reduce the required dosing frequency of human growth hormone to a single weekly injection from the current standard of one injection per day. We have received the exclusive license to commercialize hGH-CTP worldwide. OPKO will lead the clinical activities and will be responsible for funding the development programs for the key indications, which include Adult and Pediatric GHD and Pediatric SGA. We will be responsible for all development costs for additional indications, all postmarketing studies, manufacturing and commercialization activities for all indications, and we will lead the manufacturing activities related to product development. In February 2015, we made an upfront payment of $295 million to OPKO, which was recorded in *Research and development expenses,* and OPKO is eligible to receive up to an additional $275 million upon the achievement of certain regulatory milestones. OPKO is also eligible to receive royalty payments associated with the commercialization of hGH-CTP for Adult GHD, which is subject to regulatory approval. Upon the launch of hGH-CTP for Pediatric GHD, which is subject to regulatory approval, the royalties will transition to tiered gross profit sharing for both hGH-CTP and our product, Genotropin.

- Acquisition of Marketed Vaccines Business of Baxter International Inc. (IH) —On December 1, 2014 (which fell in the first fiscal quarter of 2015 for our international operations), we acquired Baxter's portfolio of marketed vaccines for a final purchase price of $648 million . The portfolio that was acquired consists of NeisVac-C and FSME-IMMUN/TicoVac. NeisVac-C is a vaccine that helps protect against meningitis caused by group C meningococcal meningitis and FSME-IMMUN/TicoVac is a vaccine that helps protect against tick-borne encephalitis.
- Collaboration with Merck KGaA (IH) —In November 2014, we entered into a collaborative arrangement with Merck KGaA, to jointly develop and commercialize avelumab, the proposed international non-proprietary name for the investigational anti-PD-L1 antibody (MSB0010718C), currently approved as Bavencio for metastatic MCC and for patients with locally advanced or metastatic UC in certain countries and in development as a potential treatment for multiple other types of cancer. Under the terms of the agreement, in the fourth quarter of 2014, we made an upfront payment of $850 million to Merck KGaA and Merck KGaA is eligible to receive regulatory and commercial milestone payments of up to approximately $2.0 billion . As of December 31, 2017, we made $140 million in milestone payments to Merck KGaA for approvals of avelumab received in 2017 for the MCC indication in the U.S., the EU and Japan, and for the metastatic UC indication in the U.S. Both companies jointly fund all development and commercialization costs, and split equally any profits generated from selling any anti-PD-L1 or anti-PD-1 products from this collaboration. Also, as part of the agreement, we gave Merck KGaA certain co-promotion rights for Xalkori in the U.S. and several other key markets.
- Collaboration with Eli Lilly & Company —In 2013, we entered into a collaboration agreement with Lilly to jointly develop and globally commercialize Pfizer ' s tanezumab, which provides that Pfizer and Lilly will equally share product-development expenses as well as potential revenues and certain product-related costs. Following the decision by the FDA in March 2015 to lift the partial clinical hold on the tanezumab development program, we received a $200 million upfront payment from Lilly in accordance with the collaboration agreement between Pfizer and Lilly, which is recorded as deferred revenue in our consolidated balance sheet and is being recognized into *Other (income)/deductions — net* over a multi-year period beginning in the second quarter of 2015. Pfizer and Lilly resumed the Phase 3 chronic pain program for tanezumab in July 2015. The FDA granted Fast Track designation for tanezumab for the treatment of chronic pain in patients with OA and CLBP in June 2017. Under the collaboration agreement with Lilly, we are eligible to receive additional payments from Lilly upon the achievement of specified regulatory and commercial milestones.

## Our Financial Guidance for 2018

The following table provides our financial guidance for full-year 2018 [(a), (b)] :

| | |
|---|---|
| Revenues | $53.5 to $55.5 billion |
| Adjusted cost of sales as a percentage of revenues | 20.5% to 21.5% |
| Adjusted selling, informational and administrative expenses | $14.0 to $15.0 billion |
| Adjusted research and development expenses | $7.4 to $7.9 billion |
| Adjusted other (income)/deductions | Approximately $400 million of income |
| Effective tax rate on adjusted income | Approximately 17.0% |
| Adjusted diluted EPS | $2.90 to $3.00 |

(a) The 2018 financial guidance reflects the following:

- A full year contribution from Consumer Healthcare. Pfizer continues to expect that any decision regarding strategic alternatives for Consumer Healthcare would be made during 2018.
- Does not assume the completion of any business development transactions not completed as of December 31, 2017 , including any one-time upfront payments associated with such transactions.
- Exchange rates assumed are as of mid-January 2018.
- Reflects an anticipated negative revenue impact of $2.0 billion due to recent and expected generic and biosimilar competition for certain products that have recently lost or are anticipated to soon lose patent protection. Assumes no generic competition for Lyrica in the U.S. until June 2019, which is contingent upon a six-month patent-term extension granted by the FDA for pediatric exclusivity, which the company is currently pursuing.
- Reflects the anticipated favorable impact of $900 million on revenues and $0.06 on adjusted diluted EPS as a result of favorable changes in foreign exchange rates relative to the U.S. dollar compared to foreign exchange rates from 2017.
- Guidance for the effective tax rate on Adjusted income reflects our provisional estimate of the impact of the TCJA.
- Guidance for adjusted diluted EPS assumes diluted weighted-average shares outstanding of approximately 6.0 billion shares, which reflects anticipated share repurchases totaling $5.0 billion in 2018 . Dilution related to share-based employee compensation programs is expected to offset by approximately half the reduction in shares associated with these anticipated share repurchases.

(b) For an understanding of Adjusted income and its components and Adjusted diluted EPS (all of which are non-GAAP financial measures), see the "Non-GAAP Financial Measure (Adjusted Income)" section of this Financial Review.

Pfizer does not provide guidance for GAAP Reported financial measures (other than Revenues) or a reconciliation of forward-looking non-GAAP financial measures to the most directly comparable GAAP Reported financial measures on a forward-looking basis because it is unable to predict with reasonable certainty the ultimate outcome of pending litigation, unusual gains and losses, acquisition-related expenses and potential future asset impairments without unreasonable effort. These items are uncertain, depend on various factors, and could have a material impact on GAAP Reported results for the guidance period.

For information about our actual costs and anticipated costs and cost savings associated with our three-year cost-reduction initiative entered into in the fourth quarter of 2016, the Hospira acquisition, our recent business development activities, and global commercial structure, see the "Costs and Expenses—Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives" section of this Financial Review and Notes to Consolidated Financial Statements— *Note 3 . Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives.*

Our 2018 financial guidance is subject to a number of factors and uncertainties as described in the "Our Operating Environment", "The Global Economic Environment", "Our Strategy" and "Forward-Looking Information and Factors That May Affect Future Results" sections of this Financial Review; and Part I, Item 1A, "Risk Factors" of our 2017 Form 10-K.

## SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

For a description of our significant accounting policies, see Notes to Consolidated Financial Statements— *Note 1. Basis of Presentation and Significant Accounting Policies* . Of these policies, the following are considered critical to an understanding of our consolidated financial statements as they require the application of the most subjective and the most complex judgments: (i) Acquisitions (Note 1D); (ii) Fair Value (Note 1E); (iii) Revenues (Note 1G); (iv) Asset Impairments (Note 1K); (v) Income Tax Assets and Liabilities and Income Tax Contingencies (Note 1O); (vi) Pension and Postretirement Benefit Plans (Note 1P); and Legal and Environmental Contingencies (Note 1Q).

Following is a discussion about the critical accounting estimates and assumptions impacting our consolidated financial statements. See also Notes to Consolidated Financial Statements— *Note 1C. Basis of Presentation and Significant Accounting Policies: Estimates and Assumptions* for a discussion about the risks associated with estimates and assumptions.

### Acquisitions and Fair Value

For a discussion about the application of fair value to our recent acquisitions, see Notes to Consolidated Financial Statements— *Note 2A. Acquisitions, Sale of Hospira Infusion Systems Net Assets, Research and Development and Collaborative Arrangements, Equity-Method Investments and Cost-Method Investment: Acquisitions.*

For a discussion about the application of fair value to our investments, see Notes to Consolidated Financial Statements— *Note 7A. Fair Value Measurements* .

For a discussion about the application of fair value to our benefit plan assets, see Notes to Consolidated Financial Statements— *Note 11D. Pension and Postretirement Benefit Plans and Defined Contribution Plans: Plan Assets* .

For a discussion about the application of fair value to our asset impairment reviews, see “Asset Impairment Reviews” below.

### Revenues

Our gross product revenues are subject to a variety of deductions, that generally are estimated and recorded in the same period that the revenues are recognized, and primarily represent chargebacks, rebates and sales allowances to wholesalers, and, to a lesser extent, distributors like MCOs, retailers and government agencies with respect to our pharmaceutical products. Those deductions represent estimates of rebates and discounts related to gross sales for the reporting period and, as such, knowledge and judgment of market conditions and practice are required when estimating the impact of these revenue deductions on gross sales for a reporting period.

Historically, our adjustments of estimates, to reflect actual results or updated expectations, have not been material to our overall business. On a quarterly basis, our adjustments of estimates to reflect actual results generally have been less than 1% of revenues, and have resulted in either a net increase or a net decrease in revenues. Product-specific rebates, however, can have a significant impact on year-over-year individual product growth trends. If any of our ratios, factors, assessments, experiences or judgments are not indicative or accurate predictors of our future experience, our results could be materially affected. The sensitivity of our estimates can vary by program, type of customer and geographic location. However, estimates associated with U.S. Medicare, Medicaid and performance-based contract rebates are most at risk for material adjustment because of the extensive time delay between the recording of the accrual and its ultimate settlement, an interval that can generally range up to one year. Because of this time lag, in any given quarter, our adjustments to actual can incorporate revisions of several prior quarters.

### Asset Impairment Reviews

We review all of our long-lived assets for impairment indicators throughout the year. We perform impairment testing for indefinite-lived intangible assets and goodwill at least annually and for all other long-lived assets whenever impairment indicators are present. When necessary, we record charges for impairments of long-lived assets for the amount by which the fair value is less than the carrying value of these assets. Our impairment review processes are described in the Notes to Consolidated Financial Statements— *Note 1K. Basis of Presentation and Significant Accounting Policies: Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets.*

Examples of events or circumstances that may be indicative of impairment include:

- A significant adverse change in legal factors or in the business climate that could affect the value of the asset. For example, a successful challenge of our patent rights would likely result in generic competition earlier than expected.
- A significant adverse change in the extent or manner in which an asset is used. For example, restrictions imposed by the FDA or other regulatory authorities could affect our ability to manufacture or sell a product.
- A projection or forecast that indicates losses or reduced profits associated with an asset. This could result, for example, from a change in a government reimbursement program that results in an inability to sustain projected product revenues and profitability. This also could result from the introduction of a competitor’s product that results in a significant loss of market share or the inability to achieve the previously projected revenue growth, as well as the lack of acceptance of a product by patients, physicians and payers. For IPR&D projects, this could result from, among other things, a change in outlook based on clinical trial data, a delay in the projected launch date or additional expenditures to commercialize the product.

Identifiable Intangible Assets

As a result of our identifiable intangible asset impairment review work, we recognized a number of impairments of identifiable intangible assets for the years ended December 31, 2017 , 2016 and 2015 . See Notes to Consolidated Financial Statements— *Note 4. Other (Income)/Deductions — Net.*

When we are required to determine the fair value of intangible assets other than goodwill, we use an income approach, specifically the discounted cash flow method. We start with a forecast of all the expected net cash flows associated with the asset, which includes the application of a terminal value for indefinite-lived assets, and then we apply an asset-specific discount rate to arrive at a net present value amount. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, which includes the expected impact of competitive, legal and/or regulatory forces on the projections and the impact of technological risk associated with IPR&D assets, as well as the selection of a long-term growth rate; the discount rate, which seeks to reflect the various risks inherent in the projected cash flows; and the tax rate, which seeks to incorporate the geographic diversity of the projected cash flows.

While all intangible assets other than goodwill can face events and circumstances that can lead to impairment, in general, intangible assets other than goodwill that are most at risk of impairment include IPR&D assets (approximately $5.2 billion as of December 31, 2017 ) and newly acquired or recently impaired indefinite-lived brand assets. IPR&D assets are high-risk assets, as R&D is an inherently risky activity. Newly acquired and recently impaired indefinite-lived assets are more vulnerable to impairment as the assets are recorded at fair value and are then subsequently measured at the lower of fair value or carrying value at the end of each reporting period. As such, immediately after acquisition or impairment, even small declines in the outlook for these assets can negatively impact our ability to recover the carrying value and can result in an impairment charge.

Goodwill

As a result of our goodwill impairment review work, we concluded that none of our goodwill was impaired as of December 31, 2017 , and we do not believe the risk of impairment is significant at this time.

We first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Qualitative factors that we consider include, for example, macroeconomic and industry conditions, overall financial performance and other relevant entity-specific events. If we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we then perform a quantitative fair value test.

When we are required to determine the fair value of a reporting unit, as appropriate for the individual reporting unit, we mainly use the income approach but we may also use the market approach, or a weighted-average combination of both approaches.

- The income approach is a forward-looking approach to estimating fair value and relies primarily on internal forecasts. Within the income approach, the method that we use is the discounted cash flow method. We start with a forecast of all the expected net cash flows associated with the reporting unit, which includes the application of a terminal value, and then we apply a reporting unit-specific discount rate to arrive at a net present value amount. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, which includes the expected impact of technological risk and competitive, legal and/or regulatory forces on the projections, as well as the selection of a long-term growth rate; the discount rate, which seeks to reflect the various risks inherent in the projected cash flows; and the tax rate, which seeks to incorporate the geographic diversity of the projected cash flows.
- The market approach is a historical approach to estimating fair value and relies primarily on external information. Within the market approach are two methods that we may use:
  - Guideline public company method—this method employs market multiples derived from market prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market and the application of the identified multiples to the corresponding measure of our reporting unit's financial performance.
  - Guideline transaction method—this method relies on pricing multiples derived from transactions of significant interests in companies engaged in the same or similar lines of business and the application of the identified multiples to the corresponding measure of our reporting unit's financial performance.

  The market approach is only appropriate when the available external information is robust and deemed to be a reliable proxy for the specific reporting unit being valued; however, these assessments may prove to be incomplete or inaccurate. Some of the more significant estimates and assumptions inherent in this approach include: the selection of appropriate guideline companies and transactions and the determination of applicable premiums and discounts based on any differences in ownership percentages, ownership rights, business ownership forms or marketability between the reporting unit and the guideline companies and transactions.

For all of our reporting units, there are a number of future events and factors that may impact future results and that could potentially have an impact on the outcome of subsequent goodwill impairment testing. For a list of these factors, see the "Forward-Looking Information and Factors That May Affect Future Results" section of this Financial Review and Part I, Item 1A, "Risk Factors" in our 2017 Form 10-K.

## Benefit Plans

The majority of our employees worldwide are covered by defined benefit pension plans, defined contribution plans or both. In the U.S., we have both IRC-qualified and supplemental (non-qualified) defined benefit plans and defined contribution plans, as well as other postretirement benefit plans consisting primarily of medical insurance for retirees and their eligible dependents.

The accounting for benefit plans is highly dependent on actuarial estimates, assumptions and calculations, which can result from a complex series of judgments about future events and uncertainties. The assumptions and actuarial estimates required to estimate the net employee

benefit obligations for the defined benefit and postretirement plans include the discount rate; expected salary increases; certain employee-related factors, such as turnover, retirement age and mortality (life expectancy); expected return on plan assets; and healthcare cost trend rates.

Effective January 1, 2018, accruals for future benefits under the Pfizer Consolidated Pension Plan (our largest U.S. defined benefit plan) and the defined benefit section of the Pfizer Group Pension Scheme (our largest pension plan in the U.K.) were frozen and will result in elimination of future service costs for the plan. The Pfizer defined contribution savings plan will provide additional annual contributions to those previously accruing benefits under the Pfizer Consolidated Pension Plan and active members of the Pfizer Group Pension Scheme will start accruing benefits under the defined contribution section of that plan.

As of December 31, 2017 , the noncurrent portion of our pension benefit obligations, net, and our postretirement benefit obligations, net decreased, in the aggregate, by approximately $742 million compared to December 31, 2016 . The decrease reflects, among other things, the $1.0 billion voluntary pension contribution we made in January 2017 and an increase in actual returns on plan assets, partially offset by the impact of a decrease in the discount rate used in the measurement of plan obligations.

Our assumptions reflect our historical experiences and our judgment regarding future expectations that have been deemed reasonable by management. The judgments made in determining the costs of our benefit plans can materially impact our results of operations.

The following table provides (i) at the end of each year, the expected annual rate of return on plan assets for the following year, (ii) the actual annual rate of return on plan assets achieved in each year, and (iii) the weighted-average discount rate used to measure the benefit obligations at the end of each year for our U.S. qualified pension plans and our international pension plans [(a)]:

| | **2017** | 2016 | 2015 |
|---|---|---|---|
| **U.S. Qualified Pension Plans** | | | |
| Expected annual rate of return on plan assets | **7.5%** | 8.0% | 8.0 % |
| Actual annual rate of return on plan assets | **16.2** | 8.1 | (0.8) |
| Discount rate used to measure the plan obligations | **3.8** | 4.3 | 4.5 |
| **International Pension Plans** | | | |
| Expected annual rate of return on plan assets | **4.4** | 4.7 | 5.2 |
| Actual annual rate of return on plan assets | **10.3** | 9.3 | 3.6 |
| Discount rate used to measure the plan obligations | **2.3** | 2.4 | 3.1 |

[(a)] For detailed assumptions associated with our benefit plans, see Notes to Consolidated Financial Statements— *Note 11B. Pension and Postretirement Benefit Plans and Defined Contribution Plans: Actuarial Assumptions.*

Expected Annual Rate of Return on Plan Assets

The assumptions for the expected annual rate of return on all of our plan assets reflect our actual historical return experience and our long-term assessment of forward-looking return expectations by asset classes, which is used to develop a weighted-average expected return based on the implementation of our targeted asset allocation in our respective plans.

The expected annual rate of return on plan assets for our U.S. plans and the majority of our international plans is applied to the fair value of plan assets at each year-end and the resulting amount is reflected in our net periodic benefit costs in the following year. In February 2018, Pfizer made a voluntary contribution of $500 million to the U.S. qualified pension plans. In 2018, this contribution was included in the plan asset balance for purposes of determining the expected return on plan assets.

The following table illustrates the sensitivity of net periodic benefit costs to a 50 basis point decline in our assumption for the expected annual rate of return on plan assets, holding all other assumptions constant (in millions, pre-tax):

| | Change | Increase in 2018 Net Periodic Benefit Costs |
|---|---|---|
| **Assumption** | | |
| Expected annual rate of return on plan assets | 50 basis point decline | $110 |

The actual return on plan assets resulted in a net gain on our plan assets of approximately $2.9 billion during 2017 .

Discount Rate Used to Measure Plan Obligations

The weighted-average discount rate used to measure the plan obligations for our U.S. defined benefit plans is determined at least annually and evaluated and modified, as required, to reflect the prevailing market rate of a portfolio of high-quality fixed income investments, rated AA/Aa or better, that reflect the rates at which the pension benefits could be effectively settled. The discount rate used to measure the plan obligations for our international plans is determined at least annually by reference to investment grade corporate bonds, rated AA/Aa or better, including, when there is sufficient data, a yield-curve approach. These discount rate determinations are made in consideration of local requirements.

The measurement of the plan obligations at the end of the year will affect the amount of service cost, interest cost and amortization expense reflected in our net periodic benefit costs in the following year.

The following table illustrates the sensitivity of net periodic benefit costs and benefit obligations to a 10 basis point decline in our assumption for the discount rate, holding all other assumptions constant (in millions, pre-tax):

| | Change | Increase in 2018 Net Periodic Benefit Costs | 2017 Benefit Obligations |
|---|---|---|---|
| **Assumption** | | Increase | Increase |
| Discount rate | 10 basis point decline | $8 | $463 |

The change in the discount rates used in measuring our plan obligations as of December 31, 2017 resulted in an increase in the measurement of our aggregate plan obligations by approximately $1.3 billion .

## Income Tax Assets and Liabilities

In the fourth quarter of 2017, we recorded an estimate of certain tax effects of the TCJA, including the impact on deferred tax assets and liabilities from the reduction in the corporate tax rate from 35% to 21% , the impact on valuation allowances and other state income tax considerations, a repatriation tax liability on accumulated post-1986 foreign earnings for which we plan to elect payment over eight years through 2026 that is reported in *Other taxes payable* , and deferred taxes on basis differences expected to give rise to future taxes on global intangible low-taxed income. In addition, we had provided deferred tax liabilities in the past on foreign earnings that were not indefinitely reinvested. As a result of the TCJA, we reversed an estimate of the deferred taxes that are no longer expected to be needed due to the change to the territorial tax system. The estimated amounts recorded may change in the future due to uncertain tax positions.

The TCJA subjects a U.S. shareholder to current tax on global intangible low-taxed income earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, *Accounting for Global Intangible Low-Taxed Income* , states that we are permitted to make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as global intangible low-taxed income in future years or provide for the tax expense related to such income in the year the tax is incurred. We have elected to recognize deferred taxes for temporary differences expected to reverse as global intangible low-taxed income in future years. However, given the complexity of these provisions, we have not finalized our analysis. We were able to make a reasonable estimate of the deferred taxes on the temporary differences expected to reverse in the future and provided a provisional deferred tax liability as of December 31, 2017. The provisional amount is based on the evaluation of certain temporary differences inside each of our foreign subsidiaries that are expected to reverse as global intangible low-taxed income. However, as we continue to evaluate the TCJA's global intangible low-taxed income provisions during the measurement period, we may revise the methodology used for determining the deferred tax liability associated with such income.

We believe that we have made reasonable estimates with respect to each of the above items, however, all of the amounts recorded are provisional as we have not completed our analysis of the complex and far reaching effects of the TCJA. Further, we continue to consider our assertions on any remaining outside basis differences in our foreign subsidiaries as of December 31, 2017 and have not completed our analysis. Under guidance issued by the staff of the SEC, we expect to finalize our accounting related to the tax effects of the TCJA on deferred taxes, valuation allowances, state tax considerations, the repatriation tax liability, global intangible low-taxed income, and any remaining outside basis differences in our foreign subsidiaries during 2018 as we complete our analysis, computations and assertions. We will revise these estimates during 2018 as we gather additional information to complete our tax returns and as any interpretation or clarification of the TCJA occurs through legislation, U.S. Treasury actions or other means.

Income tax assets and liabilities also include Income tax valuation allowances and accruals for uncertain tax positions. For additional information, see Notes to Consolidated Financial Statements— *Note 1C. Basis of Presentation and Significant Accounting Policies: Estimates and Assumptions* ; *Note 1O. Basis of Presentation and Significant Accounting Policies: Tax Assets and Liabilities and Income Tax Contingencies* and *Note 5A. Tax Matters: Taxes on Income from Continuing Operations,* as well as the "Analysis of Financial Condition, Liquidity and Capital Resources—Selected Measures of Liquidity and Capital Resources—Contractual Obligations" section of this Financial Review .

## Contingencies

For a discussion about income tax contingencies, see Notes to Consolidated Financial Statements— *Note 5D. Tax Matters: Tax Contingencies.*

For a discussion about legal and environmental contingencies, guarantees and indemnifications, see Notes to Consolidated Financial Statements— *Note 17. Commitments and Contingencies* .

## ANALYSIS OF THE CONSOLIDATED STATEMENTS OF INCOME

| | Year Ended December 31, | | | % Change | |
|---|---|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 | 17/16 | 16/15 |
| Revenues | **$ 52,546** | $ 52,824 | $ 48,851 | **(1)** | 8 |
| Cost of sales | **11,240** | 12,329 | 9,648 | **(9)** | 28 |
| % of revenues | **21.4 %** | 23.3% | 19.7% | | |
| Selling, informational and administrative expenses | **14,784** | 14,837 | 14,809 | **—** | — |
| % of revenues | **28.1 %** | 28.1% | 30.3% | | |
| Research and development expenses | **7,657** | 7,872 | 7,690 | **(3)** | 2 |
| % of revenues | **14.6 %** | 14.9% | 15.7% | | |
| Amortization of intangible assets | **4,758** | 4,056 | 3,728 | **17** | 9 |
| % of revenues | **9.1 %** | 7.7% | 7.6% | | |
| Restructuring charges and certain acquisition-related costs | **487** | 1,724 | 1,152 | **(72)** | 50 |
| % of revenues | **0.9 %** | 3.3% | 2.4% | | |
| Other (income)/deductions—net | **1,315** | 3,655 | 2,860 | **(64)** | 28 |
| Income from continuing operations before provision/(benefit) for taxes on income | **12,305** | 8,351 | 8,965 | **47** | (7) |
| % of revenues | **23.4 %** | 15.8% | 18.4% | | |
| Provision/(benefit) for taxes on income | **(9,049)** | 1,123 | 1,990 | * | (44) |
| Effective tax rate | **(73.5)%** | 13.4% | 22.2% | | |
| Income from continuing operations | **21,353** | 7,229 | 6,975 | * | 4 |
| % of revenues | **40.6 %** | 13.7% | 14.3% | | |
| Discontinued operations—net of tax | **2** | 17 | 11 | **(87)** | 49 |
| Net income before allocation to noncontrolling interests | **21,355** | 7,246 | 6,986 | * | 4 |
| % of revenues | **40.6 %** | 13.7% | 14.3% | | |
| Less: Net income attributable to noncontrolling interests | **47** | 31 | 26 | **54** | 20 |
| Net income attributable to Pfizer Inc. | **$ 21,308** | $ 7,215 | $ 6,960 | * | 4 |
| % of revenues | **40.6 %** | 13.7% | 14.2% | | |

Certain amounts and percentages may reflect rounding adjustments.

* Indicates calculation not meaningful or result is equal to or greater than 100%.

### Revenues—Overview

Compared to 2016, total revenues for 2017 were unfavorably impacted by approximately $200 million as a result of 2017 having one less selling day in both U.S. and international markets.

Total revenues in 2017 compared to 2016 reflect a slight operational decrease of $20 million , or less than 1%, and an unfavorable impact of foreign exchange of $259 million , or less than 1% , in 2017 , compared to 2016 .

Compared to 2015, international revenues for 2016 were favorably impacted by approximately $100 million as a result of 2016 having one more selling day in international markets. In the U.S., there was no difference in selling days in 2016, compared to 2015.

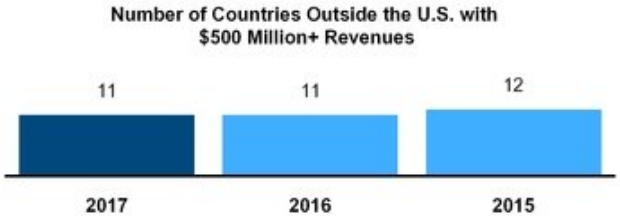
Total revenues in 2016 compared to 2015 reflect an operational increase of $5.5 billion , or 11% , partially offset by an unfavorable impact of foreign exchange of $1.5 billion , or 3% , in 2016 compared to 2015 .

See the “Revenues by Segment and Geography” and “Revenues—Major Products” sections of this Financial Report for additional analyses.

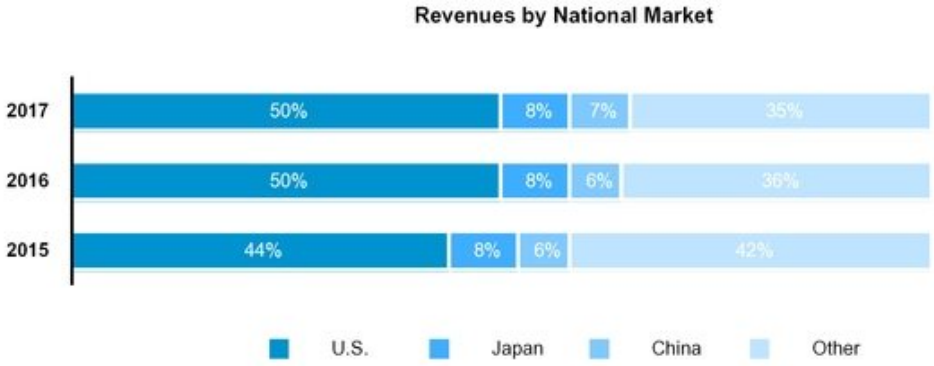
See the “Intellectual Property Rights and Collaboration/Licensing Rights” section of this Financial Report for information about (i) recent losses and expected losses of product exclusivity impacting product revenues and (ii) recent losses of collaboration rights impacting alliance revenues.

In addition, we expect to lose exclusivity for various other products in various markets over the next few years. For additional information, see the “Patents and Other Intellectual Property Rights” section in Part I, Item 1, “Business”, of our 2017 Form 10-K.

We have significant operations outside the U.S., with revenues exceeding $500 million in the following number of countries:




By total revenues, the U.S., Japan and China are our three largest national markets:




Inventory Stocking

Our policy relating to the supply of pharmaceutical inventory at domestic wholesalers, and in major international markets, is to generally maintain stocking levels under one month on average and to keep monthly levels consistent from year to year based on patterns of utilization. We historically have been able to closely monitor these customer stocking levels by purchasing information from our customers directly or by obtaining other third-party information. We believe our data sources to be directionally reliable but cannot verify their accuracy. Further, as we do not control this third-party data, we cannot be assured of continuing access. Unusual buying patterns and utilization are promptly investigated.

Revenue Deductions

Our gross product revenues are subject to a variety of deductions that are generally estimated and recorded in the same period that the revenues are recognized, and primarily represent chargebacks, rebates and sales allowances to wholesalers, and, to a lesser extent, distributors like MCOs, retailers and government agencies with respect to our pharmaceutical products. Those deductions represent estimates of rebates and discounts related to gross sales for the reporting period and, as such, knowledge and judgment of market conditions and practice are required when estimating the impact of these revenue deductions on gross sales for a reporting period.

Historically, our adjustments of estimates, to reflect actual results or updated expectations, have not been material to our overall business. On a quarterly basis, our adjustments of estimates to reflect actual results generally have been less than 1% of revenues, and have resulted in either a net increase or a net decrease in revenues. Product-specific rebates, however, can have a significant impact on year-over-year individual product growth trends. If any of our ratios, factors, assessments, experiences or judgments are not indicative or accurate predictors of our future experience, our results could be materially affected. The sensitivity of our estimates can vary by program, type of customer and geographic location. However, estimates associated with U.S. Medicare, Medicaid and performance-based contract rebates are most at risk for material adjustment because of the extensive time delay between the recording of the accrual and its ultimate settlement, an interval that can generally range up to one year. Because of this time lag, in any given quarter, our adjustments to actual can incorporate revisions of several prior quarters.

The following table provides information about revenue deductions:

| (MILLIONS OF DOLLARS) | Year Ended December 31, 2017 | 2016 | 2015 |
|---|---|---|---|
| Medicare rebates [a] | **$ 1,316** | $ 1,063 | $ 1,002 |
| Medicaid and related state program rebates [a] | **1,860** | 1,473 | 1,263 |
| Performance-based contract rebates [a], [b] | **3,245** | 2,560 | 2,253 |
| Chargebacks [c] | **6,047** | 5,736 | 4,961 |
| Sales allowances [d] | **5,165** | 4,623 | 4,200 |
| Sales returns and cash discounts | **1,493** | 1,441 | 1,335 |
| Total [e] | **$ 19,126** | $ 16,895 | $ 15,014 |

[a] Rebates are product-specific and, therefore, for any given year are impacted by the mix of products sold.

[b] Performance-based contract rebates include contract rebates with managed care customers within the U.S., including health maintenance organizations and PBMs, who receive rebates based on the achievement of contracted performance terms and claims under these contracts. Outside the U.S., performance-based contract rebates include rebates to wholesalers/distributors based on achievement of contracted performance for specific products or sales milestones.

[c] Chargebacks primarily represent reimbursements to U.S. wholesalers for honoring contracted prices to third parties.

[d] Sales allowances primarily represent price reductions that are contractual or legislatively mandated outside the U.S., discounts and distribution fees.

[e] For 2017 , associated with the following segments: IH ( $9.0 billion ); and EH ( $10.1 billion ). For 2016 , associated with the following segments: IH ( $7.1 billion ); and EH ( $9.8 billion ). For 2015 , associated with the following segments: IH ( $5.8 billion ); and EH ( $9.2 billion ).

Total revenue deductions for 2017 increase d 13% compared to 2016 , primarily as a result of:

- an increase in performance-based contract rebates primarily due to increased sales of certain IH products to managed care customers in the U.S., and certain IH and EH products in developed Europe;
- an increase in sales allowances as a result of sales growth, primarily in emerging markets;
- an increase in Medicaid and related state program rebates, primarily as a result of increased sales of both IH and EH products through these programs;
- higher chargebacks resulting from increased sales through U.S. wholesalers of certain IH products, partially offset by decreases in sterile injectable sales; and
- an increase in Medicare rebates driven by increased sales of IH products through this channel, offset by certain EH products which have recently lost exclusivity.

For information on our accruals for Medicare rebates, Medicaid and related state program rebates, performance-based contract rebates, chargebacks, sales allowances and sales returns and cash discounts, including the balance sheet classification of these accruals, see Notes to Consolidated Financial Statements— *Note 1G. Basis of Presentation and Significant Accounting Policies: Revenues and Trade Accounts Receivable* .

**Revenues by Segment and Geography**

The following graphs show revenues by geography (dollars in billions):

The following table provides worldwide revenues by operating segment and geography:

| | Year Ended December 31, | | | | | | | | | % Change | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Worldwide | | | U.S. | | | International | | | Worldwide | | U.S. | | International | |
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 | **2017** | 2016 | 2015 | **2017** | 2016 | 2015 | **17/16** | 16/15 | **17/16** | 16/15 | **17/16** | 16/15 |
| Operating Segments [a] : | | | | | | | | | | | | | | | |
| IH | **$ 31,422** | $ 29,197 | $ 26,758 | **$ 18,460** | $ 16,773 | $ 14,446 | **$ 12,962** | $ 12,424 | $ 12,312 | **8** | 9 | **10** | 16 | **4** | 1 |
| EH | **21,124** | 23,627 | 22,094 | **7,567** | 9,596 | 7,258 | **13,557** | 14,031 | 14,836 | **(11)** | 7 | **(21)** | 32 | **(3)** | (5) |
| Total revenues | **$ 52,546** | $ 52,824 | $ 48,851 | **$ 26,026** | $ 26,369 | $ 21,704 | **$ 26,519** | $ 26,455 | $ 27,147 | **(1)** | 8 | **(1)** | 21 | **—** | (3) |

[a] IH = the Innovative Health segment; and EH = the Essential Health segment. For additional information about each operating segment, see the "Our Strategy—Commercial Operations" section of this Financial Review and Notes to Consolidated Financial Statements— *Note 18A. Segment, Geographic and Other Revenue Information: Segment Information.*

We recorded direct product and/or alliance revenues of more than $1 billion for each of nine products in 2017 and 2016 and for seven products in 2015 .

**Direct Product And/Or Alliance Revenues of More Than $1 Billion**

| **2017** | 2016 | 2015 |
|---|---|---|
| ***Prevnar 13/Prevenar 13*** | *Prevnar 13/Prevenar 13* | *Prevnar 13/Prevenar 13* |
| ***Lyrica*** | *Lyrica* | *Lyrica* |
| ***Ibrance*** | *Enbrel* | *Enbrel* |
| ***Eliquis**** | *Ibrance* | *Lipitor* |
| ***Enbrel*** | *Lipitor* | *Viagra* |
| ***Lipitor*** | *Eliquis** | *Sutent* |
| ***Xeljanz*** | *Viagra* | *Premarin family of products* |
| ***Viagra*** | *Sutent* | |
| ***Sutent*** | *Premarin family of products* | |

* *Eliquis* includes alliance revenues and direct sales in 2017 and 2016.

These direct product sales and/or alliance product revenues represent 46% of our revenues in 2017 , 43% of our revenues in 2016 and 41% of our revenues in 2015 . See the *Revenues—Major Products* section of this Financial Review for additional information.

*2017 v. 2016*

The following provides an analysis of the change in revenues by geographic areas in 2017 :

| (MILLIONS OF DOLLARS) | Worldwide | U.S. | International |
|---|---|---|---|
| Disposition-related operational impact: | | | |
| Approximately one month of HIS domestic operations and approximately two months of HIS international operations in 2017, compared to twelve months of HIS global operations in 2016 (February 2017 sale) | $ (1,062) | $ (841) | $ (221) |
| Other operational growth/(decline): | | | |
| Continued growth from key brands including Eliquis (globally), as well as Xeljanz and Lyrica (IH) (both primarily in the U.S.) | 1,608 | 1,104 | 503 |
| Ibrance global growth: U.S. revenues increased primarily due to continued strong uptake in the metastatic breast cancer setting. International revenues increased operationally, but were negatively impacted by a one-time price adjustment to 2017 revenues related to finalizing reimbursement agreements in certain developed Europe markets. | 993 | 757 | 236 |
| Increase in Xtandi alliance revenues in the U.S. (September 2016 acquisition of Medivation) | 450 | 450 | — |
| Growth from Biosimilars, primarily from Inflectra in the U.S. and developed Europe markets | 209 | 115 | 94 |
| Decline from Peri-LOE Products, primarily due to expected declines in Pristiq in the U.S. as well as Lyrica (EH) and Vfend (both primarily in developed Europe markets) | (957) | (448) | (509) |
| Lower revenues for Enbrel primarily in developed Europe markets due to continued biosimilar competition | (448) | — | (448) |
| Lower revenues for Viagra (IH) in the U.S. due to generic competition that began in December 2017 | (359) | (359) | — |
| Decline from the Sterile Injectable Pharmaceuticals portfolio, primarily due to legacy Hospira product shortages in the U.S. | (315) | (460) | 145 |
| Decline in the Legacy Established Products portfolio primarily due to generic competition in developed markets | (188) | (419) | 231 |
| Decline in Prevnar 13/Prevenar 13 revenues. U.S. revenues decreased primarily due to the expected decline in revenues for the adult indication in the U.S. due to a high initial capture rate of the eligible population following its successful fourth-quarter 2014 launch, which resulted in a smaller remaining “catch up” opportunity compared to 2016, partially offset by growth from the pediatric indication. International revenues increased primarily due to the favorable overall impact of timing and increased volume associated with government purchases in certain emerging markets for the pediatric indication compared with prior year, as well as from the inclusion of Prevenar 13 in additional national immunization programs in certain emerging markets for the adult and pediatric indications in the fourth of quarter 2017. | (108) | (311) | 203 |
| Other operational factors, net | 157 | 68 | 89 |
| Operational growth/(decline), net | (20) | (343) | 323 |
| Unfavorable impact of foreign exchange | (259) | — | (259) |
| Revenues increase/(decrease) | $ (278) | $ (343) | $ 64 |

Emerging markets revenues increase d $979 million , or 9% , in 2017 to $11.4 billion , reflecting an operational increase of $1.1 billion , or 11% . Foreign exchange had unfavorable impact of approximately 2% on emerging markets revenues. The operational increase in emerging markets was primarily driven by our IH segment as well as our Legacy Established Products and Sterile Injectable Pharmaceuticals portfolios.

*2016 v. 2015*

The following provides an analysis of the change in revenues by geographic areas in 2016 :

| (MILLIONS OF DOLLARS) | Worldwide | U.S. | International |
|---|---|---|---|
| Acquisition-related operational impact: | | | |
| The inclusion of Xtandi alliance revenues in the U.S. (September 2016 acquisition of Medivation) | $ 140 | $ 140 | $ — |
| Other operational growth/(decline): | | | |
| Continued operational growth from key brands including Ibrance, Lyrica (IH), Xeljanz, Chantix/Champix and Consumer Healthcare (all primarily in the U.S.), as well as Eliquis and Xalkori (both globally) | 3,582 | 2,936 | 646 |
| Twelve months of revenues from legacy Hospira global operations in 2016, compared to four months of legacy Hospira U.S. operations and three months of legacy Hospira international operations in 2015 | 3,125 | 2,229 | 896 |
| Operational growth in the legacy Pfizer Sterile Injectable Pharmaceuticals portfolio, mostly in emerging markets and the U.S. | 259 | 86 | 173 |
| Decline from the Peri-LOE Products portfolio, primarily due to the loss of exclusivity and associated generic competition for certain Peri-LOE Products, primarily Zyvox in the U.S. and certain developed Europe markets as well as Lyrica in certain developed Europe markets | (954) | (169) | (785) |
| Decline in Rebif revenues in the U.S. due to the year-end 2015 expiry of the collaboration agreement to co-promote Rebif in the U.S., as well as lower revenues for Enbrel primarily in most developed Europe markets, primarily due to biosimilar competition | (571) | (366) | (205) |
| Decline in Prevnar 13/Prevenar 13 revenues, primarily driven by an expected decline in revenues for the adult indication in the U.S. due to a high initial capture rate of the eligible population following its successful fourth-quarter 2014 launch, which resulted in a smaller remaining “catch up” opportunity compared to the prior-year, as well as the unfavorable impact of the timing of government purchases for the pediatric indication | (454) | (381) | (74) |
| Other operational factors, net | 328 | 190 | 138 |
| Operational growth, net | 5,456 | 4,665 | 791 |
| Unfavorable impact of foreign exchange | (1,483) | — | (1,483) |
| Revenues increase/(decrease) | $ 3,973 | $ 4,665 | $ (692) |

For additional information about operating segment revenues, see the “Analysis of Operating Segment Information” section of this Financial Review.

## Revenues—Major Products

The following table provides revenue information for several of our major products. As described in *Note 1A* , acquisitions and divestitures have impacted our results of operations in 2017, 2016 and 2015.

| (MILLIONS OF DOLLARS) | | Year Ended December 31, | | | % Change | | | |
|---|---|---|---|---|---|---|---|---|
| **PRODUCT** | **PRIMARY INDICATIONS OR CLASS** | **2017** | 2016 | 2015 | **17/16** | | 16/15 | |
| | | | | | **Total** | **Oper.** | Total | Oper. |
| **TOTAL REVENUES** | | **$ 52,546** | $ 52,824 | $ 48,851 | **(1)** | **—** | 8 | 11 |
| **PFIZER INNOVATIVE HEALTH (IH)** [a] | | **$ 31,422** | $ 29,197 | $ 26,758 | **8** | **8** | 9 | 11 |
| **Internal Medicine** | | **$ 9,684** | $ 8,858 | $ 7,611 | **9** | **10** | 16 | 17 |
| Lyrica IH [b] | Epilepsy, post-herpetic neuralgia and diabetic peripheral neuropathy, fibromyalgia, neuropathic pain due to spinal cord injury | **4,511** | 4,165 | 3,655 | **8** | **9** | 14 | 14 |
| Eliquis alliance revenues and direct sales | Atrial fibrillation, deep vein thrombosis, pulmonary embolism | **2,523** | 1,713 | 913 | **47** | **47** | 88 | 88 |
| Chantix/Champix | An aid to smoking cessation treatment in adults 18 years of age or older | **997** | 842 | 671 | **18** | **18** | 26 | 27 |
| Viagra IH [c] | Erectile dysfunction | **823** | 1,181 | 1,297 | **(30)** | **(30)** | (9) | (9) |
| BMP2 | Development of bone and cartilage | **261** | 251 | 232 | **4** | **4** | 8 | 8 |
| Toviaz | Overactive bladder | **257** | 258 | 267 | **—** | **1** | (3) | (4) |
| All other Internal Medicine | Various | **312** | 447 | 577 | **(30)** | **(30)** | (22) | (22) |
| **Vaccines** | | **$ 6,001** | $ 6,071 | $ 6,454 | **(1)** | **(1)** | (6) | (5) |
| Prevnar 13/Prevenar 13 | Vaccines for prevention of pneumococcal disease | **5,601** | 5,718 | 6,245 | **(2)** | **(2)** | (8) | (7) |
| FSME/IMMUN-TicoVac | Tick-borne encephalitis vaccine | **134** | 114 | 104 | **18** | **19** | 10 | 10 |
| All other Vaccines | Various | **266** | 239 | 104 | **11** | **12** | * | * |
| **Oncology** | | **$ 6,056** | $ 4,563 | $ 2,955 | **33** | **33** | 54 | 56 |
| Ibrance | Advanced breast cancer | **3,126** | 2,135 | 723 | **46** | **47** | * | * |
| Sutent | Advanced and/or metastatic RCC, adjuvant RCC, refractory GIST (after disease progression on, or intolerance to, imatinib mesylate) and advanced pancreatic neuroendocrine tumor | **1,081** | 1,095 | 1,120 | **(1)** | **(1)** | (2) | 1 |
| Xalkori | ALK-positive and ROS1-positive advanced NSCLC | **594** | 561 | 488 | **6** | **6** | 15 | 17 |
| Xtandi alliance revenues | Advanced prostate cancer | **590** | 140 | — | * | * | * | * |
| Inlyta | Advanced RCC | **339** | 401 | 430 | **(15)** | **(14)** | (7) | (6) |
| Bosulif | Philadelphia chromosome–positive chronic myelogenous leukemia | **233** | 167 | 111 | **39** | **40** | 50 | 49 |
| All other Oncology | Various | **93** | 63 | 83 | **46** | **48** | (23) | (23) |
| **Inflammation & Immunology (I&I)** | | **$ 3,968** | $ 3,928 | $ 3,918 | **1** | **1** | — | 6 |
| Enbrel (Outside the U.S. and Canada) | Rheumatoid arthritis, juvenile idiopathic arthritis, psoriatic arthritis, plaque psoriasis, pediatric plaque psoriasis, ankylosing spondylitis and nonradiographic axial spondyloarthritis | **2,452** | 2,909 | 3,333 | **(16)** | **(15)** | (13) | (6) |
| Xeljanz | Rheumatoid arthritis; psoriatic arthritis | **1,345** | 927 | 523 | **45** | **45** | 77 | 78 |
| Eucrisa | Mild-to-moderate atopic dermatitis (eczema) | **67** | — | — | * | * | — | — |
| All other I&I | Various | **103** | 93 | 61 | **11** | **13** | 51 | 42 |
| **Rare Disease** | | **$ 2,240** | $ 2,369 | $ 2,425 | **(5)** | **(5)** | (2) | — |
| BeneFIX | Hemophilia | **604** | 712 | 752 | **(15)** | **(15)** | (5) | (4) |
| Refacto AF/Xyntha | Hemophilia | **551** | 554 | 533 | **(1)** | **—** | 4 | 8 |
| Genotropin | Replacement of human growth hormone | **532** | 579 | 617 | **(8)** | **(7)** | (6) | (5) |
| Somavert | Acromegaly | **254** | 232 | 218 | **9** | **9** | 6 | 8 |
| All other Rare Disease | Various | **300** | 292 | 306 | **3** | **3** | (5) | — |
| **Consumer Healthcare** | | **$ 3,472** | $ 3,407 | $ 3,395 | **2** | **2** | — | 5 |
| **PFIZER ESSENTIAL HEALTH (EH)** [d] | | **$ 21,124** | $ 23,627 | $ 22,094 | **(11)** | **(10)** | 7 | 11 |
| **Legacy Established Products (LEP)** [e] | | **$ 10,894** | $ 11,197 | $ 11,745 | **(3)** | **(2)** | (5) | 1 |
| Lipitor | Reduction of LDL cholesterol | **1,915** | 1,758 | 1,860 | **9** | **11** | (6) | 2 |
| Premarin family | Symptoms of menopause | **977** | 1,017 | 1,018 | **(4)** | **(4)** | — | — |
| Norvasc | Hypertension | **926** | 962 | 991 | **(4)** | **(2)** | (3) | 1 |
| Xalatan/Xalacom | Glaucoma and ocular hypertension | **335** | 363 | 399 | **(8)** | **(8)** | (9) | (8) |
| Effexor | Depression and certain anxiety disorders | **297** | 278 | 288 | **7** | **8** | (3) | — |
| Zoloft | Depression and certain anxiety disorders | **291** | 304 | 374 | **(4)** | **(2)** | (19) | (14) |
| EpiPen | Epinephrine injection used in treatment of life-threatening allergic reactions | **290** | 386 | 339 | **(25)** | **(25)** | 14 | 14 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Zithromax | Bacterial infections | **270** | 272 | 275 | **(1)** | **3** | (1) | 1 |
| Relpax | Symptoms of migraine headache | **236** | 323 | 352 | **(27)** | **(27)** | (8) | (8) |
| Xanax | Anxiety disorders | **225** | 222 | 224 | **1** | **1** | (1) | 1 |
| Sildenafil Citrate | Erectile dysfunction | **56** | — | — | * | * | * | * |
| All other LEP | Various | **5,077** | 5,313 | 5,625 | **(4)** | **(4)** | (6) | 1 |

| (MILLIONS OF DOLLARS) | | Year Ended December 31, | | | % Change | | | |
|---|---|---|---|---|---|---|---|---|
| **PRODUCT** | **PRIMARY INDICATIONS OR CLASS** | **2017** | 2016 | 2015 | **17/16** | | 16/15 | |
| | | | | | **Total** | **Oper.** | Total | Oper. |
| **Sterile Injectable Pharmaceuticals (SIP)** (f) | | **$ 5,673** | $ 6,014 | $ 3,944 | **(6)** | **(5)** | 52 | 56 |
| Medrol | Steroid anti-inflammatory | **483** | 450 | 402 | **7** | **8** | 12 | 16 |
| Sulperazon | Treatment of infections | **471** | 396 | 339 | **19** | **22** | 17 | 23 |
| Fragmin | Slows blood clotting | **306** | 318 | 335 | **(4)** | **(3)** | (5) | — |
| Tygacil | Tetracycline class antibiotic | **260** | 274 | 304 | **(5)** | **(5)** | (10) | (5) |
| Precedex | Sedation agent in surgery or intensive care | **243** | 264 | 76 | **(8)** | **(8)** | * | * |
| Zosyn/Tazocin | Antibiotic | **194** | 146 | 144 | **32** | **32** | 1 | 3 |
| All other SIP | Various | **3,715** | 4,166 | 2,343 | **(11)** | **(10)** | 78 | 80 |
| **Peri-LOE Products** (g) | | **$ 3,223** | $ 4,220 | $ 5,326 | **(24)** | **(23)** | (21) | (18) |
| Celebrex | Arthritis pain and inflammation, acute pain | **775** | 733 | 830 | **6** | **7** | (12) | (10) |
| Lyrica EH (b) | Epilepsy, neuropathic pain and generalized anxiety disorder | **553** | 801 | 1,183 | **(31)** | **(30)** | (32) | (29) |
| Vfend | Fungal infections | **421** | 590 | 682 | **(29)** | **(27)** | (13) | (10) |
| Viagra EH (c) | Erectile dysfunction | **382** | 383 | 411 | **—** | **2** | (7) | (1) |
| Pristiq | Depression | **303** | 732 | 715 | **(59)** | **(59)** | 2 | 4 |
| Zyvox | Bacterial infections | **281** | 421 | 883 | **(33)** | **(32)** | (52) | (49) |
| Revatio | Pulmonary arterial hypertension | **252** | 285 | 260 | **(12)** | **(12)** | 10 | 10 |
| All other Peri-LOE Products | Various | **257** | 276 | 362 | **(7)** | **(5)** | (24) | (21) |
| **Biosimilars** (h) | **Various** | **$ 531** | **$ 319** | **$ 63** | **67** | **66** | * | * |
| Inflectra/Remsima | Inflammatory diseases | **419** | 192 | 30 | * | * | * | * |
| All Other Biosimilars | Various | **112** | 127 | 33 | **(12)** | **(12)** | * | * |
| **Pfizer CentreOne** (i) | | **$ 706** | $ 718 | $ 612 | **(2)** | **(2)** | 17 | 18 |
| **Hospira Infusion Systems (HIS)** (j) | Various | **$ 97** | $ 1,158 | $ 403 | **(92)** | **(92)** | * | * |
| **Total Lyrica** (b) | Epilepsy, post-herpetic neuralgia and diabetic peripheral neuropathy, fibromyalgia, neuropathic pain due to spinal cord injury | **$ 5,065** | $ 4,966 | $ 4,839 | **2** | **3** | 3 | 4 |
| **Total Viagra** (c) | Erectile dysfunction | **$ 1,204** | $ 1,564 | $ 1,708 | **(23)** | **(22)** | (8) | (7) |
| **Total Alliance revenues** | Various | **$ 2,927** | $ 1,746 | $ 1,312 | **68** | **68** | 33 | 33 |

(a) The IH business encompasses Internal Medicine, Vaccines, Oncology, Inflammation & Immunology, Rare Disease and Consumer Healthcare. Through December 31, 2016, includes Duavive/Duavee and Viviant (recorded in All other Internal Medicine in 2016), which were transferred from Innovative Health to Essential Health effective January 1, 2017 (recorded in All other LEP (EH) beginning January 1, 2017), in order to align these products with our management of the women's health portfolio within EH.

(b) Lyrica revenues from all of Europe, Russia, Turkey, Israel and Central Asia countries are included in Lyrica EH. All other Lyrica revenues are included in Lyrica IH. Total Lyrica revenues represent the aggregate of worldwide revenues from Lyrica IH and Lyrica EH.

(c) Viagra revenues from the U.S. and Canada are included in Viagra IH. All other Viagra revenues are included in Viagra EH. Total Viagra revenues represent the aggregate of worldwide revenues from Viagra IH and Viagra EH. Viagra lost exclusivity in the U.S. in December 2017. Beginning in the first quarter of 2018, revenues for Viagra in the U.S. and Canada, which were reported in IH through December 2017, will be reported in EH (which reported all other Viagra revenues excluding the U.S. and Canada through 2017). Therefore total Viagra worldwide revenues will be reported in EH from 2018 forward.

(d) The EH business encompasses Legacy Established Products, Sterile Injectable Pharmaceuticals, Peri-LOE Products, Biosimilars, Pfizer CentreOne and HIS (through February 2, 2017), and includes all legacy Hospira commercial operations.

(e) Legacy Established Products primarily include products that have lost patent protection (excluding Sterile Injectable Pharmaceuticals and Peri-LOE Products). Effective January 1, 2017, All other LEP includes Duavive/Duavee and Viviant, which were transferred from Innovative Health (recorded in All other Internal Medicine (IH) in 2016), in order to align these products with our management of the women's health portfolio within EH. See note (a) above.

(f) Sterile Injectable Pharmaceuticals include generic injectables and proprietary specialty injectables (excluding Peri-LOE Products).

(g) Peri-LOE Products include products that have recently lost or are anticipated to soon lose patent protection. These products primarily include: Lyrica in Europe, Russia, Turkey, Israel and Central Asia; Viagra in all countries (excluding the U.S. and Canada); and worldwide revenues for Celebrex, Pristiq, Zyvox, Vfend, Revatio and Inspra. Beginning in the first quarter of 2018, revenues for Viagra in the U.S. and Canada, which were reported in IH through December 2017, will be reported in EH. Therefore total Viagra worldwide revenues will be reported in EH from 2018 forward. See note (c) above.

(h) Biosimilars include Inflectra/Remsima (biosimilar infliximab) in the U.S. and certain international markets, Nivestim (biosimilar filgrastim) in certain European, Asian and Africa/Middle Eastern markets and Retacrit (biosimilar epoetin zeta) in certain European and Africa/Middle Eastern markets.

(i) Pfizer CentreOne includes revenues from our contract manufacturing and active pharmaceutical ingredient sales operation, including sterile injectables contract manufacturing, and revenues related to our manufacturing and supply agreements, including with Zoetis Inc.

(j) HIS (through February 2, 2017) includes Medication Management Systems products composed of infusion pumps and related software and services, as well as IV Infusion Products, including large volume IV solutions and their associated administration sets.

* Indicates calculation not meaningful or result is equal to or greater than 100%.

We performed certain reclassifications, primarily between Legacy Established Products and Sterile Injectable Pharmaceuticals, to conform to current period presentation.

## Revenues—Selected Product Discussion

Compared to 2016, total revenues for 2017 were unfavorably impacted by approximately $200 million as a result of 2017 having one less selling day in both U.S. and international markets.

- **Prevnar 13/Prevenar 13** (IH) worldwide revenues decrease d operationally in 2017 , compared to 2016 . Foreign exchange had a de minimis impact on worldwide revenues in 2017 , compared to 2016 .

  In the U.S., revenues for Prevnar 13 decrease d 9% in 2017 , compared to 2016 , primarily due to the expected decline in revenues for the adult indication in the U.S. due to a high initial capture rate of the eligible population following its successful fourth-quarter 2014 launch, which resulted in a smaller remaining "catch up" opportunity (i.e., the opportunity to reach adults age 65 and older who have not been previously vaccinated with Prevnar 13) compared to prior year, partially offset by growth from the pediatric indication. We expect revenues

from the adult indication in the U.S. to be flat to declining as the remaining cohort of adults 65 years and over is much more difficult to capture.

Internationally, revenues for Prevenar 13 increase d 10% operationally in 2017 , compared to 2016 , primarily due to the favorable overall impact of timing and increased volume associated with government purchases in certain emerging markets for the pediatric indication compared with prior year, as well as from the inclusion of Prevenar 13 in additional national immunization programs in certain emerging markets for the adult and pediatric indications in the fourth of quarter 2017. Foreign exchange had an unfavorable impact of 1% on international revenues in 2017 , compared to 2016 .

In 2014, the ACIP voted to recommend Prevnar 13 for routine use to help protect adults aged 65 years and older against pneumococcal disease, which for adults includes pneumonia caused by the 13 pneumococcal serotypes included in the vaccine. These ACIP recommendations were subsequently approved by the directors at the CDC and U.S. Department of Health and Human Services, and were published in the Morbidity and Mortality Weekly Report in September 2014 by the CDC. As with other vaccines, the CDC regularly monitors the impact of vaccination and reviews the recommendations; in this case, however, the CDC announced formally that it will conduct this review in 2018, which commenced at a meeting in February 2018. A potential adverse change in the ACIP recommendation could negatively impact future Prevnar 13 revenues. Currently, we are working with a number of U.S. investigators to monitor the proportion of community-acquired pneumonia caused by the serotypes included in Prevnar 13 and continue to observe trends.

- **Lyrica** (EH (revenues from all of Europe, Russia, Turkey, Israel and Central Asia)/IH (revenues from all other geographies)) worldwide revenues increase d operationally in 2017 , compared to 2016 . Foreign exchange had an unfavorable impact on worldwide revenues in 2017 , compared to 2016 .

  In the U.S., Lyrica revenues increase d 10% in 2017 , compared to 2016 , driven by sustained demand and positive price impact.

  Internationally, Lyrica revenues decrease d 11% operationally in 2017 , compared to 2016 , primarily due to losses of exclusivity in developed Europe markets. Foreign exchange had an unfavorable impact of 1% on international revenues in 2017 , compared to 2016 .

  Lyrica revenues in our IH segment increase d operationally in 2017 , compared to 2016 , primarily driven by sustained demand and positive price impact in the U.S. Foreign exchange had an unfavorable impact on worldwide revenues in 2017 , compared to 2016 .

  In our EH segment, worldwide revenues from Lyrica decrease d operationally in 2017 , compared to 2016 , due to losses of exclusivity in developed Europe markets. Foreign exchange had an unfavorable impact on worldwide revenues in 2017 , compared to 2016 .
- **Ibrance** (IH) worldwide revenues, most of which were recorded in the U.S., increase d operationally in 2017 , compared to 2016 . The significant revenue growth reflects Ibrance class leadership among cyclin-dependent kinase inhibitors in major markets with continuous share uptake in the U.S. and launches in major international markets supported by our scientific/clinical data and continued positive patient experience. Foreign exchange had an unfavorable impact on worldwide revenues in 2017 , compared to 2016 .

  International revenues increase d over 100% operationally in 2017 , compared to 2016 , but were negatively impacted by a one-time price adjustment to 2017 revenues in certain developed Europe markets related to finalizing reimbursement agreements in these markets. These agreements establish pricing levels comparable to European pricing analogues for oncology products, ensure patient access and are expected to drive future growth in these markets. Despite the one-time impact, underlying Ibrance volumes in developed Europe increased.
- **Enbrel** (IH, outside the U.S. and Canada) worldwide revenues, excluding the U.S. and Canada, decrease d operationally in 2017 , compared to 2016 , primarily due to ongoing biosimilar competition in most developed Europe markets, which is expected to continue. Foreign exchange had an unfavorable impact on worldwide revenues in 2017 , compared to 2016 .
- **Lipitor** (EH) worldwide revenues increase d operationally in 2017 , compared to 2016 . Foreign exchange had an unfavorable impact on worldwide revenues in 2017 , compared to 2016 . In the U.S., revenues decrease d 2% in 2017 , compared to 2016 , primarily due to lower volumes, partially offset by favorable rebates.

  In our international markets, revenues increase d 12% operationally in 2017 , compared to 2016 , driven by increased demand in China, partially offset by pricing pressures in China and Europe. Foreign exchange had an unfavorable impact of 2% on international revenues in 2017 , compared to 2016 .
- **Xeljanz** (IH) worldwide revenues increase d operationally in 2017 , compared to 2016 . In the U.S., Xeljanz revenues increase d 41% in 2017 , compared to 2016 , primarily driven by increased adoption among rheumatologists, growing awareness among patients and improvements in payer access. In our international markets, revenues increase d 76% operationally in 2017 , compared to 2016 , primarily driven by continued uptake in Japan, Canada and certain emerging markets and, to a lesser extent, the impact of new launches in certain developed Europe markets. Foreign exchange had a de minimis impact on worldwide revenues and an unfavorable impact of 1% on international revenues in 2017 , compared to 2016 .
- **Viagra** (IH (U.S. and Canada revenues)/EH (all other revenues excluding U.S. and Canada)) worldwide revenues decrease d operationally in 2017 , compared to 2016 . The worldwide decrease in 2017 , compared to 2016 , was primarily due to a 31% decrease in the U.S. driven by generic competition that began in December 2017. Foreign exchange had an unfavorable impact on worldwide revenues in 2017 , compared to 2016 .

  International revenues increase d 2% operationally in 2017 , compared to 2016 , primarily from increased demand in emerging markets, mainly China and certain Middle Eastern markets, partially offset by price reductions in China. Foreign exchange had an unfavorable impact of 2% on international revenues in 2017 , compared to 2016 .
- **BeneFIX and ReFacto AF/Xyntha** (IH)—BeneFIX worldwide revenues decrease d operationally in 2017 , compared to 2016 , primarily as a result of erosion of market share in the U.S. and European countries due to increasing adoption of extended half-life treatment options. Foreign exchange had a de minimis impact on worldwide revenues in 2017 , compared to 2016 .

  ReFacto AF/Xyntha worldwide revenues were relatively flat operationally in 2017 , compared to 2016 . ReFacto AF/Xyntha worldwide revenues were favorably impacted by increased product demand in certain emerging markets, offset by declines in developed Europe markets, primarily driven by increasing adoption of extended half-life treatment options. Foreign exchange had an unfavorable impact on worldwide revenues in 2017 , compared to 2016 .

- **Sutent** (IH) worldwide revenues decrease d operationally in 2017 , compared to 2016 . The decrease was primarily due to competitive pressure in the U.S. and Europe and cost containment measures in certain developed international markets, partially offset by increased performance in certain emerging markets. Foreign exchange had a de minimis impact on worldwide revenues in 2017 , compared to 2016 .
- **Chantix/Champix** (IH) worldwide revenues increase d operationally in 2017 , compared to 2016 . Foreign exchange had a de minimis impact on worldwide revenues in 2017 , compared to 2016 .

  In the U.S., Chantix revenues increase d 24% in 2017 , compared to 2016 , primarily due to increased promotional activities , educating healthcare providers on updates to the Chantix label, including removal of the boxed warning, the addition of EAGLES safety and efficacy data, improved patient access and positive price impact.
- The **Premarin** family of products (EH) worldwide revenues decrease d operationally in 2017 , compared to 2016 . Foreign exchange had a de minimis impact on worldwide revenues in 2017 , compared to 2016 . Revenues in the U.S. decrease d 4% in 2017 , compared to 2016 , primarily driven by lower volume, partially offset by a positive price impact.

  Internationally, Premarin revenues decrease d 9% operationally in 2017 , compared to 2016 , primarily due to lower volumes, partially offset by price increases. Foreign exchange had a favorable impact of 2% on international revenues in 2017 , compared to 2016 .
- **Norvasc** (EH) worldwide revenues decrease d operationally in 2017 , compared to 2016 . The decrease was primarily driven by generic competition in Japan, pricing pressures in China and lower volumes in certain Middle Eastern markets, partially offset by increased demand in China. Foreign exchange had an unfavorable impact on worldwide revenues in 2017 , compared to 2016 .
- **Celebrex** (EH) worldwide revenues increase d operationally in 2017 , compared to 2016 . The increase was primarily driven by favorable pricing in the U.S. and volume growth in emerging markets, primarily China, partially offset by generic competition in the U.S. and pricing pressures in Mexico. Foreign exchange had an unfavorable impact on worldwide revenues in 2017 , compared to 2016 .
- **Xalkori** (IH) worldwide revenues increase d operationally in 2017 , compared to 2016 , as a result of a steady increase in diagnostic rates for the ALK gene mutation across key markets outside the U.S., which has led to more patients being treated as well as increased use in first line indication. This increase was partially offset by volume declines in the U.S. and Japan due to competitive pressure, partially mitigated by the March 2016 FDA approval of the supplemental NDA to treat patients with metastatic NSCLC whose tumors are ROS1-positive as detected by an FDA-approved test. Foreign exchange had a de minimis impact on worldwide revenues in 2017 , compared to 2016 .
- **Inflectra/Remsima** (EH) worldwide revenues increase d operationally in 2017 , compared to 2016 . The increase was due to the U.S. launch in the fourth quarter of 2016 and continued uptake in developed markets in Europe, partially offset by pricing pressures in developed Europe markets. Foreign exchange had a favorable impact on worldwide revenues in 2017 , compared to 2016 .

  Inflectra uptake in the U.S. is being driven by a number of factors including Inflectra's clinical data package, patient support programs, price and the access/reimbursement environment. To date, reimbursement coverage has been mixed. While we achieved 100% Medicare coverage, we have experienced access challenges among commercial payers where our lower priced product has not received access at parity to the innovator product and remains in a disadvantaged position despite the higher price of innovator product. We will look at all relevant factors impacting reimbursement given our extensive experience working with commercial payers to enable greater access for Inflectra. Additionally, in September 2017, Pfizer filed suit in the U.S. District Court for the Eastern District of Pennsylvania against J&J alleging that J&J's exclusionary contracts and other anticompetitive practices concerning Remicade® (infliximab) violate federal antitrust laws.
- **Inlyta** (IH) worldwide revenues decrease d operationally in 2017 , compared to 2016 , primarily due to increased competition in the U.S., Europe and Japan, partially offset by performance in key emerging markets. Foreign exchange had an unfavorable impact on worldwide revenues in 2017 , compared to 2016 .
- **Pristiq** (EH) worldwide revenues decrease d operationally in 2017 , compared to 2016 , primarily due to loss of exclusivity in the U.S. in March 2017. Foreign exchange had a de minimis impact on worldwide revenues in 2017 , compared to 2016 .
- **Zyvox** (EH) worldwide revenues decrease d operationally in 2017 , compared to 2016 , due to generic competition in developed international markets and the U.S. and corresponding pricing pressures, partially offset by volume growth in China. Foreign exchange had an unfavorable impact on worldwide revenues in 2017 , compared to 2016 .
- **Eucrisa** (IH) is approved in the U.S. for the treatment of mild to moderate atopic dermatitis for patients two years of age and older. The FDA approved Eucrisa on December 14, 2016, and Eucrisa was launched in the U.S. late in the first quarter of 2017 . Eucrisa is a non-steroidal topical ointment and is the first topical prescription treatment for atopic dermatitis approved in over 10 years. Prescription volume continued to strengthen steadily throughout 2017 supported by the launch of our direct-to-consumer campaign in the third quarter of 2017.
- **Alliance revenues** (IH/EH) increase d operationally in 2017 , compared to 2016 , mainly due to:
  - an increase in Eliquis alliance revenues due to higher demand resulting from increased market penetration of novel oral anticoagulants and market share gains; and
  - an increase in Xtandi alliance revenues of $450 million in the U.S. resulting from the September 2016 acquisition of Medivation. While 2017 revenue growth did not reflect volume growth due to higher demand through patient assistance programs (which provide free medicines to patients), we believe that the demand for patient assistance as a percentage of total demand will decrease in 2018 as compared to 2017.

  Foreign exchange had a de minimis impact on worldwide alliance revenues in 2017 , compared to 2016 .
  - **Eliquis** (IH) has been jointly developed and is commercialized by Pfizer and BMS. Pfizer funds between 50% and 60% of all development costs depending on the study. Profits and losses are shared equally on a global basis, except in certain countries where Pfizer commercializes Eliquis and pays BMS compensation based on a percentage of net sales. We have full commercialization rights in certain smaller markets. BMS supplies the product to us at cost plus a percentage of the net sales to end-customers in these markets. Eliquis is part of the Novel Oral Anticoagulant (NOAC) market; the agents in this class were developed as alternative treatment options to warfarin in appropriate patients.
  - **Xtandi** (IH) is being developed and commercialized through a collaboration with Astellas. The two companies share equally in the gross profits (losses) related to U.S. net sales of Xtandi. Subject to certain exceptions, Pfizer and Astellas also share equally all Xtandi

commercialization costs attributable to the U.S. market. Pfizer and Astellas also share certain development and other collaboration expenses and Pfizer receives tiered royalties as a percentage of international Xtandi net sales (recorded in *Other (income)/deductions—net* ).

- **Bavencio** (IH) is being developed and commercialized in collaboration with Merck KGaA. Both companies jointly fund all development and commercialization costs, and split equally any profits generated from selling any anti-PD-L1 or anti-PD-1 products from this collaboration. Bavencio is currently approved in metastatic MCC in the U.S., Europe and Japan as well as received accelerated approval for second line treatment of locally advanced or metastatic UC in the U.S.

See the "Our Operating Environment—Industry-Specific Challenges—Intellectual Property Rights and Collaboration/Licensing Rights" section of this Financial Review for information regarding the expiration of various contract and patent rights.

See Notes to Consolidated Financial Statements— *Note 17. Commitments and Contingencies* for a discussion of recent developments concerning patent and product litigation relating to certain of the products discussed above.

## PRODUCT DEVELOPMENTS—BIOPHARMACEUTICAL

We continue to invest in R&D to provide potential future sources of revenues through the development of new products, as well as through additional uses for in-line and alliance products. Notwithstanding our efforts, there are no assurances as to when, or if, we will receive regulatory approval for additional indications for existing products or any of our other products in development.

We continue to strengthen our global R&D organization and pursue strategies intended to improve innovation and overall productivity in R&D to achieve a sustainable pipeline that will deliver value in the near term and over time.

For additional information about our R&D organization, including the EH R&D organization, our R&D priorities and areas of focus, see the "Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Strategy—Description of Research and Development Operations" section of this Financial Review.

A comprehensive update of Pfizer's development pipeline as of January 30, 2018 is available at www.pfizer.com/science/drug-product-pipeline. It includes an overview of our research and a list of compounds in development with targeted indication and phase of development, as well as mechanism of action for some candidates in Phase 1 and all candidates from Phase 2 through registration.

The following series of tables provides information about significant regulatory actions by, and filings pending with, the FDA and regulatory authorities in the EU and Japan, as well as additional indications and new drug candidates in late-stage development.

| RECENT FDA APPROVALS | | |
|---|---|---|
| **PRODUCT** | **INDICATION** | **DATE APPROVED** |
| Steglatro (ertugliflozin) | An adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus, which is being developed in collaboration with Merck | December 2017 |
| Segluromet (ertugliflozin and metformin) | An adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus who are not adequately controlled on a regimen containing ertugliflozin or metformin, or in patients who are already treated with both ertugliflozin and metformin, which is being developed in collaboration with Merck | December 2017 |
| Steglujan (ertugliflozin and sitagliptin) | An adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus when treatment with both ertugliflozin and sitagliptin is appropriate, which is being developed in collaboration with Merck | December 2017 |
| Bosulif (bosutinib) | Treatment of adult patients with newly-diagnosed chronic phase Philadelphia chromosome-positive Ph+ CML, which is being developed in collaboration with Avillion | December 2017 |
| Xeljanz (tofacitinib) and Xeljanz XR | Xeljanz 5 mg twice daily and Xeljanz XR extended release 11 mg once daily for the treatment of adult patients with active psoriatic arthritis who have had an inadequate response or intolerance to methotrexate or other disease-modifying antirheumatic drugs | December 2017 |
| Ixifi (PF-06438179, infliximab-qbtx) [a] | A biosimilar to Remicade® (infliximab) for all eligible indications of the reference product | December 2017 |
| Sutent (sunitinib) | Adjuvant treatment in adult patients at high risk of recurrent renal cell carcinoma following nephrectomy (surgical removal of the cancerous kidney) | November 2017 |
| Lyrica (pregabalin) | Extended-release tablets CV as once-daily therapy for the management of neuropathic pain associated with diabetic peripheral neuropathy and the management of post-herpetic neuralgia | October 2017 |
| Mylotarg (gemtuzumab ozogamicin) | Treatment of adults with newly diagnosed CD33-positive acute myeloid leukemia (AML), and adults and children 2 years and older with relapsed or refractory CD33-positive AML | September 2017 |
| Besponsa (inotuzumab ozogamicin) | Treatment of adults with relapsed or refractory CD22-positive B-cell precursor acute lymphoblastic leukemia | August 2017 |
| Bavencio (avelumab) | Treatment for patients with locally advanced or metastatic UC with disease progression on or after platinum-based therapy, which is being developed in collaboration with Merck KGaA, Germany | May 2017 |
| Bavencio (avelumab) | Treatment of adults and pediatric patients 12 years and older with metastatic Merkel cell carcinoma, which is being developed in collaboration with Merck KGaA, Germany | March 2017 |

[a] Remicade ® is a registered trademark of Janssen. In February 2016, we divested the rights for development and commercialization of PF-06438179, a potential biosimilar to Remicade ® (infliximab) in the 28 countries that form the EEA to Sandoz, which was a condition to the European

Commission's approval of the acquisition of Hospira in 2015. We retain commercialization rights to PF-06438179 in all countries outside of the EEA. We do not currently plan to launch Ixifi in the U.S. and are evaluating strategic options for this product.

| PENDING U.S. NDAs AND SUPPLEMENTAL FILINGS | | |
|---|---|---|
| **PRODUCT** | **PROPOSED INDICATION** | **DATE FILED*** |
| lorlatinib (PF-06463922) | Treatment of patients with ALK-positive metastatic non-small cell lung cancer, previously treated with one or more ALK inhibitors | February 2018 |
| Filgrastim [(a)] | A potential biosimilar to Neupogen® (filgrastim) | November 2017 |
| PF-05280014 [(b)] | A potential biosimilar to Herceptin® (trastuzumab) | August 2017 |
| Xeljanz (tofacitinib) | Treatment of adult patients with moderately to severely active ulcerative colitis | July 2017 |
| Retacrit [(c)] | A potential biosimilar to Epogen® and Procrit® (epoetin alfa) | February 2015 |
| tafamidis meglumine [(d)] | Treatment of transthyretin familial amyloid polyneuropathy | February 2012 |

* The dates set forth in this column are the dates on which the FDA accepted our submissions.

(a) Neupogen® is a registered trademark of Amgen, Inc.

(b) Herceptin ® is a registered trademark of Genentech, Inc.

(c) Epogen ® is a registered U.S. trademark of Amgen Inc.; Procrit ® is a registered U.S. trademark of J&J. In October 2015, we received a "complete response" letter from the FDA with respect to our biologics license application (BLA) for Retacrit, our proposed biosimilar to epoetin alfa, which was submitted for all indications of the reference product. In December 2016, we completed the resubmission of the BLA to the FDA for Retacrit in response to the "complete response" letter. In May 2017, the FDA's Oncologic Drugs Advisory Committee (ODAC) voted to recommend Retacrit for approval. In June 2017, we received a "complete response" letter from the FDA, relating to matters noted in a Warning Letter issued in February 2017 following a routine inspection of the company's facility in McPherson, Kansas in 2016. This facility was listed as the potential manufacturing site in the BLA for the proposed epoetin alfa biosimilar. In November 2017, Pfizer resubmitted the BLA to the FDA for Retacrit in response to the "complete response" letter. In January 2018, the FDA upgraded the status of Pfizer's McPherson, Kansas manufacturing facility to VAI based on an October 2017 inspection. The change to VAI status will lift the compliance hold that the FDA placed on approval of Pfizer pending applications, and will permit review of the BLA for the proposed epoetin alfa biosimilar.

(d) In May 2012, the FDA's Peripheral and Central Nervous System Drugs Advisory Committee voted that the tafamidis meglumine data provide substantial evidence of efficacy for a surrogate endpoint that is reasonably likely to predict a clinical benefit. In June 2012, the FDA issued a "complete response" letter with respect to the tafamidis NDA. The FDA has requested the completion of a second efficacy study, and also has asked for additional information on the data within the current tafamidis NDA. Pfizer initiated study B3461028 in December 2013, a global Phase 3 study to support a potential new indication in transthyretin cardiomyopathy, which includes transthyretin familial amyloid cardiomyopathy (TTR-FAC) and wild-type cardiomyopathy (WT-CM). We anticipate results from this study in 2018, and continue to work with the FDA to identify next steps.

| REGULATORY APPROVALS AND FILINGS IN THE EU AND JAPAN | | | |
|---|---|---|---|
| **PRODUCT** | **DESCRIPTION OF EVENT** | **DATE APPROVED** | **DATE FILED*** |
| lorlatinib (PF-06463922) | Application filed in Japan for the treatment of patients with ALK-positive metastatic non-small cell lung cancer, previously treated with one or more ALK inhibitor | — | February 2018 |
| lorlatinib (PF-06463922) | Application filed in the EU for the treatment of patients with ALK-positive metastatic non-small cell lung cancer, previously treated with one or more ALK inhibitors | — | February 2018 |
| Xeljanz (tofacitinib) | Application filed in the EU for treatment of psoriatic arthritis | — | September 2017 |
| Ibrance (palbociclib) | Approval in Japan for Ibrance in combination with endocrine therapy for the treatment of HR+, HER2- inoperable or recurrent breast cancer | September 2017 | — |
| Bavencio (avelumab) | Approval in Japan for the treatment of curatively unresectable Merkel cell carcinoma, which is being developed in collaboration with Merck KGaA, Germany | September 2017 | — |
| Bavencio (avelumab) | Approval in the EU for the treatment of adult patients with metastatic Merkel cell carcinoma, which is being developed in collaboration with Merck KGaA, Germany | September 2017 | — |
| Xeljanz (tofacitinib) | Application filed in the EU for the treatment of ulcerative colitis | — | August 2017 |
| Bosulif (bosutinib) | Application filed in the EU for the treatment of patients with newly diagnosed chronic phase Philadelphia chromosome-positive chronic myeloid leukemia, which is being developed in collaboration with Avillion | — | August 2017 |
| PF-06438179 [(a)] | Application filed in Japan for a potential biosimilar to Remicade® (infliximab) | — | August 2017 |
| PF-05280014 [(b)] | Application filed in the EU for a potential biosimilar to Herceptin® (trastuzumab) | — | July 2017 |
| Besponsa (inotuzumab ozogamicin) | Approval in the EU for the treatment of adult patients with relapsed or refractory CD22-positive B-cell precursor acute lymphoblastic leukemia | June 2017 | — |
| Trumenba | Approval in the EU for a prophylactic vaccine for active immunization to prevent invasive disease caused by Neisseria meningitidis serogroup B in individuals 10 years of age and older | May 2017 | — |
| Xalkori (crizotinib) | Approval in Japan for the treatment of ROS1-positive non-small cell lung cancer | May 2017 | — |
| Xeljanz (tofacitinib) | Application filed in Japan for the treatment of ulcerative colitis | — | May 2017 |
| Sutent (sunitinib) | Application filed in the EU for the adjuvant treatment in adult patients at high risk of recurrent renal cell carcinoma following nephrectomy | — | April 2017 |
| inotuzumab ozogamicin | Application filed in Japan for the treatment of acute lymphoblastic leukemia | — | April 2017 |
| Xeljanz (tofacitinib) | Approval in the EU for Xeljanz in combination with methotrexate for the treatment of moderate to severe active rheumatoid arthritis in adult patients who have responded inadequately to, or who are intolerant to one or more disease-modifying antirheumatic drugs. Xeljanz can be given as monotherapy in case of intolerance to methotrexate or when treatment with methotrexate is inappropriate | March 2017 | — |
| ertugliflozin [(c)] | Application filed in the EU for the treatment of type 2 diabetes, which is being developed in collaboration with Merck | — | February 2017 |
| Mylotarg (gemtuzumab ozogamicin) | Application filed in the EU for the treatment of acute myeloid leukemia | — | December 2016 |

* For applications in the EU, the dates set forth in this column are the dates on which the EMA validated our submissions.

(a) Remicade ® is a registered trademark of Janssen. In February 2016, we divested the rights for development and commercialization of PF-06438179, a potential biosimilar to Remicade ® (infliximab) in the 28 countries that form the EEA to Sandoz, which was a condition to the European Commission's approval of the Hospira transaction. We retain commercialization rights to PF-06438179 in all countries outside of the EEA.

(b) Herceptin ® is a registered trademark of Genentech, Inc.

(c) In January 2018, the EMA's Committee for Medicinal Products for Human Use issued an opinion recommending that ertugliflozin be granted approval for the treatment of type 2 diabetes .

| LATE-STAGE CLINICAL PROGRAMS FOR ADDITIONAL USES AND DOSAGE FORMS FOR IN-LINE AND IN-REGISTRATION PRODUCTS | |
|---|---|
| **PRODUCT** | **PROPOSED INDICATION** |
| Bavencio (avelumab) | A monoclonal antibody that inhibits PD-L1, in combination with Inlyta (axitinib), a tyrosine kinase inhibitor, for the first-line treatment of advanced renal cell carcinoma, which is being developed in collaboration with Merck KGaA, Germany |
| Bavencio (avelumab) | A monoclonal antibody that inhibits PD-L1 for the first-line treatment of stage IIIb/IV non-small cell lung cancer, which is being developed in collaboration with Merck KGaA, Germany |
| Bavencio (avelumab) [(a)] | A monoclonal antibody that inhibits PD-L1 for treatment of stage IIIb/IV non-small cell lung cancer that has progressed after a platinum-containing doublet, which is being developed in collaboration with Merck KGaA, Germany |
| Bavencio (avelumab) | A monoclonal antibody that inhibits PD-L1 for treatment of platinum-resistant/refractory ovarian cancer, which is being developed in collaboration with Merck KGaA, Germany |
| Bavencio (avelumab) | A monoclonal antibody that inhibits PD-L1 for the first-line treatment of ovarian cancer, which is being developed in collaboration with Merck KGaA, Germany |
| Bavencio (avelumab) | A monoclonal antibody that inhibits PD-L1 for maintenance treatment, in the first-line setting, for patients with urothelial cancer, which is being developed in collaboration with Merck KGaA, Germany |
| Bavencio (avelumab) | A monoclonal antibody that inhibits PD-L1 for maintenance treatment of advanced or metastatic gastric/gastro-esophageal junction cancers, which is being developed in collaboration with Merck KGaA, Germany |
| Bavencio (avelumab) | A monoclonal antibody that inhibits PD-L1 for treatment of locally advanced squamous cell carcinoma of the head and neck, which is being developed in collaboration with Merck KGaA, Germany |
| Inlyta (axitinib) | Adjuvant treatment of renal cell carcinoma, which is being developed in collaboration with SFJ |
| Ibrance (palbociclib) | Treatment of HER2+ advanced breast cancer, in collaboration with the Alliance Foundation Trials, LLC |
| Ibrance (palbociclib) | Treatment of high-risk early breast cancer, in collaboration with the German Breast Group |
| Ibrance (palbociclib) | Treatment of HR+ early breast cancer, in collaboration with the Alliance Foundation Trials, LLC, and the Austrian Breast Colorectal Cancer Study Group |
| Xtandi (enzalutamide) | Treatment of non-metastatic castration resistant prostate cancer |
| Xtandi (enzalutamide) | Treatment of non-metastatic high risk hormone-sensitive prostate cancer |
| Xtandi (enzalutamide) | Treatment of metastatic hormone-sensitive prostate cancer |
| Vyndaqel (tafamidis meglumine) | Adult symptomatic transthyretin cardiomyopathy |

[(a)] As noted in our February 2018 press release, we and our partner Merck KGaA, Darmstadt, Germany, announced that the Bavencio Phase 3 trial in second-line NSCLC did not meet its pre-specified primary endpoint. We are continuing to further evaluate the detailed results.

In November 2017, we and our partner Merck KGaA, Darmstadt, Germany, announced that the Bavencio (avelumab) Phase 3 JAVELIN Gastric 300 trial did not meet its primary endpoint of superior overall survival with single-agent avelumab compared with physician's choice of chemotherapy.

| NEW DRUG CANDIDATES IN LATE-STAGE DEVELOPMENT | |
|---|---|
| **CANDIDATE** | **PROPOSED INDICATION** |
| dacomitinib | A pan-human epidermal growth factor receptor (HER) tyrosine kinase inhibitor for the first-line treatment of patients with advanced non-small cell lung cancer with estimated glomerular filtration rate (eGFR) activating mutations, which is being developed in collaboration with SFJ |
| lorlatinib (PF-06463922) | A next generation ALK/ROS1 tyrosine kinase inhibitor for the first-line treatment of patients with ALK-positive advanced non-small cell lung cancer |
| PF-04965842 | A Janus kinase 1 (JAK1) inhibitor for the treatment of moderate-to-severe atopic dermatitis |
| PF-06425090 | A prophylactic vaccine for active immunization to prevent clostridium difficile colitis |
| PF-05280586 [(a)] | A potential biosimilar to Rituxan® (rituximab) |
| PF-06439535 [(b)] | A potential biosimilar to Avastin® (bevacizumab) |
| PF-06410293 [(c)] | A potential biosimilar to Humira® (adalimumab) |
| rivipansel (GMI-1070) | A pan-selectin inhibitor for the treatment of vaso-occlusive crisis in hospitalized individuals with sickle cell disease, which was licensed from GlycoMimetics Inc. |
| somatrogon (PF-06836922) | A long-acting hGH-CTP for the treatment of growth hormone deficiency in children, which is being developed in collaboration with OPKO |
| somatrogon (PF-06836922) | A long-acting hGH-CTP for the treatment of growth hormone deficiency in adults, which is being developed in collaboration with OPKO |
| talazoparib (MDV3800) | An oral PARP inhibitor for the treatment of patients with germline BRCA-mutated advanced breast cancer |
| talazoparib (MDV3800) | An oral PARP inhibitor for the treatment of metastatic castrate resistant prostate cancer |
| tanezumab | An anti-nerve growth factor monoclonal antibody for the treatment of pain, which is being developed in collaboration with Lilly |

[(a)] Rituxan ® is a registered trademark of Biogen MA Inc.
[(b)] Avastin ® is a registered trademark of Genentech, Inc.
[(c)] Humira ® is a registered trademark of AbbVie Biotechnology Ltd.

Additional product-related programs are in various stages of discovery and development. Also, see the discussion in the “Our Strategy—Our Business Development Initiatives” section of this Financial Review.

## COSTS AND EXPENSES

The changes in expenses below for 2017 v. 2016 reflect, among other things, the favorable impact of the February 2017 sale of HIS. The operating results of HIS are included in our operating results through February 2, 2017 and, therefore, operating results for 2017 include approximately one month of HIS domestic operations and approximately two months of HIS international operations, while operating results for 2016 reflect 12 months of HIS global operations.

The changes in expenses below for 2016 v. 2015 reflect, among other things, the unfavorable impact of the September 2015 acquisition of Hospira; specifically, the inclusion of a full year of legacy Hospira global operations in 2016, compared to the inclusion of four months of legacy Hospira U.S. operations and three months of legacy Hospira international operations in 2015.

### Cost of Sales

| | Year Ended December 31, | | | % Change | |
|---|---|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 | **17/16** | 16/15 |
| *Cost of sales* | **$ 11,240** | $ 12,329 | $ 9,648 | **(9)** | 28 |
| As a percentage of *Revenues* | **21.4%** | 23.3% | 19.7% | | |

*2017 v. 2016*

*Cost of sales* decreased 9% in 2017 , compared to 2016 , primarily due to:

- the favorable impact of the sale of HIS global operations (which carried a higher cost of sales than other products) of $561 million;
- recognition of synergies related to our cost-reduction/productivity initiatives;
- the nonrecurring unfavorable impact of $248 million of acquired Hospira inventory, which is measured at fair value on the acquisition date and was amortized over the turn of the related inventory;
- the favorable impact of foreign exchange of $140 million and the favorable offset of hedging gains of $52 million ; and
- a favorable change in product mix, including an operational decline in the SIP portfolio and the favorability attributed to products that have lost exclusivity,

partially offset by:

- $195 million in inventory losses, overhead costs related to the period in which our Puerto Rico plants were not operational, and incremental costs to date, all of which resulted from the recent hurricanes in Puerto Rico.

The decrease in *Cost of sales* as a percentage of revenues in 2017 , compared to 2016 , was primarily due to all of the factors discussed above, as well as an increase in alliance revenues, which have no associated cost of sales.

*2016 v. 2015*

*Cost of sales* increased 28% in 2016 , compared to 2015 , primarily due to:

- the unfavorable impact of the Hospira acquisition;
- the growth in revenues from key innovative brands as well as the growth in the legacy Pfizer Sterile Injectable Pharmaceuticals portfolio;
- production variances driven by changes in product mix, including products which have lost exclusivity and manufacturing production issues at certain sites (up approximately $300 million);
- an increase in costs associated with our cost-reduction/productivity initiatives including plant network strategy (approximately $200 million); and
- the unfavorable impact of foreign exchange of 3% or approximately $410 million in 2016 .

The increase in *Cost of sales* as a percentage of *Revenues* in 2016 , compared to 2015 , was primarily due to:

- an unfavorable change in product mix due to (i) the unfavorable impact of the Hospira acquisition, with products that carry a higher cost, as well as the impact of acquired Hospira inventory which was measured at fair value on the acquisition date and amortized over the turn of the related inventory; and (ii) the impact of losses of exclusivity on products which formerly had a higher gross margin;
- the unfavorable impact of foreign exchange; and
- the unfavorable impact of costs incurred to implement our cost-reduction/productivity initiatives (not related to acquisitions) in 2016, compared to 2015,

partially offset by:

- a favorable change in product mix related to legacy Pfizer products, excluding the impact of losses of exclusivity on products referred to above; and
- non-recurring charges of $72 million related to manufacturing plant pension obligations and non-recurring charges of $72 million related to inventory impairment in Venezuela in 2015 related to the foreign currency change described in the “Global Economic Conditions—Venezuela Operations” section in this Financial Review.

## Selling, Informational and Administrative (SI&A) Expenses

| | Year Ended December 31, | | | % Change | |
|---|---|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 | **17/16** | 16/15 |
| *Selling, informational and administrative expenses* | **$ 14,784** | $ 14,837 | $ 14,809 | **—** | — |
| As a percentage of *Revenues* | **28.1%** | 28.1% | 30.3% | | |

*2017 v. 2016*

SI&A expenses were relatively flat in 2017 , compared to 2016 , primarily due to:

- the non-recurrence of an allowance for doubtful trade accounts receivable of approximately $265 million, resulting from unfavorable developments with a distributor that was recorded in the first quarter of 2016 ;
- lower advertising, promotional and field force expenses, reflecting the benefits of cost-reduction and productivity initiatives;
- lower spending for certain products, primarily Prevnar 13/Prevenar 13;
- the favorable impact of the sale of HIS global operations of $135 million; and
- lower spending for Viagra due to the loss of exclusivity in December 2017,

offset by:

- additional investment across several of our key products, primarily Eucrisa, Ibrance and Xeljanz, as well as biosimilars, primarily related to the U.S. launch of Inflectra; and
- an increase in charitable contributions, including a $200 million charitable contribution to the Pfizer Foundation, an organization that provides grant and investment funding to support organizations and social entrepreneurs in an effort to improve healthcare delivery.

*2016 v. 2015*

SI&A expenses were relatively flat in 2016 , compared to 2015 , primarily due to:

- an increase in the allowance for doubtful trade accounts receivable, resulting from unfavorable developments with a distributor (approximately $280 million);
- the unfavorable impact of the Hospira acquisition; and
- additional investment across several of our key products,

offset by:

- the non-recurrence of a $419 million charge related to the settlement of pension obligations in accordance with an offer to certain terminated employees who are vested in their pension benefits to elect a lump-sum payment or annuity of their deferred vested pension benefits in 2015; and
- the favorable impact of foreign exchange of 2% in 2016.

## Research and Development (R&D) Expenses

| | Year Ended December 31, | | | % Change | |
|---|---|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 | **17/16** | 16/15 |
| *Research and development expenses* | **$ 7,657** | $ 7,872 | $ 7,690 | **(3)** | 2 |
| As a percentage of *Revenues* | **14.6%** | 14.9% | 15.7% | | |

*2017 v. 2016*

R&D expenses decreased 3% in 2017 , compared to 2016 , primarily due to:

- lower expenses of approximately $743 million due to the discontinuation of the global clinical development program for bococizumab in the fourth quarter of 2016 and the non-recurrence of its associated close-out costs;

partially offset by:

- increased costs associated with our oncology programs, primarily clinical trial spend on Medivation assets;
- lower development funding credits of approximately $124 million primarily related to the discontinuation of the global clinical development program for bococizumab in the fourth quarter of 2016;
- increased costs associated with our *C. difficile* vaccine program, which initiated a Phase 3 clinical study in March 2017;
- an expense of $75 million resulting from our May 2017 agreement with Sangamo to develop and commercialize gene therapy programs for Hemophilia A; and
- increased costs associated with late stage development programs, including Xtandi, talazoparib and tanezumab.

*2016 v. 2015*

R&D expenses increase d 2% in 2016 , compared to 2015 , primarily due to:

- costs of approximately $260 million to close-out studies for the global clinical development program for bococizumab that was discontinued in the fourth quarter of 2016;

- the unfavorable impact of the Hospira acquisition and increased investment in legacy Hospira biosimilar and sterile injectable development programs and, to a lesser extent, the inclusion of approximately six months of legacy Anacor operations and approximately three months of legacy Medivation operations; and
- increased costs associated with our oncology programs, primarily our avelumab alliance with Merck KGaA,

partially offset by:

- the non-recurrence of the $295 million upfront payment to OPKO in the first quarter of 2015 associated with a worldwide development and commercialization agreement; and
- development funding of $272 million under which we had an obligation to perform contractual services related to certain clinical trials of bococizumab, Ibrance and rivipansel (see Notes to Consolidated Financial Statements— *Note 2C. Acquisitions, Sale of Hospira Infusion Systems Net Assets, Research and Development and Collaborative Arrangements, Equity-Method Investments and Cost-Method Investment: Research and Development and Collaboration Agreements* ) .

For additional information on Cost of sales, SI&A and R&D expenses by operating segment, see the "Analysis of Operating Segment Information" section of this Financial Review.

## Amortization of Intangible Assets

| | Year Ended December 31, | | | % Change | |
|---|---|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 | **17/16** | 16/15 |
| *Amortization of intangible assets* | **$ 4,758** | $ 4,056 | $ 3,728 | **17** | 9 |
| As a percentage of *Revenues* | **9.1%** | 7.7% | 7.6% | | |

Amortization of intangible assets increased 17% in 2017 , compared to 2016 , primarily due to amortization expense of approximately $797 million (pre-tax) in 2017 associated with the identifiable intangible assets acquired from Medivation and Anacor, partially offset by assets that became fully amortized at the end of their estimated useful lives and the favorable impact of the February 2017 sale of HIS.

Amortization of intangible assets decreased 9% in 2016 , compared to 2015 , primarily due to the inclusion of a full year of amortization expense for the identifiable intangible assets acquired from legacy Hospira global operations in 2016, compared to the inclusion of only four months of legacy Hospira U.S. amortization expense and three months of legacy Hospira international amortization expense in 2015, as well as the inclusion of three months of amortization expense for the intangible assets acquired from legacy Medivation in 2016, partially offset by assets that became fully amortized at the end of their estimated useful lives.

See also Notes to Consolidated Financial Statements— *Note 10A. Identifiable Intangible Assets and Goodwill: Identifiable Intangible Assets.*

## Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives

| | Year Ended December 31, | | | % Change | |
|---|---|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 | **17/16** | 16/15 |
| Restructuring charges—acquisition-related costs [a] | **$ 109** | $ 211 | $ 479 | **(48)** | (56) |
| Restructuring charges—cost reduction initiatives [b] | **69** | 945 | 333 | **(93)** | * |
| Restructuring charges | **178** | 1,156 | 811 | **(85)** | 43 |
| Transaction costs | **4** | 127 | 123 | **(97)** | 3 |
| Integration costs | **305** | 441 | 218 | **(31)** | * |
| *Restructuring charges and certain acquisition-related costs* | **$ 487** | $ 1,724 | $ 1,152 | **(72)** | 50 |
| Total additional depreciation—asset restructuring | **91** | 207 | 122 | **(56)** | 70 |
| Total implementation costs | **227** | 340 | 203 | **(33)** | 67 |
| Costs associated with acquisitions and cost-reduction/productivity initiatives [c] | **$ 805** | $ 2,271 | $ 1,478 | **(65)** | 54 |

[a] Restructuring charges—acquisition-related costs include employee termination costs, exit costs and asset impairments associated with business combinations. For 2017 and 2016, restructuring charges—acquisition-related costs are primarily associated with our acquisitions of Hospira and Medivation. For 2015, restructuring charges—acquisition-related costs primarily relate to our acquisition of Hospira.
[b] Restructuring charges—cost reduction initiatives include employee termination costs, exit costs and asset impairments not associated with acquisitions.
[c] Comprises *Restructuring charges and certain acquisition-related costs* as well as costs associated with our cost-reduction/productivity initiatives included in *Cost of sales* , *Research and development expenses* and/or *Selling, informational and administrative expenses* , as appropriate. For additional information, see Notes to Consolidated Financial Statements— *Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives.*
* Indicates calculation not meaningful or result is equal to or greater than 100%.

In connection with our acquisition of Hospira, we are focusing our efforts on achieving an appropriate cost structure for the combined company. We expect to achieve $1 billion of annual cost savings by 2018 in connection with the Hospira acquisition, 25% more than our initial cost savings target of $800 million , and have achieved approximately $720 million of cost savings through December 31, 2017. The one-time costs to generate the savings are expected to be approximately $1 billion (not including costs of $215 million for full-year 2015 associated with the return of acquired IPR&D rights), and the majority of these costs are expected to be incurred for the three-year period post-acquisition.

In 2016, we substantially completed previously disclosed cost-reduction initiatives begun in 2014 associated with our global commercial structure reorganization, manufacturing plant network rationalization and optimization initiatives, and additional cost-reduction/productivity initiatives across the enterprise. Through December 31, 2016, we incurred $3.1 billion (pre-tax) in total costs for the 2014-2016 program. The cumulative ongoing annual cost savings associated with the 2014-2016 program (but not including expected cost savings associated with the Hospira acquisition), are approximately $3.1 billion. These savings were recognized, for the most part, through the end of 2016. However, savings from costs incurred in the last half of 2016 largely occurred in 2017.

New Cost-Reduction/Productivity Initiatives — 2017 through 2019 Activities

As a result of the evaluation performed in connection with our decision in September 2016 to not pursue, at that time, splitting IH and EH into two separate publicly-traded companies, we have identified new opportunities to potentially achieve greater optimization and efficiency to become more competitive in our business. Therefore, we have initiated new enterprise-wide cost-reduction/productivity initiatives, which we expect to complete by the end of 2019. These initiatives will encompass all areas of our cost base and will include further centralization of our corporate and platform functions and optimization of our manufacturing plant network to support IH and EH products and pipelines, as well as activities in other areas where opportunities are identified. The action plans related to these new initiatives are underway and, in order to achieve targeted savings of approximately $1.4 billion by 2020, we expect to incur total costs of approximately $1.1 billion over the three year period, 2017-2019. Of this amount, we expect about 80% to be manufacturing operations related and we expect about 20% of the total charges will be non-cash. For additional information about these programs and expected and actual total costs, see Notes to Consolidated Financial Statements— *Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives* . The expected cost savings in 2018 associated with these activities are reflected in our 2018 financial guidance.

In addition to these major initiatives, we continuously monitor our operations for cost reduction and/or productivity opportunities, especially in light of the losses of exclusivity and the expiration of collaborative arrangements for various products.

## Other (Income)/Deductions—Net

| | Year Ended December 31, | | | % Change | |
|---|---|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 | **17/16** | 16/15 |
| *Other (income)/deductions—net* | **$ 1,315** | $ 3,655 | $ 2,860 | **(64)** | 28 |

For information about the components of *Other (income)/deductions—net* , see Notes to Consolidated Financial Statements— *Note 4. Other (Income)/Deductions—Net.*

See also the “Analysis of Operating Segment Information” section of this Financial Review.

## PROVISION/(BENEFIT) FOR TAXES ON INCOME

| | Year Ended December 31, | | | % Change | |
|---|---|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 | **17/16** | 16/15 |
| *Provision/(benefit) for taxes on income* | **$ (9,049)** | $ 1,123 | $ 1,990 | * | (44) |
| Effective tax rate on continuing operations | **(73.5)%** | 13.4% | 22.2% | | |

* Indicates calculation not meaningful or result is equal to or greater than 100%.

In all three years presented, our effective tax rate on continuing operations was impacted by favorable audit settlements and from the expiration of certain statutes of limitations in multiple jurisdictions covering various periods, among other factors. Our effective tax rate on continuing operations for 2017 was favorably impacted by the enactment of the TCJA. For details about these discrete elements that impacted our tax provisions, see Notes to Consolidated Financial Statements— *Note 5A. Tax Matters: Taxes on Income from Continuing Operations* .

*2017 v. 2016*

The lower effective tax rate in 2017 compared to 2016 was primarily the result of:

- the tax benefits associated with the remeasurement of deferred tax liabilities, which includes the repatriation tax on deemed repatriated accumulated post-1986 earnings of foreign subsidiaries associated with the enactment of the TCJA; and
- a favorable change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business,

partially offset by:

- the decrease in benefits associated with the resolution of certain tax positions pertaining to prior years primarily with various foreign tax authorities and the expiration of certain statutes of limitations; and
- the non-recurrence of benefits related to the final resolution of an agreement in principle reached in February 2016 and finalized in April 2016 to resolve certain claims related to Protonix, which resulted in the receipt of information that raised our initial assessment in 2015 of the likelihood of prevailing on the technical merits of our tax position.

*2016 v. 2015*

The lower effective tax rate in 2016 compared to 2015 was primarily the result of:

- the benefits related to the final resolution of an agreement in principle reached in February 2016 and finalized in April 2016 to resolve certain claims related to Protonix, which resulted in the receipt of information that raised our initial assessment in 2015 of the likelihood of prevailing on the technical merits of our tax position;
- the non-recurrence of the non-deductibility of a foreign currency loss related to Venezuela;
- the change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business;
- the increase in benefits associated with the resolution of certain tax positions pertaining to prior years primarily with various foreign tax authorities, and the expiration of certain statutes of limitations; and
- the benefits related to the adoption of a new accounting standard in the fourth quarter of 2016, as of January 1, 2016, requiring excess tax benefits or deficiencies of share-based compensation to be recognized as a component of the *Provision/(benefit) for taxes on income* . The net tax benefit was $89 million in 2016 (See Notes to Consolidated Financial Statements— *Note 1B. Basis of Presentation and Significant Accounting Policies: Adoption of New Accounting Standards* in Pfizer's 2016 Financial Report),

partially offset by:

- the non-recurrence of tax benefits associated with certain tax initiatives.

Changes in Tax Laws

On December 22, 2017, the U.S. enacted significant changes to U.S. tax law following the passage and signing of the TCJA. The TCJA is complex and significantly changes the U.S. corporate income tax system by, among other things, reducing the Federal corporate income tax rate from 35% to 21%, transitioning U.S. international taxation from a worldwide tax system to a territorial tax system and imposing a repatriation tax on deemed repatriated accumulated post-1986 earnings of foreign subsidiaries. Given the significant changes resulting from and complexities associated with the TCJA, the estimated financial impacts for 2017 as well as the estimated impact on 2018 financial guidance for the effective tax rate on Adjusted income are provisional and subject to further analysis, interpretation and clarification of the TCJA, which could result in changes to these estimates during 2018. For additional information, see Notes to Consolidated Financial Statements— *Note 5A. Tax Matters: Taxes on Income from Continuing Operations* and the "Analysis of Financial Condition, Liquidity and Capital Resources—Selected Measures of Liquidity and Capital Resources—Contractual Obligations" section of this Financial Report.

On January 23, 2017, the Governor of Puerto Rico signed into law Act No. 3-2017, amending Section 2101 of the Puerto Rico Internal Revenue Code of 1994, which imposes an excise tax that was effective beginning in 2011 (Act 154). The excise tax is imposed on the purchase of products by multinational corporations and their affiliates from their Puerto Rico affiliates. As originally adopted, the excise tax was to be in effect from 2011 through 2016 and the tax rate was to decline over time from 4% in 2011 to 1% in 2016. Act No. 2-2013 extended the excise tax through 2017 and, effective July 1, 2013, increased the tax rate to 4% for all years through 2017. Act No. 3-2017 further extended the excise tax for all years through 2027 at a rate of 4%. The excise tax has been recorded in *Cost of sales* and *Provision/(benefit) for taxes on income,* as appropriate. All expected impacts in 2018 have been reflected in our financial guidance for 2018.

On December 18, 2015, the Protecting Americans from Tax Hikes Act of 2015 (the 2015 Act) was signed into law and generally provides for the temporary or permanent extension, retroactive to January 1, 2015, of certain tax benefits and credits that had expired, including the U.S. R&D tax credit, which was extended permanently. Given the enactment date of the 2015 Act, the benefit related to our 2015 R&D spending was recorded in 2015.

## NON-GAAP FINANCIAL MEASURE (ADJUSTED INCOME)

### General Description of Non-GAAP Financial Measure (Adjusted Income)

Adjusted income is an alternative view of performance used by management. We measure the performance of the overall Company on this basis in conjunction with other performance metrics. Because Adjusted income is an important internal measurement for Pfizer, we believe that investors' understanding of our performance is enhanced by disclosing this performance measure. We report Adjusted income, certain components of Adjusted income, and Adjusted diluted earnings per share in order to portray the results of our major operations—the discovery, development, manufacture, marketing and sale of prescription medicines, vaccines and consumer healthcare (OTC) products—prior to considering certain income statement elements. We have defined Adjusted income as *Net income attributable to Pfizer Inc.* before the impact of purchase accounting for acquisitions, acquisition-related costs, discontinued operations and certain significant items, which are described below. Similarly, we have defined the Adjusted income components as *Cost of sales, Selling, informational and administrative expenses, Research and development expenses, Amortization of intangible assets* and *Other (income)/deductions—net* each before the impact of purchase accounting for acquisitions, acquisition-related costs and certain significant items. We have defined Adjusted diluted earnings per share as *Earnings per common share attributable to Pfizer Inc.—diluted* before the impact of purchase accounting for acquisitions, acquisition-related costs, discontinued operations and certain significant items. The Adjusted income measure, the Adjusted income component measures and the Adjusted diluted earnings per share measure are not, and should not be viewed as, a substitute for U.S. GAAP net income, U.S. GAAP net income components or U.S. GAAP diluted earnings per share.

The following are examples of how the Adjusted income and Adjusted diluted earnings per share measures are utilized:

- senior management receives a monthly analysis of our operating results that is prepared on an Adjusted income and Adjusted diluted earnings per share basis;
- our annual budgets are prepared on an Adjusted income and Adjusted diluted earnings per share basis; and

- senior management's annual compensation is derived, in part, using Adjusted income and Adjusted diluted earnings per share measures. Adjusted income is the performance metric utilized in the determination of bonuses under the Pfizer Inc. Executive Annual Incentive Plan that is designed to limit the bonuses payable to the Executive Leadership Team (ELT) for purposes of IRC Section 162(m). Subject to the Section 162(m) limitation, the bonuses are funded from a pool based on the performance measured by three financial metrics, including adjusted diluted earnings per share, which is derived from Adjusted income. This metric accounts for 40% of the bonus pool funding. The pool applies to the bonus plans for virtually all bonus-eligible, non-sales-force employees worldwide, including the ELT members and other members of senior management. In addition, commencing with the 2015 Performance Share Awards, adjusted operating income is one of the measures utilized to determine payout. Adjusted operating income is derived from Adjusted income.

Adjusted income and its components and Adjusted diluted earnings per share are non-GAAP financial measures that have no standardized meaning prescribed by U.S. GAAP and, therefore, are limited in their usefulness to investors. Because of their non-standardized definitions, Adjusted income and its components (unlike U.S. GAAP net income and its components) and Adjusted diluted earnings per share (unlike U.S. GAAP diluted earnings per share) may not be comparable to the calculation of similar measures of other companies. Adjusted income and its components and Adjusted diluted earnings per share are presented solely to permit investors to more fully understand how management assesses performance.

We also recognize that, as internal measures of performance, the Adjusted income and its components and Adjusted diluted earnings per share measures have limitations, and we do not restrict our performance-management process solely to these metrics. A limitation of these measures is that they provide a view of our operations without including all events during a period, such as the effects of an acquisition or amortization of purchased intangibles, and do not provide a comparable view of our performance to other companies in the biopharmaceutical industry. We also use other specifically tailored tools designed to achieve the highest levels of performance. For example, our R&D organization has productivity targets, upon which its effectiveness is measured. In addition, total shareholder return, both on an absolute basis and relative to a publicly traded pharmaceutical index, plays a significant role in determining payouts under certain of Pfizer's long-term incentive compensation plans.

See the accompanying reconciliations of certain GAAP reported to non-GAAP adjusted information for 2017 , 2016 and 2015 below.

**Purchase Accounting Adjustments**

Adjusted income is calculated prior to considering certain significant purchase accounting impacts resulting from business combinations and net asset acquisitions. These impacts, primarily associated with Wyeth (acquired in 2009), Hospira (acquired in 2015), Anacor (acquired in June 2016) and Medivation (acquired in September 2016), can include the incremental charge to cost of sales from the sale of acquired inventory that was written up to fair value, amortization related to the increase in fair value of the acquired finite-lived intangible assets, and to a much lesser extent, depreciation related to the increase/decrease in fair value of the acquired fixed assets (primarily manufacturing facilities), amortization related to the increase in fair value of acquired debt, and the fair value changes associated with contingent consideration. Therefore, the Adjusted income measure includes the revenues earned upon the sale of the acquired products without considering the acquisition cost of those products.

Certain of the purchase accounting adjustments can occur through 20 or more years, but this presentation provides an alternative view of our performance that is used by management to internally assess business performance. We believe the elimination of amortization attributable to acquired intangible assets provides management and investors an alternative view of our business results by trying to provide a degree of parity to internally developed intangible assets for which R&D costs previously have been expensed.

However, a completely accurate comparison of internally developed intangible assets and acquired intangible assets cannot be achieved through Adjusted income. This component of Adjusted income is derived solely from the impacts of the items listed in the first paragraph of this section. We have not factored in the impacts of any other differences in experience that might have occurred if we had discovered and developed those intangible assets on our own, and this approach does not intend to be representative of the results that would have occurred in those circumstances. For example, our R&D costs in total, and in the periods presented, may have been different; our speed to commercialization and resulting sales, if any, may have been different; or our costs to manufacture may have been different. In addition, our marketing efforts may have been received differently by our customers. As such, in total, there can be no assurance that our Adjusted income amounts would have been the same as presented had we discovered and developed the acquired intangible assets.

**Acquisition-Related Costs**

Adjusted income is calculated prior to considering transaction, integration, restructuring and additional depreciation costs associated with business combinations because these costs are unique to each transaction and represent costs that were incurred to restructure and integrate two businesses as a result of the acquisition decision. For additional clarity, only transaction costs, additional depreciation and restructuring and integration activities that are associated with a business combination or a net-asset acquisition are included in acquisition-related costs. We have made no adjustments for the resulting synergies.

We believe that viewing income prior to considering these charges provides investors with a useful additional perspective because the significant costs incurred in connection with a business combination result primarily from the need to eliminate duplicate assets, activities or employees—a natural result of acquiring a fully integrated set of activities. For this reason, we believe that the costs incurred to convert disparate systems, to close duplicative facilities or to eliminate duplicate positions (for example, in the context of a business combination) can be viewed differently from those costs incurred in other, more normal, business contexts.

The integration and restructuring costs associated with a business combination may occur over several years, with the more significant impacts typically ending within three years of the transaction. Because of the need for certain external approvals for some actions, the span of time needed to achieve certain restructuring and integration activities can be lengthy. For example, due to the highly regulated nature of the

pharmaceutical business, the closure of excess facilities can take several years, as all manufacturing changes are subject to extensive validation and testing and must be approved by the FDA and/or other global regulatory authorities.

**Discontinued Operations**

Adjusted income is calculated prior to considering the results of operations included in discontinued operations, as well as any related gains or losses on the disposal of such operations. We believe that this presentation is meaningful to investors because, while we review our businesses and product lines for strategic fit with our operations, we do not build or run our businesses with the intent to sell them. Restatements due to discontinued operations do not impact compensation or change the Adjusted income measure for the compensation in respect of the restated periods, but are presented for consistency across all periods.

**Certain Significant Items**

Adjusted income is calculated prior to considering certain significant items. Certain significant items represent substantive and/or unusual items that are evaluated on an individual basis. Such evaluation considers both the quantitative and the qualitative aspects of their nature. Certain significant items may be highly variable and difficult to predict. Furthermore, in some cases it is reasonably possible that they could reoccur in future periods. For example, major non-acquisition-related cost-reduction programs stand on their own as they are specific to an event or goal with a defined term, but we may have subsequent programs based on reorganizations of the business, cost productivity or in response to loss of exclusivity or economic conditions. Legal charges to resolve litigation are also related to specific cases, which are facts and circumstances specific and, in some cases, may also be the result of litigation matters at acquired companies that were inestimable, not probable or unresolved at the date of acquisition. Unusual items may represent items that are not part of our ongoing business; items that, either as a result of their nature or size, we would not expect to occur as part of our normal business on a regular basis; items that would be non-recurring; or items that relate to products we no longer sell. While not all-inclusive, examples of items that could be included as certain significant items would be a major non-acquisition-related restructuring charge and associated implementation costs; amounts related to certain disposals of businesses, products or facilities that do not qualify as discontinued operations under U.S. GAAP; certain intangible asset impairments; adjustments related to the resolution of certain tax positions; the impact of adopting certain significant, event-driven tax legislation, such as the TCJA discussed in Notes to Consolidated Financial Statements— *Note 5A. Tax Matters: Taxes on Income from Continuing Operations* or charges related to certain legal matters, such as certain of those discussed in Notes to Consolidated Financial Statements— *Note 17A. Commitments and Contingencies: Legal Proceedings* and in Part II, Item 1, “Legal Proceedings” in our Quarterly Reports on Form 10-Q. Normal, ongoing defense costs of the Company or settlements of and accruals for legal matters made in the normal course of our business would not be considered certain significant items.

**Reconciliation of GAAP Reported to Non-GAAP Adjusted Information—Certain Line Items**

| IN MILLIONS, EXCEPT PER COMMON SHARE DATA | 2017 GAAP Reported | Purchase Accounting Adjustments [a] | Acquisition-Related Costs [a] | Discontinued Operations [a] | Certain Significant Items [a] | Non-GAAP Adjusted |
|---|---|---|---|---|---|---|
| Revenues | **$ 52,546** | $ — | $ — | $ — | $ — | $ 52,546 |
| Cost of sales | **11,240** | (47) | (39) | — | (363) | 10,790 |
| Selling, informational and administrative expenses | **14,784** | (16) | — | — | (299) | 14,469 |
| Research and development expenses | **7,657** | 8 | — | — | (38) | 7,626 |
| Amortization of intangible assets | **4,758** | (4,565) | — | — | — | 193 |
| Restructuring charges and certain acquisition-related costs | **487** | — | (418) | — | (69) | — |
| Other (income)/deductions—net | **1,315** | (138) | — | — | (1,876) | (699) |
| Income from continuing operations before provision/(benefit) for taxes on income | **12,305** | 4,758 | 456 | — | 2,647 | 20,166 |
| Provision/(benefit) for taxes on income [b] | **(9,049)** | 1,331 | 173 | — | 11,577 | 4,033 |
| Income from continuing operations | **21,353** | 3,426 | 283 | — | (8,930) | 16,132 |
| Discontinued operations—net of tax | **2** | — | — | (2) | — | — |
| Net income attributable to noncontrolling interests | **47** | — | — | — | — | 47 |
| Net income attributable to Pfizer Inc. | **21,308** | 3,426 | 283 | (2) | (8,930) | 16,085 |
| Earnings per common share attributable to Pfizer Inc.—diluted | **3.52** | 0.57 | 0.05 | — | (1.47) | 2.65 |

| IN MILLIONS, EXCEPT PER COMMON SHARE DATA | 2016 GAAP Reported | Purchase Accounting Adjustments [a] | Acquisition-Related Costs [a] | Discontinued Operations [a] | Certain Significant Items [a] | Non-GAAP Adjusted |
|---|---|---|---|---|---|---|
| Revenues | **$ 52,824** | $ — | $ — | $ — | $ — | $ 52,824 |
| Cost of sales | **12,329** | (295) | (7) | — | (397) | 11,630 |
| Selling, informational and administrative expenses | **14,837** | (3) | — | — | (89) | 14,745 |
| Research and development expenses | **7,872** | 3 | — | — | (34) | 7,841 |
| Amortization of intangible assets | **4,056** | (3,928) | — | — | — | 128 |
| Restructuring charges and certain acquisition-related costs | **1,724** | — | (778) | — | (945) | — |
| Other (income)/deductions—net | **3,655** | 39 | — | — | (4,423) | (729) |
| Income from continuing operations before provision/(benefit) for taxes on income | **8,351** | 4,185 | 785 | — | 5,888 | 19,210 |
| Provision/(benefit) for taxes on income [b] | **1,123** | 1,248 | 104 | — | 1,943 | 4,418 |
| Income from continuing operations | **7,229** | 2,937 | 682 | — | 3,944 | 14,792 |
| Discontinued operations—net of tax | **17** | — | — | (17) | — | — |
| Net income attributable to noncontrolling interests | **31** | — | — | — | — | 31 |
| Net income attributable to Pfizer Inc. | **7,215** | 2,937 | 682 | (17) | 3,944 | 14,761 |
| Earnings per common share attributable to Pfizer Inc.—diluted | **1.17** | 0.48 | 0.11 | — | 0.64 | 2.40 |

See end of tables for notes [a] and [b].

| IN MILLIONS, EXCEPT PER COMMON SHARE DATA | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | **GAAP Reported** | Purchase Accounting Adjustments [a] | Acquisition-Related Costs [a] | Discontinued Operations [a] | Certain Significant Items [a] | Non-GAAP Adjusted |
| Revenues | **$ 48,851** | $ — | $ — | $ — | $ — | $ 48,851 |
| Cost of sales | **9,648** | (413) | (75) | — | (140) | 9,021 |
| Selling, informational and administrative expenses | **14,809** | — | — | — | (484) | 14,324 |
| Research and development expenses | **7,690** | 7 | — | — | (44) | 7,653 |
| Amortization of intangible assets | **3,728** | (3,598) | — | — | — | 130 |
| Restructuring charges and certain acquisition-related costs | **1,152** | — | (820) | — | (333) | — |
| Other (income)/deductions—net | **2,860** | 52 | — | — | (3,321) | (409) |
| Income from continuing operations before provision/(benefit) for taxes on income | **8,965** | 3,953 | 894 | — | 4,321 | 18,133 |
| Provision/(benefit) for taxes on income [b] | **1,990** | 1,110 | 303 | — | 949 | 4,352 |
| Income from continuing operations | **6,975** | 2,843 | 591 | — | 3,372 | 13,781 |
| Discontinued operations—net of tax | **11** | — | — | (11) | — | — |
| Net income attributable to noncontrolling interests | **26** | — | — | — | — | 26 |
| Net income attributable to Pfizer Inc. | **6,960** | 2,843 | 591 | (11) | 3,372 | 13,755 |
| Earnings per common share attributable to Pfizer Inc.—diluted | **1.11** | 0.45 | 0.09 | — | 0.54 | 2.20 |

[a] For details of adjustments, see “Details of Income Statement Items Included in GAAP Reported but Excluded from Non-GAAP Adjusted Income” below.

[b] The effective tax rate on Non-GAAP Adjusted income was 20.0% in 2017 , 23.0% in 2016 and 24.0% in 2015 . The decrease in the effective tax rate on Non-GAAP Adjusted income for 2017 compared with 2016 was primarily due to tax benefits associated with the enactment of the TCJA, primarily reflecting the remeasurement of U.S. deferred tax liabilities on deemed repatriated post-1986 earnings of foreign subsidiaries that were accrued during 2017, as well as a favorable change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business, partially offset by a decrease in benefits associated with the resolution of certain tax positions pertaining to prior years primarily with various foreign tax authorities, and the expiration of certain statutes of limitations. The decline in the effective tax rate on Non-GAAP Adjusted income in 2016 compared to 2015 was primarily due to a favorable change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business, an increase in tax benefits associated with the resolution of certain tax positions pertaining to prior years primarily with various foreign tax authorities, and the expiration of certain statutes of limitations, as well as benefits related to the adoption of a new accounting standard in the fourth quarter of 2016, as of January 1, 2016, requiring excess tax benefits or deficiencies of share-based compensation to be recognized as a component of the *Provision/(benefit) for taxes on income* .

Details of Income Statement Items Included in GAAP Reported but Excluded from Non-GAAP Adjusted Income

Adjusted income, as shown above, excludes the following items:

| (MILLIONS OF DOLLARS) | Year Ended December 31, 2017 | 2016 | 2015 |
|---|---|---|---|
| Purchase accounting adjustments | | | |
| Amortization, depreciation and other [a] | **$ 4,711** | $ 3,890 | $ 3,540 |
| Cost of sales | **47** | 295 | 413 |
| Total purchase accounting adjustments—pre-tax | **4,758** | 4,185 | 3,953 |
| Income taxes [b] | **(1,331)** | (1,248) | (1,110) |
| Total purchase accounting adjustments—net of tax | **3,426** | 2,937 | 2,843 |
| Acquisition-related costs | | | |
| Restructuring charges [c] | **109** | 211 | 479 |
| Transaction costs [c] | **4** | 127 | 123 |
| Integration costs [c] | **305** | 441 | 218 |
| Additional depreciation—asset restructuring [d] | **39** | 7 | 75 |
| Total acquisition-related costs—pre-tax | **456** | 785 | 894 |
| Income taxes [e] | **(173)** | (104) | (303) |
| Total acquisition-related costs—net of tax | **283** | 682 | 591 |
| Discontinued operations | | | |
| Total discontinued operations—net of tax, attributable to Pfizer Inc. [f] | **(2)** | (17) | (11) |
| Certain significant items | | | |
| Restructuring charges [g] | **69** | 945 | 333 |
| Implementation costs and additional depreciation—asset restructuring [h] | **279** | 540 | 251 |
| Certain legal matters, net [i] | **237** | 494 | 968 |
| Loss on sale and impairment on remeasurement of HIS net assets [i] | **55** | 1,712 | — |
| Certain asset impairments [i] | **379** | 1,426 | 787 |
| Foreign currency loss and inventory impairment related to Venezuela [j] | **—** | — | 878 |
| Charge related to pension settlement [k] | **—** | — | 491 |
| Business and legal entity alignment costs [i] | **71** | 261 | 282 |
| Net losses on early retirement of debt [i] | **999** | 312 | — |
| Other [l] | **556** | 197 | 332 |
| Total certain significant items—pre-tax | **2,647** | 5,888 | 4,321 |
| Income taxes [m] | **(11,577)** | (1,943) | (949) |
| Total certain significant items—net of tax | **(8,930)** | 3,944 | 3,372 |
| Total purchase accounting adjustments, acquisition-related costs, discontinued operations and certain significant items—net of tax, attributable to Pfizer Inc. | **$ (5,223)** | $ 7,546 | $ 6,795 |

[a] Included primarily in *Amortization of intangible assets* .

[b] Included in *Provision/(benefit) for taxes on income.* Income taxes includes the tax effect of the associated pre-tax amounts, calculated by determining the jurisdictional location of the pre-tax amounts and applying that jurisdiction's applicable tax rate. Income taxes recorded in 2017 do not reflect any changes associated with the enactment of the TCJA. These changes resulting from the TCJA have been reflected in the line item, Certain significant items "Income taxes".

[c] Included in *Restructuring charges and certain acquisition-related costs* . Restructuring charges include employee termination costs, asset impairments and other exit costs associated with business combinations. Transaction costs represent external costs for banking, legal, accounting and other similar services. Integration costs represent external, incremental costs directly related to integrating acquired businesses, and primarily include expenditures for consulting and the integration of systems and processes. For additional information, see Notes to Consolidated Financial Statements— *Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives* .

[d] Included in *Cost of sales.* Represents the impact of changes in estimated useful lives of assets involved in restructuring actions related to acquisitions .

[e] Included in *Provision/(benefit) for taxes on income.* Income taxes includes the tax effect of the associated pre-tax amounts, calculated by determining the jurisdictional location of the pre-tax amounts and applying that jurisdiction's applicable tax rate. Income taxes recorded in 2017 do not reflect any changes associated with the enactment of the TCJA. These changes resulting from the TCJA have been reflected in Certain significant items "Income taxes". As applicable, each period may also include the impact of the remeasurement of certain deferred tax liabilities resulting from our plant network restructuring activities: in 2016, there was an unfavorable impact.

[f] Included in *Discontinued operations—net of tax.* For all years presented, represents post-close adjustments.

[g] Included in *Restructuring charges and certain acquisition-related costs* (see Notes to Consolidated Financial Statements— *Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives* ). Amounts relate to our cost-reduction and productivity initiatives not related to acquisitions.

(h) Amounts relate to our cost-reduction/productivity initiatives not related to acquisitions (see Notes to Consolidated Financial Statements— *Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives* ). For 2017 , included in *Cost of sales* ( $170 million ), *Selling, informational and administrative expenses* ( $71 million ) and *Research and development expenses* ( $38 million ). For 2016 , primarily all included in *Cost of sales* ( $423 million ), *Selling, informational and administrative expenses* ( $81 million ) and *Research and development expenses* ( $32 million ). For 2015 , virtually all included in *Cost of sales* ( $145 million ), *Selling, informational and administrative expenses* ( $83 million ) and *Research and development expenses* ( $19 million ).

(i) Included in *Other (income)/deductions—net* (see the Notes to Consolidated Financial Statements— *Note 4. Other (Income)/Deductions—Net* ).

(j) In 2015, represents (i) an $806 million foreign currency loss included in *Other (income)/deductions—net* related to conditions in Venezuela during 2015, that had us resolve that our Venezuelan bolivar-denominated net monetary assets that are subject to revaluation were no longer expected to be settled at the Venezuelan government CENCOEX official rate of 6.30, but rather at the then SIMADI rate of 200, the lowest official rate. Those conditions included the inability to obtain significant conversions of Venezuelan bolivars related to intercompany U.S. dollar denominated accounts, an evaluation of the effects of the implementation of a fourth-quarter 2015 operational restructuring, resulting in 36% reduction in our labor force in Venezuela, and our expectation of the changes in Venezuela's responses to changes in its economy; and (ii) a $72 million charge included in *Cost of sales* related to inventory impairment in Venezuela related to the foreign currency change described above.

(k) In 2015, included in *Cost of sales* ( $72 million ) and *Selling, informational and administrative expenses* ( $419 million ) and primarily represents a non-recurring charge related to settlement of pension obligations in accordance with an offer to certain terminated employees who are vested in their pension benefits to elect a lump-sum payment or annuity of their deferred vested pension benefits.

(l) For 2017 , included in *Cost of sales* ( $193 million ), *Selling, informational and administrative expenses* ( $229 million ) and *Other (income)/deductions—net* ( $134 million ). For 2016 , primarily included in *Cost of sales* ( $27 million income), *Selling, informational and administrative expenses* ( $8 million ) and *Other (income)/deductions—net* ( $214 million ). For 2015 , virtually all included in *Cost of sales* ( $149 million income) and *Other (income)/deductions—net* ( $473 million ). For 2017 , includes, among other things, (i) a charitable contribution to the Pfizer Foundation of $200 million , which is included in *Selling, informational and administrative expenses* ; (ii) $195 million in inventory losses, overhead costs related to the period in which our Puerto Rico plants were not operational, and incremental costs to date, all of which resulted from the recent hurricanes in Puerto Rico and are included in *Cost of sales* ; (iii) an $81 million loss related to the sale of our 49% equity share in Hisun Pfizer, which is included in *Other (income)/deductions—net;* and (iv) a net loss of $30 million related to the sale of our 40% ownership investment in Teuto, including the extinguishment of a put option for the remaining 60% ownership interest, which is included in *Other (income)/deductions—net* . For 2016, includes, among other things, $150 million paid to Allergan for reimbursement of Allergan's expenses associated with the terminated transaction, which is included in *Other (income)/deductions—net* . For 2015, includes, among other things, a change in the profit deferred in inventory relating to inventory that had not been sold to third parties, which is included in *Cost of sales* (non-cash benefit of $221 million ), losses of $239 million , which are included in *Other (income)/deductions—net,* and are related to our share of an equity method investee's charges incurred for its re-measurement of a contingent consideration liability, and charges of $173 million related to the write-down of assets to net realizable value, which are primarily included in *Other (income)/deductions—net* .

(m) Included in *Provision/(benefit) for taxes on income.* Income taxes includes the tax effect of the associated pre-tax amounts, calculated by determining the jurisdictional location of the pre-tax amounts and applying that jurisdiction's applicable tax rate. The amount in 2017 was favorably impacted by tax benefits primarily associated with the remeasurement of deferred tax liabilities, which includes the repatriation tax on deemed repatriated accumulated post-1986 earnings of foreign subsidiaries associated with the TCJA. Given the significant changes resulting from and complexities associated with the TCJA, the estimated financial impacts for 2017 are provisional and subject to further analysis, interpretation and clarification of the TCJA, which could result in changes to these estimates during 2018. The amount in 2016 was favorably impacted by benefits related to the final resolution of an agreement in principle reached in February 2016 and finalized in April 2016 to resolve certain claims related to Protonix, which resulted in the receipt of information that raised our initial assessment in 2015 of the likelihood of prevailing on the technical merits of our tax position. The amount in 2015 was favorably impacted by tax benefits associated with certain tax initiatives. In addition, the amount in 2015 was unfavorably impacted by a non-deductible foreign currency loss related to Venezuela and the non-deductible charge for the agreement in principle reached in February 2016 to resolve claims relating to Protonix. See Notes to Consolidated Financial Statements— *Note 5A. Tax Matters: Taxes on Income from Continuing Operations* .

## ANALYSIS OF OPERATING SEGMENT INFORMATION

The following tables and associated notes provide additional information about the performance of our two operating segments—the IH segment and the EH segment. For additional information about each operating segment, see the "Our Strategy — Commercial Operations" section of this Financial Review and Notes to Consolidated Financial Statements— *Note 18. Segment, Geographic and Other Revenue Information* .

As described in Notes to Consolidated Financial Statements— *Note 1A. Basis of Presentation and Significant Accounting Policies: Basis of Presentation* , acquisitions and divestitures have impacted our results of operations in 2017 , 2016 and 2015 .

The following tables provide revenue and cost information by reportable operating segment and a reconciliation of that information to our consolidated statements of income:

| | 2017 | | | | | |
|---|---|---|---|---|---|---|
| (MILLIONS OF DOLLARS) | Innovative Health (IH) [a] | Essential Health (EH) [a] | Other [b] | Non-GAAP Adjusted [c] | Reconciling Items [d] | **GAAP Reported** |
| Revenues | **$ 31,422** | **$ 21,124** | **$ —** | **$ 52,546** | **$ —** | **$ 52,546** |
| Cost of sales | **4,091** | **5,938** | **762** | **10,790** | **449** | **11,240** |
| % of revenue | **13.0%** | **28.1%** | ***** | **20.5%** | ***** | **21.4%** |
| Selling, informational and administrative expenses | **7,158** | **3,067** | **4,244** | **14,469** | **316** | **14,784** |
| Research and development expenses | **2,566** | **1,046** | **4,014** | **7,626** | **31** | **7,657** |
| Amortization of intangible assets | **129** | **65** | **—** | **193** | **4,565** | **4,758** |
| Restructuring charges and certain acquisition-related costs | **—** | **—** | **—** | **—** | **487** | **487** |
| Other (income)/deductions—net | **(863)** | **(275)** | **439** | **(699)** | **2,014** | **1,315** |
| Income/(loss) from continuing operations before provision/(benefit) for taxes on income | **$ 18,341** | **$ 11,283** | **$ (9,459)** | **$ 20,166** | **$ (7,861)** | **$ 12,305** |

| (MILLIONS OF DOLLARS) | 2016 Innovative Health (IH) [a] | Essential Health (EH) [a] | Other [b] | Non-GAAP Adjusted [c] | Reconciling Items [d] | **GAAP Reported** |
|---|---|---|---|---|---|---|
| Revenues | $ 29,197 | $ 23,627 | $ — | $ 52,824 | $ — | **$ 52,824** |
| Cost of sales | 4,041 | 6,273 | 1,316 | 11,630 | 699 | **12,329** |
| % of revenue | 13.8% | 26.5% | * | 22.0% | * | **23.3%** |
| Selling, informational and administrative expenses | 7,248 | 3,455 | 4,042 | 14,745 | 92 | **14,837** |
| Research and development expenses | 2,940 | 1,232 | 3,669 | 7,841 | 31 | **7,872** |
| Amortization of intangible assets | 102 | 26 | — | 128 | 3,928 | **4,056** |
| Restructuring charges and certain acquisition-related costs | — | — | — | — | 1,724 | **1,724** |
| Other (income)/deductions—net | (988) | (256) | 515 | (729) | 4,384 | **3,655** |
| Income/(loss) from continuing operations before provision/(benefit) for taxes on income | $ 15,854 | $ 12,898 | $ (9,542) | $ 19,210 | $ (10,858) | **$ 8,351** |

| (MILLIONS OF DOLLARS) | 2015 Innovative Health (IH) [a] | Essential Health (EH) [a] | Other [b] | Non-GAAP Adjusted [c] | Reconciling Items [d] | **GAAP Reported** |
|---|---|---|---|---|---|---|
| Revenues | $ 26,758 | $ 22,094 | $ — | $ 48,851 | $ — | **$ 48,851** |
| Cost of sales | 3,651 | 4,891 | 479 | 9,021 | 627 | **9,648** |
| % of revenue | 13.6% | 22.1% | * | 18.5% | * | **19.7%** |
| Selling, informational and administrative expenses | 6,807 | 3,573 | 3,945 | 14,324 | 485 | **14,809** |
| Research and development expenses | 2,712 | 1,032 | 3,909 | 7,653 | 37 | **7,690** |
| Amortization of intangible assets | 94 | 36 | — | 130 | 3,598 | **3,728** |
| Restructuring charges and certain acquisition-related costs | — | — | — | — | 1,152 | **1,152** |
| Other (income)/deductions—net | (1,086) | (152) | 829 | (409) | 3,269 | **2,860** |
| Income/(loss) from continuing operations before provision/(benefit) for taxes on income | $ 14,581 | $ 12,714 | $ (9,162) | $ 18,133 | $ (9,168) | **$ 8,965** |

[a] Amounts represent the revenues and costs managed by each of our operating segments. The expenses generally include only those costs directly attributable to the operating segment.

[b] Other comprises the revenues and costs included in our Adjusted income components (see footnote (c) below) that are managed outside of our two operating segments and includes the following:

| (MILLIONS OF DOLLARS) | **2017** Other Business Activities WRD [i] | GPD [ii] | Corporate [iii] | Other Unallocated [iv] | Total |
|---|---|---|---|---|---|
| Revenues | **$ —** | **$ —** | **$ —** | **$ —** | **$ —** |
| Cost of sales | **1** | **—** | **34** | **727** | **762** |
| Selling, informational and administrative expenses | **—** | **(1)** | **4,208** | **37** | **4,244** |
| Research and development expenses | **2,395** | **776** | **840** | **4** | **4,014** |
| Amortization of intangible assets | **—** | **—** | **—** | **—** | **—** |
| Restructuring charges and certain acquisition-related costs | **—** | **—** | **—** | **—** | **—** |
| Other (income)/deductions—net | **(33)** | **—** | **440** | **32** | **439** |
| Loss from continuing operations before provision/(benefit) for taxes on income | **$ (2,362)** | **$ (775)** | **$ (5,522)** | **$ (799)** | **$ (9,459)** |

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Other Business Activities | | | | |
| (MILLIONS OF DOLLARS) | WRD [i] | GPD [ii] | Corporate [iii] | Other Unallocated [iv] | Total |
| Revenues | $ — | $ — | $ — | $ — | $ — |
| Cost of sales | — | — | 199 | 1,117 | 1,316 |
| Selling, informational and administrative expenses | — | — | 4,004 | 37 | 4,042 |
| Research and development expenses | 2,352 | 691 | 612 | 14 | 3,669 |
| Amortization of intangible assets | — | — | — | — | — |
| Restructuring charges and certain acquisition-related costs | — | — | — | — | — |
| Other (income)/deductions—net | (24) | — | 676 | (136) | 515 |
| Loss from continuing operations before provision/(benefit) for taxes on income | $ (2,328) | $ (691) | $ (5,491) | $ (1,032) | $ (9,542) |

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Other Business Activities | | | | |
| (MILLIONS OF DOLLARS) | WRD [i] | GPD [ii] | Corporate [iii] | Other Unallocated [iv] | Total |
| Revenues | $ — | $ — | $ — | $ — | $ — |
| Cost of sales | — | — | 20 | 459 | 479 |
| Selling, informational and administrative expenses | 2 | — | 3,860 | 84 | 3,945 |
| Research and development expenses | 2,331 | 658 | 906 | 14 | 3,909 |
| Amortization of intangible assets | — | — | — | — | — |
| Restructuring charges and certain acquisition-related costs | — | — | 3 | (3) | — |
| Other (income)/deductions—net | (77) | — | 817 | 89 | 829 |
| Loss from continuing operations before provision/(benefit) for taxes on income | $ (2,255) | $ (658) | $ (5,607) | $ (642) | $ (9,162) |

[i] WRD—the R&D expenses managed by our WRD organization, which is generally responsible for research projects for our IH business until proof-of-concept is achieved and then for transitioning those projects to the IH segment via the GPD organization for possible clinical and commercial development. R&D spending may include upfront and milestone payments for intellectual property rights. The WRD organization also has responsibility for certain science-based and other platform-services organizations, which provide technical expertise and other services to the various R&D projects, including EH R&D projects. WRD is also responsible for facilitating all regulatory submissions and interactions with regulatory agencies, including all safety-event activities.

[ii] GPD—the costs associated with our GPD organization, which is generally responsible for the clinical development of assets that are in clinical trials for our WRD and Innovative portfolios. GPD also provides technical support and other services to Pfizer R&D projects.

[iii] Corporate—the costs associated with Corporate, representing platform functions (such as worldwide technology, global real estate operations, legal, finance, human resources, worldwide public affairs, compliance, and worldwide procurement) and certain compensation and other corporate costs, such as interest income and expense, and gains and losses on investments. Effective in the first quarter of 2017, Corporate also includes the costs associated with our Pfizer Medical organization (Medical), previously reported as part of Other Business Activities. Medical is responsible for the provision of medical information to healthcare providers, patients and other parties, transparency and disclosure activities, clinical trial results publication, grants for healthcare quality improvement and medical education, and partnerships with global public health and medical associations. We have reclassified approximately $165 million and $177 million of Medical costs from Other Business Activities to Corporate in 2016 and 2015 , respectively, to conform to the current period presentation. We recognized a $52 million gain in 2017 as an offset to *Cost of sales* related to foreign currency forward-exchange contracts designated as cash flow hedges of a portion of our foreign exchange-denominated forecasted intercompany inventory sales.

[iv] Other Unallocated—other unallocated costs, representing overhead expenses associated with our manufacturing and commercial operations that are not directly assessed to an operating segment, as business unit (segment) management does not manage these costs (which include manufacturing variances associated with production).

For information purposes only, the following tables present reconciliations of our segment operating results to segment operating results including estimated Other costs generally associated with each segment for 2017. While we do not manage our segments or have performance goals under such an allocated manner, we believe that some investors may find this information useful in their analyses.

The estimated Other costs generally associated with our operating segments do not purport to reflect the additional amounts that each of our operating segments would have incurred had each segment operated as a standalone company during the period presented.

For information purposes only, for 2017 , we estimate that Other costs, as described above, for combined WRD and GPD costs of $3.1 billion , and combined Corporate and Other Unallocated costs of $5.6 billion after excluding (i) net interest-related expense not attributable to an operating segment included in Corporate (approximately $923 million in *Other (income)/deductions—net* ); and (ii) net income from investments and other assets not attributable to an operating segment included in Corporate (approximately $227 million in *Other (income)/deductions—net* ), are generally associated with our operating segments, as follows:

| | 2017 | | | |
|---|---|---|---|---|
| | | Estimated Other Costs Associated with IH [ii] | | |
| (MILLIONS OF DOLLARS) | Innovative Health Non-GAAP Adjusted [i], [iii] | Estimated WRD/GPD [ii] | Estimated Corporate/Other Unallocated [ii] | Innovative Health with Estimated Other Costs Associated with Innovative Health Non-GAAP Adjusted [ii], [iii] |
| Revenues | $ 31,422 | $ — | $ — | $ 31,422 |
| Cost of sales | 4,091 | 1 | 174 | 4,265 |
| Selling, informational and administrative expenses | 7,158 | — | 2,448 | 9,605 |
| Research and development expenses | 2,566 | 3,133 | 688 | 6,387 |
| Amortization of intangible assets | 129 | — | — | 129 |
| Restructuring charges and certain acquisition-related costs | — | — | — | — |
| Other (income)/deductions—net | (863) | (33) | (98) | (994) |
| Income from continuing operations before provision/(benefit) for taxes on income | 18,341 | (3,100) | (3,212) | 12,030 |

| | 2017 | | | |
|---|---|---|---|---|
| | | Estimated Other Costs Associated with EH [ii] | | |
| (MILLIONS OF DOLLARS) | Essential Health Non-GAAP Adjusted [i], [iii] | Estimated WRD/GPD [ii] | Estimated Corporate/Other Unallocated [ii] | Essential Health with Estimated Other Costs Associated with Essential Health Non-GAAP Adjusted [ii], [iii] |
| Revenues | $ 21,124 | $ — | $ — | $ 21,124 |
| Cost of sales | 5,938 | — | 588 | 6,525 |
| Selling, informational and administrative expenses | 3,067 | — | 1,797 | 4,864 |
| Research and development expenses | 1,046 | 37 | 156 | 1,239 |
| Amortization of intangible assets | 65 | — | — | 65 |
| Restructuring charges and certain acquisition-related costs | — | — | — | — |
| Other (income)/deductions—net | (275) | — | (125) | (401) |
| Income from continuing operations before provision/(benefit) for taxes on income | 11,283 | (38) | (2,415) | 8,831 |

[i] Amount represents the revenues and costs managed by each of our operating segments. The expenses generally include only those costs directly attributable to the operating segment. See note (a) above for more information.

[ii] Represents costs not assessed to an operating segment, as business unit (segment) management does not manage these costs. For a description of these other costs and business activities, see note (b) above.

- WRD/GPD — The information provided for WRD and GPD was substantially all derived from our estimates of the costs incurred in connection with the R&D projects associated with each operating segment.
- Corporate/Other Unallocated — The information provided for Corporate and Other Unallocated was derived mainly using proportional allocation methods based on global, regional or country revenues or global, regional or country headcount, as well as certain cost metrics, as appropriate, such as those derived from research and development and manufacturing costs, and, to a lesser extent, specific identification and estimates. Management believes that the allocations of Corporate and Other Unallocated costs are reasonable.

The estimated Other costs generally associated with our operating segments do not purport to reflect the additional amounts that each of our operating segments would have incurred had each segment operated as a standalone company during the period presented.

[iii] See note (c) below for an explanation of our Non-GAAP Adjusted financial measure.

[c] See the "Non-GAAP Financial Measure (Adjusted Income)" section of this Financial Review for a definition of these "Adjusted Income" components.

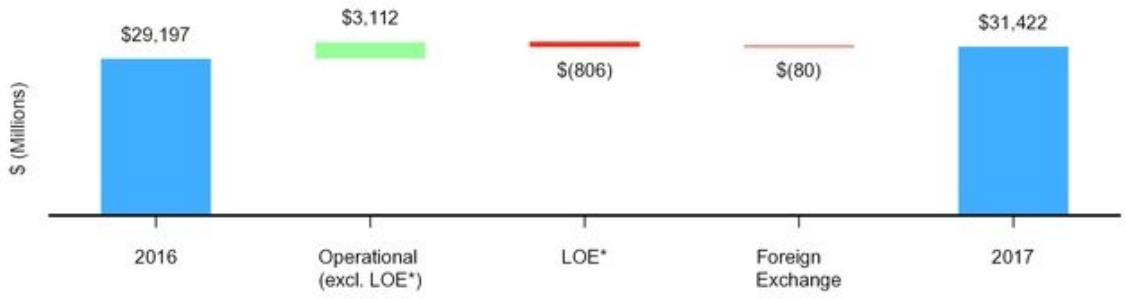
[d] Includes costs associated with (i) purchase accounting adjustments; (ii) acquisition-related costs; and (iii) certain significant items, which are substantive and/or unusual, and in some cases recurring, items (such as restructuring or legal charges) that are evaluated on an individual basis by management. For additional information about these reconciling items and/or our Non-GAAP adjusted measure of performance, see the "Non-GAAP Financial Measure (Adjusted Income)" section of this Financial Review.

**Innovative Health Operating Segment**

*2017 vs. 2016*

IH *Revenues* increase d 8% to $31.4 billion . Foreign exchange had a de minimis impact.

The following graph illustrates the components of the increase in IH *Revenues* :




* LOE generally pertains to period-over-period revenue impacts for products across our portfolios experiencing patent expirations or loss of regulatory exclusivity in certain developed markets.

The following provides an analysis of the increase in IH *Revenues* :

| (MILLIONS OF DOLLARS) | | |
|---|---|---|
| IH *Revenues* , 2016 | **$** | **29,197** |
| Operational growth/(decline): | | |
| Continued growth from key brands including Eliquis (globally), as well as Xeljanz and Lyrica (both primarily in the U.S.) | | **1,608** |
| Ibrance global growth: U.S. revenues increased primarily due to continued strong uptake in the metastatic breast cancer setting. International revenues increased operationally, but were negatively impacted by a one-time price adjustment to 2017 revenues related to finalizing reimbursement agreements in certain developed Europe markets. | | **993** |
| Increase in Xtandi alliance revenues in the U.S. (September 2016 acquisition of Medivation) | | **450** |
| Lower revenues for Enbrel primarily in developed Europe markets due to continued biosimilar competition | | **(448)** |
| Lower revenues for Viagra in the U.S. due to generic competition that began in December 2017 | | **(359)** |
| Decline in Prevnar 13/Prevenar 13 revenues. U.S. revenues decreased primarily due to the expected decline in revenues for the adult indication in the U.S. due to a high initial capture rate of the eligible population following its successful fourth-quarter 2014 launch, which resulted in a smaller remaining "catch up" opportunity compared to 2016, partially offset by growth from the pediatric indication. International revenues increased primarily due to the favorable overall impact of timing and increased volume associated with government purchases in certain emerging markets for the pediatric indication compared with prior year, as well as from the inclusion of Prevenar 13 in additional national immunization programs in certain emerging markets for the adult and pediatric indications in the fourth of quarter 2017. | | **(108)** |
| Other operational factors, net | | **169** |
| Operational growth, net | | **2,305** |
| Unfavorable impact of foreign exchange | | **(80)** |
| IH *Revenues* increase | | **2,225** |
| IH *Revenues* , 2017 | **$** | **31,422** |

Total IH revenues from emerging markets were $4.4 billion in 2017 , compared to $3.7 billion in 2016 , reflecting an 18% operational increase . Foreign exchange had a de minimis impact on total IH revenues from emerging markets.

Costs and Expenses

- *Cost of sales* as a percentage of *Revenues* decrease d 0.8 percentage points primarily driven by a favorable change in product mix, including an increase in alliance revenue, which have no associated cost of sales, partially offset by an increase in royalty expense, mostly related to Ibrance.
- The increase in *Cost of sales* of 1% was primarily driven by an increase in royalty expense, mostly related to Ibrance, partially offset by a favorable change in product mix.
- The decrease in *Selling, informational and administrative expenses* of 1% was primarily driven by the non-recurrence of an allowance for doubtful trade accounts receivable, resulting from unfavorable developments with a distributor that was recorded in the first quarter of 2016, lower spending for certain products, primarily Prevnar 13/Prevenar 13 and Viagra (which lost exclusivity in the U.S. in December 2017), partially offset by additional investment across several of our key products, primarily Eucrisa, Ibrance and Xeljanz.
- The decrease in *Research and development expenses* of 13% primarily reflects:
  - the discontinuation of the global clinical development program for bococizumab in the fourth quarter of 2016 and the non-recurrence of its associated close-out costs,

partially offset by increased costs associated with:

- our oncology programs, including clinical trial spend on legacy Medivation assets;
- our *C. difficile* vaccine program, which initiated a Phase 3 clinical study in March 2017;
- our tanezumab development program; and
- an expense of $28 million , representing IH's portion of the $75 million expense resulting from our May 2017 agreement with Sangamo to develop and commercialize gene therapy programs for Hemophilia A.

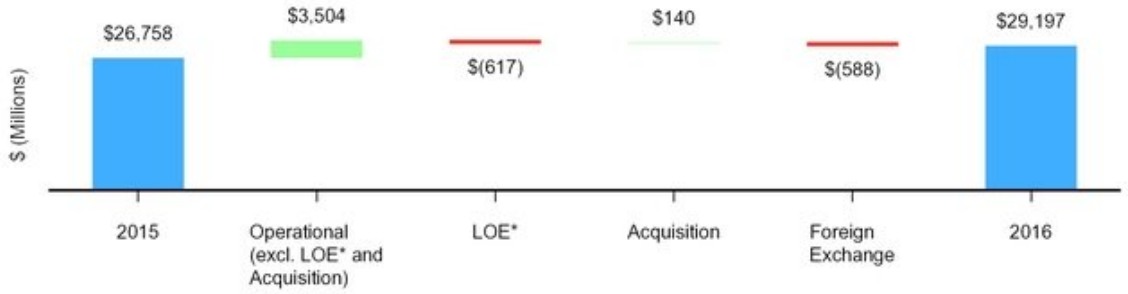
- The unfavorable change in *Other (income)/deductions—net* primarily reflects:
  - lower royalty income for Enbrel of $470 million , resulting from the expiration on October 31, 2016 of the 36-month royalty period under the collaboration agreement for Enbrel in the U.S. and Canada (the collaboration period under the agreement expired on October 31, 2013); and
  - a $51 million decrease in Prezista royalties,

  partially offset by:
  - a $256 million increase in dividend income from our investment in ViiV; and
  - a $176 million increase in Xtandi royalty income.

*2016 vs. 2015*

IH *Revenues* increase d 9% to $29.2 billion . Foreign exchange had an unfavorable impact of 2% . Revenues increase d 11% operationally.

The following graph illustrates the components of the increase in IH *Revenues* :




* LOE generally pertains to period-over-period revenue impacts for products across our portfolios experiencing patent expirations or loss of regulatory exclusivity in certain developed markets.

The following provides an analysis of the increase in IH *Revenues* :

| (MILLIONS OF DOLLARS) | | |
|---|---|---|
| IH *Revenues,* 2015 | $ | 26,758 |
| Acquisition: | | |
| The inclusion of Xtandi alliance revenues in the U.S. (September 2016 acquisition of Medivation) | | 140 |
| Operational growth/(decline): | | |
| Continued operational growth from key brands including Ibrance, Lyrica, Xeljanz, Chantix/Champix and Consumer Healthcare, all primarily in the U.S., as well as Eliquis and Xalkori globally | | 3,582 |
| Decline in Rebif revenues in the U.S. due to the year-end 2015 expiry of the collaboration agreement to co-promote Rebif in the U.S., as well as lower revenues for Enbrel primarily in most developed Europe markets, primarily due to biosimilar competition | | (571) |
| Decline in Prevnar 13/Prevenar 13 revenues, primarily driven by an expected decline in revenues for the adult indication in the U.S. due to a high initial capture rate of the eligible population following its successful fourth-quarter 2014 launch, which resulted in a smaller remaining "catch up" opportunity compared to the prior-year, as well as the unfavorable impact of the timing of government purchases for the pediatric indication | | (454) |
| Other operational factors, net | | 330 |
| Operational growth, net | | 3,027 |
| Unfavorable impact of foreign exchange | | (588) |
| IH *Revenues* increase | | 2,439 |
| IH *Revenues,* 2016 | $ | 29,197 |

Total IH revenues from emerging markets were $3.7 billion in 2016 , compared to $4.0 billion in 2015 , reflecting 7% operational growth, which was more than offset by the unfavorable impact of foreign exchange of 15% .

Costs and Expenses

- *Cost of sales* as a percentage of *Revenues* increase d slightly due to the unfavorable impact of foreign exchange and an increase in royalty expense, partially offset by a favorable change in product mix, including an increase in alliance revenues, which have no associated cost of sales.
- The increase in *Cost of sales* of 11% was primarily driven by the unfavorable impact of foreign exchange, an increase in royalty expense and an increase in sales volumes.
- The increase in *Selling, informational and administrative expenses* of 6% reflects an increase in the allowance for doubtful trade accounts receivable, resulting from unfavorable developments with a distributor, and additional investment across several of our key products, partially offset by the favorable impact of foreign exchange.
- The increase in *Research and development expenses* of 8% primarily reflects:
  - costs to close-out studies for the global clinical development program for bococizumab that was discontinued in the fourth quarter of 2016;
  - increased costs associated with our oncology programs, primarily our avelumab alliance with Merck KGaA; and
  - the inclusion of three months of legacy Medivation operations in 2016,

partially offset by:

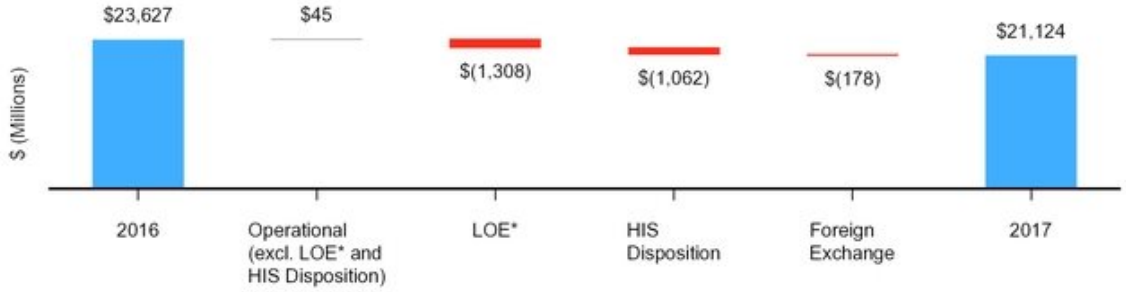
  - the non-recurrence of the $295 million upfront payment made to OPKO in the first quarter of 2015.
- The unfavorable change in *Other (income)/deductions—net* primarily reflects the unfavorable impact of foreign exchange, a net decrease in royalty income and a decrease in our equity income from a certain equity-method investment.

**Essential Health Operating Segment**

*2017 vs. 2016*

EH *Revenues* decrease d 11% to $21.1 billion , reflecting a 10% operational decrease and a 1% an unfavorable of foreign exchange.

The following graph illustrates the components of the decrease in EH *Revenues* :




* LOE generally pertains to period-over-period revenue impacts for products across our portfolios experiencing patent expirations or loss of regulatory exclusivity in certain developed markets.

The following provides an analysis of the decrease in EH *Revenues* :

| (MILLIONS OF DOLLARS) | | |
|---|---|---|
| EH *Revenues* , 2016 | $ | 23,627 |
| Disposition: | | |
| Approximately one month of HIS domestic operations and approximately two months of HIS international operations in 2017, compared to twelve months of HIS global operations in 2016 (February 2017 sale) | | (1,062) |
| Other operational growth/(decline): | | |
| Decline from Peri-LOE Products, primarily due to expected declines in Pristiq in the U.S. as well as Lyrica and Vfend (both primarily in developed Europe markets) | | (957) |
| Decline from the Sterile Injectable Pharmaceuticals portfolio, primarily due to legacy Hospira product shortages in the U.S. | | (315) |
| Decline in the Legacy Established Products portfolio primarily due to generic competition in developed markets | | (188) |
| Growth from Biosimilars, primarily from Inflectra in the U.S. and developed Europe markets | | 209 |
| Other operational factors, net | | (13) |
| Operational decline, net | | (2,325) |
| Unfavorable impact of foreign exchange | | (178) |
| EH *Revenues* decrease | | (2,503) |
| EH *Revenues* , 2017 | $ | 21,124 |

Total EH revenues from emerging markets were $7.0 billion in 2017 , compared to $6.7 billion in 2016 , reflecting 7% operational growth, primarily driven by 6% operational growth from the Legacy Established Products portfolio and 17% operational growth from the Sterile Injectable Pharmaceuticals portfolio. Foreign exchange had an unfavorable impact of 2% . Excluding HIS in both periods, EH revenues in emerging markets grew 8% operationally.

Costs and Expenses

The changes in EH expenses below reflect, among other things, the favorable impact of the February 2017 sale of HIS. The operating results of HIS are included in EH's operating results through February 2, 2017 and, therefore, operating results for EH for 2017 include approximately one month of HIS domestic operations and approximately two months of HIS international operations, while operating results for EH for 2016 reflect 12 months of HIS global operations.

- *Cost of sales* as a percentage of *Revenues* increase d 1.6 percentage points primarily due to cost increases reflecting the shift to EH of certain legacy Hospira costs that were previously unallocated to EH as a result of harmonizing the Hospira cost policy, and the impact of product losses of exclusivity, partially offset by the favorable impact of the sale of HIS, which had a higher cost of sales than the other EH products, and the favorable impact of foreign exchange.
- The decrease in *Cost of sales* of 5% primarily reflects:
  - the favorable impact of the sale of HIS, which had a higher cost of sales than the other EH products;
  - the favorable impact of foreign exchange;
  - a net decrease in royalty expense and, to a lesser extent,
  - lower volumes driven by, among other things, the SIP portfolio, primarily due to legacy Hospira product shortages in the U.S.,

  partially offset by:
  - cost increases reflecting the shift to EH of certain legacy Hospira costs that were previously unallocated to EH as a result of harmonizing the Hospira cost policy.
- *Selling, informational and administrative expenses* decrease d 11% primarily due to the favorable impact of the sale of HIS, lower advertising, promotional, and field force expenses, reflecting the benefits of cost-reduction and productivity initiatives , as well as lower expenses associated wi th products that recently lost marketing exclusivity , partially offset by increased spending for biosimilars, primarily related to the U.S. launch of Inflectra.
- *Research and development expenses* decrease d 15% primarily due to decreased spending for biosimilars, the close-out of certain post-marketing clinical trials and the favorable impact of the sale of HIS.
- The favorable change in *Other (income)/deductions—net* primarily reflects the favorable impact of foreign exchange, a gain on the redemption of an acquired bond and an increase in Inflectra royalty income, partially offset by the non-recurrence of a resolution of a contract disagreement in the first quarter of 2016.

*2016 vs. 2015*

EH *Revenues* increase d 7% to $23.6 billion . Foreign exchange had an unfavorable impact of 4% . EH *Revenues* excluding the contribution from the legacy Hospira portfolio, decreased 8%, or 3% operationally.

The following graph illustrates the components of the increase in EH *Revenues* :


* LOE generally pertains to period-over-period revenue impacts for products across our portfolios experiencing patent expirations or loss of regulatory exclusivity in certain developed markets.

The following provides an analysis of the increase in EH *Revenues* :

| (MILLIONS OF DOLLARS) | | |
|---|---|---|
| EH *Revenues* , 2015 | $ | 22,094 |
| Operational growth/(decline): | | |
| Twelve months of revenues from legacy Hospira global operations in 2016, compared to four months of legacy Hospira U.S. operations and three months of legacy Hospira international operations in 2015 | | 3,125 |
| Decline from the Peri-LOE Products portfolio, primarily due to the loss of exclusivity and associated generic competition for certain Peri-LOE Products, primarily Zyvox in the U.S. and certain developed Europe markets as well as Lyrica in certain developed Europe markets | | (954) |
| Operational growth in the legacy Pfizer Sterile Injectable Pharmaceuticals portfolio, mostly in emerging markets and the U.S. | | 259 |
| Other operational factors, net | | (1) |
| Operational growth, net | | 2,429 |
| Unfavorable impact of foreign exchange | | (895) |
| EH *Revenues* increase | | 1,534 |
| EH *Revenues,* 2016 | $ | 23,627 |

Total EH revenues from emerging markets were $6.7 billion in 2016 , compared to $7.1 billion in 2015 , reflecting 7% operational growth, driven by the inclusion of legacy Hospira operations and 17% operational growth from the legacy Pfizer Sterile Injectable Pharmaceuticals portfolio and 3% operational growth from the Legacy Established Products portfolio, which was more than offset by the unfavorable impact of foreign exchange of 13% .

Costs and Expenses

The changes in EH expenses below reflect, among other things, the unfavorable impact of the September 2015 acquisition of Hospira; specifically, the inclusion of a full year of legacy Hospira global operations in 2016, compared to the inclusion of four months of legacy Hospira U.S. operations and three months of legacy Hospira international operations in 2015.

- *Cost of sales* as a percentage of Revenues increase d 4.4 percentage points primarily due to the unfavorable impact of the Hospira acquisition, the unfavorable impact of product losses of exclusivity and the unfavorable impact of foreign exchange.
- The increase in *Cost of sales* of 28% was driven by the unfavorable impact of the Hospira acquisition and the unfavorable impact of foreign exchange, partially offset by lower volumes across the Legacy Established Products portfolio and the impact of products losing exclusivity.
- *Selling, informational and administrative expenses* decrease d 3% , primarily due to the favorable impact of foreign exchange, lower advertising, promotional and field force expenses, reflecting the benefits of cost-reduction and productivity initiatives, and lower general and administrative expenses, partially offset by the unfavorable impact of the Hospira acquisition.
- *Research and development expenses* increase d 19% reflecting the unfavorable impact of the Hospira acquisition and increased investment primarily in legacy Hospira biosimilar and sterile injectable development programs.
- The favorable change in *Other (income)/deductions—net* primarily reflects resolution of a contract disagreement, partially offset by the unfavorable impact of foreign exchange.

## ANALYSIS OF THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Changes in the components of *Accumulated other comprehensive loss* reflect the following:

*2017*

- For *Foreign currency translation adjustments, net,* primarily reflects the weakening of the U.S. dollar against the euro, U.K. pound and the Canadian dollar, as well as the reclassification of amounts related to (i) the agreement to sell our 40% ownership investment in Teuto and (ii) the sale of our 49% equity share in Hisun Pfizer. For additional information, see Notes to Consolidated Financial Statements— *Note 2D. Acquisitions, Sale of Hospira Infusion Systems Net Assets, Research and Development and Collaborative Arrangements, Equity-Method Investments and Cost-Method Investment : Equity-Method Investments.*
- For *Unrealized holding gains/(losses) on derivative financial instruments, net* and *Unrealized holding gains/(losses) on available-for-sale securities, net,* reflect the impact of fair value remeasurements and the reclassification of amounts into net income. For additional information, see Notes to Consolidated Financial Statements— *Note 7. Financial Instruments*
- For *Benefit plans: actuarial losses, net,* primarily reflects (i) an increase in the actuarial losses due to a decrease in our discount rate assumptions; (ii) an increase in actual returns on plan assets; (iii) the amortization of changes in the pension benefit obligation previously recognized in *Other comprehensive income* ; and (iv) the unfavorable impact of foreign exchange. For additional information, see Notes to Consolidated Financial Statements— *Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans* .

*2016*

- *Foreign currency translation adjustments, net,* primarily reflects the strengthening of the U.S. dollar against the U.K. pound, Chinese renminbi, Mexican peso, and Argentine peso, partially offset by the weakening of the U.S. dollar against the Australian dollar and Japanese yen.
- For *Unrealized holding gains/(losses) on derivative financial instruments, net* and *Unrealized holding gains/(losses) on available-for-sale securities, net,* reflects the impact of fair value remeasurements and the reclassification of amounts into net income. For additional information, see Notes to Consolidated Financial Statements— *Note 7. Financial Instruments* .

- For *Benefit plans: actuarial losses, net,* reflects the actuarial losses related primarily to a decrease in the discount rate, partially offset by (i) the amortization of changes in the pension benefit obligation previously recognized in *Other comprehensive income* , and (ii) higher actual return on plan assets as compared to the expected return on plan assets. For additional information, see Notes to Consolidated Financial Statements— *Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans* and the "Significant Accounting Policies and Application of Critical Accounting Estimates and Assumptions—Benefit Plans" section of this Financial Review.

*2015*

- For *Foreign currency translation adjustments, net,* reflects primarily the strengthening of the U.S. dollar against the euro, Brazilian real, Canadian dollar, Australian dollar, British pound, Mexican peso and Japanese yen.
- For *Unrealized holding gains/(losses) on derivative financial instruments, net* and *Unrealized holding gains/(losses) on available-for-sale securities, net,* reflects the impact of fair value remeasurements and the reclassification of amounts into net income. For additional information, see Notes to Consolidated Financial Statements— *Note 7. Financial Instruments* .
- For *Benefit plans: actuarial losses, net,* primarily reflects the reclassification into income of amounts related to (i) the amortization of changes in the pension benefit obligation previously recognized in *Other comprehensive income,* (ii) lower actual return on plan assets as compared to the expected return on assets, and (iii) settlement activity, as well as the impact of foreign exchange. For additional information, see Notes to Consolidated Financial Statements— *Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans* and the "Significant Accounting Policies and Application of Critical Accounting Estimates and Assumptions—Benefit Plans" section of this Financial Review.
- For *Benefit plans: prior service (costs)/credits and other, net,* reflects a $507 million reduction in our U.S. Postretirement Plan obligation due to a plan amendment approved in June 2015 that introduced a cap on costs for certain groups within the plan, partially offset by the reclassification into income of amounts related to (i) amortization of changes in prior service costs and credits previously recognized in *Other comprehensive income* and (ii) curtailment activity. For additional information, see Notes to Consolidated Financial Statements— *Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans* .

## ANALYSIS OF THE CONSOLIDATED BALANCE SHEETS

For information about certain of our financial assets and liabilities, including *Cash and cash equivalents, Short-term investments, Long-term investments, Short-term borrowings, including current portion of long-term debt* , and *Long-term debt* , see the "Analysis of the Consolidated Statements of Cash Flows" and the "Analysis of Financial Condition, Liquidity and Capital Resources: Selected Measures of Liquidity and Capital Resources" sections of this Financial Review and Notes to Consolidated Financial Statements— *Note 7. Financial Instruments* .

For information about certain balances in *Trade accounts receivable, less allowance for doubtful accounts, s* ee also the "Analysis of Financial Condition, Liquidity and Capital Resources: Selected Measures of Liquidity and Capital Resources: Accounts Receivable" section of this Financial Review.

For information about events and circumstances impacting our tax-related accounts, see Notes to Consolidated Financial Statements— *Note 5. Tax Matters* .

For a description of changes in *Total Equity* , see the consolidated statements of equity.

For information related to changes in *Accumulated other comprehensive loss* , see the "Analysis of the Consolidated Statements of Comprehensive Income" section of this Financial Review and Notes to Consolidated Financial Statements— *Note 6. Accumulated Other Comprehensive Loss, Excluding Noncontrolling Interests* .

The changes in our asset and liability accounts as of December 31, 2017 , compared to December 31, 2016 , generally reflect, among other things, the impact of assets acquired and liabilities assumed as part of the acquisition of AstraZeneca's small molecule anti-infectives business, measurement period adjustments related to the acquisition of Medivation, and fluctuations in foreign currency exchange rates . The following explanations exclude the impact of the acquisition of AstraZeneca's small molecule anti-infectives business, measurement period adjustments related to the acquisition of Medivation, as well as the sale of HIS to ICU Medical and foreign exchange (see Notes to Consolidated Financial Statements— *Note 2. Acquisitions, Sale of Hospira Infusion Systems Net Assets, Research and Development and Collaborative Arrangements, Equity-Method Investments and Cost-Method Investment* and *Note 10. Identifiable Intangible Assets and Goodwill* for additional information).

- For *Trade accounts receivable, less allowance for doubtful accounts,* the change reflects the timing of sales and collections in the normal course of business.
- For *Inventories,* the change reflects the build of inventory primarily for and in advance of new or potential product launches and increases to meet targeted levels for certain products in the normal course of business.
- For *Other current assets,* the change reflects a decrease in receivables associated with our derivative financial instruments, as well as the timing of receipt and payments in the normal course of business.
- For PP&E, the change primarily reflects capital additions in the normal course of business, partially offset by depreciation during the period and reductions due to restructuring efforts.
- For *Identifiable intangible assets, less accumulated amortization* , the change primarily reflects:
  - amortization and impairments for the period,

  partially offset by intangible assets recorded in connection with:
  - the EU and U.S. approvals of Besponsa;
  - the U.S. approval of Bosulif; and
  - the U.S., EU and Japan approvals of Bavencio.

For additional information on impairments for the period, see Notes to Consolidated Financial Statements— *Note 4. Other (Income)/Deductions — Net.* For additional information on the EU and U.S. approvals of Besponsa and the U.S. approval of Bosulif, see Notes to Consolidated Financial Statements— *Note 7E. Financial Instruments: Other Noncurrent Liabilities.* For additional information on the U.S. EU and Japan approvals of Bavencio, see Notes to Consolidated Financial Statements— *Note 2C. Acquisitions, Sale of Hospira Infusion Systems Net Assets, Research and Development and Collaborative Arrangements, Equity-Method Investments and Cost-Method Investment : Research and Development and Collaborative Arrangements.*

- For *Other noncurrent assets,* the change reflects a decrease in receivables associated with our derivative financial instruments and a reduction in long-term VAT receivables, partially offset by an increase in the fair value of plan assets for pension plans in net asset positions and net increases in the normal course of business. For additional information, see Notes to Consolidated Financial Statements— *Note 11C. Pension and Postretirement Benefit Plans and Defined Contribution Plans: Obligations and Funded Status.*
- For *Trade accounts payable,* the change reflects the timing of purchases and payments in the normal course of business, including the impact of efforts to improve working capital efficiencies.
- For *Accrued compensation and related items,* the decrease reflects 2017 bonus payments made to employees and a reduction related to the termination of a Hospira U.S. qualified defined benefit pension plan, partially offset by current year's accruals. For additional information, see Notes to Consolidated Financial Statements— *Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans.*
- For *Other current liabilities* , the change reflects a decrease in liabilities associated with:
  - consideration transferred for Medivation;
  - payments for restructuring activities and payments for liabilities related to the closeout of bococizumab clinical studies;
  - our derivative financial instruments; and
  - accrued interest due to lower interest rates and timing of payments,

  partially offset by increases related to:
  - accrued rebates as a result of higher U.S. contracted sales;
  - a liability related to Ibrance reimbursement agreements;
  - accrued clinical grants associated with our oncology programs, primarily clinical trial spend on Xtandi, talazoparib and our *C.difficile* vaccine program; and
  - accruals for the current portion of obligations recorded in connection with the U.S. approval of Bosulif and the EU and U.S. approvals of Besponsa.
- For *Pension benefit obligations, net,* the decrease primarily reflects the $1.0 billion voluntary pension contribution we made in January 2017 and an increase in actual returns on plan assets, partially offset by the impact of a decrease in the discount rate used in the measurement of plan obligations.
- For *Other noncurrent liabilities* , the change reflects a decrease in liabilities associated with:
  - our derivative financial instruments;
  - restructuring and deferred compensation plans; and
  - the reversal of a contingent liability as a result of exiting our investment in Teuto (see Notes to Consolidated Financial Statements— *Note 2D. Acquisitions, Sale of Hospira Infusion Systems Net Assets, Research and Development and Collaborative Arrangements, Equity-Method Investments and Cost-Method Investment* : *Equity Method Investments* ),

  partially offset by:
  - an increase of $355 million to record obligations in connection with the EU and U.S. approvals of Besponsa and $281 million to record obligations in connection with the U.S. approval of Bosulif (see Notes to Consolidated Financial Statements— *Note 7E. Financial Instruments: Other Noncurrent Liabilities* );
  - an increase in deferred revenue from milestones from Merck for the ertugliflozin collaboration agreement (see Notes to Consolidated Financial Statements— *Note 2C. Acquisitions, Sale of Hospira Infusion Systems Net Assets, Research and Development and Collaborative Arrangements, Equity-Method Investments and Cost-Method Investment: Research and Development and Collaborative Arrangement* ); and
  - other accruals in the normal course of business.
- For *Treasury stock,* the change reflects $5 billion paid to Citibank in February 2017 pursuant to the terms of an accelerated share repurchase agreement. See Notes to Consolidated Financial Statements— *Note 12. Equity* for additional information.

## ANALYSIS OF THE CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year Ended December 31, | | | % Change | |
|---|---|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 | **17/16** | 16/15 |
| Cash provided by/(used in): | | | | | |
| Operating activities | **$ 16,470** | $ 15,901 | $ 14,688 | **4** | 8 |
| Investing activities | **(4,741)** | (7,811) | (2,980) | **(39)** | * |
| Financing activities | **(13,035)** | (8,921) | (10,409) | **46** | (14) |
| Effect of exchange-rate changes on cash and cash equivalents | **53** | (215) | (1,000) | ***** | (79) |
| Net increase/(decrease) in *Cash and cash equivalents* | **$ (1,254)** | $ (1,046) | $ 298 | **20** | * |

* Indicates calculation not meaningful or result is equal to or greater than 100%.

In the consolidated statements of cash flows, the line item, *Other changes in assets and liabilities, net of acquisitions and divestitures* , is presented excluding the effects of changes in foreign currency exchange rates, as these changes do not reflect actual cash inflows or outflows, and excluding any other significant non-cash movements. Accordingly, the amounts shown will not necessarily agree with the changes in the assets and liabilities that are presented in our consolidated balance sheets.

## Operating Activities

*2017 v. 2016*

Our net cash provided by operating activities was $16.5 billion in 2017 , compared to $15.9 billion in 2016 . The increase in net cash provided by operating activities reflects the timing of receipts from customers and payments to vendors in the ordinary course of business, partially offset by an increase in benefit plan contributions. In 2017 , the change in the line item *Other adjustments, net* primarily reflects, among other items:

- a decrease in the provision for bad debt expense;
- an increase in dividends from our investment in ViiV reclassified from operating to investing activities; and
- an increase in gains from sales of available-for-sale securities,

partially offset by:

- a non-cash net loss on early retirement of debt under an exchange offer.

In 2017 and 2016 , the line item *Other changes in assets and liabilities, net of acquisitions and divestitures,* primarily reflects changes, in the normal course of business, in trade accounts receivable, inventories, other current assets, other noncurrent assets, trade accounts payable, accrued compensation and other current and noncurrent liabilities. For 2016 , this line item also includes the adjustments necessary to reflect the payments of certain legal claims accrued in prior periods, including for Protonix-related matters. For additional information about accounts receivable, see also the “Selected Measures of Liquidity and Capital Resources: Accounts Receivable” section of this Financial Review.

For additional information about changes in other assets and liabilities account balances, see also “Analysis of the Consolidated Balance Sheets” in this Financial Review.

*2016 v. 2015*

Our net cash provided by operating activities was $15.9 billion in 2016 , compared to $14.7 billion in 2015 . The increase in net cash provided by operating activities reflects the increase in our net income after adjustments for the non-cash changes, as well as the timing of receipts from customers and payments to vendors in the ordinary course of business, partially offset by an increase in bonus payments made to employees.

In 2016, the change in the line item called *Other adjustments, net,* primarily reflects, among other items, an increase in the provision for bad debt expense and a decrease in net realized gains on sale of available-for-sale securities, partially offset by the non-cash changes in the equity losses related to Hisun Pfizer and Teuto. In addition, the adoption of a new accounting standard in 2016 required that cash paid by us when directly withholding shares for tax withholding purposes is shown as a cash outflow from financing activities rather than operating activities.

In 2016 and 2015 , the line item *Other changes in assets and liabilities, net of acquisitions and divestitures,* primarily reflects changes, in the normal course of business, in trade accounts receivable, inventories, other current assets, other noncurrent assets, trade accounts payable, accrued compensation and other current and non-current liabilities. For 2016 and 2015, this line item also includes the adjustments necessary to reflect the payments of certain legal claims accrued in prior periods, including for 2016, Protonix-related matters, and for 2015, Neurontin-related matters, partially offset by the deferral of an upfront payment received from Lilly as part of a collaborative arrangement. For additional information about accounts receivable, see also the “Selected Measures of Liquidity and Capital Resources: Accounts Receivable” section of this Financial Review. For additional information about our legal accruals, see Notes to Consolidated Financial Statements— *Note 4. Other (Income)/Deductions—Net.*

## Investing Activities

*2017 v. 2016*

Our net cash used in investing activities was $4.7 billion in 2017 , compared to net cash used in investing activities of $7.8 billion in 2016 . The change in net cash used in investing activities was primarily attributable to:

- a decrease in cash used for acquisitions — cash paid of $1.0 billion, net of cash acquired, primarily for the acquisition of AstraZeneca’s small molecule anti-infectives business in 2017 and substantially all of the remaining consideration for the Medivation acquisition, compared to cash paid of $18.4 billion , net of cash acquired, primarily for the acquisitions of Medivation, Bamboo and Anacor in 2016 (see Notes to Consolidated Financial Statements— *Note 2A. Acquisitions, Sale of Hospira Infusion Systems Net Assets, Research and Development and Collaborative Arrangements, Equity-Method Investments and Cost-Method Investment: Acquisitions* ); and
- an increase in *Other investing activities, net,* including dividends received from our investment in ViiV,

partially offset by:

- lower net proceeds generated from the sale of investments of $14.7 billion in 2017 for cash needs.

*2016 v. 2015*

Our net cash used in investing activities was $7.8 billion in 2016 , compared to net cash used in investing activities of $3.0 billion in 2015 . The increase in net cash used in investing activities was primarily attributable to:

- net redemptions/proceeds from sale of investments of $12.5 billion in 2016 , compared to net redemptions/proceeds of investments of $14.6 billion in 2015 ; and
- cash paid of $18.4 billion , net of cash acquired, primarily for the acquisitions of Medivation, Bamboo and Anacor in 2016 compared to cash paid of $16.5 billion , net of cash acquired, primarily for the acquisition of Hospira and the acquisition of Baxter's portfolio of marketed vaccines in 2015 (see Notes to Consolidated Financial Statements— *Note 2A. Acquisitions, Sale of Hospira Infusion Systems Net Assets, Research and Development and Collaborative Arrangements, Equity-Method Investments and Cost-Method Investment: Acquisitions* ).

**Financing Activities**

*2017 v. 2016*

Our net cash used in financing activities was $13.0 billion in 2017 , compared to $8.9 billion in 2016 . The increase in net cash used in financing activities was primarily attributable to:

- the issuance of long-term debt of $5.3 billion in 2017 , compared to $11.0 billion in 2016 (see Notes to Consolidated Financial Statements— *Note 7D. Financial Instruments: Long-Term Debt* ); and
- $7.7 billion cash dividends paid in 2017 , compared to $7.3 billion in the same period in 2016 ,

partially offset by:

- lower repayments on long-term debt of $1.5 billion, compared to 2016 ; and
- lower proceeds raised from net short-term borrowings in 2017 of $589 million , compared to 2016 .

*2016 v. 2015*

Our net cash used in financing activities was $8.9 billion in 2016 , compared to net cash used in financing activities of $10.4 billion in 2015 . The decrease in net cash used in financing activities was primarily attributable to:

- the issuance of long-term debt of $11.0 billion on June 3, 2016 and November 21, 2016 ; and
- purchases of common stock of $5.0 billion in 2016 , compared to $6.2 billion in 2015 ,

partially offset by:

- net payments on short-term borrowings of $714 million in 2016 , compared to net proceeds on short-term borrowings of $4.3 billion in 2015 ;
- higher repayments on long-term debt of $7.7 billion in 2016 , compared to $3.0 billion in 2015 ;
- higher cash dividends paid of $7.3 billion in 2016 , compared to $6.9 billion in 2015 ; and
- lower proceeds from the exercise of stock options of $1.0 billion in 2016 , compared to $1.3 billion in 2015 .

## ANALYSIS OF FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

We rely largely on operating cash flows, short-term investments, short-term commercial paper borrowings and long-term debt to provide for our liquidity requirements. We continue our efforts to improve cash inflows through working capital efficiencies. We target specific areas of focus including accounts receivable, inventories, accounts payable, and other working capital, which allows us to optimize our operating cash flows. Due to our significant operating cash flows as well as our financial assets, access to capital markets and available lines of credit and revolving credit agreements, we believe that we have, and will maintain, the ability to meet our liquidity needs for the foreseeable future, which include:

- the working capital requirements of our operations, including our R&D activities;
- investments in our business;
- dividend payments and potential increases in the dividend rate;
- share repurchases;
- the cash requirements associated with our cost-reduction/productivity initiatives;
- paying down outstanding debt;
- contributions to our pension and postretirement plans; and
- business-development activities.

Our long-term debt is rated high-quality by both S&P and Moody's. See the "Credit Ratings" section below. As market conditions change, we continue to monitor our liquidity position. We have taken and will continue to take a conservative approach to our financial investments. Both short-term and long-term investments consist primarily of high-quality, highly liquid, well-diversified available-for-sale debt securities.

## Selected Measures of Liquidity and Capital Resources

The following table provides certain relevant measures of our liquidity and capital resources:

| | As of December 31, | |
|---|---|---|
| (MILLIONS OF DOLLARS, EXCEPT RATIOS AND PER COMMON SHARE DATA) | **2017** | 2016 |
| Selected financial assets: | | |
| *Cash and cash equivalents* [a] | **$ 1,342** | $ 2,595 |
| *Short-term investments* [a] | **18,650** | 15,255 |
| *Long-term investments* [a] | **7,015** | 7,116 |
| | **27,007** | 24,967 |
| Debt: | | |
| *Short-term borrowings, including current portion of long-term debt* | **9,953** | 10,688 |
| *Long-term debt* | **33,538** | 31,398 |
| | **43,491** | 42,085 |
| Selected net financial liabilities [b] | **$ (16,484)** | $ (17,118) |
| Working capital [c] | **$ 10,714** | $ 7,834 |
| Ratio of current assets to current liabilities | **1.35:1** | 1.25:1 |
| Total Pfizer Inc. shareholders' equity per common share [d] | **$ 11.93** | $ 9.81 |

[a] See Notes to Consolidated Financial Statements— *Note 7. Financial Instruments* for a description of certain assets held and for a description of credit risk related to our financial instruments held.

[b] The decrease in selected net financial liabilities was primarily driven by the increase in short-term investments, partially offset by the net increase in long-term debt. We retain a strong financial liquidity position as a result of our net cash provided by operating activities, our high-quality financial asset portfolio and access to capital markets. Both Moody's and S&P rating agencies maintained our strong investment-grade corporate debt rating subsequent to the acquisitions of Medivation and Anacor. For additional information, see the "Credit Ratings" section of this Financial Review.

[c] The increase in working capital was primarily due to:
- an increase in short-term investments primarily from the cash generated from operations;
- a decrease in short-term borrowings resulting from less long-term debt maturing in the next 12 months;
- an increase in inventory related to new or potential products; and
- the net impact of foreign currency exchange,

partially offset by:
- the timing of accruals, cash receipts and payments in the ordinary course of business; and
- the sale of HIS assets to ICU Medical.

[d] Represents total Pfizer Inc. shareholders' equity divided by the actual number of common shares outstanding (which excludes treasury stock).

For additional information about the sources and uses of our funds, see the "Analysis of the Consolidated Balance Sheets" and "Analysis of the Consolidated Statements of Cash Flows" sections of this Financial Review.

In December 2017, we exchanged approximately £833 million principal amount of senior unsecured notes due 2038 with an interest rate of 6.50% for £ 1.376 billion principal amount of senior unsecured notes due 2043 with an interest rate of 2.735% (see Notes to Consolidated Financial Statements— *Note 7D. Financial Instruments: Long-Term Debt* ).

In March 2017, we completed a public offering of $1.065 billion principal amount of senior unsecured notes due 2047 with an interest rate of 4.20% , and on March 6, 2017, we completed a public offering of € 4.0 billion principal amount of senior unsecured notes with a weighted-average effective interest rate of 0.23% (see Notes to Consolidated Financial Statements— *Note 7D. Financial Instruments: Long-Term Debt* ).

In November 2016, we completed a public offering of $6.0 billion aggregate principal amount of senior unsecured notes with a weighted-average effective interest rate of 3.10% .

In June 2016, we completed a public offering of $5.0 billion aggregate principal amount of senior unsecured notes with a weighted-average effective interest rate of 2.09% .

### Domestic and International Short-Term Funds

Many of our operations are conducted outside the U.S., and significant portions of our cash, cash equivalents and short-term investments are held internationally. We have generally held up to $10 billion of these short-term funds in U.S. tax jurisdictions. The amount of funds held in U.S. tax jurisdictions can fluctuate due to the timing of receipts and payments in the ordinary course of business and due to other reasons, such as business-development activities. As part of our ongoing liquidity assessments, we regularly monitor the mix of domestic and international cash flows (both inflows and outflows). Given the recent changes in tax law under the TCJA, which includes transitioning U.S. international taxation from a worldwide tax system to a territorial tax system, we have recorded a repatriation tax on deemed repatriated accumulated post-1986 earnings of foreign subsidiaries for which we plan to elect payment over eight years through 2026. See the "Contractual Obligations" section below for additional information. These changes will also allow us to more easily access our cash, cash equivalents, and short-term investments globally. As a result of the enactment of the TCJA, we expect to repatriate the majority of our cash held internationally in 2018.

### Accounts Receivable

We continue to monitor developments regarding government and government agency receivables in several European markets where economic conditions remain challenging and uncertain. Historically, payments from a number of these European governments and government

agencies extend beyond the contractual terms of sale. Specifically, we received delayed payments for 2016 revenues from the Greek government; virtually all Greece government receivables pertain to 2017 revenues. Also, the Greek government restructured its debt to other third parties in the third quarter of 2016. We determined our allowance for doubtful accounts to reflect these events, and have $33 million in net receivables from the Greek government as of December 31, 2017 . Reported revenues from all customers in Greece for the year ended December 31, 2017 were $248 million.

We believe that our allowance for doubtful accounts is appropriate. Our assessment is based on an analysis of the following: (i) payments received to date; (ii) the consistency of payments from customers; (iii) direct and observed interactions with the governments (including court petitions) and with market participants (for example, the factoring industry); and (iv) various third-party assessments of repayment risk (for example, rating agency publications and the movement of rates for credit default swap instruments).

As of December 31, 2017 , we had about $307 million aggregate gross accounts receivable from governments and/or government agencies in Spain, Italy, Portugal and Greece where economic conditions remain challenging and uncertain. Such receivables in excess of one year from the invoice date, totaling $21 million, were as follows: $12 million in Portugal; $4 million in Italy; $4 million in Greece; and $1 million in Spain.

Although certain European governments and government agencies sometimes delay payments beyond the contractual terms of sale, we seek to appropriately balance repayment risk with the desire to maintain good relationships with our customers and to ensure a humanitarian approach to local patient needs.

We will continue to closely monitor repayment risk and, when necessary, we will continue to adjust our allowance for doubtful accounts.

Our assessments about the recoverability of accounts receivables can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see Notes to Consolidated Financial Statements— *Note 1C. Basis of Presentation and Significant Accounting Policies: Estimates and Assumptions* .

Credit Ratings

Two major corporate debt-rating organizations, Moody's and S&P, assign ratings to our short-term and long-term debt. A security rating is not a recommendation to buy, sell or hold securities and the rating is subject to revision or withdrawal at any time by the rating organization. Each rating should be evaluated independently of any other rating.

The following table provides the current ratings assigned by these rating agencies to our commercial paper and senior unsecured long-term debt:

| | Pfizer Commercial Paper | Pfizer Long-Term Debt | |
|---|---|---|---|
| NAME OF RATING AGENCY | Rating | Rating | Date of Last Rating Change |
| Moody's [(a)] | P-1 | A1 | October 2009 |
| S&P [(b)] | A-1+ | AA | October 2009 |

[(a)] In September 2016, Moody's updated its credit outlook from negative outlook to stable.
[(b)] In April 2016, S&P updated its credit outlook from negative watch to stable.

Debt Capacity

We have available lines of credit and revolving credit agreements with a group of banks and other financial intermediaries. We maintain cash and cash equivalent balances and short-term investments in excess of our commercial paper and other short-term borrowings. As of December 31, 2017 , we had access to $7.8 billion of lines of credit, of which $712 million expire within one year. Of these lines of credit, $7.7 billion were unused, of which our lenders have committed to loan us $7.1 billion at our request. Also, as of December 31, 2017, we had approximately $7.0 billion of unused revolving credit facility expiring in 2022, which may be used to support our commercial paper borrowings.

Global Economic Conditions—General

The global economic environment has not had, nor do we anticipate it will have, a material impact on our liquidity or capital resources. Due to our significant operating cash flows, financial assets, access to capital markets and available lines of credit and revolving credit agreements, we continue to believe that we have, and will maintain, the ability to meet our liquidity needs for the foreseeable future. We monitor our liquidity position continuously in the face of evolving economic conditions.

Global Economic Conditions—U.K.

In June 2016, the U.K. electorate voted in a referendum to leave the EU, which is commonly referred to as "Brexit". In March 2017, the U.K. government formally notified the European Council of its intention to leave the EU after it triggered Article 50 of the Lisbon Treaty to begin the two-year negotiation process establishing the terms of the exit and outlining the future relationship between the U.K. and the EU. Formal negotiations officially started in June 2017. This process continues to be highly complex and the end result of these negotiations may pose certain implications to our research, commercial and general business operations in the U.K. and the EU, including the approval and supply of our products.

We generated approximately 2% of our worldwide revenues from the U.K. in 2017. However, except for the foreign currency exchange impact from the weakening U.K. pound relative to the U.S. dollar to date, there are no other immediate-term impacts to our business as there has not yet been a formal change in the relationship between the U.K. and the EU. In addition, because of the significant uncertainties associated with the negotiation process, any potential long-term impacts are not currently determinable.

Global Economic Conditions—Venezuela Operations

Our Venezuela operations continue to operate with the U.S. dollar as the functional currency due to the hyperinflationary status of the Venezuelan economy.

In the second quarter of 2015, the Venezuelan government identified three official rates of exchange. These were the CENCOEX rate of 6.3; the SICAD rate of 13.5 (as of February 2018); and the SIMADI rate of 29,000 (as of February 2018). Effective in March 2016, the CENCOEX rate was replaced by the DIPRO rate of 10 (as of February 2018); the SICAD rate ceased to be offered; and the SIMADI rate was planned to be replaced by the DICOM rate. Effective January 26, 2018, the DIPRO rate ceased to be offered. The Venezuelan government continued to publish the SIMADI rate, which was commonly referred to as the DICOM rate, and then began to publish the DICOM rate beginning in August 2017. That SIMADI, now DICOM, rate has grown from 206 in March 2016 to about 29,000 (as of February 2018). Based on conditions in Venezuela, we resolved that our Venezuelan bolivar-denominated net monetary assets that are subject to revaluation are no longer expected to be substantially settled at the Venezuelan government CENCOEX official rate of 6.3 or the DIPRO official rate of 10 , but at a rate of 500 at the end of the second quarter and third quarter of 2016, and 670 at the end of the fourth quarter of 2016, and at the end of the first and second quarters of 2017, and 2,640 at the end of the third quarter of 2017 and 3,345 at the end of the fourth quarter of 2017.

In 2015, conditions in Venezuela had us resolve that our Venezuelan bolivar-denominated net monetary assets that are subject to revaluation were no longer expected to be settled at the Venezuelan government CENCOEX official rate of 6.3, but at the then SIMADI rate of 200, the lowest official rate. Those conditions included the inability to obtain significant conversions of Venezuelan bolivars related to intercompany U.S. dollar-denominated accounts, an evaluation of the effects of the implementation of a fourth-quarter 2015 operational restructuring, resulting in a restructuring charge of $39 million related to a 36% reduction in our labor force in Venezuela, and our expectation of the changes in Venezuela's responses to changes in its economy. The effect of that change in expectation was a foreign currency loss of $806 million recorded in the fourth quarter of 2015 included in *Other (income)/deductions—net* . See Notes to Consolidated Financial Statements— *Note 4. Other (Income)/Deductions—Net.* In addition, in the fourth quarter of 2015, we had an inventory impairment loss of $72 million included in *Cost of sales* .

We cannot predict whether there will be further devaluations of the Venezuelan currency or whether our use of the DICOM rate will continue to be supported by evolving facts and circumstances. Further, other potential actions by the Venezuelan government in response to economic uncertainties could impact the recoverability of our investment in Venezuela, which could result in an impairment charge and, under extreme circumstances, could impact our ability to continue to operate in the country in the same manner as we have historically.

On July 11, 2016, the Venezuelan government administration announced a new program under a State of Emergency decree that is intended to control the use of raw materials, production and distribution of products, specifically for medicines and foods. It is uncertain how this program will be applied to Pfizer in Venezuela. We continue to operate under adverse conditions in Venezuela and have $12 million of net monetary assets and $39 million of non-monetary assets, excluding inventory carried at lower of cost or net realizable value, in Venezuela at November 30, 2017, our international year-end.

Contractual Obligations

Payments due under contractual obligations as of December 31, 2017 , mature as follows:

| | | Years | | | |
|---|---|---|---|---|---|
| (MILLIONS OF DOLLARS) | Total | 2018 | 2019-2020 | 2021-2022 | Thereafter |
| Long-term debt, including current portion [a] | $ 37,084 | $ 3,546 | $ 6,388 | $ 4,732 | $ 22,418 |
| Interest payments on long-term debt obligations [b] | 19,269 | 1,231 | 2,352 | 2,099 | 13,587 |
| Other long-term liabilities [c] | 3,058 | 448 | 691 | 602 | 1,317 |
| Operating leases | 1,680 | 209 | 321 | 259 | 891 |
| Purchase obligations and other [d] | 4,524 | 1,100 | 1,139 | 1,091 | 1,194 |
| Other taxes payable — deemed repatriated accumulated post-1986 earnings of foreign subsidiaries [e] | 15,200 | — | 2,432 | 2,432 | 10,336 |
| Uncertain tax positions [f] | 2 | 2 | — | — | — |

[a] Long-term debt consists of senior unsecured notes (including fixed and floating rate, foreign currency denominated, and other notes), carried at historical proceeds, as adjusted, and capital lease obligations (see Notes to Consolidated Financial Statements— *Note 7. Financial Instruments* ). Commitments under capital leases are not significant.

[b] Our calculations of expected interest payments incorporate only current period assumptions for interest rates, foreign currency translation rates and hedging strategies (see Notes to Consolidated Financial Statements— *Note 7. Financial Instruments* ), and assume that interest is accrued through the maturity date or expiration of the related instrument.

[c] Includes expected payments relating to our unfunded U.S. supplemental (non-qualified) pension plans, postretirement plans and deferred compensation plans. Excludes amounts relating to our U.S. qualified pension plans and international pension plans, all of which have a substantial amount of plan assets, because the required funding obligations are not expected to be material and/or because such liabilities do not necessarily reflect future cash payments, as the impact of changes in economic conditions on the fair value of the pension plan assets and/or liabilities can be significant. We made a $500 million voluntary contribution to our U.S. pension plan in February 2018. Also, excludes $5.4 billion of liabilities related to legal matters, employee terminations and the fair value of derivative financial instruments and other, most of which do not represent contractual obligations. See also our liquidity discussion above in this "Analysis of Financial Condition, Liquidity and Capital Resources" section, as well as the Notes to Consolidated Financial Statements— *Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives, Note 7A. Financial Instruments: Fair Value Measurements, Note 11E. Pension and Postretirement Benefit Plans and Defined Contribution Plans: Cash Flows,* and *Note 17. Commitments and Contingencies.*

[d] Includes agreements to purchase goods and services that are enforceable and legally binding and includes amounts relating to advertising, information technology services, employee benefit administration services, and potential milestone payments deemed reasonably likely to occur. Also includes obligations to make guaranteed fixed annual payments over a 9-year period in connection with the U.S. and EU approvals for Besponsa ($443 million) and an obligation to make guaranteed fixed annual payments over a 10-year period for Bosulif ($416 million), both associated with research and development arrangements. For additional information, see Notes to Consolidated Financial Statements— *Note 7E. Financial Instruments: Other Noncurrent Liabilities.* Also includes

consideration of $300 million ( $125 million in our first fiscal quarter of 2018 and $175 million in January 2019) related to our purchase of AstraZeneca's small molecule anti-infective business. For additional information, see Notes to Consolidated Financial Statements— *Note 2A. Acquisitions, Sale of Hospira Infusion Systems Net Assets, Research and Development and Collaborative Arrangements, Equity-Method Investments and Cost-Method Investment: Acquisitions.*

(e) Represents a $15.2 billion tax liability related to the TCJA repatriation tax for which we plan to elect payment over eight years through 2026 (with the first installment due in April 2019). Our obligations may vary as a result of changes in our uncertain tax positions and/or availability of attributes such as foreign tax and other credit carryforwards. For additional information, see Notes to Consolidated Financial Statements— *Note 5A. Tax Matters: Taxes on Income from Continuing Operations.*

(f) Includes only income tax amounts currently payable. We are unable to predict the timing of tax settlements related to our noncurrent obligations for uncertain tax positions as tax audits can involve complex issues and the resolution of those issues may span multiple years, particularly if subject to negotiation or litigation.

The above table includes amounts for potential milestone payments under collaboration, licensing or other arrangements, if the payments are deemed reasonably likely to occur. Payments under these agreements generally become due and payable only upon the achievement of certain development, regulatory and/or commercialization milestones, which may span several years and which may never occur.

In 2018 , we expect to spend approximately $2.3 billion on property, plant and equipment. We rely largely on operating cash flows to fund our capital investment needs. Due to our significant operating cash flows, we believe we have the ability to meet our capital investment needs and anticipate no delays to planned capital expenditures.

## Off-Balance Sheet Arrangements

In the ordinary course of business and in connection with the sale of assets and businesses and other transactions, we often indemnify our counterparties against certain liabilities that may arise in connection with a transaction or that are related to events and activities prior to or following a transaction. If the indemnified party were to make a successful claim pursuant to the terms of the indemnification, we may be required to reimburse the loss. These indemnification obligations generally are subject to various restrictions and limitations. Historically, we have not paid significant amounts under these provisions and, as of December 31, 2017 , the estimated fair value of our indemnification obligations was not significant.

Certain of our co-promotion or license agreements give our licensors or partners the rights to negotiate for, or in some cases to obtain under certain financial conditions, co-promotion or other rights in specified countries with respect to certain of our products.

## Share-Purchase Plans and Accelerated Share Repurchase Agreements

Our October 2014 $11 billion share-purchase plan was exhausted in the first quarter of 2017. In December 2015, the Board of Directors authorized an $11 billion share repurchase program, and share repurchases commenced thereunder in the first quarter of 2017.

On February 9, 2015 and March 8, 2016, we entered into accelerated share repurchase agreements with GS&Co. to repurchase, in each case, $5 billion of our common stock.

On February 2, 2017, we entered into an accelerated share repurchase agreement with Citibank to repurchase $5 billion of our common stock.

In December 2017, the Board of Directors authorized a new $10 billion share repurchase program to be utilized over time. This new program is in addition to the $6.4 billion remaining under the company's December 2015 authorization as of December 31, 2017.

For additional information, see Notes to Consolidated Financial Statements— *Note 12. Equity.*

The following table provides the number of shares of our common stock purchased and the cost of purchases under our publicly announced share-purchase plans, including our accelerated share repurchase agreements:

| (SHARES IN MILLIONS, DOLLARS IN BILLIONS) | **2017** (a) | 2016 (b) | 2015 (c) |
|---|---|---|---|
| Shares of common stock purchased | **150** | 154 | 182 |
| Cost of purchase | **$ 5.0** | $ 5.0 | $ 6.2 |

(a) Represents shares purchased pursuant to an accelerated share repurchase agreement with Citibank entered into on February 2, 2017. For additional information, see Notes to Consolidated Financial Statements— *Note 12. Equity.*

(b) Represents shares purchased pursuant to an accelerated share repurchase agreement entered into on March 8, 2016. For additional information, see Notes to Consolidated Financial Statements— *Note 12. Equity.*

(c) Includes approximately 151 million shares purchased for $5.2 billion pursuant to the accelerated share repurchase agreement entered into on February 9, 2015 (see Notes to Consolidated Financial Statements— *Note 12. Equity* for additi o nal information), as well as other share repurchases through year-end 2015.

At December 31, 2017 , our remaining share-purchase authorization was approximately $16.4 billion .

## Dividends on Common Stock

We paid dividends on our common stock of $7.7 billion in 2017 , $7.3 billion in 2016 and $6.9 billion in 2015 . In December 2017 , our Board of Directors declared a first-quarter 2018 dividend of $0.34 per share, payable on March 1, 2018 , to shareholders of record at the close of business on February 2, 2018 . The first-quarter 2018 cash dividend will be our 317 th consecutive quarterly dividend.

Our current and projected dividends provide a return to shareholders while maintaining sufficient capital to invest in growing our businesses and to seek to increase shareholder value. Our dividends are not restricted by debt covenants. While the dividend level remains a decision of Pfizer's Board of Directors and will continue to be evaluated in the context of future business performance, we currently believe that we can support future annual dividend increases, barring significant unforeseen events.

## NEW ACCOUNTING STANDARDS

### Recently Adopted Accounting Standards

See Notes to Consolidated Financial Statements— *Note 1B. Basis of Presentation and Significant Accounting Policies: Adoption of New Accounting Standards.*

### Recently Issued Accounting Standards, Not Adopted as of December 31, 2017 (Effective January 1, 2018)

The following table provides a brief description of recently issued accounting standards, not yet adopted:

| Standard/Description | Effective Date | Effect on the Financial Statements or Other Significant Matters |
|---|---|---|
| In May 2014, the FASB issued amended guidance related to **revenue from contracts with customers** . The new guidance introduces a new principles-based framework for revenue recognition and disclosure. Since its issuance the FASB has issued seven ASUs, amending the guidance and effective date, and the SEC has rescinded certain related SEC guidance. | January 1, 2018 | We have substantially completed our review of the impact of this guidance across our various business arrangements and revenue-related activities, and do not expect the adoption of this standard to have a material impact on our reported *Revenues* in our consolidated financial statements, revenue recognition processes, or our internal controls. We are reviewing our disclosures for revenue recognition and do not anticipate significant changes will be needed to conform with the disclosure requirements of the new guidance.<br>The interpretation and applicability of the new revenue recognition standard to collaboration arrangements in certain industries is still being assessed. We expect that milestone payments received in our collaboration agreements, which are recorded in *Other* ( *income* ) */deductions — net* , and currently amortized over the life of the agreement, will, for many arrangements, be amortized over the remaining development period or sooner, if there is a distinct and separable licensing component. We are required to apply the new rules to existing contracts as if the new principles had always existed, and therefore, upon adoption, we expect to record a cumulative effect adjustment to *Retained earnings* as of the adoption date in the range of $600 million to $700 million to accelerate what would have been future income under the current rules into prior periods. The financial statement impact on pre-tax income is expected to be less than $100 million in any future annual period.<br>We continue to monitor additional changes, modifications, clarifications or interpretations undertaken by the FASB, which may impact our current conclusions. |
| In January 2016, the FASB issued an update to its guidance on recognition and measurement of **financial assets and liabilities** .<br>Among other things, the new guidance makes the following targeted changes to existing guidance:<br>1. Requires certain equity investments to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer.<br>2. Requires a qualitative assessment of equity investments without readily determinable fair values to identify impairment.<br>3. Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or in the accompanying notes to the financial statements. | January 1, 2018. | We have completed our review of the impact of this new guidance on our consolidated financial statements. As of December 31, 2017, we have $1.2 billion in available-for-sale equity securities and approximately $222 million of restricted stock and private equity securities that will be subject to the new rules. Further, for the year ended December 31, 2017, we recognized $586 million of previously unrealized holding gains and $124 million of previously unrealized losses on available-for-sale equity securities in *Other comprehensive income* , which would have been recorded to *Other (income)/ deductions — net* under the new rules. The net unrealized gain on equity investments subject to the new rules of $462 million as of December 31, 2017 will be recorded as a cumulative effect adjustment to *Retained earnings* upon adoption on January 1, 2018 . We expect the adoption of this new accounting standard may increase the volatility of our income in future periods due to changes in the fair value of equity investments. We do not expect that the proposed amendment will have any substantive impact to our assessment discussed above. |

| Standard/Description | Effective Date | Effect on the Financial Statements or Other Significant Matters |
|---|---|---|
| In August 2016, the FASB issued new guidance on the **classification of certain transactions in the Statement of Cash Flows.** | January 1, 2018. Earlier application is permitted. | We have completed our review of the impact of this new guidance on our consolidated financial statements. Retrospective application is required. Upon adoption, we expect to reclassify approximately $378 million and $362 million of cash outflows related to debt redemption in 2017 and 2016, respectively, from operating activities to financing activities. We also expect to reclassify approximately $21 million and $28 million of cash inflows from trust-owned life insurance contracts in 2017 and 2016, respectively, from operating activities to investing activities. Cash outflows from trust-owned life insurance contracts represent benefit payments and are classified as operating activities. Lastly, we expect to reclassify cash outflows attributable to the accreted interest related to commercial paper of $63 million and $33 million in 2017 and 2016, respectively, from financing activities to operating activities. In addition, although there is no impact on the presented historical comparative financial statements, the new guidance may impact the classification of certain cash flows related to contingent consideration in a business acquisition, depending on the ultimate settlement amount of the reported contingency liability. |
| In October 2016, the FASB issued new guidance on the presentation of **restricted cash in the Statement of Cash Flows.** | January 1, 2018. Earlier application is permitted. | We have completed our review of the impact of this new guidance on our consolidated financial statements. Retrospective application is required. Our restricted cash balances as of December 31, 2016 were approximately $46.4 million of short-term restricted cash and $47.6 million of long-term restricted cash. Our restricted cash balances as of December 31, 2017 were approximately $36.8 million of short-term restricted cash and $75.3 million of long-term restricted cash. |
| In October 2016, the FASB issued an update to its guidance on **income tax** accounting. The new guidance replaces the prohibition against recognizing current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party with a requirement to do so, unless the asset transferred is inventory. | January 1, 2018. | We have substantially completed our review but are currently assessing the potential implications of the recently enacted TCJA. Our analysis of the standard indicates that our estimate of the impact to our consolidated financial statements, using current assumptions, is not material. However, while we currently do not have any specific plans, we cannot predict intercompany asset transfers other than inventory that may occur in the future, as they are dependent on economic and operational factors that may change over time.<br>For example, an acquisition might cause us to realign legal entities and to transfer assets between entities as we integrate an acquired company into Pfizer. We anticipate that after adoption, our effective tax rate could be impacted by the immediate recognition of the tax consequences of intercompany asset transfers other than inventory. The impact of adoption is expected to be approximately $200 million and will be recorded as a cumulative effect adjustment to reduce *Retained earnings.* |
| In January 2017, the FASB issued new guidance to clarify the **definition of a business** . The new guidance provides a new framework for determining whether business development transactions should be accounted for as acquisitions (or disposals) of assets or businesses. If the fair value of the gross assets acquired is concentrated in a single identifiable asset, the transaction will not qualify for treatment as a business. The new guidance also requires that to be considered a business, a set of integrated activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, without regard as to whether a market participant could replace missing elements. In addition, the new guidance narrows the definition of the term “output” to make it consistent with how outputs are described in the updated revenue recognition guidance. | January 1, 2018. Earlier application is permitted. | We have completed our review of the impact of this new guidance on our consolidated financial statements. The new accounting standard is applicable on a prospective basis upon adoption and therefore has no impact on completed transactions. We expect that subsequent to our adoption date of January 1, 2018, fewer transactions will be accounted for as business acquisitions (decreasing the amount of goodwill incurred and potentially increasing IPR&D expense) or disposals of a business. We will continue to monitor for changes in our business, and business combination or other transactions which might close after adoption and be impacted by this new standard. |

| Standard/Description | Effective Date | Effect on the Financial Statements or Other Significant Matters |
|---|---|---|
| In February 2017, the FASB issued amended guidance related to the **derecognition of nonfinancial assets.** | January 1, 2018. Earlier application is permitted. | We have completed our review of the impact of this new guidance on our consolidated financial statements. The new guidance applies to the full or partial sale or transfer of nonfinancial assets, including intangible assets, real estate and inventory, under which the gain or loss is the difference between the consideration received and the carrying value of the asset. The new guidance does not impact out-licensing arrangements. We are not expecting a material impact on existing transactions. We will continue to monitor for changes in our business and transactions which might be impacted by this new standard. |
| In March 2017, the FASB issued guidance on the presentation of **net periodic pension and postretirement benefit cost.** Under the new rules, entities that sponsor defined benefit plans will present net benefit cost as follows:<br>1. Service cost will be included in the same income statement line items where other employee compensation costs are reported.<br>2. The other components of net benefit cost will be presented outside of income from operations, if such a subtotal is presented.<br>3. Only the service cost component will be capitalized, when applicable (for example, as a cost of inventory, internal-use software, or a self-constructed fixed asset).<br>If a separate line item is used to present the other components of net benefit cost, it should have an appropriate description. If a separate line item or items is not used, the line item or items in the income statement where the other components of net benefit cost are included must be disclosed. | January 1, 2018. | We have completed our review of the impact of this new guidance on our consolidated financial statements. Upon adoption, the net benefit costs other than service costs will be reclassified to *Other* ( *income* ) */deductions — net* from their current classification within *Cost of sales, Selling, informational and administrative expenses,* and *Research and development expenses* . Retrospective application is required. Beginning in 2018, we will capitalize only the service cost component of the net benefit costs on a prospective basis. Net benefit cost/(income) other than service costs was $114 million for the year ended December 31, 2017 and $154 million for the year ended December 31, 2016 (see Notes to Consolidated Financial Statements— *Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans* for further details). |
| In May 2017, the FASB issued new guidance on the accounting for **modifications of share-based payment awards** . The new guidance clarifies that changes in the terms or conditions of a share-based payment award be accounted for as a modification unless all the following conditions are met:<br>1. The fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified.<br>2. The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified.<br>3. The modification does not change the classification of the award as an equity instrument or a liability instrument. | January 1, 2018. Early application is permitted, including in interim periods. | We have completed our review of the impact of this new guidance on our consolidated financial statements. The new accounting standard is applicable on a prospective basis upon adoption and therefore has no impact on completed transactions. The impact of adopting this guidance will be dependent upon whether we make any future modifications of share-based payment awards, and we have no plans to modify share-based payment awards at this time. |

**Recently Issued Accounting Standards, Not Adopted as of December 31, 2017 (Effective January 1, 2019 and January 1, 2020)**

The following table provides a brief description of recently issued accounting standards, not yet adopted:

| Standard/Description | Effective Date | Effect on the Financial Statements or Other Significant Matters |
|---|---|---|
| In February 2016, the FASB issued an update to its guidance on **leases** . The new ASU provides guidance for both lessee and lessor accounting models. Among other things, the new guidance requires that a right of use asset and a lease liability be recognized for leases with a duration of greater than one year. | January 1, 2019. Earlier application is permitted. | We have made substantial progress in completing our review of the impact of this new guidance. We anticipate recognition of at least $2 billion of additional assets and corresponding liabilities on our balance sheet. We are currently assessing the potential impact of embedded leases on our consolidated financial statements, given our manufacturing outsourcing, service arrangements and other agreements. In connection with this guidance we will need to design new global processes and technological solutions to provide the appropriate financial accounting and disclosure data. We continue to monitor changes, modifications, clarifications or interpretations undertaken by the FASB, which may impact our conclusions. |
| In March 2017, the FASB issued new guidance that shortens the **amortization period for certain callable debt securities held at a premium** . The new guidance requires the premium to be amortized to the earliest call date. | January 1, 2019. Early application is permitted, including in interim periods, so long as any adjustments are reflected as of the beginning of the fiscal year that includes the interim period in which the guidance is applied. | We are assessing the impact of the provisions of this new guidance on our consolidated financial statements. |
| In July 2017, the FASB issued new guidance on accounting for **certain financial instruments with characteristics of liabilities and equity,** and accounting for certain financial instruments with **down round features** (a feature in a financial instrument that reduces the strike price of an issued financial instrument if the issuer sells shares of its stock for an amount less than the currently stated strike price of the issued financial instrument or issues an equity-linked financial instrument with a strike price below the currently stated strike price of the issued financial instrument). | January 1, 2019. Earlier application is permitted. | We are assessing the impact of the provisions of this new guidance on our consolidated financial statements. |
| In August 2017, the FASB issued new guidance making targeted improvements to **accounting for hedging activities** . The objective of this amendment is to improve financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements, and also to simplify the application of hedge accounting guidance. | January 1, 2019. Early adoption is permitted, including in interim periods. | We are planning to early adopt this standard in the first quarter of calendar year 2018. We do not expect the adoption to have a material impact on our financial statements. |
| In February 2018, the FASB issued an update to its guidance on the **reclassification of certain tax effects from accumulated other comprehensive income** . The new guidance provides an option for us to elect to reclassify the stranded tax amounts related to the TCJA. If reclassified, the reclassification from AOCI to retained earnings for stranded tax effects would include:<br>1. the effect of the change in the U.S. federal corporate tax rate; and<br>2. other stranded tax amounts related to the application of the TCJA that we elect to reclassify, if any.<br>The reclassification, if elected, may be applied either retrospectively or at the beginning of the annual or interim period in which the amendments are adopted. | January 1, 2019. Earlier application is permitted. | We are evaluating the election and assessing the impact of the provisions of this new guidance on our consolidated financial statements. |

| Standard/Description | Effective Date | Effect on the Financial Statements or Other Significant Matters |
|---|---|---|
| In June 2016, the FASB issued new guidance on accounting for **credit losses of financial instruments** . The new guidance replaces the probable initial recognition threshold for incurred loss estimates in current GAAP with a methodology that reflects expected credit loss estimates. | January 1, 2020. Earlier application is permitted as of fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. | We are assessing the impact of the provisions of this new guidance on our consolidated financial statements. Previously, when credit losses were measured under GAAP, an entity generally only considered past events and current conditions in measuring the incurred loss. The new guidance requires us to identify, analyze, document and support new methodologies for quantifying expected credit loss estimates for our financial instruments, using information such as historical experience and current economic environmental conditions, plus the use of reasonable supportable forecast information. |
| In January 2017, the FASB issued new guidance for **goodwill impairment testing** . The new guidance eliminates the requirement to perform a hypothetical purchase price allocation to measure goodwill impairment. Under the new guidance the goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount, and recognizing an impairment charge for the amount by which the carrying amount of the reporting unit exceeds its fair value, although it cannot exceed the total amount of goodwill allocated to that reporting unit. | January 1, 2020. Earlier application is permitted. | We have not yet completed our review of the impact of this new guidance on our consolidated financial statements. However, we do not expect this new guidance to have a material impact on our consolidated financial statements. |

## FORWARD-LOOKING INFORMATION AND FACTORS THAT MAY AFFECT FUTURE RESULTS

This report and other written or oral statements that we make from time to time contain forward-looking statements. Such forward-looking statements involve substantial risks and uncertainties. We have tried, wherever possible, to identify such statements by using words such as "will," "may," "could," "likely," "ongoing," "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "assume," "target," "forecast," "guidance," "goal," "objective," "aim" and other words and terms of similar meaning or by using future dates in connection with any discussion of, among other things, our anticipated operating and financial performance, business plans and prospects, in-line products and product candidates, including anticipated regulatory submissions, data read-outs, approvals, performance, timing of exclusivity and potential benefits of Pfizer's products and product candidates, strategic reviews, capital allocation, business-development plans, manufacturing and product supply and plans relating to share repurchases and dividends. In particular, these include statements relating to future actions, business plans and prospects, our acquisitions and other business development activities, the disposition of the HIS net assets, prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, interest rates, foreign exchange rates, the outcome of contingencies, such as legal proceedings, plans relating to share repurchases and dividends, government regulation and financial results, including, in particular, the expected impact of the recent hurricanes in Puerto Rico set forth in the "Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Business—Impact of Recent Hurricanes in Puerto Rico" section of this Financial Review, the anticipated progress in remediation efforts at certain of our Hospira manufacturing facilities set forth in the "Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Business—Product Manufacturing" section of this Financial Review, the anticipated timeframe for any decision regarding strategic alternatives for Pfizer Consumer Healthcare set forth in the "Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Strategy—Our Business Development Initiatives" section of this Financial Review, our anticipated liquidity position set forth in the "Overview of Our Performance, Operating Environment, Strategy and Outlook—The Global Economic Environment" and the "Analysis of Financial Condition, Liquidity and Capital Resources" sections of this Financial Review, the financial impact of the recently passed TCJA set forth in the "Overview of Our Performance, Operating Environment, Strategy and Outlook—The Global Economic Environment," "Significant Accounting Policies and Application of Critical Accounting Estimates and Assumptions—Income Tax Assets and Liabilities," "Provision/(Benefit) for Taxes on Income—Changes in Tax Laws" and "Analysis of Financial Condition, Liquidity and Capital Resources—Selected Measures of Liquidity and Capital Resources—Contractual Obligations" sections of this Financial Review and in Notes to Consolidated Financial Statements— *Note 1. Basis of Presentation and Significant Accounting Policies* and — *Note 5. Tax Matters* , plans relating to increasing investment in the U.S. following the expected positive net impact of the TCJA set forth in the "Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Strategy—Capital Allocation and Expense Management" section of this Financial Review, the financial guidance set forth in the "Our Financial Guidance for 2018 " section of this Financial Review, the anticipated costs and cost savings, including from our acquisition of Hospira and our cost-reduction/productivity initiatives set forth in the "Costs and Expenses—Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives" section of this Financial Review and in Notes to Consolidated Financial Statements— *Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives* , the expected plan for repatriating the majority of our cash held internationally in 2018 set forth in the "Analysis of Financial Condition, Liquidity and Capital Resources—Selected Measures of Liquidity and Capital Resources—Domestic and International Short-Term Funds" section of this Financial Review, the benefits expected from our business development transactions, the planned capital spending set forth in the "Analysis of Financial Condition, Liquidity and Capital Resources—Selected Measures of Liquidity and Capital Resources—Contractual Obligations" section of this Financial Review and the contributions that we expect to make from our general assets to the Company's pension and postretirement plans during 2018 set forth in the "Analysis of Financial Condition, Liquidity and Capital Resources—Selected Measures of Liquidity and Capital Resources—Contractual Obligations" section of this Financial Review and in Notes to Consolidated Financial Statements— *Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans* . Among the factors that could cause actual results to differ materially from past results and future plans and projected future results are the following:

- the outcome of research and development activities including, without limitation, the ability to meet anticipated pre-clinical and clinical trial commencement and completion dates, regulatory submission and approval dates, and launch dates for product candidates, as well as the possibility of unfavorable pre-clinical and clinical trial results, including unfavorable new clinical data and additional analyses of existing clinical data;
- decisions by regulatory authorities regarding whether and when to approve our drug applications, which will depend on the assessment by such regulatory authorities of the benefit-risk profile suggested by the totality of the efficacy and safety information submitted; decisions by regulatory authorities regarding labeling, ingredients and other matters that could affect the availability or commercial potential of our products; and uncertainties regarding our ability to address the comments received by us from regulatory authorities such as the FDA and the EMA with respect to certain of our drug applications to the satisfaction of those authorities;
- the speed with which regulatory authorizations, pricing approvals and product launches may be achieved;
- the outcome of post-approval clinical trials, which could result in the loss of marketing approval for a product or changes in the labeling for, and/or increased or new concerns about the safety or efficacy of, a product that could affect its availability or commercial potential;
- risks associated with preliminary, early stage or interim data, including the risk that final results of studies for which preliminary, early stage or interim data have been provided and/or additional clinical trials may be different from (including less favorable than) the preliminary, early stage or interim data results and may not support further clinical development of the applicable product candidate or indication;
- the success of external business-development activities, including the ability to satisfy the conditions to closing of announced transactions in the anticipated time frame or at all or to realize the anticipated benefits of such transactions;
- competitive developments, including the impact on our competitive position of new product entrants, in-line branded products, generic products, private label products, biosimilars and product candidates that treat diseases and conditions similar to those treated by our in-line drugs and drug candidates;

- the implementation by the FDA and regulatory authorities in certain other countries of an abbreviated legal pathway to approve biosimilar products, which could subject our biologic products to competition from biosimilar products, with attendant competitive pressures, after the expiration of any applicable exclusivity period and patent rights;
- risks related to our ability to develop and launch biosimilars, including risks associated with "at risk" launches, defined as the marketing of a product by Pfizer before the final resolution of litigation (including any appeals) brought by a third party alleging that such marketing would infringe one or more patents owned or controlled by the third party;
- the ability to meet competition from generic, branded and biosimilar products after the loss or expiration of patent protection for our products or competitor products;
- the ability to successfully market both new and existing products domestically and internationally;
- difficulties or delays in manufacturing, including delays caused by natural events, such as hurricanes; supply shortages at our facilities; and legal or regulatory actions, such as warning letters, suspension of manufacturing, seizure of product, debarment, injunctions or voluntary recall of a product;
- trade buying patterns;
- the impact of existing and future legislation and regulatory provisions on product exclusivity;
- trends toward managed care and healthcare cost containment, and our ability to obtain or maintain timely or adequate pricing or formulary placement for our products;
- the impact of any significant spending reductions or cost controls affecting Medicare, Medicaid or other publicly funded or subsidized health programs or changes in the tax treatment of employer-sponsored health insurance that may be implemented;
- the impact of any U.S. healthcare reform or legislation, including any repeal, substantial modification or invalidation of some or all of the provisions of the U.S. Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act;
- U.S. federal or state legislation or regulatory action and/or policy efforts affecting, among other things, pharmaceutical product pricing, reimbursement or access, including under Medicaid, Medicare and other publicly funded or subsidized health programs; patient out-of-pocket costs for medicines, manufacturer prices and/or price increases that could result in new mandatory rebates and discounts or other pricing restrictions; the importation of prescription drugs from outside the U.S. at prices that are regulated by governments of various foreign countries; restrictions on direct-to-consumer advertising; limitations on interactions with healthcare professionals; or the use of comparative effectiveness methodologies that could be implemented in a manner that focuses primarily on the cost differences and minimizes the therapeutic differences among pharmaceutical products and restricts access to innovative medicines; as well as pricing pressures for our products as a result of highly competitive insurance markets;
- legislation or regulatory action in markets outside the U.S. affecting pharmaceutical product pricing, reimbursement or access, including, in particular, continued government-mandated reductions in prices and access restrictions for certain biopharmaceutical products to control costs in those markets;
- the exposure of our operations outside the U.S. to possible capital and exchange controls, expropriation and other restrictive government actions, changes in intellectual property legal protections and remedies, as well as political unrest, unstable governments and legal systems and inter-governmental disputes;
- contingencies related to actual or alleged environmental contamination;
- claims and concerns that may arise regarding the safety or efficacy of in-line products and product candidates;
- any significant breakdown, infiltration or interruption of our information technology systems and infrastructure;
- legal defense costs, insurance expenses and settlement costs;
- the risk of an adverse decision or settlement and the adequacy of reserves related to legal proceedings, including patent litigation, product liability and other product-related litigation, including personal injury, consumer, off-label promotion, securities, antitrust and breach of contract claims, commercial, environmental, government investigations, employment and other legal proceedings, including various means for resolving asbestos litigation, as well as tax issues;
- the risk that our currently pending or future patent applications may not result in issued patents, or be granted on a timely basis, or any patent-term extensions that we seek may not be granted on a timely basis, if at all;
- our ability to protect our patents and other intellectual property, both domestically and internationally;
- interest rate and foreign currency exchange rate fluctuations, including the impact of possible currency devaluations in countries experiencing high inflation rates;
- governmental laws and regulations affecting domestic and foreign operations, including, without limitation, tax obligations and changes affecting the tax treatment by the U.S. of income earned outside the U.S. that may result from pending and possible future proposals, including further clarifications and/or interpretations of the recently passed TCJA;
- any significant issues involving our largest wholesale distributors, which account for a substantial portion of our revenues;
- the possible impact of the increased presence of counterfeit medicines in the pharmaceutical supply chain on our revenues and on patient confidence in the integrity of our medicines;
- the end result of any negotiations between the U.K. government and the EU regarding the terms of the U.K.'s exit from the EU, which could have implications on our research, commercial and general business operations in the U.K. and the EU, including the approval and supply of our products;
- any significant issues that may arise related to the outsourcing of certain operational and staff functions to third parties, including with regard to quality, timeliness and compliance with applicable legal requirements and industry standards;
- any significant issues that may arise related to our joint ventures and other third-party business arrangements;
- changes in U.S. generally accepted accounting principles;

- further clarifications and/or changes in interpretations of existing laws and regulations, or changes in laws and regulations, in the U.S. and other countries;
- uncertainties related to general economic, political, business, industry, regulatory and market conditions including, without limitation, uncertainties related to the impact on Pfizer, our customers, suppliers and lenders and counterparties to our foreign-exchange and interest-rate agreements of challenging global economic conditions and recent and possible future changes in global financial markets; and the related risk that our allowance for doubtful accounts may not be adequate;
- any changes in business, political and economic conditions due to actual or threatened terrorist activity in the U.S. and other parts of the world, and related U.S. military action overseas;
- growth in costs and expenses;
- changes in our product, segment and geographic mix;
- the impact of purchase accounting adjustments, acquisition-related costs, discontinued operations and certain significant items;
- the impact of acquisitions, divestitures, restructurings, internal reorganizations, product recalls, withdrawals and other unusual items, including our ability to realize the projected benefits of our cost-reduction and productivity initiatives and of the internal separation of our commercial operations into our current operating structure;
- the risk of an impairment charge related to our intangible assets, goodwill or equity-method investments;
- risks related to internal control over financial reporting;
- risks and uncertainties related to our acquisitions of Hospira, Anacor, Medivation and AstraZeneca's small molecule anti-infectives business, including, among other things, the ability to realize the anticipated benefits of those acquisitions, including the possibility that expected cost savings related to the acquisition of Hospira and accretion related to the acquisitions of Hospira, Anacor and Medivation will not be realized or will not be realized within the expected time frame; the risk that the businesses will not be integrated successfully; disruption from the transactions making it more difficult to maintain business and operational relationships; risks related to our ability to grow revenues for Xtandi and expand Xtandi into the non-metastatic castration-resistant prostate cancer setting; significant transaction costs; and unknown liabilities; and
- risks and uncertainties related to our evaluation of strategic alternatives for our Consumer Healthcare business, including, among other things, the ability to realize the anticipated benefits of any strategic alternatives we may pursue for our Consumer Healthcare business, the potential for disruption to our business and diversion of management's attention from other aspects of our business, the possibility that such strategic alternatives will not be completed on terms that are advantageous to Pfizer, the possibility that we may be unable to realize a higher value for Pfizer Consumer Healthcare through strategic alternatives and unknown liabilities.

We cannot guarantee that any forward-looking statement will be realized. Achievement of anticipated results is subject to substantial risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements, and are cautioned not to put undue reliance on forward-looking statements.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law or by the rules and regulations of the SEC. You are advised, however, to consult any further disclosures we make on related subjects.

Certain risks, uncertainties and assumptions are discussed here and under the heading entitled "Risk Factors" in Part I, Item 1A. of our Form 10-K for the year ended December 31, 2017 . We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

The operating segment information provided in this report does not purport to represent the revenues, costs and income from continuing operations before provision/(benefit) for taxes on income that each of our operating segments would have recorded had each segment operated as a standalone company during the periods presented.

This report includes discussion of certain clinical studies relating to various in-line products and/or product candidates. These studies typically are part of a larger body of clinical data relating to such products or product candidates, and the discussion herein should be considered in the context of the larger body of data. In addition, clinical trial data are subject to differing interpretations, and, even when we view data as sufficient to support the safety and/or effectiveness of a product candidate or a new indication for an in-line product, regulatory authorities may not share our views and may require additional data or may deny approval altogether.

## Financial Risk Management

The objective of our financial risk management program is to minimize the impact of foreign exchange rate movements and interest rate movements on our earnings. We manage these financial exposures through operational means and through the use of third-party instruments. These practices may change as economic conditions change.

### Foreign Exchange Risk

We operate globally and, as such, we are subject to foreign exchange risk in our commercial operations, as well as in our financial assets (investments) and liabilities (borrowings). Our net investments in foreign subsidiaries are also subject to currency risk.

On the commercial side, a significant portion of our revenues and earnings is exposed to changes in foreign exchange rates. See the " *Our Operating Environment — The Global Economic Environment* " section of this Financial Review for the key currencies in which we operate. We

seek to manage our foreign exchange risk, in part, through operational means, including managing same-currency revenues in relation to same-currency costs and same-currency assets in relation to same-currency liabilities. Where foreign exchange risk cannot be mitigated via operational means, we may use foreign currency forward-exchange contracts and/or foreign currency swaps to manage that risk.

With respect to our financial assets and liabilities, our primary foreign exchange exposure arises predominantly from short-term and long-term intercompany receivables and payables, and, to a lesser extent, from short-term and long-term investments and debt, where the assets and/or liabilities are denominated in currencies other than the functional currency of the business entity.
We also hedge some forecasted intercompany sales denominated in euro, Japanese yen, Chinese renminbi, U.K. pound, Canadian dollar, and Australian dollar to protect against longer-term movements.

In addition, under certain market conditions, we may seek to protect against possible declines in the reported net investments of our foreign business entities. In these cases, we may use foreign currency swaps, foreign currency forward-exchange contracts and/or foreign currency debt.

For details about these and other financial instruments, including fair valuation methodologies, see Notes to Consolidated Financial Statements— *Note 7A. Financial Instruments: Fair Value Measurements* .

The fair values of our financial instrument holdings are analyzed at year-end to determine their sensitivity to foreign exchange rate changes. In this sensitivity analysis, holding all other assumptions constant and assuming that a change in one currency's rate relative to the U.S. dollar would not have any effect on another currency's rates relative to the U.S. dollar, if the dollar were to appreciate against all other currencies by 10%, as of December 31, 2017 , the expected adverse impact on our net income would not be significant.

Interest Rate Risk

We are subject to interest rate risk on our investments and on our borrowings. We manage interest rate risk in the aggregate, while focusing on Pfizer's immediate and intermediate liquidity needs.

With respect to our investments, we strive to maintain a predominantly floating-rate basis position, but our strategy may change based on prevailing market conditions. Our floating-rate assets are subject to the risk that short-term interest rates may fall and, as a result, the investments would generate less interest income. Fixed-rate investments provide a known amount of interest income regardless of a change in interest rates. We sometimes use interest rate swaps in our financial investment portfolio.

With respect to our long-term borrowings, we strive to maintain a predominantly floating-rate basis position, but here too, we may change our strategy depending upon prevailing market conditions. We generally issue debt with a fixed rate, and then use interest rate swaps to convert it into floating-rate debt as we deem appropriate in the circumstances. This effective floating rate debt serves to offset some of the interest rate risks associated with our short-term and floating-rate investments.

For details about these and other financial instruments, including fair valuation methodologies, see Notes to Consolidated Financial Statements— *Note 7A. Financial Instruments: Fair Value Measurements* .

The fair values of our financial instrument holdings are analyzed at year-end to determine their sensitivity to interest rate changes. In this sensitivity analysis, holding all other assumptions constant and assuming a parallel shift in the interest rate curve for all maturities and for all instruments, if there were a one hundred basis point increase in interest rates as of December 31, 2017 , the expected adverse impact on our net income would not be significant.

## Contingencies

Legal Matters

We and certain of our subsidiaries are subject to numerous contingencies arising in the ordinary course of business, such as patent litigation, product liability and other product-related litigation, commercial litigation, environmental claims and proceedings, government investigations and guarantees and indemnifications (see Notes to Consolidated Financial Statements— *Note 17. Commitments and Contingencies).*

Certain of these contingencies could result in losses, including damages, fines and/or civil penalties, and/or criminal charges, which could be substantial.

We believe that our claims and defenses in these matters are substantial, but litigation is inherently unpredictable and excessive verdicts do occur. We do not believe that any of these matters will have a material adverse effect on our financial position. However, we could incur judgments, enter into settlements or revise our expectations regarding the outcome of certain matters, and such developments could have a material adverse effect on our results of operations in the period in which the amounts are accrued and/or our cash flows in the period in which the amounts are paid.

We have accrued for losses that are both probable and reasonably estimable. Substantially all of our contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss can be complex. Consequently, we are unable to estimate the range of reasonably possible loss in excess of amounts accrued. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but the assessment process relies heavily on estimates and assumptions that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions.

Tax Matters

We and certain of our subsidiaries are subject to numerous contingencies arising in the ordinary course of business for tax matters (see Notes to Consolidated Financial Statements— *Note 5D. Tax Matters: Tax Contingencies).*

We account for income tax contingencies using a benefit recognition model. If our initial assessment fails to result in the recognition of a tax benefit, we regularly monitor our position and subsequently recognize the tax benefit: (i) if there are changes in tax law, analogous case law or there is new information that sufficiently raise the likelihood of prevailing on the technical merits of the position to "more likely than not"; (ii) if the statute of limitations expires; or (iii) if there is a completion of an audit resulting in a favorable settlement of that tax year with the appropriate agency. We regularly re-evaluate our tax positions based on the results of audits of federal, state and foreign income tax filings, statute of limitations expirations, changes in tax law or receipt of new information that would either increase or decrease the technical merits of a position relative to the "more-likely-than-not" standard.

Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but our estimates of unrecognized tax benefits and potential tax benefits may not be representative of actual outcomes, and variation from such estimates could materially affect our financial statements in the period of settlement or when the statutes of limitations expire, as we treat these events as discrete items in the period of resolution. Finalizing audits with the relevant taxing authorities can include formal administrative and legal proceedings, and, as a result, it is difficult to estimate the timing and range of possible changes related to our uncertain tax positions, and such changes could be significant.

# Management’s Report on Internal Control Over Financial Reporting

### Management’s Report

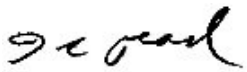
We prepared and are responsible for the financial statements that appear in our 2017 Financial Report. These financial statements are in conformity with accounting principles generally accepted in the United States of America and, therefore, include amounts based on informed judgments and estimates. We also accept responsibility for the preparation of other financial information that is included in this document.

### Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. The Company’s internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

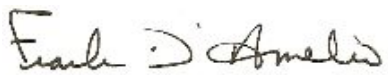
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2017 . In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework (2013)* . Based on our assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2017 .

The Company’s independent auditors have issued their auditors’ report on the Company’s internal control over financial reporting. That report appears in our 2017 Financial Report under the heading, *Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting.*

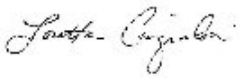


**Ian Read**

Chairman and Chief Executive Officer



**Frank D’Amelio**
Principal Financial Officer



**Loretta Cangialosi**
Principal Accounting Officer

*February 22, 2018*

# Audit Committee Report

The Audit Committee reviews Pfizer's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls.

The Committee met and held discussions with management and the independent registered public accounting firm regarding the fair and complete presentation of Pfizer's results and the assessment of Pfizer's internal control over financial reporting. We discussed significant accounting policies applied in Pfizer's financial statements, as well as, when applicable, alternative accounting treatments. Management represented to the Committee that the consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Committee reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. The Committee discussed with the independent registered public accounting firm matters required to be discussed under applicable Public Company Accounting Oversight Board (PCAOB) standards.

In addition, the Committee reviewed and discussed with the independent registered public accounting firm the auditor's independence from Pfizer and its management. As part of that review, we received the written disclosures and the letter required by applicable requirements of the PCAOB regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and the Committee discussed the independent registered public accounting firm's independence from Pfizer.

We also considered whether the independent registered public accounting firm's provision of non-audit services to Pfizer is compatible with the auditor's independence. The Committee concluded that the independent registered public accounting firm is independent from Pfizer and its management.

As part of our responsibilities for oversight of Pfizer's Enterprise Risk Management process, we reviewed and discussed company policies with respect to risk assessment and risk management, including discussions of individual risk areas, as well as an annual summary of the overall process.

The Committee discussed with Pfizer's Internal Audit Department and independent registered public accounting firm the overall scope of and plans for their respective audits. The Committee meets with the Chief Internal Auditor, Chief Compliance and Risk Officer and representatives of the independent registered public accounting firm, in regular and executive sessions, to discuss the results of their examinations, the evaluations of Pfizer's internal controls, and the overall quality of Pfizer's financial reporting and compliance programs.

In reliance on the reviews and discussions referred to above, the Committee has recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in Pfizer's Annual Report on Form 10-K for the year ended December 31, 2017 , for filing with the U.S. Securities and Exchange Commission. The Committee has selected, and the Board of Directors has ratified, the selection of Pfizer's independent registered public accounting firm for 2018 .

***The Audit Committee***

Suzanne Nora Johnson, Chair
W. Don Cornwell
Joseph J. Echevarria
Stephen W. Sanger
James C. Smith

*February 22, 2018*

*The Audit Committee Report does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any Company filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates the Audit Committee Report by reference therein.*

# Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements

**The Board of Directors and Shareholders of Pfizer Inc.:**

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Pfizer Inc. and Subsidiary Companies (the Company) as of December 31, 2017 and 2016 , and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2017 , and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pfizer Inc. and Subsidiary Companies as of December 31, 2017 and 2016 , and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2017 , in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017 , based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 22, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.


**KPMG LLP**

We have not been able to determine the specific year that KPMG and our predecessor firms began serving as the Company's auditor, however, we are aware that KPMG and our predecessor firms have served as the Company's auditor since at least 1942.

New York, New York

*February 22, 2018*

# Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

**The Board of Directors and Shareholders of Pfizer Inc.:**

Opinion on Internal Control Over Financial Reporting

We have audited Pfizer Inc. and Subsidiary Companies' (the Company) internal control over financial reporting of as of December 31, 2017 , based on criteria established in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017 , based on criteria established in Internal Control-Integrated Framework (2013) issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Pfizer Inc. and Subsidiary Companies as of December 31, 2017 and 2016 , and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2017 , and the related notes (collectively, the consolidated financial statements), and our report dated February 22, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**KPMG LLP**
New York, New York

*February 22, 2018*

## Consolidated Statements of Income

Pfizer Inc. and Subsidiary Companies

| (MILLIONS, EXCEPT PER COMMON SHARE DATA) | Year Ended December 31, 2017 | 2016 | 2015 |
|---|---|---|---|
| Revenues | **$ 52,546** | $ 52,824 | $ 48,851 |
| Costs and expenses: | | | |
| Cost of sales [(a)] | **11,240** | 12,329 | 9,648 |
| Selling, informational and administrative expenses [(a)] | **14,784** | 14,837 | 14,809 |
| Research and development expenses [(a)] | **7,657** | 7,872 | 7,690 |
| Amortization of intangible assets | **4,758** | 4,056 | 3,728 |
| Restructuring charges and certain acquisition-related costs | **487** | 1,724 | 1,152 |
| Other (income)/deductions—net | **1,315** | 3,655 | 2,860 |
| Income from continuing operations before provision/(benefit) for taxes on income | **12,305** | 8,351 | 8,965 |
| Provision/(benefit) for taxes on income | **(9,049)** | 1,123 | 1,990 |
| Income from continuing operations | **21,353** | 7,229 | 6,975 |
| Discontinued operations: | | | |
| Income from discontinued operations—net of tax | **(1)** | 16 | 17 |
| Gain/(loss) on disposal of discontinued operations—net of tax | **3** | — | (6) |
| Discontinued operations—net of tax | **2** | 17 | 11 |
| Net income before allocation to noncontrolling interests | **21,355** | 7,246 | 6,986 |
| Less: Net income attributable to noncontrolling interests | **47** | 31 | 26 |
| Net income attributable to Pfizer Inc. | **$ 21,308** | $ 7,215 | $ 6,960 |
| Earnings per common share—basic : | | | |
| Income from continuing operations attributable to Pfizer Inc. common shareholders | **$ 3.57** | $ 1.18 | $ 1.13 |
| Discontinued operations—net of tax | **—** | — | — |
| Net income attributable to Pfizer Inc. common shareholders | **$ 3.57** | $ 1.18 | $ 1.13 |
| Earnings per common share—diluted : | | | |
| Income from continuing operations attributable to Pfizer Inc. common shareholders | **$ 3.52** | $ 1.17 | $ 1.11 |
| Discontinued operations—net of tax | **—** | — | — |
| Net income attributable to Pfizer Inc. common shareholders | **$ 3.52** | $ 1.17 | $ 1.11 |
| Weighted-average shares—basic | **5,970** | 6,089 | 6,176 |
| Weighted-average shares—diluted | **6,058** | 6,159 | 6,257 |
| Cash dividends paid per common share | **$ 1.28** | $ 1.20 | $ 1.12 |

[(a)] Exclusive of amortization of intangible assets, except as disclosed in *Note 1K. Basis of Presentation and Significant Accounting Policies: Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets.*

Amounts may not add due to rounding.

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

## Consolidated Statements of Comprehensive Income

Pfizer Inc. and Subsidiary Companies

| (MILLIONS) | Year Ended December 31, 2017 | 2016 | 2015 |
|---|---|---|---|
| Net income before allocation to noncontrolling interests | **$ 21,355** | $ 7,246 | $ 6,986 |
| Foreign currency translation adjustments, net | **$ 1,116** | $ (815) | $ (3,110) |
| Reclassification adjustments [a] | **162** | — | — |
| | **1,278** | (815) | (3,110) |
| Unrealized holding gains/(losses) on derivative financial instruments, net | **(10)** | (442) | 204 |
| Reclassification adjustments for (gains)/losses included in net income [b] | **(520)** | 452 | (368) |
| | **(530)** | 10 | (165) |
| Unrealized holding gains/(losses) on available-for-sale securities, net | **818** | 248 | (846) |
| Reclassification adjustments for (gains)/losses included in net income [b] | **(244)** | (118) | 796 |
| | **574** | 130 | (50) |
| Benefit plans: actuarial losses, net | **(212)** | (1,888) | (37) |
| Reclassification adjustments related to amortization [c] | **588** | 558 | 550 |
| Reclassification adjustments related to settlements, net [c] | **117** | 127 | 671 |
| Other | **(145)** | 195 | 199 |
| | **348** | (1,009) | 1,383 |
| Benefit plans: prior service (costs)/credits and other, net | **(2)** | 184 | 432 |
| Reclassification adjustments related to amortization [c] | **(184)** | (173) | (160) |
| Reclassification adjustments related to curtailments, net [c] | **(18)** | (26) | (32) |
| Other | **—** | 6 | (3) |
| | **(203)** | (8) | 237 |
| Other comprehensive income/(loss), before tax | **1,468** | (1,692) | (1,705) |
| Tax provision/(benefit) on other comprehensive income/(loss) [d] | **(262)** | (174) | 528 |
| Other comprehensive income/(loss) before allocation to noncontrolling interests | **$ 1,730** | $ (1,518) | $ (2,232) |
| Comprehensive income before allocation to noncontrolling interests | **$ 23,085** | $ 5,728 | $ 4,754 |
| Less: Comprehensive income/(loss) attributable to noncontrolling interests | **62** | 28 | (1) |
| Comprehensive income attributable to Pfizer Inc. | **$ 23,023** | $ 5,701 | $ 4,755 |

[a] The foreign currency translation adjustments reclassified into *Other (income)/deductions—net* in the consolidated statement of income primarily result from sale of our 40% ownership investment in Teuto and the sale of our 49% equity share in Hisun Pfizer. See *Note 2D. Acquisitions, Sale of Hospira Infusion Systems Net Assets, Research and Development and Collaborative Arrangements, Equity-Method Investments and Cost-Method Investment: Equity-Method Investments.*

[b] Reclassified into *Other (income)/deductions—net* and *Cost of sales* in the consolidated statements of income. For additional information on amounts reclassified into *Cost of sales,* see *Note 7F. Financial Instruments: Derivative Financial Instruments and Hedging Activities.*

[c] Generally reclassified, as part of net periodic pension cost, into *Cost of sales, Selling, informational and administrative expenses,* and/or *Research and development expenses* , as appropriate, in the consolidated statements of income. For additional information, see *Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans* .

[d] See *Note 5E. Tax Matters: Tax Provision/(Benefit) on Other Comprehensive Income/(Loss).*

Amounts may not add due to rounding.

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

## Consolidated Balance Sheets
Pfizer Inc. and Subsidiary Companies

| (MILLIONS, EXCEPT PREFERRED STOCK ISSUED AND PER COMMON SHARE DATA) | As of December 31, 2017 | 2016 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | **$ 1,342** | $ 2,595 |
| Short-term investments | **18,650** | 15,255 |
| Trade accounts receivable, less allowance for doubtful accounts: 2017—$584; 2016—$609 | **8,221** | 8,225 |
| Inventories | **7,578** | 6,783 |
| Current tax assets | **3,050** | 3,041 |
| Other current assets | **2,289** | 2,249 |
| Assets held for sale | **12** | 801 |
| Total current assets | **41,141** | 38,949 |
| Long-term investments | **7,015** | 7,116 |
| Property, plant and equipment, less accumulated depreciation | **13,865** | 13,318 |
| Identifiable intangible assets, less accumulated amortization | **48,741** | 52,648 |
| Goodwill | **55,952** | 54,449 |
| Noncurrent deferred tax assets and other noncurrent tax assets | **1,855** | 1,812 |
| Other noncurrent assets | **3,227** | 3,323 |
| Total assets | **$ 171,797** | $ 171,615 |
| Liabilities and Equity | | |
| Short-term borrowings, including current portion of long-term debt: 2017—$3,546; 2016—$4,225 | **$ 9,953** | $ 10,688 |
| Trade accounts payable | **4,656** | 4,536 |
| Dividends payable | **2,029** | 1,944 |
| Income taxes payable | **477** | 437 |
| Accrued compensation and related items | **2,196** | 2,487 |
| Other current liabilities | **11,115** | 11,023 |
| Total current liabilities | **30,427** | 31,115 |
| Long-term debt | **33,538** | 31,398 |
| Pension benefit obligations, net | **5,926** | 6,406 |
| Postretirement benefit obligations, net | **1,504** | 1,766 |
| Noncurrent deferred tax liabilities | **3,900** | 30,753 |
| Other taxes payable | **18,697** | 4,000 |
| Other noncurrent liabilities | **6,149** | 6,337 |
| Total liabilities | **100,141** | 111,776 |
| Commitments and Contingencies | | |
| Preferred stock, no par value, at stated value; 27 shares authorized; issued: 2017—-524; 2016—-597 | **21** | 24 |
| Common stock, $0.05 par value; 12,000 shares authorized; issued: 2017—-9,275; 2016—-9,230 | **464** | 461 |
| Additional paid-in capital | **84,278** | 82,685 |
| Treasury stock, shares at cost: 2017—3,296; 2016—-3,160 | **(89,425)** | (84,364) |
| Retained earnings | **85,291** | 71,774 |
| Accumulated other comprehensive loss | **(9,321)** | (11,036) |
| Total Pfizer Inc. shareholders' equity | **71,308** | 59,544 |
| Equity attributable to noncontrolling interests | **348** | 296 |
| Total equity | **71,656** | 59,840 |
| Total liabilities and equity | **$ 171,797** | $ 171,615 |

Amounts may not add due to rounding.

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

# Consolidated Statements of Equity

Pfizer Inc. and Subsidiary Companies

| | PFIZER INC. SHAREHOLDERS | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Preferred Stock | | Common Stock | | | Treasury Stock | | | | | | |
| (MILLIONS, EXCEPT PREFERRED SHARES) | Shares | Stated Value | Shares | Par Value | Add'l Paid-In Capital | Shares | Cost | Retained Earnings | Accum. Other Comp. Loss | Share - holders' Equity | Non-controlling Interests | Total Equity |
| Balance, January 1, 2015 | 717 | $ 29 | 9,110 | $ 455 | $ 78,977 | (2,819) | $ (73,021) | $ 72,176 | $ (7,316) | $ 71,301 | $ 321 | $ 71,622 |
| Net income | | | | | | | | 6,960 | | 6,960 | 26 | 6,986 |
| Other comprehensive income/(loss), net of tax | | | | | | | | | (2,206) | (2,206) | (26) | (2,232) |
| Cash dividends declared: | | | | | | | | | | | | |
| Common stock | | | | | | | | (7,141) | | (7,141) | | (7,141) |
| Preferred stock | | | | | | | | (2) | | (2) | | (2) |
| Noncontrolling interests | | | | | | | | | | — | (16) | (16) |
| Share-based payment transactions | | | 67 | 3 | 2,015 | (1) | (72) | | | 1,946 | | 1,946 |
| Purchases of common stock | | | | | | (182) | (6,160) | | | (6,160) | | (6,160) |
| Preferred stock conversions and redemptions | (68) | (3) | | | (3) | | 1 | | | (5) | | (5) |
| Other | | — | — | — | 27 | — | — | — | | 27 | (27) | — |
| Balance, December 31, 2015 | 649 | 26 | 9,178 | 459 | 81,016 | (3,003) | (79,252) | 71,993 | (9,522) | 64,720 | 278 | 64,998 |
| Net income | | | | | | | | 7,215 | | 7,215 | 31 | 7,246 |
| Other comprehensive income/(loss), net of tax | | | | | | | | | (1,514) | (1,514) | (3) | (1,518) |
| Cash dividends declared: | | | | | | | | | | | | |
| Common stock | | | | | | | | (7,446) | | (7,446) | | (7,446) |
| Preferred stock | | | | | | | | (2) | | (2) | | (2) |
| Noncontrolling interests | | | | | | | | | | — | (10) | (10) |
| Share-based payment transactions | | | 52 | 3 | 1,672 | (3) | (111) | | | 1,563 | | 1,563 |
| Purchases of common stock | | | | | | (154) | (5,000) | | | (5,000) | | (5,000) |
| Preferred stock conversions and redemptions | (52) | (2) | | | (2) | — | — | | | (5) | | (5) |
| Other [a] | | — | — | — | — | — | — | 13 | — | 13 | — | 13 |
| Balance, December 31, 2016 | 597 | 24 | 9,230 | 461 | 82,685 | (3,160) | (84,364) | 71,774 | (11,036) | 59,544 | 296 | 59,840 |
| **Net income** | | | | | | | | **21,308** | | **21,308** | **47** | **21,355** |
| **Other comprehensive income/(loss), net of tax** | | | | | | | | | **1,715** | **1,715** | **14** | **1,730** |
| **Cash dividends declared:** | | | | | | | | | | | | |
| **Common stock** | | | | | | | | **(7,789)** | | **(7,789)** | | **(7,789)** |
| **Preferred stock** | | | | | | | | **(1)** | | **(1)** | | **(1)** |
| **Noncontrolling interests** | | | | | | | | | | **—** | **(9)** | **(9)** |
| **Share-based payment transactions [b]** | | | **45** | **2** | **1,597** | **15** | **(63)** | | | **1,536** | | **1,536** |
| **Purchases of common stock** | | | | | | **(150)** | **(5,000)** | | | **(5,000)** | | **(5,000)** |
| **Preferred stock conversions and redemptions** | **(73)** | **(3)** | | | **(3)** | **—** | **1** | | | **(5)** | | **(5)** |
| **Other** | | | | | **—** | **—** | | **—** | | **—** | **—** | **—** |
| **Balance, December 31, 2017** | **524** | **$ 21** | **9,275** | **$ 464** | **$ 84,278** | **(3,296)** | **$ (89,425)** | **$ 85,291** | **$ (9,321)** | **$ 71,308** | **$ 348** | **$ 71,656** |

[a] Represents the $13 million cumulative effect of the adoption of a new accounting standard in the fourth quarter of 2016, as of January 1, 2016, for certain elements of the accounting for share-based payments. For additional information, see Notes to Consolidated Financial Statements— *Note 1B. Basis of Presentation and Significant Accounting Policies: Adoption of New Accounting Standards* in Pfizer's 2016 Financial Report .

[b] 2017 treasury shares include the effect of the modification for a commitment to pay 15.2 million common-share equivalents that were scheduled for near-term settlement.

Amounts may not add due to rounding.

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

## Consolidated Statements of Cash Flows
Pfizer Inc. and Subsidiary Companies

| (MILLIONS) | Year Ended December 31, 2017 | 2016 | 2015 |
|---|---|---|---|
| Operating Activities | | | |
| Net income before allocation to noncontrolling interests | **$ 21,355** | $ 7,246 | $ 6,986 |
| Adjustments to reconcile net income before allocation to noncontrolling interests to net cash provided by operating activities: | | | |
| Depreciation and amortization | **6,269** | 5,757 | 5,157 |
| Asset write-offs and impairments | **634** | 1,613 | 1,119 |
| Foreign currency loss related to Venezuela | **—** | — | 806 |
| Loss on sale of HIS net assets | **55** | 1,712 | — |
| TCJA impact [(a)] | **(10,660)** | — | — |
| Deferred taxes from continuing operations | **(2,410)** | (700) | (20) |
| Share-based compensation expense | **840** | 691 | 669 |
| Benefit plan contributions in excess of expense | **(961)** | (712) | (617) |
| Other adjustments, net | **50** | 208 | (152) |
| Other changes in assets and liabilities, net of acquisitions and divestitures: | | | |
| Trade accounts receivable | **259** | (134) | 21 |
| Inventories | **(357)** | 365 | (199) |
| Other assets | **(31)** | (60) | 236 |
| Trade accounts payable | **46** | 871 | 254 |
| Other liabilities | **(67)** | (223) | 664 |
| Other tax accounts, net | **1,446** | (734) | (235) |
| Net cash provided by operating activities | **16,470** | 15,901 | 14,688 |
| Investing Activities | | | |
| Purchases of property, plant and equipment | **(1,956)** | (1,823) | (1,397) |
| Purchases of short-term investments | **(14,596)** | (15,957) | (28,581) |
| Proceeds from redemptions/sales of short-term investments | **10,307** | 29,436 | 40,064 |
| Net (purchases of)/proceeds from redemptions/sales of short-term investments with original maturities of three months or less | **2,058** | (4,218) | 5,768 |
| Purchases of long-term investments | **(3,537)** | (8,011) | (9,542) |
| Proceeds from redemptions/sales of long-term investments | **3,594** | 11,254 | 6,929 |
| Acquisitions of businesses, net of cash acquired | **(1,000)** | (18,368) | (16,466) |
| Acquisitions of intangible assets | **(261)** | (176) | (99) |
| Other investing activities, net [(b)] | **650** | 51 | 344 |
| Net cash used in investing activities | **(4,741)** | (7,811) | (2,980) |
| Financing Activities | | | |
| Proceeds from short-term borrowings | **8,464** | 7,472 | 5,557 |
| Principal payments on short-term borrowings | **(9,990)** | (5,102) | (3,965) |
| Net proceeds from/(payments on) short-term borrowings with original maturities of three months or less | **1,401** | (3,084) | 2,717 |
| Proceeds from issuance of long-term debt | **5,274** | 10,976 | — |
| Principal payments on long-term debt | **(6,154)** | (7,689) | (2,990) |
| Purchases of common stock | **(5,000)** | (5,000) | (6,160) |
| Cash dividends paid | **(7,659)** | (7,317) | (6,940) |
| Proceeds from exercise of stock options | **862** | 1,019 | 1,263 |
| Other financing activities, net | **(233)** | (196) | 109 |
| Net cash used in financing activities | **(13,035)** | (8,921) | (10,409) |
| Effect of exchange-rate changes on cash and cash equivalents | **53** | (215) | (1,000) |
| Net increase/(decrease) in cash and cash equivalents | **(1,254)** | (1,046) | 298 |
| Cash and cash equivalents, beginning | **2,595** | 3,641 | 3,343 |
| Cash and cash equivalents, end | **$ 1,342** | $ 2,595 | $ 3,641 |

- Continued -

## Consolidated Statements of Cash Flows

Pfizer Inc. and Subsidiary Companies

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2017** | 2016 | 2015 |
| Supplemental Cash Flow Information | | | |
| Non-cash transactions: | | | |
| Exchange of $1.1 billion net book value 6.50% U.K. pound-denominated bonds maturing in 2038 for $1.8 billion of new 2.735% U.K. pound-denominated bonds maturing in 2043, resulting in a debt extinguishment loss of $747 million [c] | **$ 1,848** | $ — | $ — |
| Receipt of ICU Medical common stock [b] | **428** | — | — |
| Promissory note from ICU Medical [b] | **75** | **—** | **—** |
| Exchange of Hospira subsidiary debt for Pfizer debt [d] | **—** | — | 1,669 |
| Cash paid (received) during the period for: | | | |
| Income taxes | **$ 2,489** | $ 2,521 | $ 2,383 |
| Interest | **1,518** | 1,451 | 1,302 |
| Interest rate hedges | **(199)** | (338) | (237) |

[a] As a result of the enactment of the TCJA, Pfizer's *Provision/(benefit) for taxes on income* was favorably impacted by approximately $10.7 billion , primarily reflecting the remeasurement of U.S. deferred tax liabilities, which includes the repatriation tax on deemed repatriated accumulated post-1986 earnings of foreign subsidiaries. See *Note 5A. Tax Matters: Taxes on Income from Continuing Operations* for additional information.

[b] In connection with the sale of HIS net assets to ICU Medical, on February 3, 2017, Pfizer received 3.2 million newly issued shares of ICU Medical common stock initially valued at $428 million and a promissory note in the amount of $75 million which was repaid in full as of December 31, 2017 and included in *Other investing activities* for the year ended December 31, 2017. For additional information, see *Note 2B . Acquisitions, Sale of Hospira Infusion Systems Net Assets, Research and Development and Collaborative Arrangements, Equity-Method Investments and Cost-Method Investment: Sale of Hospira Infusion Systems Net Assets to ICU Medical, Inc. (EH)* .

[c] The $747 million is included in the net loss of $846 million upon the exchange and early retirement of the U.K. pound-denominated debt. See *Note 7D. Financial Instruments: Long-Term Debt* for additional information.

[d] In October 2015, Pfizer exchanged $1.7 billion debt of its then recently acquired subsidiary, Hospira, for virtually the same amount of Pfizer debt. See *Note 7D. Financial Instruments: Long-Term Debt.*

Amounts may not add due to rounding.

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

## Note 1. Basis of Presentation and Significant Accounting Policies

### A. Basis of Presentation

See the Glossary of Defined Terms at the beginning of this 2017 Financial Report for terms used throughout the consolidated financial statements and related notes of this 2017 Financial Report.

The consolidated financial statements include our parent company and all subsidiaries, and are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The decision of whether or not to consolidate an entity requires consideration of majority voting interests, as well as effective economic or other control over the entity. Typically, we do not seek control by means other than voting interests. For subsidiaries operating outside the U.S., the financial information is included as of and for the year ended November 30 for each year presented. Pfizer's fiscal year-end for U.S. subsidiaries is as of and for the year ended December 31 for each year presented. Substantially all unremitted earnings of international subsidiaries are free of legal and contractual restrictions. All significant transactions among our businesses have been eliminated. Taxes paid on intercompany sales transactions are deferred until recognized upon sale of the asset to a third party.

We manage our commercial operations through two distinct business segments: Pfizer Innovative Health (IH) and Pfizer Essential Health (EH). For additional information, see *Note 18* .

Certain amounts in the consolidated financial statements and associated notes may not add due to rounding. All percentages have been calculated using unrounded amounts.

Our recent significant business development activities include:

- On February 3, 2017, we completed the sale of our global infusion systems net assets, HIS, to ICU Medical, a global device manufacturer, for up to approximately $900 million , composed of cash and contingent cash consideration, ICU Medical common stock and seller financing. HIS includes IV pumps, solutions and devices. The operating results of HIS are included in the consolidated statement of income and EH's operating results through February 2, 2017 and, therefore, our financial results, and EH's operating results, for the year ended December 31, 2017 reflect approximately one month of HIS domestic operations and approximately two months of HIS international operations, while our financial results, and EH's operating results, for the year ended December 31, 2016 reflect 12 months of HIS global operations and for the year ended December 31, 2015 reflect four months of HIS U.S. operations and three months of HIS international operations. Assets and liabilities associated with HIS are presented as held for sale in the consolidated balance sheet as of December 31, 2016.
- On December 22, 2016, which falls in the first fiscal quarter of 2017 for our international operations, we acquired the development and commercialization rights to AstraZeneca's small molecule anti-infectives business, primarily outside the U.S. for $1,045 million , composed of cash and contingent consideration. Commencing from the acquisition date, our financial statements reflect the assets, liabilities, operating results and cash flows of this business, and, in accordance with our international reporting period, our financial results, EH's operating results, and cash flows for the year ended December 31, 2017 reflect approximately 11 months of the small molecule anti-infectives business acquired from AstraZeneca.
- On September 28, 2016, we acquired Medivation for $81.50 per share. The total fair value of consideration transferred for Medivation was approximately $14.3 billion in cash ( $13.9 billion , net of cash acquired). Commencing from the acquisition date, our financial statements reflect the assets, liabilities, operating results and cash flows of Medivation. Therefore, Medivation operations are reflected in our financial results, IH's operating results, and cash flows for the year ended December 31, 2017. In accordance with our domestic and international reporting periods, our consolidated financial statements for the year ended December 31, 2016 reflect approximately three months of Medivation operations.
- On June 24, 2016, we acquired Anacor for $99.25 per share. The total fair value of consideration transferred for Anacor was approximately $4.9 billion in cash ( $4.5 billion , net of cash acquired), plus $698 million debt assumed. Commencing from the acquisition date, our financial statements reflect the assets, liabilities, operating results and cash flows of Anacor. Therefore, Anacor operations are reflected in our financial results, IH's operating results, and cash flows for the year ended December 31, 2017. In accordance with our domestic and international reporting periods, our consolidated financial statements for the year ended December 31, 2016 reflect approximately six months of Anacor operations.
- On April 6, 2016, we announced that the merger agreement between Pfizer and Allergan entered into on November 22, 2015 was terminated by mutual agreement of the companies. The decision was driven by the actions announced by the U.S. Department of Treasury on April 4, 2016, which the companies concluded qualified as an "Adverse Tax Law Change" under the merger agreement. In connection with the termination of the merger agreement, on April 8, 2016 (which fell into Pfizer's second fiscal quarter), Pfizer paid Allergan $150 million (pre-tax) for reimbursement of Allergan's expenses associated with the terminated transaction (see *Note 4* ). Pfizer and Allergan also released each other from any and all claims in connection with the merger agreement.
- On September 3, 2015, we acquired Hospira for approximately $16.1 billion in cash ( $15.7 billion , net of cash acquired). Commencing from the acquisition date, our financial statements reflect the assets, liabilities, operating results and cash flows of Hospira. In accordance with our domestic and international reporting periods, our consolidated financial statements for the year ended December 31, 2015 reflect four months of Hospira U.S. operations and three months of Hospira international operations.

For additional information, see *Note 2.*

**B. Adoption of New Accounting Standards in 2017**

We adopted a new standard as of January 1, 2017 that amended guidance on the assessment of whether an entity is the primary beneficiary of a variable interest entity. Under this new guidance, when evaluating whether an entity is the primary beneficiary, a single decision maker must consider its indirect interest held through related parties under common control proportionately. There was no material impact to our consolidated financial statements from adopting this standard.

We adopted a new standard as of January 1, 2017 related to inventory. The new guidance requires that inventory be measured at the lower of cost or net realizable value, which is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. There was no material impact to our consolidated financial statements from adopting this standard.

**C. Estimates and Assumptions**

In preparing the consolidated financial statements, we use certain estimates and assumptions that affect reported amounts and disclosures, including amounts recorded and disclosed in connection with acquisitions. These estimates and underlying assumptions can impact all elements of our financial statements. For example, in the consolidated statements of income, estimates are used when accounting for deductions from revenues (such as rebates, chargebacks, sales allowances and sales returns), determining the cost of inventory that is sold, allocating cost in the form of depreciation and amortization, and estimating restructuring charges and the impact of contingencies, as well as determining provisions for taxes on income. On the consolidated balance sheets, estimates are used in determining the valuation and recoverability of assets, such as accounts receivable, investments, inventories, deferred tax assets, fixed assets and intangible assets (including acquired IPR&D assets), and estimates are used in determining the reported amounts of liabilities, such as taxes payable, benefit obligations, accruals for contingencies, rebates, chargebacks, sales allowances and sales returns, and restructuring reserves, all of which also impact the consolidated statements of income.

Our estimates are often based on complex judgments and assumptions that we believe to be reasonable, but that can be inherently uncertain and unpredictable. If our estimates and assumptions are not representative of actual outcomes, our results could be materially impacted.

As future events and their effects cannot be determined with precision, our estimates and assumptions may prove to be incomplete or inaccurate, or unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions. We are subject to risks and uncertainties that may cause actual results to differ from estimated amounts, such as changes in the healthcare environment, competition, litigation, legislation and regulations. We regularly evaluate our estimates and assumptions using historical experience and expectations about the future. We adjust our estimates and assumptions when facts and circumstances indicate the need for change.

For information on estimates and assumptions in connection with the TCJA, see Notes to Consolidated Financial Statements— *Note 5A . Tax Matters: Taxes on Income from Continuing Operations.*

**D. Acquisitions**

Our consolidated financial statements include the operations of acquired businesses after the completion of the acquisitions. We account for acquired businesses using the acquisition method of accounting, which requires, among other things, that most assets acquired and liabilities assumed be recognized at their estimated fair values as of the acquisition date and that the fair value of acquired IPR&D be recorded on the balance sheet. Transaction costs are expensed as incurred. Any excess of the consideration transferred over the assigned values of the net assets acquired is recorded as goodwill. When we acquire net assets that do not constitute a business, as defined in U.S. GAAP, no goodwill is recognized and acquired IPR&D is expensed.

Contingent consideration in a business combination is included as part of the acquisition cost and is recognized at fair value as of the acquisition date. Fair value is generally estimated by using a probability-weighted discounted cash flow approach. Any liability resulting from contingent consideration is remeasured to fair value at each reporting date until the contingency is resolved. These changes in fair value are recognized in earnings in *Other (income)/deductions—net* .

Amounts recorded in connection with an acquisition can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

**E. Fair Value**

We are often required to measure certain assets and liabilities at fair value, either upon initial recognition or for subsequent accounting or reporting. For example, we use fair value extensively in the initial recognition of net assets acquired in a business combination, when measuring certain impairment losses and when accounting for and reporting of certain financial instruments. We estimate fair value using an exit price approach, which requires, among other things, that we determine the price that would be received to sell an asset or paid to transfer a liability in an orderly market. The determination of an exit price is considered from the perspective of market participants, considering the highest and best use of non-financial assets and, for liabilities, assuming that the risk of non-performance will be the same before and after the transfer.

When estimating fair value, depending on the nature and complexity of the asset or liability, we may use one or all of the following techniques:

- Income approach, which is based on the present value of a future stream of net cash flows.
- Market approach, which is based on market prices and other information from market transactions involving identical or comparable assets or liabilities.

- Cost approach, which is based on the cost to acquire or construct comparable assets, less an allowance for functional and/or economic obsolescence.

Our fair value methodologies depend on the following types of inputs:

- Quoted prices for identical assets or liabilities in active markets (Level 1 inputs).
- Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are directly or indirectly observable, or inputs that are derived principally from, or corroborated by, observable market data by correlation or other means (Level 2 inputs).
- Unobservable inputs that reflect estimates and assumptions (Level 3 inputs).

A single estimate of fair value can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

## F. Foreign Currency Translation

For most of our international operations, local currencies have been determined to be the functional currencies. We translate functional currency assets and liabilities to their U.S. dollar equivalents at exchange rates in effect as of the balance sheet date and we translate functional currency income and expense amounts to their U.S. dollar equivalents at average exchange rates for the period. The U.S. dollar effects that arise from changing translation rates are recorded in *Other comprehensive income/(loss)* . The effects of converting non-functional currency monetary assets and liabilities into the functional currency are recorded in *Other (income)/deductions—net* . For operations in highly inflationary economies, we translate monetary items at rates in effect as of the balance sheet date, with translation adjustments recorded in *Other (income)/deductions—net* , and we translate non-monetary items at historical rates.

## G. Revenues and Trade Accounts Receivable

*Revenue Recognition* —We record revenues from product sales when the goods are shipped and title passes to the customer. At the time of sale, we also record estimates for a variety of revenue deductions, such as chargebacks, rebates, sales allowances and sales returns. When we cannot reasonably estimate the amount of future sales returns and/or other revenue deductions, we record revenues when the risk of product return and/or additional revenue deductions has been substantially eliminated.

*Deductions from Revenues*— Our gross product revenues are subject to a variety of deductions, that generally are estimated and recorded in the same period that the revenues are recognized, and primarily represent chargebacks, rebates and sales allowances to wholesalers, and, to a lesser extent, distributors like MCOs, retailers and government agencies with respect to our pharmaceutical products. Those deductions represent estimates of rebates and discounts related to gross sales for the reporting period and, as such, knowledge and judgment of market conditions and practice are required when estimating the impact of these revenue deductions on gross sales for a reporting period.

Specifically:

- In the U.S., we record provisions for pharmaceutical Medicare, Medicaid, and performance-based contract rebates based upon our experience ratio of rebates paid and actual prescriptions written during prior quarters. We apply the experience ratio to the respective period's sales to determine the rebate accrual and related expense. This experience ratio is evaluated regularly to ensure that the historical trends are as current as practicable. We estimate discounts on branded prescription drug sales to Medicare Part D participants in the Medicare "coverage gap," also known as the "doughnut hole," based on the historical experience of beneficiary prescriptions and consideration of the utilization that is expected to result from the discount in the coverage gap. We evaluate this estimate regularly to ensure that the historical trends and future expectations are as current as practicable. For performance-based contract rebates, we also consider current contract terms, such as changes in formulary status and rebate rates.
- Outside the U.S., the majority of our pharmaceutical sales allowances are contractual or legislatively mandated and our estimates are based on actual invoiced sales within each period, which reduces the risk of variations in the estimation process. In certain European countries, rebates are calculated on the government's total unbudgeted pharmaceutical spending or on specific product sales thresholds, and we apply an estimated allocation factor against our actual invoiced sales to project the expected level of reimbursement. We obtain third-party information that helps us to monitor the adequacy of these accruals.
- Provisions for pharmaceutical chargebacks (primarily reimbursements to U.S. wholesalers for honoring contracted prices to third parties) closely approximate actual as we settle these deductions generally within two to five weeks of incurring the liability.
- Provisions for pharmaceutical sales returns are based on a calculation for each market that incorporates the following, as appropriate: local returns policies and practices; historical returns as a percentage of sales; an understanding of the reasons for past returns; estimated shelf life by product; an estimate of the amount of time between shipment and return or lag time; and any other factors that could impact the estimate of future returns, such as loss of exclusivity, product recalls or a changing competitive environment. Generally, returned products are destroyed, and customers are refunded the sales price in the form of a credit.
- We record sales incentives as a reduction of revenues at the time the related revenues are recorded or when the incentive is offered, whichever is later. We estimate the cost of our sales incentives based on our historical experience with similar incentives programs to predict customer behavior.

Our accruals for Medicare rebates, Medicaid and related state program rebates, performance-based contract rebates, chargebacks, sales allowances and sales returns and cash discounts totaled $4.9 billion and $4.3 billion as of December 31, 2017 and December 31, 2016 , respectively. The following table provides information about the balance sheet classification of these accruals:

| | As of December 31, | |
|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 |
| Reserve against ***Trade accounts receivable, less allowance for doubtful accounts*** | **$ 1,352** | $ 1,154 |
| ***Other current liabilities*** **:** | | |
| Accrued rebates | **2,674** | 2,261 |
| Other accruals | **512** | 509 |
| ***Other noncurrent liabilities*** | **385** | 357 |
| Total accrued rebates and other accruals | **$ 4,923** | $ 4,282 |

Amounts recorded for revenue deductions can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from *Revenues* .

*Collaborative Arrangements*— Payments to and from our collaboration partners are presented in our consolidated statements of income based on the nature of the arrangement (including its contractual terms), the nature of the payments and applicable accounting guidance. Under co-promotion agreements, we record the amounts received from our collaboration partners as alliance revenues, a component of *Revenues,* when our collaboration partners are the principal in the transaction and we receive a share of their net sales or profits. Alliance revenues are recorded when our collaboration partners ship the product and title passes to their customer. The related expenses for selling and marketing these products are included in *Selling, informational and administrative expenses.* In collaborative arrangements where we manufacture a product for our collaboration partners, we record revenues when our collaboration partners sell the product and title passes to their customers. All royalty payments to collaboration partners are included in *Cost of sales* . Royalty payments received from collaboration partners are included in *Other (income)/deductions—net.*

*Trade Accounts Receivable* —Trade accounts receivable are stated at their net realizable value. The allowance against gross trade accounts receivable reflects the best estimate of probable losses inherent in the receivables portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other current information. Trade accounts receivable are written off after all reasonable means to collect the full amount (including litigation, where appropriate) have been exhausted.

## H. Cost of Sales and Inventories

We carry inventories at the lower of cost or net realizable value. The cost of finished goods, work in process and raw materials is determined using average actual cost. We regularly review our inventories for impairment and reserves are established when necessary.

## I. Selling, Informational and Administrative Expenses

Selling, informational and administrative costs are expensed as incurred. Among other things, these expenses include the internal and external costs of marketing, advertising, shipping and handling, information technology and legal defense.
Advertising expenses totaled approximately $3.1 billion in 2017 , $3.2 billion in 2016 and $3.1 billion in 2015 . Production costs are expensed as incurred and the costs of radio time, television time and space in publications are expensed when the related advertising occurs.

## J. Research and Development Expenses

R&D costs are expensed as incurred. These expenses include the costs of our proprietary R&D efforts, as well as costs incurred in connection with certain licensing arrangements. Before a compound receives regulatory approval, we record upfront and milestone payments made by us to third parties under licensing arrangements as expense. Upfront payments are recorded when incurred, and milestone payments are recorded when the specific milestone has been achieved. Once a compound receives regulatory approval, we record any milestone payments in *Identifiable intangible assets, less accumulated amortization* and, unless the asset is determined to have an indefinite life, we amortize the payments on a straight-line basis over the remaining agreement term or the expected product life cycle, whichever is shorter.

R&D expenses related to upfront and milestone payments for intellectual property rights totaled $169 million in 2017 , $82 million in 2016 and $429 million in 2015 . For additional information, see *Note 2C* .

## K. Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets

Long-lived assets include:

- *Property, plant and equipment, less accumulated depreciation* —These assets are recorded at cost and are increased by the cost of any significant improvements after purchase. Property, plant and equipment assets, other than land and construction in progress, are depreciated on a straight-line basis over the estimated useful life of the individual assets. Depreciation begins when the asset is ready for its intended use. For tax purposes, accelerated depreciation methods are used as allowed by tax laws.

- *Identifiable intangible assets, less accumulated amortization* —These acquired assets are recorded at fair value. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. Intangible assets with indefinite lives that are associated with marketed products are not amortized until a useful life can be determined. Intangible assets associated with IPR&D projects are not amortized until approval is obtained in a major market, typically either the U.S. or the EU, or in a series of other countries, subject to certain specified conditions and management judgment. The useful life of an amortizing asset generally is determined by identifying the period in which substantially all of the cash flows are expected to be generated.
- *Goodwill* —Goodwill represents the excess of the consideration transferred for an acquired business over the assigned values of its net assets. Goodwill is not amortized.

Amortization expense related to finite-lived acquired intangible assets that contribute to our ability to sell, manufacture, research, market and distribute products, compounds and intellectual property is included in *Amortization of intangible assets* as these intangible assets benefit multiple business functions. Amortization expense related to intangible assets that are associated with a single function and depreciation of property, plant and equipment are included in *Cost of sales, Selling, informational and administrative expenses* and/or *Research and development expenses,* as appropriate.

We review all of our long-lived assets for impairment indicators throughout the year. We perform impairment testing for indefinite-lived intangible assets and goodwill at least annually and for all other long-lived assets whenever impairment indicators are present. When necessary, we record charges for impairments of long-lived assets for the amount by which the fair value is less than the carrying value of these assets.

Specifically:

- For finite-lived intangible assets, such as developed technology rights, and for other long-lived assets, such as property, plant and equipment, whenever impairment indicators are present, we calculate the undiscounted value of the projected cash flows associated with the asset, or asset group, and compare this estimated amount to the carrying amount. If the carrying amount is found to be greater, we record an impairment loss for the excess of book value over fair value. In addition, in all cases of an impairment review, we re-evaluate the remaining useful lives of the assets and modify them, as appropriate.
- For indefinite-lived intangible assets, such as Brands and IPR&D assets, when necessary, we determine the fair value of the asset and record an impairment loss, if any, for the excess of book value over fair value. In addition, in all cases of an impairment review other than for IPR&D assets, we re-evaluate whether continuing to characterize the asset as indefinite-lived is appropriate.
- For goodwill, when necessary, we determine the fair value of each reporting unit and compare that value to its book value. If the carrying amount is found to be greater, we then determine the implied fair value of goodwill by subtracting the fair value of all the identifiable net assets other than goodwill from the fair value of the reporting unit and record an impairment loss, if any, for the excess of the book value of goodwill over the implied fair value.

Impairment reviews can involve a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C*.

**L. Restructuring Charges and Certain Acquisition-Related Costs**

We may incur restructuring charges in connection with acquisitions when we implement plans to restructure and integrate the acquired operations or in connection with our cost-reduction and productivity initiatives. Included in *Restructuring charges and certain acquisition-related costs* are all restructuring charges, as well as certain other costs associated with acquiring and integrating an acquired business. If the restructuring action results in a change in the estimated useful life of an asset, that incremental impact is classified in *Cost of sales, Selling, informational and administrative expenses* and/or *Research and development expenses* , as appropriate. Termination costs are generally recorded when the actions are probable and estimable. Transaction costs, such as banking, legal, accounting and other costs incurred in connection with a business acquisition are expensed as incurred .

Amounts recorded for restructuring charges and other associated costs can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C*.

**M. Cash Equivalents and Statement of Cash Flows**

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

Cash flows associated with financial instruments designated as fair value or cash flow hedges may be included in operating, investing or financing activities, depending on the classification of the items being hedged. Cash flows associated with financial instruments designated as net investment hedges are classified according to the nature of the hedge instrument. Cash flows associated with financial instruments that do not qualify for hedge accounting treatment are classified according to their purpose and accounting nature.

**N. Investments and Derivative Financial Instruments**

Our investments are comprised of the following: trading funds and securities, available-for-sale securities, held-to-maturity securities (when we have both the positive intent and ability to hold the investment to maturity) and private equity securities. The classification of an investment can depend on the nature of the investment, our intent and ability to hold the investment, and the degree to which we may exercise influence.

- Trading securities are carried at fair value, with changes in fair value reported in *Other (income)/deductions—net*.

- Available-for-sale debt and equity securities are carried at fair value, with changes in fair value reported in *Other comprehensive income/(loss)* until realized.
- Held-to-maturity debt securities are carried at amortized cost.
- Private equity securities are carried at equity method or at cost method. For equity investments where we have significant influence over the financial and operating policies of the investee, we use the equity-method of accounting. Under the equity-method, we record our share of the investee's income and expenses in *Other (income)/deductions —net* . The excess of the cost of the investment over our share of the equity of the investee as of the acquisition date is allocated to the identifiable assets of the investee, with any remaining excess amount allocated to goodwill. Such investments are initially recorded at cost, which typically does not include amounts of contingent consideration.

Realized gains or losses on sales of investments are determined by using the specific identification cost method.

We regularly evaluate all of our financial assets for impairment. For investments in debt and equity securities, when a decline in fair value, if any, is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established.

Derivative financial instruments are carried at fair value in various balance sheet categories (see *Note 7A* ), with changes in fair value reported in *Net income* or, for derivative financial instruments in certain qualifying hedging relationships, in *Other comprehensive income/(loss)* (see *Note 7F* ).

A single estimate of fair value and impairment reviews can involve a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

**O. Tax Assets and Liabilities and Income Tax Contingencies**

Current tax assets primarily includes (i) tax effects associated with intercompany transfers of assets within our consolidated group, which are recognized in the consolidated statement of income when the asset transferred is sold to a third-party or recovered through amortization of the asset's remaining economic life; and (ii) income tax receivables that are expected to be recovered either as refunds from taxing authorities or as a reduction to future tax obligations.

Deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates and laws, including the recently enacted TCJA. We provide a valuation allowance when we believe that our deferred tax assets are not recoverable based on an assessment of estimated future taxable income that incorporates ongoing, prudent and feasible tax-planning strategies, that would be implemented, if necessary, to realize the deferred tax assets. All deferred tax assets and liabilities within the same tax jurisdiction are presented as a net amount in the noncurrent section of our consolidated balance sheet.

Other taxes payable includes liabilities for uncertain tax positions and an estimate of the repatriation tax liability on the deemed repatriated accumulated post-1986 foreign earnings recorded in connection with the TCJA for which we plan to elect payment over eight years through 2026. See *Note 5A* for additional information.

We account for income tax contingencies using a benefit recognition model. If we consider that a tax position is more likely than not to be sustained upon audit, based solely on the technical merits of the position, we recognize the benefit. We measure the benefit by determining the amount that is greater than 50% likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information.

Under the benefit recognition model, if our initial assessment fails to result in the recognition of a tax benefit, we regularly monitor our position and subsequently recognize the tax benefit: (i) if there are changes in tax law, analogous case law or there is new information that sufficiently raise the likelihood of prevailing on the technical merits of the position to "more likely than not"; (ii) if the statute of limitations expires; or (iii) if there is a completion of an audit resulting in a favorable settlement of that tax year with the appropriate agency. We regularly re-evaluate our tax positions based on the results of audits of federal, state and foreign income tax filings, statute of limitations expirations, changes and clarification in tax law or receipt of new information that would either increase or decrease the technical merits of a position relative to the more-likely-than-not standard. Liabilities associated with uncertain tax positions are classified as current only when we expect to pay cash within the next 12 months. Interest and penalties, if any, are recorded in *Provision/(benefit) for taxes on income* and are classified on our consolidated balance sheet with the related tax liability. Given the significant changes resulting from and complexities associated with the TCJA, the estimated financial impacts for 2017 are provisional and subject to further analysis, interpretation and clarification of the TCJA, which could result in changes to these estimates during 2018. For additional information, see *Note 5A* .

Amounts recorded for valuation allowances and income tax contingencies can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

### P. Pension and Postretirement Benefit Plans

The majority of our employees worldwide are covered by defined benefit pension plans, defined contribution plans or both. In the U.S., we have both qualified and supplemental (non-qualified) defined benefit and defined contribution plans, as well as other postretirement benefit plans consisting primarily of medical insurance for retirees. We recognize the overfunded or underfunded status of each of our defined benefit plans as an asset or liability on our consolidated balance sheet. The obligations are generally measured at the actuarial present value of all benefits attributable to employee service rendered, as provided by the applicable benefit formula. Our pension and other postretirement obligations may include assumptions such as expected employee turnover and participant mortality. For our pension plans, the obligation may also include assumptions as to future compensation levels. For our other postretirement benefit plans, the obligation may include assumptions as to the expected cost of providing medical insurance benefits, as well as the extent to which those costs are shared with the employee or others (such as governmental programs). Plan assets are measured at fair value. Net periodic benefit costs are recognized, as required, into *Cost of sales, Selling, informational and administrative expenses* and/or *Research and development expenses* , as appropriate.

Amounts recorded for pension and postretirement benefit plans can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

### Q. Legal and Environmental Contingencies

We and certain of our subsidiaries are subject to numerous contingencies arising in the ordinary course of business, such as patent litigation, product liability and other product-related litigation, commercial litigation, environmental claims and proceedings, government investigations and guarantees and indemnifications. We record accruals for these contingencies to the extent that we conclude that a loss is both probable and reasonably estimable. If some amount within a range of loss appears to be a better estimate than any other amount within the range, we accrue that amount. Alternatively, when no amount within a range of loss appears to be a better estimate than any other amount, we accrue the lowest amount in the range. We record anticipated recoveries under existing insurance contracts when recovery is assured.

Amounts recorded for contingencies can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

### R. Share-Based Payments

Our compensation programs can include share-based payments. Generally, grants under share-based payment programs are accounted for at fair value and these fair values are generally amortized on a straight-line basis over the vesting terms into *Cost of sales, Selling, informational and administrative expenses* and/or *Research and development expenses* , as appropriate.

Amounts recorded for share-based compensation can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C* .

## Note 2. Acquisitions, Sale of Hospira Infusion Systems Net Assets, Research and Development and Collaborative Arrangements, Equity-Method Investments and Cost-Method Investment

### A. Acquisitions

AstraZeneca's Small Molecule Anti-Infectives Business (EH)

On December 22, 2016, which falls in the first fiscal quarter of 2017 for our international operations, we acquired the development and commercialization rights to AstraZeneca's small molecule anti-infectives business, primarily outside the U.S., including the commercialization and development rights to the newly approved EU drug Zavicefta™ (ceftazidime-avibactam), the marketed agents Merrem™/Meronem™ (meropenem) and Zinforo™ (ceftaroline fosamil), and the clinical development assets ATM-AVI and CXL (ceftaroline fosamil-AVI). Under the terms of the agreement, we made an upfront payment of approximately $552 million to AstraZeneca upon the close of the transaction and an additional $3 million payment for a contractual purchase price adjustment in the second quarter of 2017. We also made a $50 million milestone payment in the second quarter of 2017, we made an additional milestone payment of $125 million in our first fiscal quarter of 2018 and we will make a deferred payment of $175 million to AstraZeneca in January 2019. In addition, AstraZeneca may be eligible to receive an additional milestone payment of $75 million if the related milestone is achieved prior to December 31, 2021, and up to $600 million if sales of Zavicefta™ exceed certain thresholds prior to January 1, 2026, as well as tiered royalties on sales of Zavicefta™ and ATM-AVI in certain markets for a period ending on the later of 10 years from first commercial sale or the loss of patent protection or loss of regulatory exclusivity. The total royalty payments are unlimited during the royalty term and the undiscounted payments are expected to be in the range of approximately $250 million to $425 million . The total fair value of consideration transferred for AstraZeneca's small molecule anti-infectives business was approximately $1,045 million , which includes $555 million in cash, plus the fair value of contingent consideration of $490 million (which is composed of the deferred payment, the $50 million milestone payment made in the second quarter of 2017, the $125 million milestone payment made in our first fiscal quarter of 2018 and the future expected milestone and royalty payments). In connection with this acquisition, we provisionally recorded $879 million in *Identifiable intangible assets* , primarily consisting of $660 million in *Developed technology rights* and $219 million in *IPR&D* . We also recorded $92 million in *Other current assets* related to the economic value of inventory which was retained by AstraZeneca for sale on our behalf, $92 million in *Goodwill* and $17 million of net deferred tax liabilities. The allocation of the consideration transferred to the assets acquired and the liabilities assumed has not been finalized.

Medivation, Inc. (IH)

On September 28, 2016, we acquired Medivation for $81.50 per share. The total fair value of consideration transferred for Medivation was approximately $14.3 billion in cash ( $13.9 billion , net of cash acquired). Of this consideration, approximately $365 million was not paid as of December 31, 2016, and was recorded in *Other current liabilities.* The remaining consideration was paid as of December 31, 2017 . Medivation is a wholly-owned subsidiary of Pfizer. Medivation is a biopharmaceutical company focused on developing and commercializing small molecules for oncology. Medivation's portfolio includes Xtandi (enzalutamide), an androgen receptor inhibitor that blocks multiple steps in the androgen receptor signaling pathway within tumor cells. Xtandi is being developed and commercialized through a collaboration with Astellas. Astellas has exclusive commercialization rights for Xtandi outside the U.S. In addition, Medivation has a development-stage oncology asset in its pipeline, talazoparib, which is currently in a Phase 3 study for the treatment of BRCA-mutated breast cancer. In connection with this acquisition, we recorded $12.2 billion in *Identifiable intangible assets* , primarily consisting of $8.1 billion of *Developed technology rights* with an average useful life of approximately 12 years and $4.1 billion of *IPR&D,* and recorded $6.1 billion of *Goodwill,* $4.0 billion of net income tax liabilities, and $259 million of assumed contingent consideration. In 2017 and 2016, we recorded measurement period adjustments to the estimated fair values initially recorded in 2016, which resulted in a reduction in *Identifiable intangible assets* of approximately $1.0 billion with a corresponding change to *Goodwill* and net income tax liabilities. The measurement period adjustments were recorded to better reflect market participant assumptions about facts and circumstances existing as of the acquisition date. The 2017 results include a decrease of approximately $38 million to *Amortization of intangible assets* which reflects the cumulative pre-tax impact of the measurement period adjustments to *Identifiable intangible assets* that were amortized to the income statement since the acquisition date. The measurement period adjustments did not result from intervening events subsequent to the acquisition date. The final allocation of the consideration transferred to the assets acquired and the liabilities assumed has been completed.

Bamboo Therapeutics, Inc. (IH)

On August 1, 2016, we acquired all the remaining equity in Bamboo, a privately-held biotechnology company focused on developing gene therapies for the potential treatment of patients with certain rare diseases relating to neuromuscular conditions and those affecting the central nervous system, for $150 million , plus potential milestone payments of up to $495 million contingent upon the progression of key assets through development, regulatory approval and commercialization. The total fair value of the consideration transferred for Bamboo was approximately $343 million , including cash of $130 million ( $101 million , net of cash acquired), contingent consideration of $167 million , consisting of milestone payments, and the fair value of Pfizer's previously held equity interest in Bamboo of $45 million . We previously purchased a minority stake in Bamboo in the first quarter of 2016 for a payment of approximately $43 million . Upon acquiring the remaining interest in Bamboo in the third quarter of 2016, we recognized a gain of $2 million on our existing investment in *Other (income)/deductions—net* over the one-year allocation period . This acquisition provides us with several clinical and pre-clinical assets that complement our rare disease portfolio, an advanced recombinant AAV vector design and production technology, and a fully functional Phase I/II gene therapy manufacturing facility. Bamboo is a wholly-owned subsidiary of Pfizer. In connection with this acquisition, we recorded $330 million of *Identifiable intangible assets,* consisting entirely of *IPR&D*. We also recorded $142 million of *Goodwill* and $94 million of net deferred tax liabilities. The final allocation of the consideration transferred to the assets acquired and the liabilities assumed has been completed.

Anacor Pharmaceuticals, Inc. (IH)

On June 24, 2016, we acquired Anacor for $99.25 per share. The total fair value of consideration transferred for Anacor was approximately $4.9 billion in cash ( $4.5 billion net of cash acquired), plus $698 million debt assumed. Anacor is a wholly-owned subsidiary of Pfizer. Anacor is a biopharmaceutical company focused on novel small-molecule therapeutics derived from its boron chemistry platform. Anacor's crisaborole, a non-steroidal topical PDE-4 inhibitor with anti-inflammatory properties, was approved by the FDA on December 14, 2016 under the trade name, Eucrisa. In connection with this acquisition, we recorded $698 million as the fair value of notes payable in cash, and recorded $4.9 billion in *Identifiable intangible assets* , primarily consisting of $4.8 billion of *IPR&D* , and recorded $646 million of *Goodwill* and $346 million of net income tax liabilities. The final allocation of the consideration transferred to the assets acquired and the liabilities assumed has been completed.

Hospira, Inc. (EH)

On September 3, 2015, we acquired Hospira, a leading provider of sterile injectable drugs and infusion technologies as well as a provider of biosimilars, for $90 per share in cash. The total fair value of consideration transferred for Hospira was approximately $16.1 billion in cash ( $15.7 billion , net of cash acquired). Hospira is a subsidiary of Pfizer and its commercial operations are included in the EH segment.

Hospira's principal business was the development, manufacture, marketing and distribution of generic acute-care and oncology injectables, biosimilars and integrated infusion therapy and medication management systems (see *Note 2B* below). Hospira's broad portfolio of products is used by hospitals and alternate site providers, such as clinics, home healthcare providers and long-term care facilities. We believe our acquisition of Hospira has strengthened our EH business, as EH now has a broadened portfolio of generic and branded sterile injectables, marketed biosimilars and biosimilars in development.

The following table summarizes the amounts recognized for assets acquired and liabilities assumed as of the acquisition date:

| (MILLIONS OF DOLLARS) | | Amounts Recognized as of Acquisition Date Final |
|---|---|---|
| Working capital, excluding inventories [(a)] | $ | 342 |
| Inventories | | 1,901 |
| PP&E | | 2,352 |
| Identifiable intangible assets, excluding IPR&D [(b)] | | 8,290 |
| IPR&D | | 1,030 |
| Other noncurrent assets | | 362 |
| Long-term debt | | (1,928) |
| Benefit obligations | | (117) |
| Net income tax accounts [(c)] | | (3,380) |
| Other noncurrent liabilities | | (61) |
| Total identifiable net assets | | 8,791 |
| Goodwill | | 7,295 |
| Net assets acquired/total consideration transferred | $ | 16,087 |

(a) Includes cash and cash equivalents, short-term investments, accounts receivable, other current assets, assets held for sale, accounts payable and other current liabilities.
(b) Comprised of finite-lived developed technology rights with a weighted-average life of approximately 17 years ( $7.7 billion ) and other finite-lived identifiable intangible assets with a weighted-average life of approximately 12 years ( $570 million ).
(c) Final amounts recognized as of the acquisition date, included in *Current tax assets* ( $57 million ), *Noncurrent deferred tax assets and other noncurrent tax assets* ( $58 million ), *Income taxes payable* ( $5 million ), *Noncurrent deferred tax liabilities* ( $3.4 billion ) and *Other taxes payable* ( $101 million , including accrued interest of $5 million ).

As of the acquisition date, the fair value of accounts receivable approximated the book value acquired. The gross contractual amount receivable was $565 million , of which $12 million was not expected to be collected.

In the ordinary course of business, Hospira incurred liabilities for environmental, legal and tax matters, as well as guarantees and indemnifications. These matters may include contingencies. Except as specifically excluded by the relevant accounting standard, contingencies are required to be measured at fair value as of the acquisition date if the acquisition-date fair value of the asset or liability arising from a contingency can be determined. If the acquisition-date fair value of the asset or liability cannot be determined, the asset or liability would be recognized at the acquisition date if both of the following criteria are met: (i) it is probable that an asset existed or that a liability had been incurred at the acquisition date, and (ii) the amount of the asset or liability can be reasonably estimated.

- *Environmental Matters* —In the ordinary course of business, Hospira incurred liabilities for environmental matters such as remediation work, asset retirement obligations and environmental guarantees and indemnifications. The contingencies for environmental matters are not significant to Pfizer's financial statements.
- *Legal Matters* —Hospira is involved in various legal proceedings, including product liability, patent, commercial, antitrust and environmental matters and government investigations, of a nature considered normal to its business. The contingencies arising from legal matters are not significant to Pfizer's financial statements.
- *Tax Matters* —In the ordinary course of business, Hospira incurred liabilities for income taxes . Income taxes are exceptions to both the recognition and fair value measurement principles associated with the accounting for business combinations. Reserves for income tax contingencies continue to be measured under the benefit recognition model as previously used by Hospira. Net liabilities for income taxes approximate $3.4 billion as of the acquisition date, which included $109 million for uncertain tax positions. The net tax liability included the recording of additional adjustments of approximately $3.2 billion for the tax impact of fair value adjustments and approximately $719 million for income tax matters that we intend to resolve in a manner different from what Hospira had planned or intended. For example, because we planned to repatriate certain overseas funds, we provided deferred taxes on Hospira's unremitted earnings for which no taxes had been previously provided by Hospira as it was Hospira's intention to indefinitely reinvest those earnings.

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Specifically, the goodwill recorded as part of the acquisition of Hospira includes the following:

- the expected specific synergies and other benefits that we believe will result from combining the operations of Hospira with the operations of Pfizer;
- any intangible assets that do not qualify for separate recognition, as well as future, as yet unidentified projects and products; and
- the value of the going-concern element of Hospira's existing businesses (the higher rate of return on the assembled collection of net assets versus if Pfizer had acquired all of the net assets separately).

Goodwill is not amortized and is not deductible for tax purposes. All of the goodwill related to the acquisition of Hospira is related to our EH segment (see *Note 10* for additional information).

Actual and Pro Forma Impact of Acquisition —The following table presents information for Hospira's operations that are included in Pfizer's consolidated statements of income beginning from the acquisition date, September 3, 2015 through Pfizer's domestic and international year-ends in 2015 (see *Note 1A* ):

| (MILLIONS OF DOLLARS) | December 31, 2015 |
|---|---|
| Revenues | $ 1,513 |
| Net loss attributable to Pfizer Inc. common shareholders [(a)] | (575) |

[(a)] Includes purchase accounting charges related to the provisional estimated fair values recognized as of the acquisition date for (i) the fair value adjustment for acquisition-date inventory that has been sold ( $378 million pre-tax); (ii) amortization expense related to the fair value of identifiable intangible assets acquired from Hospira ( $161 million pre-tax); (iii) depreciation expense related to the fair value adjustment of fixed assets acquired from Hospira ( $34 million pre-tax ); and (iv) amortization expense related to the fair value adjustment of long-term debt acquired from Hospira ( $13 million income pre-tax), as well as restructuring and integration costs ( $556 million pre-tax).

The following table provides supplemental pro forma information as if the acquisition of Hospira had occurred on January 1, 2014:

| | Unaudited Supplemental Pro Forma Consolidated Results |
|---|---|
| (MILLIONS OF DOLLARS, EXCEPT PER COMMON SHARE DATA) | Year Ended December 31, 2015 |
| Revenues | $ 52,082 |
| Net income attributable to Pfizer Inc. common shareholders | 7,669 |
| Diluted EPS attributable to Pfizer Inc. common shareholders | 1.23 |

The unaudited supplemental pro forma consolidated results were prepared using the acquisition method of accounting and do not purport to reflect what the combined company's results of operations would have been had the acquisition occurred on January 1, 2014, nor do they project the future results of operations of the combined company or reflect the expected realization of any cost savings associated with the acquisition. The actual results of operations of the combined company may differ significantly from the pro forma adjustments reflected here due to many factors. The unaudited supplemental pro forma financial information includes various assumptions, including those related to the purchase price allocation of the assets acquired and the liabilities assumed from Hospira.

The unaudited supplemental pro forma consolidated results reflect the historical financial information of Pfizer and Hospira, adjusted to give effect to the acquisition of Hospira as if it had occurred on January 1, 2014, primarily for the following pre-tax adjustments in 2015:

- Elimination of Hospira's historical intangible asset amortization expense (approximately $33 million ).
- Additional amortization expense (approximately $342 million ) related to the fair value of identifiable intangible assets acquired.
- Additional depreciation expense (approximately $52 million ) related to the fair value adjustment to PP&E acquired.
- Adjustment related to the non-recurring fair value adjustment to acquisition-date inventory estimated to have been sold (the elimination of $364 million of charges).
- Adjustment to decrease interest expense (approximately $18 million ) related to the fair value adjustment of Hospira debt.
- Adjustment for non-recurring acquisition-related costs directly attributable to the acquisition (the elimination of $877 million of charges), reflecting non-recurring charges incurred by both Hospira and Pfizer which would have been recorded in 2014 under the pro forma assumption that the Hospira acquisition was completed on January 1, 2014.

The above adjustments were adjusted for the applicable tax impact. The taxes associated with the adjustments related to the fair value adjustment for acquired intangible assets, PP&E, inventory and debt reflect the statutory tax rates in the various jurisdictions where the adjustments are expected to be incurred. The taxes associated with elimination of Hospira's historical intangible asset amortization expense and the adjustment for the acquisition-related costs directly attributable to the acquisition were based on the tax rate in the jurisdiction in which the related deductible costs were incurred.

Marketed Vaccines Business of Baxter International Inc. (IH)

On December 1, 2014 (which fell in the first fiscal quarter of 2015 for our international operations), we acquired Baxter ' s portfolio of marketed vaccines for a final purchase price of $648 million . The portfolio that was acquired consists of NeisVac-C and FSME-IMMUN/TicoVac. NeisVac-C is a vaccine that helps protect against meningitis caused by group C meningococcal meningitis and FSME-IMMUN/TicoVac is a vaccine that helps protect against tick-borne encephalitis. In connection with this acquisition, we recorded $376 million in *Identifiable intangible assets,* primarily consisting of $371 million in *Developed technology rights.* We also recorded $194 million of *Inventories* and $12 million in *Goodwill* . The final allocation of the consideration transferred to the assets acquired and the liabilities assumed has been completed.

**B. Sale of Hospira Infusion Systems Net Assets to ICU Medical, Inc. (EH)**

On October 6, 2016, we announced that we entered into a definitive agreement under which ICU Medical agreed to acquire all of our global infusion systems net assets, HIS, for approximately $1 billion in cash and ICU Medical common stock. HIS includes IV pumps, solutions, and devices. As a result of the performance of HIS relative to ICU Medical's expectations, on January 5, 2017 we entered into a revised agreement with ICU Medical under which ICU Medical would acquire HIS for up to approximately $900 million , composed of cash and contingent cash consideration, ICU Medical common stock and seller financing.

The revised transaction closed on February 3, 2017. At closing, under the terms of the revised agreement, we received 3.2 million newly issued shares of ICU Medical common stock (as originally agreed), which we initially valued at approximately $428 million (based upon the

closing price of ICU Medical common stock on the closing date less a discount for lack of marketability) and which are reported as available-for-sale equity securities at fair value in *Long-term investments* on the consolidated balance sheet as of December 31, 2017, a promissory note in the amount of $75 million , which was repaid in full as of December 31, 2017, and net cash of approximately $200 million before customary adjustments for net working capital, which is reported in *Other investing activities, net* on the consolidated statement of cash flows for the year-ended December 31, 2017. In addition, we are entitled to receive a contingent amount of up to an additional $225 million in cash based on ICU Medical's achievement of certain cumulative performance targets for the combined company through December 31, 2019. After receipt of ICU Medical shares, we own approximately 16% of ICU Medical. We have agreed to certain restrictions on transfer of our ICU Medical shares for 18 months after the closing date. We recognized pre-tax losses of approximately $55 million in 2017 in *Other (income)/deductions—net,* representing adjustments to amounts previously recorded in 2016 to write down the HIS net assets to fair value less costs to sell. For additional information, see *Note 4* .

While we have received the full purchase price excluding the contingent amount as of the February 3, 2017 closing, the sale of the HIS net assets was not completed in certain non-U.S. jurisdictions due to temporary regulatory or operational constraints. In these jurisdictions, which represent a relatively small portion of the HIS net assets, we have continued to operate the net assets for the net economic benefit of ICU Medical, and we are indemnified by ICU Medical against risks associated with such operations during the interim period, subject to our obligations under the definitive transaction agreements. Sales of the HIS net assets have occurred in certain of these jurisdictions as of December 31, 2017 and we expect the sale of the HIS net assets in the remaining jurisdictions to be fully completed by the first quarter of 2018. As such, and as we have already received all of the non-contingent proceeds from the sale and ICU Medical is contractually obligated to complete the transaction, we have treated these jurisdictions as sold for accounting purposes.

In connection with the sale transaction, we entered into certain transitional agreements designed to facilitate the orderly transition of the HIS net assets to ICU Medical. These agreements primarily relate to administrative services, which are generally to be provided for a period of up to 24 months after the closing date. We will also manufacture and supply certain HIS products for ICU Medical and ICU Medical will manufacture and supply certain retained Pfizer products for us after closing, generally for a term of five years. These agreements are not material to Pfizer and none confers upon us the ability to influence the operating and/or financial policies of ICU Medical subsequent to the sale.

At December 31, 2016 , we determined that the carrying value of the HIS net assets held for sale exceeded their fair value less estimated costs to sell, resulting in a pre-tax impairment charge of $1.7 billion , which is included in *Other (income)/deductions—net* (see *Note 4* ). The decline in value resulted from lower expectations as to future cash flows to be generated by HIS, primarily as a result of an increase in competition for customer contracts and pricing factors that were not initially anticipated.

Assets and liabilities associated with HIS are presented as held for sale in the consolidated balance sheet as of December 31, 2016 . The HIS assets held for sale are reported in *Assets held for sale* and HIS liabilities held for sale are reported in *Other current liabilities* . The amounts associated with HIS, as well as other assets classified as held for sale consisted of the following:

| | As of December 31, | |
|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 |
| Assets Held for Sale | | |
| Inventories | **$ —** | $ 377 |
| PP&E | **—** | 457 |
| Identifiable intangible assets | **—** | 1,319 |
| Goodwill | **—** | 119 |
| Other assets | **—** | 152 |
| Less: adjustment to HIS assets for net realizable value [(a)] | **—** | (1,681) |
| Total HIS assets held for sale | **—** | 743 |
| Other assets held for sale [(b)] | **12** | 58 |
| *Assets held for sale* | **$ 12** | $ 801 |
| Liabilities Held for Sale | | |
| Accrued compensation and related items | **$ —** | $ 54 |
| Other liabilities | **—** | 103 |
| Total HIS liabilities held for sale | **$ —** | $ 157 |

(a) For 2016 , we recorded an adjustment to HIS assets for net realizable value of $1,681 million plus estimated costs to sell of $31 million for a total impairment on HIS net assets of $1,712 million .
(b) Other assets held for sale consist primarily of PP&E and other assets.

## C. Research and Development and Collaborative Arrangements

Research and Development Arrangement with NovaQuest Co-Investment Fund II, L.P.

On November 1, 2016, we announced the discontinuation of the global clinical development program for bococizumab. During December 2016, $31.3 million was refunded to NovaQuest representing amounts NovaQuest prepaid for development costs (under the May 2016 agreement described below) that were not used for program expenses due to the discontinuation of the development program. No additional payments have been or are expected to be received from or paid to NovaQuest under this agreement, which was effectively terminated on November 18, 2016.

In May 2016, our agreement with NovaQuest became effective, under which NovaQuest agreed to fund up to $250 million in development costs related to certain Phase III clinical trials of Pfizer's bococizumab compound and Pfizer agreed to use commercially reasonable efforts to develop and obtain regulatory approvals for such compound. NovaQuest's development funding was expected to cover up to 40% of the development costs and was to be received over five quarters during 2016 and 2017. As there was a substantive and genuine transfer of risk to NovaQuest, the development funding applicable to program expenses during 2016 was recognized as an obligation to perform contractual services and therefore has been recognized as a reduction of *Research and development expenses* as incurred. The reduction to *Research and development expenses* for 2016 totaled $180.3 million .

Research and Development Arrangement with NovaQuest Co-Investment Fund V, L.P.

In April 2016, Pfizer entered into an agreement with NovaQuest under which NovaQuest will fund up to $200 million in development costs related to certain Phase III clinical trials of Pfizer's rivipansel compound and Pfizer will use commercially reasonable efforts to develop and obtain regulatory approvals for such compound. NovaQuest's development funding is expected to cover up to 100% of the development costs and will be received over approximately 12 quarters from 2016 to 2019. As there is a substantive and genuine transfer of risk to NovaQuest, the development funding is recognized by us as an obligation to perform contractual services and therefore is a reduction of *Research and development expenses* as incurred. The reduction to *Research and development expenses* totaled $72.1 million for 2017 and $46.6 million for 2016. Following potential regulatory approval, NovaQuest will be eligible to receive a combination of fixed milestone payments of up to approximately $267 million in total, based on achievement of first commercial sale and certain levels of cumulative net sales as well as royalties on rivipansel net sales over approximately eight years. Fixed sales-based milestone payments will be recorded as intangible assets and amortized to *Amortization of intangible assets* over the estimated commercial life of the rivipansel product and royalties on net sales will be recorded as *Cost of sales* when incurred.

Research and Development Arrangement with RPI Finance Trust

In January 2016, Pfizer entered into an agreement with RPI, a subsidiary of Royalty Pharma, under which RPI will fund up to $300 million in development costs related to certain Phase III clinical trials of Pfizer's Ibrance (palbociclib) product primarily for adjuvant treatment of hormone receptor positive early breast cancer (the Indication). RPI's development funding is expected to cover up to 100% of the costs primarily for the applicable clinical trials through 2021. As there is a substantive and genuine transfer of risk to RPI, the development funding is recognized by us as an obligation to perform contractual services and therefore is a reduction of *Research and development expenses* as incurred. The reduction to *Research and development expenses* totaled $75.6 million for 2017 and $44.9 million for 2016. If successful and upon approval of Ibrance in the U.S. or certain major markets in the EU for the Indication based on the applicable clinical trials, RPI will be eligible to receive a combination of approval-based fixed milestone payments of up to $250 million dependent upon results of the clinical trials and royalties on certain Ibrance sales over approximately seven years. Fixed milestone payments due upon approval will be recorded as intangible assets and amortized to *Amortization of intangible assets* over the estimated commercial life of the Ibrance product and sales-based royalties will be recorded as *Cost of sales* when incurred.

Collaborative Arrangements

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

The following table provides the amounts and classification of payments (income/(expense)) between us and our collaboration partners:

| | Year Ended December 31, | | |
|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 |
| *Revenues* —Revenues [a] | **$ 606** | $ 659 | $ 644 |
| *Revenue* s—Alliance revenues [b] | **2,927** | 1,746 | 1,312 |
| Total revenues from collaborative arrangements | **3,533** | 2,405 | 1,956 |
| *Cost of sales* [c] | **(329)** | (315) | (282) |
| *Selling, informational and administrative expenses* [d] | **(54)** | (5) | (287) |
| *Research and development expenses* [e] | **222** | 64 | (330) |
| *Other income/(deductions)—net* [f] | **249** | 542 | 482 |

[a] Represents sales to our partners of products manufactured by us.

[b] Substantially all relates to amounts earned from our partners under co-promotion agreements. The increase in 2017 reflects an increase in alliance revenues from Eliquis and Xtandi. The increase in 2016 reflects an increase in alliance revenues from Eliquis and the inclusion of Xtandi revenues resulting from the acquisition of Medivation in September 2016, partially offset by the expiration of the Rebif co-promotion collaboration at the end of 2015.

[c] Primarily relates to royalties earned by our partners and cost of sales associated with inventory purchased from our partners.

[d] Represents net reimbursements to our partners for selling, informational and administrative expenses incurred.

[e] Primarily relates to upfront payments and pre-approval milestone payments earned by our partners as well as net reimbursements. The upfront and milestone payments were as follows: $15 million in 2017 , $15 million in 2016 and $310 million in 2015 (primarily related to our collaboration with OPKO, see below). 2017 and 2016 also include reimbursements related to our collaboration with Lilly (see below) of $147 million and $120 million , respectively.

[f] Primarily relates to royalties from our collaboration partners. The decrease in 2017 is due to the October 31, 2016 expiration of our 36 month royalty arrangement on sales of Enbrel in the U.S. and Canada, partially offset by a full year of royalties earned in 2017, versus a partial year in 2016, on Xtandi ex-U.S. sales.

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

In addition, in connection with our collaborative arrangements, we paid post-approval milestones to collaboration partners of $140 million in 2017 related to our collaboration with Merck KGaA (see below) and $20 million in 2015 . These payments were recorded in *Identifiable intangible assets — Developed technology rights.* We did not pay post-approval milestones to collaboration partners in 2016. We also recorded upfront and milestone payments from our collaboration partners of $150 million in 2017 , related to our collaboration with Merck and $200 million in 2015, related to our collaboration with Lilly (see below). These amounts were recorded in our consolidated balance sheets as deferred revenue and are being recognized into *Other (income)/deductions—net* over a multi-year period.

Collaboration with Merck & Co., Inc.

In 2013, we announced that we entered into a worldwide collaboration agreement, except for Japan, with Merck for the development and commercialization of ertugliflozin (PF-04971729), our oral sodium glucose cotransporter (SGLT2) inhibitor for the treatment of type 2 diabetes. Under the agreement, we collaborated with Merck on the clinical development of ertugliflozin, and ertugliflozin-containing fixed-dose combinations with metformin and Januvia (sitagliptin) tablets which were approved by the FDA in December 2017 as Steglatro, Segluromet and Steglujan, respectively.

In the first quarter of 2017 , we received a $90 million milestone payment from Merck upon the FDA's acceptance for review of the NDAs for ertugliflozin and two fixed-dose combinations (ertugliflozin plus Januvia (sitagliptin) and ertugliflozin plus metformin), which has been deferred and primarily reported in *Other noncurrent liabilities* and is being recognized in *Other (income)/deductions—net* over a multi-year period. We are eligible for additional payments associated with the achievement of future regulatory and commercial milestones. As of December 31, 2017, we were due a $60 million milestone payment from Merck in conjunction with the approval of ertugliflozin by the FDA, which we received in the first quarter of 2018. As of December 31, 2017, the $60 million due from Merck has been deferred and primarily reported in *Other noncurrent liabilities* . The Merck sales force will exclusively promote Steglatro and the two fixed-dose combination products and we will share revenues and certain costs with Merck on a 60% / 40% basis, with Pfizer having the 40% share. Pfizer will record its share of the collaboration revenues as product sales as we supply the ertugliflozin active pharmaceutical ingredient to Merck for use in the alliance products.

Collaboration with Eli Lilly & Company

In 2013, we entered into a collaboration agreement with Lilly to jointly develop and globally commercialize Pfizer's tanezumab, which provides that Pfizer and Lilly will equally share product-development expenses as well as potential revenues and certain product-related costs. Following the decision by the FDA in March 2015 to lift the partial clinical hold on the tanezumab development program, we received a $200 million upfront payment from Lilly in accordance with the collaboration agreement between Pfizer and Lilly, which is recorded as deferred revenue in our consolidated balance sheet and is being recognized into *Other (income)/deductions—net* over a multi-year period beginning in the second quarter of 2015. Pfizer and Lilly resumed the Phase 3 chronic pain program for tanezumab in July 2015. The FDA granted Fast Track designation for tanezumab for the treatment of chronic pain in patients with OA and CLBP in June 2017. Under the collaboration agreement with Lilly, we are eligible to receive additional payments from Lilly upon the achievement of specified regulatory and commercial milestones.

Collaboration with OPKO Health, Inc.

We entered into a collaborative agreement with OPKO, which closed in January 2015, to develop and commercialize OPKO's long-acting hGH-CTP for the treatment of GHD in adults and children, as well as for the treatment of growth failure in children born SGA who fail to show catch-up growth by two years of age. In February 2015, we made an upfront payment of $295 million to OPKO, which was recorded in *Research and development expenses,* and OPKO is eligible to receive up to an additional $275 million upon the achievement of certain regulatory milestones. OPKO is also eligible to receive royalty payments associated with the commercialization of hGH-CTP for Adult GHD, which is subject to regulatory approval. Upon the launch of hGH-CTP for Pediatric GHD, which is subject to regulatory approval, the royalties will transition to tiered gross profit sharing for both hGH-CTP and our product, Genotropin.

Collaboration with Merck KGaA

In November 2014, we entered into a collaborative arrangement with Merck KGaA, to jointly develop and commercialize avelumab, the proposed international non-proprietary name for the investigational anti-PD-L1 antibody (MSB0010718C), currently approved as Bavencio for metastatic MCC and for patients with locally advanced or metastatic UC in certain countries and in development as a potential treatment for multiple other types of cancer. We and Merck KGaA are exploring the therapeutic potential of this novel anti-PD-L1 antibody as a single agent as well as in various combinations with our and Merck KGaA's broad portfolio of approved and investigational oncology therapies. We and Merck KGaA are also combining resources and expertise to advance Pfizer's anti-PD-1 antibody into Phase 1 trials and explore novel combinations. Under the terms of the agreement, in the fourth quarter of 2014, we made an upfront payment of $850 million to Merck KGaA and Merck KGaA is eligible to receive regulatory and commercial milestone payments of up to approximately $2.0 billion . During 2017, we made $140 million in milestone payments to Merck KGaA, which were recorded in *Identifiable intangible assets — Developed technology rights,* for approvals of avelumab received in 2017 for the MCC indication in the U.S., the EU and Japan, and for the metastatic UC indication in the U.S. Both companies jointly fund all development and commercialization costs, and split equally any profits generated from selling any anti-PD-L1 or anti-PD-1 products from this collaboration. Also, as part of the agreement, we gave Merck KGaA certain co-promotion rights for Xalkori in the U.S. and several other key markets.

## D. Equity-Method Investments

Investment in Hisun Pfizer Pharmaceuticals Company Limited

In September 2012, we and Hisun, a leading pharmaceutical company in China, formed a new company, Hisun Pfizer, to develop, manufacture, market and sell pharmaceutical products, primarily branded generic products, predominately in China. Hisun Pfizer was established with registered capital of $250 million , of which our portion was $122.5 million . As a result of the contributions from both parties, Hisun Pfizer holds a broad portfolio of branded generics covering cardiovascular disease, infectious disease, oncology, mental health and other therapeutic areas.

We have accounted for our interest in Hisun Pfizer as an equity-method investment, due to the significant influence we have had over the operations of Hisun Pfizer through our board representation, minority veto rights and 49% voting interest. Our investment in Hisun Pfizer has been reported in *Long-term investments* , and our share of Hisun Pfizer's net income has been recorded in *Other (income)/deductions—net.*

On November 10, 2017, we sold our 49% equity share in Hisun Pfizer to Sapphire I (HK) Holdings Limited, an investment fund managed by Hillhouse Capital, for a total of $286 million in cash which included our carrying value of $270 million in cash plus $16 million to cover certain taxes incurred on the transaction. As a result of the sale transaction, we recognized a loss of $81 million in the fourth quarter of 2017 for the recognition in earnings of the currency translation adjustment associated with our investment. After the sale transaction, Hisun Pfizer will change its name but will retain its current rights to manufacture, sell and distribute all of Hisun Pfizer's currently marketed and pipeline products in China. We will provide technical, manufacturing and regulatory services in connection with a technology transfer process being run by Hisun Pfizer to support Hisun Pfizer's objective that the products that we had previously licensed to Hisun Pfizer, will in the future, be manufactured locally in China. We will continue to supply certain products to Hisun Pfizer for a period of time, after the sale transaction, to facilitate a smooth transition.

In 2016, we determined that we had other-than-temporary declines in the value of Hisun Pfizer, and, therefore, we recognized a loss of $452 million in *Other (income)/deductions—net* (see *Note 4* ), consisting of losses recognized in the first, second and fourth quarters of 2016. In the first and second quarters of 2016, we determined that we had other-than-temporary declines in the value of Hisun Pfizer and, therefore, we recognized a loss of $81 million and $130 million , respectively. The declines in value resulted from lower expectations as to the future cash flows to be generated by Hisun Pfizer, primarily as a result of an increase in risk due to the continued slowdown in the Chinese economy and changes in the expected timing and number of new product introductions by Hisun Pfizer. In the fourth quarter of 2016, we recognized a loss of $241 million to reduce the carrying value of our investment in Hisun Pfizer to approximately $270 million at December 31, 2016.

In the third quarter of 2015, we determined that we had an other-than-temporary decline in the value of Hisun Pfizer, and, therefore, in 2015, we recognized a loss of $463 million in *Other (income)/deductions—net* (see *Note 4* ) . The decline in value resulted from lower expectations as to the future cash flows to be generated by Hisun Pfizer, as a result of lower than expected recent performance, increased competition, a slowdown in the China economy in relation to their products, as well as certain changes in the regulatory environment.

In valuing our investment in Hisun Pfizer, we used discounted cash flow techniques, reflecting our best estimate of the various risks inherent in the projected cash flows, and a nominal terminal year growth factor. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, which include the expected impact of competitive, legal, economic and/or regulatory forces on the products; the long-term growth rate, which seeks to project the sustainable growth rate over the long-term; and the discount rate, which seeks to reflect the various risks inherent in the projected cash flows, including country risk. As of December 31, 2015 , the carrying value of our investment in Hisun Pfizer was approximately $ 775 million .

Investment in Laboratório Teuto Brasileiro S.A.

We entered into an agreement on June 30, 2017 to exit our investment in Teuto, a 40% -owned generics company in Brazil, and sell our 40% interest in Teuto to the majority shareholders. As part of the agreement, we have waived our option to acquire the remaining 60% of Teuto, and Teuto's other shareholders have waived their option to sell their 60% stake in the company to us. As a result, in the second quarter of 2017, we recognized a net loss of approximately $30 million in *Other (income)/deductions—net* (see *Note 4* ), which included the impairment of our equity-method investment in Teuto, the reversal of a contingent liability associated with the majority shareholders' option to sell their 60% stake in the company to us, and the recognition in earnings of the currency translation adjustment associated with the Teuto investment. The transaction closed on August 16, 2017.

In 2016, we determined that we had an other-than-temporary decline in the value of Teuto, and, therefore, in 2016, we recognized a loss of $50 million in *Other (income)/deductions—net* (see *Note 4* ) related to our equity-method investment. The decline in value resulted from lower expectations as to the future cash flows to be generated by Teuto, primarily due to a slowdown in Brazilian economic conditions, which have been impacted by political risk, higher inflation, and the depreciation of the Brazilian Real.

In valuing our investment in Teuto, we used discounted cash flow techniques, reflecting our best estimate of the various risks inherent in the projected cash flows, and a nominal terminal year growth factor. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, which include the expected impact of competitive, legal, economic and/or regulatory forces on the products; the long-term growth rate, which seeks to project the sustainable growth rate over the long-term; and the discount rate, which seeks to reflect the various risks inherent in the projected cash flows, including country risk.

**E. Cost-Method Investment**

AM-Pharma B.V.

In April 2015, we acquired a minority equity interest in AM-Pharma, a privately-held Dutch biopharmaceutical company focused on the development of recAP for inflammatory diseases, and secured an exclusive option to acquire the remaining equity in the company. The option becomes exercisable after completion of a Phase II trial of recAP in the treatment of Acute Kidney Injury related to sepsis, which is currently expected in the first quarter of 2018. Under the terms of the agreement, we originally paid $87.5 million for both the exclusive option and the minority equity interest, which was recorded as a cost-method investment in *Long-term investments* . During the fourth quarter of 2017, we recognized a loss of $43 million in *Other (income)/deductions—net* (see *Note 4* ) for an impairment of our long-term investment.

## Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives

We incur significant costs in connection with acquiring, integrating and restructuring businesses and in connection with our global cost-reduction/productivity initiatives. For example:

- In connection with acquisition activity, we typically incur costs associated with executing the transactions, integrating the acquired operations (which may include expenditures for consulting and the integration of systems and processes), and restructuring the combined company (which may include charges related to employees, assets and activities that will not continue in the combined company); and
- In connection with our cost-reduction/productivity initiatives, we typically incur costs and charges associated with site closings and other facility rationalization actions, workforce reductions and the expansion of shared services, including the development of global systems.

All of our businesses and functions may be impacted by these actions, including sales and marketing, manufacturing and R&D, as well as groups such as information technology, shared services and corporate operations.

In connection with our acquisition of Hospira, we are focusing our efforts on achieving an appropriate cost structure for the combined company. We expect to incur costs of approximately $1 billion (not including costs of $215 million in 2015 associated with the return of acquired IPR&D rights as described in the *Current-Period Key Activities* section below) associated with the integration of Hospira. The majority of these costs are expected to be incurred for the three-year period post-acquisition.

In 2016, we substantially completed previously disclosed cost-reduction initiatives begun in 2014 associated with our global commercial structure reorganization, manufacturing plant network rationalization and optimization initiatives, and additional cost-reduction/productivity initiatives across the enterprise.

As a result of the evaluation performed in connection with our decision in September 2016 to not pursue, at that time, splitting IH and EH into two separate publicly-traded companies, we identified new opportunities to potentially achieve greater optimization and efficiency to become more competitive in our business. Therefore, in early 2017 , we initiated new enterprise-wide cost reduction/productivity initiatives, which we expect to substantially complete by the end of 2019. These initiatives will encompass all areas of our cost base and will include:

- Optimization of our manufacturing plant network to support IH and EH products and pipelines. During 2017-2019, we expect to incur costs of approximately $800 million related to this initiative. Through December 31, 2017 , we incurred approximately $197 million associated with this initiative.
- Activities in non-manufacturing related areas, which include further centralization of our corporate and platform functions, as well as other activities where opportunities are identified. During 2017-2019, we expect to incur costs of approximately $300 million related to this initiative. Through December 31, 2017 , we incurred approximately $151 million associated with this initiative.

The costs expected to be incurred during 2017-2019, of approximately $1.1 billion for the above-mentioned programs (but not including expected costs associated with the Hospira integration), include restructuring charges, implementation costs and additional depreciation—asset restructuring. Of this amount, we expect that about 20% of the total charges will be non-cash.

Current-Period Key Activities

In 2017 , we incurred costs of $348 million associated with the 2017-2019 program, $319 million associated with the integration of Hospira and $137 million associated with all other acquisition-related initiatives.

The following table provides the components of costs associated with acquisitions and cost-reduction/productivity initiatives:

| (MILLIONS OF DOLLARS) | Year Ended December 31, 2017 | 2016 | 2015 |
|---|---|---|---|
| Restructuring charges [a]: | | | |
| Employee terminations | **$ (34)** | $ 940 | $ 489 |
| Asset impairments [b] | **190** | 142 | 254 |
| Exit costs | **21** | 74 | 68 |
| Total restructuring charges | **178** | 1,156 | 811 |
| Transaction costs [c] | **4** | 127 | 123 |
| Integration costs [d] | **305** | 441 | 219 |
| *Restructuring charges and certain acquisition-related costs* | **487** | 1,724 | 1,152 |
| Additional depreciation—asset restructuring recorded in our consolidated statements of income as follows [e]: | | | |
| *Cost of sales* | **91** | 201 | 117 |
| *Selling, informational and administrative expenses* | **—** | — | — |
| *Research and development expenses* | **—** | 7 | 5 |
| Total additional depreciation—asset restructuring | **91** | 207 | 122 |
| Implementation costs recorded in our consolidated statements of income as follows [f]: | | | |
| *Cost of sales* | **118** | 230 | 102 |
| *Selling, informational and administrative expenses* | **71** | 81 | 82 |
| *Research and development expenses* | **38** | 25 | 14 |
| *Other (income)/deductions—net* | **—** | 3 | 5 |
| Total implementation costs | **227** | 340 | 203 |
| Total costs associated with acquisitions and cost-reduction/productivity initiatives | **$ 805** | $ 2,271 | $ 1,478 |

[a] In 2017 , restructuring charges are primarily associated with our acquisitions of Hospira and Medivation, as well as cost-reduction and productivity initiatives not associated with acquisitions. In 2016 , restructuring charges are largely associated with cost-reduction and productivity initiatives not associated with acquisitions, as well as our acquisitions of Hospira and Medivation. In 2015, restructuring charges are largely associated with.cost-reduction and productivity initiatives not associated with acquisitions. In 2017 , *Employee terminations* primarily include revisions of our estimates of severance benefits. Employee termination costs are generally recorded when the actions are probable and estimable and include accrued severance benefits, pension and postretirement benefits, many of which may be paid out during periods after termination.

The restructuring activities in 2017 are associated with the following:

- IH ( $64 million income); EH ( $4 million income); WRD/GPD ( $80 million ); manufacturing operations ( $115 million ); and Corporate ( $51 million ).

The restructuring activities in 2016 are associated with the following:

- IH ( $272 million ); EH ( $158 million ); WRD/GPD ( $169 million ); manufacturing operations ( $368 million ); and Corporate ( $189 million ),

The restructuring activities in 2015 , which include a $39 million charge related to a 36% reduction in our labor force in Venezuela, are associated with the following:

- IH ( $85 million ); EH ( $402 million ); WRD/GPD ( $80 million ); manufacturing operations ( $80 million ); and Corporate ( $164 million ).

In September 2015, in order to eliminate certain redundancies in Pfizer's biosimilar drug products pipeline created as a result of the acquisition of Hospira, Pfizer opted to return rights to Celltrion that Hospira had previously acquired to potential biosimilars to Rituxan® (rituximab) and Herceptin® (trastuzumab). As such, upon return of the acquired rights, in 2015, we incurred charges of $215 million , which are comprised of (i) a write-off of the applicable IPR&D assets, totaling $170 million , which is included in *Asset impairments* ; (ii) a write-off of amounts prepaid to Celltrion in the amount of $25 million , which is included in *Asset impairments* ; and (iii) a payment to Celltrion of $20 million , which is included in *Exit costs* .

[b] The asset impairment charges for 2017 are largely associated with our acquisitions of Hospira and Medivation. The asset impairment charges included in restructuring charges for 2017 and 2016 are primarily associated with abandoned assets. The asset impairment charges for 2015 are primarily associated with our acquisition of Hospira. See (a) above for additional information.

[c] Transaction costs represent external costs for banking, legal, accounting and other similar services, which in 2017 are directly related to our acquisitions of Hospira, Anacor and Medivation. Transaction costs in 2016 are mostly related to our acquisitions of Medivation and Anacor, and the terminated transaction with Allergan. Transaction costs in 2015 represent external costs directly related to the acquisition of Hospira and the terminated transaction with Allergan and primarily include expenditures for banking, legal, accounting and other similar services.

[d] I ntegration costs represent external, incremental costs directly related to integrating acquired businesses, and primarily include expenditures for consulting and the integration of systems and processes. In 2017 , integration costs primarily relate to our acquisitions of Hospira and Medivation, as well as a net gain of $12 million related to the settlement of the Hospira U.S. qualified defined benefit pension plan (see *Note 11* ). In 2016, integration costs primarily relate to our acquisition of Hospira and the terminated transaction with Allergan. Integration costs in 2015 represent external incremental costs directly related to our acquisition of Hospira.

[e] Additional depreciation—asset restructuring represents the impact of changes in the estimated useful lives of assets involved in restructuring actions.

[f] Implementation costs represent external, incremental costs directly related to implementing our non-acquisition-related cost-reduction/productivity initiatives.

The following table provides the components of and changes in our restructuring accruals:

| (MILLIONS OF DOLLARS) | Employee Termination Costs | Asset Impairment Charges | Exit Costs | Accrual |
|---|---|---|---|---|
| Balance, January 1, 2016 | $ 1,109 | $ — | $ 48 | $ 1,157 |
| Provision | 940 | 142 | 74 | 1,156 |
| Utilization and other [a] | (502) | (142) | (86) | (730) |
| Balance, December 31, 2016 [b] | 1,547 | — | 36 | 1,583 |
| Provision | **(34)** | **190** | **21** | **178** |
| Utilization and other [a] | **(474)** | **(190)** | **9** | **(656)** |
| Balance, December 31, 2017 [c] | **$ 1,039** | **$ —** | **$ 66** | **$ 1,105** |

[a] Includes adjustments for foreign currency translation.
[b] Included in *Other current liabilities* ( $863 million ) and *Other noncurrent liabilities* ( $720 million ).
[c] Included in *Other current liabilities* ( $643 million ) and *Other noncurrent liabilities* ( $462 million ).

## Note 4. Other (Income)/Deductions—Net

The following table provides components of *Other (income)/deductions—net* :

| | Year Ended December 31, | | |
|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 |
| Interest income [a] | **$ (391)** | $ (470) | $ (471) |
| Interest expense [a] | **1,270** | 1,186 | 1,199 |
| Net interest expense | **879** | 716 | 728 |
| Foreign currency loss related to Venezuela [b] | **—** | — | 806 |
| Royalty-related income [c] | **(499)** | (905) | (922) |
| Certain legal matters, net [d] | **240** | 510 | 975 |
| Net gains on asset disposals [e] | **(343)** | (171) | (232) |
| Loss on sale and impairment on remeasurement of HIS net assets [f] | **55** | 1,712 | — |
| Certain asset impairments [g] | **395** | 1,447 | 818 |
| Business and legal entity alignment costs [h] | **71** | 261 | 282 |
| Net losses on early retirement of debt [i] | **999** | 312 | — |
| Other, net [j] | **(482)** | (227) | 403 |
| *Other (income)/deductions—net* | **$ 1,315** | $ 3,655 | $ 2,860 |

[a] 2017 v. 2016 —Interest income decreased primarily driven by a lower investment balance. Interest expense increased, primarily as a result of higher short-term interest rates, offset, in part, by the retirement of high-coupon debt and the issuance of new low-coupon debt. Capitalized interest expense totaled $72 million 2017 , $ 61 million in 2016 and $ 32 million in 2015 .

[b] In 2015, represents a foreign currency loss related to conditions in Venezuela during 2015, that had us resolve that our Venezuelan bolivar-denominated net monetary assets that are subject to revaluation were no longer expected to be settled at the Venezuelan government CENCOEX official rate of 6.3 , but rather at the then SIMADI rate of 200 , the lowest official rate. Those conditions included the inability to obtain significant conversions of Venezuelan bolivars related to intercompany U.S. dollar denominated accounts, an evaluation of the effects of the implementation of a fourth-quarter 2015 operational restructuring, resulting in a 36% reduction in our labor force in Venezuela, and our expectation of the changes in Venezuela's responses to changes in its economy.

[c] Royalty-related income decreased in 2017 and 2016 , primarily due to lower royalty income for Enbrel of $470 million in 2017 , compared to 2016, and $54 million in 2016 , compared to 2015, resulting from the expiration on October 31, 2016 of the 36-month royalty period under the collaboration agreement for Enbrel in the U.S. and Canada (the collaboration period under the agreement expired on October 31, 2013), partially offset by increases in Xtandi royalty-related income of $176 million in 2017 , compared to 2016, and $63 million in 2016 , compared to 2015.

[d] In 2017 , primarily includes a $94 million charge to resolve a class action lawsuit filed by direct purchasers relating to Celebrex, which is subject to court approval (for additional information, see *Note 17A2* ), and a $79 million charge to reflect damages awarded by a jury in a patent matter. In 2016 , primarily includes amounts to resolve a Multi-District Litigation relating to Celebrex and Bextra pending against the Company in New York federal court for $486 million , partially offset by the reversal of a legal accrual where a loss was no longer deemed probable. In addition, 2016 includes a settlement related to a patent matter. In 2015, primarily includes $784.6 million related to an agreement in principle reached in February 2016 and finalized in April 2016 to resolve claims alleging that Wyeth's practices relating to the calculation of Medicaid rebates for its drug, Protonix (pantoprazole sodium), between 2001 and 2006, several years before Pfizer acquired Wyeth in 2009, violated the Federal Civil False Claims Act and other laws.

[e] In 2017 , primarily includes (i) gross realized gains on sales of available-for-sale debt securities of $451 million ; (ii) gross realized losses on sales of available-for-sale debt securities of $281 million ; (iii) gross realized gains on sales of available-for-sale equity securities of $75 million ; (iv) a net loss of $120 million from derivative financial instruments used to hedge the foreign exchange component of the matured available-for-sale debt securities; (v) gains on sales/out-licensing of product and compound rights of $187 million ; (vi) gains on sales of investments in private equity securities of $80 million ; (vii) a gain on sale of property of $52 million ; (viii) a net loss of $30 million related to the sale of our 40% ownership investment in Teuto, including the extinguishment of a put option for the remaining 60% ownership interest; and (ix) a loss of $81 million related to the sale of our 49% equity share in Hisun Pfizer. Proceeds from the sale of available-for-sale securities were $5.1 billion in 2017.

In 2016, primarily includes (i) gross realized gains on sales of available-for-sale debt securities of $666 million ; (ii) gross realized losses on sales of available-for-sale debt securities of $548 million ; (iii) a net loss of $64 million from derivative financial instruments used to hedge the foreign exchange component of the matured available-for-sale debt securities; (iv) gains on sales/out-licensing of product and compound rights of $84 million ; and (v) gains on sales of investments in private equity securities of $2 million . Proceeds from the sale of available-for-sale securities were $10.2 billion in 2016.

In 2015, primarily includes (i) gross realized gains on sales of available-for-sale equity securities of $164 million ; (ii) gross realized losses on sales of available-for-sale debt securities of $960 million ; (iii) net gain of $937 million from derivative financial instruments used to hedge the foreign exchange component of the

divested available-for-sale debt securities; (iv) gains on sales/out-licensing of product and compound rights of $90 million ; and (v) gains on sales of investments in private equity securities of $3 million . Proceeds from the sale of available-for-sale securities were $4.3 billion in 2015.

(f) In 2017, represents adjustments to amounts previously recorded to write down the HIS net assets to fair value less costs to sell related to the sale of HIS net assets to ICU Medical. In 2016, represents a charge related to the write-down of the HIS net assets to fair value less estimated costs to sell. See *Note 2B* for additional information .

(g) In 2017 , primarily includes intangible asset impairment charges of $337 million , reflecting (i) $127 million related to developed technology rights, acquired in connection with our acquisition of Hospira, for a generic sterile injectable product for the treatment of edema associated with certain conditions; (ii) $124 million related to developed technology rights, acquired in connection with our acquisition of Hospira, for a sterile injectable pain reliever; (iii) $39 million related to developed technology rights, acquired in connection with our acquisition of NextWave, for the treatment of attention deficit hyperactivity disorder; (iv) $26 million related to developed technology rights, acquired in connection with our acquisition of Hospira, for a generic injectable antibiotic product for the treatment of bacterial infections; and (v) $20 million related to other developed technology rights. The intangible asset impairment charges for 2017 are associated with EH and reflect, among other things, updated commercial forecasts and an increased competitive environment. In addition, 2017 includes a loss of $43 million for an impairment of our AM-Pharma B.V. long-term investment (see *Note 2E* ).

In 2016, primarily includes intangible asset impairment charges of $869 million , reflecting (i) $366 million related to developed technology rights for a generic injectable antibiotic product for the treatment of bacterial infections; and (ii) $265 million related to an IPR&D compound for the treatment of anemia, both acquired in connection with our acquisition of Hospira; (iii) $128 million of sterile injectable IPR&D compounds acquired in connection with our acquisition of InnoPharma; and (iv) $110 million of other IPR&D assets, $81 million of which were acquired in connection with our acquisition of Hospira and $29 million of which were acquired in connection with our acquisition of King in 2011. The intangible asset impairment charges for 2016 are associated with the following: EH ( $840 million ) and IH ( $29 million ). In addition, 2016 includes an impairment loss of $452 million related to Pfizer's then 49% -owned equity-method investment with Hisun in China, Hisun Pfizer, and an impairment loss of $50 million related to Pfizer's 40% -owned equity-method investment in Teuto. For additional information concerning Hisun Pfizer and Teuto, see *Note 2D*.

The intangible asset impairment charge for 2016 for the IPR&D compound for the treatment of anemia acquired in connection with our acquisition of Hospira reflects, among other things, the impact of regulatory delays, including delays resulting from a then recent court ruling, requiring a 180-day waiting period after approval before a biosimilar product can be launched. The intangible asset impairment charges for 2016 for the sterile injectable IPR&D compounds acquired in connection with our acquisition of InnoPharma reflect, among other things, the impact of portfolio prioritization decisions and decreased commercial profiles of certain compounds. The intangible asset impairment charges for 2016 for developed technology rights and other IPR&D assets acquired in connection with our acquisition of Hospira reflect, among other things, the impact of regulatory delays, the impact of new scientific findings, updated commercial forecasts, changes in pricing, and an increased competitive environment. The intangible asset impairment charges for 2016 for other IPR&D assets acquired in connection with our acquisition of King reflect changes in the competitive environment.

In 2015, primarily includes an impairment loss of $463 million related to Pfizer's then 49% -owned equity-method investment in Hisun Pfizer (for additional information concerning Hisun Pfizer, see *Note 2D* ) and intangible asset impairment charges of $323 million , reflecting (i) $132 million related to indefinite-lived brands; (ii) $120 million related to developed technology rights for the treatment of attention deficit hyperactivity disorder; and (iii) $71 million related to IPR&D compounds. The intangible asset impairment charges for 2015 are associated with the following: EH ( $294 million ), WRD ( $13 million ); and Consumer Healthcare ( $17 million ).

The intangible asset impairment charges for 2015 reflect, among other things, the impact of new scientific findings, updated commercial forecasts, changes in pricing, and an increased competitive environment.

(h) Represents expenses for changes to our infrastructure to align our commercial operations, including costs to internally separate our businesses into distinct legal entities, as well as to streamline our intercompany supply operations to better support each business.

(i) In 2017 and 2016, represents net losses due to the early retirement of debt, inclusive of the related termination of cross currency swaps in 2017 and inclusive of the related termination of interest rate swaps in 2016.

(j) In 2017, includes, among other things, dividend income of $266 million from our investment in ViiV, and income of $62 million from resolution of a contract disagreement. In 2016, includes among other things, $150 million paid to Allergan for reimbursement of Allergan's expenses associated with the terminated transaction (see *Note 1A* ); and income of $116 million from resolution of a contract disagreement. In 2015, includes, among other things, (i) charges of $194 million related to the write-down of assets to net realizable value; (ii) charges of $159 million , reflecting the change in the fair value of contingent consideration liabilities; and (iii) income of $45 million associated with equity-method investees.

The asset impairment charges included in *Other (income)/deductions—net* are based on estimates of fair value.

The following table provides additional information about the intangible assets that were impaired during 2017 in *Other (income)/deductions—net* :

| | | | | | Year Ended December 31, |
|---|---|---|---|---|---|
| | Fair Value [a] | | | | 2017 |
| (MILLIONS OF DOLLARS) | Amount | Level 1 | Level 2 | Level 3 | Impairment |
| Intangible assets — Developed technology rights [b] | 50 | — | — | 50 | 337 |
| Total | $ 50 | $ — | $ — | $ 50 | $ 337 |

(a) The fair value amount is presented as of the date of impairment, as these assets are not measured at fair value on a recurring basis. See also *Note 1E*.

(b) Reflects intangible assets written down to fair value in 2017 . Fair value was determined using the income approach, specifically the multi-period excess earnings method, also known as the discounted cash flow method. We started with a forecast of all the expected net cash flows associated with the asset and then applied an asset-specific discount rate to arrive at a net present value amount. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, which includes the expected impact of competitive, legal and/or regulatory forces on the product; the discount rate, which seeks to reflect the various risks inherent in the projected cash flows; and the tax rate, which seeks to incorporate the geographic diversity of the projected cash flows.

## Note 5. Tax Matters

### A. Taxes on Income from Continuing Operations

The following table provides the components of *Income from continuing operations before provision/(benefit) for taxes on income* :

| | Year Ended December 31, | | |
|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 |
| United States | **$ (6,879)** | $ (8,534) | $ (6,809) |
| International | **19,184** | 16,886 | 15,773 |
| *Income from continuing operations before provision/(benefit) for taxes on income* [a], [b] | **$ 12,305** | $ 8,351 | $ 8,965 |

[a] 2017 v. 2016 — The decrease in the domestic loss was primarily due to lower restructuring charges and certain acquisition-related costs, the non-recurrence of the 2016 impairment on the remeasurement of HIS net assets, lower certain asset impairments and lower certain legal matters, partially offset by higher net losses on early retirement of debt, and higher amortization of intangible assets. The increase in international income was primarily due to the non-recurrence of the 2016 impairment on the remeasurement of HIS net assets, lower restructuring charges and certain acquisition-related costs, and lower certain asset impairments.

[b] 2016 v. 2015 — The increase in the domestic loss was primarily due to a charge related to the write-down of HIS net assets to fair value less estimated costs to sell, higher asset impairments, and higher restructuring charges and certain acquisition-related costs, partially offset by the inclusion of a full year of legacy U.S. Hospira operations as compared to four months of U.S. operations in 2015, and lower charges for legal matters. The increase in international income is primarily due to the non-recurrence of a foreign currency loss related to Venezuela partially offset by a charge related to the write-down of HIS net assets to fair value less estimated costs to sell, and higher restructuring charges and certain acquisition-related costs.

The following table provides the components of *Provision/(benefit) for taxes on income* based on the location of the taxing authorities:

| | Year Ended December 31, | | |
|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 |
| United States | | | |
| Current income taxes: | | | |
| Federal | **$ 14,127** | $ 342 | $ 67 |
| State and local | **320** | (52) | (8) |
| Deferred income taxes: | | | |
| Federal | **(25,964)** | (419) | 300 |
| State and local | **(268)** | (106) | (36) |
| Total U.S. tax provision | **(11,785)** | (235) | 323 |
| International | | | |
| Current income taxes | **2,709** | 1,532 | 1,951 |
| Deferred income taxes | **28** | (175) | (284) |
| Total international tax provision | **2,737** | 1,358 | 1,667 |
| *Provision/(benefit) for taxes on income* | **$ (9,049)** | $ 1,123 | $ 1,990 |

In the fourth quarter of 2017, we recorded an estimate of certain tax effects of the TCJA, including the impact on deferred tax assets and liabilities from the reduction in the corporate tax rate from 35% to 21% , the impact on valuation allowances and other state income tax considerations, the $15.2 billion repatriation tax liability on accumulated post-1986 foreign earnings for which we plan to elect payment over eight years through 2026 (with the first of eight installments due in April 2019) that is reported in *Other taxes payable* , and deferred taxes on basis differences expected to give rise to future taxes on global intangible low-taxed income. In addition, we had provided deferred tax liabilities in the past on foreign earnings that were not indefinitely reinvested. As a result of the TCJA, we reversed an estimate of the deferred taxes that are no longer expected to be needed due to the change to the territorial tax system. The estimated amounts recorded may change in the future due to uncertain tax positions. With respect to the aforementioned repatriation tax liability related to the TCJA repatriation tax, our obligations may vary as a result of changes in our uncertain tax positions and/or availability of attributes such as foreign tax and other credit carryforwards.

The TCJA subjects a U.S. shareholder to current tax on global intangible low-taxed income earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, *Accounting for Global Intangible Low-Taxed Income* , states that we are permitted to make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as global intangible low-taxed income in future years or provide for the tax expense related to such income in the year the tax is incurred. We have elected to recognize deferred taxes for temporary differences expected to reverse as global intangible low-taxed income in future years. However, given the complexity of these provisions, we have not finalized our analysis. We were able to make a reasonable estimate of the deferred taxes on the temporary differences expected to reverse in the future and provided a provisional deferred tax liability of approximately $1 billion as of December 31, 2017. The provisional amount is based on the evaluation of certain temporary differences inside each of our foreign subsidiaries that are expected to reverse as global intangible low-taxed income. However, as we continue to evaluate the TCJA's global intangible low-taxed income provisions during the measurement period, we may revise the methodology used for determining the deferred tax liability associated with such income.

We believe that we have made reasonable estimates with respect to each of the above items, however, all of the amounts recorded are provisional as we have not completed our analysis of the complex and far reaching effects of the TCJA. Further, we continue to consider our assertions on any remaining outside basis differences in our foreign subsidiaries as of December 31, 2017 and have not completed our analysis. Under guidance issued by the staff of the SEC, we expect to finalize our accounting related to the tax effects of the TCJA on deferred taxes, valuation allowances, state tax considerations, the repatriation tax liability, global intangible low-taxed income, and any remaining outside basis differences in our foreign subsidiaries during 2018 as we complete our analysis, computations and assertions. It is possible that others, applying reasonable judgment to

the same facts and circumstances, could develop and support a range of alternative estimated amounts. We will revise these estimates during 2018 as we gather additional information to complete our tax returns and as any interpretation or clarification of the TCJA occurs through legislation, U.S. Treasury actions or other means.

In 2017 , the *Provision/(benefit) for taxes on income* was impacted by the following:

- estimated U.S. net tax benefits of $10.7 billion associated with the enactment of the TCJA (see discussion above), primarily reflecting:
  - $22.8 billion tax benefit associated with the remeasurement of U.S. deferred tax liabilities on unremitted earnings of foreign subsidiaries (see *Note 5C* );
  - $1.6 billion tax benefit associated with the remeasurement of other U.S. deferred tax liabilities, primarily associated with intangibles (see *Note 5C* );
  - $12.9 billion tax expense related to the repatriation tax on deemed repatriated accumulated pre-2017 post-1986 earnings of foreign subsidiaries;
  - $1.0 billion tax expense related to future taxes on global intangible low-taxed income (see *Note 5C* ); and
  - approximately $100 million tax benefit primarily associated with certain tax initiatives;
- U.S. tax expense of approximately $1.3 billion related to the repatriation tax on deemed repatriated current year earnings of foreign subsidiaries;
- tax benefit of approximately $370 million related to net losses on early retirement of debt;
- tax benefits of approximately $150 million representing tax and interest resulting from the resolution of certain tax positions pertaining to prior years primarily with various foreign tax authorities, and the expiration of certain statutes of limitations; and
- the non-deductibility of a $307 million fee payable to the federal government as a result of the U.S. Healthcare Legislation.

In 2016 , the *Provision/(benefit) for taxes on income* was impacted by the following:

- U.S. tax expense of approximately $1.1 billion as a result of providing U.S. deferred income taxes on certain funds earned outside the U.S. that will not be indefinitely reinvested overseas, virtually all of which were earned in 2016 (see *Note 5C* );
- tax benefits of approximately $460 million , representing tax and interest, resulting from the resolution of certain tax positions pertaining to prior years, primarily with various foreign tax authorities, and from the expiration of certain statutes of limitations;
- benefits related to the final resolution of an agreement in principle reached in February 2016 and finalized in April 2016 to resolve certain claims related to Protonix, which resulted in the receipt of information that raised our initial assessment in 2015 of the likelihood of prevailing on the technical merits of our tax position;
- net tax benefits of $89 million , related to the adoption of a new accounting standard in the fourth quarter of 2016, as of January 1, 2016, requiring excess tax benefits or deficiencies of share-based compensation to be recognized as a component of the *Provision/(benefit) for taxes on income* (see Notes to Consolidated Financial Statements— *Note 1B. Basis of Presentation and Significant Accounting Policies: Adoption of New Accounting Standards* in Pfizer's 2016 Financial Report);
- the non-deductibility of a $312 million fee payable to the federal government as a result of the U.S. Healthcare Legislation; and
- the permanent extension of the U.S. R&D tax credit, which was signed into law in December 2015.

In 2015 , the *Provision/(benefit) for taxes on income* was impacted by the following:

- U.S. tax expense of approximately $2.1 billion as a result of providing U.S. deferred income taxes on certain funds earned outside the U.S. that will not be indefinitely reinvested overseas, virtually all of which were earned in 2015 (see *Note 5C* );
- tax benefits of approximately $360 million , representing tax and interest, resulting from the resolution of certain tax positions pertaining to prior years, primarily with various foreign tax authorities, and from the expiration of certain statutes of limitations;
- the permanent extension of the U.S. R&D tax credit, which was signed into law in December 2015, as well as tax benefits associated with certain tax initiatives;
- the non-deductibility of a foreign currency loss related to Venezuela;
- the non-deductibility of a charge for the agreement in principle reached in February 2016 to resolve claims relating to Protonix; and
- the non-deductibility of a $251 million fee payable to the federal government as a result of the U.S. Healthcare Legislation.

In all years, federal, state and international net tax liabilities assumed or established as part of a business acquisition are not included in *Provision/(benefit) for taxes on income* (see *Note 2A* ).

## B. Tax Rate Reconciliation

The reconciliation of the U.S. statutory income tax rate to our effective tax rate for *Income from continuing operations* follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2017** | 2016 | 2015 |
| U.S. statutory income tax rate | **35.0 %** | 35.0 % | 35.0 % |
| TCJA impact [a] | **(86.6)** | — | — |
| Taxation of non-U.S. operations [b], [c], [d] | **(17.0)** | (13.8) | (9.6) |
| Tax settlements and resolution of certain tax positions [e] | **(1.2)** | (5.5) | (4.0) |
| U.S. Healthcare Legislation [e] | **0.9** | 1.3 | 0.9 |
| U.S. R&D tax credit and manufacturing deduction [e] | **(0.7)** | (1.0) | (1.0) |
| Certain legal settlements and charges [e] | **0.1** | (2.9) | 3.1 |
| All other, net [f] | **(3.9)** | 0.3 | (2.1) |
| Effective tax rate for income from continuing operations | **(73.5)%** | 13.4 % | 22.2 % |

[a] For a discussion about the enactment of the TCJA, see *Note 5A*.

[b] For taxation of non-U.S. operations, this rate impact reflects the income tax rates and relative earnings in the locations where we do business outside the U.S., together with the cost of repatriation decisions, which includes the repatriation tax on deemed repatriated current year earnings of foreign subsidiaries discussed in *Note 5A* , as well as changes in uncertain tax positions not included in the reconciling item called "Tax settlements and resolution of certain tax positions". Specifically: (i) the jurisdictional location of earnings is a significant component of our effective tax rate each year as tax rates outside the U.S. are generally lower than the U.S. statutory income tax rate, and the rate impact of this component is influenced by the specific location of non-U.S. earnings and the level of such earnings as compared to our total earnings; (ii) the cost of repatriation decisions, and other U.S. tax implications of our foreign operations, is a significant component of our effective tax rate each year and generally offsets some of the reduction to our effective tax rate each year resulting from the jurisdictional location of earnings; and (iii) the impact of changes in uncertain tax positions not included in the reconciling item called "Tax settlements and resolution of certain tax positions" is a component of our effective tax rate each year that can result in either an increase or decrease to our effective tax rate. The jurisdictional mix of earnings, which includes the impact of the location of earnings as well as repatriation costs, can vary as a result of the repatriation decisions, as a result of operating fluctuations in the normal course of business and as a result of the extent and location of other income and expense items, such as restructuring charges, asset impairments and gains and losses on strategic business decisions. See also *Note 5A* for the components of pre-tax income and *Provision/(benefit) for taxes on income,* which is based on the location of the taxing authorities, and for information about settlements and other items impacting *Provision/(benefit) for taxes on income* .

[c] In all periods presented, the reduction in our effective tax rate resulting from the jurisdictional location of earnings is largely due to generally lower tax rates, as well as manufacturing and other incentives associated with our subsidiaries in Puerto Rico and Singapore. 2015 and 2016 also include incentives in Costa Rica and the Dominican Republic related to the Hospira infusion systems business, which was sold to ICU Medical in February 2017. We benefit from a Puerto Rican incentive grant that expires in 2029. Under the grant, we are partially exempt from income, property and municipal taxes. In Singapore, we benefit from incentive tax rates effective through 2031 on income from manufacturing and other operations.

[d] The favorable rate impact in 2017 also reflects lower repatriation costs associated with estimated current year income of our foreign subsidiaries. The favorable rate impact in 2016 also includes the non-recurrence of the non-deductibility of a foreign currency loss related to Venezuela. The rate impact in 2015 also includes the non-deductibility of a foreign currency loss related to Venezuela.

[e] For a discussion about tax settlements and resolution of certain tax positions, the impact of U.S. Healthcare Legislation, the U.S. R&D tax credit and manufacturing deduction and the impact of certain legal settlements and charges, see *Note 5A*.

[f] All other, net in 2017 and 2015 primarily relates to tax benefits associated with certain tax initiatives in the normal course of business.

## C. Deferred Taxes

Deferred taxes arise as a result of basis differentials between financial statement accounting and tax amounts.

The components of our deferred tax assets and liabilities, shown before jurisdictional netting, follow:

| | 2017 Deferred Tax* | | 2016 Deferred Tax | |
|---|---|---|---|---|
| (MILLIONS OF DOLLARS) | **Assets** | **(Liabilities)** | Assets | (Liabilities) |
| Prepaid/deferred items | **$ 1,588** | **$ (132)** | $ 2,180 | $ (68) |
| Inventories | **224** | **(3)** | 366 | (47) |
| Intangible assets [a] | **685** | **(9,269)** | 1,139 | (15,172) |
| Property, plant and equipment | **123** | **(755)** | 92 | (982) |
| Employee benefits | **2,219** | **(109)** | 3,356 | (74) |
| Restructurings and other charges | **226** | **(8)** | 458 | (2) |
| Legal and product liability reserves | **459** | **—** | 650 | — |
| Net operating loss/tax credit carryforwards [b] | **4,502** | **—** | 2,957 | — |
| Unremitted earnings [a], [c] | **—** | **(1,067)** | — | (23,108) |
| State and local tax adjustments | **218** | **—** | 301 | — |
| All other | **488** | **(424)** | 306 | (503) |
| | **10,732** | **(11,767)** | 11,806 | (39,956) |
| Valuation allowances | **(2,203)** | **—** | (1,949) | — |
| Total deferred taxes | **$ 8,529** | **$ (11,767)** | $ 9,857 | $ (39,956) |
| Net deferred tax liability [d] | | **$ (3,238)** | | $ (30,099) |

* 2017 reflects the estimated remeasurement of U.S. deferred tax assets and liabilities as the result of the enactment of the TCJA. For additional information, see *Note 5A* .

[a] The decrease in 2017 is primarily the result of the enactment of the TCJA, which includes the remeasurement of deferred tax liabilities primarily associated with intangible assets and unremitted earnings of foreign subsidiaries as well as amortization on intangible assets. For additional information, see *Note 5A*.

[b] The amounts in 2017 and 2016 are reduced for unrecognized tax benefits of $3.4 billion and $3.0 billion , respectively, where we have net operating loss carryforwards, similar tax losses, and/or tax credit carryforwards that are available, under the tax law of the applicable jurisdiction, to settle any additional income taxes that would result from the disallowance of a tax position.

[c] The amount in 2017 primarily includes a provisional estimate on temporary differences associated with global intangible low-taxed income primarily related to basis differentials on intangibles. For additional information, see *Note 5A*.

[d] In 2017 , *Noncurrent deferred tax assets and other noncurrent tax assets* ( $0.7 billion ), and *Noncurrent deferred tax liabilities* ( $3.9 billion ). In 2016 , *Noncurrent deferred tax assets and other noncurrent tax assets* ( $654 million ), and *Noncurrent deferred tax liabilities* ( $30.8 billion ).

We have carryforwards, primarily related to foreign tax credits, net operating and capital losses and charitable contributions, which are available to reduce future U.S. federal and state, as well as international, income taxes payable with either an indefinite life or expiring at various times from 2018 to 2037. Certain of our U.S. net operating losses are subject to limitations under IRC Section 382.

Valuation allowances are provided when we believe that our deferred tax assets are not recoverable based on an assessment of estimated future taxable income that incorporates ongoing, prudent and feasible tax planning strategies, that would be implemented, if necessary, to realize the deferred tax assets.

We have not completed our analysis of the TCJA on our prior assertion of indefinitely reinvested earnings. Accordingly, we continue to evaluate our assertion with respect to our accumulated foreign earnings subject to the deemed repatriation tax and we also continue to evaluate the amount of earnings that are indefinitely reinvested. Additionally, we continue to evaluate our assertions on any remaining outside basis differences in our foreign subsidiaries as of December 31, 2017 as we have not finalized our analysis of the effects of all of the new provisions in the TCJA. As of December 31, 2017, it is not practicable to estimate the additional deferred tax liability that would be recorded if the earnings subject to the deemed repatriation tax and any remaining outside basis differences as of December 31, 2017 are not indefinitely reinvested. In accordance with the authoritative guidance issued by the SEC Staff Accounting Bulletin 118, we expect to complete our analysis within the measurement period.

## D. Tax Contingencies

We are subject to income tax in many jurisdictions, and a certain degree of estimation is required in recording the assets and liabilities related to income taxes. All of our tax positions are subject to audit by the local taxing authorities in each tax jurisdiction. These tax audits can involve complex issues, interpretations and judgments and the resolution of matters may span multiple years, particularly if subject to negotiation or litigation. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but our estimates of unrecognized tax benefits and potential tax benefits may not be representative of actual outcomes, and variation from such estimates could materially affect our financial statements in the period of settlement or when the statutes of limitations expire, as we treat these events as discrete items in the period of resolution.

For a description of our accounting policies associated with accounting for income tax contingencies, see *Note 1O.* For a description of the risks associated with estimates and assumptions, see *Note 1C.*

Uncertain Tax Positions

As tax law is complex and often subject to varied interpretations, it is uncertain whether some of our tax positions will be sustained upon audit. As of December 31, 2017 and 2016 , we had approximately $5.4 billion and $4.6 billion , respectively, in net unrecognized tax benefits, excluding associated interest.

- Tax assets associated with uncertain tax positions primarily represent our estimate of the potential tax benefits in one tax jurisdiction that could result from the payment of income taxes in another tax jurisdiction. These potential benefits generally result from cooperative efforts among taxing authorities, as required by tax treaties to minimize double taxation, commonly referred to as the competent authority process. The recoverability of these assets, which we believe to be more likely than not, is dependent upon the actual payment of taxes in one tax jurisdiction and, in some cases, the successful petition for recovery in another tax jurisdiction. As of December 31, 2017 and 2016 , we had approximately $1.2 billion , in each year, in assets associated with uncertain tax positions. In 2017 , these amounts were included in *Noncurrent deferred tax assets and other noncurrent tax assets* ( $1.0 billion ) and *Noncurrent deferred tax liabilities (* $118 million ). In 2016 , these amounts were included in *Noncurrent deferred tax assets and other noncurrent tax assets* ( $1.0 billion ) and *Noncurrent deferred tax liabilities (* $201 million ).
- Tax liabilities associated with uncertain tax positions represent unrecognized tax benefits, which arise when the estimated benefit recorded in our financial statements differs from the amounts taken or expected to be taken in a tax return because of the uncertainties described above. These unrecognized tax benefits relate primarily to issues common among multinational corporations. Substantially all of these unrecognized tax benefits, if recognized, would impact our effective income tax rate.

The reconciliation of the beginning and ending amounts of gross unrecognized tax benefits follows:

| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 |
|---|---|---|---|
| Balance, beginning | **$ (5,826)** | $ (5,919) | $ (6,182) |
| Acquisitions [a] | **10** | (83) | (110) |
| Increases based on tax positions taken during a prior period [b] | **(49)** | (11) | (31) |
| Decreases based on tax positions taken during a prior period [b], [c] | **28** | 409 | 496 |
| Decreases based on settlements for a prior period [d] | **35** | 126 | 64 |
| Increases based on tax positions taken during the current period [b] | **(753)** | (489) | (675) |
| Impact of foreign exchange | **(121)** | (5) | 319 |
| Other, net [b], [e] | **118** | 146 | 199 |
| Balance, ending [f] | **$ (6,558)** | $ (5,826) | $ (5,919) |

[a] For 2017 and 2016, primarily related to the acquisitions of Medivation and Anacor. For 2015, primarily related to the acquisition of Hospira. See also *Note 2A* .

[b] Primarily included in *Provision/(benefit) for taxes on income.*

[c] Primarily related to effectively settling certain tax positions primarily with foreign tax authorities. See also *Note 5A.*

[d] Primarily related to cash payments and reductions of tax attributes.

[e] Primarily related to decreases as a result of a lapse of applicable statutes of limitations.

[f] In 2017 , included in *Income taxes payable* ( $1 million ), *Noncurrent deferred tax assets and other noncurrent tax assets* ( $123 million ), *Noncurrent deferred tax liabilities* ( $3.3 billion ) and *Other taxes payable* ( $3.2 billion ). In 2016 , included in *Income taxes payable* ( $14 million ), *Current tax assets* ( $17 million ), *Noncurrent deferred tax assets and other noncurrent tax assets* ( $184 million ), *Noncurrent deferred tax liabilities* ( $2.8 billion ) and *Other taxes payable* ( $2.8 billion ).

- Interest related to our unrecognized tax benefits is recorded in accordance with the laws of each jurisdiction and is recorded primarily in *Provision/(benefit) for taxes on income* in our consolidated statements of income. In 2017 , we recorded a net increase in interest of $208 million . In 2016 , we recorded a net increase in interest of $72 million ; and in 2015 , we recorded a net increase in interest of $71 million . Gross accrued interest totaled $975 million as of December 31, 2017 (reflecting a decrease of approximately $4 million as a result of cash payments) and gross accrued interest totaled $771 million as of December 31, 2016 (reflecting a decrease of approximately $18 million as a result of cash payments). In 2017 , this amount was included in *Other taxes payable* ( $975 million ). In 2016 , these amounts were included in *Income taxes payable* ( $4 million *), Current tax asset* s ( $13 million ) and *Other taxes payable* ( $754 million ). Accrued penalties are not significant. See also *Note 5A.*

Status of Tax Audits and Potential Impact on Accruals for Uncertain Tax Positions

The U.S. is one of our major tax jurisdictions, and we are regularly audited by the IRS:

- With respect to Pfizer, the IRS has issued a Revenue Agent's Report (RAR) for tax years 2009-2010. We are not in agreement with the RAR and are currently appealing certain disputed issues. Tax years 2011-2013 are currently under audit. Tax years 2014-2017 are open, but not under audit. All other tax years are closed.
- With respect to Hospira, the federal income tax audit of tax years 2012-2013 was effectively settled in the third quarter of 2017. The IRS is currently auditing tax year 2014 through short-year 2015. All other tax years are closed. The tax years under audit for Hospira are not considered material to Pfizer.
- With respect to Anacor and Medivation, the open tax years are not considered material to Pfizer.

In addition to the open audit years in the U.S., we have open audit years in other major tax jurisdictions, such as Canada (2010-2017), Japan (2015-2017), Europe (2011-2017, primarily reflecting Ireland, the United Kingdom, France, Italy, Spain and Germany), Latin America (1998-2017, primarily reflecting Brazil) and Puerto Rico (2010-2017). Any settlements or statutes of limitations expirations could result in a significant decrease in our uncertain tax positions. We estimate that it is reasonably possible that within the next 12 months, our gross unrecognized tax benefits, exclusive of interest, could decrease by as much as

$150 million , as a result of settlements with taxing authorities or the expiration of the statutes of limitations. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but our estimates of unrecognized tax benefits and potential tax benefits may not be representative of actual outcomes, and variation from such estimates could materially affect our financial statements in the period of settlement or when the statutes of limitations expire, as we treat these events as discrete items in the period of resolution. Finalizing audits with the relevant taxing authorities can include formal administrative and legal proceedings, and, as a result, it is difficult to estimate the timing and range of possible changes related to our uncertain tax positions, and such changes could be significant.

**E. Tax Provision/(Benefit) on Other Comprehensive Income/(Loss)**

The following table provides the components of the *Tax provision/(benefit) on other comprehensive income/(loss)* :

| | Year Ended December 31, | | |
|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 |
| Foreign currency translation adjustments, net [a] | **$ (215)** | $ (15) | $ 90 |
| Unrealized holding gains/(losses) on derivative financial instruments, net | **72** | (75) | (173) |
| Reclassification adjustments for (gains)/losses included in net income | **(224)** | 158 | 104 |
| | **(152)** | 83 | (69) |
| Unrealized holding gains/(losses) on available-for-sale securities, net | **102** | 49 | (104) |
| Reclassification adjustments for (gains)/losses included in net income | **(60)** | (15) | 59 |
| | **42** | 34 | (45) |
| Benefit plans: actuarial losses, net | **(59)** | (535) | (23) |
| Reclassification adjustments related to amortization | **192** | 186 | 183 |
| Reclassification adjustments related to settlements, net | **42** | 45 | 237 |
| Other | **(39)** | 36 | 66 |
| | **137** | (269) | 462 |
| Benefit plans: prior service (costs)/credits and other, net | **—** | 67 | 160 |
| Reclassification adjustments related to amortization | **(67)** | (64) | (59) |
| Reclassification adjustments related to curtailments, net | **(7)** | (10) | (12) |
| Other | **—** | (1) | — |
| | **(74)** | (7) | 89 |
| *Tax provision/(benefit) on other comprehensive income/(loss)* | **$ (262)** | $ (174) | $ 528 |

[a] Taxes are not provided for foreign currency translation adjustments relating to investments in international subsidiaries that will be held indefinitely.

## Note 6. Accumulated Other Comprehensive Loss, Excluding Noncontrolling Interests

The following table provides the changes, net of tax, in *Accumulated other comprehensive loss* :

| | Net Unrealized Gain/(Losses) | | | Benefit Plans | | |
|---|---|---|---|---|---|---|
| (MILLIONS OF DOLLARS) | Foreign Currency Translation Adjustments | Derivative Financial Instruments | Available-For-Sale Securities | Actuarial Gains/(Losses) | Prior Service (Costs)/ Credits and Other | Accumulated Other Comprehensive Income/(Loss) |
| Balance, January 1, 2015 | $ (2,689) | $ 517 | $ (222) | $ (5,654) | $ 733 | $ (7,316) |
| Other comprehensive income/(loss) [a] | (3,174) | (96) | (5) | 921 | 148 | (2,206) |
| Balance, December 31, 2015 | (5,863) | 421 | (227) | (4,733) | 880 | (9,522) |
| Other comprehensive income/(loss) [a] | (797) | (73) | 96 | (740) | (1) | (1,514) |
| Balance, December 31, 2016 | (6,659) | 348 | (131) | (5,473) | 879 | (11,036) |
| **Other comprehensive income/(loss)** [a] | **$ 1,479** | **(378)** | **532** | **$ 211** | **$ (129)** | **$ 1,715** |
| **Balance, December 31, 2017** | **$ (5,180)** | **$ (30)** | **$ 401** | **$ (5,262)** | **$ 750** | **$ (9,321)** |

[a] Amounts do not include foreign currency translation adjustments attributable to noncontrolling interests of $14 million income in 2017 , $3 million loss in 2016 and $26 million loss in 2015 .

As of December 31, 2017 , we estimate that we will reclassify into 2018 income the following pre-tax amounts currently held in *Accumulated other comprehensive loss* : $81 million of unrealized pre-tax net losses on derivative financial instruments (which is expected to offset primarily net gains resulting from reclassification adjustments related to foreign currency exchange-denominated forecasted intercompany inventory sales and net gains related to available-for-sale securities); $247 million of actuarial losses related to benefit plan obligations and plan assets and other benefit plan items; and $184 million of prior service credits, primarily related to benefit plan amendments.

## Note 7. Financial Instruments

### A. Fair Value Measurements

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

We use a market approach, as described in *Note 1E,* in valuing financial instruments on a recurring basis.

The following table presents the financial assets and liabilities measured at fair value on a recurring basis by balance sheet categories and fair value hierarchy level as defined in *Note 1E* :

| (MILLIONS OF DOLLARS) | Total | Level 1 | Level 2 | Total | Level 1 | Level 2 |
|---|---|---|---|---|---|---|
| | **December 31, 2017** | | | December 31, 2016 | | |
| **Financial assets measured at fair value on a recurring basis:** | | | | | | |
| **Short-term investments** | | | | | | |
| Classified as trading securities: | | | | | | |
| Equity [(a)] | **$ 19** | **$ —** | **$ 19** | $ — | $ — | $ — |
| Classified as available-for-sale securities: | | | | | | |
| Government and agency debt—non-U.S. | **12,242** | **—** | **12,242** | 7,317 | — | 7,317 |
| Corporate debt | **2,766** | **—** | **2,766** | 2,783 | — | 2,783 |
| Government debt—U.S. | **252** | **—** | **252** | 2,630 | — | 2,630 |
| Agency asset-backed debt—U.S. | **23** | **—** | **23** | 39 | — | 39 |
| Other asset-backed debt | **79** | **—** | **79** | 367 | — | 367 |
| Money market funds | **2,115** | **—** | **2,115** | 1,431 | — | 1,431 |
| Equity | **16** | **16** | **—** | 1 | 1 | — |
| | **17,493** | **16** | **17,477** | 14,567 | 1 | 14,566 |
| Total short-term investments | **17,512** | **16** | **17,496** | 14,567 | 1 | 14,566 |
| **Other current assets** | | | | | | |
| Derivative assets: | | | | | | |
| Interest rate contracts | **104** | **—** | **104** | 26 | — | 26 |
| Foreign exchange contracts | **234** | **—** | **234** | 540 | — | 540 |
| Total other current assets | **337** | **—** | **337** | 566 | — | 566 |
| **Long-term investments** | | | | | | |
| Classified as trading securities: | | | | | | |
| Equity [(a)] | **266** | **224** | **42** | 236 | 165 | 71 |
| Debt | **73** | **73** | **—** | 89 | 89 | — |
| | **340** | **298** | **42** | 325 | 254 | 71 |
| Classified as available-for-sale securities: | | | | | | |
| Government and agency debt—non-U.S. | **387** | **—** | **387** | 863 | — | 863 |
| Corporate debt | **4,172** | **36** | **4,136** | 4,306 | — | 4,306 |
| Government debt—U.S. | **495** | **—** | **495** | 88 | — | 88 |
| Other asset-backed debt | **35** | **—** | **35** | 239 | — | 239 |
| Money market funds | **—** | **—** | **—** | 14 | — | 14 |
| Equity | **1,174** | **1,174** | **—** | 539 | 539 | — |
| | **6,264** | **1,210** | **5,054** | 6,049 | 539 | 5,510 |
| Total long-term investments | **6,603** | **1,507** | **5,096** | 6,374 | 793 | 5,581 |
| **Other noncurrent assets** | | | | | | |
| Derivative assets: | | | | | | |
| Interest rate contracts | **477** | **—** | **477** | 599 | — | 599 |
| Foreign exchange contracts | **7** | **—** | **7** | 90 | — | 90 |
| Total other noncurrent assets | **484** | **—** | **484** | 689 | — | 689 |
| Total assets | **$ 24,937** | **$ 1,523** | **$ 23,414** | $ 22,197 | $ 794 | $ 21,403 |
| **Financial liabilities measured at fair value on a recurring basis:** | | | | | | |
| **Other current liabilities** | | | | | | |
| Derivative liabilities: | | | | | | |
| Interest rate contracts | **$ 1** | **$ —** | **$ 1** | $ 1 | $ — | $ 1 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Foreign exchange contracts | **201** | **—** | **201** | 443 | — | 443 |
| Total other current liabilities | **201** | **—** | **201** | 444 | — | 444 |
| **Other noncurrent liabilities** | | | | | | |
| Derivative liabilities: | | | | | | |
| Interest rate contracts | **177** | **—** | **177** | 147 | — | 147 |
| Foreign exchange contracts | **313** | **—** | **313** | 1,075 | — | 1,075 |
| Total other noncurrent liabilities | **490** | **—** | **490** | 1,222 | — | 1,222 |
| Total liabilities | **$ 691** | **$ —** | **$ 691** | $ 1,666 | $ — | $ 1,666 |

(a) As of December 31, 2017 and December 31, 2016 , equity securities of $42 million and $71 million , respectively, are held in trust for benefits attributable to the former Pharmacia Savings Plus Plan.

Financial Assets and Liabilities Not Measured at Fair Value on a Recurring Basis

The following table presents the financial liabilities not measured at fair value on a recurring basis, including the carrying values and estimated fair values using a market approach:

| | December 31, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Carrying Value | Estimated Fair Value | | Carrying Value | Estimated Fair Value | |
| (MILLIONS OF DOLLARS) | | Total | Level 2 | | Total | Level 2 |
| ***Financial Liabilities*** | | | | | | |
| Long-term debt, excluding the current portion | **$ 33,538** | **$ 37,253** | **$ 37,253** | $ 31,398 | $ 34,896 | $ 34,896 |

The differences between the estimated fair values and carrying values of held-to-maturity debt securities, restricted stock and private equity securities at cost, and short-term borrowings not measured at fair value on a recurring basis were not significant as of December 31, 2017 or December 31, 2016 . The fair value measurements of our held-to-maturity debt securities and our short-term borrowings are based on Level 2 inputs, using a market approach. The fair value measurements of our private equity securities carried at cost, which represent investments in the life sciences sector, are based on Level 3 inputs using a market approach.

In addition, as of December 31, 2017 and 2016 , we had long-term receivables where the determination of fair value employs discounted future cash flows, using current interest rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. As of December 31, 2017 and 2016 , the differences between the estimated fair values and carrying values of these receivables were not significant.

There were no significant impairments of financial assets recognized in any period presented.

Total Short-Term and Long-Term Investments

The following table represents our investments by classification type:

| | As of December 31, | |
|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 |
| ***Short-term investments*** | | |
| Trading securities | **$ 19** | $ — |
| Available-for-sale debt and equity securities | **17,493** | 14,567 |
| Held-to-maturity debt securities | **1,138** | 688 |
| ***Total Short-term investments*** | **$ 18,650** | $ 15,255 |
| ***Long-term investments*** | | |
| Trading securities | **$ 340** | $ 325 |
| Available-for-sale debt and equity securities | **6,264** | 6,049 |
| Held-to-maturity debt securities | **4** | 7 |
| Private equity investments carried at equity-method or cost | **408** | 735 |
| ***Total Long-term investments*** | **$ 7,015** | $ 7,116 |
| Held-to-maturity cash equivalents | **$ 719** | |

Fair Value Methodology

The following inputs and valuation techniques were used to estimate the fair value of our financial assets and liabilities:

- Trading equity securities—quoted market prices.
- Trading debt securities—quoted market prices.
- Available-for-sale debt securities—third-party matrix-pricing model that uses significant inputs derived from or corroborated by observable market data and credit-adjusted interest rate yield curves. Receivable-backed, loan-backed, and mortgage-backed debt securities are valued by third-party models that use significant inputs derived from observable market data like prepayment rates, default rates, and recovery rates.
- Available-for-sale equity securities—third-party pricing services that principally use a composite of observable prices.
- Derivative assets and liabilities (financial instruments)—third-party matrix-pricing model that uses significant inputs derived from or corroborated by observable market data. Where applicable, these models discount future cash flow amounts using market-based observable inputs, including interest rate yield curves, and forward and spot prices for currencies. The credit risk impact to our derivative financial instruments was not significant.
- Held-to-maturity debt securities—third-party matrix-pricing model that uses significant inputs derived from or corroborated by observable market data and credit-adjusted interest rate yield curves.
- Available-for-sale money market funds—observable net asset value prices.
- Private equity securities, excluding equity-method investments—application of the implied volatility associated with an observable biotech index to the carrying amount of our portfolio.

- Short-term borrowings and long-term debt—third-party matrix-pricing model that uses significant inputs derived from or corroborated by observable market data and our own credit rating.

We periodically review the methodologies, inputs and outputs of third-party pricing services for reasonableness. Our procedures can include, for example, referencing other third-party pricing models, monitoring key observable inputs (like LIBOR interest rates) and selectively performing test-comparisons of values with actual sales of financial instruments.

## B. Investments

At December 31, 2017, the investment securities portfolio consisted of debt securities that were virtually all investment-grade.

Information on investments in debt and equity securities at December 31, 2017 and 2016 is as follows, including, as of December 31, 2017, the contractual maturities, or as necessary, the estimated maturities, of the available-for-sale and held-to maturity debt securities:

| | December 31, 2017 | | | | | | | | December 31, 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gross Unrealized | | | Maturities (in Years) | | | | | Gross Unrealized | | |
| (MILLIONS OF DOLLARS) | Amortized Cost | Gains | Losses | Fair Value | Within 1 | Over 1 to 5 | Over 5 | Total | Amortized Cost | Gains | Losses | Fair Value |
| Available-for-sale debt securities | | | | | | | | | | | | |
| Government and agency debt — non-U.S. | **$ 12,616** | **$ 61** | **$ (48)** | **$ 12,629** | **$ 12,242** | **$ 387** | **$ —** | **$ 12,629** | $ 8,403 | $ 11 | $ (235) | $ 8,179 |
| Corporate debt [b] | **6,955** | **15** | **(33)** | **6,938** | **2,766** | **2,630** | **1,542** | **6,938** | 7,162 | 16 | (89) | 7,089 |
| Government debt—U.S. | **765** | **—** | **(19)** | **747** | **252** | **495** | **—** | **747** | 2,729 | 1 | (12) | 2,718 |
| Agency asset-backed debt—U.S. | **24** | **—** | **(1)** | **24** | **23** | **—** | **—** | **24** | 41 | — | (1) | 39 |
| Other asset-backed debt [c] | **114** | **—** | **—** | **114** | **79** | **32** | **3** | **114** | 607 | 1 | (2) | 605 |
| Held-to-maturity debt securities | | | | | | | | | | | | |
| Time deposits and other | **1,091** | **—** | **—** | **1,091** | **1,087** | **—** | **4** | **1,091** | 830 | — | — | 830 |
| Government and agency debt — non-U.S. | **770** | **—** | **—** | **770** | **770** | **—** | **—** | **770** | 412 | — | — | 412 |
| Total debt securities | **$ 22,337** | **$ 77** | **$ (100)** | **$ 22,313** | **$ 17,219** | **$ 3,544** | **$ 1,550** | **$ 22,313** | $ 20,184 | $ 29 | $ (339) | $ 19,873 |
| Available-for-sale equity securities | | | | | | | | | | | | |
| Money market funds | **$ 2,115** | **$ —** | **$ —** | **$ 2,115** | | | | | $ 1,446 | $ — | $ (1) | $ 1,445 |
| Equity | **728** | **586** | **(124)** | **1,190** | | | | | 426 | 239 | (125) | 540 |
| Total available-for-sale equity securities | **$ 2,843** | **$ 586** | **$ (124)** | **$ 3,304** | | | | | $ 1,872 | $ 239 | $ (126) | $ 1,985 |

[a] Issued by a diverse group of corporations.
[b] Includes receivable-backed, loan-backed, and mortgage-backed securities, all of which are in senior positions in the capital structure of the security. Receivable-backed securities are collateralized by credit cards receivables, and loan-backed securities are collateralized by senior secured obligations of a diverse pool of companies or student loans. Mortgage-backed securities are collateralized by diversified pools of residential and commercial mortgages.

## C. Short-Term Borrowings

Short-term borrowings include:

| | As of December 31, | |
|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 |
| Commercial paper | **$ 6,100** | $ 5,800 |
| Current portion of long-term debt, principal amount [a] | **3,532** | 4,201 |
| Other short-term borrowings, principal amount [b] | **320** | 673 |
| Total short-term borrowings, principal amount | **9,951** | 10,674 |
| Net fair value adjustments related to hedging and purchase accounting | **14** | 24 |
| Net unamortized discounts, premiums and debt issuance costs | **(12)** | (11) |
| Total *Short-term borrowings, including current portion of long-term debt* , carried at historical proceeds, as adjusted | **$ 9,953** | $ 10,688 |

[a] For additional information, see *Note 7D* .
[b] Other short-term borrowings primarily include cash collateral. For additional information, see *Note 7F* .

The weighted-average effective interest rate on commercial paper outstanding was approximately 1.36% as of December 31, 2017 and 0.83% as of December 31, 2016 .

On June 24, 2016, we acquired Anacor and assumed its short-term debt with an acquisition date fair value of $698 million , which was redeemed in the second and third quarters of 2016.

As of December 31, 2017 , we had approximately $7.0 billion of unused revolving credit facility, expiring in 2022, which may be used to support our commercial paper borrowings.

## D. Long-Term Debt

New Issuances

In 2017, we issued the following senior unsecured notes:

| Settlement Date | Maturity Date | Interest Rate | Issue Currency | Principal Amount | |
|---|---|---|---|---|---|
| March 6, 2017 | March 2019 | 3-month EURIBOR+0.20% (0% floor) | Euro | € 1,250 | |
| | March 2020 | 0.00% | Euro | 1,000 | |
| | March 2022 | 0.25% | Euro | 1,000 | |
| | March 2027 | 1.00% | Euro | 750 | |
| | | | | € 4,000 | (a) |
| December 19, 2017 | June 2043 | 2.735% | U.K. pound | £ 1,376 | (b) |
| March 17, 2017 | March 2047 | 4.20% | U.S. dollar | $ 1,065 | (c) |

(a) The weighted-average effective interest rate for the euro notes at issuance was 0.23% .
(b) In December 2017, Pfizer exchanged approximately £ 833 million principal amount of the outstanding 6.50% debt due 2038 for £ 1.376 billion principal amount of 2.735% debt due 2043. This exchange constituted a debt extinguishment. See the following "Retirements" section for the income statement impact from the extinguishment.
(c) The notes, issued in U.S. dollars in Taiwan, are redeemable, at our option, in whole but not in part, on each March 17 on or after March 17, 2020.

On November 21, 2016, we completed a public offering of $6.0 billion aggregate principal amount of senior unsecured notes: $1.0 billion of notes due 2019; $1.0 billion of notes due 2021; $1.75 billion of notes due 2026; $1.0 billion of notes due 2036; and $1.25 billion of notes due 2046, with a weighted-average effective interest rate of 3.10% .

On June 3, 2016, we completed a public offering of $5.0 billion aggregate principal amount of senior unsecured notes with a weighted-average effective interest rate of 2.09% .

Acquisition of Hospira Debt

On September 3, 2015, the Hospira acquisition date, our long-term debt increased due to the addition of an aggregate principal amount of $1,750 million of legacy Hospira debt, recorded at acquisition-date fair value of $1,928 million .

In October 2015, Pfizer exchanged $1.7 billion debt of its then recently acquired subsidiary, Hospira, for virtually the same amount of Pfizer debt with the same interest rate and maturity terms as the Hospira debt, leaving a minor amount of outstanding debt in Hospira's name that was redeemed during the fourth quarter of 2016. In connection with the exchange offers, the indenture governing the Hospira notes and the Hospira notes were amended to, among other things, eliminate substantially all of the restrictive covenants. The net income effect of this exchange was immaterial.

Retirements

In December 2017, we exchanged approximately £833 million and repurchased £197 million principal amount of the outstanding 6.50% debt before the maturity date at a redemption value of £1.7 billion , leaving £470 million principal amount of the 6.50% debt due 2038 outstanding. Also, in December 2017, we repurchased approximately €834 million principal amount of the outstanding 5.75% debt before the maturity date at a redemption value of €1.0 billion , leaving approximately €1.2 billion of the 5.75% euro-denominated debt due 2021 outstanding. As a result, we recorded a net loss of approximately $846 million and $153 million upon the exchange and early retirement of the U.K. pound-denominated debt and the early retirement of the euro-denominated debt, respectively, for a net loss on early retirement of debt of $999 million . which included the related termination of cross-currency swaps, and that were recorded in *Other (income)/deductions—net* in the consolidated statement of income (see *Note 4* ).

In November 2016, we repurchased $3.4 billion carrying value of outstanding debt before the maturity date at a redemption value of $3.7 billion . The debt repurchased included $3.27 billion carrying value of 6.20% senior notes due March 2019. As a result, we recorded a total net loss of approximately $312 million upon the early redemption of debt, which included the related termination of interest rate swaps, and which was recorded in *Other (income)/deductions—net* in the consolidated statement of income (see *Note 4* ).

The following table provides the components of our senior unsecured long-term debt, including the weighted-average stated interest rate for 2017 and 2016 by maturity.

| | As of December 31, | |
|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 |
| Notes due 2018 (2.3%) [(a)] | **$ —** | $ 3,532 |
| Notes due 2019 (1.3% and 1.8%) | **4,848** | 3,350 |
| Notes due 2020 (1.1% and 5.2%) | **1,528** | 330 |
| Notes due 2021 (3.5% and 3.9%) | **3,550** | 4,260 |
| Notes due 2022 (0.3%) | **1,199** | — |
| Notes due 2023 (4.3% and 4.3%) | **1,592** | 1,592 |
| Notes due 2024-2028 (3.5% and 3.9%) | **6,259** | 5,360 |
| Notes due 2034-2038 (5.7% and 5.9%) | **4,886** | 6,102 |
| Notes due 2039-2043 (5.2% and 6.4%) | **5,606** | 3,745 |
| Notes due 2044-2047 (4.2% and 4.2%) | **3,315** | 2,250 |
| Total long-term borrowings, principal amount | **32,783** | 30,520 |
| Net fair value adjustments related to hedging and purchase accounting | **872** | 998 |
| Net unamortized discounts, premiums and debt issuance costs | **(125)** | (130) |
| Other long-term obligations | **8** | 9 |
| Total long-term borrowings, carried at historical proceeds, as adjusted | **$ 33,538** | $ 31,398 |
| Current portion of long-term debt, carried at historical proceeds (not included above (2.4% and 3.0%) | **$ 3,546** | $ 4,225 |

[(a)] At December 31, 2017, the debt issuances have been reclassified to the current portion of long-term debt.

Our long-term debt, provided in the above table, is generally redeemable by us at any time at varying redemption prices plus accrued and unpaid interest.

## E. Other Noncurrent Liabilities

In December 2017, the U.S. approved Bosulif (bosutinib) for the treatment of patients with newly-diagnosed chronic-phase Ph+ CML. In connection with the U.S. approval, we incurred an obligation to make guaranteed fixed annual payments over a ten-year period aggregating $416 million related to a research and development arrangement. As a result, during the fourth quarter of 2017 we recorded the estimated net present value of $364 million as an intangible asset in *Developed technology rights* , and we have recorded the present value of the remaining future payments of $281 million in *Other noncurrent liabilities* and $83 million in *Other current liabilities* as of December 31, 2017.

In August 2017, the U.S. approved Besponsa (inotuzumab ozogamicin) and in June 2017, the EU approved Besponsa as monotherapy for the treatment of adults with relapsed or refractory CD22-positive B-cell precursor acute lymphoblastic leukemia. In connection with the U.S. approval, we incurred an obligation to make guaranteed fixed annual payments over a nine-year period aggregating $296 million related to a research and development arrangement. As a result, during the third quarter of 2017 we recorded the estimated net present value of $248 million as an intangible asset in *Developed technology rights* , and we have recorded the present value of the remaining future payments of $236 million in *Other noncurrent liabilities* and $15 million in *Other current liabilities* as of December 31, 2017. In connection with the EU approval, we incurred an obligation to make guaranteed fixed annual payments over a nine-year period aggregating $148 million related to a research and development arrangement. As a result, during the second quarter of 2017 we recorded the estimated net present value of $123 million as an intangible asset in *Developed technology rights* , and we have recorded the present value of the remaining future payments of $119 million in *Other noncurrent liabilities* and $6 million in *Other current liabilities* as of December 31, 2017.

The differences between the estimated fair values, using a market approach in the Level 2 fair value hierarchy, and carrying values of the obligations were not significant as of December 31, 2017.

## F. Derivative Financial Instruments and Hedging Activities

Foreign Exchange Risk

A significant portion of our revenues, earnings and net investments in foreign affiliates is exposed to changes in foreign exchange rates. We manage our foreign exchange risk, in part, through operational means, including managing same-currency revenues in relation to same-currency costs and same-currency assets in relation to same-currency liabilities. We also manage our foreign exchange risk, depending on market conditions, through fair value, cash flow, and net investment hedging programs through the use of derivative financial instruments and foreign currency debt. These financial instruments serve to protect net income against the impact of remeasurement into another currency, or against the impact of translation into U.S. dollars of certain foreign exchange-denominated transactions.

All derivative financial instruments used to manage foreign currency risk are measured at fair value and are reported as assets or liabilities on the consolidated balance sheet. The derivative financial instruments primarily hedge or offset exposures in the euro, U.K. pound, Japanese yen, and Canadian dollar. Changes in fair value are reported in earnings or in *Other comprehensive income/(loss)* , depending on the nature and purpose of the financial instrument (hedge or offset relationship) and the effectiveness of the hedge relationships, as follows:

- We recognize the gains and losses on foreign exchange contracts that are designated as fair value hedges in earnings upon the recognition of the change in fair value of the hedged risk. We recognize the offsetting foreign exchange impact attributable to the hedged item also in earnings.
- We record in *Other comprehensive income/(loss)* the effective portion of the gains or losses on foreign exchange contracts that are designated as cash flow hedges and reclassify those amounts, as appropriate, into earnings in the same period or periods during which the hedged transaction affects earnings.
- As part of our net investment hedging program, we recognize the gain and loss impact on foreign exchange contracts designated as hedges of our net investments in earnings in three ways: over time-for the periodic net swap payments; immediately-to the extent of any change in the difference between the foreign exchange spot rate and forward rate; and upon sale or substantial liquidation of our net investments-to the extent of change in the foreign exchange spot rates. We record in *Other comprehensive income/(loss)* the foreign exchange gains and losses related to foreign exchange-denominated debt designated as a hedge of our net investments in foreign subsidiaries and reclassify those amounts into earnings upon the sale or substantial liquidation of our net investments.
- For certain foreign exchange contracts not designated as hedging instruments, we recognize the gains and losses on foreign currency exchange contracts that are used to offset the same foreign currency assets or liabilities immediately into earnings along with the earnings impact of the items they generally offset. These contracts essentially take the opposite currency position of that reflected in the month-end balance sheet to counterbalance the effect of any currency movement.

As a part of our cash flow hedging program, we designate foreign exchange contracts to hedge a portion of our forecasted euro, Japanese yen, Chinese renminbi, U.K. pound, Canadian dollar, and Australian dollar-denominated intercompany inventory sales expected to occur no more than two years from the date of each hedge.

Any ineffectiveness is recognized immediately into earnings. There was no significant ineffectiveness for any period presented.

Interest Rate Risk

Our interest-bearing investments and borrowings are subject to interest rate risk. We strive to invest and borrow primarily on a floating-rate basis; however, in light of current market conditions, we currently borrow primarily on a long-term, fixed-rate basis. From time to time, depending on market conditions, we will change the profile of our outstanding debt by entering into derivative financial instruments like interest rate swaps. We entered into derivative financial instruments to hedge or offset the fixed interest rates on the hedged item, matching the amount and timing of the hedged item. The derivative financial instruments primarily hedge U.S. dollar fixed-rate debt.

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

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

Any ineffectiveness is recognized immediately into earnings. There was no significant ineffectiveness for any period presented.

The following table provides the fair value of the derivative financial instruments and the related notional amounts presented between those derivatives that are designated as hedging instruments and those that are not designated as hedging instruments:

| (MILLIONS OF DOLLARS) | **December 31, 2017** | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | | Fair Value | | | Fair Value | |
| | Notional | Asset | Liability | Notional | Asset | Liability |
| *Derivatives designated as hedging instruments:* | | | | | | |
| Foreign exchange contracts [a] | **$ 18,723** | **$ 179** | **$ 459** | $ 14,424 | $ 468 | $ 1,135 |
| Interest rate contracts | **12,430** | **581** | **178** | 15,991 | 625 | 148 |
| | | **760** | **637** | | 1,093 | 1,283 |
| *Derivatives not designated as hedging instruments:* | | | | | | |
| Foreign exchange contracts | **$ 14,300** | **$ 62** | **$ 54** | $ 13,100 | $ 162 | $ 382 |
| Total | | **$ 822** | **$ 691** | | $ 1,255 | $ 1,665 |

[a] As of December 31, 2017, the notional amount of outstanding foreign currency forward-exchange contracts hedging our intercompany forecasted inventory sales was $5.1 billion .

The following table provides information about the gains/(losses) incurred to hedge or offset operational foreign exchange or interest rate risk:

| | Amount of Gains/(Losses) Recognized in OID [a], [b] | | Amount of Gains/(Losses) Recognized in OCI (Effective Portion) [a], [c] | | Amount of Gains/(Losses) Reclassified from OCI into OID and COS (Effective Portion) [a], [c] | |
|---|---|---|---|---|---|---|
| | As of December 31, | | | | | |
| (MILLIONS OF DOLLARS) | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| Derivative Financial Instruments in Cash Flow Hedge Relationships: | | | | | | |
| Foreign exchange contracts [d] | **$ (6)** | $ (4) | **$ (12)** | $ (444) | **$ 520** | $ (451) |
| Derivative Financial Instruments in Fair Value Hedge Relationships: | | | | | | |
| Interest rate contracts | **(60)** | (181) | **—** | — | **—** | — |
| Hedged item gain/(loss) | **60** | 181 | **—** | — | **—** | — |
| Foreign exchange contracts | **(19)** | (4) | **—** | — | **—** | — |
| Hedged item gain/(loss) | **19** | 4 | **—** | — | **—** | — |
| Derivative Financial Instruments in Net Investment Hedge Relationships: | | | | | | |
| Foreign exchange contracts | **—** | 1 | **—** | (15) | **—** | |
| Non-Derivative Financial Instruments in Net Investment Hedge Relationships: | | | | | | |
| Foreign currency short-term borrowings | **—** | — | **—** | (26) | **—** | — |
| Foreign currency long-term debt [e] | **—** | — | **(580)** | — | **—** | — |
| Derivative Financial Instruments Not Designated as Hedges: | | | | | | |
| Foreign exchange contracts | **(87)** | (105) | **—** | — | **—** | — |
| All other net | **—** | — | **2** | 1 | **1** | (1) |
| | **$ (93)** | $ (107) | **$ (591)** | $ (483) | **$ 520** | $ (452) |

[a] OID = Other (income)/deductions—net, included in *Other (income)/deductions—net* in the consolidated statements of income . COS = Cost of Sales, included in *Cost of Sales* in the consolidated statements of income. OCI = Other comprehensive income/(loss), included in the consolidated statements of comprehensive income .

[b] There was no significant ineffectiveness for any period presented.

[c] For derivative financial instruments in cash flow hedge relationships, the effective portion is included in *Other comprehensive income/(loss)—Unrealized holding gains/(losses) on derivative financial instruments, net* . For derivative financial instruments in net investment hedge relationships and for foreign currency debt designated as hedging instruments, the effective portion is included in *Other comprehensive income/(loss)—Foreign currency translation adjustments, net.*

[d] Based on year-end foreign exchange rates that are subject to change, we expect to reclassify a pre-tax loss of $72 million within the next 12 months into *Cost of sales.* The maximum length of time over which we are hedging future foreign exchange cash flow relates to our $1.9 billion U.K. pound debt maturing in 2043.

[e] Long-term debt includes foreign currency long-term borrowings with carrying values of $4.8 billion as of December 31, 2017, which are used as hedging instruments.

Certain of our derivative instruments are covered by associated credit-support agreements that have credit-risk-related contingent features designed to reduce our counterparties' exposure to our risk of defaulting on amounts owed. As of December 31, 2017 , the aggregate fair value of these derivative instruments that are in a net liability position was $336 million , for which we have posted collateral of $346 million in the normal course of business. If there had been a downgrade to below an A rating by S&P or the equivalent rating by Moody's, we would not have been required to post any additional collateral to our counterparties.

As of December 31, 2017 , we received cash collateral of $226 million from various counterparties. The collateral primarily supports the approximate fair value of our derivative contracts. With respect to the collateral received, the obligations are reported in *Short-term borrowings, including current portion of long-term debt.*

## G. Credit Risk

On an ongoing basis, we review the creditworthiness of counterparties to our foreign exchange and interest rate agreements and do not expect to incur a significant loss from failure of any counterparties to perform under the agreements. There are no significant concentrations of credit risk related to our financial instruments with any individual counterparty, except for certain significant customers. For additional information, see *Note 18C* . For details about our investments, see *Note 7B* above .

In general, there is no requirement for collateral from customers. However, derivative financial instruments are executed under credit-support agreements that provide for the ability to request collateral payments, depending on levels of exposure, our credit rating and the credit rating of the counterparty, see *Note 7F* above.

## Note 8. Inventories

The following table provides the components of *Inventories* :

| (MILLIONS OF DOLLARS) | As of December 31, **2017** | 2016 |
|---|---|---|
| Finished goods | **$ 2,883** | $ 2,293 |
| Work in process | **3,908** | 3,696 |
| Raw materials and supplies | **788** | 793 |
| *Inventories* [a] | **$ 7,578** | $ 6,783 |
| Noncurrent inventories not included above [b] | **$ 683** | $ 683 |

[a] The change from December 31, 2016 reflects the build of inventory primarily for and in advance of new or potential product launches and increases to meet targeted levels for certain products in the normal course of business, as well as an increase due to foreign exchange.
[b] Included in *Other noncurrent assets* . There are no recoverability issues associated with these amounts.

## Note 9. Property, Plant and Equipment

The following table provides the components of *Property, plant and equipment* :

| (MILLIONS OF DOLLARS) | Useful Lives (Years) | As of December 31, **2017** | 2016 |
|---|---|---|---|
| Land | - | **$ 540** | $ 530 |
| Buildings | 33-50 | **10,254** | 9,810 |
| Machinery and equipment | 8-20 | **11,902** | 11,248 |
| Furniture, fixtures and other | 3-12 1/2 | **4,661** | 4,410 |
| Construction in progress | - | **2,680** | 2,127 |
| | | **30,037** | 28,125 |
| Less: Accumulated depreciation | | **16,172** | 14,807 |
| *Property, plant and equipment* [a] | | **$ 13,865** | $ 13,318 |

[a] The increase in total property, plant and equipment is primarily due to capital additions and the impact of foreign exchange, partially offset by depreciation, reductions due to restructuring efforts and disposals.

## Note 10. Identifiable Intangible Assets and Goodwill

### A. Identifiable Intangible Assets

Balance Sheet Information

The following table provides the components of *Identifiable intangible assets* :

| (MILLIONS OF DOLLARS) | **December 31, 2017** Gross Carrying Amount | Accumulated Amortization | Identifiable Intangible Assets, less Accumulated Amortization | December 31, 2016 Gross Carrying Amount | Accumulated Amortization | Identifiable Intangible Assets, less Accumulated Amortization |
|---|---|---|---|---|---|---|
| Finite-lived intangible assets | | | | | | |
| Developed technology rights [a] | **$ 89,550** | **$ (54,785)** | **$ 34,765** | $ 83,390 | $ (49,650) | $ 33,740 |
| Brands | **2,134** | **(1,152)** | **982** | 2,092 | (1,032) | 1,060 |
| Licensing agreements and other | **1,911** | **(1,096)** | **815** | 1,869 | (1,005) | 864 |
| | **93,595** | **(57,033)** | **36,562** | 87,351 | (51,687) | 35,664 |
| Indefinite-lived intangible assets | | | | | | |
| Brands and other | **6,929** | | **6,929** | 6,883 | | 6,883 |
| IPR&D [a] | **5,249** | | **5,249** | 10,101 | | 10,101 |
| | **12,179** | | **12,179** | 16,984 | | 16,984 |
| *Identifiable intangible assets* [b] | **$ 105,774** | **$ (57,033)** | **$ 48,741** | $ 104,335 | $ (51,687) | $ 52,648 |

[a] The changes in the gross carrying amount of *Developed technology rights* and *IPR&D* primarily reflect (i) the transfer of $4.8 billion from *IPR&D* to *Developed technology rights* to reflect the approval of Eucrisa, (ii) the *Developed technology rights* and *IPR&D* acquired as part of the acquisition of AstraZeneca's small molecule anti-infectives business (see *Note 2A* ), (iii) the *Developed technology rights* of $371 million recorded in connection with the EU and U.S. approvals of Besponsa (see *Note 7E* ), (iv) the *Developed technology rights* of $364 million recorded in connection with the U.S. approval of Bosulif (see *Note 7E* ) and (v) the *Developed technology rights* of $140 million recorded in connection with the approvals of Bavencio (see *Note 2C* ) partially offset by (vi) measurement period adjustments related to Medivation (see *Note 2A* ) and (vii) impairments of *Developed technology rights* (see *Note 4* ) .

(b) The decrease in *I dentifiable intangible assets, less accumulated amortization* , is primarily due to (i) amortization, (ii) measurement period adjustments related to Medivation (see *Note 2A* ), as well as (iii) impairments of *Developed technology rights* (see *Note 4* ), partially offset by (iv) assets acquired as part of the acquisition of AstraZeneca's small molecule anti-infectives business (see *Note 2A* ), (v) the assets recorded in connection with the EU and U.S. approvals of Besponsa and in connection with the U.S. approval of Bosulif (see *Note 7E* ) and (vi) the assets recorded in connection with the approvals of Bavencio (see *Note 2C* ).

Our identifiable intangible assets are associated with the following, as a percentage of total identifiable intangible assets, less accumulated amortization:

| | December 31, 2017 | | |
|---|---|---|---|
| | IH | EH | WRD |
| Developed technology rights | **68%** | **31%** | **—** |
| Brands, finite-lived | **75%** | **25%** | **—** |
| Brands, indefinite-lived | **71%** | **29%** | **—** |
| IPR&D | **81%** | **12%** | **7%** |

Developed Technology Rights

Developed technology rights represent the amortized cost associated with developed technology, which has been acquired from third parties and which can include the right to develop, use, market, sell and/or offer for sale the product, compounds and intellectual property that we have acquired with respect to products, compounds and/or processes that have been completed. We possess a well-diversified portfolio of hundreds of developed technology rights across therapeutic categories, representing the commercialized products included in our biopharmaceutical businesses. The more significant components of developed technology rights are the following (in order of significance): Xtandi, Prevnar 13/Prevenar 13 Infant, Eucrisa, Enbrel, Premarin, Prevnar 13/Prevenar 13 Adult, and, to a lesser extent Tygacil, Pristiq, Refacto AF and Zavicefta. Also included in this category are the post-approval milestone payments made under our alliance agreements for certain biopharmaceutical products.

Brands

Brands represent the amortized or unamortized cost associated with tradenames and know-how, as the products themselves do not receive patent protection. Most of these assets are associated with our Consumer Healthcare business unit. The more significant components of indefinite-lived brands are the following (in order of significance): Advil, Xanax/Xanax XR, Centrum, Caltrate, Medrol and Preparation H. The more significant components of finite-lived brands are the following (in order of significance): Nexium, Depo-Provera, Zavedos and, to a lesser extent, Idoform Bifiform, Polocard and Advil Cold and Sinus.

IPR&D

IPR&D assets represent R&D assets that have not yet received regulatory approval in a major market. The more significant components of IPR&D at December 31, 2017 are the programs for the treatment of non-metastatic and metastatic prostate cancer and the program for the oral PARP inhibitor for the treatment of patients with germline BRCA-mutated advanced breast cancer, both acquired as part of the Medivation acquisition.

IPR&D assets are required to be classified as indefinite-lived assets until the successful completion or the abandonment of the associated R&D effort. Accordingly, during the development period after the date of acquisition, these assets will not be amortized until approval is obtained in a major market, typically either the U.S. or the EU, or in a series of other countries, subject to certain specified conditions and management judgment. At that time, we will determine the useful life of the asset, reclassify the asset out of IPR&D and begin amortization. If the associated R&D effort is abandoned, the related IPR&D assets will likely be written-off, and we will record an impairment charge.

For IPR&D assets, the risk of failure is significant and there can be no certainty that these assets ultimately will yield successful products. The nature of the biopharmaceutical business is high-risk and, as such, we expect that many of these IPR&D assets will become impaired and be written off at some time in the future.

Amortization

The weighted-average life for each of our total finite-lived intangible assets and the largest component, developed technology rights, is approximately 10 years. Total amortization expense for finite-lived intangible assets was $4.8 billion in 2017 , $4.1 billion in 2016 and $3.8 billion in 2015 .

The following table provides the annual amortization expense expected for the years 2018 through 2022:

| (MILLIONS OF DOLLARS) | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Amortization expense | $ 4,798 | $ 4,592 | $ 3,569 | $ 3,474 | $ 3,223 |

### B. Goodwill

The following table provides the components of and changes in the carrying amount of *Goodwill* :

| (MILLIONS OF DOLLARS) | IH | EH | Total |
|---|---|---|---|
| Balance, January 1, 2016 | $ 23,809 | $ 24,433 | $ 48,242 |
| Additions [a] | 6,357 | 12 | 6,369 |
| Other [b] | (32) | (130) | (162) |
| Balance, December 31, 2016 | 30,134 | 24,315 | 54,449 |
| **Additions** [c] | **572** | **92** | **664** |
| **Other** [d] | **435** | **404** | **840** |
| **Balance, December 31, 2017** | **$ 31,141** | **$ 24,811** | **$ 55,952** |

[a] IH additions primarily relate to our acquisitions of Medivation, Anacor and Bamboo (see *Note 2A* ).
[b] Primarily reflects the impact of foreign exchange and, with respect to EH, the impact of the reclassification of $119 million to *Assets held for sale* during 2016 (see *Note 2B* ).
[c] IH additions primarily represent measurement period adjustments related to our Medivation acquisition, and EH additions relate to our acquisition of AstraZeneca's small molecule anti-infectives business (see *Note 2A* ).
[d] Primarily reflects the impact of foreign exchange and an adjustment of our estimate of goodwill associated with the HIS net assets sold.

## Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans

The majority of our employees worldwide are eligible for retirement benefits provided through defined benefit pension plans, defined contribution plans or both. In the U.S., we sponsor both IRC-qualified and supplemental (non-qualified) defined benefit plans and defined contribution plans. A qualified plan meets the requirements of certain sections of the IRC, and, generally, contributions to qualified plans are tax deductible. A qualified plan typically provides benefits to a broad group of employees with restrictions on discriminating in favor of highly compensated employees with regard to coverage, benefits and contributions. A supplemental (non-qualified) plan provides additional benefits to certain employees. In addition, we provide medical insurance benefits to certain retirees and their eligible dependents through our postretirement plans.

Effective January 1, 2018, there were two significant defined benefit pension plans that were frozen to future benefit accruals in the U.S. and U.K. and will result in the elimination of future service costs for those plans.

### A. Components of Net Periodic Benefit Costs and Changes in Other Comprehensive Loss

The following table provides the annual (income)/cost and changes in *Other comprehensive income/(loss)* for our benefit plans:

| | Year Ended December 31, | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Pension Plans | | | | | | | | | | | |
| | U.S. Qualified [a] | | | U.S. Supplemental (Non-Qualified) | | | International | | | Postretirement Plans | | |
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 | **2017** | 2016 | 2015 | **2017** | 2016 | 2015 | **2017** | 2016 | 2015 |
| Service cost | **$ 269** | $ 257 | $ 287 | **$ 24** | $ 18 | $ 22 | **$ 171** | $ 165 | $ 186 | **$ 42** | $ 41 | $ 55 |
| Interest cost | **634** | 646 | 676 | **54** | 53 | 54 | **204** | 233 | 307 | **90** | 101 | 117 |
| Expected return on plan assets | **(1,005)** | (958) | (1,089) | **—** | — | — | **(345)** | (381) | (418) | **(36)** | (34) | (53) |
| Amortization of: | | | | | | | | | | | | |
| Actuarial losses | **393** | 395 | 346 | **50** | 37 | 44 | **116** | 93 | 122 | **31** | 32 | 38 |
| Prior service cost/(credits) | **3** | 5 | (5) | **(1)** | (1) | (2) | **(4)** | (3) | (7) | **(182)** | (174) | (146) |
| Curtailments | **13** | 10 | 3 | **1** | 1 | — | **—** | (2) | 5 | **(19)** | (26) | (31) |
| Settlements | **75** | 90 | 556 | **39** | 28 | 34 | **4** | 9 | 81 | **—** | — | — |
| Special termination benefits | **—** | — | — | **—** | — | — | **1** | 1 | 1 | **—** | — | — |
| Net periodic benefit costs/(income) reported in *Income* | **382** | 444 | 773 | **166** | 137 | 153 | **147** | 115 | 277 | **(75)** | (59) | (21) |
| (Income)/cost reported in *Other comprehensive income/(loss)* [b] | **141** | 253 | (396) | **23** | 121 | (143) | **(301)** | 640 | (542) | **(8)** | 3 | (540) |
| (Income)/cost recognized in *Comprehensive income* | **$ 523** | $ 697 | $ 378 | **$ 189** | $ 258 | $ 10 | **$ (154)** | $ 755 | $ (265) | **$ (83)** | $ (56) | $ (560) |

[a] In April 2017, we settled the remaining obligation associated with the Hospira U.S. qualified defined benefit pension plan. We purchased a group annuity contract on behalf of the remaining plan participants with a third-party insurance provider. As a result, we were relieved of the $156 million net pension benefit obligation and recorded a pretax settlement gain of $41 million , partially offset by the recognition of actuarial losses and prior service costs upon plan settlement of approximately $30 million in *Restructuring charges and certain acquisition-related costs* during the second quarter of 2017 (see *Note 3* ). In 2015, the net periodic benefit costs included settlement losses primarily related to participants accepting the lump-sum option made in an offer to certain plan participants to elect a lump-sum payment to settle Pfizer's pension obligation with those participants, or to elect an early annuity.

[b] In 2017 and 2016, the changes to *Other comprehensive (income)/loss* for the international plans was impacted by foreign currency movements. For details of the changes in *Other comprehensive (income)/loss,* see the benefit plan activity in the consolidated statements of comprehensive income.

The following table provides the amounts in *Accumulated other comprehensive loss* expected to be amortized into 2018 net periodic benefit costs:

| | Pension Plans | | | |
|---|---|---|---|---|
| (MILLIONS OF DOLLARS) | U.S. Qualified | U.S. Supplemental (Non-Qualified) | International | Postretirement Plans |
| Actuarial losses [a] | $ (121) | $ (16) | $ (101) | $ (9) |
| Prior service credits and other | (2) | 1 | 4 | 181 |
| Total | $ (123) | $ (15) | $ (97) | $ 172 |

[a] Due to the U.S. Pfizer Consolidated Pension Plan freeze effective for January 1, 2018, the average amortization period for the U.S. qualified plans and U.S. supplemental (non-qualified) plans will reflect the expected life expectancy of the plan participants, whereas prior years utilized the expected future service period of plan participants. The average amortization periods to be utilized for 2018 are 24.8 years for our U.S. qualified plans, 26.2 years for our U.S. supplemental (non-qualified) plans, 20.0 years for our international plans, and 9.7 for our postretirement plans.

## B. Actuarial Assumptions

The following table provides the weighted-average actuarial assumptions of our benefit plans:

| (PERCENTAGES) | **2017** | 2016 | 2015 |
|---|---|---|---|
| Weighted-average assumptions used to determine benefit obligations | | | |
| Discount rate: | | | |
| U.S. qualified pension plans | **3.8%** | 4.3% | 4.5% |
| U.S. non-qualified pension plans | **3.7%** | 4.2% | 4.5% |
| International pension plans | **2.3%** | 2.4% | 3.1% |
| Postretirement plans | **3.7%** | 4.2% | 4.5% |
| Rate of compensation increase: | | | |
| U.S. qualified pension plans | **2.8%** | 2.8% | 2.8% |
| U.S. non-qualified pension plans | **2.8%** | 2.8% | 2.8% |
| International pension plans | **2.5%** | 2.6% | 2.6% |
| Weighted-average assumptions used to determine net periodic benefit cost | | | |
| Discount rate: | | | |
| U.S. qualified pension plans | **4.3%** | 4.5% | 4.2% |
| U.S. non-qualified pension plans | **4.2%** | 4.5% | 4.0% |
| International pension plans interest cost [a] | **2.1%** | 2.7% | 3.0% |
| International pension plans service cost [a] | **2.3%** | 3.0% | 3.0% |
| Postretirement plans | **4.2%** | 4.5% | 4.2% |
| Expected return on plan assets: | | | |
| U.S. qualified pension plans | **8.0%** | 8.0% | 8.3% |
| International pension plans | **4.7%** | 5.2% | 5.5% |
| Postretirement plans | **8.0%** | 8.0% | 8.3% |
| Rate of compensation increase: | | | |
| U.S. qualified pension plans | **2.8%** | 2.8% | 2.8% |
| U.S. non-qualified pension plans | **2.8%** | 2.8% | 2.8% |
| International pension plans | **2.6%** | 2.6% | 2.7% |

[a] Effective January 1, 2016, the Company changed the approach used to measure service cost and interest costs for certain international pension plans and other postretirement benefits. In accordance with this change, the effective rate for interest on the benefit obligations and effective rate for service cost, respectively, are reported for international pension plans.

The assumptions above are used to develop the benefit obligations at fiscal year-end and to develop the net periodic benefit cost for the subsequent fiscal year. Therefore, the assumptions used to determine net periodic benefit cost for each year are established at the end of each previous fiscal year, while the assumptions used to determine benefit obligations are established at each fiscal year-end.

The net periodic benefit cost and the benefit obligations are based on actuarial assumptions that are reviewed on at least an annual basis. We revise these assumptions based on an annual evaluation of long-term trends, as well as market conditions that may have an impact on the cost of providing retirement benefits.

The weighted-average discount rate for our U.S. defined benefit plans is determined annually and evaluated and modified to reflect at year-end the prevailing market rate of a portfolio of high-quality fixed income investments, rated AA/Aa or better that reflect the rates at which the pension benefits could be effectively settled. For our international plans, the discount rates are set by benchmarking against investment grade corporate bonds rated AA/Aa or better, including, when there is sufficient data, a yield curve approach. These rate determinations are made consistent with local requirements. Overall, the yield curves used to measure the benefit obligations at year-end 2017 resulted in lower discount rates as compared to the prior year.

The following table provides the healthcare cost trend rate assumptions for our U.S. postretirement benefit plans:

| | 2017 | 2016 |
|---|---|---|
| Healthcare cost trend rate assumed for next year (up to age 65) | **6.1%** | 6.3% |
| Healthcare cost trend rate assumed for next year (age 65 and older) | **7.0%** | 7.4% |
| Rate to which the cost trend rate is assumed to decline | **4.5%** | 4.5% |
| Year that the rate reaches the ultimate trend rate | **2037** | 2037 |

The following table provides the effects as of December 31, 2017 of a one-percentage-point increase or decrease in the healthcare cost trend rate assumed for postretirement benefits:

| (MILLIONS OF DOLLARS) | Increase | Decrease |
|---|---|---|
| Effect on total service and interest cost components | **$ 3** | **$ (4)** |
| Effect on postretirement benefit obligation | **47** | **(26)** |

Actuarial and other assumptions for pension and postretirement plans can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For a description of the risks associated with estimates and assumptions, see *Note 1C* .

**C. Obligations and Funded Status**

The following table provides an analysis of the changes in our benefit obligations, plan assets and funded status of our benefit plans:

| | Year Ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Pension Plans | | | | | | | |
| | U.S. Qualified [a] | | U.S. Supplemental (Non-Qualified) | | International [b] | | Postretirement Plans [c] | |
| (MILLIONS OF DOLLARS) | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| Change in benefit obligation [d] | | | | | | | | |
| Benefit obligation, beginning | **$ 15,547** | $ 14,926 | **$ 1,450** | $ 1,343 | **$ 9,691** | $ 9,214 | **$ 2,254** | $ 2,463 |
| Service cost | **269** | 257 | **24** | 18 | **171** | 165 | **42** | 41 |
| Interest cost | **634** | 646 | **54** | 53 | **204** | 233 | **90** | 101 |
| Employee contributions | **—** | — | **—** | — | **6** | 7 | **94** | 85 |
| Plan amendments | **—** | — | **—** | — | **2** | (6) | **—** | (177) |
| Changes in actuarial assumptions and other | **1,614** | 725 | **110** | 185 | **135** | 1,273 | **(177)** | 22 |
| Foreign exchange impact | **—** | — | **—** | — | **760** | (781) | **5** | — |
| Acquisitions/divestitures/other, net | **—** | — | **—** | — | **26** | 1 | **1** | — |
| Curtailments | **11** | 9 | **—** | 1 | **—** | (14) | **1** | — |
| Settlements | **(842)** | (449) | **(98)** | (78) | **(31)** | (45) | **—** | — |
| Special termination benefits | **—** | — | **—** | — | **1** | 1 | **—** | — |
| Benefits paid | **(530)** | (568) | **(45)** | (72) | **(357)** | (358) | **(280)** | (282) |
| Benefit obligation, ending [d] | **16,702** | 15,547 | **1,495** | 1,450 | **10,607** | 9,691 | **2,028** | 2,254 |
| Change in plan assets | | | | | | | | |
| Fair value of plan assets, beginning | **12,556** | 11,633 | **—** | — | **7,683** | 7,959 | **458** | 622 |
| Actual gain/(loss) on plan assets | **2,005** | 939 | **—** | — | **811** | 693 | **39** | 44 |
| Company contributions | **1,095** | 1,000 | **143** | 151 | **160** | 209 | **183** | (12) |
| Employee contributions | **—** | — | **—** | — | **6** | 7 | **94** | 85 |
| Foreign exchange impact | **—** | — | **—** | — | **561** | (782) | **—** | — |
| Acquisitions/divestitures, net | **—** | — | **—** | — | **30** | (1) | **—** | — |
| Settlements | **(842)** | (449) | **(98)** | (78) | **(31)** | (45) | **—** | — |
| Benefits paid | **(530)** | (568) | **(45)** | (72) | **(357)** | (358) | **(280)** | (282) |
| Fair value of plan assets, ending | **14,284** | 12,556 | **—** | — | **8,863** | 7,683 | **494** | 458 |
| Funded status—Plan assets less than benefit obligation | **$ (2,418)** | $ (2,990) | **$ (1,495)** | $ (1,450) | **$ (1,745)** | $ (2,008) | **$ (1,534)** | $ (1,796) |

[a] The favorable change in the funded status of our U.S. qualified plans was primarily due to an increase in the actual return on assets, partially offset by plan losses resulting from the decrease in the discount rate at the end of 2017.

[b] The favorable change in the international plans' funded status was primarily due to an increase in the actual return on plan assets, partially offset by plan losses related to a decrease in the discount rate and unfavorable currency movements.

(c) The favorable change in the funded status of our postretirement plans was primarily due to a change to reimbursements of certain benefits provided under the plan, partially offset by plan losses resulting from the decrease in the discount rate at the end of 2017.

(d) For the U.S. and international pension plans, the benefit obligation is the PBO. For the postretirement plans, the benefit obligation is the ABO. The ABO for all of our U.S. qualified pension plans was $16.7 billion in 2017 and $15.4 billion in 2016 . The ABO for our U.S. supplemental (non-qualified) pension plans was $1.5 billion in 2017 and $1.4 billion in 2016 . The ABO for our international pension plans was $10.1 billion in 2017 and $9.3 billion in 2016 .

The following table provides information as to how the funded status is recognized in our consolidated balance sheets:

| | As of December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Pension Plans | | | | | | | |
| | U.S. Qualified | | U.S. Supplemental (Non-Qualified) | | International | | Postretirement Plans | |
| (MILLIONS OF DOLLARS) | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| Noncurrent assets (a) | **$ —** | $ — | **$ —** | $ — | **$ 454** | $ 300 | **$ —** | $ — |
| Current liabilities (b) | **—** | (160) | **(160)** | (152) | **(26)** | (28) | **(31)** | (30) |
| Noncurrent liabilities (c) | **(2,418)** | (2,830) | **(1,336)** | (1,297) | **(2,172)** | (2,279) | **(1,504)** | (1,766) |
| Funded status | **$ (2,418)** | $ (2,990) | **$ (1,495)** | $ (1,450) | **$ (1,745)** | $ (2,008) | **$ (1,534)** | $ (1,796) |

(a) Included primarily in *Other noncurrent assets* .

(b) Included in *Accrued compensation and related items* .

(c) Included in *Pension benefit obligations, net* and *Postretirement benefit obligations* , *net,* as appropriate.

The following table provides the pre-tax components of cumulative amounts recognized in *Accumulated other comprehensive loss* :

| | As of December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Pension Plans | | | | | | | |
| | U.S. Qualified | | U.S. Supplemental (Non-Qualified) | | International | | Postretirement Plans | |
| (MILLIONS OF DOLLARS) | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| Actuarial losses (a) | **$ (4,677)** | $ (4,530) | **$ (561)** | $ (538) | **$ (2,322)** | $ (2,629) | **$ (293)** | $ (502) |
| Prior service (costs)/credits | **(23)** | (27) | **1** | 2 | **34** | 40 | **1,190** | 1,392 |
| Total | **$ (4,699)** | $ (4,558) | **$ (559)** | $ (536) | **$ (2,288)** | $ (2,589) | **$ (897)** | $ (889) |

(a) The accumulated actuarial losses primarily represent the impact of changes in discount rates and other assumptions that result in cumulative changes in our projected benefit obligations, as well as the cumulative difference between the expected return and actual return on plan assets. These accumulated actuarial losses are recognized in *Accumulated other comprehensive loss* and are amortized into net periodic benefit costs primarily over the average remaining service period for active participants for plans that are not frozen or the expected life expectancy of plan participants for frozen plans, using the corridor approach.

The following table provides information related to the funded status of selected benefit plans:

| | As of December 31, | | | | | |
|---|---|---|---|---|---|---|
| | Pension Plans | | | | | |
| | U.S. Qualified | | U.S. Supplemental (Non-Qualified) | | International | |
| (MILLIONS OF DOLLARS) | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| Pension plans with an ABO in excess of plan assets: | | | | | | |
| Fair value of plan assets | **$ 14,284** | $ 12,556 | **$ —** | $ — | **$ 882** | $ 4,625 |
| ABO | **16,702** | 15,422 | **1,495** | 1,410 | **2,724** | 6,558 |
| Pension plans with a PBO in excess of plan assets: | | | | | | |
| Fair value of plan assets | **14,284** | 12,556 | **—** | — | **1,626** | 4,936 |
| PBO | **16,702** | 15,547 | **1,495** | 1,450 | **3,825** | 7,244 |

All of our U.S. plans and many of our international plans were underfunded as of December 31, 2017 .

## D. Plan Assets

The following table provides the components of plan assets:

| (MILLIONS OF DOLLARS) | As of December 31, 2017 | Fair Value [a] Level 1 | Fair Value [a] Level 2 | Fair Value [a] Level 3 | Assets Measured at NAV [b] | As of December 31, 2016 | Fair Value [a] Level 1 | Fair Value [a] Level 2 | Fair Value [a] Level 3 | Assets Measured at NAV [b] |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. qualified pension plans | | | | | | | | | | |
| Cash and cash equivalents | $ 655 | $ 115 | $ 540 | $ — | $ — | $ 672 | $ 92 | $ 580 | $ — | $ — |
| Equity securities: | | | | | | | | | | |
| Global equity securities | 4,157 | 4,118 | 38 | 1 | — | 3,970 | 3,943 | 27 | — | — |
| Equity commingled funds | 1,194 | — | 802 | — | 392 | 1,062 | — | 772 | — | 290 |
| Fixed income securities: | | | | | | | | | | |
| Corporate debt securities | 4,250 | 5 | 4,242 | 3 | — | 3,232 | 14 | 3,217 | 1 | — |
| Government and agency obligations | 1,316 | — | 1,316 | — | — | 1,060 | — | 1,060 | — | — |
| Fixed income commingled funds | 94 | — | — | — | 94 | 92 | — | — | — | 92 |
| Other investments: | | | | | | | | | | |
| Partnership investments [c] | 1,197 | — | — | — | 1,197 | 1,093 | — | — | — | 1,093 |
| Insurance contracts | 215 | — | 215 | — | — | 235 | — | 235 | — | — |
| Other commingled funds [d] | 1,206 | — | — | — | 1,206 | 1,140 | — | — | — | 1,140 |
| Total | 14,284 | 4,238 | 7,153 | 4 | 2,889 | 12,556 | 4,049 | 5,891 | 1 | 2,615 |
| International pension plans | | | | | | | | | | |
| Cash and cash equivalents | $ 385 | $ 48 | $ 337 | $ — | $ — | 439 | 38 | 401 | — | — |
| Equity securities: | | | | | | | | | | |
| Global equity securities | 154 | 146 | 8 | — | — | 174 | 163 | 11 | — | — |
| Equity commingled funds | 2,897 | — | 1,594 | — | 1,303 | 2,490 | — | 1,265 | — | 1,224 |
| Fixed income securities: | | | | | | | | | | |
| Corporate debt securities | 588 | — | 588 | — | — | 489 | — | 474 | — | 15 |
| Government and agency obligations [e] | 716 | — | 716 | — | — | 853 | — | 786 | — | 67 |
| Fixed income commingled funds | 2,181 | — | 1,340 | — | 841 | 1,750 | — | 1,174 | — | 576 |
| Other investments: | | | | | | | | | | |
| Partnership investments [c] | 42 | — | 7 | — | 35 | 32 | — | — | — | 32 |
| Insurance contracts [f] | 496 | — | 75 | 420 | 1 | 272 | — | 17 | 254 | 1 |
| Other [d], [f] | 1,404 | — | 408 | 468 | 528 | 1,185 | — | 430 | 324 | 431 |
| Total | 8,863 | 194 | 5,073 | 887 | 2,709 | 7,683 | 201 | 4,558 | 578 | 2,346 |
| U.S. postretirement plans [g] | | | | | | | | | | |
| Cash and cash equivalents | — | — | — | — | — | — | — | — | — | — |
| Equity securities: | | | | | | | | | | |
| Global equity securities | — | — | — | — | — | — | — | — | — | — |
| Equity commingled funds | — | — | — | — | — | — | — | — | — | — |
| Fixed income securities: | | | | | | | | | | |
| Corporate debt securities | — | — | — | — | — | — | — | — | — | — |
| Government and agency obligations | — | — | — | — | — | — | — | — | — | — |
| Fixed income commingled funds | — | — | — | — | — | — | — | — | — | — |
| Other investments: | | | | | | | | | | |
| Partnership investments [c] | — | — | — | — | — | — | — | — | — | — |
| Insurance contracts | 494 | — | 494 | — | — | 458 | — | 458 | — | — |
| Other commingled funds [d] | — | — | — | — | — | — | — | — | — | — |
| Total | $ 494 | $ — | $ 494 | $ — | $ — | $ 458 | $ — | $ 458 | $ — | $ — |

[a] Fair values are determined based on valuation inputs categorized as Level 1, 2 or 3 (see *Note 1E* ).
[b] Certain investments that are measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The NAV amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented for the total pension benefits plan assets.
[c] Primarily includes investments in private equity, private debt, public equity limited partnerships, and, to a lesser extent, real estate and venture capital.
[d] Primarily includes, for U.S. plan assets, investments in hedge funds and, to a lesser extent, real estate and, for international plan assets, investments in real estate and hedge funds.
[e] Government and agency obligations are inclusive of repurchase agreements.
[f] See below for a tabular analysis of the changes in Level 3 investments valued using significant unobservable inputs.

(g) Reflects postretirement plan assets, which support a portion of our U.S. retiree medical plans.

The following table provides an analysis of the changes in our more significant investments valued using significant unobservable inputs:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | International Pension Plans | | | |
| | Insurance contracts | | Other | |
| (MILLIONS OF DOLLARS) | **2017** | 2016 | **2017** | 2016 |
| Fair value, beginning | **$ 254** | $ 219 | **$ 324** | $ 398 |
| Actual return on plan assets: | | | | |
| Assets held, ending | **1** | 11 | **18** | (1) |
| Assets sold during the period | **—** | — | **1** | 6 |
| Purchases, sales and settlements, net | **138** | 20 | **94** | (18) |
| Exchange rate changes | **27** | 4 | **30** | (61) |
| Fair value, ending | **$ 420** | $ 254 | **$ 468** | $ 324 |

A single estimate of fair value can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For a description of our general accounting policies associated with developing fair value estimates, see *Note 1E*. For a description of the risks associated with estimates and assumptions, see *Note 1C*.

Equity securities, Fixed income securities and Other investments may each be combined into commingled funds. Most commingled funds are valued to reflect the interest in the fund based on the reported year-end NAV. Partnership and Other investments are valued based on year-end reported NAV (or its equivalent), with adjustments as appropriate for lagged reporting of up to three months.

The following methods and assumptions were used to estimate the fair value of our pension and postretirement plans' assets:

- Cash and cash equivalents: Level 1 investments may include cash, cash equivalents and foreign currency valued using exchange rates. Level 2 investments may include short-term investment funds which are commingled funds priced at a stable NAV by the administrator of the funds.
- Equity securities: Level 1 investments may include individual securities that are valued at the closing price or last trade reported on the major market on which they are traded. Level 1 and Level 2 investments may include commingled funds that have a readily determinable fair value based on quoted prices on an exchange or a published NAV derived from the quoted prices in active markets of the underlying securities. Level 3 investments may include individual securities that are unlisted, delisted, suspended, or illiquid and are typically valued using their last available price.
- Fixed income securities: Level 1 investments may include individual securities that are valued at the closing price or last trade reported on the major market on which they are traded. Level 2 investments may include commingled funds that have a readily determinable fair value based on observable prices of the underlying securities. Level 2 investments may include corporate bonds, government and government agency obligations and other fixed income securities valued using bid evaluation pricing models or quoted prices of securities with similar characteristics. Level 3 investments may include securities that are valued using alternative pricing sources, such as investment managers or brokers, which use proprietary pricing models that incorporate unobservable inputs.
- Other investments: Level 1 investments may include individual securities that are valued at the closing price or last trade reported on the major market on which they are traded. Level 2 investments may include Insurance contracts which invest in interest bearing cash, U.S. government securities and corporate debt instruments.

Certain investments are authorized to include derivatives, such as equity or bond futures, swaps, options and currency futures or forwards for managing risks and exposures.

The following table provides the long-term target asset allocations ranges and the percentage of the fair value of plan assets for benefit plans:

| | As of December 31, | | |
|---|---|---|---|
| | Target Allocation Percentage | Percentage of Plan Assets | |
| (PERCENTAGES) | **2017** | **2017** | 2016 |
| **U.S. qualified pension plans** | | | |
| Cash and cash equivalents | **0-10%** | **4.6%** | 5.3% |
| Equity securities | **35-55%** | **37.5%** | 40.1% |
| Fixed income securities | **30-55%** | **39.6%** | 34.9% |
| Other investments [(a)] | **5-17.5%** | **18.3%** | 19.7% |
| Total | **100%** | **100%** | 100% |
| **International pension plans** | | | |
| Cash and cash equivalents | **0-10%** | **4.3%** | 5.7% |
| Equity securities | **25-50%** | **34.4%** | 34.7% |
| Fixed income securities | **30-55%** | **39.3%** | 40.2% |
| Other investments | **10-30%** | **21.9%** | 19.4% |
| Total | **100%** | **100%** | 100% |
| **U.S. postretirement plans** | | | |
| Cash and cash equivalents | **0-5%** | **—** | — |
| Equity securities | **—** | **—** | — |
| Fixed income securities | **—** | **—** | — |
| Other investments | **95-100%** | **100%** | 100% |
| Total | **100%** | **100%** | 100% |

[(a)] Actual percentage of plan assets in Other investments for 2017 includes $215 million , as compared to $235 million in 2016, related to a group fixed annuity insurance contract that was executed by legacy Wyeth for certain members of its defined benefit plans prior to Pfizer acquiring the company in 2009, and $253 million in 2017, as compared to $144 million in 2016, related to an investment in a partnership whose primary holdings are public equity securities.

Global plan assets are managed with the objective of generating returns that will enable the plans to meet their future obligations, while seeking to manage net periodic benefit costs and cash contributions over the long-term. We utilize long-term asset allocation ranges in the management of our plans' invested assets. Our long-term return expectations are developed based on a diversified, global investment strategy that takes into account historical experience, as well as the impact of portfolio diversification, active portfolio management, and our view of current and future economic and financial market conditions. As market conditions and other factors change, we may adjust our targets accordingly and our asset allocations may vary from the target allocations.

Our long-term asset allocation ranges reflect our asset class return expectations and tolerance for investment risk within the context of the respective plans' long-term benefit obligations. These ranges are supported by analysis that incorporates historical and expected returns by asset class, as well as volatilities and correlations across asset classes and our liability profile.

Each pension plan is overseen by a local committee or board that is responsible for the overall investment of the pension plan assets. In determining investment policies and associated target allocations, each committee or board considers a wide variety of factors. As such, the target asset allocation for each of our international pension plans is set on a standalone basis by the relevant board or committee. The target asset allocation ranges shown for the international pension plans seek to reflect the combined target allocations across all such plans, while also showing the range within which the target allocations for each plan typically falls.

The investment managers of certain separately managed accounts, commingled funds and private equity funds may be permitted to use repurchase agreements and derivative securities, including U.S. Treasury and equity futures contracts as described in each respective investment management, subscription, partnership or other governing agreement.

## E. Cash Flows

It is our practice to fund amounts for our qualified pension plans that are at least sufficient to meet the minimum requirements set forth in applicable employee benefit laws and local tax laws.

The following table provides the expected future cash flow information related to our benefit plans:

| (MILLIONS OF DOLLARS) | Pension Plans | | | Postretirement Plans |
|---|---|---|---|---|
| | U.S. Qualified | U.S. Supplemental (Non-Qualified) | International | |
| Expected employer contributions: | | | | |
| 2018 [a] | $ 500 | $ 160 | $ 226 | $ 167 |
| Expected benefit payments: | | | | |
| 2018 | $ 1,225 | $ 160 | $ 368 | $ 173 |
| 2019 | 1,071 | 129 | 373 | 179 |
| 2020 | 1,087 | 128 | 385 | 181 |
| 2021 | 1,059 | 122 | 394 | 179 |
| 2022 | 1,032 | 123 | 401 | 173 |
| 2023–2027 | 4,865 | 513 | 2,101 | 802 |

[a] For the U.S. qualified plans, a $500 million voluntary contribution was paid in February 2018.

The above table reflects the total U.S. and international plan benefits projected to be paid from the plans or from our general assets under the current actuarial assumptions used for the calculation of the benefit obligation and, therefore, actual benefit payments may differ from projected benefit payments.

### F. Defined Contribution Plans

We have defined contribution plans in the U.S. and several other countries. For the majority of the U.S. defined contribution plans, employees may contribute a portion of their salaries and bonuses to the plans, and we match, in cash, a portion of the employee contributions. Beginning on January 1, 2011, for newly hired non-union employees, rehires and transfers to the U.S. or Puerto Rico, we no longer offer a defined benefit pension plan and, instead, offer a Retirement Savings Contribution (RSC) in the defined contribution plan. The RSC is an annual non-contributory employer contribution (that is not dependent upon the participant making a contribution) determined based on each employee's eligible compensation, age and years of service. Beginning on January 1, 2018, all non-union employees in the U.S. and Puerto Rico defined benefit plans transitioned to the RSC in the defined contribution plans. We recorded charges related to the employer contributions to global defined contribution plans of $380 million in 2017 , $317 million in 2016 and $287 million in 2015 .

## Note 12. Equity

### A. Common Stock

We purchase our common stock through privately negotiated transactions or in open market purchases as circumstances and prices warrant. Purchased shares under each of the share-purchase plans, which are authorized by our Board of Directors, are available for general corporate purposes. On June 27, 2013, we announced that the Board of Directors had authorized a $10 billion share-purchase plan, which was exhausted in the first quarter of 2015. On October 23, 2014, we announced that the Board of Directors had authorized an additional $11 billion share repurchase program, which was exhausted in the first quarter of 2017. In December 2015, the Board of Directors authorized a new $11 billion share repurchase program (the December 2015 Stock Purchase Plan) to be utilized over time, and share repurchases commenced thereunder in the first quarter of 2017. In December 2017, the Board of Directors authorized a new $10 billion share repurchase program to be utilized over time. This new program is in addition to the $6.4 billion remaining under the December 2015 Stock Purchase Plan as of December 31, 2017.

On February 9, 2015, we entered into an accelerated share repurchase agreement with GS&Co. to repurchase shares of our common stock. This agreement was entered into under our previously announced share repurchase authorization. Pursuant to the terms of the agreement, on February 11, 2015, we paid $5 billion to GS&Co. and received approximately 151 million shares of our common stock from GS&Co. On July 2, 2015, the accelerated share repurchase agreement with GS&Co. was completed, which, per the terms of the agreement, resulted in us owing GS&Co. a certain number of shares of Pfizer common stock or its equivalent dollar value. Pursuant to the agreement's settlement terms, we elected to settle this amount in cash and paid an additional $160 million to GS&Co. on July 13, 2015, resulting in a total of approximately $5.2 billion paid to GS&Co. The final average price paid for the shares delivered under the accelerated share repurchase agreement was $34.13 per share.

On March 8, 2016, we entered into an accelerated share repurchase agreement with GS&Co. to repurchase $5 billion of our common stock. Pursuant to the terms of the agreement, on March 10, 2016, we paid $5 billion to GS&Co. and received an initial delivery of approximately 136 million shares of our common stock from GS&Co. based on a price of $29.36 per share, which represented, based on the closing share price of our common stock on the NYSE on March 8, 2016, approximately 80% of the notional amount of the accelerated share repurchase agreement. On June 20, 2016, the accelerated share repurchase agreement with GS&Co. was completed, which, per the terms of the agreement, resulted in GS&Co. owing us a certain number of shares of Pfizer common stock. Pursuant to the agreement's settlement terms, we received an additional 18 million shares of our common stock from GS&Co. on June 20, 2016. The average price paid for all of the shares delivered under the accelerated share repurchase agreement was $32.38 per share. The common stock received is included in *Treasury stock* . This agreement was entered into pursuant to our previously announced share repurchase authorization.

On February 2, 2017, we entered into an accelerated share repurchase agreement with Citibank to repurchase $5 billion of our common stock. Pursuant to the terms of the agreement, on February 6, 2017, we paid $5 billion to Citibank and received an initial delivery of approximately 126 million shares of our common stock from Citibank at a price of $31.73 per share, which represented, based on the closing price of our common stock on the NYSE on February 2, 2017, approximately 80% of the notional amount of the accelerated share repurchase agreement. On May 16, 2017, the accelerated share repurchase agreement with Citibank was completed, which, per the terms of the agreement, resulted in Citibank owing us a certain number of shares of Pfizer common stock. Pursuant to the agreement's settlement terms, we received an additional 24 million shares of our common stock from Citibank on May 19, 2017. The average price paid for all of the shares delivered under the accelerated share repurchase agreement was $33.31 per share. The common stock received is included in *Treasury Stock* . This agreement was entered into pursuant to our previously announced share repurchase authorization.

The following table provides the number of shares of our common stock purchased and the cost of purchases under our publicly announced share-purchase plans, including our accelerated share repurchase agreements:

| (SHARES IN MILLIONS, DOLLARS IN BILLIONS) | **2017** [a] | 2016 [b] | 2015 [c] |
|---|---|---|---|
| Shares of common stock purchased | **150** | 154 | 182 |
| Cost of purchase | **$ 5.0** | $ 5.0 | $ 6.2 |

[a] Represents shares purchased pursuant to the accelerated share repurchase agreement with Citibank entered into on February 2, 2017. See above for additional information.

[b] Represents shares purchased pursuant to the accelerated share repurchase agreement entered into on March 8, 2016. See above for additional information.

[c] Includes approximately 151 million shares purchased for $5.2 billion pursuant to the accelerated share repurchase agreement entered into on February 9, 2015 (see above for additional information), as well as other share repurchases through year-end 2015.

At December 31, 2017 , our remaining share-purchase authorization was approximately $16.4 billion .

### B. Preferred Stock

The Series A convertible perpetual preferred stock is held by an employee stock ownership plan (Preferred ESOP) Trust and provides dividends at the rate of 6.25% , which are accumulated and paid quarterly. The per-share stated value is $40,300 and the preferred stock ranks senior to our common stock as to dividends and liquidation rights. Each share is convertible, at the holder's option, into 2,574.87 shares of our common stock with equal voting rights. The conversion option is indexed to our common stock and requires share settlement, and, therefore, is reported at the fair value at the date of issuance. We may redeem the preferred stock at any time or upon termination of the Preferred ESOP, at our option, in cash, in shares of common stock, or a combination of both at a price of $40,300 per share.

### C. Employee Stock Ownership Plans

We have two employee stock ownership plans (collectively, the ESOPs), the Preferred ESOP and another that holds common stock of the Company (Common ESOP).

Allocated shares held by the Common ESOP, including reinvested dividends, are considered outstanding for EPS calculations and the eventual conversion of allocated preferred shares held by the Preferred ESOP are assumed in the diluted EPS calculation. As of December 31, 2017 , the Preferred ESOP held preferred shares convertible into approximately 1 million shares of our common stock, and the Common ESOP held approximately 51 million shares of our common stock. As of December 31, 2017 , all shares of preferred and common stock held by the ESOPs have been allocated to the Pfizer U.S. defined contribution plan participants. The compensation cost related to the Common ESOP was $11 million in 2017 , $9 million in 2016 and $8 million in 2015 . Prior to 2015, Pfizer matching contributions were primarily invested in the Common ESOP. Beginning in January 2015, Pfizer matching contributions are being invested based on the investment direction of the employees' own contributions. As a result, the compensation cost related to the Common ESOP was significantly lower after 2014.

## Note 13. Share-Based Payments

Our compensation programs can include share-based payments. The award value is determined by reference to the fair value of share-based awards to similar employees in competitive survey data or industry peer groups used for compensation purposes; and is allocated between different long-term incentive vehicles, in the form of RSUs, PPSs, TSRUs, stock options, PSAs, PTSRUs and PTUs, as determined by the Compensation Committee.

The 2014 Stock Plan (2014 Plan) replaced and superseded the 2004 Plan, as amended and restated. The 2014 Plan provides for 520 million shares to be authorized for grants, plus any shares remaining available for grant under the 2004 Plan as of April 24, 2014 (the carryforward shares). In addition, the 2014 Plan provides that the number of stock options, Stock Appreciation Rights (known as TSRUs and PTSRUs), RSUs, or other performance-based awards that may be granted to any one individual during any 36-month period is limited to 20 million shares, and that RSUs, PPSs and PSAs count as three shares, while TSRUs, PTSRUs and stock options count as one share, toward the maximum shares available under the 2014 plan. The 2004 Plan provided that the number of stock options, TSRUs or other performance-based awards granted to any one individual during any 36-month period was limited to 8 million shares, and that RSUs, PPSs and PSAs counted against the maximum available shares as two shares, while stock options and TSRUs counted as one share. As of December 31, 2017 , 290 million shares were available for award.

Although not required to do so, we have used authorized and unissued shares and, to a lesser extent, treasury stock to satisfy our obligations under these programs.

## A. Impact on Net Income

The following table provides the components of share-based compensation expense and the associated tax benefit:

| | Year Ended December 31, | | |
|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 |
| Restricted Stock Units | **$ 301** | $ 299 | $ 306 |
| Total Shareholder Return Units | **221** | 134 | 36 |
| Portfolio Performance Shares | **209** | 135 | 147 |
| Stock Options | **55** | 106 | 165 |
| Performance Share Awards | **47** | 13 | 11 |
| Directors' compensation | **7** | 4 | 4 |
| Share-based payment expense | **840** | 691 | 669 |
| Tax benefit for share-based compensation expense [(a)] | **(163)** | (205) | (198) |
| Share-based payment expense, net of tax | **$ 677** | $ 486 | $ 471 |

[(a)] 2017 includes the impact of the TCJA on income taxes.

Amounts capitalized as part of inventory cost were not significant for any period presented.

## B. Restricted Stock Units

RSUs are awarded to select employees and, when vested, entitle the holder to receive a specified number of shares of our common stock, including shares resulting from dividend equivalents paid on such RSUs. For RSUs granted during the periods presented, in virtually all instances, the units vest after three years of continuous service from the grant date.

We measure the value of RSU grants as of the grant date using the closing price of our common stock. The values determined through this fair value methodology generally are amortized on a straight-line basis over the vesting term into *Cost of sales, Selling, informational and administrative expenses* , and/or *Research and development expenses* , as appropriate.

The following table summarizes all RSU activity during 2017:

| | Shares (Thousands) | Weighted-Average Grant-Date Fair Value Per Share |
|---|---|---|
| Nonvested, December 31, 2016 | 29,605 | $ 32.59 |
| **Granted** | **9,669** | **34.05** |
| **Vested [(a)]** | **(16,677)** | **33.41** |
| **Reinvested dividend equivalents** | **1,106** | **33.41** |
| **Forfeited** | **(1,463)** | **32.77** |
| **Nonvested, December 31, 2017** | **22,241** | **$ 32.64** |

[(a)] Includes the modification for a commitment to pay 6.4 million RSUs to approximately 9,900 employees, including senior and key management employees, for the 6.6 million RSUs scheduled for near-term vesting. There was no material impact to compensation expense due to the modification.

The following table provides data related to all RSU activity:

| | Year Ended December 31, | | |
|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 |
| Total fair value of shares vested [(a)] | **$ 584** | $ 293 | $ 371 |
| Total compensation cost related to nonvested RSU awards not yet recognized, pre-tax | **$ 254** | $ 262 | $ 279 |
| Weighted-average period over which RSU cost is expected to be recognized (years) | **1.7** | 1.7 | 1.8 |

[(a)] Includes the modification for a commitment to pay 6.4 million RSUs to approximately 9,900 employees, including senior and key management employees, for the 6.6 million RSUs scheduled for near-term vesting. There was no material impact to compensation expense due to the modification.

## C. Stock Options

Stock options are awarded to select employees and, when vested, entitle the holder to purchase a specified number of shares of our common stock at a price per share equal to the closing market price of our common stock on the date of grant.

Beginning in 2016, only a limited set of overseas employees received stock option grants. No stock options were awarded to senior and other key management in any period presented; however, stock options were awarded to certain other employees. In virtually all instances, stock options granted since 2005 vest after three years of continuous service from the grant date and have a contractual term of 10 years. In most cases, stock options must be held for at least one year from the grant date before any vesting may occur. In the event of a sale of business or plant closing or restructuring, options held by employees are immediately vested and are exercisable for a period from three months to their remaining term, depending on various conditions.

We measure the value of stock option grants as of the grant date using the Black-Scholes-Merton option-pricing model. The values determined through this fair value methodology generally are amortized on a straight-line basis over the vesting term into *Cost of sales, Selling, informational and administrative expenses* , and/or *Research and development expenses* , as appropriate.

The following table provides the weighted-average assumptions used in the valuation of stock options:

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2017** | 2016 | 2015 |
| Expected dividend yield [a] | **3.69%** | 3.85% | 3.19% |
| Risk-free interest rate [b] | **2.23%** | 1.55% | 1.89% |
| Expected stock price volatility [c] | **18.39%** | 21.64% | 18.34% |
| Expected term (years) [d] | **6.75** | 6.75 | 6.75 |

[a] Determined using a constant dividend yield during the expected term of the option.
[b] Determined using the interpolated yield on U.S. Treasury zero-coupon issues.
[c] Determined using implied volatility, after consideration of historical volatility.
[d] Determined using historical exercise and post-vesting termination patterns.

The following table summarizes all stock option activity during 2017:

| | Shares (Thousands) | Weighted-Average Exercise Price Per Share | Weighted-Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value [a] (Millions) |
|---|---|---|---|---|
| Outstanding, December 31, 2016 | 186,676 | $ 26.86 | | |
| **Granted** | **1,375** | **34.06** | | |
| **Exercised** | **(34,686)** | **24.94** | | |
| **Forfeited** | **(1,208)** | **34.26** | | |
| **Expired** | **(1,400)** | **30.78** | | |
| **Outstanding, December 31, 2017** | **150,757** | **27.27** | **5.1** | **$ 1,350** |
| **Vested and expected to vest, December 31, 2017** [b] | **150,368** | **27.25** | **5.1** | **1,349** |
| **Exercisable, December 31, 2017** | **108,747** | **$ 24.49** | **4.3** | **$ 1,276** |

[a] Market price of our underlying common stock less exercise price.
[b] The number of options expected to vest takes into account an estimate of expected forfeitures.

The following table summarizes data related to all stock option activity:

| | Year Ended December 31, | | |
|---|---|---|---|
| (MILLIONS OF DOLLARS, EXCEPT PER STOCK OPTION AMOUNTS) | **2017** | 2016 | 2015 |
| Weighted-average grant-date fair value per stock option | **$ 4.01** | $ 3.89 | $ 4.30 |
| Aggregate intrinsic value on exercise | **$ 331** | $ 389 | $ 666 |
| Cash received upon exercise | **$ 862** | $ 1,019 | $ 1,263 |
| Tax benefits realized related to exercise | **$ 95** | $ 112 | $ 187 |
| Total compensation cost related to nonvested stock options not yet recognized, pre-tax | **$ 10** | $ 58 | $ 159 |
| Weighted-average period over which stock option compensation cost is expected to be recognized (years) | **0.8** | 1.1 | 1.8 |

## D. Portfolio Performance Shares

PPSs are awards granted to select employees which, when vested, entitle the holder to receive, at the end of the performance period, a number of shares within a possible range of shares of our common stock, including shares resulting from dividend equivalents paid on such shares. For PPSs granted during the period presented, the awards vest after three years of continuous service from the grant date and the number of shares paid, if any, depends on the achievement of predetermined goals related to Pfizer's long-term product portfolio during a 5-year performance period from the year of the grant date. The number of shares that may be earned over the performance period ranges from 0% to 200% of the initial award.

We measure the value of PPS grants as of the grant date using the intrinsic value method, for which we use the closing price of our common stock. The values are amortized on a straight-line basis over the probable vesting term into *Cost of sales, Selling, informational and administrative expenses* and/or *Research and development expenses,* as appropriate, and adjusted each reporting period, as necessary, to reflect changes in the price of Pfizer's common stock, changes in the number of shares that are probable of being earned and changes in management's assessment of the probability that the specified performance criteria will be achieved and/or changes in management's assessment of the probable vesting term.

The following table summarizes all PPS activity during 2017, with the shares representing the maximum award that could be achieved:

| | Shares (Thousands) | Weighted-Average Intrinsic Value Per Share |
|---|---|---|
| Nonvested, December 31, 2016 | 22,266 | $ 32.48 |
| **Granted** | **7,013** | **34.06** |
| **Vested** | **(7,196)** | **34.28** |
| **Forfeited** | **(1,110)** | **33.62** |
| **Nonvested, December 31, 2017** [a] | **20,973** | **$ 36.22** |

[a] Vested and non-vested shares outstanding, but not paid as of December 31, 2017 were 35.0 million . Included in this amount is the modification for a commitment to pay 5.7 million PPSs to approximately 2,800 employees, including senior and key management employees, for the 5.9 million PPSs scheduled for near-term settlement. There was no material impact to compensation expense due to the modification.

The following table provides data related to all PPS activity:

| | Year Ended December 31, | | |
|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 |
| Total fair value of shares vested | **$ 131** | $ 118 | $ 60 |
| Total compensation cost related to nonvested PPS awards not yet recognized, pre-tax | **$ 94** | $ 93 | $ 102 |
| Weighted-average period over which PPS cost is expected to be recognized (years) | **1.7** | 1.8 | 1.7 |

## E. Total Shareholder Return Units

TSRUs are awarded to senior and other key management, and, beginning in 2016, to certain other employees. TSRUs entitle the holders to receive a number of shares of our common stock with a value equal to the difference between the defined settlement price and the grant price, plus the dividends accumulated during the five-year or seven-year term, if and to the extent the total value is positive. The settlement price is the average closing price of our common stock during the 20 trading days ending on the fifth or seventh anniversary of the grant, as applicable; the grant price is the closing price of our common stock on the date of the grant. The TSRUs are automatically settled on the fifth or seventh anniversary of the grant but vest on the third anniversary of the grant, after which time there is no longer a substantial risk of forfeiture.

On October 26, 2016, the Compensation Committee approved the modification of current outstanding grants of TSRU awards, effective November 1, 2016, to permit a holder who is "retiree eligible" (at least age 55 with at least 10 years of service), to elect to exercise and convert his/her TSRUs when vested, into PTUs. The value received upon the election and conversion is calculated by taking the change in stock price ( 20 trading day average ending on the exercise date (Election Price) less the grant price) plus accumulated dividends from the grant date, times the number of TSRUs exercised. This value is divided by the Election Price to determine the number of PTUs. The PTUs will be entitled to earn Dividend Equivalent Units (DEUs), and the PTUs and DEUs will be settled in our common stock on the TSRUs original settlement date (i.e., the fifth or seventh anniversary of grant), and will be subject to all of the terms and conditions of the original grant including forfeiture provisions. This modification applied to approximately 2,900 employees, including members of senior management. There was no incremental compensation cost resulting from the modification. In 2017, TSRUs were granted with the right for retirement-eligible employees to elect to exercise and convert their TSRUs, when vested, into PTUs.

We measure the value of TSRU grants as of the grant date using a Monte Carlo simulation model. The values determined through this fair value methodology generally are amortized on a straight-line basis over the vesting term into *Cost of sales, Selling, informational and administrative expenses* , and/or *Research and development expenses* , as appropriate.

The following table provides the weighted-average assumptions used in the valuation of TSRUs:

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2017** | 2016 | 2015 |
| Expected dividend yield [a] | **3.69%** | 3.85% | 3.19% |
| Risk-free interest rate [b] | **1.98%** | 1.31% | 1.76% |
| Expected stock price volatility [c] | **18.39%** | 21.64% | 18.41% |
| Contractual term (years) | **5.11** | 5.12 | 5.91 |

[a] Determined using a constant dividend yield during the expected term of the TSRU.
[b] Determined using the interpolated yield on U.S. Treasury zero-coupon issues.
[c] Determined using implied volatility, after consideration of historical volatility.

The following table summarizes all TSRU activity during 2017:

| | TSRUs (Thousands) | Weighted-Average Grant-Date Fair Value Per TSRU | Weighted-Average Grant Price Per TSRU |
|---|---|---|---|
| Nonvested, December 31, 2016 | 62,007 | $ 5.97 | $ 31.10 |
| **Granted** | **52,574** | **6.23** | **34.06** |
| **Vested** | **(5,805)** | **6.50** | **32.25** |
| **Forfeited** | **(4,870)** | **6.02** | **32.36** |
| **Nonvested, December 31, 2017** | **103,906** | **$ 6.07** | **$ 32.47** |

The following table summarizes TSRU and PTU information as of December 31, 2017 [(a), (b)]:

| | TSRUs (Thousands) | PTUs (Thousands) | Weighted-Average Grant Price Per TSRU | Weighted-Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value (Millions) |
|---|---|---|---|---|---|
| **TSRUs Outstanding** | **124,745** | **—** | **$ 31.37** | **3.3** | **$ 896** |
| **TSRUs Vested [(c)]** | **20,839** | **—** | **25.89** | **1.2** | **335** |
| **TSRUs Expected to vest [(d)]** | **95,485** | **—** | **32.45** | **3.7** | **516** |
| **TSRUs exercised and converted to PTUs [(e)]** | **—** | **36** | **$ —** | **0.2** | **$ 1** |

(a) In 2017 , we settled 11,327,156 TSRUs with a weighted-average grant price of $22.26 per unit. This includes the modification for a commitment to pay 7.0 million TSRUs to approximately 150 employees, including senior and key management employees, for the 7.2 million TSRUs scheduled for near-term settlement. There was no material impact to compensation expense due to the modification.
(b) In 2017 , 46,278 TSRUs with a weighted-average grant price of $22.65 per unit were converted into 24,602 PTUs.
(c) This includes the modification for a commitment to pay 7.0 million TSRUs to approximately 150 employees, including senior and key management employees, for the 7.2 million TSRUs scheduled for near-term settlement. There was no material impact to compensation expense due to the modification.
(d) The number of TSRUs expected to vest takes into account an estimate of expected forfeitures.
(e) Includes the modification for a commitment to pay 17,000 PTUs to a few employees, including senior and key management employees, for the 17,000 PTUs scheduled for near-term settlement. There was no material impact to compensation expense due to the modification.

The following table provides data related to all TSRU activity:

| | Year Ended December 31, | | |
|---|---|---|---|
| (MILLIONS OF DOLLARS, EXCEPT PER TSRU AMOUNTS) | **2017** | 2016 | 2015 |
| Weighted-average grant-date fair value per TSRU | **$ 6.23** | $ 5.83 | $ 6.66 |
| Total compensation cost related to nonvested TSRU grants not yet recognized, pre-tax | **$ 232** | $ 164 | $ 29 |
| Weighted-average period over which TSRU cost is expected to be recognized (years) | **1.7** | 1.9 | 1.8 |

**F. Performance Share Awards**

PSAs are awarded to senior and other key management. PSAs vest after three years of continuous service from the grant date. The number of shares paid, if any, including shares resulting from dividend equivalents, for awards granted in 2015 and later, depends upon the achievement of predetermined goals related to two measures: (i) operating income over three one-year periods; and (ii) TSR as compared to the NYSE ARCA Pharmaceutical Index (DRG Index) over the three-year performance period. The number of shares paid from awards granted in 2014 depends upon the achievement of predetermined goals related to Pfizer's TSR as compared to an industry peer group, for the three-year performance period from the year of the grant date. The number of shares that are earned over the performance period ranges from 0% to 200% of the initial award.

We measure the value of PSA grants as of the grant date using the intrinsic value method, for which we use the closing price of our common stock. The values are amortized on a straight-line basis over the probable vesting term into *Cost of sales, Selling, informational and administrative expenses* , and/or *Research and development expenses* , as appropriate, and adjusted each reporting period, as necessary, to reflect changes in the price of Pfizer's common stock, changes in the number of shares that are probable of being earned and changes in management's assessment of the probability that the specified performance criteria will be achieved.

The following table summarizes all PSA activity during 2017, with the shares granted representing the maximum award that could be achieved:

| | Shares (Thousands) | Weighted-Average Intrinsic Value Per Share |
|---|---|---|
| Nonvested, December 31, 2016 | 4,546 | $ 32.48 |
| **Granted** | **1,753** | **34.06** |
| **Vested** [a] | **(1,639)** | **35.65** |
| **Forfeited** | **(635)** | **34.16** |
| **Nonvested, December 31, 2017** | **4,024** | **$ 36.22** |

[a] Includes the modification for a commitment to pay 1.1 million PSAs to approximately 90 employees, including senior and key management employees, for the 1.1 million PSAs scheduled for near-term vesting. There was no material impact to compensation expense due to the modification.

The following table provides data related to all PSA activity:

| | Year Ended December 31, | | |
|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 |
| Total fair value of shares vested [a] | **$ 58** | $ 9 | $ 14 |
| Total compensation cost related to nonvested PSA grants not yet recognized, pre-tax | **$ 34** | $ 30 | $ 24 |
| Weighted-average period over which PSA cost is expected to be recognized (years) | **1.8** | 1.8 | 1.9 |

[a] Includes the modification for a commitment to pay 1.1 million PSAs to approximately 90 employees, including senior and key management employees, for the 1.1 million PSAs scheduled for near-term vesting. There was no material impact to compensation expense due to the modification.

### G. Performance Total Shareholder Return Units

PTSRUs were awarded to the Chairman and Chief Executive Officer and the Group President, Pfizer Essential Health. These awards were granted in connection with our announcement on November 13, 2017, that our Group President, Pfizer Innovative Health, had been appointed Chief Operating Officer of Pfizer effective January 1, 2018. We also announced that effective January 1, 2018, the Group President, Pfizer Essential Health, had been appointed Group President, Pfizer Innovative Health. In addition to having the same characteristics of TSRUs, PTSRUs require special service and performance conditions. On December 29, 2017, 1,372,213 PTSRUs were granted to the Chairman and Chief Executive Officer and 343,053 PTSRUs were granted to the new head of Innovative Health at a grant price of $36.22 and a grant-date fair value of $5.83 .

We measure the value of PTSRU grants as of the grant date using a Monte Carlo simulation model. The values determined through this fair value methodology generally are amortized on a straight-line basis over the vesting term into *Selling, informational and administrative expenses* as appropriate.

The following table provides the weighted-average assumptions used in the valuation of PTSRUs:

| | **Year Ended December 31, 2017** |
|---|---|
| Expected dividend yield [a] | **3.69%** |
| Risk-free interest rate [b] | **2.25%** |
| Expected stock price volatility [c] | **16.12%** |
| Contractual term (years) | **5** |

[a] Determined using a constant dividend yield during the expected term of the PTSRU.
[b] Determined using the interpolated yield on U.S. Treasury zero-coupon issues.
[c] Determined using implied volatility, after consideration of historical volatility.

## Note 14. Earnings Per Common Share Attributable to Pfizer Inc. Common Shareholders

The following table provides the detailed calculation of *Earnings per common share (EPS):*

| | Year Ended December 31, | | |
|---|---|---|---|
| (IN MILLIONS) | **2017** | 2016 | 2015 |
| EPS Numerator—Basic | | | |
| Income from continuing operations | **$ 21,353** | $ 7,229 | $ 6,975 |
| Less: Net income attributable to noncontrolling interests | **47** | 31 | 26 |
| Income from continuing operations attributable to Pfizer Inc. | **21,306** | 7,198 | 6,949 |
| Less: Preferred stock dividends—net of tax | **1** | 1 | 1 |
| Income from continuing operations attributable to Pfizer Inc. common shareholders | **21,305** | 7,197 | 6,948 |
| Discontinued operations—net of tax | **2** | 17 | 11 |
| Less: Discontinued operations—net of tax, attributable to noncontrolling interests | **—** | — | — |
| Discontinued operations—net of tax, attributable to Pfizer Inc. common shareholders | **2** | 17 | 11 |
| Net income attributable to Pfizer Inc. common shareholders | **$ 21,307** | $ 7,214 | $ 6,959 |
| EPS Numerator—Diluted | | | |
| Income from continuing operations attributable to Pfizer Inc. common shareholders and assumed conversions | **$ 21,306** | $ 7,197 | $ 6,948 |
| Discontinued operations—net of tax, attributable to Pfizer Inc. common shareholders and assumed conversions | **2** | 17 | 11 |
| Net income attributable to Pfizer Inc. common shareholders and assumed conversions | **$ 21,308** | $ 7,214 | $ 6,960 |
| EPS Denominator | | | |
| Weighted-average number of common shares outstanding—Basic [a] | **5,970** | 6,089 | 6,176 |
| Common-share equivalents: stock options, stock issuable under employee compensation plans, convertible preferred stock and accelerated share repurchase agreements [a] | **89** | 70 | 81 |
| Weighted-average number of common shares outstanding—Diluted | **6,058** | 6,159 | 6,257 |
| Stock options that had exercise prices greater than the average market price of our common stock issuable under employee compensation plans [b] | **36** | 63 | 50 |

[a] 2017 shares include the effect of the modification for a commitment to pay 15.2 million common-share equivalents that were scheduled for near-term settlement.

[b] These common stock equivalents were outstanding for the periods presented, but were not included in the computation of diluted EPS for those periods because their inclusion would have had an anti-dilutive effect.

## Note 15. Lease Commitments

We lease properties and equipment for use in our operations. In addition to rent, the leases may require us to pay directly for taxes, insurance, maintenance and other operating expenses or to pay higher rent when operating expenses increase. Rental expense, net of sublease income, was $314 million in 2017 , $292 million in 2016 and $243 million in 2015 .

The future minimum rental commitments under non-cancelable operating leases follow:

| (MILLIONS OF DOLLARS) | 2018 | 2019 | 2020 | 2021 | 2022 | After 2022 |
|---|---|---|---|---|---|---|
| Lease commitments | $ 209 | $ 172 | $ 150 | $ 136 | $ 123 | $ 891 |

## Note 16. Insurance

Our insurance coverage reflects market conditions (including cost and availability) existing at the time it is written, and our decision to obtain insurance coverage or to self-insure varies accordingly. Depending upon the cost and availability of insurance and the nature of the risk involved, the amount of self-insurance may be significant. The cost and availability of coverage have resulted in self-insuring certain exposures, including product liability. If we incur substantial liabilities that are not covered by insurance or substantially exceed insurance coverage and that are in excess of existing accruals, there could be a material adverse effect on our cash flows or results of operations in the period in which the amounts are paid and/or accrued (see *Note 17* ).

## Note 17. Commitments and Contingencies

We and certain of our subsidiaries are subject to numerous contingencies arising in the ordinary course of business. For a discussion of our tax contingencies, see *Note 5D.*

Pending approval in the EU of Mylotarg—Mylotarg was developed, in part, through a research arrangement with a third party. If Mylotarg is approved in the EU in 2018 for the treatment of acute myeloid leukemia, we will incur an obligation for additional fixed payments over a 10-year period aggregating $310 million .

### A. Legal Proceedings

Our non-tax contingencies include, but are not limited to, the following:

- Patent litigation, which typically involves challenges to the coverage and/or validity of patents on various products, processes or dosage forms. We are the plaintiff in the vast majority of these actions. An adverse outcome in actions in which we are the plaintiff could result in loss of patent protection for a drug, a significant loss of revenues from that drug or impairment of the value of associated assets.
- Product liability and other product-related litigation, which can include personal injury, consumer, off-label promotion, securities, antitrust and breach of contract claims, among others, often involves highly complex issues relating to medical causation, label warnings and reliance on those warnings, scientific evidence and findings, actual, provable injury and other matters.
- Commercial and other matters, which can include merger-related and product-pricing claims and environmental claims and proceedings, can involve complexities that will vary from matter to matter.
- Government investigations, which often are related to the extensive regulation of pharmaceutical companies by national, state and local government agencies in the U.S. and in other countries.

Certain of these contingencies could result in losses, including damages, fines and/or civil penalties, and/or criminal charges, which could be substantial.

We believe that our claims and defenses in these matters are substantial, but litigation is inherently unpredictable and excessive verdicts do occur. We do not believe that any of these matters will have a material adverse effect on our financial position. However, we could incur judgments, enter into settlements or revise our expectations regarding the outcome of certain matters, and such developments could have a material adverse effect on our results of operations in the period in which the amounts are accrued and/or our cash flows in the period in which the amounts are paid.

We have accrued for losses that are both probable and reasonably estimable. Substantially all of our contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss can be complex. Consequently, we are unable to estimate the range of reasonably possible loss in excess of amounts accrued. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but the assessment process relies heavily on estimates and assumptions that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions.

Amounts recorded for legal and environmental contingencies can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions.

The principal pending matters to which we are a party are discussed below. In determining whether a pending matter is a principal matter, we consider both quantitative and qualitative factors in order to assess materiality, such as, among other things, the amount of damages and the nature of any other relief sought in the proceeding, if such damages and other relief are specified; our view of the merits of the claims and of the strength of our defenses; whether the action purports to be, or is, a class action and, if not certified, our view of the likelihood that a class will be certified by the court; the jurisdiction in which the proceeding is pending; any experience that we or, to our knowledge, other companies have had in similar proceedings; whether disclosure of the action would be important to a reader of our financial statements, including whether disclosure might change a reader’s judgment about our financial statements in light of all of the information that is available to the reader; the

potential impact of the proceeding on our reputation; and the extent of public interest in the matter. In addition, with respect to patent matters in which we are the plaintiff, we consider, among other things, the financial significance of the product protected by the patent. As a result of considering qualitative factors in our determination of principal matters, there are some matters discussed below with respect to which management believes that the likelihood of possible loss in excess of amounts accrued is remote.

**A1. Legal Proceedings—Patent Litigation**

Like other pharmaceutical companies, we are involved in numerous suits relating to our patents, including but not limited to, those discussed below. Most of the suits involve claims by generic drug manufacturers that patents covering our products, processes or dosage forms are invalid and/or do not cover the product of the generic drug manufacturer. Also, counterclaims, as well as various independent actions, have been filed alleging that our assertions of, or attempts to enforce, patent rights with respect to certain products constitute unfair competition and/or violations of antitrust laws. In addition to the challenges to the U.S. patents on a number of our products that are discussed below, patent rights to certain of our products are being challenged in various other countries. We are also party to other patent damages suits in various jurisdictions pursuant to which generic drug manufacturers, payers, governments or other parties are seeking damages from us for alleged delay of generic entry. Additionally, our licensing and collaboration partners face challenges by generic drug manufacturers to patents covering products for which we have licenses or co-promotion rights. We also are often involved in other proceedings, such as inter partes review, post-grant review, re-examination or opposition proceedings, before the U.S. Patent and Trademark Office, the European Patent Office, or other foreign counterparts relating to our intellectual property or the intellectual property rights of others. Also, if one of our patents is found to be invalid by such proceedings, generic or competitive products could be introduced into the market resulting in the erosion of sales of our existing products. For example, several of the patents in our pneumococcal vaccine portfolio have been challenged in inter partes review and post-grant review proceedings in the United States. The invalidation of these patents could potentially allow a competitor pneumococcal vaccine into the marketplace. We are also subject to patent litigation pursuant to which one or more third parties seeks damages and/or injunctive relief to compensate for alleged infringement of its patents by our commercial or other activities. For example, our subsidiary, Hospira, is involved in patent and patent-related disputes over its attempts to bring generic pharmaceutical and biosimilar products to market. If one of our marketed products is found to infringe valid patent rights of a third party, such third party may be awarded significant damages, or we may be prevented from further sales of that product. Such damages may be enhanced as much as three-fold in the event that we or one of our subsidiaries, like Hospira, is found to have willfully infringed valid patent rights of a third party.

### Actions In Which We Are The Plaintiff

**Bosulif (bosutinib)**
In December 2016, Wyeth LLC, Wyeth Pharmaceuticals Inc., and PF Prism C.V. (collectively, Wyeth) brought a patent-infringement action against Alembic Pharmaceuticals, Ltd, Alembic Pharmaceuticals, Inc. (collectively, Alembic), Sun Pharmaceutical Industries, Inc., and Sun Pharmaceutical Industries Limited (collectively, Sun), in the U.S. District Court for the District of Delaware in connection with abbreviated new drug applications respectively filed with the FDA by Alembic and Sun, each seeking approval to market generic versions of bosutinib. Alembic is challenging patents, which expire in 2026, covering polymorphic forms of bosutinib and methods of treating chronic myelogenous leukemia. Sun is challenging the patent covering polymorphic forms of bosutinib that expires in 2026. In March 2017, Wyeth brought a patent-infringement action against MSN Laboratories Private Limited and MSN Pharmaceuticals, Inc. (collectively, MSN), in the U.S. District Court for the District of Delaware in connection with an abbreviated new drug application filed with the FDA by MSN, seeking approval to market a generic version of bosutinib, and challenging a patent expiring in 2026 covering polymorphic forms of bosutinib. In September 2017, the case against MSN was dismissed. Also, in September 2017, Wyeth brought an additional patent-infringement action against Sun in the U.S. District Court for the District of Delaware asserting the infringement and validity of two other patents challenged by Sun, which expire in 2025 and 2026 respectively, covering compositions of bosutinib and methods of treating chronic myelogenous leukemia.

**EpiPen**
In July 2010, King, which we acquired in 2011 and is a wholly-owned subsidiary, brought a patent-infringement action against Sandoz in the U.S. District Court for the District of New Jersey in connection with Sandoz's abbreviated new drug application filed with the FDA seeking approval to market an epinephrine injectable product. Sandoz is challenging patents, which expire in 2025, covering the next-generation autoinjector for use with epinephrine that is sold under the EpiPen brand name.

**Precedex Premix**
In June 2014, Ben Venue Laboratories, Inc. (Ben Venue) notified our subsidiary, Hospira, that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Hospira's premix version of Precedex and containing allegations that a patent relating to the use of Precedex in an intensive care unit setting, which expires in March 2019, was invalid or not infringed. In August 2014, Hospira and Orion Corporation (co-owner of the patent that is the subject of the lawsuit) filed suit against Ben Venue, Hikma Pharmaceuticals PLC (Hikma), and West-Ward Pharmaceutical Corp. in the U.S. District Court for the District of Delaware asserting the validity and infringement of the patent. In October 2014, Eurohealth International Sarl was substituted for Ben Venue and Hikma. In June 2016, this case was settled on terms not material to Pfizer.

In June 2015, Amneal Pharmaceuticals LLC (Amneal) notified Hospira that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Hospira's premix version of Precedex and containing allegations that four patents relating to the Precedex premix formulations and their use, all of which expire in 2032, were invalid or not infringed. In August 2015, Hospira filed suit against Amneal in the U.S. District Court for the District of Delaware asserting the validity and infringement of the patents that are the subject of the lawsuit. In January 2018, the District Court ruled that one of the four patents was valid and infringed, and that the other three patents were invalid.

In December 2015, Fresenius Kabi USA LLC (Fresenius) notified Hospira that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Hospira's premix version of Precedex and containing allegations that four patents relating to the Precedex premix formulations and their use, all of which expire in 2032, were invalid or not infringed. In January 2016, Hospira filed suit against Fresenius in the U.S. District Court for the Northern District of Illinois asserting the validity and infringement of the patents that are the subject of the lawsuit.

In August 2016, Par Sterile Products, LLC (Par) notified Hospira that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Hospira's premix version of Precedex and containing allegations that four patents relating to the Precedex premix formulations and their use, all of which expire in 2032, were invalid or not infringed. In September 2016, Hospira filed suit against Par in the U.S. District Court for the District of Delaware asserting the validity and infringement of the patents that are the subject of the lawsuit. In December 2016, the case was stayed pending the outcome of Hospira's suit against Amneal (including all appeals).

**Toviaz (fesoterodine)**
We have an exclusive, worldwide license to market Toviaz from UCB Pharma GmbH (UCB), which owns the patents relating to Toviaz.

Beginning in May 2013, several generic drug manufacturers notified us that they had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Toviaz and asserting the invalidity, unenforceability and/or non-infringement of all of our patents for Toviaz that are listed in the FDA's list of Approved Drug Products with Therapeutic Equivalence Evaluations, commonly referred to as the "Orange Book". Beginning in June 2013, we filed actions against all of those generic drug manufacturers in the U.S. District Court for the District of Delaware, asserting the infringement of five of the patents for Toviaz: three composition-of-matter patents and a method-of-use patent that expire in 2019 and a patent covering salts of fesoterodine that expires in 2022. In June and July 2015, we settled with four of the generic defendants. The trial relating to the four remaining defendants occurred in July 2015. In April 2016, the District Court held that the patents that were the subject of the lawsuit were valid and infringed. The defendants' deadline to appeal this decision expired in June 2016.

In December 2014, Mylan Pharmaceuticals, Inc. (Mylan Pharmaceuticals) notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Toviaz and asserting the invalidity, unenforceability and/or non-infringement of all of our patents for Toviaz that are listed in the Orange Book. In January 2015, we filed an action against Mylan Pharmaceuticals in the U.S. District Court for the District of Delaware, asserting the infringement of five of the patents for Toviaz: three composition-of-matter patents and a method-of-use patent that expire in 2019 and a patent covering salts of fesoterodine that expires in 2022. In January 2017, the District Court issued a verdict finding that the five patents that are the subject of the lawsuit are valid and infringed. In August 2017, the District Court issued a written decision consistent with the verdict, finding the five patents valid and infringed. In September 2017, Mylan Pharmaceuticals appealed the District Court's decision to the U.S. Court of Appeals for the Federal Circuit. In January 2018, Mylan Pharmaceuticals withdrew its appeal.

**Xeljanz (tofacitinib)**
In February 2017, we brought a patent-infringement action against MicroLabs USA Inc. and MicroLabs Ltd. (collectively, MicroLabs) in the U.S. District Court for the District of Delaware asserting the infringement and validity of three patents challenged by MicroLabs in its abbreviated new drug application seeking approval to market a generic version of tofacitinib 5 mg tablets. Of the three patents that are the subject of the lawsuit, one covers the active ingredient and expires in December 2025, the second covers an enantiomer of tofacitinib and expires in 2022, and the third covers a polymorphic form of tofacitinib and expires in 2023. Three other patents for Xeljanz expiring in December 2020 have not been challenged by MicroLabs.

Separately, also in February 2017, we brought a patent-infringement action against Sun Pharmaceutical Industries Ltd. in the U.S. District Court for the District of Delaware asserting the infringement and validity of our patent covering a polymorphic form of tofacitinib, expiring in 2023, that was challenged by Sun Pharmaceutical Industries Ltd. in its abbreviated new drug application seeking approval to market a generic version of tofacitinib 11 mg extended release tablets. In November 2017, we brought an additional patent-infringement action against Sun Pharmaceuticals Industries Ltd. in the U.S. District Court for the District of Delaware asserting the infringement and validity of another patent challenged by Sun Pharmaceuticals Industries Ltd, which covers the active ingredient and expires in December 2025.

In March 2017, we brought a patent-infringement action against Zydus Pharmaceuticals (USA) Inc. and Cadila Healthcare Ltd. (collectively, Zydus) in the U.S. District Court for the District of Delaware asserting the infringement and validity of the same three patents that are the subject of the action against MicroLabs, which Zydus challenged in its abbreviated new drug application seeking approval to market a generic version of tofacitinib 5 mg tablets.

Also in March 2017, we brought separate actions in the U.S. District Court for the District of Delaware against Prinston Pharmaceutical Inc., Zhejiang Huahai Pharmaceutical Co., Ltd., Huahai US Inc. and Solco Healthcare US, LLC (collectively Prinston) and against Breckenridge Pharmaceutical Inc., Pensa Pharma S.A. and Laboratorios Del Dr. Esteve, S.A. (collectively Breckenridge) on the two patents expiring in 2022 and 2023, respectively, that were challenged by Prinston and Breckenridge in their respective abbreviated new drug applications seeking approval to market generic versions of tofacitinib 5 mg tablets. In October 2017, we brought an additional patent-infringement action against Breckenridge in the U.S. District Court for the District of Delaware asserting the infringement and validity of four additional patents challenged by Breckenridge, three of which expire in December 2020 and one of which expires in December 2025.

**Xtandi (enzalutamide)**
In December 2016, Medivation and Medivation Prostate Therapeutics, Inc. (collectively, the Medivation Group); Astellas Pharma Inc., Astellas US LLC and Astellas Pharma US, Inc. (collectively, Astellas); and The Regents of the University of California filed patent-infringement suits in the U.S. District Court for the District of Delaware against Actavis Laboratories FL, Inc. and Actavis LLC (collectively, Actavis); Zydus; and Apotex Inc. and Apotex Corp. (collectively, Apotex) in connection with those companies' respective abbreviated new drug applications filed with the FDA for approval to market generic versions of enzalutamide. The generic manufacturers are challenging patents, which expire as early as 2026, covering enzalutamide and treatments for prostate cancer. In May 2017, the Medivation Group filed a patent-infringement suit against Roxane Laboratories Inc. (Roxane) in the same court in connection with Roxane's abbreviated new drug application with the FDA for approval to market a generic version of enzalutamide.

### Matters Involving Our Collaboration/Licensing Partners

**Toviaz (fesoterodine)—Inter-Partes Reviews**
In January 2016, Mylan Pharmaceuticals and Mylan Laboratories (collectively, Mylan) filed petitions with the U.S. Patent and Trademark Office requesting inter partes reviews of five of the patents covering fesoterodine, the active ingredient in Toviaz: three composition-of-matter patents and a method-of-use patent that expire in 2019 and a patent covering salts of fesoterodine that expires in 2022. The patents are owned by UCB, and we have an exclusive, worldwide license to market Toviaz from UCB. In July 2016, the Patent Trial and Appeal Board agreed to institute inter partes reviews of all five patents. Amerigen Pharmaceuticals Limited (Amerigen), Alembic Pharmaceuticals Limited and Torrent

Pharmaceuticals Limited have joined the inter partes reviews. In July 2017, the U.S. Patent and Trademark Office issued decisions upholding all five patents. In September 2017, Mylan and Amerigen appealed the U.S. Patent and Trademark Office decisions to the U.S. Court of Appeals for the Federal Circuit . In January 2018, Mylan withdrew its appeal.

**Eliquis**
In February, March, and April 2017, twenty-five generic companies sent BMS Paragraph-IV certification letters informing BMS that they had filed abbreviated new drug applications seeking approval of generic versions of Eliquis, challenging the validity and infringement of one or more of the three patents listed in the Orange Book for Eliquis. The patents currently are set to expire in 2019, 2026, and 2031. Eliquis has been jointly developed and is being commercialized by BMS and Pfizer. In April 2017, BMS and Pfizer filed patent-infringement actions against all generic filers in the U.S. District Court for the District of Delaware and the U.S. District Court for the District of West Virginia, asserting that each of the generic companies' proposed products would infringe each of the patent(s) that each generic filer challenged. Some generic filers challenged only the 2031 patent, some challenged both the 2031 and 2026 patent, and one generic company challenged all three patents. We and BMS have settled with certain of the generic companies on terms not material to Pfizer and we and BMS may settle with other generic companies in the future.

**Bavencio (avelumab)**
In July 2017, BMS, E.R. Squibb & Sons LLC, Ono Pharmaceutical Co. Ltd., and Tasuku Honjo brought a patent-infringement action in the U.S. District Court for the District of Delaware against Pfizer, Merck KGaA, and EMD Serono, alleging that Bavencio (avelumab) infringes one patent relating to methods for treating tumors with anti-PD-L1 antibodies, which expires in 2023.

### Actions In Which We Are The Defendant

**Inflectra (infliximab-dyyb)**
In March 2015, Janssen and New York University, together, brought a patent-infringement action in the U.S. District Court for the District of Massachusetts against Hospira, Celltrion Healthcare Co. Ltd. and Celltrion Inc. alleging that infliximab-dyyb, to be marketed by Hospira in the U.S. under the brand name Inflectra, would infringe six patents relating to infliximab, its manufacture and use. Claims with respect to four of the patents have since been dismissed by the plaintiffs, leaving two patents at issue in the ongoing action: the infliximab antibody patent and a patent relating to cell culture media. In August 2016, the District Court ruled that the antibody patent was invalid, and Janssen appealed that ruling to the Court of Appeals for the Federal Circuit. In January 2018, the Court of Appeals for the Federal Circuit ruled that the infliximab antibody patent was invalid in Janssen's appeal of a separate decision from the U.S. Patent and Trademark Office that also declared the antibody patent invalid. Subsequently, the Court of Appeals for the Federal Circuit dismissed Janssen's appeal of the District Court decision.

## A2. Legal Proceedings—Product Litigation

Like other pharmaceutical companies, we are defendants in numerous cases, including but not limited to those discussed below, related to our pharmaceutical and other products. Plaintiffs in these cases seek damages and other relief on various grounds for alleged personal injury and economic loss.

**Asbestos**
Between 1967 and 1982, Warner-Lambert owned American Optical Corporation, which manufactured and sold respiratory protective devices and asbestos safety clothing. In connection with the sale of American Optical in 1982, Warner-Lambert agreed to indemnify the purchaser for certain liabilities, including certain asbestos-related and other claims. As of December 31, 2017 , approximately 56,500 claims naming American Optical and numerous other defendants were pending in various federal and state courts seeking damages for alleged personal injury from exposure to asbestos and other allegedly hazardous materials. Warner-Lambert was acquired by Pfizer in 2000 and is a wholly-owned subsidiary of Pfizer. Warner-Lambert is actively engaged in the defense of, and will continue to explore various means of resolving, these claims.

Numerous lawsuits are pending against Pfizer in various federal and state courts seeking damages for alleged personal injury from exposure to products allegedly containing asbestos and other allegedly hazardous materials sold by Pfizer and certain of its previously owned subsidiaries.

There also are a small number of lawsuits pending in various federal and state courts seeking damages for alleged exposure to asbestos in facilities owned or formerly owned by Pfizer or its subsidiaries.

**Effexor**
Beginning in May 2011, actions, including purported class actions, were filed in various federal courts against Wyeth and, in certain of the actions, affiliates of Wyeth and certain other defendants relating to Effexor XR, which is the extended-release formulation of Effexor. The plaintiffs in each of the class actions seek to represent a class consisting of all persons in the U.S. and its territories who directly purchased, indirectly purchased or reimbursed patients for the purchase of Effexor XR or generic Effexor XR from any of the defendants from June 14, 2008 until the time the defendants' allegedly unlawful conduct ceased. The plaintiffs in all of the actions allege delay in the launch of generic Effexor XR in the U.S. and its territories, in violation of federal antitrust laws and, in certain of the actions, the antitrust, consumer protection and various other laws of certain states, as the result of Wyeth fraudulently obtaining and improperly listing certain patents for Effexor XR in the Orange Book, enforcing certain patents for Effexor XR and entering into a litigation settlement agreement with a generic drug manufacturer with respect to Effexor XR. Each of the plaintiffs seeks treble damages (for itself in the individual actions or on behalf of the putative class in the purported class actions) for alleged price overcharges for Effexor XR or generic Effexor XR in the U.S. and its territories since June 14, 2008. All of these actions have been consolidated in the U.S. District Court for the District of New Jersey.

In October 2014, the District Court dismissed the direct purchaser plaintiffs' claims based on the litigation settlement agreement but declined to dismiss the other direct purchaser plaintiff claims. In January 2015, the District Court entered partial final judgments as to all settlement agreement claims, including those asserted by direct purchasers and end-payer plaintiffs, which plaintiffs appealed to the U.S. Court of Appeals for the Third Circuit. In August 2017, the U.S. Court of Appeals for the Third Circuit reversed the District Court's decisions and remanded the claims to the District Court.

**Zoloft**
A number of individual lawsuits and multi-plaintiff lawsuits have been filed against us and/or our subsidiaries in various federal and state courts alleging personal injury as a result of the purported ingestion of Zoloft. Among other types of actions, the Zoloft personal injury litigation includes actions alleging a variety of birth defects as a result of the purported ingestion of Zoloft by women during pregnancy. Plaintiffs in these birth-defect actions seek compensatory and punitive damages and the disgorgement of profits resulting from the sale of Zoloft. In April 2012, the federal birth-defect cases were transferred for consolidated pre-trial proceedings to a Multi-District Litigation ( *In re Zoloft Products Liability Litigation MDL-2342* ) in the U.S. District Court for the Eastern District of Pennsylvania. A number of plaintiffs have voluntarily dismissed their actions. In April 2016, the District Court granted our motion for summary judgment, dismissing the claims of almost all of the remaining plaintiffs. In May 2016, the plaintiffs appealed the District Court's decision to the U.S. Court of Appeals for the Third Circuit. In June 2017, the U.S. Court of Appeals for the Third Circuit affirmed the District Court's decision.

**Lipitor**

- *Antitrust Actions*

Beginning in November 2011, purported class actions relating to Lipitor were filed in various federal courts against, among others, Pfizer, certain affiliates of Pfizer, and, in most of the actions, Ranbaxy, Inc. (Ranbaxy) and certain affiliates of Ranbaxy. The plaintiffs in these various actions seek to represent nationwide, multi-state or statewide classes consisting of persons or entities who directly purchased, indirectly purchased or reimbursed patients for the purchase of Lipitor (or, in certain of the actions, generic Lipitor) from any of the defendants from March 2010 until the cessation of the defendants' allegedly unlawful conduct (the Class Period). The plaintiffs allege delay in the launch of generic Lipitor, in violation of federal antitrust laws and/or state antitrust, consumer protection and various other laws, resulting from (i) the 2008 agreement pursuant to which Pfizer and Ranbaxy settled certain patent litigation involving Lipitor, and Pfizer granted Ranbaxy a license to sell a generic version of Lipitor in various markets beginning on varying dates, and (ii) in certain of the actions, the procurement and/or enforcement of certain patents for Lipitor. Each of the actions seeks, among other things, treble damages on behalf of the putative class for alleged price overcharges for Lipitor (or, in certain of the actions, generic Lipitor) during the Class Period. In addition, individual actions have been filed against Pfizer, Ranbaxy and certain of their affiliates, among others, that assert claims and seek relief for the plaintiffs that are substantially similar to the claims asserted and the relief sought in the purported class actions described above. These various actions have been consolidated for pre-trial proceedings in a Multi-District Litigation ( *In re Lipitor Antitrust Litigation MDL-2332* ) in the U.S. District Court for the District of New Jersey.

In September 2013 and 2014, the District Court dismissed with prejudice the claims by direct purchasers. In October and November 2014, the District Court dismissed with prejudice the claims of all other Multi-District Litigation plaintiffs. All plaintiffs have appealed the District Court's orders dismissing their claims with prejudice to the U.S. Court of Appeals for the Third Circuit. In addition, the direct purchaser class plaintiffs appealed the order denying their motion to amend the judgment and for leave to amend their complaint to the U.S. Court of Appeals for the Third Circuit. In August 2017, the U.S. Court of Appeals for the Third Circuit reversed the District Court's decisions and remanded substantially all of the claims to the District Court.

Also, in January 2013, the State of West Virginia filed an action in West Virginia state court against Pfizer and Ranbaxy, among others, that asserts claims and seeks relief on behalf of the State of West Virginia and residents of that state that are substantially similar to the claims asserted and the relief sought in the purported class actions described above.

- *Personal Injury Actions*

A number of individual and multi-plaintiff lawsuits have been filed against us in various federal and state courts alleging that the plaintiffs developed type 2 diabetes as a result of the purported ingestion of Lipitor. Plaintiffs seek compensatory and punitive damages.

In February 2014, the federal actions were transferred for consolidated pre-trial proceedings to a Multi-District Litigation ( *In re Lipitor (Atorvastatin Calcium) Marketing, Sales Practices and Products Liability Litigation (No. II) MDL-2502* ) in the U.S. District Court for the District of South Carolina. Since 2016, certain cases in the Multi-District Litigation were remanded to certain state courts. In January 2017, the District Court granted our motion for summary judgment, dismissing substantially all of the remaining cases pending in the Multi-District Litigation. In January 2017, the plaintiffs appealed the District Court's decision to the U.S. Court of Appeals for the Fourth Circuit.

**Viagra**
A number of individual and multi-plaintiff lawsuits have been filed against us in various federal and state courts alleging that the plaintiffs developed melanoma and/or the exacerbation of melanoma as a result of the purported ingestion of Viagra. Plaintiffs seek compensatory and punitive damages.

In April 2016, the federal actions were transferred for coordinated pre-trial proceedings to a Multi-District Litigation ( *In Re: Viagra (Sildenafil Citrate) Products Liability Litigation, MDL-2691* ) in the U.S. District Court for the Northern District of California. In December 2016, federal actions filed against Lilly and filed against both us and Lilly, were transferred for coordinated pre-trial proceedings to the Multi-District Litigation ( *In re: Viagra (Sildenafil Citrate) and Cialis (Tadalafil) Products Liability Litigation, MDL-2691* ).

**Celebrex**
Beginning in July 2014, purported class actions were filed in the U.S. District Court for the Eastern District of Virginia against Pfizer and certain subsidiaries of Pfizer relating to Celebrex. The plaintiffs seek to represent U.S. nationwide or multi-state classes consisting of persons or entities who directly purchased from the defendants, or indirectly purchased or reimbursed patients for some or all of the purchase price of, Celebrex or generic Celebrex from May 31, 2014 until the cessation of the defendants' allegedly unlawful conduct. The plaintiffs allege delay in the launch of generic Celebrex in violation of federal antitrust laws or certain state antitrust, consumer protection and various other laws as a result of Pfizer fraudulently obtaining and improperly listing a patent on Celebrex, engaging in sham litigation and prolonging the impact of sham litigation through settlement activity that further delayed generic entry. Each of the actions seeks treble damages on behalf of the putative class for alleged price overcharges for Celebrex since May 31, 2014. In December 2014, the District Court granted the parties' joint motions to consolidate the direct purchaser and end-payer cases, and all such cases were consolidated as of March 2015. In October 2014 and March 2015, we filed motions to dismiss the direct purchasers' and end-payers' amended complaints, respectively. In November 2015, the District Court denied in part and granted in part our motion to dismiss the direct purchasers' amended complaint. In February 2016, the District

Court denied in part and granted in part our motion to dismiss the end-payers' amended complaint, and in August 2016, the District Court dismissed substantially all of the end-payer's remaining claims. In February 2017, the District Court dismissed with prejudice all of the end-payers' claims. In March 2017, the end-payers appealed the District Court's order dismissing their claims with prejudice to the U.S. Court of Appeals for the Fourth Circuit. In August 2017, the District Court granted the direct purchasers' motion for class certification. In November 2017, Pfizer and the direct purchasers entered into an agreement, which is subject to court approval, to resolve the direct purchasers' class action for $94 million . In November 2017, Pfizer and the end-payers entered into an agreement to resolve the claims of the end-payer plaintiffs on terms not material to Pfizer.

**Intravenous Solutions**
Beginning in November 2016, purported class actions were filed in the U.S. District Court for the Northern District of Illinois against Hospira, Hospira Worldwide, Inc. and certain other defendants relating to intravenous saline solution. Plaintiffs seek to represent a class consisting of all persons and entities in the U.S. who directly purchased intravenous saline solution sold by any of the defendants from January 1, 2013 until the time the defendants' allegedly unlawful conduct ceases. Plaintiffs allege that the defendants' conduct restricts output and artificially fixes, raises, maintains and/or stabilizes the prices of intravenous saline solution sold throughout the U.S. in violation of federal antitrust laws. Plaintiffs seek treble damages (for themselves and on behalf of the putative classes) and an injunction against defendants for alleged price overcharges for intravenous saline solution in the U.S. since January 1, 2013. All of these actions have been consolidated in the U.S. District Court for the Northern District of Illinois. On February 3, 2017, we completed the sale of our global infusion systems net assets, HIS, which includes intravenous saline solution, to ICU Medical. The litigation is the subject of cross-claims for indemnification by both Pfizer and ICU Medical under the purchase agreement.

Separately, in April 2017, Pfizer, Hospira and two employees of Pfizer received grand jury subpoenas issued by the United States District Court for the Eastern District of Pennsylvania, in connection with an investigation by the U.S. Department of Justice, Antitrust Division. The subpoenas seek documents related to the sale, manufacture, pricing and shortages of intravenous solutions, including saline, as well as communications among industry participants regarding these issues. The Department of Justice investigation is also the subject of cross-claims for indemnification by both Pfizer and ICU Medical under the purchase agreement. In addition, in August 2015, the New York Attorney General issued a subpoena to Hospira for similar information. Hospira has produced records to the New York Attorney General and is coordinating with ICU Medical to produce records to the New York Attorney General as appropriate going forward, and Hospira and Pfizer are coordinating with ICU Medical to produce records to the Department of Justice.

**Hormone Therapy Consumer Class Action**
A certified consumer class action is pending against Wyeth in the U.S. District Court for the Southern District of California based on the alleged off-label marketing of its hormone therapy products. The case was originally filed in December 2003. The class consists of California consumers who purchased Wyeth's hormone-replacement products between January 1995 and January 2003 and who do not seek personal injury damages therefrom. The class seeks compensatory and punitive damages, including a full refund of the purchase price.

**Eliquis**
A number of individual and multi-plaintiff lawsuits have been filed against us and BMS in various federal and state courts pursuant to which plaintiffs seek to recover for personal injuries, including wrongful death, due to bleeding as a result of the alleged ingestion of Eliquis. Plaintiffs seek compensatory and punitive damages.

In February 2017, the federal actions were transferred for coordinated pre-trial proceedings to a Multi-District Litigation ( *In Re: Eliquis (Apixaban) Products Liability Litigation MDL-2754* ) in the U.S. District Court for the Southern District of New York. In July 2017, the District Court dismissed substantially all of the actions that were pending in the Multi-District Litigation. In August 2017, certain plaintiffs appealed the District Court's dismissal to the U.S. Court of Appeals for the Second Circuit. Additional cases continue to be transferred to the Multi-District Litigation.

**EpiPen**
Beginning in February 2017, purported class actions were filed in various federal courts by indirect purchasers of EpiPen against Pfizer, and/or its affiliates King and Meridian, and/or various entities affiliated with Mylan N.V., and Mylan N.V. Chief Executive Officer, Heather Bresch. The plaintiffs in these actions seek to represent U.S. nationwide classes comprising persons or entities who paid for any portion of the end-user purchase price of an EpiPen between 2009 until the cessation of the defendants' allegedly unlawful conduct. In August 2017, a similar lawsuit brought on behalf of a purported class of direct purchaser plaintiffs against Pfizer, King, Meridian and Mylan was voluntarily dismissed without prejudice. Against Pfizer and/or its affiliates, plaintiffs generally allege that Pfizer's and/or its affiliates' settlement of patent litigation regarding EpiPen delayed market entry of generic EpiPen in violation of federal antitrust laws and various state antitrust or consumer protection laws. At least one lawsuit also alleges that Pfizer and/or Mylan N.V. violated the federal Racketeer Influenced and Corrupt Organizations Act. Plaintiffs also filed various consumer protection and unjust enrichment claims against, and relating to conduct attributable solely to, Mylan Pharmaceuticals regarding EpiPen. Plaintiffs seek treble damages for alleged overcharges for EpiPen since 2009. In August 2017, the actions were consolidated for coordinated pre-trial proceedings in a Multi-District Litigation ( *In re: EpiPen (Epinephrine Injection, USP) Marketing, Sales Practices and Antitrust Litigation* , MDL-2785) in the U.S. District Court for the District of Kansas with other EpiPen-related actions against Mylan N.V. and/or its affiliates to which Pfizer, King and Meridian are not parties.

**Nexium 24HR and Protonix**
A number of individual and multi-plaintiff lawsuits have been filed against Pfizer, certain of its subsidiaries and/or other pharmaceutical manufacturers in various federal and state courts alleging that the plaintiffs developed kidney-related injuries as a result of the purported ingestion of certain proton pump inhibitors. The cases against us involve Nexium 24HR and/or Protonix and seek compensatory and punitive damages and, in some cases, treble damages, restitution or disgorgement. In August 2017, the federal actions were ordered transferred for coordinated pre-trial proceedings to a Multi-District Litigation ( *In re: Proton-Pump Inhibitor Products Liability Litigation* (No. II)) in the U.S. District Court for the District of New Jersey.

**Docetaxel**
A number of lawsuits have been filed against Hospira and Pfizer in various federal and state courts alleging that plaintiffs who were treated with Docetaxel developed permanent hair loss. The significant majority of the cases also name other defendants, including the manufacturer of the branded product, Taxotere. Plaintiffs seek compensatory and punitive damages.

In October 2016, the federal cases were transferred for coordinated pre-trial proceedings to a Multi-District Litigation ( *In re Taxotere (Docetaxel) Products Liability Litigation* , MDL-2740) in the U.S. District Court for the Eastern District of Louisiana.

## A3. Legal Proceedings—Commercial and Other Matters

**Average Wholesale Price Litigation**
Pfizer, certain of its subsidiaries and other pharmaceutical manufacturers were sued in various state courts by a number of states alleging that the defendants provided average wholesale price (AWP) information for certain of their products that was higher than the actual average prices at which those products were sold. The AWP is used to determine reimbursement levels under Medicare Part B and Medicaid and in many private-sector insurance policies and medical plans. All but one of those actions have been resolved through settlement, dismissal or final judgment. The plaintiff state, Illinois, in the one remaining action claims that the alleged spread between the AWPs at which purchasers were reimbursed and the actual sale prices was promoted by the defendants as an incentive to purchase certain of their products. The action alleges, among other things, fraud and violation of the state's unfair trade practices and consumer protection statutes and seeks monetary and other relief, including civil penalties and treble damages.

**Monsanto-Related Matters**
In 1997, Monsanto Company (Former Monsanto) contributed certain chemical manufacturing operations and facilities to a newly formed corporation, Solutia Inc. (Solutia), and spun off the shares of Solutia. In 2000, Former Monsanto merged with Pharmacia & Upjohn Company to form Pharmacia. Pharmacia then transferred its agricultural operations to a newly created subsidiary, named Monsanto Company (New Monsanto), which it spun off in a two-stage process that was completed in 2002. Pharmacia was acquired by Pfizer in 2003 and is a wholly-owned subsidiary of Pfizer.

In connection with its spin-off that was completed in 2002, New Monsanto assumed, and agreed to indemnify Pharmacia for, any liabilities related to Pharmacia's former agricultural business. New Monsanto has defended and/or is defending Pharmacia in connection with various claims and litigation arising out of, or related to, the agricultural business, and has been indemnifying Pharmacia when liability has been imposed or settlement has been reached regarding such claims and litigation.

In connection with its spin-off in 1997, Solutia assumed, and agreed to indemnify Pharmacia for, liabilities related to Former Monsanto's chemical businesses. As the result of its reorganization under Chapter 11 of the U.S. Bankruptcy Code, Solutia's indemnification obligations relating to Former Monsanto's chemical businesses are primarily limited to sites that Solutia has owned or operated. In addition, in connection with its spinoff that was completed in 2002, New Monsanto assumed, and agreed to indemnify Pharmacia for, any liabilities primarily related to Former Monsanto's chemical businesses, including, but not limited to, any such liabilities that Solutia assumed. Solutia's and New Monsanto's assumption of, and agreement to indemnify Pharmacia for, these liabilities apply to pending actions and any future actions related to Former Monsanto's chemical businesses in which Pharmacia is named as a defendant, including, without limitation, actions asserting environmental claims, including alleged exposure to polychlorinated biphenyls. Solutia and/or New Monsanto are defending Pharmacia in connection with various claims and litigation arising out of, or related to, Former Monsanto's chemical businesses, and have been indemnifying Pharmacia when liability has been imposed or settlement has been reached regarding such claims and litigation.

**Environmental Matters**
In 2009, we submitted to the U.S. Environmental Protection Agency (EPA) a corrective measures study report with regard to Pharmacia's discontinued industrial chemical facility in North Haven, Connecticut and a revised site-wide feasibility study with regard to Wyeth Holdings Corporation's discontinued industrial chemical facility in Bound Brook, New Jersey. In September 2010, our corrective measures study report with regard to the North Haven facility was approved by the EPA, and we commenced construction of the site remedy in late 2011 under an Updated Administrative Order on Consent with the EPA. In July 2011, Wyeth Holdings Corporation finalized an Administrative Settlement Agreement and Order on Consent for Removal Action (the 2011 Administrative Settlement Agreement) with the EPA with regard to the Bound Brook facility. In May 2012, we completed construction of an interim remedy to address the discharge of impacted groundwater from that facility to the Raritan River. In September 2012, the EPA issued a final remediation plan for the Bound Brook facility's main plant area, which is generally in accordance with one of the remedies evaluated in our revised site-wide feasibility study. In March 2013, Wyeth Holdings Corporation (now Wyeth Holdings LLC) entered into an Administrative Settlement Agreement and Order on Consent with the EPA to allow us to undertake detailed engineering design of the remedy for the main plant area and to perform a focused feasibility study for two adjacent lagoons. In September 2015, the U.S., on behalf of the EPA, lodged a complaint and consent decree with the federal District Court for the District of New Jersey that allows Wyeth Holdings LLC to complete the design and to implement the remedy for the main plant area. In December 2015, the consent decree (which supersedes the 2011 Administrative Settlement Agreement) was entered by the District Court. We have accrued for the estimated costs of the site remedy for the North Haven facility and the site remediation for the Bound Brook facility.

We are a party to a number of other proceedings brought under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, and other state, local or foreign laws in which the primary relief sought is the cost of past and/or future remediation.

**Contracts with Iraqi Ministry of Health**
In October 2017, a number of United States service members, civilians, and their families brought a complaint in the Federal District Court for the District of Columbia against a number of pharmaceutical and medical devices companies, including Pfizer and certain of its subsidiaries, alleging that the defendants violated the United States Anti-Terrorism Act. The complaint alleges that the defendants provided funding for terrorist organizations through their sales practices pursuant to pharmaceutical and medical device contracts with the Iraqi Ministry of Health, and seeks monetary relief.

## A4. Legal Proceedings—Government Investigations

Like other pharmaceutical companies, we are subject to investigations and extensive regulation by government agencies in the U.S., other developed markets and multiple emerging markets in which we operate. As a result, we have interactions with government agencies on an ongoing basis. Criminal charges, and substantial fines and/or civil penalties, as well as limitations on our ability to conduct business in applicable jurisdictions, could result from government investigations. Among the investigations by government agencies are the matters discussed below.

**Phenytoin Sodium Capsules**
In 2012, Pfizer sold the U.K. Marketing Authorisation for phenytoin sodium capsules to a third party, but retained the right to supply the finished product to that third party. In May 2013, the U.K. Competition & Markets Authority (CMA) informed us that it had launched an investigation into the supply of phenytoin sodium capsules in the U.K. market. In August 2015, the CMA issued a Statement of Objections alleging that Pfizer and Pfizer Limited, a U.K. subsidiary, engaged in conduct that violates U.K. and EU antitrust laws. In December 2016, the CMA imposed a £ 84.2 million fine on Pfizer and Pfizer Limited. Pfizer appealed the CMA Decision to The Competition Appeal Tribunal in February 2017 .

**Civil Investigative Demand relating to Pharmacy Benefit Managers**
In March 2016, Pfizer received a Civil Investigative Demand from the U.S. Attorney's Office for the Southern District of New York related to Pfizer's contractual relationships with pharmacy benefit managers with respect to certain pharmaceutical products over the period from January 1, 2006 to the present. We have provided information to the government in response to this Civil Investigative Demand.

**Subpoenas relating to Copayment Assistance Organizations**
In December 2015 and July 2016, Pfizer received subpoenas from the U.S. Attorney's Office for the District of Massachusetts requesting documents related to the Patient Access Network Foundation and other 501(c)(3) organizations that provide financial assistance to Medicare patients. We have been providing information to the government in response to these subpoenas.

**U.S. Department of Justice Investigation relating to Greenstone**
As of July 2017, the U.S. Department of Justice's Antitrust Division is investigating our Greenstone generics business. We believe this is related to an ongoing antitrust investigation of the generic pharmaceutical industry. The government has been obtaining information from Greenstone.

**Intravenous Solutions**
See *Note 17A2. Legal Proceedings — Product Litigation — Intravenous Solutions* above for information regarding government investigations related to sales of intravenous solution products.

### A5. Legal Proceedings—Matters Resolved During 2017

During 2017, certain matters, including the matter discussed below, were resolved or were the subject of definitive settlement agreements or settlement agreements-in-principle.

**Xtandi**
In April 2014, the Regents of the University of California (the Regents) filed a complaint against the Medivation Group in California Superior Court in San Francisco. Medivation was acquired by Pfizer in September 2016 and is now a wholly-owned subsidiary of Pfizer. The Regents' complaint sought a 10% share, under a license agreement between the Medivation Group and the Regents, of certain payments the Medivation Group receives with respect to Xtandi under the Medivation Group's sub-licensing and collaboration agreement with Astellas. Trial was scheduled to commence in May 2017. In July 2017, the parties resolved the matter through a settlement on terms not material to Pfizer, which was recorded in the second quarter of 2017 as a measurement period adjustment related to the Medivation acquisition.

### B. Guarantees and Indemnifications

In the ordinary course of business and in connection with the sale of assets and businesses and other transactions, we often indemnify our counterparties against certain liabilities that may arise in connection with the transaction or that are related to events and activities prior to or following a transaction. If the indemnified party were to make a successful claim pursuant to the terms of the indemnification, we may be required to reimburse the loss. These indemnifications are generally subject to various restrictions and limitations. Historically, we have not paid significant amounts under these provisions and, as of December 31, 2017 the estimated fair value of these indemnification obligations was not significant.

Pfizer Inc. has also guaranteed the long-term debt of certain companies that it acquired and that now are subsidiaries of Pfizer.

### C. Commitments

- As of December 31, 2017 , we had agreements totaling $4.5 billion to purchase goods and services that are enforceable and legally binding and include amounts relating to advertising, information technology services, employee benefit administration services, and potential milestone payments deemed reasonably likely to occur.
- As of December 31, 2017, we have obligations to make guaranteed fixed annual payments over a nine-year period in connection with the U.S. and EU approvals for Besponsa ( $443 million ) and an obligation to make guaranteed fixed annual payments over a 10-year period for Bosulif ( $416 million ), both associated with R&D arrangements.
- As of December 31, 2017, in connection with the TCJA, we have an estimated $15.2 billion repatriation tax liability on accumulated post-1986 earnings of foreign subsidiaries for which we plan to elect payment over eight years through 2026 and that is reported in *Other taxes payable* . Our obligations may vary as a result of changes in our uncertain tax positions and/or availability of attributes such as foreign tax and other credit carryforwards. See *Note 5A* for additional information.

## Note 18. Segment, Geographic and Other Revenue Information

### A. Segment Information

We manage our commercial operations through two distinct business segments: Pfizer Innovative Health (IH) and Pfizer Essential Health (EH). The IH and EH operating segments are each led by a single manager. Each operating segment has responsibility for its commercial activities and for certain IPR&D projects for new investigational products and additional indications for in-line products that generally have achieved proof-of-concept. Each business has a geographic footprint across developed and emerging markets. Our chief operating decision maker uses the revenues and earnings of the two operating segments, among other factors, for performance evaluation and resource allocation.

We regularly review our segments and the approach used by management to evaluate performance and allocate resources.

As described in *Note 1A* , acquisitions and divestitures have impacted our results of operations in 2017 , 2016 and 2015 .

Operating Segments

Some additional information about our business segments as of the date of the filing of this 2017 Financial Report follows:

| Pfizer Innovative Health | Pfizer ESSENTIAL HEALTH |
|---|---|
| IH focuses on developing and commercializing novel, value-creating medicines and vaccines that significantly improve patients' lives, as well as products for consumer healthcare.<br>Key therapeutic areas include internal medicine, vaccines, oncology, inflammation & immunology, rare disease and consumer healthcare. | EH includes legacy brands that have lost or will soon lose market exclusivity in both developed and emerging markets, branded generics, generic sterile injectable products, biosimilars, select branded products including anti-infectives and, through February 2, 2017, HIS. EH also includes an R&D organization, as well as our contract manufacturing business. |
| **Leading brands include:**<br>- *Prevnar 13/Prevenar 13*<br>- *Xeljanz*<br>- *Eliquis*<br>- *Lyrica* (U.S., Japan and certain other markets)<br>- *Enbrel* (outside the U.S. and Canada)<br>- *Ibrance*<br>- *Xtandi*<br>- Several OTC consumer healthcare products (e.g., *Advil* and *Centrum* ) | **Leading brands include:**<br>- *Lipitor*<br>- *Premarin* family<br>- *Norvasc*<br>- *Lyrica* (Europe, Russia, Turkey, Israel and Central Asia countries)<br>- *Celebrex*<br>- *Viagra* *<br>- *Inflectra/Remsima*<br>- Several sterile injectable products |

* Viagra lost exclusivity in the U.S. in December 2017. Beginning in the first quarter of 2018, revenues for Viagra in the U.S. and Canada, which were reported in IH through December 2017, will be reported in EH (which reported all other Viagra revenues excluding the U.S. and Canada through 2017). Therefore, total Viagra worldwide revenues will be reported in EH from 2018 forward.

Other Costs and Business Activities

Certain pre-tax costs are not allocated to our operating segment results, such as costs associated with the following:

- WRD, which is generally responsible for research projects for our IH business until proof-of-concept is achieved and then for transitioning those projects to the IH segment via the GPD organization for possible clinical and commercial development. R&D spending may include upfront and milestone payments for intellectual property rights. The WRD organization also has responsibility for certain science-based and other platform-services organizations, which provide technical expertise and other services to the various R&D projects, including EH R&D projects. WRD is also responsible for facilitating all regulatory submissions and interactions with regulatory agencies, including all safety-event activities.
- GPD, which is generally responsible for the clinical development of assets that are in clinical trials for our WRD and Innovative portfolios. GPD also provides technical support and other services to Pfizer R&D projects.
- Corporate, representing platform functions (such as worldwide technology, global real estate operations, legal, finance, human resources, worldwide public affairs, compliance and worldwide procurement) and certain compensation and other corporate costs, such as interest income and expense, and gains and losses on investments. Effective in the first quarter of 2017 , Corporate also includes the costs associated with our Pfizer Medical organization (Medical), previously reported as part of Other Business Activities. Medical is responsible for the provision of medical information to healthcare providers, patients and other parties, transparency and disclosure activities, clinical trial results publication, grants for healthcare quality improvement and medical education, and partnerships with global public health and medical associations. In 2015, Medical was also responsible for regulatory inspection readiness reviews, internal audits of Pfizer-sponsored clinical trials and internal regulatory compliance processes, which are now part of the compliance function within Corporate.
- Other unallocated costs, representing overhead expenses associated with our manufacturing and commercial operations that are not directly assessed to an operating segment as business unit (segment) management does not manage these costs (which include manufacturing variances associated with production).
- Certain transactions and events such as (i) purchase accounting adjustments, where we incur expenses associated with the amortization of fair value adjustments to inventory, intangible assets and PP&E; (ii) acquisition-related costs, where we incur costs for executing the transaction, integrating the acquired operations and restructuring the combined company; and (iii) certain significant items, representing substantive and/or unusual, and in some cases recurring, items (such as restructuring or legal charges) that are evaluated on an individual basis by management and that, either as a result of their nature or size, would not be expected to occur as part of our normal business on a regular basis. Such items can include, but are not limited to, non-acquisition-related restructuring costs, as well as costs incurred for legal settlements, asset impairments and disposals of assets or businesses, including, as applicable, any associated transition activities.

Segment Assets

We manage our assets on a total company basis, not by operating segment, as many of our operating assets are shared (such as our plant network assets) or commingled (such as accounts receivable, as many of our customers are served by both operating segments). Therefore, our chief operating decision maker does not regularly review any asset information by operating segment and, accordingly, we do not report asset information by operating segment. Total assets were approximately $172 billion as of December 31, 2017 and approximately $172 billion as of December 31, 2016 .

Selected Income Statement Information

As described in *Note 1A* , acquisitions and divestitures have impacted our results of operations in 2017 , 2016 and 2015 .

The following table provides selected income statement information by reportable segment:

| | Revenues | | | Earnings [a] | | | Depreciation and Amortization [b] | | |
|---|---|---|---|---|---|---|---|---|---|
| | Year Ended December 31, | | | Year Ended December 31, | | | Year Ended December 31, | | |
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 | **2017** | 2016 | 2015 | **2017** | 2016 | 2015 |
| Reportable Segments: | | | | | | | | | |
| IH | **$ 31,422** | $ 29,197 | $ 26,758 | **$ 18,341** | $ 15,854 | $ 14,581 | **$ 534** | $ 583 | $ 552 |
| EH | **21,124** | 23,627 | 22,094 | **11,283** | 12,898 | 12,714 | **579** | 600 | 446 |
| Total reportable segments | **52,546** | 52,824 | 48,851 | **29,625** | 28,752 | 27,295 | **1,113** | 1,183 | 998 |
| Other business activities [c] | **—** | — | — | **(3,137)** | (3,020) | (2,914) | **90** | 85 | 76 |
| Reconciling Items: | | | | | | | | | |
| Corporate [d] | **—** | — | — | **(5,522)** | (5,491) | (5,607) | **337** | 356 | 355 |
| Purchase accounting adjustments [d] | **—** | — | — | **(4,758)** | (4,185) | (3,953) | **4,565** | 3,890 | 3,573 |
| Acquisition-related costs [d] | **—** | — | — | **(456)** | (785) | (894) | **39** | 7 | 75 |
| Certain significant items [e] | **—** | — | — | **(2,647)** | (5,888) | (4,321) | **52** | 200 | 48 |
| Other unallocated [d] | **—** | — | — | **(799)** | (1,032) | (642) | **72** | 35 | 33 |
| | **$ 52,546** | $ 52,824 | $ 48,851 | **$ 12,305** | $ 8,351 | $ 8,965 | **$ 6,269** | $ 5,757 | $ 5,157 |

[a] *Income from continuing operations before provision/(benefit) for taxes on income* . IH's earnings in 2017 include d ividend income of $266 million from our investment in ViiV. For additional information, see *Note 4.*

[b] Certain production facilities are shared. Depreciation is allocated based on estimates of physical production. Amounts here relate solely to the depreciation and amortization associated with continuing operations.

[c] Other business activities includes the costs managed by our WRD and GPD organizations. Effective in the first quarter of 2017 , Medical, previously reported as part of Other Business Activities, was reclassified to Corporate. We have reclassified approximately $165 million and $177 million of costs from Other Business Activities to Corporate in 2016 and 2015 , respectively, to conform to the current period presentation.

[d] For a description, see the "Other Costs and Business Activities" section above.

[e] Certain significant items are substantive and/or unusual, and in some cases recurring, items (such as restructuring or legal charges) that, either as a result of their nature or size, would not be expected to occur as part of our normal business on a regular basis.

For Earnings in 2017 , certain significant items includes: (i) restructuring charges and implementation costs associated with our cost-reduction initiatives that are not associated with an acquisition of $348 million , (ii) charges for certain legal matters of $237 million , (iii) incremental charges to amounts previously recorded to write down the HIS net assets to fair value less costs to sell of $55 million , (iv) certain asset impairment charges of $379 million , (v) charges for business and legal entity alignment of $71 million , (vi) net losses on early retirement of debt of $999 million and (vii) other charges of $556 million . For additional information, see *Note 2B, Note 3* and *Note 4* .

For Earnings in 2016 , certain significant items includes: (i) restructuring charges and implementation costs associated with our cost-reduction initiatives that are not associated with an acquisition of $1.5 billion , (ii) charges for certain legal matters of $494 million , (iii) an impairment charge related to the write-down of the HIS net assets to fair value less estimated costs to sell of $1.7 billion , (iv) certain asset impairment charges of $1.4 billion , (v) charges for business and legal entity alignment of $261 million , (vi) net losses on early retirement of debt of $312 million and (vii) other charges of $197 million . For additional information, see *Note 2B, Note 3* and *Note 4.*

For Earnings in 2015 , certain significant items includes: (i) restructuring charges and implementation costs associated with our cost-reduction initiatives that are not associated with an acquisition of $584 million , (ii) foreign currency loss and inventory impairment related to Venezuela of $878 million , (iii) certain asset impairment charges of $787 million , (iv) a charge related to pension settlements of $491 million , (v) charges for business and legal entity alignment of $282 million , (vi) charges for certain legal matters of $968 million and (vii) other charges of $332 million . For additional information, see *Note 3* and *Note 4* .

Equity in the net income of investees accounted for by the equity method is not significant for any of our operating segments.

The operating segment information does not purport to represent the revenues, costs and *Income from continuing operations before provision/(benefit) for taxes on income* that each of our operating segments would have recorded had each segment operated as a standalone company during the periods presented.

## B. Geographic Information

As described in *Note 1A* , acquisitions and divestitures have impacted our results of operations in 2017 , 2016 and 2015 .

The following table provides revenues by geographic area:

| | Year Ended December 31, | | |
|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 |
| United States | **$ 26,026** | $ 26,369 | $ 21,704 |
| Developed Europe [a] | **8,508** | 9,306 | 9,714 |
| Developed Rest of World [b] | **6,612** | 6,729 | 6,298 |
| Emerging Markets [c] | **11,399** | 10,420 | 11,136 |
| *Revenues* | **$ 52,546** | $ 52,824 | $ 48,851 |

[a] Developed Europe region includes the following markets: Western Europe, Scandinavian countries and Finland. Revenues denominated in euros were $6.8 billion in 2017 , $7.2 billion in 2016 and $7.4 billion in 2015 .

[b] Developed Rest of World region includes the following markets: Japan, Canada, Australia, South Korea and New Zealand.

[c] Emerging Markets region includes, but is not limited to, the following markets: Asia (excluding Japan and South Korea), Latin America, Eastern Europe, Africa, the Middle East, Central Europe and Turkey.

Revenues exceeded $500 million in each of 11 countries outside the U.S. in 2017 and 2016 , respectively, and 12 countries outside the U.S. in 2015 . The U.S. is the only country to contribute more than 10% of total revenue in 2017 , 2016 and 2015 . As a percentage of revenues, our two largest national markets outside the U.S. were Japan, which contributed 8% of total revenue in each of 2017, 2016 and 2015, and China, which contributed 7% of total revenue in 2017 and 6% of total revenue in 2016 and 2015, respectively.

The following table provides long-lived assets by geographic area:

| | As of December 31, | | |
|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 |
| Property, plant and equipment, net | | | |
| United States | **$ 6,971** | $ 6,649 | $ 7,072 |
| Developed Europe [a] | **4,345** | 4,228 | 4,376 |
| Developed Rest of World [b] | **632** | 643 | 660 |
| Emerging Markets [c] | **1,917** | 1,797 | 1,658 |
| *Property, plant and equipment, net* | **$ 13,865** | $ 13,318 | $ 13,766 |

[a] Developed Europe region includes the following markets: Western Europe, Scandinavian countries and Finland.

[b] Developed Rest of World region includes the following markets: Japan, Canada, Australia, South Korea and New Zealand.

[c] Emerging Markets region includes, but is not limited to, the following markets: Asia (excluding Japan and South Korea), Latin America, Eastern Europe, Africa, the Middle East, Central Europe and Turkey.

## C. Other Revenue Information

Significant Customers

We sell our biopharmaceutical products primarily to customers in the wholesale sector. In 2017 , sales to our three largest U.S. wholesaler customers represented approximately 16% , 12% and 10% of total revenues, respectively, and, collectively, represented approximately 36% of total trade accounts receivable as of December 31, 2017 . In 2016 , sales to our three largest U.S. wholesaler customers represented approximately 16% , 12% and 10% of total revenues, respectively, and, collectively, represented approximately 29% of total trade accounts receivable as of December 31, 2016 . In 2015 , sales to our three largest U.S. wholesaler customers represented approximately 14% , 11% and 10% of total revenues, respectively, and, collectively, represented approximately 23% of total trade accounts receivable as of December 31, 2015 . For all years presented, these sales and related trade accounts receivable were concentrated in our biopharmaceutical businesses.

Significant Product Revenues

As described in *Note 1A* , acquisitions and divestitures have impacted our results of operations in 2017 , 2016 and 2015 .

The following table provides detailed revenue information:

| | Year Ended December 31, | | |
|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 |
| **PFIZER INNOVATIVE HEALTH (IH)** [a] | **$ 31,422** | $ 29,197 | $ 26,758 |
| **Internal Medicine** | **$ 9,684** | $ 8,858 | $ 7,611 |
| Lyrica IH [b] | **4,511** | 4,165 | 3,655 |
| Eliquis alliance revenues and direct sales | **2,523** | 1,713 | 913 |
| Chantix/Champix | **997** | 842 | 671 |
| Viagra IH [c] | **823** | 1,181 | 1,297 |
| BMP2 | **261** | 251 | 232 |
| Toviaz | **257** | 258 | 267 |
| All other Internal Medicine | **312** | 447 | 577 |
| **Vaccines** | **$ 6,001** | $ 6,071 | $ 6,454 |
| Prevnar 13/Prevenar 13 | **5,601** | 5,718 | 6,245 |
| FSME/IMMUN-TicoVac | **134** | 114 | 104 |
| All other Vaccines | **266** | 239 | 104 |
| **Oncology** | **$ 6,056** | $ 4,563 | $ 2,955 |
| Ibrance | **3,126** | 2,135 | 723 |
| Sutent | **1,081** | 1,095 | 1,120 |
| Xalkori | **594** | 561 | 488 |
| Xtandi alliance revenues | **590** | 140 | — |
| Inlyta | **339** | 401 | 430 |
| Bosulif | **233** | 167 | 111 |
| All other Oncology | **93** | 63 | 83 |
| **Inflammation & Immunology (I&I)** | **$ 3,968** | $ 3,928 | $ 3,918 |
| Enbrel (Outside the U.S. and Canada) | **2,452** | 2,909 | 3,333 |
| Xeljanz | **1,345** | 927 | 523 |
| Eucrisa | **67** | — | — |
| All other I&I | **103** | 93 | 61 |
| **Rare Disease** | **$ 2,240** | $ 2,369 | 2,425 |
| BeneFIX | **604** | 712 | 752 |
| Refacto AF/Xyntha | **551** | 554 | 533 |
| Genotropin | **532** | 579 | 617 |
| Somavert | **254** | 232 | 218 |
| All other Rare Disease | **300** | 292 | 306 |
| **Consumer Healthcare** | **$ 3,472** | $ 3,407 | $ 3,395 |
| **PFIZER ESSENTIAL HEALTH (EH)** [d] | **$ 21,124** | $ 23,627 | $ 22,094 |
| **Legacy Established Products (LEP)** [e] | **$ 10,894** | $ 11,197 | $ 11,745 |
| Lipitor | **1,915** | 1,758 | 1,860 |
| Premarin family | **977** | 1,017 | 1,018 |
| Norvasc | **926** | 962 | 991 |
| Xalatan/Xalacom | **335** | 363 | 399 |
| Effexor | **297** | 278 | 288 |
| Zoloft | **291** | 304 | 374 |
| EpiPen | **290** | 386 | 339 |
| Zithromax | **270** | 272 | 275 |
| Relpax | **236** | 323 | 352 |
| Xanax | **225** | 222 | 224 |
| Sildenafil Citrate | **56** | — | — |

| | | | |
|---|---|---|---|
| All other LEP | **5,077** | 5,313 | 5,625 |
| **Sterile Injectable Pharmaceuticals (SIP)** [f] | **$ 5,673** | $ 6,014 | $ 3,944 |
| Medrol | **483** | 450 | 402 |
| Sulperazon | **471** | 396 | 339 |
| Fragmin | **306** | 318 | 335 |
| Tygacil | **260** | 274 | 304 |
| Precedex | **243** | 264 | 76 |
| Tazosyn/Zosyn | **194** | 146 | 144 |
| All other SIP | **3,715** | 4,166 | 2,343 |

| | Year Ended December 31, | | |
|---|---|---|---|
| (MILLIONS OF DOLLARS) | **2017** | 2016 | 2015 |
| **Peri-LOE Products** [g] | **$ 3,223** | $ 4,220 | $ 5,326 |
| Celebrex | **775** | 733 | 830 |
| Lyrica EH [b] | **553** | 801 | 1,183 |
| Vfend | **421** | 590 | 682 |
| Viagra EH [c] | **382** | 383 | 411 |
| Pristiq | **303** | 732 | 715 |
| Zyvox | **281** | 421 | 883 |
| Revatio | **252** | 285 | 260 |
| All other Peri-LOE Products | **257** | 276 | 362 |
| **Biosimilars** [h] | **$ 531** | $ 319 | $ 63 |
| Inflectra/Remsima | **419** | 192 | 30 |
| All other Biosimilars | **112** | 127 | 33 |
| **Pfizer CentreOne** [i] | **$ 706** | $ 718 | $ 612 |
| **Hospira Infusion Systems (HIS)** [j] | **$ 97** | $ 1,158 | $ 403 |
| *Revenues* | **$ 52,546** | $ 52,824 | $ 48,851 |
| | | | |
| **Total Lyrica** [b] | **$ 5,065** | $ 4,966 | $ 4,839 |
| **Total Viagra** [c] | **$ 1,204** | $ 1,564 | $ 1,708 |
| **Total Alliance revenues** | **$ 2,927** | $ 1,746 | $ 1,312 |

[a] The IH business encompasses Internal Medicine, Vaccines, Oncology, Inflammation & Immunology, Rare Disease and Consumer Healthcare. Through December 31, 2016, includes Duavive/Duavee and Viviant (recorded in All other Internal Medicine in 2016), which were transferred from Innovative Health to Essential Health effective January 1, 2017 (recorded in All other LEP (EH) beginning January 1, 2017), in order to align these products with our management of the women's health portfolio within EH.

[b] Lyrica revenues from all of Europe, Russia, Turkey, Israel and Central Asia countries are included in Lyrica EH. All other Lyrica revenues are included in Lyrica IH. Total Lyrica revenues represent the aggregate of worldwide revenues from Lyrica IH and Lyrica EH.

[c] Viagra revenues from the U.S. and Canada are included in Viagra IH. All other Viagra revenues are included in Viagra EH. Total Viagra revenues represent the aggregate of worldwide revenues from Viagra IH and Viagra EH. Viagra lost exclusivity in the U.S. in December 2017. Beginning in the first quarter of 2018, revenues for Viagra in the U.S. and Canada, which were reported in IH through December 2017, will be reported in EH (which reported all other Viagra revenues excluding the U.S. and Canada through 2017). Therefore total Viagra worldwide revenues will be reported in EH from 2018 forward.

[d] The EH business encompasses Legacy Established Products, Sterile Injectable Pharmaceuticals, Peri-LOE Products, Biosimilars, Pfizer CentreOne and HIS (through February 2, 2017), and includes all legacy Hospira commercial operations.

[e] Legacy Established Products primarily include products that have lost patent protection (excluding Sterile Injectable Pharmaceuticals and Peri-LOE Products). Effective January 1, 2017, All other LEP includes Duavive/Duavee and Viviant, which were transferred from Innovative Health (recorded in All other Internal Medicine (IH) in 2016), in order to align these products with our management of the women's health portfolio within EH. See note (a) above.

[f] Sterile Injectable Pharmaceuticals include generic injectables and proprietary specialty injectables (excluding Peri-LOE Products).

[g] Peri-LOE Products include products that have recently lost or are anticipated to soon lose patent protection. These products primarily include: Lyrica in Europe, Russia, Turkey, Israel and Central Asia; Viagra in all countries (excluding the U.S. and Canada); and worldwide revenues for Celebrex, Pristiq, Zyvox, Vfend, Revatio and Inspra. Beginning in the first quarter of 2018, revenues for Viagra in the U.S. and Canada, which were reported in IH through December 2017, will be reported in EH. Therefore total Viagra worldwide revenues will be reported in EH from 2018 forward. See note (c) above.

[h] Biosimilars include Inflectra/Remsima (biosimilar infliximab) in the U.S. and certain international markets, Nivestim (biosimilar filgrastim) in certain European, Asian and Africa/Middle Eastern markets and Retacrit (biosimilar epoetin zeta) in certain European and Africa/Middle Eastern markets.

[i] Pfizer CentreOne includes revenues from our contract manufacturing and active pharmaceutical ingredient sales operation, including sterile injectables contract manufacturing, and revenues related to our manufacturing and supply agreements, including with Zoetis Inc.

[j] HIS (through February 2, 2017) includes Medication Management Systems products composed of infusion pumps and related software and services, as well as IV Infusion Products, including large volume IV solutions and their associated administration sets.

We performed certain reclassifications, primarily between Legacy Established Products and Sterile Injectable Pharmaceuticals, to conform to current period presentation.

## Quarterly Consolidated Financial Data (Unaudited)

Pfizer Inc. and Subsidiary Companies

| (MILLIONS OF DOLLARS, EXCEPT PER COMMON SHARE DATA) | Quarter | | | |
|---|---|---|---|---|
| | First [a] | Second | Third | Fourth |
| **2017** | | | | |
| Revenues | $ 12,779 | $ 12,896 | $ 13,168 | $ 13,703 |
| Costs and expenses [b] | 8,671 | 9,010 | 9,434 | 12,640 |
| Restructuring charges and certain acquisition-related costs | 157 | 70 | 149 | 110 |
| Income from continuing operations before provision/(benefit) for taxes on income | 3,951 | 3,815 | 3,585 | 953 |
| Provision/(benefit) for taxes on income [c] | 821 | 739 | 727 | (11,335) |
| Income from continuing operations | 3,130 | 3,077 | 2,858 | 12,289 |
| Discontinued operations—net of tax | — | 2 | — | 1 |
| Net income before allocation to noncontrolling interests | 3,130 | 3,078 | 2,858 | 12,290 |
| Less: Net income attributable to noncontrolling interests | 9 | 5 | 18 | 15 |
| Net income attributable to Pfizer Inc. | $ 3,121 | $ 3,073 | $ 2,840 | $ 12,274 |
| Earnings per common share—basic: | | | | |
| Income from continuing operations attributable to Pfizer Inc. common shareholders | $ 0.52 | $ 0.52 | $ 0.48 | $ 2.06 |
| Discontinued operations—net of tax | — | — | — | — |
| Net income attributable to Pfizer Inc. common shareholders | $ 0.52 | $ 0.52 | $ 0.48 | $ 2.06 |
| Earnings per common share—diluted: | | | | |
| Income from continuing operations attributable to Pfizer Inc. common shareholders | $ 0.51 | $ 0.51 | $ 0.47 | $ 2.02 |
| Discontinued operations—net of tax | — | — | — | — |
| Net income attributable to Pfizer Inc. common shareholders | $ 0.51 | $ 0.51 | $ 0.47 | $ 2.02 |
| Cash dividends paid per common share | $ 0.32 | $ 0.32 | $ 0.32 | $ 0.32 |
| Stock prices | | | | |
| High | $ 34.75 | $ 34.52 | $ 36.21 | $ 37.35 |
| Low | $ 30.90 | $ 31.67 | $ 32.32 | $ 34.10 |

[a] In accordance with our international reporting period, our consolidated statement of income for the first quarter of 2017 reflects approximately two months of the small molecule anti-infectives business acquired from Astra Zeneca.

[b] The fourth quarter of 2017 historically reflects higher costs in *Cost of sales, Selling, informational and administrative expenses* and *Research and development expenses.* The fourth quarter of 2017 includes a net loss on early retirement of debt of $999 million , inclusive of the related termination of cross currency swaps.

[c] The fourth quarter of 2017 reflects the impact of the TCJA. For additional information, see Notes to Consolidated Financial Statements — *Note 5A. Tax Matters: Taxes on Income from Continuing Operations* .

Basic and diluted EPS are computed independently for each of the periods presented. Accordingly, the sum of the quarterly EPS amounts may not agree to the total for the year.

## Quarterly Consolidated Financial Data (Unaudited)

Pfizer Inc. and Subsidiary Companies

| (MILLIONS OF DOLLARS, EXCEPT PER COMMON SHARE DATA) | Quarter | | | |
|---|---|---|---|---|
| | First | Second [a] | Third [b] | Fourth |
| **2016** | | | | |
| Revenues | $ 13,005 | $ 13,147 | $ 13,045 | $ 13,627 |
| Costs and expenses [c], [d] | 9,303 | 10,421 | 10,910 | 12,115 |
| Restructuring charges and certain acquisition-related costs [e] | 141 | 316 | 531 | 735 |
| Income from continuing operations before provision for taxes on income | 3,561 | 2,410 | 1,604 | 777 |
| Provision for taxes on income [f] | 513 | 347 | 249 | 13 |
| Income from continuing operations [f] | 3,048 | 2,062 | 1,355 | 763 |
| Discontinued operations—net of tax | — | 1 | — | 17 |
| Net income before allocation to noncontrolling interests [f] | 3,048 | 2,063 | 1,355 | 780 |
| Less: Net income attributable to noncontrolling interests | 9 | 16 | — | 6 |
| Net income attributable to Pfizer Inc. [f] | $ 3,038 | $ 2,047 | $ 1,355 | $ 775 |
| Earnings per common share—basic: | | | | |
| Income from continuing operations attributable to Pfizer Inc. common shareholders | $ 0.49 | $ 0.34 | $ 0.22 | $ 0.12 |
| Discontinued operations—net of tax | — | — | — | — |
| Net income attributable to Pfizer Inc. common shareholders | $ 0.49 | $ 0.34 | $ 0.22 | $ 0.13 |
| Earnings per common share—diluted [f]: | | | | |
| Income from continuing operations attributable to Pfizer Inc. common shareholders | $ 0.49 | $ 0.33 | $ 0.22 | $ 0.12 |
| Discontinued operations—net of tax | — | — | — | — |
| Net income attributable to Pfizer Inc. common shareholders | $ 0.49 | $ 0.33 | $ 0.22 | $ 0.13 |
| Cash dividends paid per common share | $ 0.30 | $ 0.30 | $ 0.30 | $ 0.30 |
| Stock prices | | | | |
| High | $ 32.24 | $ 35.65 | $ 37.39 | $ 34.00 |
| Low | $ 28.25 | $ 30.06 | $ 33.30 | $ 29.83 |

[a] In accordance with our domestic reporting periods, our consolidated statement of income for the second quarter of 2016 reflects five days of operating results for Anacor.

[b] In accordance with our domestic and international reporting periods, our consolidated statement of income for the third quarter of 2016 reflects three business days of legacy Medivation operations.

[c] The third quarter of 2016 includes a pre-tax impairment charge of $1.4 billion recorded in *Other (income)/deductions—net,* representing the amount by which the carrying value of HIS net assets held for sale exceeded the fair value less estimated costs to sell.

[d] The fourth quarter of 2016 historically reflects higher costs in *Cost of sales, Selling, informational and administrative expenses* and *Research and development expenses.* The fourth quarter of 2016 includes a pre-tax impairment charge of $290 million recorded in *Other (income)/deductions—net,* representing the amount by which the carrying value of HIS net assets held for sale exceeded the fair value less estimated costs to sell.

[e] The third quarter of 2016 reflects (i) restructuring charges of $404 million for employee termination costs, exit costs and asset impairments, which are largely associated with cost reduction and productivity initiatives not associated with acquisitions, as well as our acquisitions of Hospira and Medivation; (ii) transaction costs, such as banking, legal, accounting and other similar services, of $54 million , most of which are directly related to our acquisition of Medivation; and (iii) integration costs, representing external, incremental costs directly related to integrating acquired businesses, and primarily include expenditures for consulting and the integration of systems and processes, of $73 million , primarily related to our acquisition of Hospira.

The fourth quarter of 2016 reflects (i) restructuring charges of $582 million for employee termination costs, asset impairments and other exit costs, which are largely associated with our acquisition of Hospira; (ii) transaction costs, such as banking, legal, accounting and other similar services, of $13 million , most of which are directly related to our acquisition of Anacor; and (iii) integration costs, representing external, incremental costs directly related to integrating acquired businesses, and primarily include expenditures for consulting and the integration of systems and processes, of $141 million , primarily related to our acquisition of Hospira.

[f] Amounts reflect the adoption of a new accounting standard in the fourth quarter of 2016, as of January 1, 2016, requiring excess tax benefits or deficiencies for share-based compensation to be recognized as a component of the *Provision for taxes on income* . The net tax benefit was $22 million, $28 million, $35 million, and $4 million in each of the first, second, third and fourth quarters of 2016, respectively. For additional information, see Notes to Consolidated Financial Statements— *Note 1B. Adoption of New Accounting Standards* in Pfizer's 2016 Financial Report .

Basic and diluted EPS are computed independently for each of the periods presented. Accordingly, the sum of the quarterly EPS amounts may not agree to the total for the year.

# Financial Summary
Pfizer Inc. and Subsidiary Companies

| | Year Ended/As of December 31, [a] | | | | |
|---|---|---|---|---|---|
| (MILLIONS, EXCEPT PER COMMON SHARE DATA) | **2017** | 2016 | 2015 | 2014 | 2013 |
| Revenues [b] | **$ 52,546** | $ 52,824 | $ 48,851 | $ 49,605 | $ 51,584 |
| Income from continuing operations [b] | **21,353** | 7,229 | 6,975 | 9,119 | 11,410 |
| Total assets [b] | **171,797** | 171,615 | 167,381 | 167,473 | 170,329 |
| Long-term obligations [b], [c] | **69,714** | 80,660 | 72,985 | 74,265 | 70,395 |
| Earnings per common share—basic | | | | | |
| Income from continuing operations attributable to Pfizer Inc. common shareholders | **$ 3.57** | $ 1.18 | $ 1.13 | $ 1.43 | $ 1.67 |
| Discontinued operations—net of tax [d] | **—** | — | — | 0.01 | 1.56 |
| Net income attributable to Pfizer Inc. common shareholders [e] | **$ 3.57** | $ 1.18 | $ 1.13 | $ 1.44 | $ 3.23 |
| Earnings per common share—diluted | | | | | |
| Income from continuing operations attributable to Pfizer Inc. common shareholders | **$ 3.52** | $ 1.17 | $ 1.11 | $ 1.41 | $ 1.65 |
| Discontinued operations—net of tax [d] | **—** | — | — | 0.01 | 1.54 |
| Net income attributable to Pfizer Inc. common shareholders | **$ 3.52** | $ 1.17 | $ 1.11 | $ 1.42 | $ 3.19 |
| Cash dividends paid per common share | **$ 1.28** | $ 1.20 | $ 1.12 | $ 1.04 | $ 0.96 |

[a] 2017 reflects the February 3, 2017 sale of HIS to ICU Medical and the acquisition of the development and commercialization rights to AstraZeneca's small molecule anti-infectives business, primarily outside of the U.S. on December 22, 2016. 2016 and 2017 reflect the acquisition of Medivation on September 28, 2016 and the acquisition of Anacor on June 24, 2016, and 2015, 2016 and 2017 reflect the acquisition of Hospira on September 3, 2015.

[b] All amounts reflect the June 24, 2013 disposition of Zoetis and its presentation as a discontinued operation in 2013.

[c] Defined as *Long-term debt*, *Pension benefit obligations, net*, *Postretirement benefit obligations, net*, *Noncurrent deferred tax liabilities*, *Other taxes payable* and *Other noncurrent liabilities.*

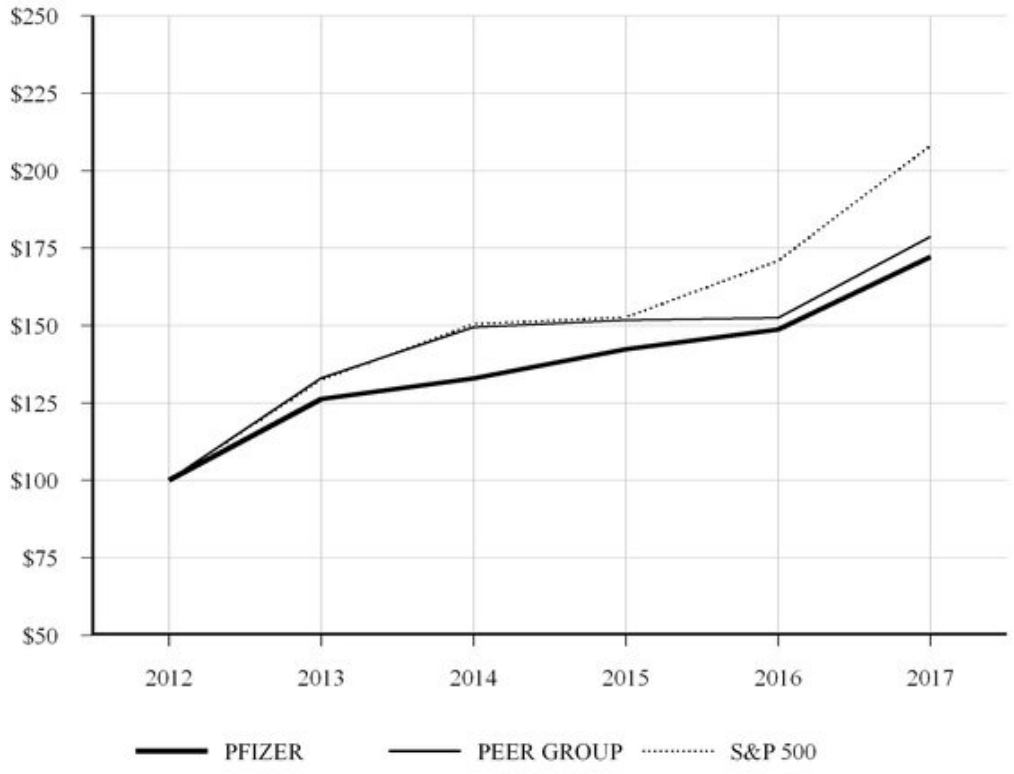
[d] Includes the Animal Health (Zoetis) business through June 24, 2013, the date of disposal.

[e] 2017 reflects the impact of the TCJA on the *Provision/(benefit) for taxes on income* . For additional information, see Notes to Consolidated Financial Statements — *Note 5A. Tax Matters: Taxes on Income from Continuing Operations.*

## Peer Group Performance Graph

Pfizer Inc. and Subsidiary Companies

The following graph assumes a $100 investment on December 31, 2012, and reinvestment of all dividends, in each of the Company's Common Stock, the S&P 500 Index, and a composite peer group of the major U.S. and European-based pharmaceutical companies, which are: Abbott Laboratories (for 2012 only), AbbVie Inc. (beginning in 2013), Amgen, Inc., AstraZeneca plc, Bristol-Myers Squibb Company, Eli Lilly & Co., GlaxoSmithKline plc, Johnson & Johnson, Merck and Co., Inc., Novartis AG, Roche Holding AG and Sanofi SA.




**Five Year Performance**

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|
| PFIZER | $100.0 | $126.2 | $132.9 | $142.3 | $148.7 | **$172.2** |
| PEER GROUP | $100.0 | $133.0 | $149.4 | $151.7 | $152.5 | **$178.6** |
| S&P 500 | $100.0 | $132.4 | $150.5 | $152.6 | $170.8 | **$208.0** |

**EXHIBIT 21**

**SUBSIDIARIES OF THE COMPANY**

The following is a list of subsidiaries of the Company as of December 31, 2017, omitting some subsidiaries which, considered in the aggregate, would not constitute a significant subsidiary.

| Company | Where Incorporated or Organized |
|---|---|
| Agouron Pharmaceuticals, LLC | California |
| AH Robins LLC | Delaware |
| AHP Holdings B.V. | Netherlands |
| AHP Manufacturing B.V. | Netherlands |
| Alacer Corp. | California |
| Alpharma Holdings LLC | Delaware |
| Alpharma Pharmaceuticals LLC | Delaware |
| Alpharma Specialty Pharma LLC | Delaware |
| Alpharma USHP LLC | Delaware |
| American Food Industries LLC | Delaware |
| Anacor Pharmaceuticals, Inc. | Delaware |
| Ayerst-Wyeth Pharmaceuticals LLC | Delaware |
| Bamboo Therapeutics, Inc. | Delaware |
| BINESA 2002, S.L. | Spain |
| Bioren, LLC | Delaware |
| Blue Whale Re Ltd. | Vermont |
| C.E. Commercial Holdings C.V. | Netherlands |
| C.E. Commercial Investments C.V. | Netherlands |
| C.P. Pharmaceuticals International C.V. | Netherlands |
| CICL Corporation | Delaware |
| COC I Corporation | Delaware |
| Coley Pharmaceutical GmbH | Germany |
| Coley Pharmaceutical Group, Inc. | Delaware |
| Continental Pharma, Inc. | Belgium |
| Covx Technologies Ireland Limited | Ireland |
| Cyanamid de Argentina S.A. | Delaware |
| Cyanamid de Colombia, S.A. | Delaware |
| Cyanamid Inter-American Corporation | Delaware |
| Distribuidora Mercantil Centro Americana, S.A. | Delaware |
| Encysive Pharmaceuticals Inc. | Delaware |
| Esperion LUV Development, Inc. | Delaware |
| Excaliard Pharmaceuticals, Inc. | Delaware |
| Farminova Produtos Farmaceuticos de Inovacao, Lda. | Portugal |
| Farmogene Productos Farmaceuticos Lda | Portugal |
| Ferrosan A/S | Denmark |
| Ferrosan International A/S | Denmark |
| Ferrosan S.R.L. | Romania |
| FoldRx Pharmaceuticals, Inc. | Delaware |
| Fort Dodge Manufatura Ltda. | Brazil |
| G. D. Searle & Co. Limited | United Kingdom |

| | |
|---|---|
| G. D. Searle International Capital LLC | Delaware |
| G. D. Searle LLC | Delaware |
| Genetics Institute, LLC | Delaware |
| GenTrac, Inc. | Wisconsin |
| GI Europe, Inc. | Delaware |
| GI Japan, Inc. | Delaware |
| Greenstone LLC | Delaware |
| Haptogen Limited | United Kingdom |
| Hospira (China) Enterprise Management Co. Ltd. | People's Republic of China |
| Hospira Adelaide Pty Ltd | Australia |
| Hospira Aseptic Services Limited | United Kingdom |
| Hospira Australia Pty Ltd | Australia |
| Hospira Benelux BVBA | Belgium |
| Hospira Chile Limitada | Chile |
| Hospira Deutschland GmbH | Germany |
| Hospira Enterprises B.V. | Netherlands |
| Hospira France SAS | France |
| Hospira Healthcare B.V. | Netherlands |
| Hospira Healthcare Corporation | Canada |
| Hospira Healthcare India Private Limited | India |
| Hospira Holdings (S.A.) Pty Ltd | Australia |
| Hospira Invicta, S.A. | Spain |
| Hospira Ireland Holdings Unlimited Company | Ireland |
| Hospira Ireland Sales Limited | Ireland |
| Hospira Japan G.K. | Japan |
| Hospira Limited | Hong Kong |
| Hospira Malaysia Sdn Bhd | Malaysia |
| Hospira Nordic AB | Sweden |
| Hospira NZ Limited | New Zealand |
| Hospira Philippines, Inc. | Philippines |
| Hospira Portugal LDA | Portugal |
| Hospira Produtos Hospitalares Ltda. | Brazil |
| Hospira Pte. Ltd. | Singapore |
| Hospira Pty Limited | Australia |
| Hospira Puerto Rico, LLC | Delaware |
| Hospira Singapore Pte Ltd | Singapore |
| Hospira UK Limited | United Kingdom |
| Hospira Worldwide, LLC | Delaware |
| Hospira Zagreb d.o.o. | Croatia |
| Hospira, Inc. | Delaware |
| Industrial Santa Agape, S.A. | Guatemala |
| InnoPharma, Inc. | Delaware |
| International Affiliated Corporation LLC | Delaware |
| JMI-Daniels Pharmaceuticals, Inc. | Florida |
| John Wyeth & Brother Limited | United Kingdom |
| Kiinteistö oy Espoon Pellavaniementie 14 | Finland |

| | |
|---|---|
| King Pharmaceuticals Holdings LLC | Delaware |
| King Pharmaceuticals LLC | Delaware |
| King Pharmaceuticals Research and Development, LLC | Delaware |
| Korea Pharma Holding Company Limited | Hong Kong |
| Laboratoires Pfizer, S.A. | Morocco |
| Laboratorios Parke Davis, S.L. | Spain |
| Laboratorios Pfizer Ltda. | Brazil |
| Laboratórios Pfizer, Lda. | Portugal |
| Laboratorios Wyeth LLC | Pennsylvania |
| Laboratorios Wyeth S.A. | Venezuela |
| Mayne Pharma IP Holdings (Euro) Pty Ltd | Australia |
| Medivation Field Solutions LLC | Delaware |
| Medivation LLC | Delaware |
| Medivation Neurology LLC | Delaware |
| Medivation Prostate Therapeutics LLC | Delaware |
| Medivation Services LLC | Delaware |
| Medivation Technologies LLC | Delaware |
| Meridian Medical Technologies Limited | United Kingdom |
| Meridian Medical Technologies, Inc. | Delaware |
| Monarch Pharmaceuticals, LLC | Tennessee |
| MTG Divestitures LLC | Delaware |
| Neusentis Limited | United Kingdom |
| NextWave Pharmaceuticals Incorporated | Delaware |
| PAH USA IN8 LLC | Delaware |
| Parke Davis Limited | Hong Kong |
| Parke Davis Productos Farmaceuticos Lda | Portugal |
| Parke, Davis & Company LLC | Michigan |
| Parkedale Pharmaceuticals, Inc. | Michigan |
| Parke-Davis Manufacturing Corp. | Delaware |
| P-D Co., LLC | Delaware |
| Peak Enterprises LLC | Delaware |
| PF Americas Holding C.V. | Netherlands |
| PF Asia Manufacturing B.V. | Netherlands |
| PF PR Holdings C.V. | Netherlands |
| PF PRISM C.V. | Netherlands |
| PF PRISM Holdings S.a.r.l. | Luxembourg |
| PF Prism S.á.r.l. | Luxembourg |
| PFE Holdings G.K. | Japan |
| PFE Pfizer Holdings 1 LLC | Delaware |
| PFE PHAC Holdings 1 LLC | Delaware |
| PFE Wyeth Holdings LLC | Delaware |
| PFE Wyeth-Ayerst (Asia) LLC | Delaware |
| Pfizer | France |
| Pfizer (China) Research and Development Co. Ltd. | People's Republic of China |
| Pfizer (Malaysia) Sdn Bhd | Malaysia |
| Pfizer (Perth) Pty Limited | Australia |

| | |
|---|---|
| Pfizer (Thailand) Limited | Thailand |
| Pfizer (Wuhan) Research and Development Co. Ltd. | People's Republic of China |
| Pfizer AB | Sweden |
| Pfizer Africa & Middle East for Pharmaceuticals, Veterinarian Products & Chemicals S.A.E. | Egypt |
| Pfizer AG | Switzerland |
| Pfizer Anti-Infectives AB | Sweden |
| Pfizer ApS | Denmark |
| Pfizer AS | Norway |
| Pfizer Asia Manufacturing Pte. Ltd. | Singapore |
| Pfizer Asia Pacific Pte Ltd. | Singapore |
| Pfizer Atlantic Holdings S.a.r.l. | Luxembourg |
| Pfizer Australia Holdings B.V. | Netherlands |
| Pfizer Australia Holdings Pty Limited | Australia |
| Pfizer Australia Investments Pty. Ltd. | Australia |
| Pfizer Australia Pty Limited | Australia |
| Pfizer B.V. | Netherlands |
| Pfizer Baltic Holdings B.V. | Netherlands |
| Pfizer BH D.o.o. | Bosnia |
| Pfizer Biofarmacêutica, Sociedade Unipessoal Lda | Portugal |
| Pfizer Biologics (Hangzhou) Co. Ltd | People's Republic of China |
| Pfizer Biologics Ireland Holdings Limited | Ireland |
| Pfizer Biotech Corporation | Taiwan |
| Pfizer Bolivia S.A. | Bolivia |
| Pfizer Canada Inc. | Canada |
| Pfizer CentreSource Asia Pacific Pte. Ltd. | Singapore |
| Pfizer Chile S.A. | Chile |
| Pfizer Cia. Ltda. | Ecuador |
| Pfizer Colombia Spinco I LLC | Pennsylvania |
| Pfizer Commercial Holdings Coöperatief U.A. | Netherlands |
| Pfizer Commercial Holdings TRAE Kft. | Hungary |
| Pfizer Commercial TRAE Trading Kft. | Hungary |
| Pfizer Consumer Healthcare AB | Sweden |
| Pfizer Consumer Healthcare GmbH | Germany |
| Pfizer Consumer Healthcare Ltd. | United Kingdom |
| Pfizer Consumer Manufacturing Italy S.r.l. | Italy |
| Pfizer Corporation | Panama |
| Pfizer Corporation Austria Gesellschaft m.b.H. | Austria |
| Pfizer Corporation Hong Kong Limited | Hong Kong |
| Pfizer Croatia d.o.o. | Croatia |
| Pfizer Deutschland GmbH | Germany |
| Pfizer Development LP | United Kingdom |
| Pfizer Development Services (UK) Limited | United Kingdom |
| Pfizer Domestic Ventures Limited | Jersey |
| Pfizer Dominicana, S.R.L | Dominican Republic |
| Pfizer East India B.V. | Netherlands |

| | |
|---|---|
| Pfizer Eastern Investments B.V. | Netherlands |
| Pfizer Egypt S.A.E. | Egypt |
| Pfizer Enterprise Holdings B.V. | Netherlands |
| Pfizer Enterprises LLC | Delaware |
| Pfizer Enterprises SARL | Luxembourg |
| Pfizer ESP Pty Ltd | Australia |
| Pfizer Europe Finance B.V. | Netherlands |
| Pfizer Export B.V. | Netherlands |
| Pfizer Export Company | Ireland |
| Pfizer Export Holding Company B.V | Netherlands |
| Pfizer Finance Share Service (Dalian) Co., Ltd. | People's Republic of China |
| Pfizer Financial Services N.V./S.A. | Belgium |
| Pfizer France International Investments | France |
| Pfizer Free Zone Panama, S. de R.L. | Panama |
| Pfizer GEP, S.L. | Spain |
| Pfizer Global Holdings B.V. | Netherlands |
| Pfizer Global Supply Japan Inc. | Japan |
| Pfizer Global Trading | Ireland |
| Pfizer Group Luxembourg Sarl | Luxembourg |
| Pfizer Gulf FZ-LLC | United Arab Emirates |
| Pfizer H.C.P. Corporation | New York |
| Pfizer Health AB | Sweden |
| Pfizer Health Solutions Inc. | Delaware |
| Pfizer Healthcare Ireland | Ireland |
| Pfizer Hellas, A.E. | Greece |
| Pfizer Himalaya Holdings Coöperatief U.A. | Netherlands |
| Pfizer HK Service Company Limited | Hong Kong |
| Pfizer Holding France | France |
| Pfizer Holding Ventures | Ireland |
| Pfizer Holdings Corporation | Delaware |
| Pfizer Holdings Europe Unlimited Company | Ireland |
| Pfizer Holdings G.K. | Japan |
| Pfizer Holdings International Corporation | Delaware |
| Pfizer Holdings International Luxembourg (PHIL) Sarl | Luxembourg |
| Pfizer Holdings North America SARL | Luxembourg |
| Pfizer Hungary Holdings TRAE Kft. | Hungary |
| Pfizer Innovations AB | Sweden |
| Pfizer Innovations LLC | Russia |
| Pfizer Innovative Supply Point International BVBA | Belgium |
| Pfizer International LLC | New York |
| Pfizer International Markets Coöperatief U.A. | Netherlands |
| Pfizer International Operations | France |
| Pfizer International S. de R.L. | Panama |
| Pfizer International Trading (Shanghai) Limited | People's Republic of China |
| Pfizer Investment Capital Unlimited Company | Ireland |
| Pfizer Investment Co. Ltd. | People's Republic of China |

| | |
|---|---|
| Pfizer Investment Holdings S.a.r.l. | Luxembourg |
| Pfizer Ireland Investments Limited | Ireland |
| Pfizer Ireland PFE Holding 1 LLC | Delaware |
| Pfizer Ireland PFE Holding 2 LLC | Delaware |
| Pfizer Ireland Pharmaceuticals | Ireland |
| Pfizer Ireland Ventures Unlimited Company | Ireland |
| Pfizer Italia S.r.l. | Italy |
| Pfizer Italy Group Holding S.r.l. | Italy |
| Pfizer Japan Inc. | Japan |
| Pfizer Laboratories (Pty) Limited | South Africa |
| Pfizer Laboratories Limited | Kenya |
| Pfizer Laboratories PFE (Pty) Ltd | South Africa |
| Pfizer Leasing Ireland Limited | Ireland |
| Pfizer Leasing UK Limited | United Kingdom |
| Pfizer Limitada | Angola |
| Pfizer Limited | India |
| Pfizer Limited | Taiwan |
| Pfizer Limited | Uganda |
| Pfizer Limited | United Kingdom |
| Pfizer LLC | Russia |
| Pfizer Luxco Holdings SARL | Luxembourg |
| Pfizer Luxembourg Global Holdings S.à r.l. | Luxembourg |
| Pfizer Luxembourg SARL | Luxembourg |
| Pfizer Manufacturing Austria G.m.b.H. | Austria |
| Pfizer Manufacturing Belgium N.V. | Belgium |
| Pfizer Manufacturing Deutschland GmbH | Germany |
| Pfizer Manufacturing Deutschland Grundbesitz GmbH & Co. KG | Germany |
| Pfizer Manufacturing Holdings LLC | Delaware |
| Pfizer Manufacturing Ireland Unlimited Company | Ireland |
| Pfizer Manufacturing LLC | Delaware |
| Pfizer Manufacturing Services | Ireland |
| Pfizer MAP Holding, Inc. | Delaware |
| Pfizer Medical Technology Group (Belgium) N.V. | Belgium |
| Pfizer Medicamentos Genericos e Participacoes Ltda. | Brazil |
| Pfizer Mexico Luxco SARL | Luxembourg |
| Pfizer Mexico, S.A. de C.V. | Mexico |
| Pfizer Middle East for Pharmaceuticals, Animal Health and Chemicals S.A.E. | Egypt |
| Pfizer New Zealand Limited | New Zealand |
| Pfizer Norge AS | Norway |
| Pfizer North American Holdings Inc. | Delaware |
| Pfizer OTC B.V. | Netherlands |
| Pfizer Overseas LLC | Delaware |
| Pfizer Oy | Finland |
| Pfizer Pakistan Limited | Pakistan |
| Pfizer Parke Davis (Thailand) Ltd. | Thailand |

| | |
|---|---|
| Pfizer Parke Davis Sdn. Bhd. | Malaysia |
| Pfizer Parke Davis, Inc. | Philippines |
| Pfizer PFE ApS | Denmark |
| Pfizer PFE AsiaPac Holding B.V. | Netherlands |
| Pfizer PFE Australia Holding B.V. | Netherlands |
| Pfizer PFE Australia Pty Ltd | Australia |
| Pfizer PFE B.V. | Netherlands |
| Pfizer PFE Baltic Holdings B.V. | Netherlands |
| Pfizer PFE Belgium SPRL | Belgium |
| Pfizer PFE Brazil Holding S.à r.l. | Luxembourg |
| Pfizer PFE Chile Holding LLC | Delaware |
| Pfizer PFE CIA. Ltda. | Ecuador |
| Pfizer PFE Colombia Holding Corp. | Delaware |
| Pfizer PFE Colombia S.A.S | Colombia |
| Pfizer PFE Commercial Holdings LLC | Delaware |
| Pfizer PFE Croatia Holding B.V. | Netherlands |
| Pfizer PFE Eastern Investments B.V. | Netherlands |
| Pfizer PFE Finland Oy | Finland |
| Pfizer PFE France | France |
| Pfizer PFE Global Holdings B.V. | Netherlands |
| Pfizer PFE İlaçları Anonim Şirketi | Turkey |
| Pfizer PFE Ireland Pharmaceuticals Holding 1 B.V. | Netherlands |
| Pfizer PFE Italy Holdco 2 S.à r.l. | Luxembourg |
| Pfizer PFE Italy Holdco S.à r.l. | Luxembourg |
| Pfizer PFE Korlátolt Felelősségű Társaság | Hungary |
| Pfizer PFE Limited | Taiwan |
| Pfizer PFE Luxembourg S.à r.l. | Luxembourg |
| Pfizer PFE Mexico Holding 3 LLC | Delaware |
| Pfizer PFE Netherlands Holding 1 C.V. | Netherlands |
| Pfizer PFE New Zealand | New Zealand |
| Pfizer PFE New Zealand Holding B.V. | Netherlands |
| Pfizer PFE Norway Holding S.à r.l. | Luxembourg |
| Pfizer PFE Peru Holding LLC | Delaware |
| Pfizer PFE Peru S.R.L. | Peru |
| Pfizer PFE Pharmaceuticals Israel Holding LLC | Delaware |
| Pfizer PFE Pharmaceuticals Israel Ltd. | Israel |
| Pfizer PFE PILSA Holdco S.à r.l. | Luxembourg |
| Pfizer PFE Private Limited | Singapore |
| Pfizer PFE S.R.L | Argentina |
| Pfizer PFE Service Company Holding Coöperatief U.A. | Netherlands |
| Pfizer PFE Singapore Holding B.V. | Netherlands |
| Pfizer PFE Singapore Pte. Ltd. | Singapore |
| Pfizer PFE Spain B.V. | Netherlands |
| Pfizer PFE Spain Holding, S.L. | Spain |
| Pfizer PFE Sweden Holding 2 S.á.r.l. | Luxembourg |
| Pfizer PFE Sweden Holding S.á.r.l. | Luxembourg |

| | |
|---|---|
| Pfizer PFE Switzerland GmbH | Switzerland |
| Pfizer PFE Turkey Holding 1 B.V. | Netherlands |
| Pfizer PFE Turkey Holding 2 B.V. | Netherlands |
| Pfizer PFE UK Holding 4 LP | United Kingdom |
| Pfizer PFE US Holdings 1 LLC | Delaware |
| Pfizer PFE US Holdings 2 LLC | Delaware |
| Pfizer PFE US Holdings 3 LLC | Delaware |
| Pfizer PFE US Holdings 4 LLC | Delaware |
| Pfizer PFE US Holdings 5 LLC | Delaware |
| Pfizer PFE, spol. s r.o. | Czech Republic |
| Pfizer Pharm Algerie | Algeria |
| Pfizer Pharma GmbH | Germany |
| Pfizer Pharma PFE GmbH | Germany |
| Pfizer Pharmaceutical (Wuxi) Co., Ltd. | People's Republic of China |
| Pfizer Pharmaceutical Trading Limited Liability Company (a/k/a Pfizer Kft. or Pfizer LLC) | Hungary |
| Pfizer Pharmaceuticals B.V. | Netherlands |
| Pfizer Pharmaceuticals Global B.V. | Netherlands |
| Pfizer Pharmaceuticals Israel Ltd. | Israel |
| Pfizer Pharmaceuticals Korea Limited | Republic of Korea |
| Pfizer Pharmaceuticals LLC | Delaware |
| Pfizer Pharmaceuticals Ltd. | People's Republic of China |
| Pfizer Pigments Inc. | Delaware |
| Pfizer Polska Sp. z.o.o. | Poland |
| Pfizer Private Limited | Singapore |
| Pfizer Production LLC | Delaware |
| Pfizer Products Inc. | Connecticut |
| Pfizer Products India Private Limited | India |
| Pfizer Research (NC), Inc. | Delaware |
| Pfizer Romania SRL | Romania |
| Pfizer S.A. | Peru |
| Pfizer S.A. (Belgium) | Belgium |
| Pfizer S.A.S. | Colombia |
| Pfizer S.G.P.S. Lda. | Portugal |
| Pfizer S.R.L. | Argentina |
| Pfizer S.r.l. | Italy |
| Pfizer Saidal Manufacturing | Algeria |
| Pfizer Santé Familiale | France |
| Pfizer Saudi Limited | Saudi Arabia |
| Pfizer Seiyaku K.K. | Japan |
| Pfizer Service Company BVBA | Belgium |
| Pfizer Service Company Ireland Unlimited Company | Ireland |
| Pfizer Services 1 | France |
| Pfizer Services LLC | Delaware |
| Pfizer Shared Services Unlimited Company | Ireland |
| Pfizer Shareholdings Intermediate SARL | Luxembourg |

| | |
|---|---|
| Pfizer Singapore Holding Pte. Ltd. | Singapore |
| Pfizer Singapore Trading Pte. Ltd. | Singapore |
| Pfizer Spain Holdings Coöperatief U.A. | Netherlands |
| Pfizer Specialties Limited | Nigeria |
| Pfizer SRB d.o.o. | Serbia |
| Pfizer Strategic Investment Holdings LLC | Delaware |
| Pfizer Sweden Partnership KB | Sweden |
| Pfizer Trading Polska sp.z.o.o. | Poland |
| Pfizer TRAE Holdings Kft. | Hungary |
| Pfizer Transactions Ireland Unlimited Company | Ireland |
| Pfizer Transactions LLC | Delaware |
| Pfizer Transactions Luxembourg SARL | Luxembourg |
| Pfizer Transport LLC | Delaware |
| Pfizer Ukraine LLC | Ukraine |
| Pfizer Vaccines LLC | Delaware |
| Pfizer Venezuela, S.A. | Venezuela |
| Pfizer Venture Investments LLC | Delaware |
| Pfizer Ventures LLC | Delaware |
| Pfizer Worldwide Services Unlimited Company | Ireland |
| Pfizer Zona Franca, S.A. | Costa Rica |
| Pfizer, Inc. | Philippines |
| Pfizer, S.A. | Costa Rica |
| Pfizer, S.A. de C.V. | Mexico |
| Pfizer, S.L. | Spain |
| Pfizer, spol. s r.o. | Czech Republic |
| Pharmacia & Upjohn Company LLC | Delaware |
| Pharmacia & Upjohn Company, Inc. | Delaware |
| Pharmacia & Upjohn LLC | Delaware |
| Pharmacia & Upjohn, S.A. de C.V. | Mexico |
| Pharmacia Brasil Ltda. | Brazil |
| Pharmacia Hepar LLC | Delaware |
| Pharmacia Holding AB | Sweden |
| Pharmacia Inter-American LLC | Pennsylvania |
| Pharmacia International B.V. | Netherlands |
| Pharmacia Limited | United Kingdom |
| Pharmacia LLC | Delaware |
| Pharmacia Nostrum, S.A. | Spain |
| Pharmacia South Africa (Pty) Ltd | South Africa |
| PHILCO Holdings S.à r.l. | Luxembourg |
| PHIVCO Corp. | Delaware |
| PHIVCO Holdco S.à r.l. | Luxembourg |
| PHIVCO Luxembourg S.à r.l. | Luxembourg |
| PN Mexico LLC | Delaware |
| PowderJect Research Limited | United Kingdom |
| PT. Pfizer Parke Davis | Indonesia |
| Purepac Pharmaceutical Holdings LLC | Delaware |

| | |
|---|---|
| Renrall LLC | Wyoming |
| Rinat Neuroscience Corp. | Delaware |
| Roerig Produtos Farmaceuticos, Lda. | Portugal |
| Roerig S.A. | Chile |
| Sao Cristovao Participacoes Ltda. | Brazil |
| Searle Laboratorios, Lda. | Portugal |
| Servicios P&U, S. de R.L. de C.V. | Mexico |
| Shiley LLC | California |
| Sinergis Farma-Produtos Farmaceuticos, Lda. | Portugal |
| Site Realty, Inc. | Delaware |
| Solinor LLC | Delaware |
| Sugen LLC | Delaware |
| Tabor LLC | Delaware |
| The Pfizer Incubator LLC | Delaware |
| Thiakis Limited | United Kingdom |
| Treerly Health Co., Ltd | People's Republic of China |
| Upjohn Laboratorios Lda. | Portugal |
| US Oral Pharmaceuticals Pty Ltd | Australia |
| Vesterålens Naturprodukter A/S | Denmark |
| Vesterålens Naturprodukter AB | Sweden |
| Vesterålens Naturprodukter AS | Norway |
| Vesterålens Naturprodukter OY | Finland |
| Vicuron Holdings LLC | Delaware |
| Vinci Farma, S.A. | Spain |
| Warner Lambert del Uruguay S.A. | Uruguay |
| Warner Lambert Ilac Sanayi ve Ticaret Limited Sirketi | Turkey |
| Warner-Lambert (Thailand) Limited | Thailand |
| Warner-Lambert Company AG | Switzerland |
| Warner-Lambert Company LLC | Delaware |
| Warner-Lambert Guatemala, Sociedad Anonima | Guatemala |
| Warner-Lambert, S.A. | Delaware |
| Whitehall International Inc. | New York |
| Whitehall Laboratories Inc. | Delaware |
| W-L LLC | Delaware |
| Wyeth (Thailand) Ltd. | Thailand |
| Wyeth AB | Sweden |
| Wyeth Australia Pty. Limited | Australia |
| Wyeth Ayerst Inc. | Delaware |
| Wyeth Ayerst S.à r.l. | Luxembourg |
| Wyeth Canada ULC | Canada |
| Wyeth Consumer Healthcare LLC | Pennsylvania |
| Wyeth Europa Limited | United Kingdom |
| Wyeth Farma, S.A. | Spain |
| Wyeth Holdings LLC | Maine |
| Wyeth Industria Farmaceutica Ltda. | Brazil |
| Wyeth KFT. | Hungary |

| | |
|---|---|
| Wyeth Lederle S.r.l. | Italy |
| Wyeth Lederle Vaccines S.A. | Belgium |
| Wyeth LLC | Delaware |
| Wyeth Pakistan Limited | Pakistan |
| Wyeth Pharmaceutical Co., Ltd. | People's Republic of China |
| Wyeth Pharmaceuticals Company | Puerto Rico |
| Wyeth Pharmaceuticals FZ-LLC | United Arab Emirates |
| Wyeth Pharmaceuticals Limited | Ireland |
| Wyeth Pharmaceuticals LLC | Delaware |
| Wyeth Puerto Rico, Inc. | Puerto Rico |
| Wyeth S.A.S | Colombia |
| Wyeth Subsidiary Illinois Corporation | Illinois |
| Wyeth Whitehall Export GmbH | Austria |
| Wyeth Whitehall SARL | Luxembourg |
| Wyeth-Ayerst (Asia) Limited | Delaware |
| Wyeth-Ayerst International LLC | Delaware |
| Wyeth-Ayerst Promotions Limited | Delaware |

**EXHIBIT 23**

## Consent of Independent Registered Public Accounting Firm

To the Board of Directors and the Shareholders of Pfizer Inc.:

We consent to the incorporation by reference in this 2017 Annual Report on Form 10-K of Pfizer Inc. of our reports dated February 22, 2018 , with respect to the consolidated balance sheets of Pfizer Inc. and Subsidiary Companies as of December 31, 2017 and 2016 , and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the years in the three-year period ended December 31, 2017 , and the effectiveness of internal control over financial reporting as of December 31, 2017 , which reports appear in the 2017 Annual Report on Form 10-K of Pfizer Inc.

We also consent to the incorporation by reference of our reports in the following Registration Statements:

-Form S-8 dated October 27, 1983 (File No. 2-87473),
-Form S-8 dated March 22, 1990 (File No. 33-34139),
-Form S-8 dated January 24, 1991 (File No. 33-38708),
-Form S-8 dated November 18, 1991 (File No. 33-44053),
-Form S-8 dated May 27, 1993 (File No. 33-49631),
-Form S-8 dated May 19, 1994 (File No. 33-53713),
-Form S-8 dated October 5, 1994 (File No. 33-55771),
-Form S-8 dated December 20, 1994 (File No. 33-56979),
-Form S-8 dated March 29, 1996 (File No. 333-02061),
-Form S-8 dated September 25, 1997 (File No. 333-36371),
-Form S-8 dated June 19, 2000 (File No. 333-39606),
-Form S-8 dated April 27, 2001 (File No. 333-59660),
-Form S-8 dated April 16, 2003 (File No. 333-104582),
-Form S-8 dated November 18, 2003 (File No. 333-110571),
-Form S-8 dated December 18, 2003 (File No. 333-111333),
-Form S-8 dated April 26, 2004 (File No. 333-114852),
-Form S-8 dated March 1, 2007 (File No. 333-140987),
-Form S-4 dated March 27, 2009 (File No. 333-158237),
-Form S-8 dated October 16, 2009 (File No. 333-162519),
-Form S-8 dated October 16, 2009 (File No. 333-162520),
-Form S-8 dated October 16, 2009 (File No. 333-162521),
-Form S-8 dated March 1, 2010 (File No. 333-165121),
-Form S-3ASR dated March 2, 2015 (File No. 333-202430),
-Form S-8 dated March 2, 2015 (File No. 333-202437), and
-Form S-4 dated September 3, 2015 (File No. 333-206758).

/s/ KPMG LLP
New York, New York
February 22, 2018

**EXHIBIT 31.1**

**Certification by the Chief Executive Officer Pursuant to**
**Section 302 of the Sarbanes-Oxley Act of 2002**

I, Ian C. Read, certify that:

1. I have reviewed this Annual Report on Form 10-K of Pfizer Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2018

/s/ IAN C. READ

**Ian C. Read**

**Chairman and Chief Executive Officer**

**EXHIBIT 31.2**

**Certification by the Chief Financial Officer Pursuant to**
**Section 302 of the Sarbanes-Oxley Act of 2002**

I, Frank A. D'Amelio, certify that:

1. I have reviewed this Annual Report on Form 10-K of Pfizer Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2018

/s/ FRANK A. D'AMELIO

**Frank A. D'Amelio**

**Executive Vice President, Business Operations and Chief Financial Officer**

**EXHIBIT 32.1**

**Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. Section 1350, I, Ian C. Read, hereby certify that, to the best of my knowledge, the Annual Report on Form 10-K of Pfizer Inc. for the year ended December 31, 2017 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, and that the information contained in that Report fairly presents, in all material respects, the financial condition and results of operations of Pfizer Inc.

/s/ IAN C. READ

**Ian C. Read**

**Chairman and Chief Executive Officer**

February 22, 2018

This certification accompanies this Annual Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

**EXHIBIT 32.2**

**Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. Section 1350, I, Frank A. D'Amelio, hereby certify that, to the best of my knowledge, the Annual Report on Form 10-K of Pfizer Inc. for the year ended December 31, 2017 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, and that the information contained in that Report fairly presents, in all material respects, the financial condition and results of operations of Pfizer Inc.

/s/ FRANK A. D'AMELIO

**Frank A. D'Amelio**

**Executive Vice President, Business Operations and Chief Financial Officer**

February 22, 2018

This certification accompanies this Annual Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.