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, 2015

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

PFIZER INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-5315170**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
235 East 42nd Street New York, New York	**10017-5755**
(Address of principal executive offices)	(Zip Code)

(212) 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**

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 or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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, June 28, 2015 , was approximately $209 billion . This excludes shares of common stock held by directors and executive officers at June 28, 2015. 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 25, 2016 was 6,184,139,991 shares of common stock, all of one class.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2015 Annual Report to Shareholders	Parts I, II and IV
Portions of the Proxy Statement for the 2016 Annual Meeting of Shareholders	Part III

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DEFINED TERMS

Unless the context requires otherwise, references to "Pfizer," "the Company," "we," "us" or "our" in this 2015 Form 10-K (defined below) refer to Pfizer Inc. and its subsidiaries. We also have used several other terms in this 2015 Form 10-K, most of which are explained or defined below:

2015 Financial Report	Exhibit 13 to this 2015 Form 10-K
2015 Form 10-K	Annual Report on Form 10-K for the fiscal year ended December 31, 2015
2016 Proxy Statement	Proxy Statement for the 2016 Annual Meeting of Shareholders
ACA	U.S. Patient Protection and Affordable Care Act, as amended by the Health Care Reconciliation Act
Allergan	Allergan plc
Alliance revenues	Revenues from Alliance agreements under which we co-promote products discovered by other companies
ANDA	Abbreviated New Drug Application
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, Scandinavia, South Korea, Finland and New Zealand
EEA	European Economic Area
EFPIA	European Federation of Pharmaceutical Industries and Associations
EMA	European Medicines Agency
Emerging Markets	Includes, but is not limited to, the following markets: Asia (excluding Japan and South Korea), Latin America, Africa, Eastern Europe, Central Europe, the Middle East and Turkey
EU	European Union
Exchange Act	Securities Exchange Act of 1934, as amended
FCPA	U.S. Foreign Corrupt Practices Act
FFDCA	U.S. Federal Food, Drug and Cosmetic Act
FDA	U.S. Food and Drug Administration
FTC	U.S. Federal Trade Commission
GEP	Global Established Pharmaceutical segment
GIP	Global Innovative Pharmaceutical segment
Hospira	Hospira, Inc.
IPR&D	In-process Research and Development
IRS	U.S. Internal Revenue Service
ITRSHRA	Iran Threat Reduction and Syria Human Rights Act of 2012
I.V.	intravenous
LOE	Loss of Exclusivity
MCO	Managed Care Organization
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
U.S.	United States
VOC	Global Vaccines, Oncology and Consumer Healthcare segment
WRD	Worldwide Research and Development
WTO-TRIPS	World Trade Organization Agreement on Trade Related Aspects of Intellectual Property

PART I

ITEM 1. BUSINESS

GENERAL

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, vaccines and medical devices, 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 by other companies. 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.

On November 23, 2015, we announced that we have entered into a definitive merger agreement with Allergan, a global pharmaceutical company incorporated in Ireland, under which we have agreed to combine with Allergan in a stock transaction valued at $363.63 per Allergan share, for a total enterprise value of approximately $160 billion, based on the closing price of Pfizer common stock of $32.18 on November 20, 2015 (the last trading day prior to the announcement) and certain other assumptions. Allergan shareholders will receive 11.3 shares of the combined company for each of their Allergan shares by virtue of a share split, and Pfizer shareholders will have the option of receiving one share of the combined company for each of their Pfizer shares or receiving cash instead of shares of the combined company for some or all of their Pfizer shares, provided that the aggregate amount of cash to be paid in the merger will not be less than $6 billion or greater than $12 billion. In the event that elections to receive cash and shares in the merger would otherwise result in an aggregate of less than $6 billion or greater than $12 billion of cash being paid out in the merger, then the share elections and cash elections will be subject to proration. The completion of the transaction, which is expected in the second half of 2016, is subject to certain conditions, including receipt of regulatory approval in certain jurisdictions, including the U.S. and EU, the receipt of necessary approvals from both Pfizer and Allergan shareholders, and the completion of Allergan's pending divestiture of its generics business to Teva Pharmaceuticals Industries Ltd. Subject to the terms and conditions of the merger agreement, the businesses of Pfizer and Allergan will be combined under a single company and Pfizer would become a wholly-owned subsidiary of Allergan, which is organized under the laws of Ireland and which, subject to the approval by Allergan shareholders, will be renamed "Pfizer plc." For further discussion on the pending Allergan combination, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Business* section in our 2015 Financial Report .

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). Hospira is now a subsidiary of Pfizer. The combination of local Pfizer and Hospira entities may be pending in various jurisdictions and integration is subject to completion of various local legal and regulatory steps. For additional information, see the Notes to Consolidated Financial Statements— *Note 2A. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Acquisitions* in our 2015 Financial Report.

On June 24, 2013, we completed the full disposition of our Animal Health business. For additional information, see the Notes to Consolidated Financial Statements— *Note 2D. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Divestitures* in our 2015 Financial Report.

For a further discussion of our strategy and our business development initiatives, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Strategy* and *— Our Business Development Initiatives* sections in our 2015 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 EEA 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, such as the FDA or EMA, before they begin to conduct their application review process and/or issue their final approval. For additional information, see *Government Regulation and Price Constraints* below.

Note: Some amounts in this 2015 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 2015 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 such material with, or furnish it to, the SEC.

Throughout this 2015 Form 10-K, we "incorporate by reference" certain information from other documents filed or to be filed with the SEC, including our 2016 Proxy Statement and the 2015 Financial Report, portions of which are filed as Exhibit 13 to this 2015 Form 10-K, and which also will be contained in Appendix A to our 2016 Proxy Statement. The SEC allows us to disclose important information by referring to it in that manner. Please refer to such information. Our 2015 Annual Report to Shareholders consists of the 2015 Financial Report and the Corporate and Shareholder Information attached to the 2016 Proxy Statement. Our 2015 Financial Report will be available on our website on or about February 29, 2016. Our 2016 Proxy Statement will be available on our website on or about March 15, 2016.

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 10017-5755. We will disclose any future amendments to, or waivers from, provisions of these ethics policies and standards 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 2015 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 businesses: an Innovative Products business and an Established Products business. The Innovative Products business is composed of two operating segments, each of which has been led by a single manager in 2015 and 2014 — the Global Innovative Pharmaceutical segment and the Global Vaccines, Oncology and Consumer Healthcare segment. Effective February 8, 2016, the Innovative Products business is led by a single manager. The Established Products business consists of the Global Established Pharmaceutical segment, which is also 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 each business and operating segment follows:

Innovative Products Business		*Established Products Business*
Global Innovative Pharmaceutical segment:	**Global Vaccines, Oncology and Consumer Healthcare segment:**	**Global Established Pharmaceutical segment:**
GIP focuses on developing and commercializing novel, value-creating medicines that significantly improve patients' lives. Key therapeutic areas include inflammation/immunology, cardiovascular/metabolic, neuroscience/pain and rare diseases and include leading brands, such as *Xeljanz* , *Eliquis* , *Lyrica* (U.S. and Japan), *Enbrel* (outside the U.S. and Canada) and *Viagra* (U.S. and Canada).	VOC focuses on the development and commercialization of vaccines and products for oncology and consumer healthcare. Consumer Healthcare manufactures and markets several well-known, over-the-counter (OTC) products. Each of the three businesses in VOC operates as a separate, global business, with distinct specialization in terms of the science and market approach necessary to deliver value to consumers and patients.	GEP 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 and infusion systems.

We expect that the GIP and VOC biopharmaceutical portfolios 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 ensure a pipeline of highly-differentiated product candidates in areas of unmet medical need. The assets managed by these groups are science-driven, highly differentiated and generally require a high level of engagement with healthcare providers and consumers.

GEP is expected to generate strong consistent cash flow by providing patients around the world with access to effective, lower-cost, high-value treatments. GEP leverages our biologic development, regulatory and manufacturing expertise to seek to advance its biosimilar development portfolio. Additionally, GEP leverages capabilities in formulation development and manufacturing expertise to help advance its generic sterile injectables portfolio. In addition, GEP may also engage in targeted business development to further enable its commercial strategies. GEP has the knowledge and resources within R&D to develop small molecules, including injectables, and biosimilars. On September 3, 2015, we acquired Hospira, and its commercial operations are now included within GEP.

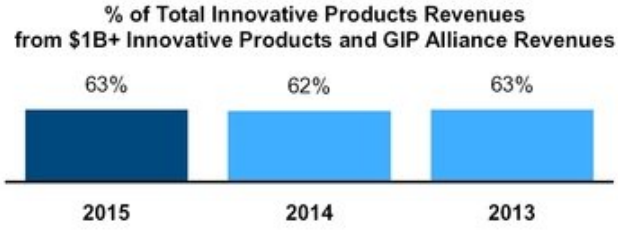
For a further discussion of these operating segments, see the *Innovative Products* and *Established Products* sections below and the Notes to Consolidated Financial Statements— *Note 18. Segment, Geographic and Other Revenue Information* , including the tables therein captioned *Selected Income Statement Information* , *Geographic Information* and *Significant Product Revenues* , the table captioned *Revenues by Segment and Geographic Area* in the *Analysis of the Consolidated Statements of Income* section, and the *Analysis of Operating Segment Information* section in our 2015 Financial Report, which are incorporated by reference.

In addition, other business activities within Pfizer include Pfizer CentreSource, our contract manufacturing and bulk pharmaceutical chemical sales operation, which in 2015 includes revenues related to our manufacturing and supply agreements with Zoetis Inc.

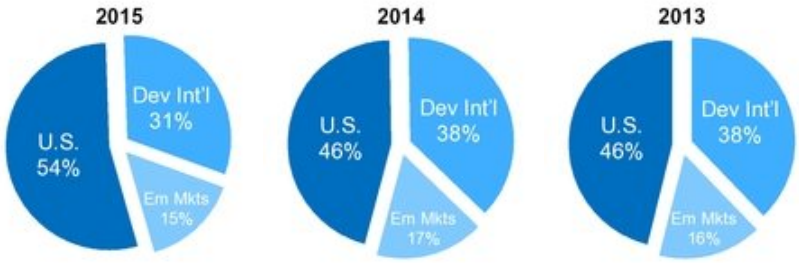
Following the closing of the pending combination with Allergan, the Vaccines and Oncology businesses are expected to be combined with the Global Innovative Pharmaceutical business and we expect to create a new global business, Global Specialty and Consumer Brands, that includes our Consumer Healthcare business and Allergan's ophthalmology and aesthetics businesses, as well as Botox Therapeutic and Cosmetic. Allergan's Anda distribution capabilities and brands in women's health and anti-infectives are expected to be combined with the Global Established Pharmaceutical business.

INNOVATIVE PRODUCTS

We recorded direct product sales of more than $1 billion for each of five Innovative products in 2015, 2014 and 2013 (*Lyrica* (outside all of Europe, Russia, Turkey, Israel and Central Asia countries), *Enbrel* (outside the U.S. and Canada), *Viagra* (U.S. and Canada), *Prevnar/Prevenar 13* and *Sutent*), and for GIP Alliance revenues in 2015 (primarily *Eliquis*) and 2013. See *Item 1A. Risk Factors — Dependence on Key In-Line Products* below.



Geographic Revenues for Innovative Products*



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

For additional information regarding the revenues of our Innovative Products business, including revenues of major Innovative 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 Descriptions* sections in our 2015 Financial Report; and for additional information on the key operational revenue drivers of our Innovative Products business, see the *Analysis of Operating Segment Information — Global Innovative Pharmaceutical Operating Segment* and *— Global Vaccines, Oncology and Consumer Healthcare Operating Segment* sections of our 2015 Financial Report.

The Innovative Products business is composed of the GIP and VOC segments. A discussion of the key products within these segments, or a reference to such discussion in the 2015 Financial Report, is included below.

Global Innovative Products

For a discussion of certain of our key GIP products, including *Lyrica* (outside all of Europe, Russia, Turkey, Israel and Central Asia countries), *Enbrel* (outside the U.S. and Canada), *Viagra* (U.S. and Canada), *BeneFIX* , *Chantix/Champix* , *Refacto AF/Xyntha* , *Xeljanz* and *Eliquis* (jointly developed and commercialized with BMS), see the *Analysis of the Consolidated Statements of Income — Revenues — Selected Product Descriptions* section in our 2015 Financial Report.

Vaccines

For a discussion of certain of our key Vaccine products, including *Prevnar/Prevenar 13* , see the *Analysis of the Consolidated Statements of Income — Revenues — Selected Product Descriptions* section in our 2015 Financial Report.

Oncology

For a discussion of certain of our key Oncology products, including *Sutent, Ibrance, Xalkori* and *Inlyta* , see the *Analysis of the Consolidated Statements of Income — Revenues — Selected Product Descriptions* section in our 2015 Financial Report.

Consumer Healthcare

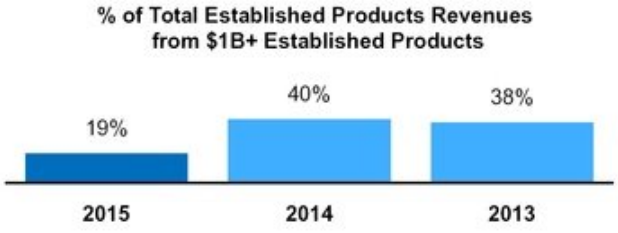
According to Euromonitor International's retail sales data, in 2015 , Pfizer's Consumer Healthcare business was the fourth-largest branded multi-national, OTC consumer healthcare business in the world and produced two of the ten largest selling consumer healthcare brands (*Centrum* and *Advil*) in the world.

Major categories and product lines in our Consumer Healthcare business include:

- **Dietary Supplements** : *Centrum* brands (including *Centrum* , *Centrum Silver* , *Centrum Men's* and *Women's* , *Centrum VitaMints* , *Centrum Specialist* , *Centrum Flavor Burst* and *Centrum Kids*), *Caltrate* and *Emergen-C* ;
- **Pain Management** : *Advil* brands (including *Advil* , *Advil PM* , *Advil Liqui-Gels* , *Advil Film Coated* , *Children's Advil* , *Infants' Advil* and *Advil Migraine)* and *ThermaCare* ;
- **Gastrointestinal** : *Nexium 24HR/Nexium Control* and *Preparation H* ; and
- **Respiratory and Personal Care** : *Robitussin* , *Advil Cold & Sinus* , *Advil Sinus Congestion Relief & Pain, Dimetapp* and *ChapStick* .

ESTABLISHED PRODUCTS

We recorded direct product sales of more than $1 billion for each of three Established products in 2015 (*Lipitor* , *Lyrica* (Europe, Russia, Turkey, Israel and Central Asia) and the *Premarin* family of products) and six Established products in 2014 and 2013 (*Celebrex* , *Lipitor* , *Lyrica* (Europe, Russia, Turkey, Israel and Central Asia), *Zyvox* , *Norvasc* and the *Premarin* family of products). See *Item 1A. Risk Factors — Dependence on Key In-Line Products* below.



Geographic Revenues for Established Products*

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

For additional information regarding the revenues of our Established Products business, including revenues of major Established 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 Descriptions* sections in our 2015 Financial Report; and for additional information on the key operational revenue drivers of our Established Products business, see the *Analysis of Operating Segment Information — Global Established Pharmaceutical Operating Segment* section of our 2015 Financial Report.

Global Established Products

The product categories in our Global Established Products segment include:

- **Legacy Established Products** : includes products that have lost patent protection (excluding Sterile Injectable Pharmaceuticals and Peri-LOE Products);
- **Peri-LOE Products** : includes products that have recently lost or are anticipated to soon lose patent protection. These products primarily include *Celebrex* , *Zyvox* and *Revatio* in most developed markets, *Lyrica* in the EU, *Pristiq* in the U.S. and *Inspra* in the EU;
- **Sterile Injectable Pharmaceuticals** : includes generic injectables and proprietary specialty injectables (excluding Peri-LOE Products);
- **Infusion Systems** : includes medication management systems products composed of infusion pumps and related software and services, as well as I.V. infusion products, including large volume I.V. solutions and their associated administration sets;
- **Biosimilars** : includes *Inflectra* (biosimilar infliximab) in Canada, Mexico, Australia and certain European markets, *Nivestim* (biosimilar filgrastim) in Australia and certain European and Asian markets and *Retacrit* (biosimilar epoetin) in certain European markets; and
- **Other Established Products** : includes legacy Hospira's One-to-One contract manufacturing and bulk pharmaceutical chemical sales organizations.

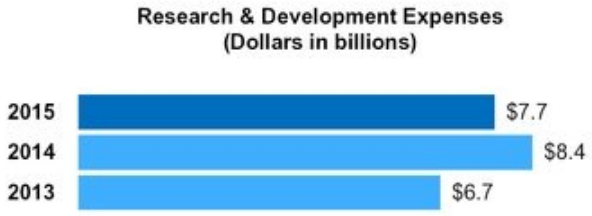
For a discussion of certain of our key GEP products, including *Lipitor* , *Lyrica* (Europe, Russia, Turkey, Israel and Central Asia), the *Premarin* family of products, *Norvasc* , *Zyvox* , *Celebrex* and *Pristiq* , see the *Analysis of the Consolidated Statements of Income — Revenues — Selected Product Descriptions* section in our 2015 Financial Report.

ALLIANCE REVENUES

We are party to collaboration and/or co-promotion agreements relating to certain biopharmaceutical products, such as *Enbrel* (in the U.S. and Canada), *Spiriva* and *Rebif* , each of which has expired or will expire in 2016 in certain markets. In addition, *Eliquis* was developed and is being commercialized in collaboration with BMS. In April 2015, we signed an agreement with BMS to transfer full commercialization rights in certain smaller markets to us, beginning in the third quarter of 2015. For additional information, including a description of certain of these collaboration and co-promotion agreements and their expiration dates, see the *Analysis of the Consolidated Statements of Income — Revenues — Selected Product Descriptions* and the *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Operating Environment — Industry-Specific Challenges — Intellectual Property Rights and Collaboration/Licensing Rights* sections in our 2015 Financial Report and *Item 1A. Risk Factors — Dependence on Key In-Line Products* below.

RESEARCH AND DEVELOPMENT

Innovation by our R&D organization is very important to our success. Our goal is to discover, develop and bring to market innovative products that address major unmet medical needs.



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. Our WRD organization is generally responsible for research projects until proof-of-concept is achieved and then for transitioning those projects to the appropriate business unit for possible clinical and commercial development. 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. WRD is also responsible for facilitating all regulatory submissions and interactions with regulatory agencies, including all safety-event activities.

Our R&D primarily focuses on six high-priority areas that have a mix of small molecules and large molecules—immunology and inflammation; cardiovascular and metabolic diseases; oncology; vaccines; neuroscience and pain; and rare diseases. Another area of focus is biosimilars. With the acquisition of Hospira, we have expanded our biosimilars pipeline and added R&D capabilities for sterile injectables and infusion systems.

We also 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 and 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. Collaboration, alliance and license agreements and equity- or debt-based investments allow us to share risk and cost, to access external scientific and technological expertise, and enable us to advance our own products as well as in-licensed or acquired products.

Drug discovery and development is time-consuming, expensive and unpredictable. According to the Pharmaceutical Benchmarking Forum, out of 20 compounds entering preclinical development, 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.

As of February 2, 2016, 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 new 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 2015 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.

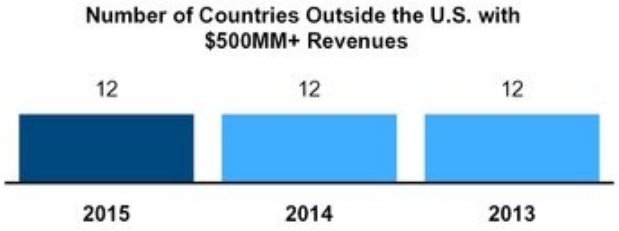
We continue to strengthen our global R&D organization and pursue strategies intended to improve innovation and overall productivity in R&D to achieve a sustainable pipeline that will deliver value in the near term and over time. Our R&D priorities include delivering a pipeline of differentiated therapies with the greatest scientific and commercial promise, innovating new 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.

For additional information regarding our R&D operations, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Strategy—Research Operations* and *Costs and Expenses—Research and Development (R&D) Expenses — Description of Research and Development Operations* sections in our 2015 Financial Report.

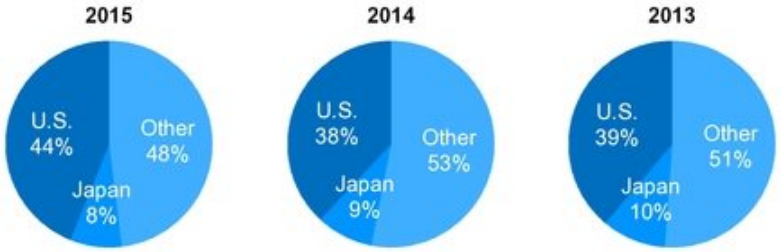
INTERNATIONAL OPERATIONS

We have significant operations outside the U.S. Since 2014, operations in developed and emerging markets have been managed through our three operating segments: GIP, GEP and VOC. 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.

Revenues from operations outside the U.S. of $27.1 billion accounted for 56% of our total revenues in 2015 . Japan is our largest national market 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 2015 Financial Report, and the table captioned *Revenues by Segment and Geographic Area* in our 2015 Financial Report. Those tables are incorporated by reference.



Revenues by National Market



Our international operations are subject, in varying degrees, to a number of risks inherent in carrying on business in other countries. These include, among other things, currency fluctuations, capital and exchange control regulations, 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 7E. Financial Instruments: Derivative Financial Instruments and Hedging Activities* in our 2015 Financial Report, as well as the *Forward-Looking Information and Factors That May Affect Future Results — Financial Risk Management* section in our 2015 Financial Report. Those sections of our 2015 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; MCOs that provide insurance coverage, such as hospitals, Integrated Delivery Systems, PBMs 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 communicates 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. For our infusion systems business, we promote directly to nurses, physicians, pharmacists, biomedical engineers, and their respective representatives.

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 individual provider offices, the Centers for Disease Control and Prevention and wholesalers. 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 2015, our top three biopharmaceutical wholesalers accounted for approximately 34% of our total revenues (and 74% of our total U.S. revenues).

% of 2015 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 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 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. 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]
Enbrel	N/A [2]	2015	2015
Celebrex	2014 [3]	2014 [3]	2019
Zyvox	2015	2016	2019
Lyrica	2018	2014 [4]	2022
Chantix	2020	2021	2022
Inlyta	2020	2025	2025
Xeljanz	2020	N/A [5]	2025
Sutent	2021	2021	2024
Eliquis [6]	2023	2026	2026
Ibrance	2023	N/A [7]	N/A [7]
Prevnar 13/Prevenar 13	2026	2026 [8]	2029
Xalkori	2029	2027	2028

[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. However, as a result of a patent litigation settlement, Teva Pharmaceuticals USA, Inc. will be allowed to launch a generic version of *Viagra* in the U.S. in December 2017, or earlier under certain circumstances. The corresponding method-of-treatment patent covering *Viagra* in Japan expired in May 2014.

[2] Pfizer markets *Enbrel* outside the U.S. and Canada. 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* section in our 2015 Financial Report. In January 2016, the European Commission approved an etanercept biosimilar referencing Enbrel.

[3] In December 2014, generic versions of *Celebrex* became available pursuant to settlement agreements with several generic manufacturers.

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

[5] *Xeljanz* is not approved in the EU.

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

[7] *Ibrance* is awaiting marketing authorization in the EU and Japan.

[8] 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.

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 co-promotion agreements and their expiration dates, and a further discussion of our products experiencing, or expected to experience in 2016, 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 2015 Financial Report and *Item 1A. Risk Factors — Dependence on Key In-Line Products* below.

Companies have filed applications with the FDA seeking approval of products that we believe infringe our patents covering, among other products, *Sutent* , *EpiPen* , *Toviaz* , *Tygacil* extended-release capsules and *Precedex Premix* . For additional information, see the Notes to Consolidated Financial Statements—*Note 17A1. Commitments and Contingencies—Legal Proceedings—Patent Litigation* in our 2015 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; and conversion of the active ingredient to OTC products.

Biotechnology Products

Our biotechnology products, including *BeneFIX* , *ReFacto* , *Xyntha* and *Enbrel* (we market *Enbrel* outside the U.S. and Canada), may face competition in the future 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. The regulatory implementation of these ACA provisions is ongoing, and the FDA has issued draft guidance on subjects such as nonproprietary naming of biologic products and reference product exclusivity, and final guidance on a number of subjects such as scientific considerations in demonstrating biosimilarity. Moreover, in 2015, the FDA approved the first biosimilar and currently has several other biosimilar applications under review. See *Government Regulation and Price Constraints — Biosimilar Regulation* below for additional information on the ACA's approval framework for biosimilars.

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. In 2013, the EMA approved the first biosimilar of a monoclonal antibody. In Japan, the regulatory authority has granted marketing authorizations for certain biosimilars, including our monoclonal antibody infliximab, pursuant to a guideline for biosimilar approvals issued in 2009.

If competitors are able to obtain marketing approval for biosimilars that reference our biotechnology products, our products may become subject to competition from these biosimilars, with attendant competitive pressure, and price reductions could follow. Expiration or successful challenge of applicable patent rights could trigger this competition, assuming any relevant exclusivity period has expired. However, biosimilar manufacturing is complex. At least initially upon approval of a biosimilar competitor, biosimilar competition with respect to biologics may not be as significant as generic competition with respect to small molecule drugs.

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. As such, a better-defined biosimilars approval pathway will assist us in pursuing approval of our own biosimilar products in the U.S. 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 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 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).

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. In the U.S., Pfizer's Greenstone subsidiary and Pfizer Injectables team sell generic versions of Pfizer's, as well as certain competitors', solid oral dose and sterile injectable pharmaceutical products, respectively, upon loss of exclusivity, as appropriate. Additionally, as a result of the Hospira acquisition, Pfizer also sells generic versions of sterile injectable products as well as biosimilars globally. 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 a period of exclusivity as the only generic or biosimilar provider.

Our infusion systems business faces competition from companies that manufacture and distribute similar products to our infusion systems. For our infusion systems business, we seek to differentiate our products through technological innovation and an integrated approach to drug delivery.

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 283 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.

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.

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.

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 such competitors make a regular practice of challenging our product patents before their expiration. Unlike us, 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. No serious shortages or delays of raw materials were encountered in 2015 , and none are expected in 2016 . We have successfully secured the materials necessary to meet our requirements where there have been short-term imbalances between supply and demand, but generally at higher prices than those historically paid.

GOVERNMENT REGULATION AND PRICE CONSTRAINTS

Pharmaceutical and medical device companies are subject to extensive laws and regulations by national, state and local agencies 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 2015 Financial Report. Criminal charges, substantial fines and/or civil penalties, warning letters and product recalls or seizures, 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 FTC 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, 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, in 2015, approved the first biosimilar. Through that approval 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.

Device Regulation . In the U.S., the FDA regulates medical devices under the authority of the FFDCA and its regulations. The FDA classifies U.S. medical devices into one of three classes (Class I, II or III) based on the statutory framework described in the FFDCA. Our medical device business includes Class I and II devices, which are reviewed by the FDA under the 510(k) process.

During the 510(k) process, the FDA reviews a premarket notification and determines whether or not a proposed device is "substantially equivalent" to "predicate devices." If the intended use and technological characteristics are comparable to a predicate device, the device may be cleared for marketing. If the device has the same intended use as a predicate device and different technological characteristics, but data is submitted to the FDA showing that the device is at least as safe and effective as the legally marketed device, it may also be cleared for marketing. In reviewing a premarket notification, the FDA may request additional information, including clinical data. After a device receives 510(k) clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, requires a new 510(k) clearance or could require Premarket Approval. The FDA requires each manufacturer to make this determination in the first instance, but the agency can review any such decision. If the FDA disagrees with a manufacturer's decision not to seek a new 510(k) clearance, the agency may retroactively require the manufacturer to seek 510(k) clearance or Premarket Approval. The FDA can also require the manufacturer to cease marketing and/or recall the modified device until 510(k) clearance or Premarket Approval is obtained. Additionally, the manufacturer may be subject to significant regulatory fines or penalties.

Postmarket Device Regulation. The medical devices that we manufacture and distribute are subject to continuing regulation by the FDA and other regulatory authorities. The FDA reviews design, manufacturing, and distribution practices, labeling and record keeping, and manufacturers' required reports of adverse experience and other information to identify potential problems with marketed medical devices. Among other FDA requirements, we must comply with FDA regulations relating to cGMPs. These regulations govern the methods used in, and the facilities and controls used for, the design, manufacture, packaging and servicing of all finished medical devices intended for human use. We must also comply with Medical Devices Reporting which requires us to report to the FDA any incident in any of our products that may have caused or contributed to a death or serious injury, or required an unnecessary intervention for a patient, or in which any of our products malfunctioned and, if such malfunction were to recur, would be likely to cause or contribute to a death or serious injury. Labeling, advertising, and promotional activities are subject to scrutiny by the FDA and, in certain circumstances, by the FTC. Current FDA enforcement policy prohibits the marketing of approved medical devices for unapproved uses. We are subject to routine inspection by the FDA

and other regulatory authorities for compliance with Quality System Regulation and Medical Devices Reporting requirements, as well as other applicable regulations. If the FDA were to conclude that we are not in compliance with applicable laws or regulations, or that any of our medical devices are ineffective or pose an unreasonable health risk, the FDA could ban such medical devices, detain or seize adulterated or misbranded medical devices, order a recall, repair, replacement, or refund of such devices, and require us to notify health professionals and others that the devices present unreasonable risks of substantial harm to the public health. The FDA may also impose operating restrictions, enjoin and restrain certain violations of applicable law pertaining to medical devices, and assess civil or criminal fines and penalties against our officers, employees, or us. The FDA may also recommend prosecution to the U.S. Department of Justice.

Sales and Marketing . The marketing practices of U.S. biopharmaceutical and medical device 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 or medical device 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 reimbursed drugs or services to third-party payers (including Medicare and Medicaid) that are false or fraudulent. Although the specific provisions of these laws vary, their scope is generally broad and there may not be regulations, guidance or court decisions that apply the laws to any particular industry practices, including the marketing practices of pharmaceutical and medical device companies. Violations of fraud and abuse laws may be punishable by criminal or civil sanctions and/or exclusion from federal health care programs (including Medicare and Medicaid). The federal government and various states have also enacted laws to regulate the sales and marketing practices of pharmaceutical or medical device companies. The laws and regulations generally limit financial interactions between manufacturers and health care 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. 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 2015 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 2015 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 providing coverage for Medicaid recipients contracting for the provision of services in the state. 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.

Healthcare Reform. The U.S. and state governments continue to propose and pass legislation designed to regulate the healthcare industry. In March 2010, the U.S. Congress enacted the ACA, which included changes that significantly affected the pharmaceutical and medical device industries, such as:

- increasing drug rebates paid to state Medicaid programs under the Medicaid Drug Rebate Program for brand name and generic prescription drugs and extending those rebates to Medicaid managed care;
- requiring pharmaceutical manufacturers to provide discounts on brand name prescription drugs sold to Medicare beneficiaries whose prescription drug costs cause the beneficiaries to be subject to the Medicare Part D coverage gap;
- imposing an annual fee on manufacturers and importers of brand name prescription drugs reimbursed under certain government programs, including Medicare and Medicaid; and
- imposing an annual excise tax on manufacturers and importers of medical devices offered for sale in the U.S.

The ACA included provisions designed to increase the number of Americans covered by health insurance. Specifically, since 2014, the ACA has required most individuals to maintain health insurance coverage or potentially to pay a penalty for noncompliance and has offered states the option of expanding Medicaid coverage to additional individuals. The implementation of the coverage expansion had a negligible impact on Pfizer’s 2015 revenues.

Additionally, policy efforts designed specifically to reduce patient out-of-pocket costs for medicines could result in new mandatory rebates and discounts or other pricing restrictions. A number of the candidates for the 2016 U.S. presidential elections have introduced such policy proposals, and a November 2015 U.S. Department of Health and Human Services forum dedicated to drug pricing could lead to further proposals. 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 continue to work with stakeholders in an effort to ensure access to medicines within an efficient and affordable healthcare system. In addition, certain regulatory changes to be implemented in 2016 may affect Pfizer's obligations under the Medicaid drug rebate program, but the impact of those changes is not yet known.

Adoption of other new legislation at the federal or state level could further affect demand for, or pricing of, our products.

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. 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.

Outside the United States

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

New Drug Approvals and Pharmacovigilance. 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 EEA countries, Norway, Iceland and Liechtenstein. The use of these procedures generally provides a more rapid and consistent approval process across the Member States than was the case when the approval processes were operating independently within each country.

In Japan, the PMDA is the point of entry for businesses looking to sell drugs and medical devices 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 medical devices and provides advice on product classifications and approvals.

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.

China’s regulatory system is unique in many ways, and its drug development and registration requirements are not always consistent with U.S. or other international standards. It is common to see treatments entering the Chinese market two to five years behind first marketing in the U.S. and Europe, because China only issues import drug licenses to treatments approved by a foreign regulatory authority. In addition, to obtain marketing approvals for new drugs in China, a clinical trial authorization issued by the CFDA is required for the conduct of Phase I to III clinical trials. Foreign applicants of imported drugs, if including China-originated data in their Multi-Regional Clinical Trials and meeting the relevant technical review requirements, may receive case-by-case clinical trial waivers. Generics, on the other hand, only need to undergo bioequivalence studies upon a filing for record with the CFDA. A Chinese drug license will only be granted if, following review, the CFDA determines that the clinical data confirm the drug’s safety and effectiveness.

In 2012, new pharmacovigilance legislation came into force in the EU. Key changes include the establishment of a new Pharmacovigilance Risk Assessment Committee within the EMA, with responsibility for reviewing and making recommendations on product safety issues for the EU authorities. It also introduces the possibility for regulators to require pharmaceutical companies to conduct post-authorization efficacy studies at the time of approval, or at any time afterwards in light of scientific developments. There are also additional 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 typically less extensive.

Medical Device Regulation. The EU has adopted the European Medical Device Directives as a common legal framework for all EU Member States. These directives require companies that wish to manufacture and distribute medical devices in EU member countries to meet certain quality system and safety requirements and obtain a “CE” marking (i.e., a mandatory conformity marking for certain products sold within the EEA) for their products. The applicable authorities of the EU countries, generally in the form of their ministries or departments of health, are responsible for market surveillance of products once they are placed on the market. We are required to report device failures and injuries potentially related to product use to these authorities in a timely manner. Various penalties exist for non-compliance with the laws implementing the European Medical Device Directives.

Medical device laws and regulations similar to those described above are also in effect in many of the other countries/regions in which we distribute our medical device products.

Pricing and Reimbursement . In certain international markets, such as Europe, Japan, China, Canada, and South Korea, governments provide healthcare at low direct cost to consumers and 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, value-based pricing, and international reference pricing (i.e., the practice of many countries linking their 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 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 hinders patient access and innovation. Price variations also have resulted from exchange rate fluctuations that are exacerbated by international reference pricing systems. The downward pricing pressure resulting from this dynamic can be expected to continue as a result of reforms to international reference pricing policies, emergency measures targeting pharmaceuticals in some European countries and ongoing exchange rate fluctuations.

China historically controlled prices of pharmaceutical products mainly by setting their maximum retail prices. Since June 1, 2015, government-set price caps have been lifted for the vast majority of drug products. However, the government will continue to exercise indirect price control by setting reasonable reimbursement standards determined by the social insurance administrations, through a negotiation mechanism between drug manufacturers and social insurance administrations.

EU Regulatory Changes . The EU adopted a new Clinical Trials Regulation in May 2014, which is expected to come into effect by December 2017. This new 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.

In another effort to increase the public availability of clinical trial results, the EMA adopted a new policy on Publication of Clinical Data for Medicinal Products for Human Use, which became effective January 1, 2015. Under this policy, the EMA will proactively publish 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.

China Regulatory Changes . In an effort to encourage drug innovation and reduce the existing drug approval backlogs, the CFDA unveiled several reform initiatives for China's drug approval system. The regulator now divides drugs into new drugs and generics, with the definition for new drugs changed from "drugs never marketed in China" to "drugs that are neither marketed in or outside China." This change in definition creates more incentives for China's domestic drug manufacturers than for multinational firms, because imported drugs first marketed outside China are no longer considered new drugs. Another major initiative is the piloting of the "marketing authorization holder" system in ten provinces in China, where the market authorization/drug license holders are no longer required to be the actual manufacturers. The "marketing authorization holder" system will allow for more flexibilities in contract manufacturing arrangements and asset transfers, but it is not applicable to imported drugs.

A number of other policy changes are expected to be able to streamline and accelerate domestic and imported drug approvals in China. These changes include introducing an umbrella clinical trial authorization for all three phases of registration studies (instead of the original phase-by-phase approvals), implementing a filing/recordation system for bioequivalence studies on generics (instead of the original review and approval system), and admitting more types of drugs as innovative drugs eligible for the fast track/green channel approval pathway.

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 and medical device companies to healthcare providers. For example, in 2013, the EFPIA released its disclosure code of transfers of value to healthcare professionals and organizations. The code requires all members of EFPIA, including Pfizer, to disclose transfers of value to healthcare professionals and healthcare organizations beginning in 2016, covering the relevant transfers in 2015.

Intellectual Property . The 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, a number of 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 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 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 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.

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, Canadian authorities committed 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. Canada is also signatory of the 2015 Trans-Pacific Trade Partnership (TPP), and Canada may enhance its intellectual property regime in line with its TPP obligations. The patent utility doctrine developed by the Canadian courts remains an important concern which is currently not being addressed by the Canadian government.

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 2015. 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, policies favoring compulsory licensing of patents, the increasing tendency of the Indian Patent Office to revoke pharmaceutical patents in opposition proceedings, and restrictive standards for patentability of pharmaceutical products have made it difficult to protect many of our inventions. India maintains a system of pre-grant patent oppositions that delays the granting of patents and adds an additional challenge in our ability to protect our products through patents. Indian law includes special restrictions on the types of pharmaceutical inventions that may be patented which may limit our ability to protect our products. Recent use by the Indian government of compulsory licensing and patent revocation mechanisms heightens the risk of additional patent challenges targeting innovative pharmaceutical products, especially in areas perceived as being important to the public health of the population, such as infectious diseases, cancer and diabetes. In September 2012, Pfizer's patent covering *Sutent* was revoked by the Indian Patent Office and other challenges against Pfizer patents are ongoing.

In South Korea, the laws and regulations for the patent-regulatory approval linkage system was implemented as part of the U.S.-Korea Free Trade Agreement in 2012. The Korean patent-regulatory approval linkage system includes biologics.

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 2015 Financial Report. As a result, we incurred capital and operational expenditures in 2015 for environmental compliance purposes and for the clean-up of certain past industrial activity as follows:

- environment-related capital expenditures— $23 million; and
- other environment-related expenses— $144 million.

While capital expenditures or operating costs for environmental compliance, including compliance with laws related to climate change, 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 potential physical risks to our facilities and supply chain due to more frequent and severe weather events and water availability. 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 robust program for reviewing our vulnerability to these potential 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 2015 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, 2015 , we employed approximately 97,900 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 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 2015 , 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 2015 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 2015 Form 10-K and in our 2015 Annual Report to Shareholders contain forward-looking statements that set forth anticipated results based on management's plans and assumptions. 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," "target," "forecast," "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 future operating and financial performance, business plans and prospects, in-line products and product candidates, strategic reviews, capital allocation, business-development plans, and plans relating to share repurchases and dividends. In particular, these include statements relating to future actions, business plans and prospects, our recent acquisition of Hospira, our pending combination with Allergan, 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 financial guidance set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Financial Guidance for 2016 section in our 2015 Financial Report; the anticipated costs and cost savings set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook and Costs and Expenses — Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives sections in our 2015 Financial Report and in Notes to Consolidated Financial Statements—Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives; the benefits, including synergies, expected from our recent acquisition of Hospira, the expected timing of completion, tax treatment and benefits of our pending combination with Allergan and the expected timing of a decision regarding a potential separation of our Innovative Products and Established Products businesses, set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook section in our 2015 Financial Report; 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 2015 Financial Report; and the contributions that we expect to make from our general assets to the Company ' s pension and postretirement plans during 2016 set forth in the Analysis of Financial Condition, Liquidity and Capital Resources—Selected Measures of Liquidity and Capital Resources—Contractual Obligations and in the Notes to Consolidated Financial Statements—Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans in our 2015 Financial Report section in our 2015 Financial Report.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of 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 in our Form 10-Q and 8-K reports and our other filings with the SEC. Also note that we provide the following cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our businesses. These are factors that, individually or in the aggregate, may cause our actual results to differ materially from expected and 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 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. 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. 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 expiration or loss 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 current Innovative products are expected to face significantly increased generic competition over the next few years.

Also, the patents covering several of our medicines, including *Sutent* , *EpiPen* , *Toviaz* , *Tygacil* extended-release capsules and *Precedex Premix* in the U.S. are being challenged by generic manufacturers. Our licensing and collaboration partners also face challenges by generic drug manufacturers to patents covering several of their products that may impact our licenses or co-promotion rights to such products. 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 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. Products that compete with ours, including some of our best-selling medicines, are launched from time to time. 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 branded products from competitors, as well as other generic and biosimilar manufacturers. The ability to launch a generic or biosimilar pharmaceutical product at or before generic or biosimilar market formation is important to that product's profitability. Prices for products typically decline, sometimes dramatically, following market formation, as additional companies receive approvals to market that product and competition intensifies. If a company can be "first-to-market" such that the branded drug is the only other competition for a period of time, higher levels of sales and profitability can be achieved until other 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. If we are unable to bring our generic or biosimilar products to market on a timely basis, and secure "first-to-market" positions, our sales and profit opportunities could be adversely impacted.

DEPENDENCE ON KEY IN-LINE PRODUCTS

We recorded direct product revenues of more than $1 billion for each of seven biopharmaceutical products: *Prevnar/Prevenar 13* , *Lyrica* , *Enbrel* , *Lipitor* , *Viagra* , *Sutent* and the *Premarin* family of products, as well as more than $1 billion in Alliance revenues (primarily *Eliquis*) in 2015. Those products and Alliance revenues accounted for 44% of our total revenues in 2015. 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 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, in December 2014, generic versions of *Celebrex* became available pursuant to settlement agreements with several generic manufacturers. 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 2015 Financial Report.

Further, our Alliance revenues have been and will continue to 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, 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 Collaboration Rights* section in our 2015 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 the future and the delivery of shareholder return remains a major challenge. 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 biosimilars, with attendant competitive pressure, and price reductions could follow. The expiration or successful challenge of applicable patent rights could trigger this competition, assuming any relevant exclusivity period that 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 past and future 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 of biosimilars due to potential concerns over comparability with innovator medicines.

RESEARCH STUDIES

Decisions about research studies made early in the development process of a drug candidate can have a substantial impact on the marketing strategy and payer reimbursement possibilities once the drug receives regulatory approval. For example, more detailed studies can lead to approval for a broader set of indications that may impact the marketing and payer reimbursement process, but each additional indication must be balanced against the time and resources required to demonstrate benefit and the potential delays to approval of the primary indication. We try to plan clinical trials prudently and to reasonably foresee 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 these 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, including the full integration of emerging markets into each of our three operating segments: GIP, VOC and GEP. 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, which, 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. While the impact of payers' efforts to control access to and pricing of specialty pharmaceuticals has had limited impact on Pfizer to date, a number of factors may lead to a more significant adverse business impact in the future given our growing specialty business portfolio. These include the increasing use of health technology assessment in markets around the world, U.S. PBMs seeking to negotiate greater discounts, deteriorating finances of certain governments and the uptake of biosimilars as they become available.

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* risk factor below.

PRODUCT MANUFACTURING AND MARKETING RISKS

Difficulties or delays in product manufacturing 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 as a result of natural 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, and counterfeit goods.

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

OUTSOURCING AND ENTERPRISE RESOURCE PLANNING

We outsource certain services to third parties in areas including transaction processing, accounting, information technology, manufacturing, clinical trial execution, non-clinical research, safety services and other areas. For example, in 2015, we placed the majority of our clinical trial execution services with four strategic 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 also expose us to sub-optimal quality of service delivery or deliverables, which may result in missed deadlines or other timeliness issues, supply disruptions, non-compliance (including with applicable legal requirements and industry standards) or reputational harm, all with potential negative implications for our results.

We continue to pursue a multi-year initiative to outsource some transaction-processing activities within certain accounting processes and are migrating to a consistent enterprise resource planning system across the organization. These are enhancements of ongoing activities to support the growth of our financial shared service capabilities and 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 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 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, regulatory or other obligations to Pfizer, or any disruption in the relationships between Pfizer and 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.

DIFFICULTIES OF OUR WHOLESALE DISTRIBUTORS

In 2015, our largest wholesale distributor accounted for approximately 14% of our total revenues (and 30% of our total U.S. revenues), and our top three wholesale distributors accounted for approximately 34% of our total revenues (and 74% of our total U.S. revenues). If one of our significant wholesale distributors should encounter financial or other difficulties, such distributor might decrease the amount of business that it does with us, and we might be unable to collect all the amounts that the distributor owes us on a timely basis or at all, which could negatively impact our results of operations.

BUSINESS DEVELOPMENT ACTIVITIES

We expect to continue to enhance our in-line products and product pipeline through collaborations, alliances, licenses, 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 (including the pending combination with Allergan) 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. 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 importation of medicines across borders; and the relatively modest risk of penalties faced by counterfeiters. 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.

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 mandating price controls and limitations on patient access to 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 and medical device 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. Private third-party payers, such as health plans, increasingly challenge pharmaceutical and medical device 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 provide healthcare at low direct cost to patients and regulate pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored healthcare system, and we have seen government-mandated reductions in prices and access restrictions for certain biopharmaceutical products to control costs in those markets, particularly under recent global economic 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 timely or adequate government-approved pricing or formulary placement where required 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 its provisions become effective on various dates. We expect that the rebates, discounts, taxes and other costs resulting from the ACA over time will have a significant effect on our expenses and profitability in the future. 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 2015 Financial Report and in *Item 1. Business* under the caption *Government Regulation and Price Constraints—In the United States* . We also face the uncertainties that might result from any modification, repeal or invalidation of any of the provisions of the ACA. There is no assurance that the ACA, as currently enacted or as amended in the future, will not adversely affect our business and financial results, and we cannot predict how future federal or state legislative or administrative changes relating to healthcare reform will affect our business. In addition, certain regulatory changes to be implemented in 2016 may affect Pfizer's obligations under the Medicaid drug rebate program, but the impact of those changes is not yet known.

Other U.S. federal or state legislative or regulatory action 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, 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. DEFICIT-REDUCTION ACTIONS

Any significant spending reductions or cost controls affecting Medicare, Medicaid or other publicly funded or subsidized health programs that may be implemented, and/or any significant additional taxes or fees that may be imposed on us, as part of any broad deficit-reduction effort 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. 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. Drug discovery and development is time-consuming, expensive and unpredictable. 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 in complete response letters received by us with respect to certain of our drug applications to the satisfaction of the FDA, any of our late stage pipeline products will receive regulatory approval and/or 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 interim data, including the risk that final results of studies for which interim data have been provided and/or additional clinical trials may be different from (including less favorable than) the interim data results and may not support further clinical development of the applicable product candidate or indication.

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 the realization of R&D and product-related, forward-looking statements. Further, claims and concerns about safety and efficacy 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 has delayed approvals of new generic products. These delays have become longer, and while the FDA has stated that it 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.

CHANGING REGULATION OF MEDICAL DEVICES

In 2014, the FDA issued a final guidance document entitled “Infusion Pumps Total Product Life Cycle.” Through this final guidance, the FDA has established additional pre-market requirements for infusion pumps. At the same time, the FDA is also generally enhancing its pre-market requirements for medical devices. Although we cannot predict with certainty the future impact of these initiatives, it appears likely that the process for obtaining regulatory approvals to market infusion pumps and medical devices will become more costly and time consuming.

INTERACTIONS WITH HEALTHCARE PROFESSIONALS AND GOVERNMENT OFFICIALS

Risks and uncertainties apply if we provide something of value to a healthcare professional 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.

CHANGES IN LAWS AND ACCOUNTING STANDARDS

Our future results could be adversely affected by changes in laws and regulations, including, among others, changes in accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax law and regulatory 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), competition laws, privacy laws and environmental laws in the U.S. and other countries.

LEGAL PROCEEDINGS

We and certain of our subsidiaries are involved in various patent, product liability, consumer, commercial, securities, antitrust, environmental, employment and tax litigations and claims, government investigations 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, 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.

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 2015 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 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 with our employees and others, 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 distinctive 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 by generic drug manufacturers involve claims 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, our patent rights with respect to certain products constitute unfair competition and/or violations of antitrust laws. In various jurisdictions, we are party to other patent damages suits pursuant to which generic drug manufacturers, payers, governments or other parties are seeking damages from us for alleged delay of generic entry related to patent enforcement litigation. 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 same. As our products mature, our reliance on our trademarks 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 Established Products 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 their intellectual property rights. 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 companies over our attempts to market generic pharmaceutical products. Once we have final regulatory approval of the related generic pharmaceuticals, we may decide to commercially market these products even though associated legal proceedings have not been resolved. If those proceedings ultimately determine that our products infringe the patent rights of another company, we may face damages, including a requirement to pay a reasonable royalty or the lost profits from the sale of the branded product. Remedies also may include or consist of an injunction preventing us from further manufacture or sales of the affected product for a period of time. 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 :

HOSPIRA ACQUISITION

We may fail to realize all of the anticipated benefits from our acquisition of Hospira.

The success of our acquisition of Hospira will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining our businesses. Anticipated benefits and cost savings may not be realized fully or at all, or may take longer to realize than expected. The integration process 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. In addition, Hospira has experienced manufacturing disruptions, device remediations and increased regulatory scrutiny due to quality issues. Future 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.

PENDING COMBINATION WITH ALLERGAN

We and Allergan must obtain required shareholder approvals and governmental and regulatory consents to consummate the merger, which, if delayed or not granted or granted with unacceptable conditions, may prevent, delay or impair the consummation of the merger, result in additional expenditures of money and resources and/or reduce the anticipated benefits of the merger.

On November 23, 2015, we announced that we have entered into a definitive merger agreement with Allergan under which we have agreed to combine with Allergan. Completion of the proposed transaction with Allergan is subject to certain closing conditions, including, among others, the receipt of required approvals of our shareholders and Allergan shareholders, clearance of the merger by certain governmental and regulatory authorities, including the expiration or termination of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act and other filings or approvals as may be required pursuant to the antitrust and competition laws of certain foreign jurisdictions, including the EU. The governmental agencies with which we and Allergan will make these filings and seek certain of these approvals and consents have broad discretion in administering the governing regulations. We can provide no assurance that all required approvals and consents will be obtained. Moreover, as a condition to their approval of the transaction, certain governmental agencies may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of the business of the combined company after the closing of the merger. Any one of these requirements, limitations, costs, divestitures or restrictions could jeopardize or delay the effective time of the merger or reduce the anticipated benefits of the transaction. Further, no assurance can be given that the required shareholder approvals will be obtained or that the required closing conditions will be satisfied, and, if all required consents and approvals are obtained and the closing conditions are satisfied, no assurance can be given as to the terms, conditions and timing of the approvals or clearances. Finally, the closing of the merger is subject to the closing of Allergan's pending divestiture of its generics business to Teva Pharmaceuticals Industries Ltd., which itself is subject to certain closing conditions, including receipt of governmental and regulatory consents, and no assurance can be given that the closing of such divestiture will occur on a timely basis or at all. If we and Allergan agree to any requirements, limitations, costs, divestitures or restrictions in order to obtain any approvals or clearances required to consummate the transaction, these requirements, limitations, costs, divestitures or restrictions could adversely affect the integration of the two companies' operations and/or reduce the anticipated benefits of the merger. In addition, future potential changes to the tax laws, if adopted prior to closing, could give rise to a right of Pfizer or Allergan to terminate the merger agreement. The occurrence of any of the foregoing could result in a failure to consummate the merger or have a material adverse effect on the business and results of operations of the combined company.

If the merger is not completed for any reason, we may be subjected to a number of material risks. The price of our common stock may decline to the extent that current market prices reflect a market assumption that the merger will be completed. In

addition, some costs related to the merger must be paid whether or not the merger is completed. We may also experience negative reactions from our shareholders, customers and employees. In addition, in specified circumstances, we could be required to reimburse expenses of Allergan or pay Allergan a termination fee of up to $3.5 billion.

While the merger is pending, we and Allergan will be subject to business uncertainties that could adversely affect our respective businesses and operations. These uncertainties could also adversely affect the combined company following the completion of the merger.

Uncertainty about the effect of the merger on employees, customers and suppliers may have an adverse effect on us and Allergan. These uncertainties may impair our or Allergan's ability to attract, retain and motivate key personnel until the merger is consummated and for a period of time thereafter, and could cause customers, suppliers and others who deal with us or Allergan to seek to change existing business relationships with us and/or Allergan. Employee retention may be challenging during the pendency of the merger, as certain employees may experience uncertainty about their future roles. If key employees depart because of issues related to the uncertainty and difficulty of integration or a desire not to remain with the businesses, the business of the combined company following the merger could be seriously harmed.

In addition, until the merger is completed, the merger agreement restricts us and Allergan from taking specified actions without the consent of the other party. These restrictions may, among other things, prevent us or Allergan from pursuing attractive business opportunities that may arise prior to the completion of the merger.

We may fail to realize all of the anticipated benefits of the merger or those benefits may take longer to realize than expected. The combined company may also encounter significant difficulties in integrating the two businesses.

Our ability to realize the anticipated benefits of the merger will depend, to a large extent, on the combined company's ability to integrate the two businesses. The combination of two independent businesses is a complex, costly and time-consuming process. As a result, we will be required to devote significant management attention and resources to integrating our business practices and operations with Allergan's business practices and operations. The integration process may be disruptive to the businesses and, if implemented ineffectively, may restrict the full realization of expected benefits. The failure to meet the challenges involved in integrating the two businesses and to realize the anticipated benefits of the transactions could cause an interruption of, or a loss of momentum in, the activities of the combined company and could adversely affect the results of operations of the combined company.

In addition, the overall integration of the businesses may result in material unanticipated problems, expenses, liabilities, competitive responses, loss of customer and other business relationships and diversion of management attention. The difficulties of combining the operations of the companies include, among others:

- the diversion of management attention to integration matters;
- difficulties in integrating operations and systems;
- challenges in conforming standards, controls, procedures and accounting and other policies, business cultures and compensation structures between the two companies;
- difficulties in assimilating employees and in attracting and retaining key personnel;
- challenges in keeping existing customers and obtaining new customers;
- difficulties in achieving anticipated cost savings, synergies, accretion targets, business opportunities and growth prospects from the combination;
- difficulties in managing the expanded operations of a significantly larger and more complex company and in coordinating a geographically dispersed organization; and
- potential unknown liabilities, adverse consequences and unforeseen increased expenses associated with the merger.

Many of these factors are outside of our control and/or will be outside the control of the combined company, and any one of them could result in increased costs, decreased expected revenues and diversion of management time and energy, which could materially impact the business, financial condition and results of operations of the combined company. In addition, even if the operations of the businesses are integrated successfully, the full benefits of the merger may not be realized, including the anticipated synergies, cost savings and sales or growth opportunities. These benefits may not be achieved within the anticipated time frame, or at all. Further, additional unanticipated costs may be incurred in the integration of the businesses, as well as prior to the consummation of the combination. All of these factors could cause dilution to the earnings per share of the combined company, decrease or delay the expected accretive effect of the merger and negatively impact the price of the combined company ordinary shares. As a result, it cannot be assured that the pending combination with Allergan will result in the full realization of the benefits anticipated from the transaction within the anticipated time frames or at all.

In addition, although the combined company is expected, under current law, to be treated as a foreign corporation for U.S. federal income tax purposes, the IRS may not agree with this treatment. Even if treated as a foreign corporation, certain adverse tax consequences may apply to the combined company that could erode some of the synergies expected from the combination. Similarly, future changes in tax law could affect the combined company's status as a foreign corporation for U.S. federal income tax purposes or could otherwise materially and adversely affect some of the synergies expected from the combination. Any such changes in law or treatment by the IRS could have prospective or retroactive application, and may apply even if enacted or asserted after the merger is consummated. Moreover, various U.S. federal and state legislative and other proposals that would deny governmental contracts to U.S. companies (and subsidiaries of U.S. companies) that move (or have moved) their corporate location abroad may affect Pfizer if adopted. Any such changes in law or treatment by the IRS or other governmental agencies could have a material adverse effect on the anticipated results of the operations of the combined company.

Finally, our expectations regarding the timing and amount of accretion following consummation of the merger reflect the impact of anticipated share repurchases by us. The actual timing and size of any such share repurchases will depend on actual and expected financial results and the sufficiency of distributable reserves, as well as assessments at the time regarding capital allocation alternatives. Reduced or delayed share repurchase activity may result in less accretion.

Our shareholders cannot be sure of the value of the consideration they will receive in the merger, and may receive a form of consideration different from what they elect. Our shareholders will receive ordinary shares of the combined company as a result of the Allergan merger, which have rights different from shares of our common stock and our preferred shares.

Because the market price of Allergan ordinary shares and shares of our common stock will fluctuate, our shareholders cannot be sure of the value of the consideration they will receive in the merger. In addition, because the exchange ratio is fixed, the number of ordinary shares of the combined company to be received by holders of Pfizer common stock in the merger will not change between now and the time the merger is completed to reflect changes in the trading prices of Pfizer common stock or Allergan ordinary shares, share repurchases or other factors. Furthermore, although our shareholders will be entitled to elect to receive Allergan ordinary shares or cash consideration for their shares of our common stock, such elections will be subject to proration procedures set forth in the merger agreement, such that our existing shareholders will receive in the aggregate no less than $6 billion and no more than $12 billion in cash, and therefore our existing shareholders may receive a form of consideration different from what they elect.

Upon completion of the Allergan merger, the rights of our existing shareholders who receive Allergan ordinary shares, which will become the ordinary shares of the combined company, will be governed by the memorandum of association and articles of association of Allergan, which, subject to the amendments contemplated by the merger agreement, will become the memorandum of association and articles of the combined company, and by Irish law. The rights associated with shares of our common stock and our preferred shares are different from the rights associated with these ordinary shares. In addition, the laws of Ireland differ from the laws in effect in the U.S. and may afford less protection to holders of securities in the combined company.

Finally, it is expected that our existing shareholders as a group will receive shares in the merger constituting approximately 56% of the outstanding ordinary shares of the combined company on a fully diluted basis immediately following the effective time of the merger (based on the closing price of Pfizer common stock and certain other assumptions as of November 20, 2015). As a result, our shareholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management.

The market value of our common stock may be adversely affected as a result of financial statement charges and cash costs associated with our proposed transaction with Allergan.

We expect to account for the proposed merger using the acquisition method of accounting, which will result in charges to our earnings that could adversely affect our reported operating results. Under this method, we will allocate the total purchase price to the assets acquired and liabilities assumed from Allergan based on their fair values as of the date of the completion of the proposed merger, and record any excess of the purchase price over those fair values as goodwill. For certain tangible and intangible assets, reevaluating fair value as of the completion date of the proposed merger will result in Pfizer incurring additional depreciation and/or amortization expense that exceed the combined amounts recorded by Pfizer and Allergan prior to the proposed merger. This increased expense will be recorded by us over the useful lives of the underlying assets. In addition, to the extent the value of goodwill or intangible assets were to become impaired, we may be required to incur charges relating to the impairment of those assets.

We expect to incur a number of non-recurring costs associated with the integration process. The substantial majority of such expenses will be composed of transaction costs, facilities and systems consolidation costs and employment-related costs, although certain additional costs may be incurred as well, such as potential costs related to litigation seeking to prevent the proposed transaction. We expect that the elimination of duplicative costs and the realization of other efficiencies related to the

integration of the businesses will allow us to more than offset incremental transaction- and integration-related costs over time, but this net benefit may not be achieved in the near term, or at all.

OTHER RISKS:

THE GLOBAL ECONOMIC ENVIRONMENT

In addition to industry-specific factors, we, like other businesses, are exposed to the economic cycle, which impacts our biopharmaceutical operations globally. We believe that patients, who are experiencing increases in co-pays and restrictions on access to medicines as payers seek to control costs, sometimes switch to generic products, delay treatments, skip doses or use less effective treatments. We are exposed to negative pricing pressure in various markets around the world. The U.S. has highly competitive insurance markets. Europe, Japan, China, Canada, South Korea and a number of other international markets have government-mandated reductions in prices and access restrictions for certain biopharmaceutical products to control costs for the government-sponsored healthcare system, particularly under recent global economic pressures. Furthermore, some government agencies and third-party payers use health technology assessments in ways that, at times, lead to restricted access to and lower prices for new medicines.

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. As market conditions change, we continue to monitor our liquidity position. However, there can be no assurance that possible future 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 the credit and economic situations in several international markets, including Venezuela and Greece, where economic conditions remain challenging and uncertain. 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.

Other potential impacts of variations in the economic cycle include declining sales; increased costs; changes in foreign exchange rates; a decline in the value of, or a lower rate of return on, our financial assets and pension plan investments, which may require us to increase our pension funding obligations; adverse government actions; 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 and earnings, as well as our substantial international net assets, are exposed to changes in foreign exchange rates. 56% of our total 2015 revenues were derived from international operations, including 23% 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 example, in February 2013, the Venezuelan government devalued its currency from an official rate of 4.3 to 6.3 of Venezuelan currency to the U.S. dollar. In the fourth quarter of 2015, we resolved that our Venezuela bolivar-denominated net monetary assets that are subject to revaluation are no longer expected to be settled at the 6.3 rate, but at the SIMADI rate of 200, resulting in a foreign currency loss. News reports state the Venezuelan government announced that, effective February 18, 2016, the official rate of 6.3 would be replaced by a rate of 10.0; and, the operation of the SIMADI rate would change. See the *Analysis of Financial Condition, Liquidity and Capital Resources—Global Economic Conditions—Venezuela Operations* section in our 2015 Financial Report for more information.

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 2015 Financial Report. For additional details, see the Notes to Consolidated Financial Statements— *Note 7E. Financial Instruments: Derivative Financial Instruments and Hedging Activities* and — *Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans* in our 2015 Financial Report and the *Significant Accounting Policies and Application of Critical Accounting Estimates and Assumptions—Benefit Plans* section in our 2015 Financial Report. Those sections of our 2015 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/INTANGIBLE ASSETS, GOODWILL AND EQUITY-METHOD INVESTMENTS

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; (iv) any acquisitions, divestitures or other initiatives, such as our recent acquisition of Hospira; and (v) our pending combination with Allergan.

In addition, 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 2015 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 2015, we continued to consolidate operations to achieve efficiencies and dispose of excess space. We have 595 owned and leased properties, amounting to approximately 59 million square feet. Our goal is to continue consolidation in 2016.

In 2015, excluding the impact of Hospira, we reduced the number of properties in our portfolio by 19 sites and 3.1 million square feet with the disposal of surplus real property assets and with reductions 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 75 countries.

Our WRD facilities support our R&D organizations around the world, with a heavy concentration in North America. In 2015, we continued to streamline our R&D locations, including the concentration of our Cambridge, Massachusetts operations into the Kendall Square neighborhood.

Our PGS division is headquartered in various locations, with leadership teams primarily in New York City, New York and in Peapack, New Jersey. PGS operates 64 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 four 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 2015 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 2015 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 2015 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 2016 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	62	Chairman of the Board and Chief Executive Officer of Pfizer since December 2011. President and Chief Executive Officer from December 2010. 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	54	Group President, Global Innovative Pharma Business since February 2016 and Group President, Vaccines, Oncology and Consumer Healthcare since January 2014. 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	58	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. 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 and the Gillen Brewer School.
Mikael Dolsten	57	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.
Charles H. Hill III	60	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.
Rady A. Johnson	54	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	50	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.

Name	Age	Position
Freda C. Lewis-Hall	61	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.
Anthony J. Maddaluna	63	Executive Vice President; President, Pfizer Global Supply since January 2013. President, Pfizer Global Supply from 2011 until December 2012. Senior Vice President, Strategy & Supply Network Transformation from 2009 until December 2010. Vice President, Strategy & Supply Network Transformation from 2008 until 2009. Vice President and Team Leader, Europe from 1998 until 2008 including responsibility for global logistics and strategic planning from 2005 through 2008. Mr. Maddaluna represents Pfizer on the National Association of Manufacturers (NAM) and is a member of the NAM Executive Committee. Director of Albany Molecular Research Inc.
Laurie J. Olson	52	Executive Vice President, Strategy, Portfolio 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	54	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	51	Group President, Global Established Pharma Business since January 2014. 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.

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. The stock currently trades on the NYSE under the symbol "PFE". Our stock is also listed on the London Stock Exchange and the SIX Swiss Stock Exchange, and is traded on various U.S. regional stock exchanges. As of February 25, 2016, there were 174,703 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 2015 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 2015 :

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]
September 28, 2015 through October 25, 2015	6,990	$ 27.89	—	$ 5,355,862,076
October 26, 2015 through November 30, 2015	42,521	$ 33.86	—	$ 5,355,862,076
December 1, 2015 through December 31, 2015	258,768	$ 32.79	—	$ 16,355,862,076
Total	308,279	$ 32.83	—	

[a] 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 (the June 2013 Stock Purchase Plan). On October 23, 2014, we announced that the Board of Directors had authorized an additional $11 billion share-purchase plan, and share purchases commenced thereunder in January 2015 (the October 2014 Stock Purchase Plan). On February 9, 2015, we entered into an accelerated share repurchase agreement with Goldman, Sachs & Co. (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. In November 2015, Pfizer announced that, consistent with 2015, it anticipates executing an approximately $5 billion accelerated share repurchase program in the first half of 2016. The actual size and timing of any such share repurchases will depend on actual and expected future results. In December 2015, the Board of Directors authorized a new $11 billion share repurchase program to be utilized over time. After giving effect to the accelerated share repurchase agreement executed in 2015, as well as other share repurchases through year-end 2015, our remaining share-purchase authorization was approximately $16.4 billion as of December 31, 2015.

[b] These columns reflect the following transactions during the fourth fiscal quarter of 2015 : (i) the surrender to Pfizer of 65,760 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock units issued to employees; (ii) the open market purchase by the trustee of 20,062 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; (iii) the surrender to Pfizer of 185 shares of common stock to satisfy tax withholding obligations in connection with the vesting of performance share awards issued to employees; and (iv) the surrender to Pfizer of 222,272 shares of common stock to pay the exercise price and to satisfy tax withholding obligations in connection with the exercise of employee stock options.

ITEM 6. SELECTED FINANCIAL DATA

Information required by this item is incorporated by reference from the discussion under the heading *Financial Summary* in our 2015 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 2015 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 2015 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 2015 Financial Report and from the consolidated financial statements, related notes and supplementary data in our 2015 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 2015 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 2015 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. Pfizer acquired Hospira on September 3, 2015, and management excluded from its assessment of the effectiveness of Pfizer's internal control over financial reporting as of December 31, 2015, Hospira's and its subsidiaries' internal control over financial reporting associated with total assets of $24.2 billion and total revenues of $1.5 billion included in the consolidated financial statements of Pfizer Inc. and Subsidiary Companies as of and for the year ended December 31, 2015.

Changes in Internal Controls

During our most recent fiscal quarter, management remediated an identified material weakness in internal control over financial reporting related to accounting for the elimination of intercompany profit in inventory and certain other intercompany accounts. No restatement of prior period financial statements and no change in previously released financial results were required as a result of this finding. For the reporting period ended December 31, 2015, management remediated the material weakness by enhancing and adding additional reconciliation and review controls over the accounting for intercompany profit in inventory and certain other intercompany accounts. The Company will continue to monitor these new controls and implement additional enhancements in 2016.

Except for the foregoing, there was no 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) in the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. We continue to integrate Hospira's operations into our internal control over financial reporting. None of these integration activities are expected to have a material impact on our system of 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 2016 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 2016 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 — Other Governance Practices and Policies—Pfizer policies on business ethics and conduct* and *— Code of conduct for directors* in our 2016 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 2017 Annual Meeting* in our 2016 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 2016 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 2015 Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information about Director and executive compensation is incorporated by reference from the discussion under the headings *Compensation of Non-Employee Directors* ; *Executive Compensation* ; and *Governance—Board Information—Board and Committee Information—Board Committees — The Compensation Committee — Compensation Committee Interlocks and Insider Participation* in our 2016 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 2016 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 2016 Proxy Statement. Information about director independence is incorporated by reference from the discussion under the heading *Governance — Board Information — Director Independence* in our 2016 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 2015 and 2014 is incorporated by reference from the discussion under the heading *Item 2 — Ratification of Selection of Our Independent Registered Public Accounting Firm — Audit and Non-Audit Fees* in our 2016 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 Our 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 2016 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 2015 Financial Report are incorporated by reference into Item 8 of Part II of this 2015 Annual Report on 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 10017-5755. The exhibit numbers preceded by an asterisk (*) indicate exhibits filed with this 2015 Annual Report on Form 10-K. All other exhibit numbers indicate exhibits filed by incorporation by reference. Exhibit numbers 10.1 through 10.26 are management contracts or compensatory plans or arrangements.

2.1	Agreement and Plan of Merger, dated as of November 22, 2015, among Pfizer Inc., Allergan plc and Watson Merger Sub Inc. is incorporated by reference from our Current Report on Form 8-K filed on November 23, 2015 (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.)
2.2	Agreement and Plan of Merger, dated as of February 5, 2015, among Pfizer Inc., Perkins Holding Company and Hospira, Inc. is incorporated by reference from our Current Report on Form 8-K filed on February 6, 2015 (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 14, 2015, are incorporated by reference from our Current Report on Form 8-K filed on December 18, 2015 (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 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 8-K report filed on October 6, 2015 (File No. 001-03619).
4.7	Indenture, dated as of April 10, 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.
4.8	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.
4.9	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).
4.10	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).
4.11	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).
4.12	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).
4.13	Except as set forth in Exhibits 4.1-12 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 Stock Option Grant Notice and Summary of Key Terms is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended September 26, 2004 (File No. 001-03619).
*10.5	Form of Executive Grant Letter.
10.6	Amended and Restated Nonfunded Supplemental Retirement Plan, together with all material Amendments is incorporated by reference from our 2011 Annual Report on Form 10-K (File No. 001-03619).
10.7	Amended and Restated Nonfunded Deferred Compensation and Supplemental Savings Plan is incorporated by reference from our 2012 Annual Report on Form 10-K (File No. 001-03619).
10.8	Amendment to Amended and Restated Nonfunded Deferred Compensation and Supplemental Savings Plan, dated June 20, 2013, is incorporated by reference from our 2013 Annual Report on Form 10-K (File No. 001-03619).

[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.

10.9	Amendment No. 2 to Amended and Restated Nonfunded Deferred Compensation and Supplemental Savings Plan, dated December 10, 2014, is incorporated by reference from our 2014 Annual Report on Form 10-K (File No. 001-03619).
*10.10	Pfizer Inc. Global Performance Plan.
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	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).
10.15	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).
10.16	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).
10.17	Amended and Restated Wyeth Supplemental Executive Retirement Plan (effective as of January 1, 2005), together with all material Amendments is incorporated by reference from our 2011 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 2015 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	Offer Letter to Geno J. Germano, 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).
*12	Computation of Ratio of Earnings to Fixed Charges.
*13	Portions of the 2015 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 KPMG LLP, 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

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 29, 2016

By: /S/ MARGARET M. MADDEN
Margaret M. Madden
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 **Ian C. Read**	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	February 23, 2016
/S/ FRANK A. D'AMELIO **Frank A. D'Amelio**	Executive Vice President, Business Operations and Chief Financial Officer (Principal Financial Officer)	February 23, 2016
/S/ LORETTA V. CANGIALOSI **Loretta V. Cangialosi**	Senior Vice President—Controller (Principal Accounting Officer)	February 23, 2016
/S/ DENNIS A. AUSIELLO **Dennis A. Ausiello**	Director	February 23, 2016
/S/ W. DON CORNWELL **W. Don Cornwell**	Director	February 23, 2016
/S/ JOSEPH J. ECHEVARRIA **Joseph J. Echevarria**	Director	February 23, 2016
/S/ FRANCES D. FERGUSSON **Frances D. Fergusson**	Director	February 23, 2016
/S/ HELEN H. HOBBS **Helen H. Hobbs**	Director	February 23, 2016

Signature	Title	Date
/S/ JAMES M. KILTS **James M. Kilts**	Director	February 23, 2016
/S/ SHANTANU NARAYEN **Shantanu Narayen**	Director	February 24, 2016
/S/ SUZANNE NORA JOHNSON **Suzanne Nora Johnson**	Director	February 23, 2016
/S/ STEPHEN W. SANGER **Stephen W. Sanger**	Director	February 24, 2016
/S/ JAMES C. SMITH **James C. Smith**	Director	February 23, 2016

Exhibit 10.5

[Date]

«First_Name_»«Last_Name_»

Dear «First_Name_»:

On behalf of all our stakeholders, I want to thank you for the important role you play in Pfizer's continued success. I am pleased to inform you that on [Date], Pfizer's Compensation Committee of the Board of Directors approved the following grant for you under Pfizer's Executive Long-Term Incentive Program ("Program").

Award Type	Grant Price	Shares (#)	Dates
5-Year Total Shareholder Return Units ("5-YR TSRUs")	$XX.XX	«M_5Yr_TSRU__USE»	Grant Date – [Date] Vesting Date – [Date] Settlement Date – [Date]
7-Year Total Shareholder Return Units ("7-YR TSRUs")	$XX.XX	«M_7Yr_TSRU__USE»	Grant Date – [Date] Vesting Date – [Date] Settlement Date – [Date]
Performance Share Awards ("PSAs")	N/A	«PSA__USE»	Grant Date – [Date] Vesting Date – [Date] Performance Period: [Date to Date]

Additional information about your grant along with a Points of Interest (POI) document and the Pfizer Inc. 2014 Stock Plan, will be posted on Fidelity NetBenefits. The documents will also be posted on hrSource Online > My Stock & Benefits. The POI document provides you with more detailed information about your grant and contains 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, the POI document and the Pfizer Inc. 2014 Stock Plan. It is important for you to read these materials, and 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 help you build ownership in Pfizer and a greater stake in the Company's future success. I have great confidence in Pfizer's future, and I look forward to working with you toward that future.

Sincerely,

Ian C. Read
Chairman and
Chief Executive Officer

[Date]

«Colleague_ID» «Colleague_ID»
«Colleague_ID» «Colleague_ID» «Colleague_ID»
«Colleague_ID»«Colleague_ID», «Colleague_ID» «Colleague_ID»
«Location_Country»

Dear «Colleague_ID»:

On behalf of all our stakeholders, I want to thank you for the important role you play in Pfizer's continued success. I am pleased to inform you that on [Date], Pfizer's Compensation Committee of the Board of Directors approved the following grant for you under Pfizer's Executive Long-Term Incentive Program ("Program").

Award Type	Grant Price	Shares (#)	Dates
7-Year Total Shareholder Return Units ("7-YR TSRUs")	$XX.XX	«Colleague_ID»	Grant Date – [Date] Vesting Date – [Date] Settlement Date – [Date]
Portfolio Performance Shares ("PPSs")	N/A	«Colleague_ID»	Grant Date – [Date] Vesting Date – [Date] Performance Period: [Date to Date]
Restricted Stock Units ("RSUs")	N/A	«Colleague_ID»	Grant Date – [Date] Vesting Date – [Date]

Additional information about your grant along with a Points of Interest (POI) document and the Pfizer Inc. 2014 Stock Plan, will be posted on Fidelity NetBenefits. The documents will also be posted on hrSource Online > My Stock & Benefits. The POI document provides you with more detailed information about your grant and contains 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, the POI document and the Pfizer Inc. 2014 Stock Plan. It is important for you to read these materials, and 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 help you build ownership in Pfizer and a greater stake in the Company's future success. I have great confidence in Pfizer's future, and I look forward to working with you toward that future.

Sincerely,

Ian C. Read
Chairman and
Chief Executive Officer

Exhibit 10.10

Pfizer Inc. Global Performance Plan

SECTION 1. PURPOSE

The purpose of the Pfizer Inc. Global Performance Plan (the "GPP" or the "Plan") is to foster a culture where colleagues are committed to, and focused on, high performance. The GPP is designed to attract, motivate, and engage a high-performing, committed workforce that contributes to the achievement of the Company's annual financial and strategic and operational goals. The Plan is restated effective January 1, 2016. Awards under this GPP made to certain eligible employees who are otherwise eligible for awards under the Company's Executive Annual Incentive Plan ("EAIP") shall be subject to additional terms and conditions as set forth in the EAIP to ensure such awards are considered "performance-based" under Section 162(m) of the Internal Revenue Code of 1986, as amended.

SECTION 2. DEFINITIONS

As used in the Plan, the following terms shall have the meanings set forth below:

(a) "Affiliate" shall mean (i) any Person that directly, or through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company or (ii) any entity in which the Company has a significant equity interest, as determined by the Committee, and (iii) the employees of such entity or Person are eligible to participate in the Plan, as determined by the Committee.

(b) "Award" shall mean any cash incentive award granted pursuant to the provisions of the Plan.

(c) "Board" shall mean the Board of Directors of the Company.

(d) "Cause" shall include, but not be limited to, a termination of employment for significant breach of Company policy, inadequate work performance due to intentional or deliberate misconduct or intentional or deliberate failure to act, destruction of Company property, commission of unlawful acts against or reflecting on the Company, or similar occurrences. The Committee, or its designee, the Executive Vice President of Worldwide Human Resources or the Senior Vice President, Total Rewards, or its or his or her respective successors, in its or his or her sole and absolute discretion, shall determine whether a termination of employment is for "Cause."

(e) "CEO" shall mean the Chief Executive Officer of the Company.

(f) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(g) "Committee" shall mean the Compensation Committee of the Board or such other persons or committee to whom it has delegated any authority, as may be appropriate.

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

(i) "EAIP" shall mean the Pfizer Inc. Executive Annual Incentive Plan.

(j) "Eligible Earnings" shall mean:

1) For Group 1 Countries: a Participant's month-end base salary paid over the course of the Performance Period (as well as any lump-sum payment made in lieu of a merit increase) adjusted for any portion of the year in which the Participant was not eligible for the Plan.

2) For Group 2 Countries: a Participant's base salary as of the immediately preceding December 31 st unless there is a change in status as a full-time or part-time Employee.

3) For Participants in the ELTI Program: a Participant's local base salary midpoint for each month over the course of the Performance Period adjusted for any portion of the year in which the Participant was not eligible under the Plan, or to reflect a change in salary grade.

For Participants located in the United States, "Eligible Earnings" shall not include the following: incentive payments or other special payments (e.g., special recognition awards, discretionary awards, etc.), imputed income for life insurance and other Company-paid or subsidized benefits and perquisites, income from long-term incentive awards, reimbursed relocation expenses, relocation allowances, COLA payments or any allowance related to a global assignment, reimbursements or payments that are not pay for services (e.g., automobile and other forms of allowances), separation payments, short-term disability payments in excess of 90 days of each unrelated disability, payments in excess of the first 90 days of a continuous approved paid leave, long-term disability payments, workers' compensation payments and/or any similar payments that are generally not deemed base salary.

For Participants outside the United States, Eligible Earnings will be determined based on the local competitive practices and/or regulatory requirements of the Participant's location, but are generally limited to regular base salary.

(k) "ELTI Program" shall mean the Company's Executive Long-Term Incentive Program.

(l) "Employee" shall mean any employee of the Company or any Affiliate. For any and all purposes under this Plan, the term "Employee" shall not include a person hired as an independent contractor, leased employee, consultant or a person otherwise

designated by the Committee, the Company or an Affiliate at the time of hire as not eligible to participate in or receive benefits under the Plan or not on the payroll, even if such ineligible person is subsequently determined to be a common law employee of the Company or an Affiliate or otherwise an employee by any governmental or judicial authority. Unless otherwise determined by the Committee in its sole discretion, for purposes of the Plan, an Employee shall be considered to have terminated employment or services and to have ceased to be an Employee if his or her employer ceases to be an Affiliate, even if he or she continues to be employed by such employer.

(m) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(n) "Executive Leadership Team" shall mean the team of executives of the Company reporting directly to the CEO of the Company, and including the CEO.

(o) "Group 1 and Group 2 Countries" shall mean the countries as set forth in Appendix A hereto.

(p) "IFW" shall mean an Incident Final Warning issued by the Company or an Affiliate to the Employee.

(q) "Incentive Pool" shall mean the fund underlying the Plan from which payment of Awards are made.

(r) "Incentive Award Opportunity" shall mean the total potential cash compensation opportunity underlying an Award for a Performance Period ranging from zero to two times (0%-200%) a Participant's Incentive Target Percentage.

(s) "Incentive Target Percentage" shall mean the targeted level of compensation underlying an Award granted to a Participant for a Performance Period, expressed as a percentage of the Participant's Eligible Earnings (for Participants in the ELTI Program, the local base salary midpoint earned during the Performance Period).

(t) "Incentive Target Amount" shall mean the targeted level of compensation underlying an Award granted to a Participant for a Performance Period, expressed as a fixed value.

(u) "Involuntary Termination" shall mean a termination of an Employee's employment with the Company or an Affiliate by the Company or Affiliate. For purposes of this Plan only, an Involuntary Termination shall include "Terminations Due to Curtailments or Cessations of Operations, Reorganizations, Position Eliminations, or Job Restructurings Due to a Change in Required Competencies or Qualification for Position" and terminations due to failure to return to work following the expiration of short-term disability benefits because either the employee remains physically or mentally unable to return to work or because his or her position is filled while he or she is on an approved disability leave of absence.

(v) "Key Employee" means an Employee treated as a "specified employee" as of his or her Separation from Service under Code Section 409A(a)(2)(B)(i), i.e., a key employee (as defined in Code Section 416(i) without regard to paragraph (5) thereof) of the Company or its Affiliates if the Company's stock is publicly traded on an established securities market or otherwise. Key Employees shall be determined under rules adopted by the Company in accordance with Section 409A. Notwithstanding the foregoing, the Executive Vice President, Worldwide Human Resources or the Senior Vice President, Total Rewards, or the successor or the designee of either, may, under the alternative permissible methods allowable under Section 409A, adopt an alternative identification and effective date for purposes of determining which employees are Key Employees.

(w) "Participant" shall mean an Employee who is selected by the Committee or the Board from time to time in their sole discretion to receive an Award under the Plan.

(x) "Performance Period" shall mean one calendar year during which any performance goals specified by the Committee with respect to any Awards to be granted under the Plan are to be measured.

(y) "Performance-Related Termination" shall mean an involuntary termination of employment because the Employee does not meet the performance or other essential requirements of his or her job. The determination of whether the Employee's termination is a Performance-Related Termination shall be made by the Executive Vice President, Worldwide Human Resources, or the Senior Vice President, Total Rewards, or his or her respective successors or the designee of either, in his or her sole and absolute discretion.

(z) "Person" shall mean any individual, corporation, partnership, association, limited liability company, joint-stock company, trust, unincorporated organization or government or political subdivision thereof.

(aa) "Retirement" shall mean having attained a minimum age of 55 and a minimum of 10 years of service at the time of a Participant's separation from the Company, unless determined otherwise, and which shall also constitute a Separation from Service for United States Participants, or as determined under local law for all other Participants.

(bb) Section 409A" shall mean Section 409A of the Code and the regulations and other guidance issued thereunder by the U.S. Treasury or Internal Revenue Service.

(cc) Senior Leadership Council" shall mean that group of executives designated by the Company as members of the Senior Leadership Council.

(dd) "Separation from Service" means a "separation from service" within the meaning of Section 409A.

(ee) "Target Incentive Award" shall mean the targeted level of cash compensation underlying an Award granted to a Participant for a Performance Period, calculated in accordance with Section 5 of the Plan.

(ff) "Termination Due to Curtailments or Cessations of Operations, Reorganizations, Position Eliminations, or Job Restructurings Due to a Change in Required Competencies or Qualification for Position" shall mean an involuntary termination as the direct result of curtailment or cessation of operations, reorganization or position elimination, or job restructuring due to a change in required competencies or qualification for the position. The determination of whether a curtailment or cessation of operations,

reorganization or position elimination, job restructuring or change in competencies or qualifications has occurred is the sole determination of the Executive Vice President, Worldwide Human Resources, or the Senior Vice President, Total Rewards, or his or her respective successors or the designee of either, in his or her sole and absolute discretion.

(gg) "Compliance Written Warning" shall mean a Written Warning Letter resulting from a Compliance investigation issued by the Company or an Affiliate to an Employee.

SECTION 3. ADMINISTRATION

The Plan shall be administered by the Committee. The Committee shall have full power and authority (i) to establish the rules and regulations relating to the Plan and the terms and conditions and amounts of any individual Award, (ii) to interpret the Plan and those rules and regulations, (iii) to select Participants for the Plan, (iv) to determine each Participant's Incentive Target Percentage or Incentive Target Amount, Target Incentive Award and Incentive Award Opportunity, performance goals and Awards, (v) to make all factual and other determinations in connection with the Plan, and (vi) to take all other actions necessary, advisable or appropriate for the proper administration of the Plan, including the delegation of such authority or power, where appropriate. The Committee may, in its sole and absolute discretion, and subject to the provisions of the Plan, from time to time delegate any or all of its authority to administer the Plan to any other persons or committee as it deems necessary or appropriate for the proper administration of the Plan, except that no such delegation shall be made in the case of Awards intended to be qualified under Section 162(m) of the Code.

All powers of the Committee or its delegate shall be executed in their sole and absolute discretion, in the best interest of the Company, not as a fiduciary, and in keeping with the objectives of the Plan and need not be uniform as to similarly-situated individuals. The decisions of the Committee or its delegate with respect to the administration of the Plan, including all such rules and regulations, interpretations, selections, determinations, approvals, decisions, delegations, amendments, terminations and other actions, shall be final and binding on the Company and all employees of the Company, including all Participants and their respective beneficiaries, except as otherwise provided by law.

Except as may be limited by the application of Section 162(m) of the Code to Awards granted to Employees eligible to participate in the EAIP in accordance with Section 4(b) of this Plan, the Committee shall be authorized to make adjustments in Awards and or the funding of the Incentive Pool in recognition of unusual or nonrecurring events affecting the Company or its financial statements including, but not limited to, acquisitions, divestitures or similar extraordinary events or changes in applicable laws, regulations, court rulings or accounting principles. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry it into effect. In the event that the Company shall assume outstanding employee benefit awards or the right or obligation to make future such awards in connection with the acquisition of or combination with another corporation or business entity, the Committee may, in its discretion, make such adjustments in the Awards or the Incentive Pool in accordance with the Plan as it shall deem appropriate.

SECTION 4. ELIGIBILITY

(a) Any Employee shall be eligible to be selected as a Participant; however, only those Employees identified as Participants by the Committee or its designee, with respect to a Performance Period shall participate in the Plan for such Performance Period. Any Employee newly hired by the Company after October 1 shall not become eligible to participate in the Plan until the January 1 immediately following his or her hire date, except as waived by the Committee or their designee in its or their sole and absolute discretion. An Employee may only participate in one annual cash incentive plan sponsored by the Company or any Affiliate with respect to a Performance Period. As such, any Employee who is a participant in a sales incentive program or another cash incentive plan with respect to a Performance Period is not eligible to participate in the Plan.

(b) Any Employee that is eligible to receive an award under the EAIP for any Performance Period shall (i) participate in this Plan with respect to the determination and funding of the Incentive Pool, and (ii) for the avoidance of doubt, shall only receive one cash incentive award during a Performance Period which shall be subject to the additional terms and conditions set forth in the EAIP plan document and related materials so that such awards remain "performance-based" compensation in accordance with Section 162(m) of the Code. To the extent that there are any conflicts between this Plan and the terms of the EAIP, the EAIP will prevail.

(c) Effective as of January 1, 2016, any Employee who is performing services in the U.S. or Puerto Rico and is eligible to receive an award for a Performance Period who is issued a Compliance Written Warning during such Performance Period, may not receive an Award in excess of the lesser of (i) Ninety percent (90%) of his or her Target Incentive Award, or (ii) Ninety percent (90%) of his or her award prior to consideration of the Participant's performance as set forth in Section 5(a)(4). Effective as of January 1, 2016, any Employee who is performing services in the U.S. or Puerto Rico and is eligible to receive an award for a Performance Period who is issued an IFW during such Performance Period, may not receive an Award in excess of the

lesser of (i) Seventy-Five percent (75%) of his or her Target Incentive Award, or (ii) Seventy-Five percent (75%) of his or her award prior to consideration of the Participant's performance as set forth in Section 5(a)(4).

SECTION 5. AWARDS

(a) Under the Plan, the Committee may grant Awards to Participants from time to time with respect to a Performance Period based upon the achievement of performance objectives over the Performance Period. Award payments are earned based upon the following:

1) The initial funding of the Incentive Pool is equal to the sum of the Target Incentive Awards for all Participants for the Performance Period.

2) The final funding of the Incentive Pool is determined by the Committee, in its discretion, based on the Company's performance against pre-set annual goals for the following financial measures (i) revenue, (ii) adjusted diluted earnings per share (EPS), and (iii) cash flow from operations.

3) Once the final pool funding is determined, Incentive Pool dollars are allocated to the business unit, division or function in which a Participant worked during the Performance Period based on the achievement of pre-set annual goals for the business unit, division or function, and as determined by the CEO.

4) A Participant's actual Award is determined based on his or her Target Incentive Award, adjusted by the funding factors stated above and further adjusted to reflect the specific business unit, division or country performance, as well as the Participant's performance against objectives for the Performance Period, as assessed by the Participant's manager in accordance with procedures, guidelines and/or metrics established by the Committee, or its designee, from time to time.

5) A Participant's Target Incentive Award is calculated as set forth below:

(A) Where a Participant's Target Incentive Award is based on the Incentive Target Percentage, the Target Incentive Award is calculated as:

i. Group 1 Countries: the sum of the product of a Participant's month-end Eligible Earnings, multiplied by the Incentive Target Percentage for the Participant's salary grade in the respective month, for each month the Participant is eligible to participate in the Plan.

ii. Group 2 Countries: the product of a Participant's Eligible Earnings as of the immediately preceding December 31 st , multiplied by the Incentive Target Percentage in effect on December 31 st for the Participant's salary grade, pro-rated for the number of months during the calendar year in which he or she is eligible to participate in the Plan.

iii. For Participants in the ELTI Program: the product of the local base salary midpoint for the portion of each month during the Performance Period in which he or she is eligible to participate in the Plan (adjusted for changes in grades, Incentive Target Percentages or eligibility, as applicable), multiplied by the Incentive Target Percentage for the Participant's salary grade in the respective month.

(B) Where a Participant's Target Incentive Award is based on the Incentive Target Amount, the Target Incentive Award is calculated as 1/12 th of the annual fixed Target Incentive Amount for each month the Participant is eligible to participate in the Plan.

(b) A Participant's final Award shall be capped at 200% of the Target Incentive Award which is the maximum Incentive Award Opportunity.

(c) Notwithstanding the foregoing, any Award may also be subject to such other terms and conditions as the Committee shall deem advisable or appropriate from time to time, consistent with the provisions of the Plan as herein set forth, including but not limited to, the pro-ration or adjustment of Target Incentive Awards, Incentive Target Percentages and/or Incentive Award Opportunities, and Incentive Target Amounts, based upon a Participant's date of hire, re-hire, change in position and/or salary grade (including a change in position or other similar change that causes the Participant to no longer be eligible for the Plan), change in local base salary midpoint, or transfer to a different business unit or division during a Performance Period. In addition, any Awards granted to Participants may contain such other provisions as may be necessary to meet the requirements of the Code and/or related regulations issued thereunder in order to satisfy or comply with relevant law.

SECTION 6. PAYMENT OF AWARDS

Unless otherwise required by local law or local payroll schedules for Participants located outside of the United States, Awards will be paid in a lump sum on or prior to the 15th day of the third month of the year immediately following the year in which the close of the Performance Period occurs in accordance with the applicable short-term deferral exception provisions of Section 409A, or, in accordance with procedures established by the Committee and the applicable provisions of Section 409A, on a deferred basis pursuant to Section 9 hereof, if applicable. However, any payment may be delayed or deferred upon the reasonable anticipation of (i) the loss of the Company's deduction with respect to such payment by application of Section 162(m) of the Code; or (ii) the making of the payment would violate Federal securities laws or other applicable law such as Section 409A.

SECTION 7. SPECIAL PAYMENT EVENTS

Notwithstanding anything to the contrary in Section 6 of the Plan, the following payment terms shall apply to Awards in the following events:

(a) Voluntary Termination - If a Participant voluntarily terminates his or her employment (not for Retirement) prior to the end of the Performance Period, he or she is ineligible for an Award or any payment with respect to an Award for such Performance Period. If a Participant voluntarily terminates his or her employment after the end of the Performance Period, he or she is eligible for an Award or any payment with respect to an Award for such Performance Period under the applicable provisions of this Plan at the Committee's discretion.

(b) Involuntary Termination - If a Participant's employment is terminated as the result of an Involuntary Termination, prior to the end of the Performance Period, his or her Target Incentive Award will be pro-rated based on actual days of eligibility, his or her Eligible Earnings and his or her Incentive Target Percentage or Incentive Target Award during the Performance Period, as well as the overall funding percentage of the business unit, division or function where the Participant is working, in the Company's discretion. The proration factor is the number of days in the Performance Period up to the termination date divided by 365 days. If eligible, such pro-rated Target Incentive Award will be the lesser of the Participant's (i) pro-rated Target Incentive Award or (ii) pro-rated Target Incentive Award based on the performance of the Company, the Participant's business unit, division or function and the Participant's individual performance. Such Award will be paid as soon as administratively possible following the Involuntary Termination unless the Award is paid under the EAIP, to a member of the Senior Leadership Council or Executive Leadership Team, or to a Participant who was grade 20 or above as of the beginning of the Performance Period and is living and working in the U.S., in which case it shall be paid as soon as practicable after the Committee's certification as to the achievement of the performance criteria for the Performance Period but not later than March 15th of the year following termination. Payments to members of the Senior Leadership Council or Executive Leadership Team, or to Participants who were grade 20 or above as of the beginning of the Performance Period and are living and working in the U.S., will be made in accordance with Section 6. If a Participant is involuntarily terminated after the end of the Performance Period, he or she is eligible for an Award or any payment with respect to an Award for such Performance Period under the applicable provisions of this Plan. If a Participant's employment is terminated as the result of an Involuntary Termination and such Participant is also eligible for Retirement, such Award will be paid in accordance with this Section 7(b).

(c) Terminations for Cause or Performance-Related Terminations - If a Participant's employment is terminated for Cause or constitutes a Performance-Related Termination, he or she is ineligible for an Award whether such involuntary termination occurs before or after the Performance Period, unless otherwise required by local law.

(d) Retirement - If a Participant retires during the Performance Period, he or she will be eligible for a prorated Target Incentive Award using the calculation in Section 7(b) above, unless the retirement occurs on or after October 1st of the Performance Period. Such Award will be paid as soon as administratively possible following the Retirement unless the Award is paid under the EAIP or to a member of the Senior Leadership Council or Executive Leadership Team, or to a Participant who was grade 20 or above as of the beginning of the Performance Period and is living and working in the U.S., in which case it shall be paid as soon as practicable after the performance criteria has been met but not later than March 15th of the year following termination and in accordance with the applicable funding of the Participant's business unit or division. Payments to members of the Senior Leadership Council or Executive Leadership Team, or to Participants who were grade 20 or above as of the beginning of the Performance Period and are living and working in the U.S., will be made in accordance with Section 6. If a Participant retires after October 1st of the Performance Period, he or she is eligible for a prorated Award based on the applicable funding of his or her business unit or division which shall be paid as soon as practicable after the performance criteria has been met but not later than March 15th of the year following retirement. If a Participant retires after the

end of the Performance Period, he or she is eligible for an Award or any payment with respect to an Award for such Performance Period under the applicable provisions of this Plan for an active Participant.

(e) Short-Term Disability or Leave of Absence - If a Participant is on short-term disability (STD) or an approved paid leave of absence under the Family & Medical Leave Act (or other similar law) during a Performance Period and has at least 90 days of Eligible Earnings within the Performance Period, he or she is eligible for a Target Incentive Award for such Performance Period. Such Award will be pro-rated to exclude the time the Participant is considered on STD or paid leave, as determined by the Committee or its designee, and will be based on the actual days of eligibility for the Plan. A Participant shall be considered eligible for the Plan during the first 90 days of STD or paid leave. If eligible, such pro-rated Target Incentive Award will be the lesser of the Participant's (i) pro-rated Target Incentive Award or (ii) pro-rated Target Incentive Award based on the performance of the Company, the Participant's business unit, division or function and the Participant's individual performance, within the Company's discretion. Such Award will be paid in accordance with an Involuntary Termination, if applicable, unless the Award is paid under the EAIP or to a member of the Senior Leadership Council or Executive Leadership Team, or to a Participant who was grade 20 or above as of the beginning of the Performance Period and is living and working in the U.S., in which case it shall be paid as soon as practicable after the performance criteria has been met but not later than March 15 th of the year following termination. Payments to members of the Senior Leadership Council or Executive Leadership Team, or to Participants who were grade 20 or above as of the beginning of the Performance Period and are living and working in the U.S., will be made in accordance with Section 6. If a Participant is not terminated, the Award shall be paid in accordance with Section 6. If a Participant is on an approved Military leave of absence under the Company's Military Leave Policy and is eligible for differential pay, the calculation of the differential pay shall include the payment of an Award as if such Participant were actively employed.

(f) Death - If a Participant dies during a Performance Period, in the Committee's discretion, the pro-rated Target Incentive Award will be paid to the Participant's estate as soon as administratively possible following the Participant's death.

SECTION 8. AMENDMENT AND TERMINATION

The Company reserves the right in its sole and absolute discretion to amend or terminate the Plan, at any time, including after the end of the calendar year and prior to payment of the Award, with or without notice, by action of the Executive Leadership Team or the Committee, as applicable. This right includes, but is not limited to, eligibility for an Award, determination of Incentive Pool funding, the modification of incentive measures, performance targets and/or performance results. This right also includes the modification of the terms of the Plan, as may be necessary or desirable, to comply with applicable laws and local customs of countries in which the Company operates or has employees. The Company's obligation to pay compensation as herein provided is subject to any applicable orders, rules or regulations of any government agency or office having authority to regulate the payment of wages, salaries and other forms of compensation.

The Committee may delegate to another committee or person, as it may appoint, the authority to take any action consistent with the terms of the Plan, either before or after an Award has been granted, which such other committee or person deems necessary or advisable to comply with any government laws or regulatory requirements of a foreign country, including but not limited to, modifying or amending the terms and conditions governing any Awards, or establishing any local country plans as sub-plans to this Plan. In addition, under all circumstances, the Committee or its delegate which for this purpose includes the Executive Vice President, Worldwide Human Resources and the Senior Vice President, Total Rewards, may make non-substantive administrative changes to the Plan as to conform with or take advantage of governmental requirements, statutes or regulations.

Notwithstanding the foregoing, the Committee or its designee may amend the terms of any Award heretofore granted, prospectively or retroactively, in order to cure any potential defects under Section 409A, in a manner deemed appropriate by the Committee in its sole discretion and absolute discretion, without the consent of the Participant.

SECTION 9. DEFERRAL OF AWARDS UNDER THE COMPANY'S DEFERRED COMPENSATION PLAN

Except as otherwise provided in this Plan, the Committee may provide upon the granting of an Award hereunder, that it is eligible to be deferred under, and pursuant to the terms and conditions of, the Pfizer Inc. Deferred Compensation Plan, as such plan may be amended from time to time. Any such deferral shall be in accordance with the terms of such plan and in compliance with the applicable provisions of Section 409A.

SECTION 10. TAX CONSIDERATIONS

(a) For Participants in the United States **,** Award payments under the Plan will be treated as taxable income for the year in which the Participant receives the payment. The Company and its Affiliates shall be authorized to withhold appropriate amounts from such

payments to satisfy all federal, state and local tax withholding requirements and any other authorized deductions due in respect of an Award payment hereunder and to take such other action as may be deemed necessary in the opinion of the Company or Affiliate to satisfy all obligations for the payment of such taxes.

Notwithstanding anything herein to the contrary, the terms of the Plan are intended to, and shall be interpreted and applied so as to, comply in all respects with Section 409A. The Committee may amend the terms of any Award heretofore granted, prospectively or retroactively, in order to cure any potential defects under Section 409A, in a manner deemed appropriate by the Committee in its sole and absolute discretion, without the consent of the Participant. Nothing in this Section 10 shall be construed as an admission that any of the compensation and/or benefits payable under this Plan constitutes "deferred compensation" subject to Section 409A. Furthermore, the Company does not represent, covenant or guarantee that any particular Award made under the Plan will be exempt from Section 409A and/or will avoid unfavorable tax consequences to the Participant (e.g., Section 409A penalties).

(b) For Participants located outside of the United States, local country rules on taxation and withholding treatment will apply.

(c) Awards made to Participants eligible under the EAIP are intended to qualify as "performance based compensation" under Section 162(m) of the Code so that they are deductible for United States tax purposes by the Company. Awards made to Participants eligible for the EAIP will be governed by the additional terms and conditions included in that plan. With respect to all Awards to Participants eligible under the EAIP, to the extent that there are any conflicts between this Plan and the terms of the EAIP, the EAIP will prevail.

SECTION 11. RECOUPMENT

In the event of a significant restatement of the Company's consolidated financial statements (other than a restatement resulting from a change in accounting principles), the Committee will review Awards made under the Plan for performance for the fiscal periods affected by the restatement. If the Committee determines that an Award would have been lower (or would not have been made) if it had been based on the restated results, the Committee may, to the extent permitted by applicable law, seek recoupment of all or any portion of such Award as it deems appropriate, in its sole and absolute discretion, after a review of all relevant facts and circumstances. Any recoupment may be in addition to any other remedies that may be available to the Company under applicable law. Nothing contained in this paragraph will limit the Company's ability to seek recoupment, in appropriate circumstances and as permitted or required by applicable law (including Section 10D of the Securities Exchange Act of 1934, as amended), of any amounts from any Employee, whether or not the Employee is a senior executive. If a Participant owes any outstanding debt, including but not limited to loans, vacation and salary and expense advances, to the Company or any Affiliates, any Award payable to the Participant under this Plan, to the extent such amount is exempt from Section 409A, shall be reduced by the full amount of such debt, as permitted by law.

SECTION 12. GENERAL PROVISIONS

(a) Awards under this Plan are considered variable compensation and as such are not guaranteed.

(b) No Employee shall have the right to be selected to receive an Award under this Plan or, having been so selected, to be selected to receive a future Award. Neither the Award nor any benefits arising out of this Plan shall constitute part of a Participant's employment or service contract with the Company or any Affiliate and, accordingly, this Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Company without giving rise to liability on the part of the Company or any Affiliate for severance payments.

(c) No Employee shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Employees or Participants under the Plan.

(d) Nothing in the Plan or any Award granted under the Plan shall be deemed to constitute an employment or service contract or confer or be deemed to confer on any Employee or Participant any right to continue in the employ or service of, or to continue any other relationship with, the Company or any Affiliate or limit in any way the right of the Company or any Affiliate to terminate an Employee's employment or Participant's service at any time, with or without Cause.

(e) Except as otherwise required by the terms of the Plan, recipients of Awards under the Plan shall not be required to make any payment or provide consideration other than the rendering of services.

(f) If any provision of the Plan is or becomes or is deemed invalid, illegal or unenforceable in any jurisdiction, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan, it shall be stricken and the remainder of the Plan shall remain in full force and effect.

(g) Awards may be granted and paid to Participants who are foreign nationals or employed outside the United States, or both, on such terms and conditions different from those applicable to Awards to Participants employed in the United States as may, in the judgment of the Committee, be necessary or desirable in order to recognize differences in local law or tax policy. The Committee also may impose conditions on the payment of Awards in order to minimize the Company's obligation with respect to tax equalization for Employees on assignments outside their home country.

(h) If approved by the Committee in its sole discretion, an Employee's absence or leave because of military or governmental service, disability or other reason shall not be considered an interruption of employment for any purpose under the Plan; provided, however,

that to the extent an Award under this Plan is subject to Section 409A, such absence or leave shall be considered a Separation from Service to the extent provided by Section 409A.

SECTION 13. GOVERNING LAW

The provisions of the Plan shall be construed, regulated and administered according to the laws of the State of New York without giving effect to principles of conflicts of law, except to the extent superseded by any controlling Federal statute.

APPENDIX A

Group 1 Countries (Accumulation Of Month-end Salary and Targets)				
AUS	AUSTRALIA		KAZ	KAZAKHSTAN
AUT	AUSTRIA		KOR	KOREA, REPUBLIC OF
ZAE	AZERBAIJAN		LVA	LATVIA
BLR	BELARUS		LTU	LITHUANIA
BEL	BELGIUM		LUX	LUXEMBOURG
BIH	BOSNIA & HERZEGOVINA		MYS	MALAYSIA
BRA	BRAZIL		MEX	MEXICO
BGR	BULGARIA		NLD	NETHERLANDS
CAN	CANADA		NZL	NEW ZEALAND
CHL	CHILE		NIC	NICARAGUA
CHN	CHINA		NOR	NORWAY
COL	COLOMBIA		PAK	PAKISTAN
CYP	CYPRUS		PHL	PHILIPPINES
HRV	CROATIA		POL	POLAND
CZE	CZECH REPUBLIC		PRT	PORTUGAL
DNK	DENMARK		ROU	ROMANIA
DOM	DOMINICAN REPUBLIC		RUS	RUSSIAN FEDERATION
SLV	EL SALVADOR		SRB	SERBIA
EST	ESTONIA		SGP	SINGAPORE
FIN	FINLAND		SVK	SLOVAKIA
FRA	FRANCE		SVN	SLOVENIA
GEO	GEORGIA		ESP	SPAIN
DEU	GERMANY		SWE	SWEDEN
GRC	GREECE		CHE	SWITZERLAND
HND	HONDURAS		TWN	TAIWAN
HKG	HONG KONG		THA	THAILAND
HUN	HUNGARY		TUR	TURKEY
IND	INDIA		UKR	UKRAINE
IDN	INDONESIA		GBR	UNITED KINGDOM
IRL	IRELAND		USA	UNITED STATES
ISR	ISRAEL		VEN	VENEZUELA
ITA	ITALY		VNM	VIETNAM
JPN	JAPAN			

Group 2 Countries (December 31 Salary and Target)	
DZA	ALGERIA
ARG	ARGENTINA
BHR	BAHRAIN
BOL	BOLIVA
CMR	CAMEROON
CRI	COSTA RICA
IVC	COTE D'IVOIRE (IVORY COAST)
ECU	ECUADOR
EGY	EGYPT
GHA	GHANA
GTM	GUATEMALA
IRN	IRAN (ISLAMIC REPUBLIC OF)
IRQ	IRAQ
JOR	JORDAN
KEN	KENYA
KWT	KUWAIT
LBN	LEBANON
LBY	LIBYAN ARAB JAMAHIRIYA
MAR	MOROCCO
NGA	NIGERIA
OMN	OMAN
PAN	PANAMA
PRY	PARAGUAY
PER	PERU
QAT	QATAR
SAU	SAUDI ARABIA
SEN	SENEGAL
ZAF	SOUTH AFRICA
SDN	SUDAN
SYR	SYRIAN ARAB REPUBLIC
TUN	TUNISIA
ARE	UNITED ARAB EMIRATES
URY	URUGUAY
YEM	YEMEN

Exhibit 12

Pfizer Inc. and Subsidiary Companies
Computation of Ratio of Earnings to Fixed Charges

(MILLIONS OF DOLLARS, EXCEPT RATIOS)	Year Ended December 31, 2015	2014	2013	2012	2011
Determination of earnings:					
Income from continuing operations before provision for taxes on income, noncontrolling interests and cumulative effect of a change in accounting principles	$ 8,965	$ 12,240	$ 15,716	$ 11,242	$ 11,481
Less:					
Noncontrolling interests	39	47	43	47	60
Income attributable to Pfizer Inc.	8,925	12,192	15,673	11,195	11,421
Add (deduct):					
Capitalized interest	(32)	(41)	(32)	(41)	(50)
Amortization of capitalized interest	25	31	34	36	22
Equity (income)/loss from equity-method investments	191	(24)	(67)	(105)	(83)
Distributed income of equity method investments	161	136	162	85	190
Fixed charges	1,282	1,435	1,495	1,627	1,812
Total earnings as defined	10,554	13,729	$ 17,265	$ 12,796	$ 13,311
Fixed charges:					
Interest expense [(a)]	$ 1,199	$ 1,360	$ 1,414	$ 1,522	$ 1,681
Preferred stock dividends [(b)]	2	3	3	4	5
Rents [(c)]	81	72	78	101	126
Fixed charges	1,282	1,435	1,495	1,627	1,812
Capitalized interest	32	41	32	41	50
Total fixed charges	$ 1,314	$ 1,476	$ 1,527	$ 1,668	$ 1,862
Ratio of earnings to fixed charges	8.0	9.3	11.3	7.7	7.2

(a) Interest expense includes amortization of debt premium, discount and other debt costs. Interest expense does not include interest related to uncertain tax positions of $246 million for 2015; $182 million for 2014; $222 million for 2013; $265 million for 2012; and $338 million for 2011.

(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. 2015 Financial Report

INTRODUCTION

Our Financial Review is provided to assist readers in understanding the results of operations, financial condition and cash flows of Pfizer Inc. (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 2015 Annual Report on 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

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, vaccines and medical devices, 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 by other companies (Alliance revenues).

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, 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" section of this Financial Review and in Part I, Item 1A, "Risk Factors," of our 2015 Annual Report on Form 10-K.

The financial information included in our consolidated financial statements for our subsidiaries operating outside the United States (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 markets in this Financial Review include the U.S., Western Europe, Japan, Canada, Australia, Scandinavia, South Korea, Finland and New Zealand; and references to emerging markets in this Financial Review include, but are not limited to, the following markets: Asia (excluding Japan and South Korea), Latin America, Africa, Eastern Europe, Central Europe, the Middle East and Turkey.

References to operational variances in this Financial Review refer to variances excluding the impacts of foreign exchange.

On November 23, 2015, we announced that we have entered into a definitive merger agreement with Allergan plc (Allergan), a global pharmaceutical company incorporated in Ireland, under which we have agreed to combine with Allergan in a stock transaction valued at $363.63 per Allergan share, for a total enterprise value of approximately $160 billion, based on the closing price of Pfizer common stock of $32.18 on November 20, 2015 (the last trading day prior to the announcement) and certain other assumptions. Subject to the terms and conditions of the merger agreement, the businesses of Pfizer and Allergan will be combined under a single company and Pfizer would become a wholly-owned subsidiary of Allergan, which is organized under the laws of Ireland and which, subject to the approval by Allergan shareholders, will be renamed "Pfizer plc". We anticipate that the parent company will be treated as a non-U.S. corporation (and, therefore, a non-U.S. tax resident) under the applicable U.S. federal income tax rules, although the U.S. Internal Revenue Service (IRS) may challenge that treatment. The completion of the transaction, which is expected in the second half of 2016, is subject to certain conditions, including receipt of regulatory approval in certain jurisdictions, including the U.S. and European Union (EU), the receipt of necessary approvals from both Pfizer and Allergan shareholders, and the completion of Allergan's pending divestiture of its generics business to Teva Pharmaceuticals Industries Ltd. Readers are encouraged to review the joint proxy statement/prospectus we will file with the U.S. Securities and Exchange Commission (SEC) seeking stockholder approval of the transaction. That document will include important information regarding the proposed transaction. While we have taken actions and incurred costs associated with the pending combination that are reflected in our financial statements, the pending combination with Allergan will not be reflected in our financial statements until consummation. See the "Our Business Development Initiatives" section of this Financial Review and Notes to Consolidated Financial Statements— *Note 19 . Pending Combination with Allergan* for additional information.

On September 3, 2015 (the acquisition date), we acquired Hospira, Inc. (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, and, in accordance with our domestic and international reporting periods, our consolidated financial statements for the year ended December 31, 2015 reflect four months of legacy Hospira U.S. operations and three months of legacy Hospira international operations. See Notes to Consolidated Financial Statements— *Note 2A. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Acquisitions* and the "Significant Accounting Policies and Application of Critical Accounting Estimates—Acquisition of Hospira" section of this Financial Review for additional information. Hospira is now a subsidiary of Pfizer and its commercial operations are now included within the Global Established Pharmaceutical (GEP) segment. The combination of local Pfizer and Hospira entities may be pending in various jurisdictions and integration is subject to completion of various local legal and regulatory steps. We expect to generate $800 million of annual cost synergies by 2018 in connection with the Hospira acquisition. Based on our past experience, the one-time costs to generate the synergies are expected to be approximately $1 billion (not including costs of $215 million in 2015 associated with the return of acquired in-process research and development (IPR&D) rights), incurred for up to a three-year period post-acquisition. See the "Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives" section of this Financial Review.

On June 24, 2013, we completed the full disposition of our Animal Health business, Zoetis Inc. (Zoetis), and recognized a gain of approximately $10.3 billion , net of tax, in *Gain on disposal of discontinued operations—net of tax* in our consolidated statement of income for the year ended December 31, 2013. The operating results of this business through June 24, 2013, the date of disposal, are reported as *Income from discontinued operations—net of tax* in our consolidated statements of income. See Notes to Consolidated Financial Statements— *Note 2D. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment* : *Divestitures* for additional information.

Our 2015 Performance

Revenues—2015

Revenues in 2015 were $48.9 billion , a decrease of 2% compared to 2014 . This reflects an operational increase of $3.0 billion , or 6% , which was more than offset by the unfavorable impact of foreign exchange of $3.8 billion , or 8% .

The following provides an analysis of our 2015 operational revenue growth for Pfizer standalone revenues:

	Year Ended December 31,
(BILLIONS OF DOLLARS)	**2015**
Operational revenues — Pfizer-standalone increase:	
Operational consolidated revenues increase	$ 3.0
Less: Revenues from legacy Hospira	(1.5)
Revenues from vaccines acquired from Baxter	(0.2)
Operational revenues — Pfizer-standalone increase	$ 1.3
Components of operational revenues — Pfizer-standalone increase:	
Operational revenue growth from certain key products — net	$ 4.5
Operational revenue decrease due to product losses of exclusivity and co-promotion expirations	(3.2)
Operational revenues — Pfizer-standalone increase	$ 1.3

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 for Taxes on Income—2015

Income from continuing operations before provision for taxes on income was $9.0 billion in 2015 compared to $12.2 billion in 2014 , primarily reflecting, among other items, in addition to the operational and foreign exchange impacts for *Revenues* described above:

- higher restructuring charges and certain acquisition-related costs (up $902 million) (see also the Notes to Consolidated Financial Statements— *Note 3 . Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives*);
- foreign currency loss ($806 million) and an inventory impairment charge ($72 million) related to Venezuela in 2015 (see also the “Costs and Expenses—Cost of Sales” and the “Analysis of Financial Condition, Liquidity and Capital Resources—Global Economic Conditions—Venezuela Operations” sections of this Financial Review and Notes to Consolidated Financial Statements— *Note 4 . Other (Income)/Deductions — Net) ;*
- higher selling, informational and administrative expenses (up $711 million) (see also the “Costs and Expenses—Selling, Informational and Administrative Expenses (SI&A) Expenses” section of this Financial Review);
- higher Other, net (up $668 million) (see also the Notes to Consolidated Financial Statements— *Note 4 . Other (Income)/Deductions — Net*);
- higher asset impairments (up $349 million) (see also the Notes to Consolidated Financial Statements— *Note 4 . Other (Income)/Deductions — Net*); and
- higher charges for business and legal entity alignment activities (up $114 million) (see also the Notes to Consolidated Financial Statements— *Note 4 . Other (Income)/Deductions — Net*),

partially offset by:

- lower research and development expenses (down $703 million) (see also the “Costs and Expenses—Research and Development (R&D) Expenses” section of this Financial Review);
- lower amortization of intangible assets (down $311 million) (see also the “Costs and Expenses—Amortization of Intangible Assets” section of this Financial Review); and
- lower net interest expense (down $207 million) (see also the Notes to Consolidated Financial Statements— *Note 4 . Other (Income)/Deductions — Net*).

For information on our tax provision and effective tax rate see the “Provision for Taxes on Income” section of the Financial Review and Notes to Consolidated Financial Statements— *Note 5 . Tax Matters.*

Our Operating Environment

Industry-Specific Challenges

Intellectual Property Rights and Collaboration/Licensing Rights

The loss or expiration of intellectual property rights 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.

Our biotechnology products, including BeneFIX, ReFacto, Xyntha and Enbrel (we market Enbrel outside the U.S. and Canada), may face competition in the future from biosimilars (also referred to as follow-on biologics). If competitors are able to obtain marketing approval for biosimilars that reference our biotechnology products, our biotechnology products may become subject to competition from these biosimilars, with attendant competitive pressure, and price reductions could follow. Expiration or successful challenge of applicable patent rights could trigger this competition, assuming any relevant exclusivity period has expired. However, biosimilar manufacturing is complex. At least initially upon approval of a biosimilar competitor, biosimilar competition with respect to biologics may not be as significant as generic competition with respect to small molecule drugs.

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 and alliance 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 2016, 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,		
			2015	2014	2013
Detrol IR and Detrol LA [b]	September 2012 January 2014	Major European markets U.S.	**$ 35**	$ 87	$ 428
Viagra	June 2013 May 2014	Major European markets Japan	**76**	120	310
Rapamune	January 2014 June 2015	U.S. Major European markets	**129**	254	253
Inspra [c]	March 2014	Major European markets	**74**	160	150
Lyrica [d]	July 2014	Major European markets	**1,048**	1,634	1,458
Celebrex [e]	November 2014 December 2014	Major European markets U.S.	**189**	1,872	2,084
Zyvox [f]	First half of 2015 January 2016	U.S. Major European markets	**564**	1,020	1,013
Enbrel [g]	August 2015 September 2015	Major European markets Japan	**2,402**	2,832	2,776
Relpax	December 2016	U.S.	**233**	244	218
Vfend	July 2016 January 2016	Major European markets Japan	**349**	403	413
Tygacil	April 2016	U.S.	**110**	112	150

[a] Unless stated otherwise, "Key Dates" indicate patent-based expiration dates.
[b] In January 2014, generic versions of Detrol LA became available in the U.S. pursuant to a settlement agreement.
[c] In March 2014, regulatory exclusivity for Inspra expired in most major European markets, allowing generic companies to submit applications for marketing authorizations for their generic products.
[d] In July 2014, regulatory exclusivity for Lyrica expired in the EU, allowing generic companies to submit applications for marketing authorizations for their generic products.
[e] In December 2014, generic versions of Celebrex became available pursuant to settlement agreements with several generic manufacturers.
[f] 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.
[g] In January 2016, the European Commission approved an etanercept biosimilar referencing Enbrel.

Recent Losses and Expected Losses of Collaboration Rights

The following table provides information about certain of our alliance revenue products that have experienced or that are expected to experience in 2016 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,		
			2015	2014	2013
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	**$ 27**	$ 168	$ 659
Enbrel [(b)]	October 2013	U.S. and Canada	**—**	3	1,400
Rebif [(c)]	End of 2015	U.S.	**371**	415	401

(a) Our collaboration with Boehringer Ingelheim for Spiriva expires 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) The U.S. and Canada co-promotion term of our collaboration agreement with Amgen Inc. for Enbrel expired on October 31, 2013. While we are entitled to royalties until October 31, 2016, those royalties have been and are expected to continue to be significantly less than our share of Enbrel profits from U.S. and Canada sales prior to the expiration. In addition, while our share of the profits from this co-promotion agreement previously was included in *Revenues* , our royalties after October 31, 2013 are and will be included in *Other (income)/deductions—net* , in our consolidated statements of income. Outside the U.S. and Canada, we continue to have the exclusive rights to market Enbrel.

(c) Our collaboration agreement with EMD Serono Inc. to co-promote Rebif in the U.S. expired at the end of 2015.

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 2015 Annual Report on Form 10-K.

Our financial results in 2015 and our 2016 financial guidance, respectively, reflect the impact and projected impact of the loss of exclusivity of various products and the expiration of certain alliance product contract rights discussed above. For additional information about our 2016 financial guidance, see the “Our Financial Guidance for 2016 ” section of this Financial Review.

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 Descriptions” 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 Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (together, the U.S. Healthcare Legislation, and also known as the Affordable Care Act or 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 2015 Annual Report on Form 10-K. The U.S. Healthcare Legislation also 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. For additional information on the biosimilar approval pathway, the U.S. Food and Drug Administration’s (FDA) guidance documents and competition from biosimilar manufacturers, see the “Patents and Intellectual Property—Biotechnology Products” and “Government Regulation and Price Constraints—Biosimilar Regulation” sections in Part I, Item 1 “Business”, of our 2015 Annual Report on Form 10-K.

Impacts on our 2015 Results

We recorded the following amounts in 2015 as a result of the U.S. Healthcare Legislation:

- $977 million recorded as a reduction to *Revenues* , related to the higher, extended and expanded rebate provisions and the Medicare “coverage gap” discount provision, as well as an increase in Medicaid rebates; and
- $251 million recorded in *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. The decrease in the impact of the U.S. Healthcare Legislation on *Selling, informational and administrative expenses* in 2015 compared to 2014 was primarily a result of the non-recurrence of the $215 million charge in 2014 to account for an additional year of the non-tax deductible Branded Prescription Drug Fee, partially offset by a lower favorable true-up in 2015, compared to the favorable true-up in 2014, associated with the final invoice for the respective prior-calendar year received from the federal government, which reflected a lower share than that of the initial invoice.

Impacts on our 2014 Results

We recorded the following amounts in 2014 as a result of the U.S. Healthcare Legislation:

- $631 million recorded as a reduction to *Revenues* , related to the higher, extended and expanded rebate provisions and the Medicare “coverage gap” discount provision; and
- $362 million recorded in *Selling, informational and administrative expenses* , related to the fee payable to the federal government. 2014 included a $215 million charge to account for an additional year of the non-tax deductible Branded Prescription Drug Fee in accordance with final regulations issued in the third quarter of 2014 by the IRS. The amount in 2014 also reflected a favorable true-up associated with the final 2013 invoice received from the federal government, which reflected a lower share than that of the initial 2013 invoice.

The final regulations issued by the IRS did not change the payment schedule for the Branded Prescription Drug Fee; accordingly there was no cash flow impact in 2014 from the $215 million charge.

Impacts on our 2013 Results

We recorded the following amounts in 2013 as a result of the U.S. Healthcare Legislation:

- $458 million recorded as a reduction to *Revenues,* related to the higher, extended and expanded rebate provisions and the Medicare “coverage gap” discount provision; and
- $280 million recorded in *Selling, informational and administrative expenses* , related to the fee payable to the federal government.

Regulatory Environment/Pricing and Access—Government and Other Payer Group Pressures

Governments, managed care organizations 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 direct cost to patients and regulate pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored healthcare system. In the U.S., a primary government activity with implications for pharmaceutical pricing is deficit reduction. Any significant spending reductions affecting Medicare, Medicaid or other publicly funded or subsidized health programs that may be implemented, and/or any significant additional taxes or fees that may be imposed on us, as part of any broad deficit-reduction effort could have an adverse impact on our results of operations.

Additionally, policy efforts designed specifically to reduce patient out-of-pocket costs for medicines could result in new mandatory rebates and discounts or other pricing restrictions. A number of the candidates for the 2016 U.S. presidential elections have introduced such policy proposals, and a November 2015 U.S. Department of Health and Human Services forum dedicated to drug pricing could lead to further proposals. 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 continue to work with stakeholders in an effort to ensure access to medicines within an efficient and affordable healthcare system. In addition, certain regulatory changes to be implemented in 2016 may affect Pfizer's obligations under the Medicaid drug rebate program, but the impact of those changes is not yet known.

The ACA, which expanded the role of the U.S. government as a healthcare payer, is accelerating changes in the U.S. healthcare marketplace, and the potential for additional pricing and access pressures continues to be significant. Many of these developments may impact drug utilization, in particular branded drug utilization. Some employers, seeking to avoid the tax on high-cost health insurance in the ACA originally to be imposed in 2018 (now to be imposed in 2020, per the terms of the fiscal year 2016 omnibus appropriations legislation), are already scaling back healthcare benefits. Some health plans and pharmacy benefit managers are seeking greater pricing predictability from pharmaceutical manufacturers in contractual negotiations. Other health plans and pharmacy benefit managers are increasing their focus on spending on specialty medicines by implementing co-insurance in place of a flat co-payment. Because co-insurance passes on a percentage of a drug’s cost to the patient, this shift has the potential to significantly increase patient out-of-pocket costs.

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.

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 desired clinical endpoints and safety profile, will be approved by regulators or will be successful commercially. 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.

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 that treat similar diseases or indications. For additional information, see the "Competition" section in Part I, Item 1, "Business", of our 2015 Annual Report on Form 10-K.

The Global Economic Environment

In addition to industry-specific factors discussed above, we, like other businesses, are exposed to the economic cycle, which impacts our biopharmaceutical operations globally.

- We believe that patients, who are experiencing increases in co-pays and restrictions on access to medicines as payers seek to control costs, sometimes switch to generic products, delay treatments, skip doses or use less effective treatments. We are exposed to negative pricing pressure in various markets around the world. The U.S. has highly competitive insurance markets, and Europe, Japan, China, Canada, South Korea and a number of other international markets have government-mandated reductions in prices and access restrictions for certain biopharmaceutical products to control costs for the government-sponsored healthcare system, particularly under recent global economic pressures. Furthermore, some government agencies and third-party payers use health technology assessments in ways that, at times, lead to restricted access to and lower prices for new medicines.
- 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 and earnings, 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 2015, we recorded a foreign currency loss of $806 million and an inventory impairment charge of $72 million related to recent 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 2016" 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.*

Despite the challenging financial markets, Pfizer maintains a strong financial position. 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 Standard & Poor's (S&P) and Moody's Investors Service (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 about our financial condition, 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 2015 Annual Report on 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 products 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 access to patients 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 businesses: an Innovative Products business and an Established Products business. The Innovative Products business is composed of two operating segments, each of which has been led by a single manager in 2015 and 2014—the Global Innovative Pharmaceutical segment (GIP) and the Global Vaccines, Oncology and Consumer Healthcare segment (VOC). Effective February 8, 2016, the Innovative Products business is led by a single manager. The Established Products business consists of the Global Established Pharmaceutical segment (GEP), which is also 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 each business and operating segment follows:

Innovative Products Business		***Established Products Business***
Global Innovative Pharmaceutical segment:	**Global Vaccines, Oncology and Consumer Healthcare segment:**	**Global Established Pharmaceutical segment:**
GIP focuses on developing and commercializing novel, value-creating medicines that significantly improve patients' lives. Key therapeutic areas include inflammation/immunology, cardiovascular/metabolic, neuroscience/pain and rare diseases and include leading brands, such as Xeljanz, Eliquis, Lyrica (U.S. and Japan), Enbrel (outside the U.S. and Canada) and Viagra (U.S. and Canada).	VOC focuses on the development and commercialization of vaccines and products for oncology and consumer healthcare. Consumer Healthcare manufactures and markets several well known, over-the-counter (OTC) products. Each of the three businesses in VOC operates as a separate, global business, with distinct specialization in terms of the science and market approach necessary to deliver value to consumers and patients.	GEP 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 and infusion systems.

We expect that the GIP and VOC biopharmaceutical portfolios 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 ensure a pipeline of highly-differentiated product candidates in areas of unmet medical need. The assets managed by these groups are science-driven, highly differentiated and generally require a high-level of engagement with healthcare providers and consumers.

GEP is expected to generate strong consistent cash flow by providing patients around the world with access to effective, lower-cost, high-value treatments. GEP leverages our biologic development, regulatory and manufacturing expertise to seek to advance its biosimilar development portfolio. Additionally, GEP leverages capabilities in formulation development and manufacturing expertise to help advance its generic sterile injectables portfolio. In addition, GEP may also engage in targeted business development to further enable its commercial strategies. GEP has the knowledge and resources within R&D to develop small molecules, including injectables, and biosimilars. On September 3, 2015, we acquired Hospira, and its commercial operations are now included within GEP. Commencing from the acquisition date, and in accordance with our domestic and international reporting periods, our consolidated statement of income, primarily GEP's operating results, for the year ended December 31, 2015 reflect four months of legacy Hospira U.S. operations and three months of legacy Hospira international operations. For additional information about the Hospira acquisition, see Notes to Consolidated Financial Statements— *Note 2A. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Acquisitions.*

For additional information about our operating structure, see Notes to Consolidated Financial Statements— *Note 18. Segment, Geographic and Other Revenue Information: Segment Information.*

For additional information about the 2015 performance of each of our operating segments, see the "Analysis of Operating Segment Information" section of this Financial Review.

Following the closing of the pending combination with Allergan, the Vaccines and Oncology businesses are expected to be combined with the Global Innovative Pharmaceutical business and we expect to create a new global business, Global Specialty and Consumer Brands, that includes our Consumer Healthcare business and Allergan's ophthalmology and aesthetics businesses, as well as Botox Therapeutic and Cosmetic. Allergan's Anda distribution capabilities and brands in women's health and anti-infectives are expected to be combined with the Global Established Pharmaceutical business.

Research Operations

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 priorities include delivering a pipeline of differentiated therapies with the greatest scientific and commercial promise, innovating new 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 six high-priority areas that have a mix of small molecules and large molecules—immunology and inflammation; cardiovascular and metabolic diseases; oncology; vaccines; neuroscience and pain; and rare diseases. Another area of focus is biosimilars. With the acquisition of Hospira, we have expanded our biosimilars pipeline and added R&D capabilities for sterile injectables and infusion systems.

While a significant portion of R&D is done internally through the Worldwide Research and Development (WRD) organization, we continue to seek to enhance our pipeline of potential future products 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. Collaboration, alliance and license agreements and equity- or debt-based investments allow us to share risk and cost, 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 and maximize the value of our in-line products, see the “Our Business Development Initiatives” section of this Financial Review.

Business Development

We continue to build on our broad portfolio of businesses and to expand our R&D pipeline through various business development transactions. For additional information about recent transactions and strategic investments that we believe have the potential to advance our pipeline, enhance our product portfolio and maximize the value of our in-line products, see the “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. For additional information about our current efforts to enforce our intellectual property rights, 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 2015 Annual Report on 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 and dividends, see the “Analysis of Financial Condition, Liquidity and Capital Resources” section of this Financial Review.

On November 23, 2015, we announced that we have entered into a definitive merger agreement with Allergan, a global pharmaceutical company incorporated in Ireland, under which we have agreed to combine with Allergan in a stock transaction valued at $363.63 per Allergan share, for a total enterprise value of approximately $160 billion, based on the closing price of Pfizer common stock of $32.18 on November 20, 2015 (the last trading day prior to the announcement) and certain other assumptions. See the “Our Business”, “Our Business Development Initiatives” and “Analysis of Financial Condition, Liquidity and Capital Resources” sections of this Financial Review for additional information.

On September 3, 2015, (the acquisition date), we acquired Hospira for approximately $16.1 billion in cash ($15.7 billion , net of cash acquired). See Notes to Consolidated Financial Statements— *Note 2A. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Acquisitions* and the “Significant Accounting Policies and Application of Critical Accounting Estimates—Acquisition of Hospira” section of this Financial Review for additional information.

On February 9, 2015, we entered into an accelerated share repurchase agreement with Goldman, Sachs & Co. (GS&Co.) to repurchase shares of our common stock. This agreement was entered into under our previously announced share repurchase authorization. In July 2015, we completed the agreement. 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.* In November 2015, we announced that, consistent with 2015, we expect to execute an approximately $5 billion accelerated share repurchase program in the first half of 2016. We anticipate additional future share repurchases to continue following the consummation of the pending combination with Allergan. The actual size and timing of any such share repurchases will depend on actual and expected financial results.

In December 2015, the Board of Directors authorized a new $11 billion share repurchase program to be utilized over time. Also, on December 14, 2015 , our Board of Directors declared a first-quarter 2016 dividend of $0.30 per share, an increase from the $0.28 per-share

quarterly dividend paid during 2015 . 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.*

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 are especially interested in opportunities in our high-priority therapeutic areas—immunology and inflammation; cardiovascular and metabolic diseases; oncology; vaccines; neuroscience and pain; and rare diseases—and in emerging markets and established products, including biosimilars. 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 recent acquisition of Hospira and our pending combination with Allergan, as well as collaborations, and alliance and license agreements with other companies, including our collaborations with Cellectis SA, OPKO Health, Inc. 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. We are continuing to consider whether a further separation of our Innovative Products and Established Products businesses would be in the best interests of our shareholders. However, no decision has been made regarding any such potential separation; we anticipate making a decision regarding any such potential separation by no later than the end of 2018. For additional information on our business development activities, see Notes to Consolidated Financial Statements— *Note 2. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment* , Notes to Consolidated Financial Statements— *Note 19. Pending Combination with Allergan* and the “Significant Accounting Policies and Application of Critical Accounting Estimates—Acquisition of Hospira” section of this Financial Review.

The more significant recent transactions and events are described below:

- Agreement to Combine with Allergan plc (Allergan) —On November 23, 2015, we announced that we have entered into a definitive merger agreement with Allergan, a global pharmaceutical company incorporated in Ireland.
- Acquisition of Hospira —On September 3, 2015 (the acquisition date), 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. (AM-Pharma) —In April 2015, we acquired a minority equity interest in AM-Pharma, a privately-held Dutch biopharmaceutical company focused on the development of recombinant human Alkaline Phosphatase (recAP) for inflammatory diseases, and secured an exclusive option to acquire the remaining equity in the company. The option becomes exercisable upon delivery of the clinical trial report after completion of a Phase II trial of recAP in the treatment of Acute Kidney Injury related to sepsis. Results from the current Phase II trial for recAP are expected in 2017. Under the terms of the agreement, we 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* , and we may make additional payments of up to $512.5 million upon exercise of the option and potential launch of any product that may result from this investment.
- Collaboration with OPKO Health, Inc. (OPKO) —In December 2014, we entered into a collaborative agreement with OPKO to develop and commercialize OPKO’s long-acting human growth hormone (hGH-CTP) for the treatment of growth hormone deficiency (GHD) in adults and children, as well as for the treatment of growth failure in children born small for gestational age (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. The transaction closed on January 28, 2015, upon termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act. 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. (Baxter) —On December 1, 2014 (which falls 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 —In November 2014, we entered into a collaborative agreement with Merck KGaA, to jointly develop and commercialize avelumab, the proposed international non-proprietary name for the investigational anti-PD-L1 antibody (MSB0010718C), currently in development as a potential treatment for multiple 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. The collaboration with Merck KGaA has initiated 28 programs, monotherapy and combination trials, including seven pivotal trials in Phase IB/2 or Phase 3 (two in lung cancer, two in gastric cancer, and one in each of bladder cancer, Merkel cell carcinoma and ovarian cancer) and received FDA breakthrough therapy designation for avelumab in metastatic Merkel cell carcinoma. We and Merck KGaA are also combining resources and expertise to advance Pfizer’s anti-PD-1 antibody into

Phase 1 trials. 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 . Both companies will 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, and co-promotion activities were initiated in key select markets in 2015. In 2014, we recorded $1.2 billion of *Research and development expenses* associated with this collaborative arrangement, composed of the $850 million upfront cash payment as well as an additional amount of $309 million, reflecting the estimated fair value of the co-promotion rights given to Merck KGaA.

- Acquisition of InnoPharma, Inc. (InnoPharma) —On September 24, 2014, we completed our acquisition of InnoPharma, a privately-held pharmaceutical development company, for an upfront cash payment of $225 million and contingent consideration of up to $135 million.
- License from Cellectis SA (Cellectis) —In June 2014, we entered into a global arrangement with Cellectis to develop Chimeric Antigen Receptor T-cell immunotherapies in the field of oncology directed at select cellular surface antigen targets. In August 2014, in connection with this licensing agreement, we made an upfront payment of $80 million to Cellectis, which was recorded in *Research and development expenses* . We will also fund research and development costs associated with 15 Pfizer-selected targets and, for the benefit of Cellectis, a portion of the R&D costs associated with four Cellectis-selected targets within the arrangement. Cellectis is eligible to receive development, regulatory and commercial milestone payments of up to $185 million per product that results from the Pfizer-selected targets. Cellectis is also eligible to receive tiered royalties on net sales of any products that are commercialized by Pfizer.
- Investment in ViiV Healthcare Limited (ViiV) —On January 21, 2014, the European Commission approved Tivicay (dolutegravir), a product for the treatment of HIV-1 infection, developed by ViiV, an equity-method investee. This approval, in accordance with the agreement between GlaxoSmithKline plc and Pfizer, triggered a reduction in our equity interest in ViiV from 12.6% to 11.7% and an increase in GlaxoSmithKline plc's equity interest in ViiV from 77.4% to 78.3%, effective April 1, 2014. As a result, in 2014, we recognized a loss of approximately $30 million in *Other (income)/deductions — net* . We account for our investment in ViiV under the equity method due to the significant influence that we continue to have through our board representation and minority veto rights.
- Collaboration with Eli Lilly & Company (Lilly) —In October 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, which will consist of six studies in approximately 7,000 patients across osteoarthritis, chronic low back pain and cancer pain. Under the collaboration agreement with Lilly, we are eligible to receive additional payments from Lilly upon the achievement of specified regulatory and commercial milestones.
- Divestiture of Zoetis —On June 24, 2013, we completed the full disposition of Zoetis. The full disposition was completed through a series of steps, including, in the first quarter of 2013, the formation of Zoetis and an initial public offering (IPO) of an approximate 19.8% interest in Zoetis and, in the second quarter of 2013, an exchange offer for the remaining 80.2% interest.
- Collaboration with Merck & Co., Inc. (Merck) —In April 2013, we announced that we entered into a worldwide (except Japan) collaboration agreement with Merck for the development and commercialization of Pfizer's ertugliflozin (PF-04971729), an investigational oral sodium glucose cotransporter (SGLT2) inhibitor currently in Phase 3 development for the treatment of type 2 diabetes.
- Investment in Hisun Pfizer Pharmaceuticals Company Limited (Hisun Pfizer) —On September 6, 2012, we and Zhejiang Hisun Pharmaceuticals Co., Ltd. (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. In the first quarter of 2013, we and Hisun contributed certain assets to Hisun Pfizer. Hisun Pfizer is 49% owned by Pfizer and 51% owned by Hisun. Our contributions constituted a business, as defined by U.S. GAAP, and in 2013, we recognized a pre-tax gain of approximately $459 million in *Other (income)/deductions—net* . In the third quarter of 2015, we determined that we had an other-than-temporary decline in value of our equity-method investment in Hisun Pfizer, and, therefore, in 2015, we recognized a loss of $463 million in *Other (income)/deductions—net.* 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 changes in the regulatory environment.
- License of Nexium OTC Rights —In August 2012, we entered into an agreement with AstraZeneca PLC (AstraZeneca) for the exclusive, global, over-the-counter (OTC) rights for Nexium, a leading prescription drug approved to treat the symptoms of gastroesophageal reflux disease. In connection with this Consumer Healthcare licensing agreement, we made an upfront payment of $250 million to AstraZeneca, which was recorded in *Research and development expenses* when incurred. On May 27, 2014, we launched Nexium 24HR in the U.S., and on July 11, 2014, we paid AstraZeneca a related $200 million product launch milestone payment. On August 1, 2014, we launched Nexium Control in Europe, and on September 15, 2014, we paid AstraZeneca a related $50 million product launch milestone payment. These post-approval milestone payments were recorded in *Identifiable intangible assets, less accumulated amortization* and are being amortized over the estimated useful life of the Nexium brand. Included in *Other current liabilities* at December 31, 2015 are accrued milestone payments to AstraZeneca of $93 million. AstraZeneca is eligible to receive additional milestone payments of up to $200 million, based on the level of worldwide sales as well as quarterly royalty payments based on worldwide sales.

Our Financial Guidance for 2016

The following table provides our financial guidance for full-year 2016 [a], [b]:

Reported revenues	$49.0 to $51.0 billion
Adjusted cost of sales as a percentage of reported revenues	21.0% to 22.0%
Adjusted selling, informational and administrative expenses	$13.2 to $14.2 billion
Adjusted research and development expenses	$7.3 to $7.8 billion
Adjusted other (income)/deductions	Approximately ($300 million) of income
Effective tax rate on adjusted income	Approximately 24.0%
Reported diluted Earnings per Share (EPS)	$1.54 to $1.67
Adjusted diluted EPS	$2.20 to $2.30

The following table provides a reconciliation of 2016 Adjusted income and Adjusted diluted EPS guidance to the 2016 Reported net income attributable to Pfizer Inc. and Reported diluted EPS attributable to Pfizer Inc. common shareholders guidance:

	Full-Year 2016 Guidance [a], [b]	
(BILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)	Net Income	Diluted EPS
Adjusted income/diluted EPS guidance [b]	$13.6 - $14.2	$2.20 - $2.30
Purchase accounting impacts of transactions completed as of December 31, 2015	(2.8)	(0.46)
Restructuring, implementation and other acquisition-related costs	(0.7) - (0.9)	(0.11) - (0.14)
Business and legal entity alignment costs	(0.4)	(0.06)
Reported net income attributable to Pfizer Inc./diluted EPS guidance	$9.5 - $10.3	$1.54 - $1.67

[a] The 2016 financial guidance reflects the following:

- Does not assume the completion of any business-development transactions not completed as of December 31, 2015 , including any one-time upfront payments associated with such transactions. Our 2016 financial guidance excludes any impact from the pending combination with Allergan. The transaction is expected to close during the second half of 2016.
- Excludes the potential effects of the resolution of litigation-related matters not substantially resolved as of February 12, 2016.
- Exchange rates assumed are as of mid-January 2016 .
- Guidance for 2016 reported revenues reflects the anticipated negative impact of $2.3 billion due to recent and expected generic competition for certain products that have recently lost or are anticipated to soon lose patent protection.
- Guidance for 2016 reported revenues also reflects the anticipated negative impact of $2.3 billion as a result of unfavorable changes in foreign exchange rates relative to the U.S. dollar compared to foreign exchange rates from 2015, including $0.8 billion due to the estimated significant negative currency impact related to Venezuela. The anticipated negative impact on reported and adjusted diluted EPS resulting from unfavorable changes in foreign exchange rates compared to foreign exchange rates from 2015 is approximately $0.16, including $0.07 due to the estimated significant negative currency impact related to Venezuela.
- Guidance for reported and adjusted diluted EPS assumes diluted weighted-average shares outstanding of approximately 6.2 billion shares.

[b] For an understanding of Adjusted income and its components and Adjusted diluted EPS (all of which are non-GAAP financial measures), see the “Adjusted Income” section of this Financial Review.

For additional information about our actual and anticipated costs and cost savings associated with our cost-reduction initiatives announced in 2014, the Hospira acquisition, and our global commercial structure, which was established in 2014, 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 2016 financial guidance is subject to a number of factors and uncertainties—as described in the “Our Operating 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 2015 Annual Report on 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 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 "Acquisition of Hospira" below and Notes to Consolidated Financial Statements— *Note 2A. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, 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. Financial Instruments: Selected Financial Assets and Liabilities* .

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 are generally estimated and recorded in the same period that the revenues are recognized, and primarily represent rebates, chargebacks and sales allowances to government agencies, wholesalers/distributors and managed care organizations 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 in-process research and development (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, 2015, 2014 and 2013. 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 $1.2 billion as of December 31, 2015) and newly

acquired or recently impaired indefinite-lived brand assets (approximately $145 million as of December 31, 2015). IPR&D assets are high-risk assets, as research and development 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, 2015 , and we do not believe the risk of impairment is significant at this time.

Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. Our Consumer Healthcare reporting unit has the narrowest difference between estimated fair value and estimated book value. A hypothetical decrease in the fair value of our Consumer Healthcare reporting unit of approximately 10% could trigger a potential impairment of its goodwill. Examples of events or circumstances that could impact the estimated fair value of a reporting unit may include items such as changes in operating results, anticipated future cash flows, the discount rate, market multiples, among others. Our Consumer Healthcare reporting unit performance and consumer healthcare industry market multiples are highly correlated with the overall economy and our specific performance is also dependent on our and our competitors' innovation and marketing effectiveness, and on regulatory developments affecting claims, formulations and ingredients of our products. While historical performance and current expectations have resulted in fair values in excess of carrying values, if our assumptions are not realized, it is possible that in the future an impairment charge may need to be recorded. However, it is not possible at this time to determine if an impairment charge would result or if such a charge in the future would be material.

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.

Specifically:

- When we estimate the fair value of our four biopharmaceutical reporting units, we rely solely on the income approach. We use the income approach exclusively as the use of the comparable guideline company method is not practical or reliable. For the income approach, we use the discounted cash flow method.
- When we estimate the fair value of our Consumer Healthcare reporting unit, we use a combination of approaches and methods. We use the income approach and the market approach, which we weight equally in our analysis. We weight them equally as we have equal confidence in the appropriateness of the approaches for this reporting unit. For the income approach, we use the discounted cash flow method and for the market approach, we use both the guideline public company method and the guideline transaction method, which we weight equally to arrive at our market approach value.

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 2015 Annual Report on 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 Internal Revenue Code 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.

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 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 assets; and healthcare cost trend rates.

In the fourth quarter of 2014, we approved a change, effective January 1, 2016, to the U.S. postretirement medical plan to transfer certain plan participants to a retiree drug coverage program eligible for a Medicare Part D plan subsidy (Employer Group Waiver Plan). This change resulted in a decrease to the postretirement benefit obligation of approximately $600 million as of December 31, 2014.

As of December 31, 2015, the noncurrent portion of our pension benefit obligations, net, and our postretirement benefit obligations, net decreased, in the aggregate, by approximately $2.1 billion compared to December 31, 2014. The decrease reflects, among other things, an increase in our discount rate assumptions used in the measurement of the plan obligations, a $1 billion voluntary contribution made in January, 2015, a plan amendment approved in June 2015 that introduced a cap on costs for certain groups within the U.S. postretirement medical plan, and a rise in the comparative strength of the U.S. dollar, as compared to other currencies.

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)]:

	2015	2014	2013
U.S. Qualified Pension Plans			
Expected annual rate of return on plan assets	**8.0 %**	8.3%	8.5%
Actual annual rate of return on plan assets	**(0.8)**	6.8	11.3
Discount rate used to measure the plan obligations	**4.5**	4.2	5.2
International Pension Plans			
Expected annual rate of return on plan assets	**5.2**	5.5	5.8
Actual annual rate of return on plan assets	**3.6**	13.2	13.1
Discount rate used to measure the plan obligations	**3.1**	3.0	3.9

[(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 January 2016, Pfizer made a voluntary contribution of $1.0 billion to plan assets. In 2016, this contribution will be 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 2016 Net Periodic Benefit Costs
Assumption		
Expected annual rate of return on plan assets	50 basis point decline	$98

The actual return on plan assets resulted in a net gain on our plan assets of approximately $163 million during 2015.

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 are 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	2016 Net Periodic Benefit Costs	2015 Benefit Obligations
Assumption		Increase	Increase
Discount rate	10 basis point decline	$34	$411

The change in the discount rates used in measuring our plan obligations as of December 31, 2015 resulted in a decrease in the measurement of our aggregate plan obligations by approximately $1.0 billion .

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* .

Acquisition of Hospira

Description of Transaction

On September 3, 2015 (the acquisition date), 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).

Recording of Assets Acquired and Liabilities Assumed

Our acquisition of Hospira has been accounted for using the acquisition method of accounting, which generally requires that most assets acquired and liabilities assumed be recorded at fair value as of the acquisition date. A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. Our judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations. For instance, the determination of asset lives can impact our results of operations as different types of assets will have different useful lives and certain assets may even be considered to have indefinite useful lives.

For the provisional amounts recognized for the Hospira assets acquired and liabilities assumed as of the acquisition date, see Notes to Consolidated Financial Statements— *Note 2A. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment* : *Acquisitions* . The estimated values are not yet finalized and are subject to change, which could be significant. We will finalize the amounts recognized as we obtain the information necessary to complete the analyses. We expect to finalize the amounts of assets acquired and liabilities assumed as soon as possible but no later than one year from the acquisition date. The following amounts are subject to change:

- Amounts for certain balances included in working capital (excluding inventories), certain investments and certain legal contingencies, pending receipt of certain information that could affect provisional amounts recorded. We do not believe any adjustments for legal contingencies will have a material impact on our consolidated financial statements.
- Amounts for intangibles, inventory and property, plant and equipment, pending finalization of valuation efforts for acquired intangible assets as well as the completion of certain physical inventory counts and the confirmation of the physical existence and condition of certain property, plant and equipment assets.
- Amounts for income tax assets, receivables and liabilities, pending the filing of Hospira pre-acquisition tax returns and the receipt of information including but not limited to that from taxing authorities, which may change certain estimates and assumptions used.

Below is a summary of the methodologies and significant assumptions used in estimating the fair value of certain classes of assets and liabilities of Hospira.

For financial instruments acquired from Hospira, our valuation approach was consistent with our valuation methodologies used for our legacy Pfizer financial instruments. For additional information on the valuation of our financial instruments, see Notes to Consolidated Financial Statements— *Note 7. Financial Instruments* .

Inventories —The fair value of acquired inventory ($1.9 billion) was determined as follows:

- *Finished goods*— Estimated selling price, less an estimate of costs to be incurred to sell the inventory, and an estimate of a reasonable profit allowance for that selling effort.
- *Work in process*— Estimated selling price of an equivalent finished good, less an estimate of costs to be incurred to complete the work-in-process inventory, an estimate of costs to be incurred to sell the inventory and an estimate of a reasonable profit allowance for those manufacturing and selling efforts.
- *Raw materials and supplies*— Estimated cost to replace the raw materials and supplies.

The fair value of inventory will be recognized in our results of operations as the inventory is sold. Based on internal forecasts and estimates of months of inventory on hand, we expect that the acquisition date inventory will be substantially sold and recognized in *Cost of sales* over a weighted-average estimated period of approximately eight months after the acquisition date.

Some of the more significant estimates and assumptions inherent in the estimate of the fair value of inventory include stage of completion, costs to complete, costs to dispose and selling price. All of these judgments and estimates can materially impact our results of operations.

Property, Plant and Equipment —The fair value of acquired property, plant and equipment is determined using a variety of valuation approaches, depending on the nature of the asset and the quality of available information. The fair value of acquired property, plant and equipment was primarily determined as follows:

- *Land*— Market, a sales comparison approach that measures value of an asset through an analysis of sales and offerings of comparable property.
- *Buildings, Machinery and equipment and Furniture and fixtures* —Replacement cost, an approach that measures the value of an asset by estimating the cost to acquire or construct comparable assets. For buildings that are not highly specialized or that could be income producing if leased to a third party, we also considered market and income factors.
- *Construction in progress*— Replacement cost, generally assumed to equal historical book value.

The amounts recorded for the major components of acquired property, plant and equipment are as follows:

(MILLIONS OF DOLLARS)	Useful Lives (Years)	Amounts Recognized As of Acquisition Date
Land		**$ 111**
Buildings	33—50	**556**
Machinery and equipment	8—20	**1,060**
Furniture, fixtures and other	3—12 1/2	**141**
Construction in progress		**542**
Total Property, plant and equipment		**$ 2,410**

The fair value of property, plant and equipment will be recognized in our results of operations over the expected useful life of the individual depreciable assets.

Some of the more significant inputs, estimates and assumptions inherent in the estimate of the fair value of property, plant and equipment include the nature, age, condition or location of the land, buildings, machinery and equipment, furniture and fixtures, and construction in progress, as applicable, as well as the estimate of market and replacement cost and the determination of the appropriate valuation premise, in-use or in-exchange. The in-use valuation premise assesses the value of an asset when used in combination with other assets (for example, on an installed basis), while the in-exchange valuation assesses the value of an asset on a stand alone basis. All of these judgments and estimates can materially impact our results of operations.

Identifiable Intangible Assets — The fair value of acquired identifiable intangible assets generally is determined using an income approach. This method starts with a forecast of all of the expected future net cash flows associated with the asset and then adjusts the forecast to present value by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams.

The fair value of acquired identifiable intangible assets is composed of finite-lived developed technology rights with a weighted-average life of approximately 17 years ($7.7 billion); other finite-lived identifiable intangible assets with a weighted-average life of approximately 12 years ($550 million); and IPR&D assets ($995 million). For information about our identifiable intangible assets, see Notes to Consolidated Financial Statements— *Note 10. Identifiable Intangible Assets and Goodwill: Identifiable Intangible Assets* .

As of the acquisition date, we recognized IPR&D assets of $660 million for biosimilar programs and $335 million for sterile injectable programs.

Biosimilar IPR&D Acquired Assets :

- In order to eliminate certain redundancies in Pfizer's biosimilar drug products pipeline created as a result of the acquisition of Hospira, in September 2015 we opted to return to Celltrion Inc. and Celltrion Healthcare, Co., Ltd. (collectively Celltrion) rights that Hospira had previously acquired to potential biosimilars to Rituxan ® (rituximab) and Herceptin ® (trastuzumab). In connection with the return of these rights, we wrote-off these IPR&D assets, totaling $170 million. See the "Product Developments—Biopharmaceutical" 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* for additional information.
- The higher value remaining biosimilar IPR&D assets acquired from Hospira have been submitted to the FDA for approval and include the following potential biosimilars for (i) epoetin alfa (treatment of anemia in dialysis and oncology applications) and (ii) infliximab (rheumatoid arthritis and gastrointestinal disorders). These biosimilars and filgrastim (oncology) are already available in certain markets outside the U.S. Filgrastim in the U.S. market and other biosimilar IPR&D assets acquired from Hospira are in late-stage development. See the "Product Developments—Biopharmaceutical" section of this Financial Review for additional information about these programs.

Sterile Injectable IPR&D Acquired Assets:

- The sterile injectable IPR&D assets acquired from Hospira are in various therapeutic areas including anti-infectives, oncology, cardiovascular and neurology, among others. The sterile injectable IPR&D assets are in various stages of development with anticipated launch dates across 2016, 2017 and 2018.

The fair value of finite-lived identifiable intangible assets will be recognized in our results of operations over the expected useful life of the individual assets.

Some of the more significant estimates and assumptions inherent in the estimate of the fair value of identifiable intangible assets include all assumptions associated with forecasting product profitability from the perspective of a market participant.

Specifically:

- Revenue—We use historical, forecast, industry or other sources of market data including estimates of sales volume, selling prices, market penetration, market share and year-over-year growth rates over the product's life cycle.
- Cost of sales, Sales and marketing expenses, General and administrative expenses—We use historical, forecast, industry or other sources of market data to estimate the costs associated with the identifiable intangible asset over the product's life cycle.
- R&D expenses—In the case of approved products, we estimate the appropriate level of ongoing R&D support, and for unapproved compounds, we estimate the amount and timing of costs to develop the R&D into viable products.
- Estimated life of the asset—We assess the asset's life cycle and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory or economic barriers to entry, expected changes in standards of practice for indications addressed by the asset, as well as obsolescence factors and estimated contract renewal rates.
- I nherent risk—We use a discount rate that is primarily based on the weighted-average cost of capital with an additional premium to reflect the risks associated with the specific intangible asset, such as country risks (political, inflation, currency and property risks) and commercial risks. In addition, for unapproved assets, an additional risk factor is added for the risk of technical and regulatory success, called the probability of technical and regulatory success (PTRS).
- The discount rates used in the intangible asset valuations ranged from 11% to 16%, and the estimated cash flows were projected over periods extending up to 20 years or more. For IPR&D assets, the PTRS rates ranged from 44% to 88%. Within this broad range, we recorded approximately $20 million of assets with a PTRS of 44%, $220 million of assets with a PTRS of 45% to 75% and $755 million of assets with a PTRS above 75% ($585 million after the write-off of the acquired biosimilar IPR&D assets discussed above). All of these judgments and estimates can materially impact our results of operations.

For IPR&D assets, the risk of failure has been factored into the fair value measure and there can be no certainty that these assets ultimately will yield a successful product.

Contingencies —For acquisition date contingencies, see Notes to Consolidated Financial Statements— *Note 2. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Acquisitions* .

ANALYSIS OF THE CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2015**	2014	2013	15/14	14/13
Revenues	**$ 48,851**	$ 49,605	$ 51,584	**(2)**	(4)
Cost of sales	**9,648**	9,577	9,586	**1**	—
% of revenues	**19.7%**	19.3%	18.6%		
Selling, informational and administrative expenses	**14,809**	14,097	14,355	**5**	(2)
% of revenues	**30.3%**	28.4%	27.8%		
Research and development expenses	**7,690**	8,393	6,678	**(8)**	26
% of revenues	**15.7%**	16.9%	12.9%		
Amortization of intangible assets	**3,728**	4,039	4,599	**(8)**	(12)
% of revenues	**7.6%**	8.1%	8.9%		
Restructuring charges and certain acquisition-related costs	**1,152**	250	1,182	*	(79)
% of revenues	**2.4%**	0.5%	2.3%		
Other (income)/deductions—net	**2,860**	1,009	(532)	*	*
Income from continuing operations before provision for taxes on income	**8,965**	12,240	15,716	**(27)**	(22)
% of revenues	**18.4%**	24.7%	30.5%		
Provision for taxes on income	**1,990**	3,120	4,306	**(36)**	(28)
Effective tax rate	**22.2%**	25.5%	27.4%		
Income from continuing operations	**6,975**	9,119	11,410	**(24)**	(20)
% of revenues	**14.3%**	18.4%	22.1%		
Discontinued operations—net of tax	**11**	48	10,662	**(77)**	*
Net income before allocation to noncontrolling interests	**6,986**	9,168	22,072	**(24)**	(58)
% of revenues	**14.3%**	18.5%	42.8%		
Less: Net income attributable to noncontrolling interests	**26**	32	69	**(21)**	(53)
Net income attributable to Pfizer Inc.	**$ 6,960**	$ 9,135	$ 22,003	**(24)**	(58)
% of revenues	**14.2%**	18.4%	42.7%		

Certain amounts and percentages may reflect rounding adjustments.
* Calculation not meaningful.

Revenues—Overview

Total revenues were $48.9 billion in 2015 , a decrease of 2% compared to 2014 , which reflects an operational increase of $3.0 billion, or 6%, more than offset by the unfavorable impact of foreign exchange of $3.8 billion, or 8%, in 2015 compared to 2014. The operational increase was primarily the result of:

- the performance of several key products in developed markets, including the continued strong uptake of Prevnar 13 among adults (largely in the U.S.), Ibrance (nearly all in the U.S.), Eliquis, Lyrica (GIP) (primarily in the U.S. and Japan), Xeljanz (primarily in the U.S.), Viagra (GIP) (primarily in the U.S.) and Nexium 24HR (primarily in the U.S.) (collectively, up approximately $4.1 billion);
- inclusion of legacy Hospira operations of $1.5 billion;
- a 7% operational increase in revenues in emerging markets, reflecting continued strong operational growth, primarily from Prevenar 13, Lipitor and Enbrel (up approximately $810 million); and
- inclusion of the vaccines acquired from Baxter of $178 million,

partially offset by:

- the loss of exclusivity and immediate multi-source generic competition for Celebrex in the U.S. in December 2014 and certain other developed markets (down approximately $1.8 billion), and the loss of exclusivity for Lyrica (GEP) in certain developed Europe markets (down approximately $420 million), for Zyvox in the U.S. (down approximately $420 million), for Rapamune in the U.S. (down approximately $120 million) and for certain other products (collectively, down approximately $530 million);
- the performance of certain other products in developed markets and BeneFIX in the U.S. (collectively, down approximately $370 million); and
- the termination of the Spiriva co-promotion collaboration in certain countries (down approximately $100 million).

Total revenues were $49.6 billion in 2014 , a decrease of 4% compared to 2013 , which reflects an operational decrease of $1.1 billion, or 2%, and the unfavorable impact of foreign exchange of approximately $912 million, or 2%, in 2014 compared to 2013 . The operational decrease was primarily the result of:

- the expiration of the co-promotion term of the collaboration agreement for Enbrel in the U.S. and Canada (approximately $1.4 billion);

- the loss of exclusivity and subsequent multi-source generic competition for Detrol LA, Celebrex and Geodon in the U.S., Viagra in most major European markets, and Aricept and Lyrica in Canada (aggregate decline of approximately $937 million) and certain other products(approximately $300 million);
- the continued erosion of branded Lipitor in the U.S. and most other developed markets due to generic competition and the operational decline of certain products, including Norvasc, Effexor, atorvastatin, Metaxalone, Zosyn/Tazocin, Ziprasidone, Genotropin, Tygacil, Centrum, Advil and Vfend (approximately $938 million); and
- the ongoing termination of the Spiriva collaboration in certain countries (approximately $490 million),

partially offset by:

- the operational growth of certain products in certain developed markets, including Lyrica, Prevnar, Eliquis, Xeljanz, Xalkori, Inlyta and Nexium 24HR in the U.S. as a result of its May 2014 launch, among others (approximately $1.8 billion); and
- a 7% operational increase in revenues in emerging markets (approximately $900 million), including strong operational growth from Prevenar as well as from Lipitor, primarily in China, and from Enbrel, primarily in Latin America.

See the “Intellectual Property Rights and Collaboration/Licensing Rights” section of this Financial Report for information about (i) recent losses of product exclusivity impacting product revenues, (ii) recent and expected losses of collaboration rights impacting alliance revenues and (iii) losses and expected losses of product exclusivity in 2016 .

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 2015 Annual Report on Form 10-K.

We have significant operations outside the U.S., with revenues exceeding $500 million in the following number of countries:

The U.S. and Japan are our two largest national markets:

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 rebates, chargebacks and sales allowances to government agencies, wholesalers/distributors and managed care organizations 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 deductions from revenues:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2015**	2014	2013
Medicare rebates [a]	**$ 1,002**	$ 1,077	$ 887
Medicaid and related state program rebates [a]	**1,263**	779	508
Performance-based contract rebates [a], [b]	**2,253**	2,219	2,117
Chargebacks [c]	**4,961**	3,755	3,569
Sales allowances [d]	**4,200**	4,547	4,395
Sales returns and cash discounts	**1,335**	1,279	1,225
Total [e]	**$ 15,014**	$ 13,656	$ 12,701

[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 pharmacy benefit managers, 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 2015 , associated with the following segments: GIP ($4.3 billion); VOC ($1.5 billion); and GEP ($9.1 billion). For 2014 , associated with the following segments: GIP ($3.3 billion); VOC ($1.2 billion); and GEP ($9.1 billion). For 2013 , associated with the following segments: GIP ($2.8 billion); VOC ($1.0 billion); and GEP ($8.9 billion).

The total deductions from revenues for 2015 increased 10% compared to 2014, primarily as a result of:

- an increase in chargebacks from certain Innovative Business products, GEP products including products that have lost exclusivity in the U.S. during 2015, as well as the addition in 2015 of Hospira sterile injectables, which are subject to chargebacks; and
- an increase in Medicaid and related state program rebates, primarily as a result of updated estimates of sales related to these programs, and, a decrease in Managed Medicaid estimated rebates in the second quarter of 2014,

partially offset by:

- a decrease in sales allowances primarily in Asia and Europe. In Asia, the decrease is due to lower Lipitor sales and the end of a partnership arrangement for Caduet. In Europe, price declines primarily on GEP products were driven by government decrees that progressively reduce pricing on products that have lost exclusivity.

For additional rebate accrual information, see Notes to Consolidated Financial Statements— *Note 1G. Basis of Presentation and Significant Accounting Policies: Revenues and Trade Accounts Receivable* .

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 $3.9 billion as of December 31, 2015 , of which approximately $2.6 billion is included in *Other current liabilities,* $272 million is included in *Other noncurrent liabilities* and approximately $1.1 billion is included against *Trade accounts receivable, less allowance for doubtful accounts* , in our consolidated balance sheet. 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 $3.4 billion as of December 31, 2014 , of which approximately $2.0 billion is included in *Other current liabilities,* $300 million is included in *Other noncurrent liabilities* and approximately $1.1 billion is included against *Trade accounts receivable, less allowance for doubtful accounts* , in our consolidated balance sheet. Total accruals for Medicare rebates, Medicaid and related state program rebates, performance-based contract rebates, chargebacks, sales allowances and sales returns and cash discounts as of December 31, 2015 increased by approximately $500 million compared to December 31, 2014 , primarily due to the addition of Hospira accruals.

Revenues by Segment and Geographic Area

The following table provides worldwide revenues by operating segment and geographic area:

	Year Ended December 31,									% Change					
	Worldwide			U.S.			International			Worldwide		U.S.		International	
(MILLIONS OF DOLLARS)	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**15/14**	14/13	**15/14**	14/13	**15/14**	14/13
Operating Segments [a] :															
GIP	**$ 13,954**	$ 13,861	$ 14,317	**$ 6,946**	$ 6,243	$ 6,810	**$ 7,008**	$ 7,619	$ 7,507	**1**	(3)	**11**	(8)	**(8)**	1
VOC	**12,803**	10,144	9,285	**7,500**	4,715	4,122	**5,303**	5,428	5,163	**26**	9	**59**	14	**(2)**	5
GEP	**21,587**	25,149	27,619	**7,030**	7,903	9,217	**14,557**	17,245	18,400	**(14)**	(9)	**(11)**	(14)	**(16)**	(6)
	48,345	49,154	51,221	**21,476**	18,861	20,149	**26,868**	30,292	31,070	**(2)**	(4)	**14**	(6)	**(11)**	(3)
Other [b]	**506**	451	364	**228**	212	124	**279**	239	240	**12**	24	**7**	71	**17**	—
Total revenues	**$ 48,851**	$ 49,605	$ 51,584	**$ 21,704**	$ 19,073	$ 20,274	**$ 27,147**	$ 30,532	$ 31,310	**(2)**	(4)	**14**	(6)	**(11)**	(2)

[a] GIP = the Global Innovative Pharmaceutical segment ; VOC = the Global Vaccines, Oncology and Consumer Healthcare segment ; and GEP = the Global Established Pharmaceutical segment . On September 3, 2015, we acquired Hospira and its commercial operations are now included within GEP. Commencing from the acquisition date, and in accordance with our domestic and international reporting periods, our consolidated statement of income, primarily GEP's operating results, for the year ended December 31, 2015 reflects four months of legacy Hospira U.S. operations and three months of legacy Hospira international operations.

[b] Includes revenues generated from Pfizer CentreSource, our contract manufacturing and bulk pharmaceutical chemical sales organization, and also includes the revenues related to our manufacturing and supply agreements with Zoetis Inc. (Zoetis).

Revenues

We recorded direct product sales of more than $1 billion for each of seven products in 2015, and for each of ten products in 2014 and 2013 . We recorded more than $1 billion in Alliance revenues in 2015 (primarily Eliquis) and 2013 . These direct product sales and alliance revenues represent 44% of our revenues in 2015 , 52% of our revenues in 2014 and 52% of our revenues in 2013 . See the *Revenues—Major Products* section of this Financial Review for additional information.

2015 v. 2014

See the *Revenues — Overview* section of this *Analysis of the Consolidated Statements of Income* for a discussion of performance of worldwide revenues.

Geographically,

- in the U.S., revenues increased $2.6 billion , or 14% , in 2015, compared to 2014 , reflecting, among other things:
  - the performance of several key products, including Prevnar 13 primarily in adults (up approximately $1.9 billion), Ibrance (which was launched in the U.S. in February 2015, up approximately $720 million), as well as Lyrica (GIP), Eliquis, Xeljanz, Viagra (GIP) and Nexium 24HR (collectively, up approximately $1.0 billion in 2015), and
  - the inclusion of four months of legacy Hospira U.S. operations of $1.2 billion in 2015 ,

  partially offset by:
  - losses of exclusivity and associated multi-source generic competition for Celebrex in the U.S. in December 2014 (down approximately $1.6 billion in 2015);
  - the loss of exclusivity for Zyvox and Rapamune, as well as the termination of our Spiriva co-promotion collaboration (collectively, down approximately $620 million in 2015); and
  - the performance of Lipitor and BeneFIX (collectively, down approximately $160 million in 2015).
- in our international markets, revenues decreased $3.4 billion , or 11% , in 2015, compared to 2014 . Foreign exchange unfavorably impacted international revenues by approximately $3.8 billion, or 12% in 2015. Operationally, revenues increased by $402 million or 1%, in 2015 compared to 2014 reflecting, among other things:
  - the operational increase in revenues in emerging markets, reflecting continued strong operational growth primarily from the Innovative Products business, including Prevenar and Enbrel, among other products, and Lipitor (up approximately $600 million in 2015);
  - higher revenues in developed markets for Eliquis and Lyrica (GIP), as well as from vaccines acquired in December 2014 from Baxter (in Europe) (collectively, up approximately $590 million in 2015); and
  - the inclusion of three months of legacy Hospira international operations of $270 million in 2015 ,

  partially offset by:
  - lower revenues in developed markets for Lyrica (GEP), Celebrex, Inspra and Viagra (GEP) as a result of the loss of exclusivity, as well as the performance of Lipitor and Norvasc in developed markets, and Zosyn/Tazocin in emerging markets (collectively, down approximately $1.0 billion in 2015).

In 2015 , international revenues represented 56% of total revenues, compared to 62% in 2014. Excluding foreign exchange, international revenues in 2015 represented 59% of total revenues, compared to 62% in 2014.

2014 v. 2013

See the *Revenues — Overview* section of this *Analysis of the Consolidated Statements of Income* for a discussion of performance of worldwide revenues.

Geographically,

- in the U.S., revenues decreased $1.2 billion or 6% in 2014, compared to 2013, reflecting, among other things:
  - lower Alliance revenues, primarily due to Enbrel, reflecting the expiration of the co-promotion term of the collaboration agreement in October 2013 (down approximately $1.3 billion in 2014), and Spiriva, reflecting the final-year terms, and termination on April 29, 2014, of the co-promotion collaboration, which, per the terms of the collaboration agreement, resulted in a decline of our share of Spiriva revenue (down approximately $395 million in 2014); and
  - lower revenues from Detrol LA due to loss of exclusivity (down approximately $321 million in 2014), Celebrex due to loss of exclusivity in December 2014 (down approximately $198 million), and lower revenues from Lipitor (down approximately $191 million in 2014),

  partially offset by:
  - the strong performance of Lyrica (up approximately $352 million in 2014) as well as the growth of Prevnar, Xeljanz, Eliquis, Xalkori and Inlyta (collectively, up approximately $760 million in 2014).
- in our international markets, revenues decreased $778 million, or 2%, in 2014, compared to 2013, primarily due to the unfavorable impact of foreign exchange of approximately $912 million in 2014, or 3%. Operationally, revenues increased slightly by $134 million, in 2014 compared to 2013 reflecting, among other things:
  - higher operational revenues for Lipitor in China, Lyrica in developed markets, Enbrel outside Canada, and the performance of recently launched products Eliquis, Xalkori, and Inlyta (collectively, up approximately $941 million in 2014); and
  - the operational growth of Prevenar and Xeljanz (collectively, up approximately $228 million in 2014),

  partially offset by:
  - the operational decline of certain products, including Norvasc, Zithromax, Xalabrands, Detrol, Effexor and Chantix/Champix, in developed international markets, and Sutent in China (collectively, down approximately $320 million in 2014);
  - lower revenues as a result of the loss of exclusivity and subsequent multi-source generic competition for Viagra in most major European markets and Lyrica in Canada (collectively, down approximately $248 million in 2014);
  - lower Alliance revenues (down approximately $218 million in 2014, excluding Eliquis), primarily due to the expiration of the co-promotion term of the collaboration agreement for Enbrel in Canada, the ongoing termination of the Spiriva collaboration agreement in certain countries, the loss of exclusivity for Aricept in Canada and the termination of the co-promotion agreement for Aricept in Japan in December 2012; and
  - the continued erosion of branded Lipitor in most international developed markets (down approximately $197 million in 2014).

In 2014, international revenues represented 62% of total revenues, compared to 61% in 2013. Excluding foreign exchange, international revenues in 2014 represented 62% of total revenues, compared to 62% in 2013.

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:

(MILLIONS OF DOLLARS)		Year Ended December 31,			% Change	
PRODUCT	PRIMARY INDICATIONS	**2015**	2014	2013	**15/14**	14/13
INNOVATIVE PRODUCTS BUSINESS [a]		**$ 26,758**	$ 24,005	$ 23,602	**11**	2
GIP [a]		**$ 13,954**	$ 13,861	$ 14,317	**1**	(3)
Lyrica GIP [b]	Epilepsy, post-herpetic neuralgia and diabetic peripheral neuropathy, fibromyalgia and neuropathic pain due to spinal cord injury	**3,655**	3,350	2,965	**9**	13
Enbrel (Outside the U.S. and Canada)	Rheumatoid, juvenile rheumatoid and psoriatic arthritis, plaque psoriasis and ankylosing spondylitis	**3,333**	3,850	3,774	**(13)**	2
Viagra GIP [c]	Erectile dysfunction	**1,297**	1,181	1,180	**10**	—
BeneFIX	Hemophilia	**752**	856	832	**(12)**	3
Chantix/Champix	An aid to smoking cessation treatment	**671**	647	648	**4**	—
Genotropin	Replacement of human growth hormone	**617**	723	772	**(15)**	(6)
Refacto AF/Xyntha	Hemophilia	**533**	631	602	**(16)**	5
Xeljanz	Rheumatoid arthritis	**523**	308	114	**70**	*
Toviaz	Overactive bladder	**267**	288	236	**(7)**	22
BMP2	Development of bone and cartilage	**232**	228	209	**2**	9
Somavert	Acromegaly	**218**	229	217	**(5)**	6
Rapamune	Prevention of organ rejection in kidney transplantation	**197**	339	350	**(42)**	(3)
Alliance revenue GIP [d], [o]	Various	**1,254**	762	1,878	**65**	(59)
All other GIP [e]	Various	**405**	469	540	**(14)**	(13)
VOC [a]		**$ 12,803**	$ 10,144	$ 9,285	**26**	9
Prevnar family [f]	Vaccines for prevention of pneumococcal disease	**6,245**	4,464	3,974	**40**	12
Sutent	Advanced and/or metastatic renal cell carcinoma (mRCC), refractory gastrointestinal stromal tumors (GIST) and advanced pancreatic neuroendocrine tumor	**1,120**	1,174	1,204	**(5)**	(2)
Ibrance	Advanced breast cancer	**723**	—	—	*	—
Xalkori	Anaplastic lymphoma kinase positive non-small cell lung cancer	**488**	438	282	**11**	55
Inlyta	Advanced renal cell carcinoma (RCC)	**430**	410	319	**5**	28
FSME-IMMUN/TicoVac	Tick-borne encephalitis vaccine	**104**	—	—	*	—
All other V/O [e]	Various	**298**	211	164	**41**	29
Consumer Healthcare	Various	**3,395**	3,446	3,342	**(1)**	3
ESTABLISHED PRODUCTS BUSINESS [g]		**$ 21,587**	$ 25,149	$ 27,619	**(14)**	(9)
Legacy Established Products [h]		**$ 11,745**	$ 13,016	$ 14,089	**(10)**	(8)
Lipitor	Reduction of LDL cholesterol	**1,860**	2,061	2,315	**(10)**	(11)
Premarin family	Symptoms of menopause	**1,018**	1,076	1,092	**(5)**	(1)
Norvasc	Hypertension	**991**	1,112	1,229	**(11)**	(10)
Xalatan/Xalacom	Glaucoma and ocular hypertension	**399**	495	589	**(19)**	(16)
Zoloft	Depression and certain anxiety disorders	**374**	423	469	**(12)**	(10)
Relpax	Treats the symptoms of migraine headache	**352**	382	359	**(8)**	6
EpiPen	Epinephrine injection used in treatment of life-threatening allergic reactions	**339**	294	273	**15**	8
Effexor	Depression and certain anxiety disorders	**288**	344	440	**(16)**	(22)
Zithromax/Zmax	Bacterial infections	**275**	311	387	**(11)**	(20)
Xanax/Xanax XR	Anxiety disorders	**224**	253	276	**(11)**	(8)
Cardura	Hypertension/Benign prostatic hyperplasia	**210**	263	296	**(20)**	(11)
Neurontin	Seizures	**196**	210	216	**(7)**	(3)
Diflucan	Fungal infections	**181**	208	238	**(13)**	(13)
Tikosyn	Maintenance of normal sinus rhythm, conversion of atrial fibrillation/flutter	**179**	141	119	**27**	19
Depo-Provera	Contraceptive	**170**	201	191	**(15)**	2
Unasyn	Injectable antibacterial	**118**	96	84	**23**	14
All other Legacy Established Products [e], [o]	Various	**4,571**	5,145	5,516	**(11)**	(7)
Peri-LOE Products [i]		**$ 5,326**	$ 8,855	$ 10,151	**(40)**	(13)

Lyrica GEP [b]	Epilepsy, neuropathic pain and generalized anxiety disorder	**1,183**	1,818	1,629	**(35)**	12
Zyvox	Bacterial infections	**883**	1,352	1,353	**(35)**	—
Celebrex	Arthritis pain and inflammation, acute pain	**830**	2,699	2,918	**(69)**	(8)
Pristiq	Depression	**715**	737	698	**(3)**	6
Vfend	Fungal infections	**682**	756	775	**(10)**	(2)
Viagra GEP [c]	Erectile dysfunction	**411**	504	701	**(18)**	(28)
Revatio	Pulmonary arterial hypertension (PAH)	**260**	276	307	**(6)**	(10)
All other Peri-LOE Products [e]	Various	**362**	714	1,770	**(49)**	(60)
Sterile Injectable Pharmaceuticals [j]		**$ 3,944**	$ 3,277	$ 3,378	**20**	(3)
Medrol	Inflammation	**402**	381	398	**5**	(4)
Sulperazon	Antibiotic	**339**	354	309	**(4)**	15
Fragmin	Anticoagulant	**335**	364	359	**(8)**	2
Tygacil	Antibiotic	**304**	323	358	**(6)**	(10)

(MILLIONS OF DOLLARS)		Year Ended December 31,			% Change	
PRODUCT	PRIMARY INDICATIONS	**2015**	2014	2013	**15/14**	14/13
All other Sterile Injectable Pharmaceuticals [e]	Various	**2,563**	1,855	1,954	**38**	(5)
Infusion Systems [k]	Various	**$ 403**	$ —	$ —	*	—
Biosimilars [l]	Various	**$ 63**	$ —	$ —	*	—
Other Established Products [m]	Various	**$ 106**	$ —	$ —	*	—
OTHER [n]		**$ 506**	$ 451	$ 364	**12**	24
Total Lyrica [b]	Epilepsy, post-herpetic neuralgia and diabetic peripheral neuropathy, fibromyalgia and neuropathic pain due to spinal cord injury	**$ 4,839**	$ 5,168	$ 4,595	**(6)**	12
Total Viagra [c]	Erectile dysfunction	**$ 1,708**	$ 1,685	$ 1,881	**1**	(10)
Total Alliance revenues [o]	Various	**$ 1,312**	$ 957	$ 2,628	**37**	(64)

[a] The Innovative Products business is composed of two operating segments: GIP and VOC.

[b] Lyrica revenues from all of Europe, Russia, Turkey, Israel and Central Asia countries are included in Lyrica-GEP. All other Lyrica revenues are included in Lyrica-GIP. Total Lyrica revenues represent the aggregate of worldwide revenues from Lyrica-GIP and Lyrica-GEP.

[c] Viagra revenues from the U.S. and Canada are included in Viagra-GIP. All other Viagra revenues are included in Viagra-GEP. Total Viagra revenues represent the aggregate of worldwide revenues from Viagra-GIP and Viagra-GEP.

[d] Includes Eliquis, Rebif and Enbrel (in the U.S. and Canada through October 31, 2013).

[e] All other GIP, and All other V/O are a subset of GIP and VOC, respectively. All other Legacy Established Products, All other Peri-LOE Products and All other Sterile Injectable Pharmaceuticals are subsets of Established Products.

[f] In 2015, all revenues were composed of Prevnar 13/Prevenar 13. In 2014 and 2013, revenues were composed of the Prevnar family of products, which included Prevnar 13/Prevenar 13 and, to a much lesser extent, Prevenar (7-valent).

[g] The Established Products business consists of GEP, which includes all legacy Hospira commercial operations. Commencing from the acquisition date, September 3, 2015, and in accordance with our domestic and international reporting periods, our consolidated statement of income, primarily GEP's operating results, for the year ended December 31, 2015 reflects four months of legacy Hospira U.S. operations and three months of legacy Hospira international operations.

[h] Legacy Established Products include products that lost patent protection (excluding Sterile Injectable Pharmaceuticals and Peri-LOE Products).

[i] Peri-LOE Products include products that have recently lost or are anticipated to soon lose patent protection. These products primarily include Celebrex, Zyvox and Revatio in most developed markets, Lyrica in the EU, Pristiq in the U.S. and Inspra in the EU.

[j] Sterile Injectable Pharmaceuticals include generic injectables and proprietary specialty injectables (excluding Peri-LOE Products).

[k] Infusion Systems include Medication Management Systems products composed of infusion pumps and related software and services, as well as I.V. Infusion Products, including large volume I.V. solutions and their associated administration sets.

[l] Biosimilars include Inflectra (biosimilar infliximab), Nivestim (biosimilar filgrastim) and Retacrit (biosimilar epoetin zeta) in certain international markets.

[m] Includes legacy Hospira's One-to-One contract manufacturing and bulk pharmaceutical chemical sales organizations.

[n] Other includes revenues from Pfizer CentreSource, our contract manufacturing and bulk pharmaceutical chemical sales organization, and revenues related to our manufacturing and supply agreements with Zoetis.

[o] Total Alliance revenues represent the aggregate of worldwide revenues from Alliance revenues GIP and Alliance revenues GEP, which is included in All other Legacy Established Products.

* Calculation not meaningful.

Revenues—Selected Product Descriptions

References to GIP, V, O, and GEP indicate the business to which the revenues relate. GIP = the Global Innovative Pharmaceutical segment ; V = the Global Vaccines business; O = the Global Oncology business; and GEP = the Global Established Pharmaceutical segment .

- **Prevnar/Prevenar 13** (V), is our pneumococcal conjugate vaccine for the prevention of certain types of pneumococcal disease. Overall, worldwide revenues for Prevnar/Prevenar 13 increased 46% operationally in 2015 , compared to 2014 . Foreign exchange had an unfavorable impact on worldwide revenues of 6% in 2015, compared to 2014 .

  In the U.S., revenues for Prevnar increased 87% in 2015 , compared to 2014 , mainly due to continued strong uptake among adults following the positive recommendation from the U.S. Centers for Disease Control and Prevention's (CDC) Advisory Committee on Immunization Practices (ACIP) for use in adults aged 65 and older in the third quarter of 2014 and the success of the commercial programs which helped to maximize vaccinations across all channels. We believe the "catch-up" opportunity (i.e., the opportunity to reach adults aged 65 and older who have not been previously vaccinated with Prevnar) in adults in the U.S. will continue to be large given current demographics and aging trends. However, the remaining population of adults aged 65 years and older will likely require additional effort to capture. As a result, the opportunity will moderate over time as this "catch-up" opportunity becomes fully realized.

  Internationally, revenues for Prevenar increased 9% operationally in 2015 , compared to 2014 , primarily reflecting increased volume in emerging markets primarily due to Prevenar's inclusion in additional national immunization programs in certain emerging markets. Foreign exchange had an unfavorable impact on international revenues of 13% in 2015, compared to 2014 .

  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. 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.

  In March 2015, the European Commission approved an expanded indication for the use of Prevenar 13 for the prevention of pneumonia caused by the 13 pneumococcal serotypes in the vaccine in adults aged 18 years and older. The Summary of Product Characteristics has also been updated to include efficacy data from our landmark Community-Acquired Pneumonia Immunization Trial in Adults (CAPiTA), which demonstrated statistically significant reductions in first episodes of vaccine-type pneumococcal community-acquired pneumonia (CAP), including non-invasive/non-bacteremic CAP, and invasive pneumococcal disease (IPD) in adults aged 65 and older.

- **Lyrica** (GEP (revenues from all of Europe, Russia, Turkey, Israel and Central Asia)/GIP (all other revenues)) is indicated in the U.S. for three neuropathic pain conditions, fibromyalgia and adjunctive therapy for adult patients with partial onset seizures. In certain markets outside the U.S., indications include neuropathic pain (peripheral and central), fibromyalgia, adjunctive treatment of epilepsy and generalized anxiety disorder. Worldwide revenues for Lyrica were relatively flat operationally in 2015 , compared to 2014 . Foreign exchange had an unfavorable impact on worldwide revenues of 6% in 2015 , compared to 2014 .

  In the U.S., revenues increased 15% in 2015 , compared to 2014 , driven by price and volume increases, and investment in direct-to-consumer advertising combined with strong field force performance, partially offset by higher rebates.

  Internationally, Lyrica revenues decreased 11% operationally in 2015 , compared to 2014 , due to losses of exclusivity in certain developed Europe markets, partially offset by operational growth primarily in Japan. Foreign exchange had an unfavorable impact on international revenues of 13% in 2015 , compared to 2014 .

  Worldwide revenues from Lyrica in our GIP segment increased 13% operationally in 2015 , compared to 2014, and in our GEP segment, revenues from Lyrica decreased 23% operationally in 2015 , compared to 2014.
- **Enbrel** (GIP, outside the U.S. and Canada), indicated for the treatment of moderate-to-severe rheumatoid arthritis, polyarticular juvenile rheumatoid arthritis, psoriatic arthritis, plaque psoriasis, ankylosing spondylitis (a type of arthritis affecting the spine), and nonradiographic axial spondyloarthritis, recorded a 1% operational increase in worldwide revenues, excluding the U.S. and Canada, in 2015, compared to 2014. Results were favorably impacted by demand in certain markets in Europe and the timing of government purchases in Africa Middle East offset primarily by the change in the distribution channel in the U.K. Foreign exchange had a unfavorable impact of 14% in 2015, compared to 2014.
- **Lipitor** (GEP) is indicated for the treatment of elevated LDL-cholesterol levels in the blood. Lipitor faces generic competition in all major developed markets. Branded Lipitor recorded worldwide revenues of $1.9 billion , or a 4% operational decrease in 2015 , compared to 2014. Foreign exchange had an unfavorable impact of 6% in 2015 , compared to 2014 .

  In the U.S., revenues decreased 33% in 2015 compared to 2014, primarily due to lower volumes and higher rebates.

  In our international markets, revenues were relatively flat operationally in 2015 , compared to 2014, driven by volume growth in emerging markets, primarily in China, offset by brand erosion due to generic competition and increased payer pressure in developed markets. Foreign exchange had an unfavorable impact on international revenues of 7% in 2015 , compared to 2014 .
- **Viagra** (GIP (revenues from U.S. and Canada)/GEP (all other revenues excluding U.S. and Canada)) is indicated for the treatment of erectile dysfunction. Viagra worldwide revenues increased 5% operationally in 2015 , compared to 2014 , primarily due to operational growth in the U.S. and emerging markets. Foreign exchange had an unfavorable impact of 4% in 2015, compared to 2014. International revenues decreased 7% operationally in 2015 , compared to 2014 , primarily from brand erosion due to generic competition and increased payer pressure in developed markets, partially offset by volume growth in China. Foreign exchange had an unfavorable impact on international revenues of 11% in 2015 , compared to 2014 . Revenues in the U.S. increased 11% in 2015 , compared to 2014 , primarily driven by increased pill quantity per prescription, higher purchases from the U.S. Department of Veterans Affairs/Department of Defense, and price increases, partially offset by lower patient demand.
- **Sutent** (O) is indicated for the treatment of advanced renal cell carcinoma, including metastatic renal cell carcinoma (mRCC); gastrointestinal stromal tumors after disease progression on, or intolerance to, imatinib mesylate; and advanced pancreatic neuroendocrine tumor. Sutent worldwide revenues increased 7% operationally in 2015 , compared to 2014 , primarily due to greater demand in emerging markets as well as price increases in the U.S. Foreign exchange had an unfavorable impact of 12% in 2015 , compared to 2014 .
- Our **Premarin** family of products (GEP) helps women address moderate-to-severe menopausal symptoms. Premarin worldwide revenues decreased 4% operationally in 2015 , compared to 2014 . Revenues in the U.S. in 2015 were unfavorably impacted by prescription volume declines and lower market growth, partially offset by price increases. Foreign exchange had an unfavorable impact of 1% in 2015 , compared to 2014 .
- **Norvasc** (GEP) is indicated for the treatment of hypertension. Norvasc worldwide revenues decreased 3% operationally in 2015 , compared to 2014 , due to generic erosion in Japan, partially offset by volume growth in emerging markets, primarily in China. Foreign exchange had an unfavorable impact of 8% in 2015 , compared to 2014 .
- **Zyvox** (GEP) is among the world's best-selling branded agents used to treat serious Gram-positive pathogens, including methicillin-resistant staphylococcus-aureus. Zyvox worldwide revenues decreased 27% operationally in 2015 , compared to 2014 . Foreign exchange had an unfavorable impact of 8% in 2015 , compared to 2014 .

  In the U.S., revenues decreased 61% due to generic competition beginning in the first half of 2015, as well as pricing pressures.

  Internationally, Zyvox revenues increased 7% operationally in 2015 compared to 2014 , primarily due to volume growth in China. Foreign exchange had an unfavorable impact on international revenues of 15% in 2015 , compared to 2014 .
- **Celebrex** (GEP) is indicated for the treatment of the signs and symptoms of osteoarthritis and rheumatoid arthritis worldwide and for the management of acute pain in adults in the U.S., Japan and certain other markets. Celebrex recorded a 66% decrease in worldwide operational revenues in 2015, compared to 2014, primarily driven by the loss of exclusivity and associated generic competition in the U.S. and certain other developed markets. Foreign exchange had an unfavorable impact of 3% in 2015 compared to 2014.

  In the U.S., revenues decreased 92% in 2015 compared to 2014, driven by the loss of exclusivity and launch of multi-source generic competition in December 2014.

  Internationally, Celebrex revenues decreased 20% operationally in 2015 , compared to 2014 , driven by the loss of exclusivity and launch of multi-source generic competition in most developed markets. Foreign exchange had an unfavorable impact on international revenues of 9% in 2015 , compared to 2014 .

- **BeneFIX and ReFacto AF/Xyntha** (GIP) are hemophilia products using state-of-the-art manufacturing that assist patients with their lifelong hemophilia bleeding disorders. BeneFIX worldwide revenues decreased 5% operationally in 2015 , compared to 2014 , primarily as a result of the erosion of market share in the U.S. due to the launch of competing new extended half-life treatment options. Foreign exchange had an unfavorable impact on revenues of 7% in 2015 , compared to 2014 .

  ReFacto AF/Xyntha recorded a 5% operational decrease in worldwide revenues in 2015 , compared to 2014 , largely due to price erosion in the U.K. and Australia, erosion of market share in the U.S. due to the launch of competing new extended half-life treatment options and loss of the annual 2015 contract in Iraq. Foreign exchange had an unfavorable impact on revenues of 11% in 2015 , compared to 2014 .
- **Ibrance** (O) was approved and launched in the U.S., Macau, Chile and Albania as a first-line treatment for certain forms of advanced breast cancer. Ibrance recorded worldwide revenues of $723 million in 2015 , nearly all of which were recorded in the U.S.
- **Pristiq** (GEP) is indicated for the treatment of major depressive disorder in the U.S. and in various other countries. Pristiq has also been indicated for treatment of moderate-to-severe vasomotor symptoms (VMS) associated with menopause in Thailand, Mexico, the Philippines and Ecuador. Pristiq recorded a 1% operational increase in worldwide revenues in 2015 , compared to 2014 . Foreign exchange had an unfavorable impact on revenues of 4% the 2015 , compared to 2014 .

  In the U.S., Pristiq revenues were relatively flat in 2015 compared to 2014 due to price increases offset by decreased market share.

  Internationally, Pristiq revenues increased 5% operationally due to volume growth in certain markets. Foreign exchange had an unfavorable impact on international revenues of 16% in 2015 , compared to 2014 .
- **Chantix/Champix** (GIP) is approved as an aid to smoking-cessation treatment in adults 18 years of age and older in multiple markets worldwide. Worldwide revenues increased 9% operationally in 2015 , compared to 2014 . Foreign exchange had an unfavorable impact on revenues of 5% in 2015 , compared to 2014 .

  In the U.S., Chantix revenues increased 13% in 2015 , compared to 2014 , primarily due to two price increases and higher year-over-year demand driven by steadily improving coverage by insurers in response to the requirements of the Affordable Care Act and direct-to-consumer advertising on TV, partially offset by intensified competition by over-the-counter nicotine replacement therapies that utilize TV and retail channels and higher-than-expected Medicaid rebates.

  Internationally, Champix revenues increased 4% operationally in 2015 , compared to 2014 , primarily due to a significant tobacco tax increase in Korea and strong growth across emerging markets. Foreign exchange had an unfavorable impact on international revenues of 13% in 2015 , compared to 2014 .
- **Xeljanz** (GIP) is approved for use as a second-line therapy for the treatment of adult patients with moderate to severe active rheumatoid arthritis (after traditional disease-modifying antirheumatic drugs) in more than 40 markets including the U.S., Japan, Australia, Canada, Switzerland and Brazil. Xeljanz recorded a 72% increase in worldwide revenues operationally in 2015 , compared to 2014. In the U.S., Xeljanz revenues increased 63% in 2015 , compared to 2014 driven by continued adoption by rheumatologists, growing awareness among patients and price increases. Foreign exchange had a 2% unfavorable impact in 2015 , compared to 2014 .
- **Xalkori** (O) is indicated for the treatment of patients with locally advanced or metastatic non-small cell lung cancer (NSCLC) that is anaplastic lymphoma kinase (ALK)-positive. Xalkori worldwide revenues increased 20% operationally in 2015 , compared to 2014, as a result of a steady increase in diagnostic rates for the ALK gene mutation across key markets, which has led to more patients being treated, and price increases in the U.S. Foreign exchange had a 9% unfavorable impact in 2015 , compared to 2014 .
- **Inlyta** (O) is indicated for the treatment of patients with advanced renal cell carcinoma (RCC) after failure of a prior systemic treatment. Worldwide revenues increased 14% operationally in 2015 , compared to 2014 , primarily due to increased demand across key markets with greater access and reimbursement, particularly in Europe, as well as price increases in the U.S. Foreign exchange had a 9% unfavorable impact on revenues in 2015 , compared to 2014 .
- **Alliance revenues** (GEP/GIP) increased 45% operationally in 2015 , compared to 2014 , mainly due to:
  - an increase in Eliquis alliance revenues as a result of increased market share,

  partially offset by:
  - the termination of the Spiriva (GEP) co-promotion collaboration, which resulted in a decrease of approximately $143 million operationally in 2015 , compared to 2014 .
  - **Eliquis** (apixaban) (GIP) is being jointly developed and commercialized by Pfizer and Bristol-Myers Squibb (BMS). The two companies share commercialization expenses and profit/losses equally on a global basis. In April 2015, we signed an agreement with BMS to transfer full commercialization rights in certain smaller markets to us, beginning in the third quarter of 2015. 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. Eliquis (apixaban) is approved for multiple indications in major markets around the world:
    - to reduce the risk of stroke and systemic embolism in patients with nonvalvular atrial fibrillation (NVAF);
    - for the treatment of deep vein thrombosis (DVT) and pulmonary embolism (PE), and for the reduction in the risk of recurrent DVT and PE following initial therapy; and
    - for the prophylaxis of DVT, which may lead to PE, in patients who have undergone hip or knee replacement surgery.

    The NOAC class penetration continues to expand across key markets. Eliquis has become the most prescribed oral anticoagulant in new to brand prescriptions among cardiologists in the U.S., Japan, and several other markets. Eliquis share uptake with primary care physicians has also been strong, following the launch, in the fourth quarter of 2014, of the treatment indications for DVT and PE and reduction in the risk of recurrent DVT and PE.

See the “Our Operating Environment—Intellectual Property Rights and Collaboration/Licensing Rights ” section of this Financial Review, for information regarding the expiration of various contract rights relating to Spiriva, Enbrel and Rebif.

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. Our R&D priorities include delivering a pipeline of differentiated therapies with the greatest scientific and commercial promise, innovating new 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 six high-priority areas that have a mix of small molecules and large molecules—immunology and inflammation; cardiovascular and metabolic diseases; oncology; vaccines; neuroscience and pain; and rare diseases. Another area of focus is biosimilars. With the acquisition of Hospira, we have expanded our biosimilars pipeline and added R&D capabilities for sterile injectables and infusion systems.

A comprehensive update of Pfizer's development pipeline, including assets from the Hospira acquisition, was published on February 2, 2016 and is available at www.pfizer.com/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 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
Xeljanz (Tofacitinib)	Extended-release 11mg tablets for the once-daily treatment of moderate to severe rheumatoid arthritis in patients who have had an inadequate response or intolerance to methotrexate	February 2016
Ibrance (Palbociclib)	An oral and selective reversible inhibitor of the CDK 4 and 6 kinases for the treatment of hormone receptor-positive (HR+), human epidermal growth factor receptor 2-negative (HER2-) advanced or metastatic breast cancer in combination with fulvestrant in women with disease progression following endocrine therapy	February 2016
Ibrance (Palbociclib)	An oral and selective reversible inhibitor of the CDK 4 and 6 kinases in combination with letrozole for the treatment of postmenopausal women with estrogen receptor-positive (ER+), HER2- advanced breast cancer as an initial endocrine-based therapy for their metastatic disease	February 2015

PENDING U.S. NEW DRUG APPLICATIONS (NDA) AND SUPPLEMENTAL FILINGS

PRODUCT	PROPOSED INDICATION	DATE FILED *
Xalkori (Crizotinib)	Treatment of ROS1-positive non-small cell lung cancer	December 2015
ALO-02 (oxycodone HCl/ naltrexone/HCl)	A Mu-type opioid receptor agonist for the management of pain severe enough to require daily, around-the-clock, long-term opioid treatment and for which alternative treatment options are inadequate	February 2015
Retacrit [(a)]	A potential biosimilar to Epogen® and Procrit® (epotein alfa)	February 2015
Xeljanz (Tofacitinib) [(b)]	Treatment of adult patients with moderate to severe chronic plaque psoriasis	February 2015
Tafamidis meglumine [(c)]	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) Epogen® is a registered U.S. trademark of Amgen Inc.; Procrit® is a registered U.S. trademark of Johnson & Johnson. In October 2015, we received a "complete response" letter from the FDA with respect to our biologics license application for Retacrit, our proposed biosimilar to epoetin alfa, which was submitted for all indications of the reference product. We are working diligently to address the content of the letter.

(b) In October 2015, we received a "complete response" letter from the FDA with respect to our supplemental NDA for Xeljanz for the treatment of adult patients with moderate to severe chronic plaque psoriasis. While we have yet to meet with the FDA to discuss their concerns, we recognize that overcoming the issues raised may be difficult, especially in light of the evolving marketplace. We will consider our investment in the psoriasis indication for Xeljanz following this discussion with the FDA.

(c) 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. We continue to work with the FDA to define a path forward.

In February 2008, the FDA advised it expected to convene an advisory committee pending responses to the "approvable letters" for the Viviant (bazedoxifene) NDAs for the treatment and prevention of post-menopausal osteoporosis, which were received in December 2007 and May 2008. In view of the approval of Duavee (conjugated estrogens/bazedoxifene), we submitted a request to withdraw the NDAs for Viviant in December 2015.

REGULATORY APPROVALS AND FILINGS IN THE EU AND JAPAN			
PRODUCT	**DESCRIPTION OF EVENT**	**DATE APPROVED**	**DATE FILED** *
Xalkori (Crizotinib)	Application filed in the EU for the treatment of ROS1-positive non-small cell lung cancer		February 2016
Eliquis (Apixaban) [(a)]	Approval in Japan for the treatment and prevention of recurrence of venous thromboembolism (deep vein thrombosis and pulmonary embolism)	December 2015	—
Xalkori (Crizotinib)	Approval in the EU for first line treatment of anaplastic lymphoma kinase (ALK)-positive non-small cell lung cancer	November 2015	—
Effexor SR (Venlafaxine HCl)	Approval in Japan for treatment of depression/depressed state	September 2015	—
Ibrance (Palbociclib)	Application filed in the EU for palbociclib in combination with endocrine therapy for the treatment of hormone receptor-positive (HR+), HER2- advanced or metastatic breast cancer, as well as for the treatment of recurrent advanced breast cancer	—	August 2015
Xeljanz (Tofacitinib)	Application filed in Japan for treatment of psoriasis vulgaris and psoriatic arthritis with inadequate response to existing therapies	—	March 2015

* For applications in the EU, the dates set forth in this column are the dates on which the European Medicines Agency (EMA) validated our submissions.

[(a)] This indication for Eliquis (apixaban) was developed and is being commercialized in collaboration with Bristol-Myers Squibb (BMS).

LATE-STAGE CLINICAL PROGRAMS FOR ADDITIONAL USES AND DOSAGE FORMS FOR IN-LINE AND IN-REGISTRATION PRODUCTS	
PRODUCT	**PROPOSED INDICATION**
Bosulif (Bosutinib)	First-line treatment for patients with chronic phase Philadelphia chromosome positive chronic myelogenous leukemia, which is being developed in collaboration with Avillion Group
Inlyta (Axitinib)	Adjuvant treatment of renal cell carcinoma, which is being developed in collaboration with SFJ Pharmaceuticals Group
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
Lyrica (Pregabalin)	Peripheral neuropathic pain
Lyrica (Pregabalin)	CR (once-a-day) dosing
Sutent (Sunitinib)	Adjuvant treatment of renal cell carcinoma
Tofacitinib	Treatment of psoriasis (ex-US)
Tofacitinib	Treatment of ulcerative colitis
Tofacitinib	Treatment of psoriatic arthritis
Vyndaqel (Tafamidis meglumine)	Adult symptomatic transthyretin cardiomyopathy

NEW DRUG CANDIDATES IN LATE-STAGE DEVELOPMENT	
CANDIDATE	**PROPOSED INDICATION**
Avelumab (PF-06834635) (MSB0010718C)	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
Avelumab (PF-06834635) (MSB0010718C)	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
Avelumab (PF-06834635) (MSB0010718C)	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
Avelumab (PF-06834635) (MSB0010718C)	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
Avelumab (PF-06834635) (MSB0010718C)	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
Avelumab (PF-06834635) (MSB0010718C)	Third-line treatment in advanced or metastatic gastric/gastro-esophageal junction cancers, which is being developed in collaboration with Merck KGaA, Germany
Bococizumab	A monoclonal antibody that inhibits PCSK9 for the treatment of hyperlipidemia and prevention of cardiovascular events
Dacomitinib	A pan-HER tyrosine kinase inhibitor for the first-line treatment of patients with advanced non-small cell lung cancer with EGFR activating mutations, which is being developed in collaboration with SFJ Pharmaceuticals Group
Ertugliflozin	An oral SGLT2 inhibitor for the treatment of patients with type 2 diabetes, which is being developed in collaboration with Merck & Co., Inc.
Inotuzumab ozogamicin	An antibody drug conjugate, consisting of an anti-CD22 monotherapy antibody linked to a cytotoxic agent, calicheamycin, for the treatment of acute lymphoblastic leukemia
PF-06836922	A long-acting hGH-CTP for the treatment of growth hormone deficiency in adults, which is being developed in collaboration with OPKO Health, Inc.
PF-06438179 [(a)]	A potential biosimilar to Remicade® (infliximab)
PF-05280014 [(b)]	A potential biosimilar to Herceptin® (trastuzumab)
PF-05280586 [(c)]	A potential biosimilar to Rituxan® (rituximab)
PF-06439535 [(d)]	A potential biosimilar to Avastin® (bevacizumab)
PF-06410293 [(e)]	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.
Tanezumab	An anti-nerve growth factor monoclonal antibody for the treatment of pain, which is being developed in collaboration with Eli Lilly & Company
Trumenba	A prophylactic vaccine for active immunization to prevent invasive disease caused by *Neisseria meningitidis* serogroup B in individuals 10 through 25 years of age (ex-U.S.)

[(a)] Remicade® is a registered trademark of Janssen Biotech, Inc. 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 European Economic Area (EEA) to Sandoz, which was a condition to the European Commission's approval of the Hospira transaction. We retain commercialization and manufacturing rights to PF-06438179 in all countries outside of the EEA.

[(b)] Herceptin® is a registered trademark of Genentech, Inc.

[(c)] Rituxan® is a registered trademark of Biogen MA, Inc.

[(d)] Avastin® is a registered trademark of Genentech, Inc.

[(e)] Humira® is a registered trademark of AbbVie Biotechnology Ltd.

Inflectra™

In 2009, Hospira entered into an agreement to develop and market certain biosimilar molecules with Celltrion Inc. and Celltrion Healthcare, Co., Ltd. (collectively Celltrion) including Inflectra ™ (infliximab) for patients with autoimmune diseases. In Europe, Inflectra has now launched in 36 markets. Celltrion possesses the right to commercialize its infliximab product in the same European markets as Hospira. We have exclusive commercialization rights from Celltrion to their infliximab product in the U.S., Canada and certain other territories. In August 2014, Celltrion submitted a potential infliximab biosimilar for FDA approval in the U.S., and in February 2016, the FDA's Arthritis Advisory Committee provided a non-binding recommendation to the FDA for approval across all indications. In December 2014, Hospira launched Inflectra in Canada. Inflectra has also been approved in certain markets, where Hospira will market it as Remsima™.

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 to Celltrion rights that Hospira had previously acquired to potential biosimilars to Rituxan ® (rituximab) and Herceptin ® (trastuzumab). In connection with the return of the acquired rights, we incurred charges of $215 million, which are 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* for additional information.

Additional product-related programs are in various stages of discovery and development. Also, see the discussion in the "Our Business Development Initiatives" section of this Financial Review.

COSTS AND EXPENSES

Cost of Sales

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2015**	2014	2013	**15/14**	14/13
Cost of sales	**$ 9,648**	$ 9,577	$ 9,586	**1**	—
As a percentage of *Revenues*	**19.7%**	19.3%	18.6%		

2015 v. 2014

Cost of sales increased 1% in 2015, compared to 2014, primarily due to:

- an increase in sales volumes due to (i) the inclusion of four months of legacy Hospira U.S. operations and three months of legacy Hospira international operations and the vaccine portfolio operations acquired from Baxter in fiscal 2015, both of which are comprised of inventory measured at fair value on the acquisition date (approximately $2.1 billion); and (ii) the net increase in sales volume of Pfizer legacy products; and
- non-recurring charges of $72 million related to manufacturing plant pension obligations and $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,

partially offset by:

- favorable foreign exchange of 10% in 2015;
- a change in the profit deferred in inventory relating to inventory that had not been sold to third parties resulting in a non-cash benefit of $306 million; and, to a lesser extent
- manufacturing efficiencies; and
- a decrease in royalty expense associated with products that recently lost marketing exclusivity.

The increase in *Cost of sales* as a percentage of *Revenues* in 2015, compared to 2014 , was primarily due to:

- an unfavorable change in product mix due to (i) the inclusion of four months of legacy Hospira U.S. operations, three months of legacy Hospira international operations, and the vaccine portfolio operations acquired from Baxter in fiscal 2015, both of which are comprised of inventory measured at fair value on the acquisition date; and (ii) the impact of losses of exclusivity;

partially offset by:

- a change in the profit deferred in inventory relating to inventory that had not been sold to third parties (described above);
- manufacturing efficiencies;
- favorable foreign exchange;
- a decrease in royalty expenses associated with products that have recently lost marketing exclusivity; and
- an increase in alliance revenues which have no associated cost of sales.

2014 v. 2013

Cost of sales increased as a percentage of *Revenues* in 2014, compared to the same period in 2013. These increases are primarily due to the impact of losses of exclusivity and unfavorable changes in product mix, resulting from, among other things, the loss of Enbrel alliance revenue after October 31, 2013, when the co-promotion term of the collaboration agreement for Enbrel in the U.S. and Canada expired, and the loss of Spiriva alliance revenue in the U.S. as of April 29, 2014. Cost of sales in 2014 were relatively flat compared to 2013 as the unfavorable impact due to the changes in product mix discussed above was largely offset by favorable foreign exchange of 3%.

Selling, Informational and Administrative (SI&A) Expenses

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2015**	2014	2013	**15/14**	14/13
Selling, informational and administrative expenses	**$ 14,809**	$ 14,097	$ 14,355	**5**	(2)
As a percentage of *Revenues*	**30.3%**	28.4%	27.8%		

2015 v. 2014

SI&A expenses increased 5% in 2015 , compared to 2014 , primarily due to:

- increased investments to support recently launched products and other in-line biopharmaceutical products and certain Consumer Healthcare brands;
- a non-recurring charge of $419 million 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; and
- the inclusion of four months of legacy Hospira U.S. operations and three months of legacy Hospira international operations,

partially offset by:

- the favorable impact of foreign exchange of 6%;
- lower expenses associated with certain products that have recently lost marketing exclusivity;
- lower field force, advertising and promotional expenses, reflecting the benefits of cost-reduction and productivity initiatives; as well as
- the non-recurrence of a $215 million charge to account for an additional year of the non-tax deductible Branded Prescription Drug Fee in accordance with final regulations issued in the third quarter of 2014 by the U.S. Internal Revenue Service (IRS).

2014 v. 2013

SI&A expenses decreased 2% in 2014, compared to 2013, primarily due to:

- lower expenses for field force and marketing expenses, reflecting the benefits of cost-reduction and productivity initiatives, partly in response to product losses of exclusivity;
- a reduction related to a true-up of the 2013 fee payable to the federal government under the U.S. Healthcare Legislation based on our prior-calendar-year share relative to other companies of branded prescription drug sales to specified government programs; and
- the favorable impact of foreign exchange of 1%,

partially offset by:

- increased investments in recently launched products and certain in-line products, as well as the launch and pre-launch marketing expenses for Trumenba (meningitis B vaccine) and Ibrance (palbociclib); and
- a $215 million charge to account for an additional year of the non-tax deductible Branded Prescription Drug Fee in accordance with final regulations issued in the third quarter of 2014 by the IRS.

Research and Development (R&D) Expenses

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2015**	2014	2013	**15/14**	14/13
Research and development expenses	**$ 7,690**	$ 8,393	$ 6,678	**(8)**	26
As a percentage of *Revenues*	**15.7%**	16.9%	12.9%		

2015 v. 2014

R&D expenses decreased 8% in 2015 , compared to 2014 , primarily due to:

- the non-recurrence of a charge associated with a collaborative arrangement with Merck KGaA, announced in November 2014, to jointly develop and commercialize avelumab, an investigational anti-PD-L1 antibody currently in development as a potential treatment for multiple types of cancer. The charge included an $850 million upfront cash payment as well as an additional amount of $309 million, reflecting the estimated fair value of certain co-promotion rights for Xalkori given to Merck KGaA (for further discussion, see the “Our Business Development Initiatives” section of this Financial Review);
- lower clinical trial expenses for various studies for certain previously approved products, including as a result of the completion of postmarketing commitments;
- lower upfront payments associated with certain licensing agreements compared to 2014; and
- the favorable impact of foreign exchange of 2%,

partially offset by:

- higher clinical trial spend for certain oncology and GIP pipeline programs;
- the $295 million upfront payment to OPKO in the first quarter of 2015 associated with a worldwide development and commercialization agreement;
- increased investment in biosimilar and sterile injectable development programs; and
- the inclusion of four months of legacy Hospira U.S. operations and three months of legacy Hospira international operations.

2014 v. 2013

R&D expenses increased 26% in 2014 , compared to 2013 , primarily due to:

- a charge associated with a collaborative arrangement with Merck KGaA, announced in November 2014, to jointly develop and commercialize avelumab, an investigational anti-PD-L1 antibody currently in development as a potential treatment for multiple types of cancer. The charge includes an $850 million upfront cash payment as well as an additional amount of $309 million, reflecting the estimated fair value of certain co-promotion rights for Xalkori given to Merck KGaA (for further discussion, see the “Our Business Development Initiatives” section of this Financial Review); and
- costs associated with ongoing Phase 3 programs for certain new drug candidates, including bococizumab and ertugliflozin (in collaboration with Merck), investments in Ibrance (palbociclib) and our vaccines portfolio, including Trumenba, as well as potential new indications for previously approved products, especially for Xeljanz.

See also 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 R&D spending is conducted through a number of matrix organizations—Research Units, within our Worldwide Research and Development organization, are generally responsible for research assets (assets that have not yet achieved proof-of-concept); Business Units are generally responsible for development assets (assets that have achieved proof-of-concept); and science-based and other platform-services organizations (for technical support and other services). For additional information by operating segment, see the "Analysis of Operating Segment Information" section of this Financial Review.

We take a holistic approach to our R&D operations and manage the operations on a total-company basis through our matrix organizations described above. Specifically, a single committee, co-chaired by members of our R&D and commercial organizations, is accountable for aligning resources among all of our R&D projects and for seeking to ensure that our company is focusing its R&D resources in the areas where we believe that we can be most successful and maximize our return on investment. We believe that this approach also serves to maximize accountability and flexibility.

Our Research Units are organized in a variety of ways (by therapeutic area or combinations of therapeutic areas, by discipline, by location, etc.) 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 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 such as Pharmaceutical Sciences, Medicinal Chemistry, Drug Safety, and Development Operations, 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.

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.

Amortization of Intangible Assets

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2015**	2014	2013	**15/14**	14/13
Amortization of intangible assets	**$ 3,728**	$ 4,039	$ 4,599	**(8)**	(12)
As a percentage of *Revenues*	**7.6%**	8.1%	8.9%		

Amortization of intangible assets decreased 8% in 2015 , compared to 2014 , and 12% in 2014 , compared to 2013 , primarily due to assets that became fully amortized at the end of their estimated useful lives. The decrease in *Amortization of intangible assets* in 2015 was partially offset by purchase accounting charges of approximately $161 million pre-tax related to the identifiable intangible assets acquired from Hospira.

See also Notes to Consolidated Financial Statements— *Note10A. 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)	**2015**	2014	2013	**15/14**	14/13
Restructuring charges and certain acquisition-related costs	**$ 1,152**	$ 250	$ 1,182	*	(79)
Total additional depreciation—asset restructuring	**122**	261	291	**(53)**	(10)
Total implementation costs	**203**	270	231	**(25)**	17
Costs associated with acquisitions and cost-reduction/productivity initiatives [(a)]	**$ 1,478**	$ 781	$ 1,704	**89**	(54)

[(a)] 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.

* Calculation not meaningful.

Included in *Restructuring charges and certain acquisition-related costs* are (i) restructuring charges of $811 million in 2015 for employee termination costs, asset impairments and other exit costs largely associated with our acquisition of Hospira; (ii) transaction costs, such as banking, legal, accounting and other similar services, directly related to our pending combination with Allergan and our acquisition of Hospira of $123 million in 2015 ; and (iii) integration costs, representing external, incremental costs directly related to integrating acquired businesses, and primarily including expenditures for consulting and the integration of systems and processes of $219 million in 2015 , primarily related to our acquisition of Hospira. For information about costs associated with the acquisition of Hospira and expected total costs, see Notes to Consolidated Financial Statements— *Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives* .

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 generate $800 million of annual cost synergies by 2018 in connection with the Hospira acquisition. Based on our past experience, the one-time costs to generate the synergies are expected to be approximately $1 billion (not including costs of $215 million in 2015 associated with the return of acquired in-process research and development rights), incurred for up to a three-year period post-acquisition.

In early 2014, we announced that we would be incurring costs in 2014-2016 related to new programs: our new global commercial structure reorganization and additional cost-reduction/productivity initiatives. We also have an ongoing manufacturing plant network rationalization and optimization initiative underway. For information about these programs and expected 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 ongoing annual cost savings associated with the above-mentioned programs (but not including expected cost savings associated with the Hospira acquisition), in the aggregate, are estimated to be approximately $2.4 billion by the end of 2016.

The expected costs and cost savings in 2016 associated with these activities, as well as the Hospira acquisition, are reflected in our financial guidance for 2016. See also the "Our Financial Guidance for 2016" section of this Financial Review.

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)	**2015**	2014	2013	**15/14**	14/13
Other (income)/deductions—net	**$ 2,860**	$ 1,009	$ (532)	*	*

* Calculation not meaningful.

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 FOR TAXES ON INCOME

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2015**	2014	2013	**15/14**	14/13
Provision for taxes on income	**$ 1,990**	$ 3,120	$ 4,306	**(36)**	(28)
Effective tax rate on continuing operations	**22.2%**	25.5%	27.4%		

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. 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* .

2015 v. 2014

The lower effective tax rate in 2015 compared to 2014 was primarily the result of:

- the change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business;
- the non-recurrence of the non-deductibility of the $215 million charge to account for an additional year of the Branded Prescription Drug Fee in accordance with the final regulations issued in the third quarter of 2014 by the Internal Revenue Service (IRS); and
- the tax benefits associated with certain tax initiatives,

partially offset by:

- the non-deductibility of a foreign currency loss related to Venezuela; and
- the non-deductibility of a charge for the agreement in principle to resolve claims relating to Protonix.

2014 v. 2013

The lower effective tax rate in 2014 compared to 2013 was primarily the result of:

- the non-recurrence of the unfavorable tax rate associated with patent litigation settlement income of $1.3 billion recorded in 2013;
- the non-recurrence of the non-deductibility of the $292 million of goodwill derecognized and the jurisdictional mix of the other intangible assets divested as part of the transfer of certain product rights to Hisun Pfizer recorded in 2013;
- the change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business; and

- the non-recurrence of the non-deductibility of the $223 million loss on an option to acquire the remaining interest in Teuto in 2013, since we expect to retain the investment indefinitely and income in 2014 resulting from a decline in the non-tax deductible estimated loss, from the aforementioned option,

partially offset by:

- the non-deductibility of the $215 million charge to account for an additional year of the Branded Prescription Drug Fee in accordance with final regulations issued in the third quarter of 2014 by the IRS;
- a decrease in the favorable impact of the U.S. R&D tax credit as compared to 2013;
- the non-recurrence of the U.S. tax benefits of approximately $430 million, representing tax and interest, resulting from a settlement with the IRS with respect to audits of the Wyeth tax returns for the year 2006 through date of acquisition; and
- a decrease in 2014 of the favorable impact of the resolution of certain tax positions, pertaining to prior years with various foreign tax authorities, and from the expiration of certain statutes of limitations as compared to 2013.

Changes in Tax Laws

On February 28, 2013, the Governor of Puerto Rico signed into law Act No. 2-2013, amending Sections 2101 and 2102 of the Puerto Rico Internal Revenue Code of 1994, which provided for 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. The impact of Act No. 2-2013 is being recorded in *Cost of sales* and *Provision for taxes on income,* as appropriate. All expected impacts in 2016 have been reflected in our financial guidance for 2016.

On December 18, 2015, the President of the United States signed into law the Protecting Americans from Tax Hikes Act of 2015 (the 2015 Act), which 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. All expected impacts in 2016 have been reflected in our financial guidance for 2016.

DISCONTINUED OPERATIONS

For information about our discontinued operations, see Notes to Consolidated Financial Statements— *Note 2D. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Divestitures* .

ADJUSTED INCOME

General Description of Adjusted Income Measure

Adjusted income is an alternative view of performance used by management, and we believe that investors' understanding of our performance is enhanced by disclosing this performance measure. We report Adjusted income, and certain components of Adjusted income, in order to portray the results of our major operations—the discovery, development, manufacture, marketing and sale of prescription medicines, consumer healthcare (OTC) products, and vaccines—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 *Revenues, 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. The Adjusted income measure and the Adjusted income component measures are not, and should not be viewed as, a substitute for U.S. GAAP net income or U.S. GAAP net income components.

The Adjusted income measure is an important internal measurement for Pfizer. We measure the performance of the overall Company on this basis in conjunction with other performance metrics. The following are examples of how the Adjusted income measure is utilized:

- senior management receives a monthly analysis of our operating results that is prepared on an Adjusted income basis;
- our annual budgets are prepared on an Adjusted income basis; and
- senior management's annual compensation is derived, in part, using this Adjusted income measure. 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 Internal Revenue Code 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 will be one of the measures utilized to determine payout. Adjusted operating income is derived from Adjusted income.

Despite the importance of this measure to management in goal setting and performance measurement, Adjusted income is a non-GAAP financial measure that has no standardized meaning prescribed by U.S. GAAP and, therefore, has limits in its usefulness to investors. Because of its non-standardized definition, Adjusted income (unlike U.S. GAAP net income) may not be comparable to the calculation of similar measures of other companies. Adjusted income is presented solely to permit investors to more fully understand how management assesses performance.

We also recognize that, as an internal measure of performance, the Adjusted income measure has limitations, and we do not restrict our performance-management process solely to this metric. A limitation of the Adjusted income measure is that it provides 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 does 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 group of pharmaceutical industry peers (pre-2015) or 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 2015 , 2014 and 2013 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 Pharmacia Corporation (acquired in 2003), Wyeth (acquired in 2009), King Pharmaceuticals, Inc. (acquired in 2011) and Hospira, Inc. (Hospira) (acquired in 2015), 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, depreciation related to the increase/decrease in fair value of the acquired fixed assets, 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 research and development 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 research and development 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 such as the gains on the full disposition of our former Animal Health business (Zoetis) in June 2013. 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, unusual items that are evaluated on an individual basis. Such evaluation considers both the quantitative and the qualitative aspect of their unusual nature. Unusual, in this context, 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 for a program that is specific in nature with a defined term, such as those related to our global commercial structure reorganization and our other non-acquisition-related cost-reduction and productivity initiatives; 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; 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	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 for taxes on income	**8,965**	3,953	894	—	4,321	18,133
Provision 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

IN MILLIONS, EXCEPT PER COMMON SHARE DATA	2014 GAAP Reported	Purchase Accounting Adjustments [a]	Acquisition-Related Costs [a]	Discontinued Operations [a]	Certain Significant Items [a]	Non-GAAP Adjusted
Revenues	**$ 49,605**	$ —	$ —	$ —	$ (198)	$ 49,406
Cost of sales	**9,577**	101	(53)	—	(491)	9,134
Selling, informational and administrative expenses	**14,097**	1	—	—	(377)	13,721
Research and development expenses	**8,393**	2	—	—	(1,243)	7,153
Amortization of intangible assets	**4,039**	(3,884)	—	—	—	155
Restructuring charges and certain acquisition-related costs	**250**	—	(130)	—	(121)	—
Other (income)/deductions—net	**1,009**	139	—	—	(1,716)	(567)
Income from continuing operations before provision for taxes on income	**12,240**	3,641	183	—	3,749	19,812
Provision for taxes on income [b]	**3,120**	1,085	76	—	969	5,250
Income from continuing operations	**9,119**	2,556	107	—	2,780	14,562
Discontinued operations—net of tax	**48**	—	—	(48)	—	—
Net income attributable to noncontrolling interests	**32**	—	—	—	—	32
Net income attributable to Pfizer Inc.	**9,135**	2,556	107	(48)	2,780	14,530
Earnings per common share attributable to Pfizer Inc.—diluted	**1.42**	0.40	0.02	(0.01)	0.43	2.26

See end of tables for notes [a] and [b].

IN MILLIONS, EXCEPT PER COMMON SHARE DATA	2013 GAAP Reported	Purchase Accounting Adjustments [a]	Acquisition-Related Costs [a]	Discontinued Operations [a]	Certain Significant Items [a]	Non-GAAP Adjusted
Revenues	**$ 51,584**	$ —	$ —	$ —	$ (132)	$ 51,452
Cost of sales	**9,586**	23	(116)	—	(220)	9,273
Selling, informational and administrative expenses	**14,355**	8	(8)	—	(183)	14,172
Research and development expenses	**6,678**	3	—	—	(127)	6,554
Amortization of intangible assets	**4,599**	(4,438)	—	—	—	161
Restructuring charges and certain acquisition-related costs	**1,182**	—	(252)	—	(930)	—
Other (income)/deductions—net	**(532)**	60	—	—	636	164
Income from continuing operations before provision for taxes on income	**15,716**	4,344	376	—	692	21,128
Provision for taxes on income [b]	**4,306**	1,198	(7)	—	313	5,810
Income from continuing operations	**11,410**	3,146	383	—	379	15,318
Discontinued operations—net of tax	**10,662**	—	—	(10,662)	—	—
Net income attributable to noncontrolling interests	**69**	—	—	(39)	—	30
Net income attributable to Pfizer Inc.	**22,003**	3,146	383	(10,623)	379	15,288
Earnings per common share attributable to Pfizer Inc.—diluted	**3.19**	0.46	0.06	(1.54)	0.05	2.22

[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 24.0% in 2015 , 26.5% in 2014 and 27.5% in 2013. The effective tax rate for 2015 compared with 2014 was favorably impacted by the change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business. The effective tax rate in 2014 compared to 2013 was favorably impacted by the 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 the favorable impact of the resolution of certain tax positions, pertaining to prior years, with various foreign tax authorities and from the expiration of certain statutes of limitations, as well as a decrease in the favorable impact of the U.S. R&D tax credit compared to 2013.

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, 2015	2014	2013
Purchase accounting adjustments			
Amortization, depreciation and other [a]	**$ 3,540**	$ 3,742	$ 4,367
Cost of sales	**413**	(101)	(23)
Total purchase accounting adjustments—pre-tax	**3,953**	3,641	4,344
Income taxes [b]	**(1,110)**	(1,085)	(1,198)
Total purchase accounting adjustments—net of tax	**2,843**	2,556	3,146
Acquisition-related costs			
Restructuring charges [c]	**479**	50	108
Transaction costs [c]	**123**	—	—
Integration costs [c]	**218**	80	144
Additional depreciation—asset restructuring [d]	**75**	53	124
Total acquisition-related costs—pre-tax	**894**	183	376
Income taxes [e]	**(303)**	(76)	7
Total acquisition-related costs—net of tax	**591**	107	383
Discontinued operations			
Discontinued operations—net of tax [f]	**(11)**	(48)	(10,662)
Discontinued operations—net of tax, attributable to noncontrolling interests	**—**	—	39
Total discontinued operations—net of tax, attributable to Pfizer Inc.	**(11)**	(48)	(10,623)
Certain significant items			
Restructuring charges [g]	**333**	121	930
Implementation costs and additional depreciation—asset restructuring [h]	**251**	478	398
Foreign currency loss and inventory impairment related to Venezuela [i]	**878**	—	—
Charge related to pension settlement [j]	**491**	—	—
Upfront fee associated with collaborative arrangement [k]	**—**	1,163	—
Additional year of Branded Prescription Drug Fee [l]	**—**	215	—
Patent litigation settlement income [m]	**—**	—	(1,342)
Certain other legal matters, net [n]	**968**	999	21
Gain associated with the transfer of certain product rights [n]	**—**	—	(459)
Certain asset impairments [n]	**787**	440	836
Business and legal entity alignment costs [o]	**282**	168	—
Costs associated with the Zoetis IPO [p]	**—**	—	18
Other [q]	**332**	165	290
Total certain significant items—pre-tax	**4,321**	3,749	692
Income taxes [r]	**(949)**	(969)	(313)
Total certain significant items—net of tax	**3,372**	2,780	379
Total purchase accounting adjustments, acquisition-related costs, discontinued operations and certain significant items—net of tax, attributable to Pfizer Inc.	**$ 6,795**	$ 5,394	$ (6,715)

[a] Included primarily in *Amortization of intangible assets* .

[b] Included in *Provision 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.

[c] 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*). Restructuring charges include employee termination costs, asset impairments and other exit costs associated with business combinations. Transaction costs represent external costs directly related to our pending combination with Allergan plc and the acquisition of Hospira, and primarily include expenditures 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. In 2015, restructuring charges and integration costs primarily relate to our acquisition of Hospira on September 3, 2015. All of these costs and charges are included in *Restructuring charges and certain acquisition-related costs* .

[d] Represents the impact of changes in estimated useful lives of assets involved in restructuring actions related to acquisitions. For 2015 and 2014, included in *Cost of sales.* For 2013, included in *Cost of sales* ($116 million) and *Selling informational and administrative expenses* ($8 million).

(e) Included in *Provision 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. 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 2014, there was a favorable impact; and in 2013, there was an unfavorable impact.

(f) Included in *Discontinued operations—net of tax.* For 2015 and 2014, represents post-close adjustments. For 2013, virtually all relates to our former Animal Health business, through June 24, 2013, the date of disposal (see Notes to Consolidated Financial Statements— *Note 2D. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Divestitures*) .

(g) Amounts relate to our cost-reduction and productivity initiatives not related to acquisitions. 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*).

(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 2015, virtually all included in *Cost of sales* ($145 million), *Selling, informational and administrative expenses* ($83 million) and *Research and development expenses* ($19 million). For 2014, virtually all included in *Cost of sales* ($253 million), *Selling, informational and administrative expenses* ($141 million) and *Research and development expenses* ($83 million). For 2013, included in *Selling, informational and administrative expenses* ($156 million), *Research and development expenses* ($127 million) and *Cost of sales* ($115 million).

(i) In 2015, represents (i) an $806 million foreign currency loss included in *Other (income)/deductions—net* related to recent conditions in Venezuela, that had us resolve that our Venezuelan bolivar-denominated net monetary assets that are s ubject to revaluation are no longer expected to be settled at the Venezuelan government CENCOEX official rate of 6.30, but rather at the 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; 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.

(j) Included in *Cost of sales* ($72 million) and *Selling, informational and administrative expenses* ($419 million) . In 2015, 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.

(k) Virtually all included in *Research and development expenses* . Represents a charge associated with a collaborative arrangement with Merck KGaA, announced in November 2014, to jointly develop and commercialize avelumab, an investigational anti-PD-L1 antibody currently in development as a potential treatment for multiple types of cancer. The charge includes an $850 million upfront cash payment as well as an additional amount of $309 million, reflecting the estimated fair value of the co-promotion rights for Xalkori given to Merck KGaA.

(l) Included in *Selling, informational and administrative expenses* . In 2014, represents a charge to account for an additional year of the non-tax deductible Branded Prescription Drug Fee in accordance with final regulations issued in the third quarter of 2014 by the IRS.

(m) In 2013, reflects income from a litigation settlement with Teva Pharmaceutical Industries Ltd. and Sun Pharmaceutical Industries Ltd. for patent-infringement damages resulting from their "at-risk" launches of generic Protonix in the U.S. Included in *Other (income)/deductions—net* (see the "Other (Income)/Deductions—Net" section of this Financial Review and Notes to Consolidated Financial Statements— *Note 4. Other (Income)/Deductions—Net*) .

(n) Included in *Other (income)/deductions—net* (see the "Other (Income)/Deductions—Net" section of this Financial Review and Notes to Consolidated Financial Statements— *Note 4. Other (Income)/Deductions—Net*) .

(o) Included in *Other (income)/deductions—net.* In 2015 and 2014, represents expenses for changes to our infrastructure to align our operations, as well as reporting for our business segments established in 2014.

(p) Represents costs incurred in connection with the initial public offering of an approximate 19.8% ownership interest in Zoetis. Includes expenditures for banking, legal, accounting and similar services. For 2013, included in *Other (income)/deductions—net* (see the "Other (Income)/Deductions—Net" section of this Financial Review and Notes to Consolidated Financial Statements— *Note 4. Other (Income)/Deductions—Net*) .

(q) For 2015 , virtually all included in *Cost of sales* ($149 million income), and *Other (income)/deductions—net* ($473 million). For 2014 , virtually all included in *Revenues* ($198 million), *Cost of sales* ($238 million), *Selling, informational and administrative expenses* ($21 million) and *Other (income)/deductions—net* ($103 million). For 2013, included in *Revenues* ($132 million), *Cost of sales* ($105 million), *Selling, informational and administrative expenses* ($26 million) and *Other (income)/deductions—net* ($291 million). 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 that 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 that are primarily included in *Other (income)/deductions—net* . In 2013, includes an estimated loss on an option to acquire the remaining interest in Laboratório Teuto Brasileiro S.A. (Teuto), a 40%-owned generics company in Brazil (approximately $223 million). In 2014, includes income resulting from a decline in the estimated loss from the aforementioned option (approximately $55 million). For 2014 , includes, among other things, income associated with the manufacturing and supply agreements with Zoetis Inc. that are virtually all included in *Revenues* ($272 million) and *Cost of sales* ($237 million). For 2013, includes, among other things, income associated with the manufacturing and supply agreements with Zoetis Inc. that are included in *Revenues* ($132 million) and *Cost of sales* ($116 million).

(r) Included in *Provision 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 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 to resolve claims relating to Protonix. The amount in 2014 was favorably impacted by the decline in the non-tax deductible estimated loss recorded in the third quarter of 2013 related to an option to acquire the remaining interest in Teuto, since we expect to retain the investment indefinitely, and unfavorably impacted by a non-tax deductible charge to account for an additional year of the Branded Prescription Drug Fee in accordance with final regulations issued in the third quarter of 2014 by the IRS. The amount in 2013 was favorably impacted by U.S. tax benefits of approximately $430 million, representing tax and interest, resulting from a settlement with the IRS with respect to audits of the Wyeth tax returns for the years 2006 through date of acquisition and unfavorably impacted by (i) the tax rate associated with the patent litigation settlement income, (ii) the non-deductibility of goodwill derecognized and the jurisdictional mix of the other intangible assets divested as part of the transfer of certain product rights to Hisun Pfizer, and (iii) the aforementioned non-tax deductible estimated loss related to the Teuto option, since we expect to retain the investment indefinitely, and the non-deductibility of an impairment charge related to our equity-method investment in Teuto. 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 three operating segments—the Global Innovative Pharmaceutical segment (GIP); the Global Vaccines, Oncology and Consumer Healthcare segment (VOC); and the Global Established Pharmaceutical segment (GEP). 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* .

	2015							
(MILLIONS OF DOLLARS)	GIP [a]	VOC [a]	Total Innovative Products [b]	Established Products GEP [a]	Other [c]	Non-GAAP Adjusted [d]	Reconciling Items [e]	GAAP Reported
Revenues	**$ 13,954**	**$ 12,803**	**$ 26,758**	**$ 21,587**	**$ 506**	**$ 48,851**	**$ —**	**$ 48,851**
Cost of sales	**1,561**	**2,089**	**3,650**	**4,486**	**884**	**9,021**	**627**	**9,648**
% of revenue	**11.2%**	**16.3%**	**13.6%**	**20.8%**	*	**18.5%**	*	**19.7%**
Selling, informational and administrative expenses	**3,611**	**3,195**	**6,807**	**3,572**	**3,945**	**14,324**	**485**	**14,809**
Research and development expenses	**1,987**	**1,043**	**3,030**	**758**	**3,865**	**7,653**	**37**	**7,690**
Amortization of intangible assets	**46**	**48**	**94**	**36**	**—**	**130**	**3,598**	**3,728**
Restructuring charges and certain acquisition-related costs	**—**	**—**	**—**	**—**	**—**	**—**	**1,152**	**1,152**
Other (income)/deductions—net	**(1,008)**	**(79)**	**(1,087)**	**(150)**	**827**	**(409)**	**3,269**	**2,860**
Income from continuing operations before provision for taxes on income	**$ 7,757**	**$ 6,507**	**$ 14,264**	**$ 12,885**	**$ (9,016)**	**$ 18,133**	**$ (9,168)**	**$ 8,965**

	2014							
(MILLIONS OF DOLLARS)	GIP [a]	VOC [a]	Total Innovative Products [b]	Established Products GEP [a]	Other [c]	Non-GAAP Adjusted [d]	Reconciling Items [e]	GAAP Reported
Revenues	$ 13,861	$ 10,144	$ 24,005	$ 25,149	$ 253	$ 49,406	$ 198	$ 49,605
Cost of sales	1,858	1,991	3,848	4,570	716	9,134	443	9,577
% of revenue	13.4%	19.6%	16.0%	18.2%	*	18.5%	*	19.3%
Selling, informational and administrative expenses	3,606	2,556	6,162	3,903	3,655	13,721	377	14,097
Research and development expenses	1,625	925	2,549	657	3,946	7,153	1,241	8,393
Amortization of intangible assets	45	24	69	85	—	155	3,884	4,039
Restructuring charges and certain acquisition-related costs	—	—	—	—	—	—	250	250
Other (income)/deductions—net	(1,052)	(44)	(1,096)	(265)	794	(567)	1,577	1,009
Income from continuing operations before provision for taxes on income	$ 7,780	$ 4,692	$ 12,472	$ 16,199	$ (8,859)	$ 19,812	$ (7,573)	$ 12,240

	2013 [f]							
(MILLIONS OF DOLLARS)	GIP [a]	VOC [a]	Total Innovative Products [b]	Established Products GEP [a]	Other [c]	Non-GAAP Adjusted [d]	Reconciling Items [e]	GAAP Reported
Revenues	$ 14,317	$ 9,285	$ 23,602	$ 27,619	$ 232	$ 51,452	$ 132	$ 51,584
Cost of sales	1,833	1,843	3,675	4,732	866	9,273	313	9,586
% of revenue	12.8%	19.8%	15.6%	17.1%	*	18.0%	*	18.6%
Selling, informational and administrative expenses	3,194	2,326	5,520	4,714	3,938	14,172	183	14,355
Research and development expenses	1,242	912	2,154	737	3,663	6,554	124	6,678
Amortization of intangible assets	45	13	58	100	3	161	4,438	4,599
Restructuring charges and certain acquisition-related costs	—	6	6	—	(5)	—	1,182	1,182
Other (income)/deductions—net	(545)	(31)	(576)	(216)	957	164	(696)	(532)
Income from continuing operations before provision for taxes on income	$ 8,549	$ 4,216	$ 12,765	$ 17,552	$ (9,189)	$ 21,128	$ (5,412)	$ 15,716

[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] Total Innovative Products represents the sum of the GIP and VOC segments.

(c) Other comprises the revenues and costs included in our Adjusted income components (see footnote (d) below) that are managed outside of our three operating segments and includes the following:

	2015					
	Other Business Activities					
(MILLIONS OF DOLLARS)	PCS (i)	WRD (ii)	Medical (iii)	Corporate (iv)	Other Unallocated (v)	Total
Revenues	**$ 506**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 506**
Cost of sales	**396**	**—**	**—**	**20**	**468**	**884**
Selling, informational and administrative expenses	**13**	**2**	**149**	**3,711**	**71**	**3,945**
Research and development expenses	**3**	**2,945**	**29**	**878**	**11**	**3,865**
Amortization of intangible assets	**—**	**—**	**—**	**—**	**—**	**—**
Restructuring charges and certain acquisition-related costs	**—**	**—**	**—**	**3**	**(3)**	**—**
Other (income)/deductions—net	**(1)**	**(77)**	**—**	**817**	**90**	**827**
Income from continuing operations before provision for taxes on income	**$ 96**	**$ (2,870)**	**$ (177)**	**$ (5,430)**	**$ (636)**	**$ (9,016)**

	2014					
	Other Business Activities					
(MILLIONS OF DOLLARS)	PCS (i)	WRD (ii)	Medical (iii)	Corporate (iv)	Other Unallocated (v)	Total
Revenues	$ 253	$ —	$ —	$ —	$ —	$ 253
Cost of sales	165	—	—	100	451	716
Selling, informational and administrative expenses	19	—	144	3,454	37	3,655
Research and development expenses	3	3,056	27	850	12	3,946
Amortization of intangible assets	—	—	—	—	—	—
Restructuring charges and certain acquisition-related costs	—	—	—	—	—	—
Other (income)/deductions—net	(3)	(66)	—	795	67	794
Income from continuing operations before provision for taxes on income	$ 69	$ (2,989)	$ (171)	$ (5,200)	$ (567)	$ (8,859)

	2013					
	Other Business Activities					
(MILLIONS OF DOLLARS)	PCS (i)	WRD (ii)	Medical (iii)	Corporate (iv)	Other Unallocated (v)	Total
Revenues	$ 232	$ —	$ —	$ 1	$ —	$ 232
Cost of sales	142	—	—	143	582	866
Selling, informational and administrative expenses	14	1	146	3,699	78	3,938
Research and development expenses	3	2,799	23	823	16	3,663
Amortization of intangible assets	—	2	—	—	1	3
Restructuring charges and certain acquisition-related costs	—	—	—	—	(5)	(5)
Other (income)/deductions—net	(2)	(66)	1	1,025	(1)	957
Income from continuing operations before provision for taxes on income	$ 75	$ (2,735)	$ (169)	$ (5,689)	$ (671)	$ (9,189)

(i) PCS—the revenues and costs of Pfizer CentreSource (PCS), our contract manufacturing and bulk pharmaceutical chemical sales operation. In 2015, PCS also includes revenues and expenses related to our manufacturing and supply agreements with Zoetis Inc.

(ii) WRD—the research and development (R&D) expenses managed by our Worldwide Research and Development organization (WRD), which is generally responsible for research projects until proof-of-concept is achieved and then for transitioning those projects to the appropriate operating segment for possible clinical and commercial development. This 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. WRD is also responsible for facilitating all regulatory submissions and interactions with regulatory agencies, including all safety-event activities.

(iii) Medical—the costs associated with our Pfizer Medical organization (Medical), which, during the years 2013 through 2015, was 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, partnerships with global public health and medical associations, regulatory inspection readiness reviews, internal audits of Pfizer-sponsored clinical trials and internal regulatory compliance processes.

(iv) 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.

(v) Other Unallocated—other unallocated costs, representing overhead expenses associated with our manufacturing and commercial operations not directly attributable to an operating segment.

For information purposes only, for 2015 , we estimate that Other costs, in the aggregate and as described above, but excluding (i) the revenues and costs associated with PCS; (ii) net interest-related expense not attributable to an operating segment and included in Corporate (approximately $831 million in *Other (income)/deductions—net*); and (iii) net gains on investments not attributable to an operating segment and included in Corporate (approximately $104 million in *Other (income)/deductions—net*), are generally associated with our operating segments, as follows:

(PERCENTAGES)	GIP	VOC	GEP
WRD/Medical Costs			
Selling, informational and administrative expenses	55% - 57%	17% - 19%	24% - 26%
Research and development expenses	49% - 53%	35% - 38%	12% - 14%
Other (income)/deductions—net	*	*	*
Total WRD/Medical Costs	48% - 52%	35% - 38%	13% - 15%
Corporate/Other Unallocated Costs			
Cost of sales	(12%) - (14%)	(9%) - (11%)	118% - 120%
Selling, informational and administrative expenses	27% - 29%	24% - 26%	44% - 48%
Research and development expenses	46% - 50%	37% - 40%	13% - 15%
Other (income)/deductions—net	*	*	*
Total Corporate/Other Unallocated Costs	26% - 29%	22% - 25%	46% - 49%
Total WRD/Medical and Corporate/Other Unallocated Costs			
Cost of sales	(12%) - (14%)	(9%) - (11%)	118% - 120%
Selling, informational and administrative expenses	28% - 30%	24% - 26%	43% - 47%
Research and development expenses	48% - 52%	35% - 38%	13% - 15%
Other (income)/deductions—net	*	*	*
Total WRD/Medical and Corporate/Other Unallocated Costs	34% - 37%	27% - 30%	34% - 37%

* Amounts not material. After excluding net interest expense included in Corporate and net gains on investments not attributable to an operating segment and included in Corporate, *Other (income)/deductions—net* approximates $97 million of expense.

The percentages provided in the table above 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.

- WRD/Medical — The information provided in the table above for WRD and Medical 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 — Virtually all of the information provided in the table above for Corporate and Other Unallocated was derived 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 R&D and manufacturing costs. Management believes that the allocations of Corporate and Other Unallocated costs are reasonable.

(d) See the “Adjusted Income” section of this Financial Review for a definition of these “Adjusted Income” components.

(e) Includes costs associated with (i) purchase accounting adjustments; (ii) acquisition-related costs; and (iii) certain significant items, which are substantive, unusual items 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 “Adjusted Income” section of this Financial Review.

(f) As our operations were not managed under the new structure until the beginning of the first quarter of 2014, certain costs and expenses could not be directly attributed to one of the new operating segments. As a result, our operating segment results for 2013 include allocations. The amounts subject to allocation methods in 2013 were approximately $2.1 billion , of selling, informational and administrative expenses and approximately $800 million , of R&D expenses.

- The selling, informational and administrative expenses were allocated using proportional allocation methods based on associated selling costs, revenues or product-specific costs, as applicable.
- The R&D expenses were allocated based on product-specific R&D costs or revenue metrics, as applicable.

Management believes that the allocations are reasonable.

* Calculation not meaningful.

Global Innovative Pharmaceutical Operating Segment

2015 vs. 2014

- *Revenues* increased 1% in 2015 , compared to 2014 . Foreign exchange had an unfavorable impact of 8% on GIP revenues in 2015 , compared to 2014 . Revenues increased by 9% operationally in 2015 , compared to 2014 , primarily due to the following operational factors:
  - strong operational performance of Eliquis globally, Lyrica, primarily in the U.S. and Japan, as well as Xeljanz, Viagra and Chantix, all primarily in the U.S. (collectively, up approximately $1.5 billion in 2015),

  partially offset by:
  - a decline in Rapamune revenues in the U.S. due to generic competition which began in October 2014 (down approximately $120 million in 2015), and
  - declines in the hemophilia portfolio in the U.S. due to increased competition (collectively down approximately $100 million).

Total GIP revenues from emerging markets were $1.6 billion in 2015 , consistent with $1.6 billion in 2014 , reflecting 9% operational growth, which was offset by the unfavorable impact of foreign exchange.

- *Cost of sales* as a percentage of *Revenues* decreased 2.2 percentage points in 2015 , compared to 2014 , primarily driven by a decrease in royalty expense, favorable foreign exchange and an increase in alliance revenues, which have no associated cost of sales. The decrease in *Cost of sales* of 16% in 2015 , compared to 2014 , was primarily driven by favorable foreign exchange and, to a lesser extent, a decrease in royalty expense.
- The slight increase in *Selling, informational and administrative expenses* in 2015 , compared to 2014 , reflects additional investment in Eliquis, Lyrica and certain other products, largely offset by favorable foreign exchange and reduced investment in certain other products.
- The increase in *Research and development expenses* of 22% in 2015 , compared to 2014 , primarily reflects the $295 million upfront payment to OPKO Health, Inc. made in the first quarter of 2015 and increased investment in certain late-stage pipeline programs, primarily bococizumab, partially offset by lower clinical trial expenses for certain previously approved products.
- The unfavorable change in *Other (income)/deductions—net* of 4% in 2015 , compared to 2014 , primarily reflects a decrease in royalty-related income, partially offset by an increase in our equity income from certain equity-method investments.

2014 vs. 2013:

- Revenues decreased 3% in 2014 , compared to 2013. Foreign exchange had an unfavorable impact of 1% on GIP revenues in 2014, compared to 2013. Revenues decreased by 2% operationally in 2014, compared to 2013, primarily due to the following operational factors:
  - the expiration of the co-promotion term of the collaboration agreement for Enbrel in the U.S. and Canada on October 31, 2013 (down approximately $1.4 billion in 2014); and
  - loss of exclusivity for Lyrica in Canada in February 2013 (a decline of approximately $67 million in 2014),

  partially offset by:
  - strong operational growth from Lyrica, primarily in the U.S. and Japan, and Enbrel outside the U.S. and Canada, as well as the performance of recently launched products, including Eliquis, primarily in the U.S. and most other developed markets, and Xeljanz primarily in the U.S. (a combined increase of approximately $1.1 billion in 2014).

  Total GIP revenues from emerging markets were $1.6 billion in 2014.
- *Cost of sales* as a percentage of *Revenues* increased 0.6 percentage points in 2014, compared to 2013, due to the loss of Enbrel alliance revenue after October 31, 2013 when the co-promotion term of the collaboration agreement for Enbrel in the U.S. and Canada expired as well as an unfavorable change in product mix. The increase in *Cost of sales* primarily reflects an unfavorable change in product mix.
- *Selling, informational and administrative expenses* increased 13% in 2014 compared to 2013, reflecting increased investment in recently launched products and certain in-line products.
- *Research and development expenses* increased 31% in 2014 compared to 2013, reflecting incremental investment in late-stage pipeline products.
- The favorable change in *Other (income)/deductions—net* of 93% in 2014, compared to 2013, primarily reflects an increase in royalty-related income, primarily due to royalties earned on sales of Enbrel in the U.S. and Canada after October 31, 2013. As noted above, on that date, the co-promotion term of the collaboration agreement for Enbrel in the U.S. and Canada expired, and Pfizer became entitled to royalties for a 36-month period thereafter.

Global Vaccines, Oncology and Consumer Healthcare Operating Segment

Global Vaccines, Oncology and Consumer Healthcare Revenues

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2015**	2014	2013	**15/14**	14/13
Global Vaccines	$ 6,454	$ 4,480	$ 3,965	**44**	13
Consumer Healthcare	3,395	3,446	3,342	**(1)**	3
Global Oncology	2,954	2,218	1,978	**33**	12
Total VOC	$ 12,803	$ 10,144	$ 9,285	**26**	9

2015 vs. 2014:

- Revenues increased 26% in 2015 , compared to 2014 , which includes an increase of 34% operationally in 2015 .
  - Global Vaccines *Revenues* increased 44% in 2015 , compared to 2014 , reflecting an operational increase in revenues of 51% in 2015 . The increase was primarily due to an increase of 87% in 2015 in Prevnar family revenue in the U.S., primarily driven by continued strong uptake of Prevnar 13 among adults following the positive recommendation from ACIP for use in adults aged 65 and older in the third quarter of 2014. International revenues increased 18% operationally in 2015 , driven by the Prevenar family, which grew 9% operationally in 2015 , compared to 2014, primarily reflecting Prevenar's inclusion in additional national immunization programs in certain emerging markets. International revenues were also favorably impacted by the inclusion in 2015 of revenues associated with the acquisition of Baxter's portfolio of marketed vaccines in Europe.

Foreign exchange had an unfavorable impact of 7% on Vaccines revenues in 2015 compared to 2014.

Total Vaccines revenues from emerging markets were $1.2 billion in 2015 compared to $1.0 billion in 2014, reflecting 22% operational growth which was partially offset by the unfavorable impact of foreign exchange.

- Global Oncology *Revenues* increased 33% in 2015 , compared to 2014 , reflecting an operational increase in revenues of 43% in 2015 , primarily driven by continued strong momentum following the February 2015 U.S. launch of Ibrance for advanced breast cancer and, to a lesser extent, stronger demand for Xalkori, Sutent and Inlyta in most markets.

  Foreign exchange had an unfavorable impact of 10% on Oncology revenues in 2015 compared to 2014 .

  Total Oncology revenues from emerging markets were $ 397 million in 2015 compared to $375 million in 2014, reflecting 22% operational growth which was partially offset by the unfavorable impact of foreign exchange.

- Consumer Healthcare *Revenues* decreased 1% in 2015 , compared 2014 , reflecting an operational increase in revenues of 5% in 2015 , primarily due to the launch of Nexium 24HR in the U.S. in late-May 2014, as well as increased demand for key brands such as Centrum, and operational growth in certain emerging markets.

  Foreign exchange had an unfavorable impact of 6% on Consumer Healthcare revenues in 2015 , compared to 2014.

  Total Consumer Healthcare revenues from emerging markets were $909 million in 2015 compared to $943 million in 2014, reflecting 7% operational growth, which was more than offset by the unfavorable impact of foreign exchange of 11%.

- *Cost of sales* as a percentage of *Revenues* decreased 3.3 percentage points in 2015 , compared to 2014 , primarily driven by manufacturing efficiencies, a favorable change in product mix and favorable foreign exchange. The increase in *Cost of sales* of 5% in 2015 , compared to 2014 , was primarily due to an increase in sales volumes, driven primarily by continued strong uptake of Prevnar 13 among adults, as well as the acquisition of Baxter's portfolio of marketed vaccines in Europe, largely offset by favorable foreign exchange and manufacturing efficiencies.
- *Selling, informational and administrative expenses* increased 25% in 2015 , compared to 2014 , primarily driven by higher promotional expenses in the U.S., primarily for newly launched Consumer Healthcare product line extensions, Prevnar 13 in adults and Ibrance, partially offset by favorable foreign exchange.
- *Research and development expenses* increased 13% in 2015 , compared to 2014, primarily reflecting increased costs associated with our vaccine and oncology programs, primarily our anti-PD-L1 alliance with Merck KGaA and Ibrance, partially offset by lower clinical trial spend for Trumenba, Prevnar 13 adult and certain oncology products.

2014 vs. 2013:

- *Revenues* increased 9% in 2014, compared to 2013, which includes an increase of 11% operationally in 2014.
  - Global Vaccines *Revenues* increased 13% in 2014, compared to 2013, reflecting an operational increase in revenues of 15% in 2014. The increase was primarily due to the performance of Prevnar 13 in the U.S., primarily reflecting the timing of government purchasing patterns, increased prices and increased demand among adults following the positive recommendation from ACIP for use in adults aged 65 and over. International revenues for the Prevenar family increased 10% operationally in 2014, which primarily reflects increased shipments associated with the Global Alliance for Vaccines and Immunization (GAVI) as well as the timing of government purchases in various emerging markets compared with 2013.

    Foreign exchange had an unfavorable impact of 2% on Vaccines revenues in 2014 compared to 2013.

    Total Vaccines revenues from emerging markets were $1.0 billion in 2014.

  - Global Oncology *Revenues* increased 12% in 2014, compared 2013, reflecting an increase in revenues of 14% operationally in 2014, due to continued strong underlying demand for recent product launches, Xalkori and Inlyta globally, as well as growth from Bosulif, primarily in the U.S.

    Foreign exchange had an unfavorable impact of 2% on Oncology revenues in 2014, compared to 2013.

    Total Oncology revenues from emerging markets were $375 million in 2014.

  - Consumer Healthcare *Revenues* increased 3% in 2014, compared to 2013, reflecting an operational increase in revenues of 5% in 2014, pri marily due to the launch of Nexium 24HR in the U.S. in late-May 2014 and growth of vitamin supplement products in emerging markets, partially offset by a decrease in revenues for respiratory products in the U.S. and Canada due to a less severe cold and flu incidence, and for Advil due to the 2013 launch of Advil Film-Coated, which triggered increased retail purchases in the prior year.

    Foreign exchange had an unfavorable impact of 2% on Consumer Healthcare revenues in 2014, compared to 2013.

    Total Consumer Healthcare revenues from emerging markets were $943 million in 2014.

- *Cost of sales* increased 8% in 2014, compared to 2013, primarily due to an increase in sales volumes, partially offset by favorable foreign exchange.
- *Selling informational and administrative expenses* increased 10% in 2014, compared to 2013, primarily driven by Consumer Healthcare expenses incurred to support the launch of Nexium 24HR in the U.S., Prevnar 13 adult investment, as well as the launch and pre-launch marketing expenses for Trumenba (meningitis B vaccine) and Ibrance (palbociclib).
- *Research and development expenses* increased 1% in 2014, compared to 2013, reflecting increased investment in Ibrance (palbociclib) and our vaccines portfolio (including Trumenba), as well as costs associated with our anti-PD-L1 alliance with Merck KGaA, partially offset by lower costs for certain oncology programs.

Global Established Pharmaceutical Operating Segment

2015 vs. 2014:

- *Revenues* decreased 14% in 2015 , compared to 2014 . Foreign exchange had an unfavorable impact of 7% on GEP revenues in 2015 , compared to 2014. Revenues decreased by 7% operationally in 2015 , primarily due to the following operational factors:
  - the loss of exclusivity and associated launch of multi-source generic competition for Celebrex in the U.S. in December 2014, for Zyvox in the U.S. beginning in the first half of 2015, for Lyrica in certain developed Europe markets beginning in the first quarter of 2015, and Inspra in developed Europe markets beginning in August 2014 (collectively, down by approximately $2.5 billion in 2015);
  - a decline in Lipitor revenues in developed markets as a result of continued generic competition (down approximately $160 million in 2015);
  - the decline in Zosyn/Tazocin revenues due to a disruption in supply due to manufacturing issues (down approximately $160 million in 2015); and
  - the termination of the co-promotion collaboration for Spiriva (down approximately $110 million in 2015),

  partially offset by:
  - the inclusion of legacy Hospira operations, which contributed $1.5 billion ; and
  - growth in emerging markets (excluding legacy Hospira), where revenues increased 2% operationally in 2015 (up by approximately $160 million in 2015).

  Total GEP revenues from emerging markets were $7.1 billion in 2015 , compared to $7.5 billion in 2014 , reflecting 3% operational growth, which was more than offset by the unfavorable impact of foreign exchange of 9%.
- *Cost of sales* as a percentage of *Revenues* increased 2.6 percentage points in 2015 , compared to 2014 , primarily due to the impact of losses of exclusivity resulting in an unfavorable change in product mix and the inclusion of legacy Hospira operations, partially offset by favorable foreign exchange. The decrease in *Cost of sales* of 2% in 2015 , compared to 2014, was primarily driven by favorable foreign exchange and lower volumes as a result of products losing exclusivity, offset by the inclusion of legacy Hospira operations.
- *Selling, informational and administrative expenses* decreased 8% in 2015 , compared to 2014, primarily due to lower field force, advertising and promotional expenses reflecting the benefits of cost-reduction and productivity initiatives, as well as favorable foreign exchange, partially offset by the inclusion of legacy Hospira operations, an increase in certain general and administrative expenses and higher cost for the U.S. Branded Prescription Drug Fee compared to the prior year.
- *Research and development expenses* increased 15% in 2015, compared to 2014 , reflecting the inclusion of legacy Hospira operations and increased investment in biosimilar development programs and sterile injectable development programs acquired as part of our acquisition of InnoPharma, Inc. partially offset by lower clinical trial expenses related to postmarketing commitments, primarily for Celebrex and Pristiq.
- The unfavorable change in *Other (income)/deductions—net* of 43% in 2015 , compared to 2014 , primarily reflects the non-recurrence of prior year gains on the sale of product rights, unfavorable foreign exchange and a decrease in our equity income from our equity-method investment in China (Hisun Pfizer), partially offset by other income gains.

2014 vs. 2013:

- *Revenues* decreased 9% in 2014, compared to 2013. Foreign exchange had an unfavorable impact of 2% on GEP revenues in 2014 compared to 2013. Revenues decrease 7% operationally in 2014, compared to 2013, primarily due to the following operational factors:
  - the loss of exclusivity and subsequent launch of multi-source generic competition for Detrol LA in the U.S. in January 2014, Celebrex in the U.S. in December 2014 and developed Europe in November 2014, Viagra in most major European markets in June 2013 as well as Aricept in Canada in December 2013 (aggregate decline of approximately $826 million in 2014);
  - the expiration or near-term expiration of the co-promotion collaboration for Spiriva in most countries, which has resulted in a decline in Pfizer's share of Spiriva revenues (down approximately $490 million in 2014);
  - a decline in branded Lipitor revenues in the U.S. and most other developed markets as a result of continued generic competition (down approximately $388 million in 2014);
  - the decline of certain products, including Effexor, Norvasc, atorvastatin, Zosyn/Tazocin, Metaxalone, Ziprasidone and Tygacil (down approximately $428 million in 2014);
  - a decline due to loss of exclusivity for certain other products in developed markets (down approximately $170 million in 2014); and
  - a decline in Aricept, not including Canada, revenues primarily due to the termination of the co-promotion agreement in Japan in December 2012 (down approximately $75 million in 2014),

  partially offset by:
  - the growth of Lipitor in China (up approximately $164 million in 2014);
  - the strong performance of Lyrica in Europe (growth of approximately $144 million in 2014); and
  - the contribution from the collaboration with Mylan Inc. to market generic drugs in Japan (approximately $37 million in 2014).

  Total GEP revenues from emerging markets were $7.5 billion in 2014.

- *Cost of sales* as a percentage of *Revenues* increased by 1.1 percentage points in 2014 compared to 2013, primarily due to the impact of losses of exclusivity and an unfavorable change in product mix. The 3% decrease in *Cost of sales* was primarily driven by favorable foreign exchange.
- *Selling, informational and administrative expenses* decreased 17% in 2014, compared to 2013, due to lower expenses for field force and marketing expenses, reflecting the benefits of cost-reduction and productivity initiatives.
- *Research and development expenses* decreased 11% in 2014 compared to 2013, due to lower clinical trial expenses and the benefits from cost-reduction and productivity initiatives, partially offset by increased spending on our biosimilars development programs.

ANALYSIS OF THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Changes in the components of *Accumulated other comprehensive loss* reflect the following:

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 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 realized amounts into income. For additional information, see Notes to Consolidated Financial Statements— *Note 7. Financial Instruments* .
- For *Benefit plans: actuarial gains/(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—Benefit Plans” section of this Financial Review.
- For *Benefit plans: prior service 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* .

2014

- For *Foreign currency translation adjustments* , reflects primarily the weakening of the euro against the U.S. dollar, and, to a lesser, extent the weakening of the Japanese yen, Canadian dollar, Brazilian real and U.K. pound against the U.S dollar. Also, includes the reclassification of amounts associated with legal entity dispositions into income.
- For *Unrealized holding gains on derivative financial instruments* , *net* reflects the impact of fair value remeasurements and the reclassification of realized amounts into income. For additional information, see Notes to Consolidated Financial Statements— *Note 7. Financial Instruments* .
- For *Unrealized holding gains/(losses) on available-for-sale securities* , *net* reflects the impact of fair value remeasurements and the reclassification of realized amounts into income. For additional information, see Notes to Consolidated Financial Statements— *Note 7. Financial Instruments* .
- For *Benefit plans: actuarial gains/(losses), net,* reflects the actuarial losses related primarily to a decrease in the discount rate. 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—Benefit Plans” section of this Financial Review.
- For *Benefit plans: prior service credits and other, net,* reflects an amendment to our post-retirement plans that decreased the benefit obligation by transferring certain plan participants to a retiree drug coverage program eligible for a Medicare Part D plan subsidy. For additional information, see Notes to Consolidated Financial Statements— *Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans* .

2013

- For *Foreign currency translation adjustments* , reflects the weakening of several currencies against the U.S. dollar, primarily the Japanese yen, the Australian dollar, the Canadian dollar and the Brazilian real, partially offset by the strengthening of several currencies against the U.S. dollar, primarily the euro and to a lesser extent the U.K. pound, as well as the reclassification of amounts associated with dispositions into income.
- For *Unrealized holding gains on derivative financial instruments* , *net* reflects the impact of fair value remeasurements and the reclassification of realized gains into income. For additional information, see Notes to Consolidated Financial Statements— *Note 7. Financial Instruments* .
- For *Unrealized holding gains/(losses) on available-for-sale securities* , *net* reflects the impact of fair value remeasurements and the reclassification of realized gains into income. For additional information, see Notes to Consolidated Financial Statements— *Note 7. Financial Instruments* .
- For *Benefit plans: actuarial gains/(losses)* , *net* , reflects the impact of actuarial gains (due to an increase in the discount rate and higher than expected returns on plan assets) and the reclassification of certain amounts related to amortization and curtailments/settlements into income. 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—Benefit Plans” section of this Financial Review.

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 "Analysis of the Consolidated Statements of Cash Flows" section of this Financial Review, the "Analysis of Financial Condition, Liquidity and Capital Resources: Selected Measures of Liquidity and Capital Resources" section 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.

The changes in our asset and liability accounts as of December 31, 2015 , compared to December 31, 2014 , generally reflect, among other things, the impact of assets acquired and liabilities assumed as part of the acquisition of Hospira (see Notes to Consolidated Financial Statements— *Note 2A. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Acquisitions*), and decreases due to changes in foreign currency exchange rates, some of which impacts were significant.

The following explanations exclude the impact of the acquisition of Hospira and foreign exchange:

- For *Trade accounts receivable, less allowance for doubtful accounts,* the change also reflects the timing of sales and collections in the normal course of business.
- For *Inventories,* the change also reflects an increase to inventory, resulting from a change in the profit deferred in inventory relating to inventory that had not been sold to third parties, inventory acquired as part of the acquisition of Baxter's portfolio of marketed vaccines, recorded at acquisition-date fair value as well as inventory builds in the normal course of business, partially offset by planned inventory reductions.
- For *Other current assets,* the change also reflects the decrease in the receivables associated with our derivative financial instruments as well as the timing of receipts and payments in the normal course of business.
- For *Property, plant and equipment, less accumulated depreciation,* the change also reflects depreciation, mainly offset by capital additions.
- For *Identifiable intangible assets, less accumulated amortization* , the change also reflects amortization and to a lesser extent impairments, partially offset by identifiable intangible assets acquired as part of the acquisition of Baxter's portfolio of marketed vaccines. For additional information about our intangible assets, see Notes to Consolidated Financial Statements— *Note 10A. Identifiable Intangible Assets and Goodwill: Identifiable Intangible Assets* . For additional information about the asset impairment charges, see Notes to Consolidated Financial Statements *—Note 4. Other (Income)/Deductions—Net* . For additional information about the assets acquired as part of the acquisition of Baxter's portfolio of marketed vaccines, see Notes to Consolidated Financial Statements— *Note 2A. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment* : *Acquisitions.*
- For *Trade accounts payable,* the change also reflects the timing of purchases and payments in the normal course of business.
- For *Accrued compensation and related items,* the change also reflects a higher bonus accrual attributable to performance and a change in the structure of our compensation whereby fixed compensation for certain previously non-bonus eligible colleagues was reduced and replaced with an equal amount of variable compensation tied to the performance of the Company and is paid annually.
- For *Other current liabilities* , the change also reflects an increase in the payables associated with our derivative financial instruments, a net increase in legal-related liabilities, mainly the accrual for the agreement in principle to resolve claims relating to Protonix, partially offset by payments of certain legal claims, as well as the timing of other payments and accruals in the normal course of business. For additional information, see Notes to Consolidated Financial Statements *—Note 17A4. Commitments and Contingencies: Legal Proceedings—Government Investigations.*
- For *Pension benefit obligations, net,* and *Postretirement benefit obligations, net* , the change reflects, among other things, a $1.0 billion voluntary pension contribution in January 2015, an increase in our discount rate assumptions used in the measurement of the plan obligations, 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, and a rise in the comparative strength of the U.S. dollar, as compared to other currencies. For additional information, see Notes to Consolidated Financial Statements— *Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans.*
- For *Other noncurrent liabilities* , the change reflects an increase in the payables associated with our derivative financial instruments and, to a lesser extent, the deferral of an upfront payment received as part of our tanezumab collaborative arrangement, partially offset by other payments and changes in accruals in the normal course of business.
- For *Accumulated other comprehensive loss* , the change primarily reflects foreign currency translation adjustments for 2015. For additional information see the "Analysis of the Consolidated Statements of Comprehensive Income" section of this Financial Review.

ANALYSIS OF THE CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2015**	2014	2013	**15/14**	14/13
Cash provided by/(used in):					
Operating activities	**$ 14,512**	$ 16,883	$ 17,684	**(14)**	(5)
Investing activities	**(2,980)**	(5,654)	(10,544)	**(47)**	(46)
Financing activities	**(10,233)**	(9,986)	(14,975)	**2**	(33)
Effect of exchange-rate changes on cash and cash equivalents	**(1,000)**	(83)	(63)	*	32
Net increase/(decrease) in *Cash and cash equivalents*	**$ 298**	$ 1,160	$ (7,898)	**(74)**	*

* Calculation not meaningful.

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

2015 v. 2014

Our net cash provided by operating activities was $14.5 billion in 2015 , compared to $16.9 billion in 2014 . The decrease in net cash provided by operating activities reflects the change in operating earnings as well as a $1.0 billion voluntary pension contribution in January 2015, and the timing of other receipts and payments in the ordinary course of business, including higher payments related to certain liabilities associated with legal matters, partially offset by the upfront cash payment of $850 million in 2014 in connection with our collaborative arrangement with Merck KGaA.

In 2015, the change in the line item called *Other adjustments, net,* primarily reflects the non-cash changes in the equity losses related to the Hisun and ViiV equity-method investments.

In 2015 and 2014 , the line item *Other changes in assets and liabilities, net of acquisitions and divestitures,* primarily reflects changes, in the normal course of business, in accounts receivable, inventories, other current assets, other noncurrent assets, accounts payable, accrued compensation and other current and non-current liabilities. For 2015, this line item also includes the adjustments necessary to reflect the payments of certain liabilities associated with legal matters accrued in prior periods, including Neurontin-related matters, partially offset by the deferral of an upfront payment received as part of our tanezumab 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.*

2014 v. 2013

Our net cash provided by operating activities was $16.9 billion in 2014 , compared to $17.7 billion in 2013 . The decrease in net cash provided by operating activities reflects operating earnings impacted by the timing of receipts and payments in the ordinary course of business, as well as the upfront cash payment of $850 million in connection with our collaborative arrangement with Merck KGaA. For additional information, see Notes to Consolidated Financial Statements— *Note 2C. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Collaborative Arrangements* .

In 2014, the change in the line item called *Other adjustments, net,* primarily reflects the non-cash changes in the estimated loss on the Teuto call/put option. For additional information, see Notes to Consolidated Financial Statements— *Note 2E. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Equity-Method Investments* .

Investing Activities

2015 v. 2014

Our net cash used in investing activities was $3.0 billion in 2015 , compared to $5.7 billion in 2014 . The decrease in net cash used in investing activities was primarily attributable to:

- net redemptions of investments of $14.6 billion in 2015 , compared to net purchases of investments of $4.2 billion in 2014 ,

partially offset by:

- cash paid of $15.7 billion , net of cash acquired, in 2015 for the acquisition of Hospira (see Notes to Consolidated Financial Statements— *Note 2A. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Acquisitions*); and
- cash paid of $763 million , net of cash acquired, in 2015 primarily for the acquisition of Baxter’s portfolio of marketed vaccines (see Notes to Consolidated Financial Statements— *Note 2A. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Acquisitions*).

2014 v. 2013

Our net cash used in investing activities was $5.7 billion in 2014 , compared to $10.5 billion in 2013 . The decrease in net cash used in investing activities was primarily attributable to:

- net purchases of investments of $4.2 billion in 2014, compared to $9.4 billion in 2013,

partially offset by:

- cash paid of $195 million, net of cash acquired, for the acquisition of InnoPharma in 2014.

Financing Activities

2015 v. 2014

Our net cash used in financing activities was $10.2 billion in 2015 , compared to $10.0 billion in 2014 . The increase in net cash used in financing activities was primarily attributable to:

- net principal payments on long-term debt of $3.0 billion in 2015, compared to net proceeds from issuance of long-term debt of $2.4 billion in 2014; and
- purchases of common stock of $6.2 billion in 2015 , compared to $5.0 billion in 2014 ,

partially offset by:

- net proceeds from short-term borrowings of $4.3 billion in 2015 , compared to net payments on short-term borrowings of $1.8 billion in 2014 .

2014 v. 2013

Our net cash used in financing activities was $10.0 billion in 2014 , compared to $15.0 billion in 2013 . The decrease in net cash used in financing activities was primarily attributable to:

- purchases of common stock of $5.0 billion in 2014, compared to $16.3 billion in 2013,

partially offset by:

- net proceeds from borrowings of $548 million in 2014, compared to net proceeds from borrowings of $6.0 billion in 2013; and
- proceeds from the exercise of stock options of $1.0 billion in 2014, compared to $1.8 billion in 2013.

Supplemental Schedule of Non-Cash Investing and Financing Information

In 2015, we exchanged $1.7 billion debt of our recently acquired subsidiary Hospira for virtually the same amount of Pfizer Inc. debt.

In 2013, we had the following non-cash transactions:

- we sold Zoetis common stock for Pfizer common stock valued at $11.4 billion;
- we exchanged Zoetis common stock for the retirement of Pfizer commercial paper issued in 2013 for $2.5 billion;
- we exchanged Zoetis senior notes for the retirement of Pfizer commercial paper issued in 2012 for $1.0 billion;
- we transferred certain product rights, valued at $1.2 billion, to an equity-method investment (Hisun Pfizer); and
- we contributed an investment, valued at $447 million, in connection with the resolution of a legal matter (Quigley).

For further details on the 2015 debt exchange, see Notes to Consolidated Financial Statements— *Note 7D. Financial Instruments: Long-Term Debt.* Zoetis is our former Animal Health business. For further details on Zoetis-related transactions, see Notes to Consolidated Financial Statements— *Note 2D. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Divestitures.* For further details on the transfer of certain product rights, see Notes to Consolidated Financial Statements— *Note 2E. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Equity-Method Investments.*

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. 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 research and development 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.

For additional information about our share-purchase plans, see the "Share-Purchase Plans and Accelerated Share Repurchase Agreement" section of this Financial Review.

Our long-term debt is rated high-quality by both Standard & Poor's (S&P) and Moody's Investors Service (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 and 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)	**2015**	2014
Selected financial assets:		
Cash and cash equivalents [a]	**$ 3,641**	$ 3,343
Short-term investments [a]	**19,649**	32,779
Long-term investments [a]	**15,999**	17,518
	39,290	53,640
Debt:		
Short-term borrowings, including current portion of long-term debt	**10,160**	5,141
Long-term debt	**28,818**	31,541
	38,978	36,682
Selected net financial assets [b]	**$ 312**	$ 16,958
Working capital [c]	**$ 14,405**	$ 34,007
Ratio of current assets to current liabilities [c]	**1.49:1**	2.58:1
Total Pfizer Inc. shareholders' equity per common share [d]	**$ 10.48**	$ 11.33

[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] Selected net financial assets decreased during 2015 as net cash provided by operating activities decreased, and cash paid for the Hospira acquisition, dividend payments and share purchases, among other things, more than offset the redemptions/sales, net of purchases, of investments and proceeds from the exercise of stock options. For additional information, see the "Analysis of the Consolidated Statements of Cash Flows" section of this Financial Review.

[c] The presentation of all deferred taxes as noncurrent in accordance with a new accounting standard that we adopted at December 31, 2015 impacted working capital and the ratio of current assets to current liabilities. Net current deferred tax assets of $2.1 billion at December 31, 2014 were reclassified to noncurrent assets and noncurrent liabilities, as appropriate (see Notes to Consolidated Financial Statements— *Note 1B. Adoption of New Accounting Standards*). The decrease in working capital is due to the acquisition of Hospira, as well as the timing of accruals, cash receipts and payments in the ordinary course of business. For additional information on the acquisition of Hospira, see Notes to Consolidated Financial Statements— *Note 2A. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Acquisitions.*

[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.

On May 15, 2014, we completed a public offering of $4.5 billion aggregate principal amount of senior unsecured notes (see Notes to Consolidated Financial Statements — *Note 7D. Financial Instruments: Long-Term Debt*).

On June 3, 2013, we completed a public offering of $4.0 billion aggregate principal amount of senior unsecured notes. In addition, we repaid at maturity our 3.625% senior unsecured notes, which had a balance of $2.4 billion at December 31, 2012, and, in December 2013, we redeemed the aggregate principal amount of $1.8 billion of our 5.50% senior unsecured notes that were due in February 2014.

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 generally hold up to $10 billion of our 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). Repatriation of overseas funds can result in additional U.S. federal, state and local income tax payments. We record U.S. deferred tax liabilities for certain unremitted earnings, but when amounts earned overseas are expected to be indefinitely reinvested outside the U.S., no accrual for U.S. taxes is provided.

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 have received limited payments in 2015 from the Greek government on outstanding receivables; the majority of such receivables pertain to 2015 revenues. Also, the Greek government has restructured its debt to other third parties in the third quarter of 2015. Accordingly, we have adjusted our allowance for doubtful accounts to reflect these events, and have $50 million in net receivables as of December 31, 2015 . Reported revenues from Greece for the year ended December 31, 2015 were $233 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, 2015 , we had about $772 million in aggregate gross accounts receivable from governments and/or government agencies in Italy, Spain, Greece and Portugal where economic conditions remain challenging and uncertain. Such receivables in excess of one year from the invoice date, totaling $66 million, were as follows: $39 million in Italy; $12 million in Portugal; $8 million in Greece; and $7 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 pending combination with Allergan could result in a downgrade of our ratings.

The following table provides the current ratings assigned by these rating agencies to our commercial paper and senior unsecured non-credit-enhanced long-term debt:

	Pfizer Commercial Paper	Pfizer Long-Term Debt		
NAME OF RATING AGENCY	Rating	Rating	Outlook	Date of Last Rating Change
Moody's	P-1	A1	Stable	October 2009
S&P	A-1+	AA	Negative Watch	November 2015

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, 2015 , we had access to $8.1 billion of lines of credit, of which $687 million expire within one year. Of these lines of credit, $7.9 billion are unused, of which our lenders have committed to loan us $7.1 billion at our request. Also, $7.0 billion of our unused lines of credit, all of which expire in 2020, may be used to support our commercial paper borrowings. Under the terms of a substantial majority of our line of credit agreements, upon the merger with Allergan, the lenders under the agreements may elect to require immediate repayment of any amounts then outstanding and cancel the outstanding lines of credit. We expect to either amend the existing credit agreements or secure new credit agreements to replace these agreements.

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. As markets conditions change, we continue to monitor our liquidity position.

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.

On February 13, 2013, the Venezuelan government devalued its currency from a rate of 4.3 to 6.3 of Venezuelan currency to the U.S. dollar. We incurred a foreign currency loss of $80 million immediately on the devaluation as a result of remeasuring the local balance sheets.

In the second quarter of 2015, the Venezuelan government identified three official rates of exchange. These are the CENCOEX rate of 6.3; the SICAD rate of 13.5 (as of February 2016); and the SIMADI rate of 200 (as of February 2016). News reports state the Venezuelan government announced that , effective February 18, 2016, the CENCOEX rate of 6.3 would be replaced by the rate of 10.0; that the SICAD rate would cease to be offered; and, the operation of the SIMADI rate would change.

Recent conditions in Venezuela had us resolve that our Venezuelan bolivar-denominated net monetary assets that are subject to revaluation are no longer expected to be settled at the Venezuelan government CENCOEX official rate of 6.3, but at the 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 included in *Other (income)/deductions—net* . See Notes to Consolidated Financial Statements— *Note 4. Other (Income)/Deductions—Net.* In addition, we had an inventory impairment loss of $72 million included in *Cost of sales* .

We expect to use the SIMADI rate in 2016 for remeasurement purposes of the remaining net assets, We cannot predict whether there will be further devaluations of the Venezuelan currency or whether our use of the SIMADI official 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.

As of December 31, 2015, our net monetary assets in Venezuela that are subject to revaluation totaled approximately $27 million (remeasured at the SIMADI 200 rate). Our Venezuela *Revenues* for 2015 are equivalent to approximately $34 million (converted using the SIMADI 200 rate).

Contractual Obligations

Payments due under contractual obligations as of December 31, 2015, mature as follows:

		Years			
(MILLIONS OF DOLLARS)	Total	2016	2017-2018	2019-2020	Thereafter
Long-term debt, including current portion [a]	$ 32,538	$ 3,720	$ 6,812	$ 5,171	$ 16,835
Interest payments on long-term debt obligations [b]	16,944	1,170	2,371	1,978	11,425
Other long-term liabilities [c]	3,390	388	794	688	1,521
Lease commitments [d]	1,849	206	370	265	1,009
Purchase obligations and other [e]	3,727	1,072	711	659	1,284
Uncertain tax positions [f]	73	73	—	—	—

[a] Long-term debt consists of senior unsecured notes, including fixed and floating rate, foreign currency denominated, and other notes.

[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. In January 2016, we made a $1.0 billion voluntary contribution to the U.S. qualified plans. We do not anticipate making any additional contributions to the U.S. qualified plans in 2016. Also, excludes $4.5 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: Selected Financial Assets and Liabilities, Note 11E. Pension and Postretirement Benefit Plans and Defined Contribution Plans: Cash Flows,* and *Note 17. Commitments and Contingencies.*

[d] Includes operating and capital lease obligations.

[e] 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.

[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 2016 , we expect to spend approximately $1.9 billion on property, plant and equipment. This represents an increase of approximately $500 million over 2015 capital spending in order to fund a full year of Hospira capital needs, as well as capital required to support the integration of the Hospira business, early-stage implementation of changes to our infrastructure to align our operations to our business segments established in 2014, incremental manufacturing investment to address increasing regulatory requirements as well as for business-driven capacity expansion. 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, we often indemnify our counterparties against certain liabilities that may arise in connection with a transaction or that are related to activities prior to a transaction. These indemnifications typically pertain to environmental, tax, employee and/or product-related matters, and patent-infringement claims. If the indemnified party were to

make a successful claim pursuant to the terms of the indemnification, we would be required to reimburse the loss. These indemnifications generally are subject to threshold amounts, specified claim periods and other restrictions and limitations. Historically, we have not paid significant amounts under these provisions and, as of December 31, 2015 , recorded amounts for the estimated fair value of these indemnifications were 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 Agreement

Our December 2011 $10 billion share-purchase plan was exhausted in the first quarter of 2013. Our November 2012 $10 billion share-purchase plan was exhausted in the fourth quarter of 2013. 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-purchase plan, and share repurchases commenced thereunder in January 2015. In December 2015, the Board of Directors authorized a new $11 billion share repurchase program to be utilized over time.

On February 9, 2015, we entered into an accelerated share repurchase agreement with Goldman, Sachs & Co. (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. This agreement was completed in July 2015, and pursuant to the agreement's settlement terms, we elected to settle the agreement 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. 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 agreement:

(SHARES IN MILLIONS, DOLLARS IN BILLIONS)	**2015** [(a)]	2014	2013
Shares of common stock purchased	**182**	165	563
Cost of purchase	**$ 6.2**	$ 5.0	$ 16.3

[(a)] Includes approximately 151 million shares purchased for $5.2 billion pursuant to the accelerated share repurchase agreement as well as other share repurchases through year-end 2015.

After giving effect to the accelerated share repurchase agreement, as well as other share repurchases through year-end 2015 , our remaining share-purchase authorization was approximately $16.4 billion at December 31, 2015 .

In November 2015, we announced that, consistent with 2015, we expect to execute an approximately $5 billion accelerated share repurchase program in the first half of 2016. We anticipate additional future share repurchases to continue following the consummation of the pending combination with Allergan. The actual size and timing of any such share repurchases will depend on actual and expected financial results.

Dividends on Common Stock

We paid dividends on our common stock of $6.9 billion in 2015 , $6.6 billion in 2014 and $6.6 billion in 2013 . In December 2015, our Board of Directors declared a first-quarter 2016 dividend of $0.30 per share, payable on March 2, 2016 , to shareholders of record at the close of business on February 5, 2016 . The first-quarter 2016 cash dividend will be our 309 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. The definitive merger agreement we entered into with Allergan in November 2015 includes a provision that Pfizer may continue to pay regular quarterly cash dividends on Pfizer's common stock of not more than $0.28 per share per quarter (subject to annual adjustment, if any, in a manner consistent with past practice by Pfizer's Board of Directors), consistent with past practice as to timing of declaration, record date and payment date. On December 14, 2015, we declared a $0.30 dividend per share for the first quarter of 2016, which is in compliance with the definitive merger agreement. 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.

Pending Combination with Allergan plc

On November 23, 2015, we announced that we have entered into a definitive merger agreement with Allergan, a global pharmaceutical company incorporated in Ireland, under which we have agreed to combine with Allergan in a stock transaction valued at $363.63 per Allergan share, for a total enterprise value of approximately $160 billion, based on the closing price of Pfizer common stock of $32.18 on November 20, 2015 (the last trading day prior to the announcement) and certain other assumptions. Allergan shareholders will receive 11.3 shares of the combined company for each of their Allergan shares by virtue of a share split, and Pfizer shareholders will have the option of receiving one share of the combined company for each of their Pfizer shares or receiving cash instead of shares of the combined company for some or all of their Pfizer shares, provided that the aggregate amount of cash to be paid in the merger will not be less than $6 billion or greater than $12 billion. In the event that elections to receive cash and shares in the merger would otherwise result in an aggregate of less than $6 billion or greater than $12 billion of cash being paid out in the merger, then the share elections and cash elections will be subject to proration. The completion of the transaction, which is expected in the second half of 2016, is subject to certain conditions, including receipt of regulatory approval in certain jurisdictions, including the U.S. and EU, the receipt of necessary approvals from both Pfizer and Allergan shareholders, and the completion of Allergan's pending divestiture of its generics business to Teva Pharmaceuticals Industries Ltd. The merger agreement also provides that the businesses of Pfizer and Allergan will be combined under the existing Allergan entity, which, subject to approval by Allergan shareholders, will be renamed "Pfizer plc."

NEW ACCOUNTING STANDARDS

Recently Issued Accounting Standards, Not Adopted as of December 31, 2015

See Notes to Consolidated Financial Statements— *Note 1B. Basis of Presentation and Significant Accounting Policies: Adoption of New Accounting Standards.*

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 November 2014, the Financial Accounting Standards Board (FASB) issued amended guidance related to accounting for **hybrid financial instruments** issued or held as investments.	The new guidance clarifies that for hybrid financial instruments in the form of stock, the assessment of whether the embedded derivative is clearly and closely related to the host instrument must consider the economic characteristics and risks of the entire hybrid financial instrument, including the embedded derivative feature that is being evaluated for separate accounting from the host contract.	January 1, 2016.	We do not expect that the provisions of this new standard will have any material impact on our consolidated financial statements.
In August 2014, the FASB issued amended guidance related to disclosure of uncertainties about the ability of an entity to continue as a **going concern** .	The new guidance requires management of all entities to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern and, as necessary, to provide related footnote disclosures.	December 31, 2016. Earlier application is permitted.	We do not expect that the provisions of this new standard will have any impact on our consolidated financial statements.
In July 2015, the FASB issued an update related to **inventory** .	The new guidance requires that inventory be measured at the lower of cost or net realizable value.	January 1, 2017. Earlier application is permitted as of the beginning of an interim or annual reporting period.	We do not expect the provisions of this new standard will have a material impact on our consolidated financial statements.
In May 2014, the FASB issued amended guidance related to **revenue from contracts with customers** . In August 2014, the FASB issued updated guidance deferring the effective date of the revenue recognition standard.	The new guidance introduces a new principles-based framework for revenue recognition and disclosure.	January 1, 2018. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period.	We have not yet completed our final review of the impact of this guidance, although we currently do not anticipate a material impact on our revenue recognition practices. We continue to review variable consideration, potential disclosures, and our method of adoption to complete our evaluation of the impact on our consolidated financial statements. In addition, we continue to monitor additional changes, modifications, clarifications or interpretations being undertaken by the FASB, which may impact our current conclusions.
In September 2015, the FASB issued an update to its guidance on **business combinations** .	The new guidance requires that an acquirer recognize adjustments to provisional amounts identified during the measurement period be recorded in the reporting period determined. The new guidance also requires that the acquirer records, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts. These are calculated as if the accounting had been completed as of the acquisition date. The new guidance also requires separate presentation on the face of the income statement, or disclosure within the notes for the portion of the amount that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date.	January 1, 2016. Effective for all adjustments made to provisional amounts reported for acquisitions still in the measurement stage as of the effective date.	We will use this guidance for any adjustments made after January 1, 2016 to any provisional amounts reported for acquisitions, but do not expect it to have a material impact on our consolidated financial statements.

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
In January 2016, the FASB issued an update to its guidance on recognition and measurement of f **i** nancial **assets and liabilities.**	Among other things, the new guidance makes the following targeted changes to existing guidance: 1. Requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) 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. 2. Simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, the investment is required to be measured at fair value. 3. Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements. 4. Clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets.	January 1, 2018. Earlier application is not allowed for the amendments in the update, described here, that have potential to impact our consolidated financial statements.	We are assessing the impact of the provisions of this new guidance on our consolidated financial statements.
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 not yet completed our review of the impact of this guidance. However, we anticipate recognition of additional assets and corresponding liabilities related to leases on our balance sheet.

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 that set forth anticipated results based on management's plans and assumptions. 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," "target," "forecast," "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 future operating and financial performance, business plans and prospects, in-line products and product candidates, strategic reviews, capital allocation, business-development plans, and plans relating to share repurchases and dividends. In particular, these include statements relating to future actions, business plans and prospects, our acquisition of Hospira, our pending combination with Allergan plc, 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 financial guidance set forth in the "Our Financial Guidance for 2016" section of this Financial Review, the anticipated costs and cost savings set forth in the "Overview of Our Performance, Operating Environment, Strategy and Outlook" and "Costs and Expenses—Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives" sections 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 benefits, including synergies, expected from our recent acquisition of Hospira, the expected timing of completion, tax treatment and benefits of our pending combination with Allergan and the expected timing of a decision regarding a potential separation of our Innovative Products and Established Products businesses, set forth in the "Overview of Our Performance, Operating Environment, Strategy and Outlook" section of this Financial Review, 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 2016 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 in complete response letters received by us with respect to certain of our drug applications to the satisfaction of the FDA;
- 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 interim data, including the risk that final results of studies for which interim data have been provided and/or additional clinical trials may be different from (including less favorable than) the 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;
- competitive developments, including the impact on our competitive position of new product entrants, in-line branded products, generic products, private label products 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;
- the ability to meet generic and branded competition after the loss 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;
- trade buying patterns;
- the impact of existing and future legislation and regulatory provisions on product exclusivity;
- trends toward managed care and healthcare cost containment;
- 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, and/or any significant additional taxes or fees that may be imposed on the pharmaceutical industry as part of any broad deficit-reduction effort;
- the impact of U.S. healthcare legislation enacted in 2010—the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act —and of any modification, repeal or invalidation of any of the provisions thereof;

- U.S. federal or state legislation or regulatory action affecting, among other things, pharmaceutical product pricing, reimbursement or access, including under Medicaid, Medicare and other publicly funded or subsidized health programs; 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, settlement costs, the risk of an adverse decision or settlement and the adequacy of reserves related to product liability, patent protection, government investigations, consumer, commercial, securities, antitrust, environmental and tax issues, ongoing efforts to explore various means for resolving asbestos litigation, and other legal proceedings;
- 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;
- any significant issues involving our largest wholesaler customers, 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;
- 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;
- uncertainties related to general economic, political, business, industry, regulatory and market conditions including, without limitation, uncertainties related to the impact on us, 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, including those related to our research and development organization, 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 recent acquisition of Hospira, including, among other things, the ability to realize the anticipated benefits of the acquisition of Hospira, including the possibility that expected synergies and accretion 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 transaction making it more difficult to maintain business and operational relationships; significant transaction costs; and unknown liabilities; and
- risks and uncertainties related to our pending combination with Allergan, including, without limitation, the failure to obtain necessary regulatory approvals (and the risk that such approvals may result in the imposition of conditions that could adversely affect the combined company or the expected benefits of the transaction) and shareholder approvals or to satisfy any of the other conditions to the transaction on a timely basis or at all, the occurrence of events that may give rise to a right of one or both of the parties to terminate the merger agreement, adverse effects on the market price of Pfizer's common stock and on Pfizer's operating results because of a failure to complete the transaction in the anticipated time frame or at all, failure to realize the expected benefits and synergies of the transaction, restructuring in connection with the transaction and subsequent integration of Pfizer and Allergan, negative effects of the announcement or the consummation of the transaction on the market price of Pfizer's common stock and on Pfizer's operating results, risks relating to the value of the Allergan shares to be issued in the transaction, significant transaction costs and/or unknown liabilities, the risk of litigation and/or regulatory actions, the loss of key senior management or scientific staff, general economic and business conditions that affect the

companies following the transaction, changes in global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax and other laws, regulations, rates and policies, future business combinations or disposals, competitive developments and the uncertainties inherent in research and development.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of 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 in our Form 10-Q, 8-K and 10-K reports and our other filings with the SEC.

Certain risks, uncertainties and assumptions are discussed here and under the heading entitled “Risk Factors” in Part I, Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2015 . 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 does not purport to represent the revenues, costs and income from continuing operations before provision 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.

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: Selected Financial Assets and Liabilities* .

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 depreciate against all other currencies by 10%, as of December 31, 2015 , 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: Selected Financial Assets and Liabilities* .

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 decrease in interest rates as of December 31, 2015 , 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 2015 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.

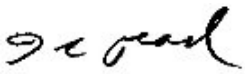
Report on Internal Control Over Financial Reporting

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.

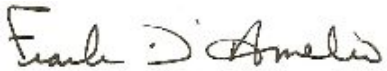
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree 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, 2015 . 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, 2015 .

Pfizer Inc. acquired Hospira, Inc. on September 3, 2015, and management excluded from its assessment of the effectiveness of Pfizer Inc.'s internal control over financial reporting as of December 31, 2015, Hospira, Inc.'s and its subsidiaries' internal control over financial reporting associated with total assets of $24.2 billion and total revenues of $1.5 billion included in the consolidated financial statements of Pfizer Inc. and Subsidiary Companies as of and for the year ended December 31, 2015.

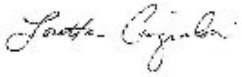
The Company's independent auditors have issued their auditors' report on the Company's internal control over financial reporting. That report appears in our 2015 Financial Report under the heading, *Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting.*



Ian Read
Chairman and Chief Executive Officer



Frank D'Amelio
Principal Financial Officer



Loretta Cangialosi
Principal Accounting Officer

February 29, 2016

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 accountant'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, 2015 , 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 2016 .

W. Don Cornwell

Chair, Audit Committee

February 29, 2016

Suzanne Nora Johnson

February 29, 2016

Shantanu Narayen

February 29, 2016

Stephen W. Sanger

February 29, 2016

Joseph J. Echevarria

February 29, 2016

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.:

We have audited the accompanying consolidated balance sheets of Pfizer Inc. and Subsidiary Companies as of December 31, 2015 and 2014 , 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, 2015 . These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pfizer Inc. and Subsidiary Companies as of December 31, 2015 and 2014 , and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015 , in conformity with U.S. generally accepted accounting principles.

As discussed in *Note 1B* to the consolidated financial statements, the Company has adopted on a retrospective basis FASB Accounting Standards Update No. 2015-17, Balance Sheet Classification of Deferred Taxes classifying all deferred tax assets, liabilities and associated valuation allowances as non-current.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Pfizer Inc. and Subsidiary Companies' internal control over financial reporting as of December 31, 2015 , 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 29, 2016 expressed an unqualified opinion on the effective operation of the Company's internal control over financial reporting.

KPMG LLP
New York, New York

February 29, 2016

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

The Board of Directors and Shareholders of Pfizer Inc.:

We have audited the internal control over financial reporting of Pfizer Inc. and Subsidiary Companies as of December 31, 2015 , based on criteria established in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Pfizer Inc. and Subsidiary Companies' 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

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.

In our opinion, Pfizer Inc. and Subsidiary Companies maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015 , based on criteria established in *Internal Control — Integrated Framework* (2013) issued by COSO.

Pfizer Inc. acquired Hospira, Inc. on September 3, 2015, and management excluded from its assessment of the effectiveness of Pfizer Inc.'s internal control over financial reporting as of December 31, 2015, Hospira, Inc.'s internal control over financial reporting associated with total assets of $24.2 billion and total revenues of $1.5 billion included in the consolidated financial statements of Pfizer Inc. and Subsidiary Companies as of and for the year ended December 31, 2015. Our audit of internal control over financial reporting of Pfizer Inc. also excluded an evaluation of the internal control over financial reporting of Hospira, Inc.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Pfizer Inc. and Subsidiary Companies as of December 31, 2015 and 2014 , 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, 2015 , and our report dated February 29, 2016 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

KPMG LLP
New York, New York

February 29, 2016

Consolidated Statements of Income

Pfizer Inc. and Subsidiary Companies

(MILLIONS, EXCEPT PER COMMON SHARE DATA)	Year Ended December 31, 2015	2014	2013
Revenues	**$ 48,851**	$ 49,605	$ 51,584
Costs and expenses:			
Cost of sales [a]	**9,648**	9,577	9,586
Selling, informational and administrative expenses [a]	**14,809**	14,097	14,355
Research and development expenses [a]	**7,690**	8,393	6,678
Amortization of intangible assets	**3,728**	4,039	4,599
Restructuring charges and certain acquisition-related costs	**1,152**	250	1,182
Other (income)/deductions—net	**2,860**	1,009	(532)
Income from continuing operations before provision for taxes on income	**8,965**	12,240	15,716
Provision for taxes on income	**1,990**	3,120	4,306
Income from continuing operations	**6,975**	9,119	11,410
Discontinued operations:			
Income from discontinued operations—net of tax	**17**	(6)	308
Gain/(loss) on disposal of discontinued operations—net of tax	**(6)**	55	10,354
Discontinued operations—net of tax	**11**	48	10,662
Net income before allocation to noncontrolling interests	**6,986**	9,168	22,072
Less: Net income attributable to noncontrolling interests	**26**	32	69
Net income attributable to Pfizer Inc.	**$ 6,960**	$ 9,135	$ 22,003
Earnings per common share—basic :			
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.13**	$ 1.43	$ 1.67
Discontinued operations—net of tax	**—**	0.01	1.56
Net income attributable to Pfizer Inc. common shareholders	**$ 1.13**	$ 1.44	$ 3.23
Earnings per common share—diluted :			
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.11**	$ 1.41	$ 1.65
Discontinued operations—net of tax	**—**	0.01	1.54
Net income attributable to Pfizer Inc. common shareholders	**$ 1.11**	$ 1.42	$ 3.19
Weighted-average shares—basic	**6,176**	6,346	6,813
Weighted-average shares—diluted	**6,257**	6,424	6,895
Cash dividends paid per common share	**$ 1.12**	$ 1.04	$ 0.96

[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, 2015	2014	2013
Net income before allocation to noncontrolling interests	**$ 6,986**	$ 9,168	$ 22,072
Foreign currency translation adjustments, net	**$ (3,110)**	$ (1,992)	$ (535)
Reclassification adjustments [a]	**—**	(62)	144
	(3,110)	(2,054)	(391)
Unrealized holding gains on derivative financial instruments, net	**204**	24	488
Reclassification adjustments for realized (gains)/losses [b]	**(368)**	477	(94)
	(165)	501	394
Unrealized holding gains/(losses) on available-for-sale securities, net	**(846)**	(640)	151
Reclassification adjustments for realized (gains)/losses [b]	**796**	222	(237)
	(50)	(418)	(86)
Benefit plans: actuarial gains/(losses), net	**(37)**	(4,173)	3,714
Reclassification adjustments related to amortization [c]	**550**	195	581
Reclassification adjustments related to settlements, net [c]	**671**	101	175
Other	**199**	188	48
	1,383	(3,690)	4,518
Benefit plans: prior service credits and other, net	**432**	746	151
Reclassification adjustments related to amortization [c]	**(160)**	(73)	(58)
Reclassification adjustments related to curtailments, net [c]	**(32)**	8	1
Other	**(3)**	(9)	(8)
	237	672	86
Other comprehensive income/(loss), before tax	**(1,705)**	(4,988)	4,521
Tax provision/(benefit) on other comprehensive income/(loss) [d]	**528**	(946)	1,928
Other comprehensive income/(loss) before allocation to noncontrolling interests	**$ (2,232)**	$ (4,042)	$ 2,593
Comprehensive income before allocation to noncontrolling interests	**$ 4,754**	$ 5,126	$ 24,665
Less: Comprehensive income/(loss) attributable to noncontrolling interests	**(1)**	36	7
Comprehensive income attributable to Pfizer Inc.	**$ 4,755**	$ 5,090	$ 24,658

[a] Reclassified into *Gain on disposal of discontinued operations—net of tax* in the consolidated statements of income.

[b] Reclassified into *Other (income)/deductions—net* in the consolidated statements of income.

[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, 2015	2014
Assets		
Cash and cash equivalents	**$ 3,641**	$ 3,343
Short-term investments	**19,649**	32,779
Trade accounts receivable, less allowance for doubtful accounts: 2015—$384; 2014—$412	**8,176**	8,401
Inventories	**7,513**	5,663
Current tax assets	**2,662**	2,566
Other current assets	**2,163**	2,843
Total current assets	**43,804**	55,595
Long-term investments	**15,999**	17,518
Property, plant and equipment, less accumulated depreciation	**13,766**	11,762
Identifiable intangible assets, less accumulated amortization	**40,356**	35,166
Goodwill	**48,242**	42,069
Noncurrent deferred tax assets and other noncurrent tax assets	**1,794**	1,944
Other noncurrent assets	**3,499**	3,513
Total assets	**$ 167,460**	$ 167,566
Liabilities and Equity		
Short-term borrowings, including current portion of long-term debt: 2015—$3,720; 2014—$3,011	**$ 10,160**	$ 5,141
Trade accounts payable	**3,620**	3,210
Dividends payable	**1,852**	1,711
Income taxes payable	**418**	531
Accrued compensation and related items	**2,359**	1,841
Other current liabilities	**10,990**	9,153
Total current liabilities	**29,399**	21,587
Long-term debt	**28,818**	31,541
Pension benefit obligations, net	**6,310**	7,885
Postretirement benefit obligations, net	**1,809**	2,379
Noncurrent deferred tax liabilities	**26,877**	23,317
Other taxes payable	**3,992**	4,353
Other noncurrent liabilities	**5,257**	4,883
Total liabilities	**102,463**	95,944
Commitments and Contingencies		
Preferred stock, no par value, at stated value; 27 shares authorized; issued: 2015—649; 2014—717	**26**	29
Common stock, $0.05 par value; 12,000 shares authorized; issued: 2015—9,178; 2014—9,110	**459**	455
Additional paid-in capital	**81,016**	78,977
Treasury stock, shares at cost: 2015—3,003; 2014—2,819	**(79,252)**	(73,021)
Retained earnings	**71,993**	72,176
Accumulated other comprehensive loss	**(9,522)**	(7,316)
Total Pfizer Inc. shareholders' equity	**64,720**	71,301
Equity attributable to noncontrolling interests	**278**	321
Total equity	**64,998**	71,622
Total liabilities and equity	**$ 167,460**	$ 167,566

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, 2013	967	$ 39	8,956	$ 448	$ 72,608	(1,680)	$ (40,122)	$ 54,240	$ (5,953)	$ 81,260	$ 418	$ 81,678
Net income								22,003		22,003	69	22,072
Other comprehensive income/(loss), net of tax									2,655	2,655	(62)	2,593
Cash dividends declared:												
Common stock								(6,509)		(6,509)		(6,509)
Preferred stock								(2)		(2)		(2)
Noncontrolling interests											(121)	(121)
Share-based payment transactions			95	5	2,390	(4)	(99)			2,296		2,296
Purchases of common stock						(563)	(16,290)			(16,290)		(16,290)
Preferred stock conversions and redemptions	(138)	(6)			(5)	—	—			(11)		(11)
Sale of 19.8% of subsidiary through an IPO [(a)]					2,297				27	2,324	155	2,479
Acquisition of common stock in exchange offer [(a)]						(405)	(11,408)			(11,408)		(11,408)
Deconsolidation of subsidiary sold [(a)]											(145)	(145)
Other			—	—	(7)	—	(4)	—		(11)	(1)	(12)
Balance, December 31, 2013	829	33	9,051	453	77,283	(2,652)	(67,923)	69,732	(3,271)	76,307	313	76,620
Net income								9,135		9,135	32	9,168
Other comprehensive income/(loss), net of tax									(4,045)	(4,045)	3	(4,042)
Cash dividends declared:												
Common stock								(6,690)		(6,690)		(6,690)
Preferred stock								(2)		(2)		(2)
Noncontrolling interests											(6)	(6)
Share-based payment transactions			59	3	1,693	(2)	(100)			1,597		1,597
Purchases of common stock						(165)	(5,000)			(5,000)		(5,000)
Preferred stock conversions and redemptions	(112)	(4)			(4)	—	1			(8)		(8)
Other	—	—	—	(1)	5	—	—	—	—	5	(22)	(17)
Balance, December 31, 2014	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**

[(a)] Relates to Zoetis (our former Animal Health subsidiary). See *Note 2D. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Divestitures* .

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, 2015	2014	2013
Operating Activities			
Net income before allocation to noncontrolling interests	**$ 6,986**	$ 9,168	$ 22,072
Adjustments to reconcile net income before allocation to noncontrolling interests to net cash provided by operating activities:			
Depreciation and amortization	**5,157**	5,537	6,410
Asset write-offs and impairments	**1,119**	531	1,145
Foreign currency loss related to Venezuela	**806**	—	—
Gain/(loss) on disposal of discontinued operations	**6**	(51)	(10,446)
Gain associated with the transfer of certain product rights to an equity-method investment	**—**	—	(459)
Deferred taxes from continuing operations	**(20)**	320	1,726
Deferred taxes from discontinued operations	**2**	(3)	(23)
Share-based compensation expense	**669**	586	523
Benefit plan contributions (in excess of)/less than expense	**(617)**	(199)	296
Other adjustments, net	**(160)**	(430)	(182)
Other changes in assets and liabilities, net of acquisitions and divestitures:			
Trade accounts receivable	**21**	148	940
Inventories	**(199)**	175	(538)
Other assets	**249**	1,156	(822)
Trade accounts payable	**254**	297	382
Other liabilities	**474**	(845)	(3,117)
Other tax accounts, net	**(235)**	492	(223)
Net cash provided by operating activities	**14,512**	16,883	17,684
Investing Activities			
Purchases of property, plant and equipment	**(1,397)**	(1,199)	(1,206)
Purchases of short-term investments	**(28,581)**	(50,954)	(42,761)
Proceeds from redemptions/sales of short-term investments	**40,064**	47,374	41,127
Net (purchases of)/proceeds from redemptions/sales of short-term investments with original maturities of three months or less	**5,768**	3,930	(4,277)
Purchases of long-term investments	**(9,542)**	(10,718)	(11,020)
Proceeds from redemptions/sales of long-term investments	**6,929**	6,145	7,555
Acquisitions of businesses, net of cash acquired	**(16,466)**	(195)	(15)
Acquisitions of intangible assets	**(99)**	(384)	(259)
Other investing activities, net	**344**	347	312
Net cash used in investing activities	**(2,980)**	(5,654)	(10,544)
Financing Activities			
Proceeds from short-term borrowings	**5,557**	13	4,323
Principal payments on short-term borrowings	**(3,965)**	(10)	(4,234)
Net proceeds from/(payments on) short-term borrowings with original maturities of three months or less	**2,717**	(1,841)	3,475
Proceeds from issuance of long-term debt [(a)]	**—**	4,491	6,618
Principal payments on long-term debt	**(3,003)**	(2,104)	(4,146)
Purchases of common stock	**(6,160)**	(5,000)	(16,290)
Cash dividends paid	**(6,940)**	(6,609)	(6,580)
Proceeds from exercise of stock options	**1,263**	1,002	1,750
Other financing activities, net	**298**	72	109
Net cash used in financing activities	**(10,233)**	(9,986)	(14,975)
Effect of exchange-rate changes on cash and cash equivalents	**(1,000)**	(83)	(63)
Net increase/(decrease) in cash and cash equivalents	**298**	1,160	(7,898)
Cash and cash equivalents, beginning	**3,343**	2,183	10,081

Cash and cash equivalents, end	**$ 3,641**	$ 3,343	$ 2,183

- Continued -

Consolidated Statements of Cash Flows
Pfizer Inc. and Subsidiary Companies

	Year Ended December 31,		
	2015	2014	2013
Supplemental Cash Flow Information			
Non-cash transactions:			
Exchange of Hospira subsidiary debt for Pfizer debt [b]	**$ 1,669**	$ —	$ —
Sale of subsidiary common stock (Zoetis) for Pfizer common stock [c]	**—**	—	11,408
Exchange of subsidiary common stock (Zoetis) for the retirement of Pfizer commercial paper issued in 2013 [c]	**—**	—	2,479
Exchange of subsidiary senior notes (Zoetis) for the retirement of Pfizer commercial paper issued in 2012 [c]	**—**	—	992
Transfer of certain product rights to an equity-method investment (Hisun Pfizer) [d]	**—**	—	1,233
Contribution of an investment in connection with the resolution of a legal matter (Quigley)	**—**	—	447
Cash paid during the period for:			
Income taxes	**$ 2,383**	$ 2,100	$ 2,874
Interest	**1,302**	1,550	1,729

[a] In 2013, includes $2.6 billion from the issuance of senior notes by Zoetis (our former Animal Health subsidiary), which is net of the $1.0 billion non-cash exchange of Zoetis senior notes for the retirement of Pfizer commercial paper issued in 2012. See *Note 2D. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Divestitures* .

[b] In October 2015, Pfizer exchanged $1.7 billion debt of its recently acquired subsidiary Hospira for virtually the same amount of Pfizer Inc. debt. See *Note 7D. Financial Instruments: Long-Term Debt.*

[c] See *Note 2D. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Divestitures* .

[d] See *Note 2E. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment : Equity-Method Investments* .

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

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 United States (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.

In the consolidated balance sheet as of December 31, 2014, we performed certain reclassifications to conform to the current period presentation of all deferred taxes as noncurrent in accordance with the adoption of a new accounting standard (for additional information, see *Note 1B*). We also performed certain other reclassifications in the consolidated balance sheet as of December 31, 2014 to conform to the current period presentation, none of which were material to our financial statements.

On November 23, 2015, we announced that we have entered into a definitive merger agreement with Allergan plc (Allergan), a global pharmaceutical company incorporated in Ireland, under which we have agreed to combine with Allergan in a stock transaction valued at $363.63 per Allergan share, for a total enterprise value of approximately $160 billion , based on the closing price of Pfizer common stock of $32.18 on November 20, 2015 (the last trading day prior to the announcement) and certain other assumptions. While we have taken actions and incurred costs associated with the pending combination that are reflected in our financial statements, the pending combination with Allergan will not be reflected in our financial statements until consummation. See *Note 19* . for additional information.

On September 3, 2015 (the acquisition date), we acquired Hospira, Inc. (Hospira), a provider of sterile injectable drugs and infusion technologies as well as a provider of biosimilars. The total consideration for the acquisition was approximately $16.1 billion in cash. Commencing from the acquisition date, our financial statements reflect the assets, liabilities, operating results and cash flows of Hospira, and, in accordance with our domestic and international reporting periods, our consolidated financial statements for the year ended December 31, 2015 reflect four months of legacy Hospira U.S. operations and three months of legacy Hospira international operations. Hospira is now a subsidiary of Pfizer and its commercial operations are now included within the Global Established Pharmaceutical (GEP) segment. The combination of local Pfizer and Hospira entities may be pending in various jurisdictions and integration is subject to completion of various local legal and regulatory steps. See *Note 2A* for additional information.

On June 24, 2013, we completed the full disposition of our Animal Health business (Zoetis), and recognized a gain of approximately $10.3 billion net of tax, in *Gain on disposal of discontinued operations—net of tax* in the consolidated statement of income for the year ended December 31, 2013. The operating results of this business through June 24, 2013, the date of disposal, are reported as *Income from discontinued operations—net of tax* in the consolidated statement of income for the year ended December 31, 2013. For additional information, see *Note 2D.*

Certain amounts in the consolidated financial statements and associated notes may not add due to rounding. All percentages have been calculated using unrounded amounts.

B. Adoption of New Accounting Standards

We adopted a new accounting and disclosure standard as of January 1, 2015 that limits the presentation of discontinued operations to when the disposal of the business operation represents a strategic shift that has had or will have a major effect on our operations and financial results. This new standard is applied prospectively to all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. In 2015, we did not have any disposals within the scope of this new standard and, therefore, there were no impacts to our consolidated financial statements from the adoption of this new standard.

On December 31, 2015, we adopted a new accounting standard that requires all deferred tax assets and liabilities to be classified as noncurrent in the balance sheet. We elected to apply this new standard retrospectively. The impact of the change in presentation is that all deferred tax assets and liabilities that were previously reported in current assets and current liabilities, totaling net current deferred tax assets of $2.1 billion as of December 31, 2014 have been reclassified to noncurrent assets and noncurrent liabilities, as appropriate. For additional information, see *Note 5C.*

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. 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 in-process research & development (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. Those changes generally will be reflected in our financial statements on a prospective basis, unless they are required to be treated retrospectively under relevant accounting standards. It is possible that others, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

D. Acquisitions

Our consolidated financial statements include the operations of an acquired business after the completion of the acquisition. 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 rebates, chargebacks, 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 rebates, chargebacks and sales allowances to government agencies, wholesalers/distributors and managed care organizations with respect to our pharmaceutical products. These deductions represent estimates of the related obligations and, as such, knowledge and judgment is 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 $3.9 billion as of December 31, 2015 , of which approximately $2.6 billion is included in *Other current liabilities,* $272 million is included in *Other noncurrent liabilities* and approximately $1.1 billion is included against *Trade accounts receivable, less allowance for doubtful accounts* , in our consolidated balance sheet. 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 $3.4 billion as of December 31, 2014 , of which approximately $2.0 billion is included in *Other current liabilities,* $300 million is included in *Other noncurrent liabilities* and approximately $1.1 billion is included against *Trade accounts receivable, less allowance for doubtful accounts* , in our consolidated balance sheet. Total accruals for Medicare rebates, Medicaid and related state program rebates, performance-based contract rebates, chargebacks, sales allowances and sales returns and cash discounts as of December 31, 2015 increased by approximately $500 million compared to December 31, 2014 , primarily due to the addition, in 2015, of Hospira accruals.

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* .

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 currently available 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 market. 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 2015 , $3.1 billion in 2014 and $3.0 billion in 2013 . 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

Research and development (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 $429 million in 2015 , $1.4 billion in 2014 and $203 million in 2013 . For additional information, see *Note 2B and 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 cost. 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 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 investments. 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 cost. 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 7E*).

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. 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.

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 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 for taxes on income* and are classified on our consolidated balance sheet with the related tax liability.

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, Licensing Agreements, Collaborative Arrangements, Divestitures, Equity-Method Investments and Cost-Method Investment

A. Acquisitions

Hospira, Inc. (Hospira)

On September 3, 2015 (the acquisition date), 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 now a subsidiary of Pfizer. The combination of local Pfizer and Hospira entities may be pending in various jurisdictions and integration is subject to completion of various local legal and regulatory steps.

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. 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 GEP business, as GEP now has a broadened portfolio of generic and branded sterile injectables, marketed biosimilars, medication management systems and biosimilars in development.

The following table summarizes the provisional amounts recognized for assets acquired and liabilities assumed as of the acquisition date. The estimated values are not yet finalized (see below) and are subject to change, which could be significant. We will finalize the amounts recognized as we obtain the information necessary to complete the analyses. We expect to finalize these amounts as soon as possible but no later than one year from the acquisition date.

(MILLIONS OF DOLLARS)	Amounts Recognized as of Acquisition Date (Provisional)
Working capital, excluding inventories [(a)]	**$ 274**
Inventories	**1,924**
Property, plant and equipment	**2,410**
Identifiable intangible assets, excluding in-process research and development [(b)]	**8,270**
In-process research and development	**995**
Other noncurrent assets	**408**
Long-term debt	**(1,928)**
Benefit obligations	**(117)**
Net income tax accounts [(c)]	**(3,394)**
Other noncurrent liabilities	**(39)**
Total identifiable net assets	**8,803**
Goodwill	**7,284**
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 ($550 million).
(c) As of the acquisition date, included in *Current tax assets* ($79 million), *Noncurrent deferred tax assets and other noncurrent tax assets* ($25 million), *Income taxes payable* ($5 million), *Noncurrent deferred tax liabilities* ($3.4 billion) and *Other taxes payable* ($114 million , including accrued interest of $5 million).

The following items are subject to change:

- Amounts for certain balances included in working capital (excluding inventories), certain investments and certain legal contingencies, pending receipt of certain information that could affect provisional amounts recorded. We do not believe any adjustments for legal contingencies will have a material impact on our consolidated financial statements.
- Amounts for intangibles, inventory and property, plant and equipment, pending finalization of valuation efforts for acquired intangible assets as well as the completion of certain physical inventory counts and the confirmation of the physical existence and condition of certain property, plant and equipment assets.
- Amounts for income tax assets, receivables and liabilities, pending the filing of Hospira pre-acquisition tax returns and the receipt of information including but not limited to that from taxing authorities, which may change certain estimates and assumptions used.

As of the acquisition date, the fair value of accounts receivable approximated the book value acquired. The gross contractual amount receivable was $570 million , of which $7 million was not expected to be collected.

In the ordinary course of business, Hospira incurs 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 incurs liabilities for environmental matters such as remediation work, asset retirement obligations and environmental guarantees and indemnifications.
- *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 incurs 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 (see *Note 1O*). Net liabilities for income taxes approximated $3.4 billion as of the acquisition date, which includes $112 million for uncertain tax positions. The net tax liability includes the recording of additional adjustments of approximately $3.3 billion for the tax impact of fair value adjustments and approximately $744 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 plan to repatriate certain overseas funds, we provided deferred taxes on Hospira's unremitted earnings for which no taxes have 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 GEP 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 (i) the preliminary fair value adjustment for acquisition-date inventory estimated to have been sold ($378 million pre-tax); (ii) amortization expense related to the preliminary fair value of identifiable intangible assets acquired from Hospira ($161 million pre-tax); (iii) depreciation expense related to the preliminary 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	
	Year Ended December 31,	
(MILLIONS OF DOLLARS, EXCEPT PER SHARE DATA)	**2015**	2014
Revenues	**$ 52,082**	$ 54,069
Net income attributable to Pfizer Inc. common shareholders	**7,647**	8,194
Diluted earnings per share attributable to Pfizer Inc. common shareholders	**1.22**	1.28

The unaudited supplemental pro forma consolidated results 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 preliminary 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:

- Elimination of Hospira's historical intangible asset amortization expense (approximately $33 million in 2015 and $77 million in 2014).
- Additional amortization expense (approximately $343 million in 2015 and $496 million in 2014) related to the preliminary estimate of the fair value of identifiable intangible assets acquired.
- Additional depreciation expense (approximately $54 million in 2015 and $104 million in 2014) related to the preliminary estimate of the fair value adjustment to property, plant and equipment (PP&E) acquired.
- Adjustment related to the preliminary estimate of the non-recurring fair value adjustment to acquisition-date inventory estimated to have been sold (the elimination of $340 million of charges in 2015 and the addition of $576 million of charges in 2014).
- Adjustment to decrease interest expense (approximately $18 million in 2015 and $42 million in 2014) 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 in 2015, and the addition of $877 million of charges in 2014, reflecting non-recurring charges incurred by both Hospira and Pfizer).

The above adjustments were then adjusted for the applicable tax impact. The taxes associated with the adjustments related to the preliminary estimate of the fair value adjustment for acquired intangible assets, property, plant and equipment and inventory reflect the statutory tax rates in the various jurisdictions where the adjustments are expected to be incurred. The taxes associated with the adjustments for the elimination of Hospira's historical intangible asset amortization expense, the fair value adjustment for the acquired debt and the non-recurring 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. (Baxter)

On December 1, 2014 (which falls 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, less accumulated amortization* 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.

InnoPharma, Inc. (InnoPharma)

On September 24, 2014, we completed our acquisition of InnoPharma, a privately-held pharmaceutical development company, for an upfront cash payment of $225 million and contingent consideration with an estimated acquisition-date fair value of approximately $67 million . The contingent consideration consists of up to $135 million in additional milestone payments based on application filing with, and acceptance by, the U.S. Food and Drug Administration (FDA), or approval of marketing applications related to certain pipeline products by the FDA. We believe this acquisition represents a potential innovative growth opportunity for our sterile injectables portfolio in areas such as oncology and central nervous disorders. In connection with this acquisition, we recorded $247 million in *Identifiable intangible assets* , *less accumulated amortization* consisting of $212 million in *IPR&D* and $35 million in *Developed technology rights* ; $81 million in net deferred tax liabilities; and $125 million in *Goodwill* . The final allocation of the consideration transferred to the assets acquired and the liabilities assumed has been completed.

B. Licensing Agreements

Cellectis SA (Cellectis)

In June 2014, we entered into a global arrangement with Cellectis to develop Chimeric Antigen Receptor T-cell immunotherapies in the field of oncology directed at select cellular surface antigen targets. In August 2014, in connection with this licensing agreement, we made an upfront payment of $80 million to Cellectis, which was recorded in *Research and development expenses* . We will also fund research and development costs associated with 15 Pfizer-selected targets and, for the benefit of Cellectis, a portion of the research and development costs associated with four Cellectis-selected targets within the arrangement. Cellectis is eligible to receive development, regulatory and commercial milestone payments of up to $185 million per product that results from the Pfizer-selected targets. Cellectis is also eligible to receive tiered royalties on net sales of any products that are commercialized by Pfizer. In addition, in August 2014, we acquired approximately 10% of the capital of Cellectis through the purchase of newly issued shares, for a total investment of approximately $35 million . As of November 30, 2015, Pfizer's ownership in Cellectis had been reduced to approximately 7.94% of Cellectis' outstanding shares due to subsequent share issuances by Cellectis, including the initial public offering of Cellectis American Depository Shares.

Nexium Over-the-Counter Rights

In August 2012, we entered into an agreement with AstraZeneca PLC (AstraZeneca) for the exclusive, global, over-the-counter (OTC) rights for Nexium, a leading prescription drug approved to treat the symptoms of gastroesophageal reflux disease. In connection with this Consumer Healthcare licensing agreement, we made an upfront payment of $250 million to AstraZeneca, which was recorded in *Research and development expenses* when incurred. On May 27, 2014, we launched Nexium 24HR in the U.S., and on July 11, 2014, we paid AstraZeneca a related $200 million product launch milestone payment. On August 1, 2014, we launched Nexium Control in Europe, and on September 15, 2014, we paid AstraZeneca a related $50 million product launch milestone payment. These post-approval milestone payments were recorded in *Identifiable intangible assets, less accumulated amortization* and are being amortized over the estimated useful life of the Nexium brand. Included in *Other current liabilities* at December 31, 2015 are accrued milestone payments to AstraZeneca of $93 million . AstraZeneca is eligible to receive additional milestone payments of approximately $200 million , based on the level of worldwide sales as well as quarterly royalty payments based on worldwide sales.

C. 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)	**2015**	2014	2013
Revenues —Revenues [a]	**$ 644**	$ 786	$ 1,153
Revenue s—Alliance revenues [b]	**1,312**	957	2,628
Total revenues from collaborative arrangements	**1,956**	1,743	3,781
Cost of sales [c]	**(282)**	(280)	(333)
Selling, informational and administrative expenses [d]	**(287)**	(268)	(279)
Research and development expenses [e]	**(330)**	(1,210)	(73)
Other income/(deductions)—net [f]	**482**	518	103

[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 2015 reflects an increase in alliance revenues from Eliquis, partially offset by Spiriva (as a result of the expiration of the co-promotion collaboration in the U.S. and certain European countries during 2014). The decline in 2014 reflects declines in alliance revenues from Enbrel (as a result of the expiration of the co-promotion term of the collaboration agreement on October 31, 2013 in the U.S. and Canada) and Spiriva (as a result of the expiration of the co-promotion collaboration in the U.S. and certain European countries during 2014, combined with the expiration of the collaboration in Australia, Canada and certain other European countries during 2013).

[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: $310 million in 2015 (primarily related to our collaboration with OPKO Health, Inc. (OPKO), see below), $1.2 billion in 2014 (related to our collaboration with Merck KGaA, see below), and $67 million in 2013 .

[f] In 2015, 2014 and 2013, includes royalties earned on sales of Enbrel in the U.S. and Canada after October 31, 2013. On that date, the co-promotion term of the collaboration agreement for Enbrel in the U.S. and Canada expired, and we became entitled to royalties for a 36 -month period thereafter.

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 $20 million in 2015 , $80 million in 2014 and $175 million in 2013 . These payments were recorded in *Identifiable intangible assets — Developed technology rights.* We also received upfront and milestone payments from our collaboration partners of $200 million in 2015 primarily related to our collaboration with Eli Lilly & Company (Lilly) (see below) and $128 million in 2013 . 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 Eli Lilly & Company (Lilly)

In October 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, which will consist of six studies in approximately 7,000 patients across osteoarthritis, chronic low back pain and cancer pain. 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. (OPKO)

In December 2014, we entered into a collaborative agreement with OPKO to develop and commercialize OPKO's long-acting human growth hormone (hGH-CTP) for the treatment of growth hormone deficiency (GHD) in adults and children, as well as for the treatment of growth failure in children born small for gestational age (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. The transaction closed on January 28, 2015, upon termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act. 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 in development as a potential treatment for multiple 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. The collaboration with Merck KGaA has initiated 28 programs, monotherapy and combination trials, including seven pivotal trials in Phase IB/2 or Phase 3 (two in lung cancer, two in gastric cancer, and one in each of bladder cancer, Merkel cell carcinoma and ovarian cancer) and received FDA breakthrough therapy designation for avelumab in metastatic Merkel cell carcinoma. We and Merck KGaA are also combining resources and expertise to advance our anti-PD-1 antibody into Phase 1 trials. 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 . Both companies will 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, and co-promotion activities were initiated in key select markets in 2015. In 2014, we recorded $1.2 billion of *Research and development expenses* associated with this collaborative arrangement, composed of the $850 million upfront cash payment as well as an additional amount of $309 million , reflecting the estimated fair value of the co-promotion rights given to Merck KGaA.

D. Divestitures

Animal Health Business—Zoetis Inc.

On June 24, 2013, we completed the full disposition of our Animal Health business. The full disposition was completed through a series of steps, including, in the first quarter of 2013, the formation of Zoetis and an initial public offering (IPO) of an approximate 19.8% interest in Zoetis and, in the second quarter of 2013, an exchange offer for the remaining 80.2% interest.

With respect to the formation and disposition of Zoetis, in 2013:

- Formation of Zoetis —On January 28, 2013, our then wholly owned subsidiary, Zoetis, issued $3.65 billion aggregate principal amount of senior notes. Also, on January 28, 2013, we transferred to Zoetis substantially all of the assets and liabilities of our Animal Health business in exchange for all of the Class A and Class B common stock of Zoetis, $1.0 billion of the $3.65 billion of Zoetis senior notes and an amount of cash equal to substantially all of the cash proceeds received by Zoetis from the remaining $2.65 billion of senior notes issued. The $1.0 billion of Zoetis senior notes received by Pfizer were exchanged by Pfizer for the retirement of Pfizer commercial paper issued in 2012, and the cash proceeds received by Pfizer of approximately $2.6 billion were used for dividends and stock buybacks.
- Initial Public Offering (19.8% Interest) —On February 6, 2013, an IPO of the Class A common stock of Zoetis was completed, pursuant to which we sold 99.015 million shares of Class A common stock of Zoetis (all of the Class A common stock, including shares sold pursuant to the underwriters' option to purchase additional shares, which was exercised in full) in exchange for the retirement of approximately $2.5 billion of Pfizer commercial paper issued in 2013. The Class A common stock sold in the IPO represented approximately 19.8% of the total outstanding Zoetis shares. The excess of the consideration received over the net book value of our divested interest was approximately $2.3 billion and was recorded in *Additional paid-in capital.*
- Exchange Offer (80.2% Interest) —On June 24, 2013, we exchanged all of our remaining interest in Zoetis, 400.985 million shares of Zoetis Class A common stock (after converting all of our Class B common stock into Class A common stock, representing approximately 80.2% of the total outstanding Zoetis shares), for approximately 405.117 million outstanding shares of Pfizer common stock on a tax-free basis pursuant to an exchange offer made to Pfizer shareholders. The $11.4 billion of Pfizer common stock received in the exchange transaction was recorded in *Treasury stock* and was valued using the opening price of Pfizer common stock on June 24, 2013, the date we accepted the Zoetis shares for exchange. The gain on the sale of the remaining interest in Zoetis was approximately $10.3 billion , net of income taxes resulting from certain legal entity reorganizations, and was recorded in *Gain on disposal of discontinued operations—net of tax* in the consolidated statement of income for the year ended December 31, 2013.

In summary, as a result of the above transactions, we received cash and were relieved of debt obligations in the aggregate amount of approximately $6.1 billion and received shares of Pfizer common stock (held in *Treasury stock*) valued at approximately $11.4 billion .

The operating results of the animal health business through June 24, 2013, the date of disposal, are reported as *Income from discontinued operations—net of tax* in the consolidated statement of income for the year ended December 31, 2013.

In connection with the above transactions, we entered into a transitional services agreement (TSA) and manufacturing and supply agreements (MSAs) with Zoetis that are designed to facilitate the orderly transfer of business operations to the standalone Zoetis entity. The TSA relates primarily to administrative services, which are generally to be provided within 24 months. Services under the TSA are largely completed as of December 31, 2015. Under the MSAs, we will manufacture and supply certain animal health products to Zoetis for a period of up to five years, with an ability to extend, if necessary, upon mutual agreement of both parties. These agreements are not material and none confers upon us the ability to influence the operating and/or financial policies of Zoetis subsequent to June 24, 2013, the date of disposal.

Total Discontinued Operations

The following table provides the components of *Discontinued operations—net of tax* :

	Year Ended December 31, [a]		
(MILLIONS OF DOLLARS)	**2015**	2014	2013
Revenues	**$ —**	$ —	$ 2,201
Pre-tax income from discontinued operations [a], [b]	**20**	(9)	408
Provision for taxes on income [b], [c]	**2**	(3)	100
Income from discontinued operations—net of tax	**17**	(6)	308
Pre-tax gain/(loss) on disposal of discontinued operations [b]	**(6)**	51	10,446
Provision for taxes on income [b], [d]	**—**	(4)	92
Gain/(loss) on disposal of discontinued operations—net of tax	**(6)**	55	10,354
Discontinued operations—net of tax	**$ 11**	$ 48	$ 10,662

[a] Includes the Animal Health (Zoetis) business through June 24, 2013, the date of disposal.

[b] Includes post-close adjustments for the periods subsequent to disposal.

[c] Includes a deferred tax expense of $2 million for 2015 , a deferred tax benefit of $3 million for 2014 and a deferred tax benefit of $23 million for 2013 .

[d] For 2013, primarily reflects income tax expense of $122 million resulting from certain legal entity reorganizations.

The net cash flows of our discontinued operations for each of the categories of operating, investing and financing activities are not significant for any period presented, except that financing activities in 2013 include the cash proceeds from the issuance of senior notes by Zoetis.

E. Equity-Method Investments

Investment in Hisun Pfizer Pharmaceuticals Company Limited (Hisun Pfizer)

On September 6, 2012, we and Zhejiang Hisun Pharmaceuticals Co., Ltd., 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 . On January 1, 2013, both parties transferred selected employees to Hisun Pfizer and contributed, among other things, certain rights to commercialized products and products in development, intellectual property rights, and facilities, equipment and distribution/customer contracts. Our contributions in 2013 constituted a business, as defined by U.S. GAAP, and included, among other things, the China rights to certain commercialized products and other products not yet commercialized and all associated intellectual property rights. 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 hold a 49% equity interest in Hisun Pfizer.

We also entered into certain transition agreements designed to ensure and facilitate the orderly transfer of the business operations to Hisun Pfizer, primarily the Pfizer Products Transition Period Agreement and a related supply and promotional services agreement. These agreements provide for a profit margin on the manufacturing services provided by Pfizer to Hisun Pfizer and govern the supply, promotion and distribution of Pfizer products until Hisun Pfizer is able to provide for its own manufacturing and distribution. While intended to be transitional, these agreements may be extended by mutual agreement of the parties for several years and, possibly, indefinitely. These agreements are not material to Pfizer, and none confers upon us any additional ability to influence the operating and/or financial policies of Hisun Pfizer.

In connection with our contributions in the first quarter of 2013, we recognized a pre-tax gain of approximately $459 million in *Other (income)/deductions—net* (see *Note 4*) , reflecting the transfer of the business to Hisun Pfizer (including an allocation of goodwill from our former Emerging Markets reporting unit as part of the carrying amount of the business transferred). Since we hold a 49% interest in Hisun Pfizer, we had an indirect retained interest in the contributed assets. As such, 49% of the gain, or $225 million , represents the portion of the gain associated with that indirect retained interest.

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, utilizing a 12% discount rate in 2015 and a 11.5% discount rate in 2013, 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.

We are accounting for our interest in Hisun Pfizer as an equity-method investment, due to the significant influence we have over the operations of Hisun Pfizer through our board representation, minority veto rights and 49% voting interest. Our investment in Hisun Pfizer is reported in *Long-term investments* , and our share of Hisun Pfizer's net income is recorded in *Other (income)/deductions—net.* As of

December 31, 2015, the carrying value of our investment in Hisun Pfizer was approximately $775 million and the amount of our underlying equity in the net assets of Hisun Pfizer was approximately $668 million . As of December 31, 2014, the carrying value of our investment in Hisun Pfizer was approximately $ 1.4 billion , and the amount of our underlying equity in the net assets of Hisun Pfizer was approximately $780 million . The excess of the carrying value of our investment over our underlying equity in the net assets of Hisun Pfizer has been allocated, within the investment account, to goodwill and other intangible assets. The amount allocated to other intangible assets is being amortized into *Other (income)/deductions—net* over an average estimated useful life of 25 years.

Investment in ViiV Healthcare Limited (ViiV)

Our minority ownership interest in ViiV, a company formed in 2009 by Pfizer and GlaxoSmithKline plc to focus solely on research, development and commercialization of human immunodeficiency virus (HIV) medicines, was impacted by the following events:

- The January 21, 2014 European Commission approval of Tivicay (dolutegravir), a product for the treatment of HIV-1 infection, developed by ViiV. This approval triggered a reduction in our equity interest in ViiV from 12.6% to 11.7% , effective April 1, 2014. As a result, in 2014, we recognized a loss of approximately $30 million in *Other (income)/deductions—net* ;
- The August 12, 2013 FDA approval of Tivicay (dolutegravir). This approval triggered a reduction in our interest in ViiV from 13.5% to 12.6% effective October 1, 2013. As a result, in 2013, we recognized a loss of approximately $32 million in *Other (income)/ deductions — net* ; and
- The October 31, 2012 acquisition by ViiV of the remaining 50% of Shionogi-ViiV Healthcare LLC, its equity-method investee, from Shionogi & Co., Ltd. in consideration for a 10% interest in ViiV (newly issued shares) and contingent consideration in the form of future royalties. As a result of this transaction, ViiV recorded a gain associated with the step-up on the 50% interest previously held by ViiV. Also, our equity interest in ViiV was reduced from 15.0% to 13.5% .

We account for our investment in ViiV under the equity method due to the significant influence that we continue to have through our board representation and minority veto rights.

Investment in Laboratório Teuto Brasileiro S.A. (Teuto)

We have an option to acquire the remaining 60% of Teuto, a 40% -owned generics company in Brazil, and Teuto's shareholders have an option to sell their 60% stake in the company to us. Under the terms of our agreement with Teuto's other shareholders, 2016 is the final year in which the call and put options may be exercised. Our investment in Teuto is accounted for under the equity method due to the significant influence we have over the operations of Teuto through our board representation, minority veto rights and 40% voting interest.

- In 2014, we recorded income of approximately $55 million in *Other (income)/deductions—net,* resulting from a decline in the estimated loss from the net call/put option recorded in 2013 and an impairment loss of $56 million in *Other (income)/deductions—net* related to our equity method investment.
- In 2013, we recorded a loss of $223 million in *Other (income)/deductions — net* related to the net call/put option and an impairment loss of $32 million in *Other (income)/deductions—net* related to our equity-method investment.

F. Cost-Method Investment

AM-Pharma B.V. (AM-Pharma)

In April 2015, we acquired a minority equity interest in AM-Pharma, a privately-held Dutch biopharmaceutical company focused on the development of recombinant human Alkaline Phosphatase (recAP) for inflammatory diseases, and secured an exclusive option to acquire the remaining equity in the company. The option becomes exercisable upon delivery of the clinical trial report after completion of a Phase II trial of recAP in the treatment of Acute Kidney Injury related to sepsis. Results from the current Phase II trial for recAP are expected in 2017. Under the terms of the agreement, we 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* , and we may make additional payments of up to $512.5 million upon exercise of the option and potential launch of any product that may result from this 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 research and development, 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. For up to a three -year period post-acquisition, we expect to incur costs of approximately $1 billion (not including costs of $215 million in 2015 associated with the return of acquired in-process research and development rights as described in the *Current-Period Key Activities* section below) associated with the integration of Hospira.

In early 2014 , we announced that we would be incurring costs in 2014 - 2016 related to new programs: our new global commercial structure reorganization and additional cost-reduction/productivity initiatives. We have the following initiatives underway associated with these programs:

- Manufacturing plant network rationalization and optimization, where execution timelines are necessarily long. Our plant network strategy is expected to result in the exit of four sites over the next several years. In connection with these activities, during 2014 - 2016 , we expect to incur costs of approximately $500 million associated with prior acquisition activity and costs of approximately $1 billion associated with new non-acquisition-related cost-reduction initiatives. Through December 31, 2015 , we incurred approximately $354 million and $472 million , respectively, associated with these initiatives.
- New global commercial structure reorganization, which primarily includes the streamlining of certain functions, the realignment of regional locations and colleagues to support the businesses, as well as implementing the necessary system changes to support future reporting requirements. In connection with this reorganization, during 2014 - 2016 , we expect to incur costs of approximately $250 million . Through December 31, 2015 , we incurred approximately $219 million associated with this reorganization.
- Other new cost-reduction/productivity initiatives, primarily related to commercial property rationalization and consolidation. In connection with these cost-reduction activities, during 2014 - 2016 , we expect to incur costs of approximately $850 million . Through December 31, 2015 , we incurred approximately $493 million associated with these initiatives.

The costs expected to be incurred during 2014-2016, of approximately $2.6 billion in total for the above-mentioned programs (but not including expected costs associated with the Hospira integration), include restructuring charges, integration costs, implementation costs and additional depreciation—asset restructuring. Of this amount, we expect that about a quarter of the charges will be non-cash.

At the end of 2013, we had substantially completed many of the initiatives launched in prior periods.

Current-Period Key Activities

In 2015 , we incurred approximately $1.4 billion in cost-reduction and acquisition-related costs (excluding transaction costs) in connection with the acquisition of Hospira and the aforementioned programs, primarily associated with our manufacturing and sales operations.

The following table provides the components of costs associated with acquisitions and cost-reduction/productivity initiatives:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2015**	2014	2013
Restructuring charges [(a)] :			
Employee terminations	**$ 489**	$ 68	$ 805
Asset impairments	**254**	45	165
Exit costs	**68**	58	68
Total restructuring charges	**811**	170	1,038
Transaction costs [(b)]	**123**	—	—
Integration costs [(c)]	**219**	80	144
Restructuring charges and certain acquisition-related costs	**1,152**	250	1,182
Additional depreciation—asset restructuring recorded in our consolidated statements of income as follows [(d)] :			
Cost of sales	**117**	228	178
Selling, informational and administrative expenses	**—**	1	19
Research and development expenses	**5**	31	94
Total additional depreciation—asset restructuring	**122**	261	291
Implementation costs recorded in our consolidated statements of income as follows [(e)] :			
Cost of sales	**102**	78	53
Selling, informational and administrative expenses	**82**	140	145
Research and development expenses	**14**	52	33
Other (income)/deductions—net	**5**	1	—
Total implementation costs	**203**	270	231
Total costs associated with acquisitions and cost-reduction/productivity initiatives	**$ 1,478**	$ 781	$ 1,704

[(a)] In 2015 , *Employee terminations* represent the expected reduction of the workforce by approximately 3,900 employees, mainly in sales, corporate and research. 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 charges in 2015 , which include a $39 million charge related to a 36% reduction in our labor force in Venezuela, are associated with the following:

- Global Innovative Pharmaceutical segment (GIP) ($39 million); the Global Vaccines, Oncology and Consumer Healthcare segment (VOC) ($45 million); the Global Established Pharmaceutical segment (GEP) ($402 million); Worldwide Research and Development and Medical (WRD/M) ($80 million); manufacturing operations ($80 million); and Corporate ($164 million).

The restructuring charges in 2014 are associated with the following:

- GIP ($35 million); VOC ($28 million); GEP ($57 million); WRD/M ($37 million); manufacturing operations ($97 million); and Corporate ($65 million), as well as $149 million of income related to the partial reversal of prior-period restructuring charges not directly associated with the new individual segments, and primarily reflecting a change in estimate with respect to our sales force restructuring plans.

The restructuring charges in 2013 are associated with the following:

- Total operating segments ($496 million); WRD/M ($13 million); manufacturing operations ($356 million); and Corporate ($173 million).

At the beginning of fiscal 2014 , we revised our operating segments and are unable to directly associate these prior-period restructuring charges with the new individual segments.

In September 2015, in order to eliminate certain redundancies in our biosimilar drug products pipeline created as a result of the acquisition of Hospira, we opted to return rights to Celltrion Inc. and Celltrion Healthcare, Co., Ltd. (collectively, 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* . The recorded amounts for the assets acquired from Hospira are provisional and are subject to change. See *Note 2A* .

(b) Transaction costs represent external costs directly related to the acquisition of Hospira and our pending combination with Allergan and primarily include expenditures for banking, legal, accounting and other similar services.

(c) 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.

(d) Additional depreciation—asset restructuring represents the impact of changes in the estimated useful lives of assets involved in restructuring actions.

(e) 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, 2014	$ 1,685	$ —	$ 94	$ 1,779
Provision	68	45	58	170
Utilization and other [a]	(639)	(45)	(100)	(783)
Balance, December 31, 2014 [b]	1,114	—	52	1,166
Provision	**489**	**254**	**68**	**811**
Utilization and other [a]	**(495)**	**(254)**	**(71)**	**(820)**
Balance, December 31, 2015 [c]	**$ 1,109**	**$ —**	**$ 48**	**$ 1,157**

(a) Includes adjustments for foreign currency translation.

(b) Included in *Other current liabilities* ($735 million) and *Other noncurrent liabilities* ($431 million).

(c) Included in *Other current liabilities* ($776 million) and *Other noncurrent liabilities* ($381 million).

Note 4. Other (Income)/Deductions—Net

The following table provides components of *Other (income)/deductions—net* :

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2015**	2014	2013
Interest income [a]	**$ (471)**	$ (425)	$ (403)
Interest expense [a]	**1,199**	1,360	1,414
Net interest expense	**728**	935	1,011
Foreign currency loss related to Venezuela [b]	**806**	—	—
Royalty-related income [c]	**(922)**	(1,002)	(523)
Patent litigation settlement income [d]	**—**	—	(1,342)
Other legal matters, net [e]	**975**	993	35
Gain associated with the transfer of certain product rights [f]	**—**	—	(459)
Net gains on asset disposals [g]	**(232)**	(288)	(320)
Certain asset impairments [h]	**818**	469	878
Business and legal entity alignment costs [i]	**282**	168	—
Costs associated with the Zoetis IPO [j]	**—**	—	18
Other, net [k]	**403**	(265)	170
Other (income)/deductions—net	**$ 2,860**	$ 1,009	$ (532)

[a] 2015 v. 2014 —Interest income increased primarily due to higher investment returns. Interest expense decreased , primarily due to the repayment of a portion of long-term debt in the first quarter of 2015 and the benefit of the effective conversion of some fixed-rate liabilities to floating-rate liabilities. 2014 v. 2013 —Interest income increased due to higher cash equivalents and investment balances. Interest expense decreased , primarily due to the benefit of the effective conversion of some fixed-rate liabilities to floating-rate liabilities. Capitalized interest expense totaled $ 32 million in 2015 , $ 41 million in 2014 and $ 32 million in 2013 .

[b] In 2015 , represents a foreign currency loss related to recent conditions in Venezuela, that had us resolve that our Venezuelan bolivar-denominated net monetary assets that are subject to revaluation are no longer expected to be settled at the Venezuelan government CENCOEX official rate of 6.30, but rather at the 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 increased in 2014 primarily due to royalties earned on sales of Enbrel in the U.S. and Canada after October 31, 2013 . On that date, the co-promotion term of the collaboration agreement for Enbrel in the U.S. and Canada expired, and Pfizer became entitled to royalties until October 31, 2016.

[d] In 2013 , reflects income from a litigation settlement with Teva Pharmaceutical Industries Ltd. (Teva) and Sun Pharmaceutical Industries Ltd. (Sun) for patent-infringement damages resulting from their "at-risk" launches of generic Protonix in the U.S. As of December 31, 2014, all amounts due had been collected.

[e] In 2015 , primarily includes $784.6 million related to an agreement in principle reached in February 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 (for additional information, see *Note 17A4*).
In 2014 , primarily includes approximately $610 million for Neurontin-related matters (including off-label promotion actions and antitrust actions), $400 million to resolve a securities class action against Pfizer in New York federal court (for additional information, see *Note 17A5*), and approximately $56 million for an Effexor-related matter, partially offset by $130 million of income from the reversal of two legal accruals where a loss is no longer deemed probable.

[f] In 2013 , represents the gain associated with the transfer of certain product rights to Hisun Pfizer. For additional information, see *Note 2E.*

[g] 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 approximately $90 million ; and (v) gains on sales of investments in private equity securities of approximately $3 million . Proceeds from the sale of available-for-sale securities were $4.3 billion in 2015 .
In 2014 , primarily includes (i) gross realized gains on sales of available-for-sale equity securities of $76 million ; (ii) gross realized gains on sales of available-for-sale debt securities of $138 million ; (iii) gross realized losses on sales of available-for-sale debt securities of $436 million ; (iv) net gain of $323 million from derivative financial instruments used to hedge the foreign exchange component of the divested available-for-sale debt securities; (v) gains on sales/out-licensing of product and compound rights of approximately $135 million ; and (vi) gains on sales of investments in private equity securities of approximately $39 million . Proceeds from the sale of available-for-sale securities were $10.2 billion in 2014 .
In 2013 , primarily includes (i) gross realized gains on sales of available-for-sale equity securities of $87 million ; (ii) gross realized gains on sales of available-for-sale debt securities of $442 million ; (iii) gross realized losses on sales of available-for-sale debt securities of $310 million ; (iv) net loss of $137 million from derivative financial instruments used to hedge the foreign exchange component of the divested available-for-sale debt securities; and (v) a gain of $170 million on the sale of various product rights, including a portion of our in-licensed generic sterile injectables portfolio. Proceeds from the sale of available-for-sale securities were $15.2 billion in 2013 .

[h] In 2015 , primarily includes an impairment loss of $463 million related to Pfizer's 49% -owned equity-method investment with Zhejiang Hisun Pharmaceuticals Co., Ltd. (Hisun) in China, Hisun Pfizer (for additional information concerning Hisun Pfizer, see *Note 2E*) 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: GEP ($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.
In 2014 , includes intangible asset impairment charges of $396 million , reflecting (i) $190 million for an IPR&D compound for the treatment of skin fibrosis (full write-off); (ii) $159 million for developed technology rights, primarily related to Quillivant XR; and (iii) $47 million for indefinite-lived brands. The intangible asset impairment charges for 2014 are associated with the following: GIP ($12 million); GEP ($166 million); WRD ($190 million); and Consumer Healthcare ($28 million). In addition, 2014 includes an impairment charge of approximately $56 million related to our investment in Teuto.
The intangible asset impairment charges for 2014 reflect, among other things, updated commercial forecasts; and with regard to IPR&D, the impact of changes to the development program and new scientific findings.

In 2013 , includes intangible asset impairment charges of $803 million , reflecting (i) $394 million of developed technology rights (for use in the development of bone and cartilage) acquired in connection with our acquisition of Wyeth; (ii) $227 million related to IPR&D compounds; (iii) $109 million of indefinite-lived brands, primarily related to our biopharmaceutical indefinite-lived brand Xanax/Xanax XR; and (iv) $73 million of other finite-lived intangible assets, related to platform technology, that no longer have an alternative future use. The intangible asset impairment charges for 2013 are associated with the following: GIP ($448 million); GEP ($201 million); WRD ($140 million); and Consumer Healthcare ($14 million). In addition, 2013 includes an impairment charge of approximately $43 million for certain private company investments and an impairment charge of $32 million related to our investment in Teuto.

The intangible asset impairment charges for 2013 reflect, among other things, updated commercial forecasts and, with regard to IPR&D, also reflect the impact of new scientific findings and delayed launch dates.

(i) Represents expenses for changes to our infrastructure to align our operations, as well as reporting for our business segments established in 2014.

(j) Represents costs incurred in connection with the IPO of an approximate 19.8% ownership interest in Zoetis. Includes expenditures for banking, legal, accounting and similar services. For additional information, see *Note 2D.*

(k) 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. In 2014 , includes, among other things, (i) gains of approximately $40 million , reflecting the change in the fair value of contingent consideration liabilities associated with prior acquisitions; (ii) income associated with equity-method investees of $86 million ; (iii) income of $55 million resulting from a decline in the estimated loss on an option to acquire the remaining interest in Teuto; and (iv) a loss of $30 million due to a change in our ownership interest in ViiV. In 2013 , includes, among other things, (i) a gain of approximately $114 million , reflecting the change in the fair value of the contingent consideration liabilities associated with a prior acquisition; (ii) an estimated loss of $223 million related to an option to acquire the remaining interest in Teuto; and (iii) a loss of $32 million due to a change in our ownership interest in ViiV. For additional information concerning Teuto and ViiV, see *Note 2E.*

The asset impairment charges included in *Other (income)/deductions—net* in 2015 are based on estimates of fair value.

The following table provides additional information about the intangible assets that were impaired during 2015 in *Other (income)/deductions—net* :

					Year Ended December 31,
	Fair Value [a]				**2015**
(MILLIONS OF DOLLARS)	Amount	Level 1	Level 2	Level 3	Impairment
Intangible assets—IPR&D [b]	**$ 46**	**$ —**	**$ —**	**$ 46**	**$ 71**
Intangible assets—Developed technology rights [b]	**85**	**—**	**—**	**85**	**120**
Intangible assets—Indefinite-lived Brands [b]	**145**	**—**	**—**	**145**	**132**
Total	**$ 276**	**$ —**	**$ —**	**$ 276**	**$ 323**

(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 2015 . 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 and the impact of technological risk associated with IPR&D assets; 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 for taxes on income* :

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2015**	2014	2013
United States	**$ (6,809)**	$ (4,744)	$ (1,678)
International	**15,773**	16,984	17,394
Income from continuing operations before provision for taxes on income [a], [b]	**$ 8,965**	$ 12,240	$ 15,716

(a) 2015 v. 2014 — The increase in the domestic loss was primarily due to the loss of exclusivity for Celebrex and Zyvox, higher restructuring charges and higher selling, informational and administrative expenses, partially offset by the performance of certain products including Prevnar 13 and Ibrance, and the impact of Hospira operations. The decrease in international income is primarily due to a foreign currency loss related to Venezuela, higher asset impairments, and the loss of exclusivity for Lyrica in certain developed markets, partially offset by lower research and development costs.

(b) 2014 v. 2013 — The increase in the domestic loss was primarily due to lower revenues, the non-recurrence of income from a litigation settlement in 2013 with Teva and Sun for patent-infringement damages resulting from their “at-risk” launches of generic Protonix in the U.S., higher charges related to other legal matters, a non-tax deductible charge in the third quarter of 2014 to account for an additional year of the Branded Prescription Drug Fee in accordance with final regulations issued by the U.S. Internal Revenue Service (IRS), higher research and development expenses, and higher charges for business and legal entity alignment costs, partially offset by lower amortization of intangible assets, lower restructuring charges and other costs associated with acquisitions and cost-reduction/productivity initiatives, and lower asset impairments. The decrease in international income is primarily related to lower revenues, the non-recurrence of the gain associated with the transfer of certain product rights to Pfizer’s equity-method investment in China (Hisun Pfizer) in 2013, and higher research and development expenses, partially offset by lower amortization of intangible assets, lower restructuring charges and other costs associated with acquisitions and cost-reduction/productivity initiatives and the non-recurrence of certain charges.

The following table provides the components of *Provision for taxes on income* based on the location of the taxing authorities:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2015**	2014	2013
United States			
Current income taxes:			
Federal	**$ 67**	$ 393	$ 142
State and local	**(8)**	85	(106)
Deferred income taxes:			
Federal	**300**	725	2,124
State and local	**(36)**	(256)	(33)
Total U.S. tax provision	**323**	948	2,127
International			
Current income taxes	**1,951**	2,321	2,544
Deferred income taxes	**(284)**	(149)	(365)
Total international tax provision	**1,667**	2,172	2,179
Provision for taxes on income	**$ 1,990**	$ 3,120	$ 4,306

In 2015 , the *Provision 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 the current year (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 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 Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (U.S. Healthcare Legislation).

In 2014 , the *Provision for taxes on income* was impacted by the following:

- U.S. tax expense of approximately $2.2 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 2014 (see *Note 5C*);
- Tax benefits of approximately $350 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 favorable impact of the decline in the non-tax deductible loss recorded in 2013 related to an option to acquire the remaining interest in Teuto, since we expect to retain the investment indefinitely;
- The extension of the U.S. R&D tax credit, which was signed into law in December 2014; and
- The non-deductibility of a $362 million fee payable to the federal government as a result of the U.S. Healthcare Legislation.

In 2013 , the *Provision for taxes on income* was impacted by the following:

- U.S. tax expense of approximately $2.3 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 2013 (see *Note 5C*);
- U.S. tax benefits of approximately $430 million , representing tax and interest, resulting from a multi-year settlement with the IRS with respect to audits of the Wyeth tax returns for the years 2006 through date of acquisition, and international tax benefits of approximately $470 million , representing tax and interest, resulting from the resolution of certain tax positions pertaining to prior years with various foreign tax authorities, and from the expiration of certain statutes of limitations;
- The unfavorable tax rate associated with the $1.3 billion of patent litigation settlement income;
- The non-deductibility of the $292 million of goodwill derecognized and the jurisdictional mix of the other intangible assets divested as part of the transfer of certain product rights to Hisun Pfizer;
- The non-deductibility of the $223 million loss on an option to acquire the remaining interest in Teuto, since we expect to retain the investment indefinitely, and the non-deductibility of a $32 million impairment charge related to our equity-method investment in Teuto;
- The extension of the U.S. R&D tax credit (resulting in the full-year benefit of the 2012 and 2013 U.S. R&D tax credit being recorded in 2013); and
- The non-deductibility of a $280 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 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,		
	2015	2014	2013
U.S. statutory income tax rate	**35.0 %**	35.0 %	35.0 %
Taxation of non-U.S. operations [a], [b], [c]	**(9.6)**	(7.4)	(2.5)
Tax settlements and resolution of certain tax positions [d]	**(4.0)**	(2.9)	(5.7)
U.S. Healthcare Legislation [d]	**0.9**	1.0	0.6
U.S. R&D tax credit and manufacturing deduction [d]	**(1.0)**	(0.9)	(0.8)
Certain legal settlements and charges [d]	**3.1**	—	(0.2)
All other, net [e]	**(2.1)**	0.5	1.0
Effective tax rate for income from continuing operations	**22.2 %**	25.5 %	27.4 %

[a] 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, 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 for taxes on income,* which is based on the location of the taxing authorities, and for information about settlements and other items impacting *Provision for taxes on income* .

[b] 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, Singapore, Costa Rica, and the Dominican Republic. 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. Hospira's infusion technologies business benefits from income tax exemptions in Costa Rica and the Dominican Republic through 2028 and 2019, respectively.

[c] The rate impact in 2015 also includes the non-deductibility of a foreign currency loss related to Venezuela. The favorable rate impact in 2014 also includes the decline in the non-tax deductible loss recorded in 2013 related to an option to acquire the remaining interest in Teuto, since we expect to retain the investment indefinitely. The rate impact in 2013 also includes the non-deductibility of the goodwill derecognized and the jurisdictional mix of the other intangible assets divested as part of the transfer of certain product rights to Hisun Pfizer, and the non-deductibility of the loss on an option to acquire the remaining interest in Teuto, since we expect to retain the investment indefinitely, and the non-deductibility of an impairment charge related to our equity-method investment in Teuto. For additional information, see *Note 2E*.

[d] 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 the impact of certain legal settlements and charges, see *Note 5A*. The extension of the U.S. R&D tax credit in January 2013 resulted in the full-year benefit of the 2012 and 2013 U.S. R&D tax credit being recorded in 2013.

[e] All other, net in 2015 primarily relates to tax benefits associated with certain tax initiatives in the normal course of business.

C. Deferred Taxes

On December 31, 2015, we adopted a new accounting standard that requires all deferred tax assets and liabilities to be classified as noncurrent in the balance sheet. We elected to apply this new standard retrospectively. The impact of the change in presentation is that all deferred tax assets and liabilities that were previously reported in current assets and current liabilities, totaling net current deferred tax assets of $2.1 billion as of December 31, 2014 have been reclassified to noncurrent assets and noncurrent liabilities, as appropriate.

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:

	2015 Deferred Tax		2014 Deferred Tax	
(MILLIONS OF DOLLARS)	**Assets**	**(Liabilities)**	Assets	(Liabilities)
Prepaid/deferred items	**$ 2,247**	**$ (38)**	$ 1,995	$ (53)
Inventories	**381**	**(190)**	219	(56)
Intangible assets	**1,063**	**(10,885)**	969	(9,224)
Property, plant and equipment	**65**	**(1,096)**	174	(1,242)
Employee benefits	**3,302**	**(167)**	3,950	(154)
Restructurings and other charges	**318**	**(20)**	114	(28)
Legal and product liability reserves	**730**	**—**	1,010	—
Net operating loss/tax credit carryforwards [a]	**3,808**	**—**	2,918	—
Unremitted earnings [b]	**—**	**(23,626)**	—	(21,174)
State and local tax adjustments	**328**	**—**	295	—
All other	**310**	**(646)**	283	(783)
	12,552	**(36,668)**	11,927	(32,714)
Valuation allowances	**(2,029)**	**—**	(1,615)	—
Total deferred taxes	**$ 10,523**	**$ (36,668)**	$ 10,312	$ (32,714)
Net deferred tax liability [c]		**$ (26,145)**		$ (22,402)

[a] The amounts in 2015 and 2014 are reduced for unrecognized tax benefits of $2.9 billion and $2.6 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.

[b] The increase in 2015 reflects additional accruals for certain funds earned outside the U.S. that will not be indefinitely reinvested overseas, virtually all of which were earned in the current year. For additional information, see *Note 5A*.

[c] In 2015, *Noncurrent deferred tax assets and other noncurrent tax assets* ($732 million),and *Noncurrent deferred tax liabilities* ($26.8 billion). In 2014 , *Noncurrent deferred tax assets and other noncurrent tax assets* ($915 million), and *Noncurrent deferred tax liabilities* ($23.3 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 2016 to 2035. Certain of our U.S. net operating losses are subject to limitations under Internal Revenue Code 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.

As of December 31, 2015 , we have not made a U.S. tax provision on approximately $80.0 billion of unremitted earnings of our international subsidiaries. As these earnings are intended to be indefinitely reinvested overseas, the determination of a hypothetical unrecognized deferred tax liability as of December 31, 2015 , is not practicable.

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, 2015 and 2014 , we had approximately $4.8 billion and $4.7 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 and from foreign tax credits that would be generated upon settlement of an uncertain tax position. 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, 2015 and 2014 , we had approximately $1.1 billion and $1.5 billion , respectively, in assets associated with uncertain tax positions. In 2015, these amounts were included in *Noncurrent deferred tax assets and other noncurrent tax assets* ($963 million) and *Noncurrent deferred tax liabilities (* $179 million). In 2014, these amounts were included in *Noncurrent deferred tax assets and other noncurrent tax assets* ($966 million) and *Noncurrent deferred tax liabilities (* $527 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)	**2015**	2014	2013
Balance, beginning	**$ (6,182)**	$ (6,087)	$ (6,315)
Acquisitions [a]	**(110)**	—	—
Divestitures [b]	**—**	—	29
Increases based on tax positions taken during a prior period [c]	**(31)**	(110)	(205)
Decreases based on tax positions taken during a prior period [c], [d]	**496**	473	876
Decreases based on settlements for a prior period [e]	**64**	70	571
Increases based on tax positions taken during the current period [c]	**(675)**	(795)	(1,178)
Impact of foreign exchange	**319**	161	38
Other, net [c], [f]	**199**	106	97
Balance, ending [g]	**$ (5,919)**	$ (6,182)	$ (6,087)

[a] Primarily related to the acquisition of Hospira. See also note 2A.

[b] Primarily related to the disposition of our Animal Health (Zoetis) business. See also *Note 2D.*

[c] Primarily included in *Provision for taxes on income.*

[d] Primarily related to effectively settling certain tax positions with the U.S. and foreign tax authorities. See also *Note 5A.*

[e] Primarily related to cash payments.

[f] Primarily related to decreases as a result of a lapse of applicable statutes of limitations.

[g] In 2015 , included in *Income taxes payable* ($38 million), *Current tax assets* ($22 million), *Noncurrent deferred tax assets and other noncurrent tax assets* ($135 million), *Noncurrent deferred tax liabilities* ($2.7 billion) and *Other taxes payable* ($3.0 billion). In 2014 , included in *Income taxes payable* ($13 million), *Current tax assets* ($27 million), *Noncurrent deferred tax assets and other noncurrent tax assets* ($196 million), *Noncurrent deferred tax liabilities* ($2.4 billion) and *Other taxes payable* ($3.5 billion).

- Interest related to our unrecognized tax benefits is recorded in accordance with the laws of each jurisdiction and is recorded in *Provision for taxes on income* in our consolidated statements of income. In 2015 , we recorded net interest expense of $71 million . In 2014 , we recorded net interest expense of $40 million ; and in 2013 , we recorded net interest income of $16 million primarily as a result of settling certain tax positions with the U.S. and various foreign tax authorities. Gross accrued interest totaled $714 million as of December 31, 2015 (reflecting a decrease of approximately $5 million as a result of cash payments) and gross accrued interest totaled $643 million as of December 31, 2014 (reflecting a decrease of approximately $18 million as a result of cash payments). In 2015 , these amounts were included in *Current tax asset* s ($12 million) and *Other taxes payable* ($702 million). In 2014 , these amounts were included in *Current tax asset* s ($15 million) and *Other taxes payable* ($628 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 Inc., 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 and 2015 are open, but not under audit. All other tax years are closed.
- With respect to Hospira, Inc., the IRS is auditing 2010-2011 and 2012-2013. Tax years 2014-2015 (through date of acquisition) are open but not under audit. All other tax years are closed. The open tax years and audits for Hospira, Inc. and its subsidiaries 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 (2010-2015), Japan (2015), Europe (2007-2015, primarily reflecting Ireland, the United Kingdom, France, Italy, Spain and Germany), Latin America (1998-2015, primarily reflecting Brazil) and Puerto Rico (2010-2015).

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 twelve months, our gross unrecognized tax benefits, exclusive of interest, could decrease by as much as $200 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)	**2015**	2014	2013
Foreign currency translation adjustments, net [a]	**$ 90**	$ 42	$ 111
Unrealized holding gains on derivative financial instruments, net	**(173)**	(199)	217
Reclassification adjustments for realized (gains)/losses	**104**	262	(63)
	(69)	63	154
Unrealized holding gains/(losses) on available-for-sale securities, net	**(104)**	(56)	57
Reclassification adjustments for realized (gains)/losses	**59**	10	(57)
	(45)	(46)	—
Benefit plans: actuarial gains/(losses), net	**(23)**	(1,416)	1,422
Reclassification adjustments related to amortization	**183**	61	205
Reclassification adjustments related to settlements, net	**237**	35	2
Other	**66**	61	2
	462	(1,258)	1,631
Benefit plans: prior service credits and other, net	**160**	281	56
Reclassification adjustments related to amortization	**(59)**	(28)	(23)
Reclassification adjustments related to curtailments, net	**(12)**	—	(1)
Other	**—**	(1)	—
	89	253	32
Tax provision/(benefit) on other comprehensive income/(loss)	**$ 528**	$ (946)	$ 1,928

[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 income/(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, 2013	$ (177)	$ (161)	$ 236	$ (6,110)	$ 259	$ (5,953)
Other comprehensive income/(loss) [a]	(440)	240	(86)	2,887	54	2,655
Sale of 19.8% of subsidiary through an IPO [b]	27	—	—	—	—	27
Balance, December 31, 2013	(590)	79	150	(3,223)	313	(3,271)
Other comprehensive income/(loss) [a]	(2,099)	438	(372)	(2,432)	419	(4,045)
Balance, December 31, 2014	(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)**

[a] Amounts do not include foreign currency translation adjustments attributable to noncontrolling interests of $26 million loss in 2015 , $3 million gain in 2014 and $62 million loss in 2013 .
[b] Relates to Zoetis (our former Animal Health subsidiary). See *Note 2D*.

As of December 31, 2015 , we estimate that we will reclassify into 2016 income the following pre-tax amounts currently held in *Accumulated other comprehensive loss* : $437 million of unrealized pre-tax losses on derivative financial instruments (expected to be offset primarily by gains resulting from reclassification adjustments related to available-for-sale securities); $555 million of actuarial losses related to benefit plan obligations and plan assets and other benefit plan items; and $163 million of prior service credits, primarily related to benefit plan amendments.

Note 7. Financial Instruments

A. Selected Financial Assets and Liabilities

The following table provides additional information about certain of our financial assets and liabilities:

	As of December 31,	
(MILLIONS OF DOLLARS)	**2015**	2014
Selected financial assets measured at fair value on a recurring basis [a]		
Trading funds and securities [b]	**$ 287**	$ 105
Available-for-sale debt securities [c]	**32,078**	39,762
Money market funds	**934**	2,174
Available-for-sale equity securities [c]	**603**	397
Derivative financial instruments in a receivable position [d] :		
Interest rate swaps	**837**	801
Foreign currency swaps	**135**	593
Foreign currency forward-exchange contracts	**559**	547
	35,433	44,379
Other selected financial assets		
Held-to-maturity debt securities, carried at amortized cost [c], [e]	**1,388**	7,255
Private equity securities, carried at equity-method or at cost [e], [f]	**1,336**	1,993
	2,724	9,248
Total selected financial assets	**$ 38,157**	$ 53,627
Selected financial liabilities measured at fair value on a recurring basis [a]		
Derivative financial instruments in a liability position [g] :		
Interest rate swaps	**$ 139**	$ 17
Foreign currency swaps	**1,489**	594
Foreign currency forward-exchange contracts	**81**	78
	1,709	689
Other selected financial liabilities [h]		
Short-term borrowings, carried at historical proceeds, as adjusted [e]	**10,160**	5,141
Long-term debt, carried at historical proceeds, as adjusted [i], [j]	**28,818**	31,541
	38,978	36,682
Total selected financial liabilities	**$ 40,687**	$ 37,371

[a] We use a market approach in valuing financial instruments on a recurring basis. For additional information, see *Note 1E.* All of our financial assets and liabilities measured at fair value on a recurring basis use Level 2 inputs in the calculation of fair value, except less than 1% that use Level 1 inputs.

[b] As of December 31, 2015 , trading funds and securities are composed of $100 million of trading equity funds, $102 million of trading debt funds, and $85 million of trading equity securities. As of December 31, 2014 , trading securities of $105 million is composed of debt and equity securities. The trading equity securities as of December 31, 2015 and the trading debt and equity securities as of December 31, 2014 are held in trust for benefits attributable to the former Pharmacia Savings Plus Plan.

[c] Generally, gross unrealized gains and losses are not significant. Unrealized losses related to 2015 available-for-sale debt securities are $593 million and unrealized gains are $44 million . The vast majority of investments in an unrealized loss position relate to the foreign exchange impact on foreign currency denominated securities, which are hedged with cross-currency swaps. We have the intent and ability to hold such investments to maturity.

[d] Designated as hedging instruments, except for certain contracts used as offsets; namely, foreign currency forward-exchange contracts with fair values of $136 million as of December 31, 2015 ; and foreign currency forward-exchange contracts with fair values of $159 million as of December 31, 2014 .

[e] Short-term borrowings include foreign currency short-term borrowings with fair values of $547 million as of December 31, 2015 , which are used as hedging instruments. The differences between the estimated fair values and carrying values of held-to-maturity debt securities, 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, 2015 or December 31, 2014 . 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 are based on Level 3 inputs.

[f] Our private equity securities represent investments in the life sciences sector.

[g] Designated as hedging instruments, except for certain contracts used as offsets; namely, foreign currency swaps with fair values of $234 million and foreign currency forward-exchange contracts with fair values of $59 million as of December 31, 2015 ; and foreign currency swaps with fair values of $121 million and foreign currency forward-exchange contracts with fair values of $54 million as of December 31, 2014 .

[h] Some carrying amounts may include adjustments for discount or premium amortization or for the effect of hedging the interest rate fair value risk associated with certain financial liabilities by interest rate swaps.

[i] Includes foreign currency debt with fair values of $560 million as of December 31, 2014 , which are used as hedging instruments.

[j] The fair value of our long-term debt (not including the current portion of long-term debt) was $32.7 billion as of December 31, 2015 and $36.6 billion as of December 31, 2014 . The fair value measurements for our long-term debt are based on Level 2 inputs, using a market approach. Generally, the difference between the fair value of our long-term debt and the amount reported on the consolidated balance sheet is due to a decline in relative market interest rates since the debt issuance.

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.*

The following methods and assumptions were used to estimate the fair value of our financial assets and liabilities:

- Trading equity securities—quoted market prices.
- Trading debt securities—observable market interest rates.
- 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. Loan-backed, receivable-backed, and mortgage-backed securities are valued by third-party models that use significant inputs derived from observable market data like prepayment rates, default rates, and recovery rates.
- Money market funds—observable Net Asset Value prices.
- Available-for-sale equity securities—third-party pricing services that principally use a composite of observable prices.
- Derivative financial instruments (assets and liabilities)—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.
- 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.

The following table provides the classification of these selected financial assets and liabilities in our consolidated balance sheets:

	As of December 31,	
(MILLIONS OF DOLLARS)	**2015**	2014
Assets		
Cash and cash equivalents	**$ 978**	$ 1,389
Short-term investments	**19,649**	32,779
Long-term investments	**15,999**	17,518
Other current assets [(a)]	**587**	1,059
Other noncurrent assets [(b)]	**944**	881
	$ 38,157	$ 53,627
Liabilities		
Short-term borrowings, including current portion of long-term debt	**$ 10,160**	$ 5,141
Other current liabilities [(c)]	**645**	93
Long-term debt	**28,818**	31,541
Other noncurrent liabilities [(d)]	**1,064**	596
	$ 40,687	$ 37,371

[(a)] As of December 31, 2015 , derivative instruments at fair value include interest rate swaps ($2 million), foreign currency swaps ($46 million) and foreign currency forward-exchange contracts ($538 million) and, as of December 31, 2014 , include interest rate swaps ($34 million), foreign currency swaps ($494 million) and foreign currency forward-exchange contracts ($531 million).

[(b)] As of December 31, 2015 , derivative instruments at fair value include interest rate swaps ($835 million), foreign currency swaps ($89 million) and foreign currency forward-exchange contracts ($20 million) and, as of December 31, 2014 , include interest rate swaps ($767 million), foreign currency swaps ($99 million) and foreign currency forward-exchange contracts ($15 million).

[(c)] At December 31, 2015 , derivative instruments at fair value include interest rate swaps ($5 million), foreign currency swaps ($560 million) and foreign currency forward-exchange contracts ($80 million) and, as of December 31, 2014 , include interest rate swaps ($1 million), foreign currency swaps ($13 million) and foreign currency forward-exchange contracts ($78 million).

[(d)] At December 31, 2015 , derivative instruments at fair value include interest rate swaps ($134 million), foreign currency swaps ($928 million) and foreign currency forward-exchange contracts ($1 million) and, as of December 31, 2014 , include interest rate swaps ($16 million) and foreign currency swaps ($581 million).

In addition, as of December 31, 2015 and 2014, 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, 2015 and 2014, 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.

B. Investments in Debt Securities

The following table provides the contractual maturities, or as necessary, the estimated maturities, of the available-for-sale and held-to-maturity debt securities:

	Years				December 31, 2015
(MILLIONS OF DOLLARS)	Within 1	Over 1 to 5	Over 5 to 10	Over 10	Total
Available-for-sale debt securities					
Western European, Asian and other government debt [a]	$ 9,795	$ 1,549	$ 8	$ —	$ 11,352
Corporate debt [b]	3,153	4,728	1,804	43	9,729
U.S. government debt	920	1,358	156	—	2,433
Western European, Scandinavian and other government agency debt [a]	1,861	214	2	—	2,078
Supranational debt [a]	947	352	—	—	1,299
Federal Home Loan Mortgage Corporation and Federal National Mortgage Association asset-backed securities	2	2,143	33	—	2,178
Reverse repurchase agreements [c]	875	—	—	—	875
Government National Mortgage Association and other U.S. government guaranteed asset-backed securities	266	478	19	—	763
Other asset-backed debt [d]	490	830	46	5	1,370
Held-to-maturity debt securities					
Western European government debt [a]	113	—	—	—	113
Time deposits, corporate debt and other [b]	1,270	5	—	—	1,275
Total debt securities	$ 19,693	$ 11,655	$ 2,069	$ 49	$ 33,466

[a] Issued by governments, government agencies or supranational entities, as applicable, all of which are investment-grade.
[b] Issued by a diverse group of corporations, largely consisting of financial institutions, virtually all of which are investment-grade.
[c] Involving U.S. securities.
[d] Includes loan-backed, receivable-backed, and mortgage-backed securities, all of which are investment-grade and in senior positions in the capital structure of the security. Loan-backed securities are collateralized by senior secured obligations of a diverse pool of companies or student loans, and receivable-backed securities are collateralized by credit cards receivables. Mortgage-backed securities are collateralized by diversified pools of residential and commercial mortgages. These securities are valued by third party models that use significant inputs derived from observable market data like prepayment rates, default rates, and recovery rates.

C. Short-Term Borrowings

Short-term borrowings include amounts for commercial paper of $4.9 billion as of December 31, 2015 and $570 million as of December 31, 2014 . The weighted-average effective interest rate on short-term borrowings outstanding was 1.9% as of December 31, 2015 and 2.5% as of December 31, 2014 .

As of December 31, 2015 , we had access to $8.1 billion of lines of credit, of which $687 million expire within one year . Of these lines of credit, $7.9 billion are unused, of which our lenders have committed to loan us $7.1 billion at our request. Also, $7.0 billion of our unused lines of credit, all of which expire in 2020, may be used to support our commercial paper borrowings. Under the terms of a substantial majority of our lines of credit agreements, upon the merger with Allergan, the lenders under the agreements may elect to require immediate repayment of any amounts then outstanding and cancel the outstanding lines of credit. We expect to either amend the existing credit agreements or secure new credit agreements to replace these agreements.

D. Long-Term 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 .

On May 15, 2014, we completed a public offering of $4.5 billion aggregate principal amount of senior unsecured notes.

The following table provides the components of our senior unsecured long-term debt:

(MILLIONS OF DOLLARS)	Maturity Date	As of December 31, 2015	2014
6.20% [a]	March 2019	**$ 3,276**	$ 3,264
7.20% [a]	March 2039	**2,856**	2,902
4.75% euro [b]	June 2016	**—**	2,424
5.75% euro [b]	June 2021	**2,172**	2,419
6.50% U.K . pound [b]	June 2038	**2,202**	2,316
5.95% [c]	April 2037	**2,057**	2,083
2.10% [c]	May 2019	**1,515**	1,507
4.55% euro [d]	May 2017	**1,041**	1,201
5.50% [b]	February 2016	**—**	1,018
Notes and other debt with a weighted-average interest rate of 2.83% [f]	2017–2020	**6,152**	5,161
Notes and other debt with a weighted-average interest rate of 5.18% [e]	2021–2044	**7,547**	6,698
Foreign currency notes and other foreign currency debt with a weighted-average interest rate of 2.84% [g]	2016	**—**	547
Long-term debt		**$ 28,818**	$ 31,541
Current portion of long-term debt (not included above)		**$ 3,720**	$ 3,011

[a] Instrument is redeemable by us at any time at the greater of 100% of the principal amount of the notes or the sum of the present values of the remaining scheduled payments of principal and interest discounted at the U.S. Treasury rate plus 0.50% , plus, in each case, accrued and unpaid interest.

[b] Instrument is redeemable by us at any time at the greater of 100% of the principal amount of the notes or the sum of the present values of the remaining scheduled payments of principal and interest discounted at a comparable government bond rate plus 0.20% . plus, in each case, accrued and unpaid interest.

[c] The instrument is redeemable by us at any time at the greater of 100% of the principal amount of the notes or the sum of the present values of the remaining scheduled payments of principal and interest discounted at the U.S. Treasury rate plus 0.25% for the 5.95% notes and 0.07% for the 2.10% notes, plus, in each case, accrued and unpaid interest.

[d] The instrument is redeemable by us at any time at the greater of 100% of the principal amount of the notes or the price at which the gross redemption yield on the notes would be equal to the gross redemption yield of a comparable European government bond (selected at the discretion of the Trustee) on the basis of the middle market price of such European government bond.

[e] Contains debt issuances with a weighted-average maturity of approximately 15 years , and the majority of which are redeemable by us at any time at the greater of 100% of the principal amount of the notes or the sum of the present values of the remaining scheduled payments of principal and interest discounted at the U.S. Treasury rate plus a weighted average of 0.20% , plus, in each case, accrued and unpaid interest.

[f] Contains debt issuances with a weighted-average maturity of approximately two years , and the majority of which are redeemable by us at any time at the greater of 100% of the principal amount of the notes or the sum of the present values of the remaining scheduled payments of principal and interest discounted at the U.S. Treasury rate plus a weighted average of 0.12% , plus, in each case, accrued and unpaid interest.

[g] At December 31, 2015, the debt issuances have been reclassified to *Current portion of long-term debt* .

In October 2015, Pfizer exchanged $1.7 billion debt of its recently acquired subsidiary Hospira for virtually the same amount of Pfizer Inc. debt with the same interest rate and maturity terms as the Hospira debt, leaving a minor amount of outstanding debt in Hospira's name. 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.

The following table provides the maturity schedule of our *Long-term debt* outstanding as of December 31, 2015:

(MILLIONS OF DOLLARS)	2017	2018	2019	2020	After 2020	Total
Maturities	$ 4,412	$ 2,400	$ 4,807	$ 364	$ 16,835	$ 28,818

E. 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 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. These financial instruments serve to protect net income and net investments against the impact of the translation into U.S. dollars of certain foreign exchange-denominated transactions.

As of December 31, 2015 , the aggregate notional amount of foreign exchange derivative financial instruments hedging or offsetting foreign currency exposures was $35.7 billion . The derivative financial instruments primarily hedge or offset exposures in the euro, Japanese yen, and U.K. pound. The maximum length of time over which we are hedging future foreign exchange cash flow relates to our $2.2 billion U.K. pound debt maturing in 2038.

All derivative contracts used to manage foreign currency risk are measured at fair value and are reported as assets or liabilities on the consolidated balance sheet. Changes in fair value are reported in earnings or in *Other comprehensive income/(loss)* , depending on the nature and purpose of the financial instrument (offset or hedge relationship) and the effectiveness of the hedge relationships, as follows:

- We record in *Other comprehensive income/(loss)* the effective portion of the gains or losses on foreign currency forward-exchange contracts and foreign currency swaps 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.
- We recognize the gains and losses on foreign currency forward-exchange contracts and foreign currency swaps 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.
- We recognize the gain and loss impact on foreign currency swaps and foreign currency forward-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.

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. As of December 31, 2015 , the aggregate notional amount of interest rate derivative financial instruments was $20.2 billion . The derivative financial instruments primarily hedge U.S. dollar and euro 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 swaps 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 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], [c]		Amount of Gains/(Losses) Recognized in OCI (Effective Portion) [a], [d]		Amount of Gains/(Losses) Reclassified from OCI into OID (Effective Portion) [a], [d]	
	As of December 31,					
(MILLIONS OF DOLLARS)	**2015**	2014	**2015**	2014	**2015**	2014
Derivative Financial Instruments in Cash Flow Hedge Relationships:						
Foreign currency swaps	**$ —**	$ —	**$ (826)**	$ (799)	**$ (613)**	$ (808)
Foreign currency forward-exchange contracts	**—**	—	**1,028**	823	**980**	332
Derivative Financial Instruments in Net Investment Hedge Relationships:						
Foreign currency swaps	**—**	—	**—**	78	**—**	—
Foreign currency forward-exchange contracts	**(1)**	—	**256**	—	**—**	—
Derivative Financial Instruments Not Designated as Hedges:						
Foreign currency forward-exchange contracts	**(42)**	164	**—**	—	**—**	—
Foreign currency swaps	**(4)**	(2)	**—**	—	**—**	—
Non-Derivative Financial Instruments in Net Investment Hedge Relationships:						
Foreign currency short-term borrowings	**—**	—	**3**	—	**—**	—
Foreign currency long-term debt	**—**	—	**—**	33	**—**	—
All other net	**(16)**	(3)	**—**	—	**—**	—
	$ (64)	$ 160	**$ 461**	$ 135	**$ 367**	$ (477)

[a] OID = Other (income)/deductions—net, included in *Other (income)/deductions—net* in the consolidated statements of income . OCI = Other comprehensive income/(loss), included in the consolidated statements of comprehensive income .

[b] Also includes gains and losses attributable to derivative instruments designated and qualifying as fair value hedges, as well as the offsetting gains and losses attributable to the hedged items in such hedging relationships.

[c] There was no significant ineffectiveness for any period presented.

[d] For derivative financial instruments in cash flow hedge relationships, the effective portion is included in *Other comprehensive income/(loss)—Unrealized holding gains 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.*

For information about the fair value of our derivative financial instruments, and the impact on our consolidated balance sheets, see *Note 7A* above . 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, 2015 , the aggregate fair value of these derivative instruments that are in a net liability position was $1.1 billion , for which we have posted collateral of $1.1 billion in the normal course of business. These features include the requirement to pay additional collateral in the event of a downgrade in our debt ratings. If there had been a downgrade to below an A rating by Standard and Poor's (S&P) or the equivalent rating by Moody's Investors Service, on December 31, 2015 , we would have been required to post an additional $20 million of collateral to our counterparties. The collateral advanced receivables are reported in *Short-term investments.*

F. 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. As of December 31, 2015 , we had $2.4 billion due from a well-diversified, highly rated group (S&P ratings of mostly A or better) of bank counterparties around the world. 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 master netting agreements with financial institutions and these agreements contain provisions that provide for the ability for collateral payments, depending on levels of exposure, our credit rating and the credit rating of the counterparty. As of December 31, 2015 , we received cash collateral of $1.0 billion from various counterparties. The collateral primarily supports the approximate fair value of our derivative contracts. With respect to the collateral received, which is included in *Cash and cash equivalents,* the obligations are reported in *Short-term borrowings, including current portion of long-term debt.*

Note 8. Inventories

The following table provides the components of *Inventories* :

(MILLIONS OF DOLLARS)	As of December 31, 2015	2014
Finished goods	**$ 2,714**	$ 1,905
Work in process	**3,932**	3,248
Raw materials and supplies	**867**	510
Inventories [a]	**$ 7,513**	$ 5,663
Noncurrent inventories not included above [b]	**$ 594**	$ 425

[a] Increase primarily due to the acquisition of Hospira inventories, which were recorded at fair value. For additional information, see *Note 2A* .
[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, 2015	2014
Land	—	**$ 588**	$ 529
Buildings	33-50	**9,604**	9,355
Machinery and equipment	8-20	**10,933**	9,671
Furniture, fixtures and other	3-12 1/2	**4,351**	4,162
Construction in progress	—	**1,791**	1,271
		27,268	24,988
Less: Accumulated depreciation		**13,502**	13,226
Property, plant and equipment [a]		**$ 13,766**	$ 11,762

[a] The increase in total property, plant and equipment is primarily due to the acquisition of Hospira (see *Note 2A*) and capital additions, partially offset by depreciation and, to a much lesser extent, impairments, disposals and the impact of foreign exchange.

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, 2015 Gross Carrying Amount	Accumulated Amortization	Identifiable Intangible Assets, less Accumulated Amortization	December 31, 2014 Gross Carrying Amount	Accumulated Amortization	Identifiable Intangible Assets, less Accumulated Amortization
Finite-lived intangible assets						
Developed technology rights	**$ 77,613**	**$ (47,193)**	**$ 30,419**	$ 70,946	$ (44,694)	$ 26,252
Brands	**1,973**	**(928)**	**1,044**	1,951	(855)	1,096
Licensing agreements and other	**1,619**	**(918)**	**701**	991	(832)	159
	81,205	**(49,040)**	**32,165**	73,887	(46,381)	27,506
Indefinite-lived intangible assets						
Brands and other	**7,021**		**7,021**	7,273		7,273
In-process research and development	**1,171**		**1,171**	387		387
	8,192		**8,192**	7,660		7,660
Identifiable intangible assets [a]	**$ 89,396**	**$ (49,040)**	**$ 40,356**	$ 81,547	$ (46,381)	$ 35,166

[a] The increase in *I dentifiable intangible assets, less accumulated amortization* , is primarily due to assets acquired as part of the acquisition of Hospira and Baxter's portfolio of marketed vaccines, partially offset by amortization, impairments and the impact of foreign exchange. For information about the assets acquired as part of the acquisition of Hospira and Baxter's portfolio of marketed vaccines, see *Note 2A.* For information about impairments of intangible assets, see *Note 4.*

Our identifiable intangible assets are associated with the following, as a percentage of total identifiable intangible assets, less accumulated amortization:

	December 31, 2015			
	GIP	VOC	GEP	WRD
Developed technology rights	**22%**	**29%**	**49%**	**—**
Brands, finite-lived	**—**	**81%**	**19%**	**—**
Brands, indefinite-lived	**—**	**70%**	**30%**	**—**
In-process research and development	**2%**	**10%**	**85%**	**3%**

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): Prevnar 13/Prevenar 13 Infant and Enbrel and, to a lesser extent, Premarin, Prevnar 13/Prevenar 13 Adult, Pristiq, Tygacil, Refacto AF, Effexor and Benefix. Also included in this category are infusion technologies and 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 and, to a lesser extent, Advil Cold and Sinus and Idoform Bifiform.

In-Process Research and Development

IPR&D assets represent research and development assets that have not yet received regulatory approval in a major market. The more significant components of IPR&D are the programs for the treatment of staph aureus infections, as well as the sterile injectables and biosimilars IPR&D portfolios acquired as part of the Hospira acquisition and the sterile injectables IPR&D portfolio acquired as part of the InnoPharma acquisition.

IPR&D assets are required to be classified as indefinite-lived assets until the successful completion or the abandonment of the associated research and development 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 in-process research and development and begin amortization. If the associated research and development 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 11 years. Total amortization expense for finite-lived intangible assets was $3.8 billion in 2015 , $4.1 billion in 2014 and $4.8 billion in 2013.

The following table provides the annual amortization expense expected for the years 2016 through 2020:

(MILLIONS OF DOLLARS)	2016	2017	2018	2019	2020
Amortization expense	$ 3,885	$ 3,780	$ 3,666	$ 3,386	$ 2,419

B. Goodwill

The following table provides the components of and changes in the carrying amount of *Goodwill* :

(MILLIONS OF DOLLARS)	GIP	VOC	GEP	Total
Balance, January 1, 2014	$ 13,210	$ 11,559	$ 17,750	$ 42,519
Additions [a]	—	—	125	125
Other [b]	(178)	(161)	(236)	(575)
Balance, December 31, 2014	13,032	11,398	17,639	42,069
Additions [c]	**—**	**39**	**7,284**	**7,323**
Other [b]	**(343)**	**(317)**	**(489)**	**(1,149)**
Balance, December 31, 2015	**$ 12,689**	**$ 11,120**	**$ 24,433**	**$ 48,242**

[a] Reflects the acquisition of InnoPharma. For additional information, see *Note 2A.*

[b] Primarily reflects the impact of foreign exchange.

[c] GEP additions relate to our acquisition of Hospira and are subject to change until we complete the recording of the assets acquired and liabilities assumed from Hospira. For additional information, see *Note 2A.*

Note 11. Pension and Postretirement Benefit Plans and Defined Contribution 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 Internal Revenue Code-qualified and supplemental (non-qualified) defined benefit plans and contribution plans. A qualified plan meets the requirements of certain sections of the Internal Revenue Code, 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. During 2015, we recorded net pension and postretirement benefit obligations of approximately $115 million as a result of the acquisition of Hospira and an additional $122 million for the decision to terminate Hospira's U.S. qualified pension plan.

A. Components of Net Periodic Benefit Costs and Changes in Other Comprehensive Income/(Loss)

The following table provides the annual cost (including, for 2013, costs reported as part of discontinued operations) 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) [b]			International [c]			Postretirement Plans [d]		
(MILLIONS OF DOLLARS)	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013
Service cost	**$ 287**	$ 253	$ 301	**$ 22**	$ 20	$ 26	**$ 186**	$ 199	$ 216	**$ 55**	$ 55	$ 61
Interest cost	**676**	697	666	**54**	57	67	**307**	394	378	**117**	169	166
Expected return on plan assets	**(1,089)**	(1,043)	(999)	**—**	—	—	**(418)**	(459)	(407)	**(53)**	(63)	(55)
Amortization of:												
Actuarial losses	**346**	63	355	**44**	29	51	**122**	97	129	**38**	6	46
Prior service credits	**(5)**	(7)	(7)	**(2)**	(2)	(2)	**(7)**	(7)	(5)	**(146)**	(57)	(44)
Curtailments	**3**	2	—	**—**	—	—	**5**	—	(20)	**(31)**	(7)	(11)
Settlements	**556**	52	113	**34**	28	40	**81**	22	22	**—**	—	—
Special termination benefits	**—**	—	—	**—**	—	—	**1**	8	4	**—**	—	—
Net periodic benefit costs reported in *Income*	**773**	16	429	**153**	132	182	**277**	254	317	**(21)**	102	163
(Income)/cost reported in *Other comprehensive income/(loss)* [e]	**(396)**	2,768	(3,044)	**(143)**	163	(255)	**(542)**	260	(569)	**(540)**	(174)	(736)
(Income)/cost recognized in *Comprehensive income*	**$ 378**	$ 2,784	$ (2,615)	**$ 10**	$ 294	$ (73)	**$ (265)**	$ 514	$ (252)	**$ (560)**	$ (72)	$ (573)

[a] 2015 v. 2014 — The increase in net periodic benefit costs for our U.S. qualified pension plans was primarily driven by (i) higher settlement activity 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, and (ii) the increase in the amounts amortized for actuarial losses resulting from the decrease, in 2014, in the discount rate used to determine the benefit obligation (which increased the amount of deferred actuarial losses), and, to a lesser extent, a 2014 change in mortality assumptions (reflecting a longer life expectancy for plan participants). The aforementioned increases were partially offset by (i) a greater expected return on plan assets resulting from an increased plan asset base due to a voluntary contribution of $1.0 billion made at the beginning of January 2015, which in turn was partially offset by a decrease in the expected rate of return on plan assets from 8.5% to 8.3% and (ii) lower interest costs resulting from the decrease, in 2014, in the discount rate used to determine the benefit obligation.

2014 v. 2013 — The decrease in net periodic benefit costs for our U.S. qualified pension plans was primarily driven by (i) the decrease in the amounts amortized for actuarial losses resulting from the increase, in 2013, in the discount rate used to determine the benefit obligation (which reduced the amount of deferred actuarial losses), (ii) lower service cost resulting from cost-reduction initiatives, (iii) lower settlement activity and (iv) greater expected return on plan assets resulting from an increased plan asset base, partially offset by higher interest costs resulting from the increase, in 2013, in the discount rate used to determine the benefit obligation.

(b) 2015 v. 2014 — The increase in net periodic benefit costs for our U.S. supplemental (non-qualified) pension plans was primarily driven by (i) an increase in the amounts amortized for actuarial losses resulting from the decrease, in 2014, in the discount rate used to determine the benefit obligation, and (ii) higher settlement activity.

2014 v. 2013 — The decrease in net periodic benefit costs for our U.S. supplemental (non-qualified) pension plans was primarily driven by (i) the decrease in the amounts amortized for actuarial losses resulting from the increase, in 2013, in the discount rate used to determine the benefit obligation, (ii) lower settlement activity and (iii) lower interest costs.

(c) 2015 v. 2014 — The increase in net periodic benefit costs for our international pension plans was primarily driven by (i) a decrease in the expected return on plan assets due to a lower expected rate of return on plan assets, (ii) an increase in the amounts amortized for actuarial losses resulting from the decrease, in 2014, in the discount rate used to determine the benefit obligation, and (iii) higher settlement charges due to the settlement of a pension plan in Sweden. The aforementioned increase in net periodic benefit costs was partially offset by the decrease in interest cost resulting from the decrease, in 2014, in the discount rate used to determine the benefit obligation.

2014 v. 2013 — The decrease in net periodic benefit costs for our international pension plans was primarily driven by (i) greater expected return on plan assets resulting from an increased plan asset base, (ii) the decrease in the amounts amortized for actuarial losses resulting from increases, in 2013, in the discount rates used to determine the benefit obligations, partially offset by (iii) increased curtailment losses primarily due to a loss relating to a U.K. pension plan freeze in the current year and (iv) changes in curtailments related to restructuring initiatives.

(d) 2015 v. 2014 — The decrease in net periodic benefit costs for our postretirement plans was primarily driven by (i) the increase in the amounts amortized for prior service credits and (ii) an increase in curtailment gain resulting from the implementation of changes to certain retiree medical benefits to adopt programs eligible for the Medicare Part D plan subsidy, as allowed under the employer group waiver plan, and another plan change to establish benefit caps for certain plan participants, as well as (iii) a decrease in interest cost resulting from the decrease, in 2014, in the discount rate used to determine the benefit obligation. The aforementioned decreases were partially offset by an increase in actuarial losses resulting from the decrease, in 2014, in the discount rate used to determine the benefit obligation.

2014 v. 2013 — The decrease in net periodic benefit costs for our postretirement plans was primarily driven by the decrease in the amounts amortized for actuarial losses resulting from the increase, in 2013, in the discount rate used to determine the benefit obligation (which reduced the amount of deferred actuarial losses).

(e) 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 2016 net periodic benefit costs:

	Pension Plans			
(MILLIONS OF DOLLARS)	U.S. Qualified	U.S. Supplemental (Non-Qualified)	International	Postretirement Plans
Actuarial losses	$ (398)	$ (37)	$ (91)	$ (29)
Prior service credits and other	(5)	1	2	164
Total	$ (403)	$ (36)	$ (89)	$ 135

B. Actuarial Assumptions

The following table provides the weighted-average actuarial assumptions of our benefit plans:

(PERCENTAGES)	**2015**	2014	2013
Weighted-average assumptions used to determine benefit obligations			
Discount rate:			
U.S. qualified pension plans	**4.5%**	4.2%	5.2%
U.S. non-qualified pension plans	**4.5%**	4.0%	4.8%
International pension plans	**3.1%**	3.0%	3.9%
Postretirement plans	**4.5%**	4.2%	5.1%
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%**	2.7%	2.9%
Weighted-average assumptions used to determine net periodic benefit cost			
Discount rate:			
U.S. qualified pension plans	**4.2%**	5.2%	4.3%
U.S. non-qualified pension plans	**4.0%**	4.8%	3.9%
International pension plans	**3.0%**	3.9%	3.8%
Postretirement plans	**4.2%**	5.1%	4.1%
Expected return on plan assets:			
U.S. qualified pension plans	**8.3%**	8.5%	8.5%
International pension plans	**5.5%**	5.8%	5.6%
Postretirement plans	**8.3%**	8.5%	8.5%
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	**2.7%**	2.9%	3.1%

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 determine the discount rates at year-end 2015 exhibited higher interest rates as compared to the prior year.

The following table provides the healthcare cost trend rate assumptions for our U.S. postretirement benefit plans:

	2015	2014
Healthcare cost trend rate assumed for next year [(a)]	**7.4%**	7.0%
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**	2027

[(a)] In 2015 Pfizer started using separate healthcare cost trend rates for U.S. postretirement plan participants based on their age (6.5% for plan participants up to the age of 65, and 7.9% for plan participants age 65 and over). The rate shown in the table is a blended rate, for ease of comparison.

The following table provides the effects as of December 31, 2015 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	**$ 11**	**$ (11)**
Effect on postretirement benefit obligation	**77**	**(80)**

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) [b]		International [c]		Postretirement Plans [d]	
(MILLIONS OF DOLLARS)	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Change in benefit obligation [e]								
Benefit obligation, beginning	**$ 16,575**	$ 13,976	**$ 1,481**	$ 1,341	**$ 10,796**	$ 10,316	**$ 3,168**	$ 3,438
Service cost	**287**	253	**22**	20	**186**	197	**55**	55
Interest cost	**676**	697	**54**	57	**307**	393	**117**	169
Employee contributions	**—**	—	**—**	—	**7**	8	**79**	75
Plan amendments	**62**	—	**4**	—	**(1)**	(54)	**(497)**	(692)
Changes in actuarial assumptions and other	**(774)**	2,653	**(70)**	218	**(273)**	1,346	**(185)**	447
Foreign exchange impact	**—**	—	**—**	—	**(938)**	(794)	**(20)**	(10)
Acquisitions/divestitures/other, net	**542**	—	**9**	—	**19**	(55)	**49**	—
Curtailments	**3**	2	**—**	—	**(2)**	(127)	**(3)**	(4)
Settlements	**(2,034)**	(308)	**(93)**	(96)	**(499)**	(32)	**—**	—
Special termination benefits	**—**	—	**—**	—	**1**	8	**—**	—
Benefits paid	**(412)**	(697)	**(65)**	(58)	**(389)**	(408)	**(300)**	(309)
Benefit obligation, ending [e]	**14,926**	16,575	**1,343**	1,481	**9,214**	10,796	**2,463**	3,168
Change in plan assets								
Fair value of plan assets, beginning	**12,706**	12,869	**—**	—	**8,588**	8,250	**762**	741
Actual gain/(loss) on plan assets	**(124)**	819	**—**	—	**290**	1,046	**(3)**	45
Company contributions	**1,000**	23	**158**	154	**558**	316	**84**	210
Employee contributions	**—**	—	**—**	—	**7**	8	**79**	75
Foreign exchange impact	**—**	—	**—**	—	**(602)**	(594)	**—**	—
Acquisitions/divestitures, net	**496**	—	**—**	—	**6**	3	**—**	—
Settlements	**(2,034)**	(308)	**(93)**	(96)	**(499)**	(32)	**—**	—
Benefits paid	**(412)**	(697)	**(65)**	(58)	**(389)**	(408)	**(300)**	(309)
Fair value of plan assets, ending	**11,633**	12,706	**—**	—	**7,959**	8,588	**622**	762
Funded status—Plan assets less than benefit obligation	**$ (3,292)**	$ (3,869)	**$ (1,343)**	$ (1,481)	**$ (1,255)**	$ (2,208)	**$ (1,841)**	$ (2,406)

[a] The favorable change in the funded status of our U.S. qualified plans was primarily due to (i) the plan gains resulting from the increase in the discount rate, and (ii) a $1 billion voluntary contribution to the plans, partially offset by (i) the net impact of the acquisition of Hospira and (ii) a decrease in the actual return on assets.

[b] Our U.S. supplemental (non-qualified) plans are generally not funded and these obligations, which are substantially greater than the annual cash outlay for these liabilities, will be paid from cash generated from operations. The decrease in the benefit obligation is primarily due to an increase in the discount rate.

[c] The favorable change in the international plans' funded status was primarily due to (i) plan gains related to favorable changes in actuarial assumptions and experience, (ii) an increase in company contributions to plan assets and (iii) foreign exchange impacts.

[d] The favorable change in the funded status of our postretirement plans was primarily due to (i) plan gains resulting from favorable changes in plan assumptions and an increase in the discount rate, and (ii) the impact of a plan amendment approved in June 2015 that introduced a cap on costs for certain groups within the plan, partially offset by (i) the reduced company contributions as the result of reimbursements received for eligible prescription drug expenses for certain retirees and (ii) the acquisition of Hospira.

[e] For the U.S. and international pension plans, the benefit obligation is the projected benefit obligation (PBO). For the postretirement plans, the benefit obligation is the accumulated postretirement benefit obligation (ABO). The ABO for all of our U.S. qualified pension plans was $14.8 billion in 2015 and $16.3 billion in 2014 . The ABO for our U.S. supplemental (non-qualified) pension plans was $1.3 billion in 2015 and $1.4 billion in 2014 . The ABO for our international pension plans was $8.8 billion in 2015 and $10.3 billion in 2014 .

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)	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Noncurrent assets [a]	**$ —**	$ —	**$ —**	$ —	**$ 572**	$ 509	**$ —**	$ —
Current liabilities [b]	**—**	—	**(126)**	(136)	**(25)**	(45)	**(31)**	(27)
Noncurrent liabilities [c]	**(3,292)**	(3,869)	**(1,216)**	(1,345)	**(1,801)**	(2,671)	**(1,809)**	(2,379)
Funded status	**$ (3,292)**	$ (3,869)	**$ (1,343)**	$ (1,481)	**$ (1,255)**	$ (2,208)	**$ (1,841)**	$ (2,406)

[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)	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Actuarial losses [a]	**$ (4,272)**	$ (4,735)	**$ (419)**	$ (567)	**$ (1,979)**	$ (2,527)	**$ (523)**	$ (745)
Prior service (costs)/credits	**(33)**	35	**4**	10	**29**	36	**1,415**	1,098
Total	**$ (4,305)**	$ (4,700)	**$ (415)**	$ (557)	**$ (1,949)**	$ (2,492)	**$ 892**	$ 352

[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, using the corridor approach. The average amortization periods utilized are 8.2 years for our U.S. qualified plans, 8.1 years for our U.S. supplemental (non-qualified) plans, 17 years for our international plans, and 9.5 years for our postretirement plans.

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)	**2015**	2014	**2015**	2014	**2015**	2014
Pension plans with an accumulated benefit obligation in excess of plan assets:						
Fair value of plan assets	**$ 11,633**	$ 12,706	**$ —**	$ —	**$ 976**	$ 1,718
Accumulated benefit obligation	**14,755**	16,323	**1,324**	1,447	**2,495**	4,021
Pension plans with a projected benefit obligation in excess of plan assets:						
Fair value of plan assets	**11,633**	12,706	**—**	—	**1,546**	1,999
Projected benefit obligation	**14,926**	16,575	**1,343**	1,481	**3,373**	4,715

All of our U.S. plans and many of our international plans were underfunded as of December 31, 2015.

D. Plan Assets

The following table provides the components of plan assets:

(MILLIONS OF DOLLARS)	As of December 31, 2015	Fair Value [a] Level 1	Fair Value [a] Level 2	Fair Value [a] Level 3	As of December 31, 2014	Fair Value [a] Level 1	Fair Value [a] Level 2	Fair Value [a] Level 3
U.S. qualified pension plans								
Cash and cash equivalents	**$ 417**	**$ 81**	**$ 336**	**$ —**	$ 756	$ 84	$ 672	$ —
Equity securities:								
Global equity securities	**3,720**	**3,717**	**2**	**1**	3,394	3,391	2	1
Equity commingled funds	**951**	**—**	**825**	**126**	1,647	—	1,500	147
Fixed income securities:								
Corporate debt securities	**2,866**	**3**	**2,861**	**2**	3,013	—	3,008	5
Government and agency obligations	**989**	**—**	**989**	**—**	1,124	—	1,124	—
Fixed income commingled funds	**222**	**—**	**222**	**—**	242	—	242	—
Other investments:								
Partnership investments [b]	**1,120**	**—**	**129**	**991**	1,156	—	198	958
Insurance contracts	**259**	—	**259**	**—**	278	—	278	—
Other commingled funds [c]	**1,089**	**—**	**—**	**1,089**	1,096	—	—	1,096
Total	**11,633**	**3,801**	**5,623**	**2,209**	12,706	3,475	7,024	2,207
International pension plans								
Cash and cash equivalents	**207**	**14**	**193**	**—**	331	25	306	—
Equity securities:								
Global equity securities	**901**	**815**	**85**	**—**	1,781	1,674	107	—
Equity commingled funds	**2,218**	**16**	**2,119**	**83**	1,851	19	1,832	—
Fixed income securities:								
Corporate debt securities	**653**	**171**	**481**	**—**	773	183	590	—
Government and agency obligations	**1,224**	**109**	**1,114**	**—**	1,213	140	1,073	—
Fixed income commingled funds	**1,216**	**37**	**1,142**	**37**	1,037	44	969	24
Other investments:								
Partnership investments [b]	**58**	**—**	**6**	**52**	61	—	6	55
Insurance contracts	**257**	**—**	**21**	**236**	425	1	150	274
Other [c]	**1,227**	**59**	**370**	**798**	1,116	46	326	744
Total	**7,959**	**1,222**	**5,531**	**1,206**	8,588	2,132	5,359	1,097
U.S. postretirement plans [d]								
Cash and cash equivalents	**6**	**—**	**6**	**—**	18	1	17	—
Equity securities:								
Global equity securities	**64**	**64**	**—**	**—**	89	89	—	—
Equity commingled funds	**16**	**—**	**14**	**2**	44	—	40	4
Fixed income securities:								
Corporate debt securities	**49**	**—**	**49**	**—**	79	—	79	—
Government and agency obligations	**17**	**—**	**17**	**—**	30	—	30	—
Fixed income commingled funds	**4**	**—**	**4**	**—**	6	—	6	—
Other investments:								
Partnership investments [b]	**19**	**—**	**2**	**17**	30	—	5	25
Insurance contracts	**429**	**—**	**429**	**—**	437	—	437	—
Other commingled funds [c]	**19**	**—**	**—**	**19**	29	—	—	29
Total	**$ 622**	**$ 64**	**$ 521**	**$ 38**	$ 762	$ 90	$ 614	$ 58

[a] Fair values are determined based on valuation inputs categorized as Level 1, 2 or 3 (see *Note 1E*).

[b] Primarily includes investments in private equity, private debt, public equity limited partnerships, and, to a lesser extent, real estate and venture capital.

[c] 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.

[d] 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,							
	U.S. Qualified Pension Plans				International Pension Plans			
	Partnership investments		Other commingled funds		Insurance contracts		Other	
(MILLIONS OF DOLLARS)	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Fair value, beginning	**$ 958**	$ 932	**$ 1,096**	$ 715	**$ 274**	$ 300	**$ 744**	$ 500
Actual return on plan assets:								
Assets held, ending	**84**	104	**(8)**	47	**16**	23	**25**	47
Assets sold during the period	**—**	—	**(34)**	(7)	**—**	—	**3**	8
Purchases, sales and settlements, net	**(51)**	(78)	**35**	341	**(17)**	(20)	**73**	254
Transfer into/(out of) Level 3	**—**	—	**—**	—	**—**	—	**—**	(19)
Exchange rate changes	**—**	—	**—**	—	**(37)**	(29)	**(47)**	(46)
Fair value, ending	**$ 991**	$ 958	**$ 1,089**	$ 1,096	**$ 236**	$ 274	**$ 798**	$ 744

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.*

Specifically, the following methods and assumptions were used to estimate the fair value of our pension and postretirement plans' assets:

- Cash and cash equivalents, Equity commingled funds, Fixed-income commingled funds—observable prices.
- Global equity securities—quoted market prices.
- Government and agency obligations, Corporate debt securities—observable market prices.
- Other investments—principally unobservable inputs that are significant to the estimation of fair value. These unobservable inputs could include, for example, the investment managers' assumptions about earnings multiples and future cash flows.

We periodically review the methodologies, inputs and outputs of third-party pricing services for reasonableness.

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)	**2015**	**2015**	2014
U.S. qualified pension plans			
Cash and cash equivalents	**0-10%**	**3.6%**	5.9%
Equity securities	**35-55%**	**40.2%**	39.7%
Fixed income securities	**30-55%**	**35.0%**	34.5%
Other investments [(a)]	**5-17.5%**	**21.2%**	19.9%
Total	**100%**	**100%**	100%
International pension plans			
Cash and cash equivalents	**0-10%**	**2.6%**	3.9%
Equity securities	**35-55%**	**39.2%**	42.3%
Fixed income securities	**30-55%**	**38.8%**	35.2%
Other investments [(a)]	**5-17.5%**	**19.4%**	18.6%
Total	**100%**	**100%**	100%
U.S. postretirement plans			
Cash and cash equivalents	**0-5%**	**1.0%**	2.4%
Equity securities	**—**	**12.8%**	17.4%
Fixed income securities	**—**	**11.2%**	15.1%
Other investments	**95-100%**	**75.0%**	65.1%
Total	**100%**	**100%**	100%

[(a)] Actual percentage of plan assets in Other Investments for 2015 includes $259 million 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 $129 million 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 minimize 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.

The investment managers of certain commingled funds and private equity funds may be permitted to use derivative securities 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:

	Pension Plans			
(MILLIONS OF DOLLARS)	U.S. Qualified	U.S. Supplemental (Non-Qualified)	International	Postretirement Plans
Expected employer contributions:				
2016 [a]	$ 1,000	$ 126	$ 170	$ (9)
Expected benefit payments:				
2016	$ 1,000	$ 126	$ 350	$ 198
2017	1,655	121	348	205
2018	985	125	352	208
2019	947	110	359	208
2020	959	114	370	207
2021–2025	4,517	512	1,959	1,001

[a] For the U.S. qualified plans, the $1.0 billion voluntary contribution was paid in January 2016. For the U.S. postretirement plans, the Internal Revenue Code 401(h) reimbursement in January 2016 totaling $198 million is expected to exceed the payments.

The 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. Beginning on January 1, 2018, all non-union employees in those U.S. and Puerto Rico defined benefit plans will receive the RSC in the defined contribution plans. The RSC enhanced benefit consists of a 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. We recorded charges related to the employer contributions to global defined contribution plans of $287 million in 2015 , $278 million in 2014 and $266 million in 2013 .

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. Our December 2011 $10 billion share-purchase plan was exhausted in the first quarter of 2013. Our November 2012 $10 billion share-purchase plan was exhausted in the fourth quarter of 2013. 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-purchase plan (the October 2014 Stock Purchase Plan), and share repurchases commenced thereunder in January 2015. In December 2015, the Board of Directors authorized a new $11 billion share repurchase program to be utilized over time.

On February 9, 2015, we entered into an accelerated share repurchase agreement with Goldman, Sachs & Co. (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.

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 agreement:

(SHARES IN MILLIONS, DOLLARS IN BILLIONS)	**2015** [a]	2014	2013
Shares of common stock purchased	**182**	165	563
Cost of purchase	**$ 6.2**	$ 5.0	$ 16.3

[a] Includes approximately 151 million shares purchased for $5.2 billion pursuant to the accelerated share repurchase agreement as well as other share repurchases through year-end 2015.

After giving effect to the accelerated share repurchase agreement, as well as other share repurchases through year-end 2015 , our remaining share-purchase authorization was approximately $16.4 billion at December 31, 2015 .

In addition, on June 24, 2013, we exchanged all of our remaining interest in Zoetis for approximately 405.117 million shares of our common stock, valued at $11.4 billion . The common stock received in the exchange transaction was recorded in *Treasury stock* . For additional information, see *Note 2D.*

The definitive merger agreement we entered into with Allergan in November 2015 includes a provision that Pfizer may continue to pay regular quarterly cash dividends on Pfizer's common stock of not more than $0.28 per share per quarter (subject to annual adjustment, if any, in a manner consistent with past practice by Pfizer's Board of Directors), consistent with past practice as to timing of declaration, record date and payment date. On December 14, 2015, we declared a $0.30 dividend per share for the first quarter of 2016, which is in compliance with the definitive merger agreement.

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 the earnings per share (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, 2015 , the Preferred ESOP held preferred shares convertible into approximately 2 million shares of our common stock, and the Common ESOP held approximately 58 million shares of our common stock. As of December 31, 2015 , all shares of preferred and common stock held by the ESOPs have been allocated to the Pfizer U.S. and certain Puerto Rico defined contribution plan participants. The compensation cost related to the common ESOPs was $8 million in 2015, $136 million in 2014 and $133 million in 2013. 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 lower in 2015, compared to 2014, while contributions made to other investment funds increased. Therefore, although Pfizer matching contributions have not declined in aggregate, less contributions are being invested in the Common ESOP.

Note 13. Share-Based Payments

Our compensation programs can include share-based payments, in the form of Restricted Stock Units (RSUs), stock options, Portfolio Performance Shares (PPSs), Total Shareholder Return Units (TSRUs), Performance Share Awards (PSAs) and restricted stock grants.

The 2014 Stock Plan (2014 Plan) replaced and superseded the 2004 Stock Plan (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 (SARs) (known as TSRUs), RSUs, restricted stock awards 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, PSAs and restricted stock grants count as three shares, while stock options and TSRUs 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, PSAs and restricted stock grants counted against the maximum available shares as two shares, while stock options and TSRUs counted as one share. As of December 31, 2015 , 494 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 (including those reported as part of discontinued operations in 2013):

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2015**	2014	2013
Restricted Stock Units	**$ 306**	$ 270	$ 249
Stock Options	**165**	150	140
Portfolio Performance Shares	**147**	96	56
Total Shareholder Return Units	**36**	37	37
Performance Share Awards	**11**	30	34
Directors' compensation	**4**	3	7
Share-based payment expense	**669**	586	523
Tax benefit for share-based compensation expense	**(198)**	(179)	(173)
Share-based payment expense, net of tax	**$ 471**	$ 407	$ 350

Amounts capitalized as part of inventory cost were not significant for any period presented.

B. Restricted Stock Units (RSUs)

RSUs are awarded to select employees and, when vested, entitle the holder to receive a specified number of shares of Pfizer 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 Pfizer 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 2015:

	Shares (Thousands)	Weighted-Average Grant-Date Fair Value Per Share
Nonvested, December 31, 2014	29,936	$ 26.99
Granted	**10,602**	**34.40**
Vested	**(10,802)**	**22.04**
Reinvested dividend equivalents	**961**	**34.08**
Forfeited	**(1,562)**	**31.32**
Nonvested, December 31, 2015	**29,135**	**$ 31.53**

The following table provides data related to all RSU activity:

(MILLIONS OF DOLLARS)	Year Ended December 31, 2015	2014	2013
Total fair value of shares vested	**$ 371**	$ 401	$ 379
Total compensation cost related to nonvested RSU awards not yet recognized, pre-tax	**$ 279**	$ 255	$ 239
Weighted-average period over which RSU cost is expected to be recognized (years)	**1.8**	1.8	1.8

C. Stock Options

Stock options are awarded to select employees and, when vested, entitle the holder to purchase a specified number of shares of Pfizer common stock at a price per share equal to the closing market price of Pfizer common stock on the date of grant.

All eligible employees may receive 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 ten 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, for virtually all grants, 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, 2015	2014	2013
Expected dividend yield [(a)]	**3.19%**	3.18%	3.45%
Risk-free interest rate [(b)]	**1.89%**	1.94%	1.16%
Expected stock price volatility [(c)]	**18.34%**	19.76%	19.68%
Expected term (years) [(d)]	**6.75**	6.50	6.50

(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 2015:

	Shares (Thousands)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value [(a)] (Millions)
Outstanding, December 31, 2014	249,112	$ 24.05		
Granted	**46,130**	**34.59**		
Exercised	**(56,890)**	**22.31**		
Forfeited	**(4,825)**	**31.24**		
Expired	**(973)**	**26.24**		
Outstanding, December 31, 2015	**232,554**	**26.41**	**6.2**	**$ 1,467**
Vested and expected to vest, December 31, 2015 [(b)]	**226,804**	**26.23**	**6.1**	**1,466**
Exercisable, December 31, 2015	**109,561**	**$ 20.67**	**4.0**	**$ 1,273**

(a) Market price of underlying Pfizer 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:

(MILLIONS OF DOLLARS, EXCEPT PER STOCK OPTION AMOUNTS)	Year Ended December 31, 2015	2014	2013
Weighted-average grant-date fair value per stock option	**$ 4.30**	$ 4.40	$ 3.13
Aggregate intrinsic value on exercise	**$ 666**	$ 458	$ 578
Cash received upon exercise	**$ 1,263**	$ 1,002	$ 1,750
Tax benefits realized related to exercise	**$ 187**	$ 131	$ 160
Total compensation cost related to nonvested stock options not yet recognized, pre-tax	**$ 159**	$ 147	$ 120
Weighted-average period over which stock option compensation cost is expected to be recognized (years)	**1.8**	1.8	1.7

D. Portfolio Performance Shares (PPSs)

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 Pfizer 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 five -year performance period from the year of the grant date. The target number of shares is determined by reference to competitive survey data. 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 Pfizer 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 2015, with the shares representing the maximum award that could be achieved:

	Shares (Thousands)	Weighted-Average Intrinsic Value Per Share
Nonvested, December 31, 2014	18,877	$ 31.15
Granted	**8,537**	**34.59**
Vested [a]	**(3,403)**	**34.38**
Forfeited	**(1,508)**	**33.75**
Nonvested, December 31, 2015 [a]	**22,503**	**$ 32.28**

[a] Vested and non-vested shares outstanding, but not paid as of December 31, 2015 were 25,895 .

The following table provides data related to all PPS activity:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2015**	2014	2013
Total fair value of shares vested	**$ 60**	$ —	$ —
Total compensation cost related to nonvested PPS awards not yet recognized, pre-tax	**$ 102**	$ 139	$ 107
Weighted-average period over which PPS cost is expected to be recognized (years)	**1.7**	1.8	2.0

E. Total Shareholder Return Units (TSRUs)

TSRUs are awarded to senior and other key management. 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 Pfizer 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 Pfizer 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. The target number of shares is determined by reference to the fair value of share-based awards to similar employees in the industry peer group.

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,		
	2015	2014	2013
Expected dividend yield [a]	**3.19%**	3.18%	3.45%
Risk-free interest rate [b]	**1.76%**	1.78%	1.03%
Expected stock price volatility [c]	**18.41%**	19.76%	19.68%
Contractual term (years)	**5.91**	5.97	5.98

[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 2015:

	Share Units (Thousands)	Weighted-Average Grant-Date Fair Value Per Share Unit	Weighted-Average Grant Price Per Share Unit
Nonvested, December 31, 2014	20,935	$ 5.29	$ 26.40
Granted	**6,394**	**6.66**	**34.54**
Vested	**(8,050)**	**4.51**	**21.22**
Forfeited	**(1,212)**	**6.22**	**31.44**
Nonvested, December 31, 2015	**18,067**	**$ 6.07**	**$ 31.27**

The following table summarizes all outstanding TSRU activity as of December 31, 2015 [(a)]:

	Share Units (Thousands)	Weighted-Average Grant Price Per Share Unit	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Millions)
Outstanding	**35,757**	**$ 25.82**	**2.9**	**$ 347**
Vested	**17,690**	**20.26**	**1.7**	**286**
Expected to vest	**18,067**	**31.27**	**4.2**	**61**

[(a)] In 2015, we settled 4,247,428 share units with a weighted-average grant price of $17.69 per share unit.

The following table provides data related to all TSRU activity:

	Year Ended December 31,		
(MILLIONS OF DOLLARS, EXCEPT PER TSRU AMOUNTS)	**2015**	2014	2013
Weighted-average grant-date fair value per TSRU	**$ 6.66**	$ 6.51	$ 5.14
Total compensation cost related to nonvested TSRU grants not yet recognized, pre-tax	**$ 29**	$ 30	$ 31
Weighted-average period over which TSRU cost is expected to be recognized (years)	**1.8**	1.8	1.6

F. Performance Share Awards (PSAs)

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, depends upon the achievement of predetermined goals related to two measures: (i) operating income over three one -year periods; and (ii) Total Shareholder Return (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 and prior 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 target number of shares is determined by reference to the value of share-based awards to similar employees in the industry peer group. 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 Pfizer 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 2015, with the shares granted representing the maximum award that could be achieved:

	Shares (Thousands)	Weighted-Average Intrinsic Value Per Share
Nonvested, December 31, 2014	4,090	$ 31.15
Granted	**1,648**	**34.59**
Vested	**(417)**	**34.65**
Forfeited	**(1,450)**	**34.55**
Nonvested, December 31, 2015	**3,871**	**$ 32.28**

The following table provides data related to all PSA activity:

(MILLIONS OF DOLLARS)	Year Ended December 31, 2015	2014	2013
Total fair value of shares vested	**$ 14**	$ 39	$ 40
Total compensation cost related to nonvested PSA grants not yet recognized, pre-tax	**$ 24**	$ 21	$ 25
Weighted-average period over which PSA cost is expected to be recognized (years)	**1.9**	1.7	1.7

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):*

(IN MILLIONS)	Year Ended December 31, 2015	2014	2013
EPS Numerator—Basic			
Income from continuing operations	**$ 6,975**	$ 9,119	$ 11,410
Less: Net income attributable to noncontrolling interests	**26**	32	30
Income from continuing operations attributable to Pfizer Inc.	**6,949**	9,087	11,380
Less: Preferred stock dividends—net of tax	**1**	1	2
Income from continuing operations attributable to Pfizer Inc. common shareholders	**6,948**	9,086	11,378
Discontinued operations—net of tax	**11**	48	10,662
Less: Discontinued operations—net of tax, attributable to noncontrolling interests	**—**	—	39
Discontinued operations—net of tax, attributable to Pfizer Inc. common shareholders	**11**	48	10,623
Net income attributable to Pfizer Inc. common shareholders	**$ 6,959**	$ 9,134	$ 22,001
EPS Numerator—Diluted			
Income from continuing operations attributable to Pfizer Inc. common shareholders and assumed conversions	**$ 6,948**	$ 9,087	$ 11,380
Discontinued operations—net of tax, attributable to Pfizer Inc. common shareholders and assumed conversions	**11**	48	10,623
Net income attributable to Pfizer Inc. common shareholders and assumed conversions	**$ 6,960**	$ 9,135	$ 22,003
EPS Denominator			
Weighted-average number of common shares outstanding—Basic	**6,176**	6,346	6,813
Common-share equivalents: stock options, stock issuable under employee compensation plans, convertible preferred stock and accelerated share repurchase agreement	**81**	78	82
Weighted-average number of common shares outstanding—Diluted	**6,257**	6,424	6,895
Stock options that had exercise prices greater than the average market price of our common stock issuable under employee compensation plans [(a)]	**50**	44	43

[(a)] These common stock equivalents were outstanding for the years ended December 31, 2015 , 2014 and 2013 , 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 $243 million in 2015 , $216 million in 2014 and $233 million in 2013 .

The future minimum rental commitments under non-cancelable operating leases follow:

(MILLIONS OF DOLLARS)	2016	2017	2018	2019	2020	After 2020
Lease commitments	$ 202	$ 196	$ 170	$ 143	$ 119	$ 1,002

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.*

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 our 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 a loss of patent protection for the drug at issue, a significant loss of revenues from that drug and impairments of any 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 a class action and 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 about the Company 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, 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, our 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, we note that the 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 related to patent enforcement litigation. Additionally, our licensing and collaboration partners face challenges by generic drug manufacturers to patents covering several of their products that may impact our licenses or co-promotion rights to such products. We are also subject to patent litigation pursuant to which one or more third parties is seeking damages and/or injunctive relief to compensate for the alleged infringement of its patents due to 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 the marketed product is ultimately found to infringe the valid patent rights of a third party, such third party may be awarded significant damages, or we may be prevented from further sales of such 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 the valid patent rights of a third party.

Actions In Which We Are The Plaintiff

Sutent (sunitinib malate)
In May 2010, Mylan notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Sutent and challenging on various grounds the Sutent basic patent, which expires in 2021, and two other patents that expire in 2020 and 2021, respectively. In June 2010, we filed suit against Mylan in the U.S. District Court for the District of Delaware asserting the infringement of those three patents. The patent expiring in 2020 was dismissed from the case prior to trial. In October 2014, the court held that the two patents expiring in 2021 were valid and infringed. In October 2014, Mylan appealed the decision to the U.S. Court of Appeals for the Federal Circuit. In January 2016, the U.S. Court of Appeals for the Federal Circuit affirmed the District Court's decision upholding the validity and infringement of the two patents expiring in 2021.

EpiPen
In July 2010, King Pharmaceuticals, Inc. (King), which we acquired in 2011 and is a wholly owned subsidiary, brought a patent-infringement action against Sandoz, Inc., a division of Novartis AG (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.

Toviaz (fesoterodine)
We have an exclusive, worldwide license to market Toviaz from UCB Pharma GmbH, 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 eight generic defendants. The trial relating to the remaining defendants occurred in July 2015, and we are waiting for a ruling from the court.

Tygacil (tigecycline)
In October 2013, we received notice of a Section 505(b)(2) new drug application filed by Fresenius Kabi USA LLC (Fresenius) for a tigecycline injectable product. Fresenius asserts the invalidity and non-infringement of the basic patent for Tygacil that expires in April 2016, the formulation patent for Tygacil that expires in 2029 and the polymorph patent for Tygacil that expires in 2030. In November 2013, we filed suit against Fresenius in the U.S. District Court for the District of Delaware asserting the validity and infringement of the patents in suit. In November 2015, we settled our claims against Fresenius on terms that permit Fresenius to launch a tigecycline injectable product in the U.S. prior to the expiration of certain of the patents that were the subject of the challenge.

In November 2014, Mylan Laboratories Limited (formerly Agila Specialties Private Limited) (Mylan Laboratories) notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Tygacil. Mylan Laboratories asserts the invalidity and non-infringement of the polymorph patent for Tygacil and the formulation patent for Tygacil. Mylan Laboratories has not challenged the basic patent. In January 2015, we filed suit against Mylan Laboratories in the U.S. District Court for the District of Delaware, asserting the validity and infringement of the polymorph patent and the formulation patent for Tygacil.

In addition, in September 2015 and December 2015, we received notices of Section 505(b)(2) new drug applications filed by each of Mylan and Accord Healthcare Inc. (Accord) for tigecycline injectable products. Mylan and Accord assert the invalidity and non-infringement of the polymorph patent for Tygacil, and two formulation patents for Tygacil that expire in 2028 and 2029, respectively. In October 2015, we filed suit against Mylan in the U.S. District Court for the District of Delaware and in the U.S. District Court for the District of West Virginia asserting the validity and infringement of the patents in suit. In February 2016, we filed suit against Accord in the U.S. District Court for the District of Delaware and in the U.S. District Court for the Middle District of North Carolina asserting the validity and infringement of the patents in suit.

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 in suit) 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 suit. In October 2014, Eurohealth International Sarl was substituted for Ben Venue and Hikma.

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 in suit.

In December 2015, 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 in suit.

Matters Involving Our Collaboration/Licensing Partners

Nexium 24HR (esomeprazole)
We have an exclusive license from AstraZeneca PLC (AstraZeneca) to market in the U.S. the over-the-counter (OTC) version of Nexium (Nexium 24HR). Beginning in October 2014, Actavis Laboratories FL, Inc., and subsequently Andrx Labs, LLC (Andrx), Perrigo Company plc (Perrigo), Lupin Limited and, in October 2015, Dr. Reddy's Laboratories, Inc. & Ltd. (Dr. Reddy's) notified us that they had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Nexium 24HR prior to the expiration of one or more of AstraZeneca's patents listed in the Orange Book for Nexium 24HR. From November 2014 through November 2015, AstraZeneca filed actions against each of Actavis Laboratories FL, Inc., Andrx, Perrigo, Lupin Limited and Dr. Reddy's in the U.S. District Court for the District of New Jersey asserting the infringement of the challenged patents. We are not a party to AstraZeneca's patent-infringement actions.

Eliquis (apixaban) - Inter-Partes Review (IPR)
In August 2015, Bristol-Myers Squibb (BMS) received a Petition for Inter Partes Review (the Petition) of the composition of matter patent that contains claims that cover apixaban, the active ingredient in Eliquis, which is co-marketed by BMS and Pfizer. The patent expires in February 2023, but BMS has filed a request for patent term restoration with the U.S. Patent & Trademark Office (USPTO) which, if successful, will result in a patent expiration date of December 2026. The Petition was filed at the USPTO by the Coalition for Affordable Drugs and requests that the Patent Trial and Appeal Board (PTAB) initiate a proceeding to review the validity of the patent, including claims that cover apixaban . BMS responded to and opposed this Petition in November 2015 and, in February 2016, the PTAB rejected the Petition, declining to initiate a review of the patent.

Action In Which We Are The Defendant

Effexor XR (venlafaxine HCl)
In 2006, Wyeth and Wyeth Canada Limited (the Wyeth companies) filed an action in the Federal Court in Canada against Ratiopharm Inc. (Ratiopharm) seeking to prevent Ratiopharm from obtaining approval in Canada for its generic version of Effexor XR prior to the expiration of one of the Wyeth companies' patents. As a result of that action, Ratiopharm was enjoined from obtaining regulatory approval for its generic product. However, in August 2007, the Federal Court of Appeal in Canada ruled that the patent at issue could not be asserted against Ratiopharm under the applicable Canadian regulations governing approvals, and it dismissed the Wyeth companies' action.

Following the dismissal, in 2007, Ratiopharm filed an action in the Federal Court in Canada seeking damages from the Wyeth companies for preventing Ratiopharm from marketing its generic version of Effexor XR in Canada from January 2006 through August 2007. The Federal Court dismissed Ratiopharm's action in 2011, but the Federal Court of Appeal reinstated it in 2012. In 2011 and 2012, Pfizer made payments to Teva Canada Limited, which had acquired Ratiopharm, totaling Canadian dollars 52.5 million in partial settlement of this action.

The trial in this action was held in January 2014, and the court issued various findings in March 2014. On June 30, 2014, the Federal Court in Canada issued a judgment based on those findings, awarding Teva Canada Limited damages of approximately Canadian dollars 125 million , consisting of compensatory damages, pre-judgment interest and legal costs. This judgment was satisfied by Pfizer Canada Inc., as successor to the Wyeth companies, in July 2014. In September 2014, Pfizer Canada Inc. appealed the judgment.

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, 2015 , approximately 55,450 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 now 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 containing asbestos and other allegedly hazardous materials sold by Gibsonburg Lime Products Company (Gibsonburg). Gibsonburg was acquired by Pfizer in the 1960s and sold products containing small amounts of asbestos until the early 1970s.

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.

Celebrex and Bextra
Beginning in late 2004, several purported class actions were filed in federal and state courts alleging that Pfizer and certain of our current and former officers violated federal securities laws by misrepresenting the safety of Celebrex and Bextra. In June 2005, the federal actions were transferred for consolidated pre-trial proceedings to a Multi-District Litigation (*In re Pfizer Inc. Securities, Derivative and "ERISA" Litigation MDL-1688*) in the U.S. District Court for the Southern District of New York. In March 2012, the court in the Multi-District Litigation certified a class consisting of all persons who purchased or acquired Pfizer stock between October 31, 2000 and October 19, 2005. In May 2014, the court in the Multi-District Litigation granted Pfizer's motion to exclude the testimony of the plaintiffs' loss causation and damages expert. We subsequently filed a motion for summary judgment seeking dismissal of the litigation, and the plaintiffs filed a motion for leave to submit an amended report by their expert. In July 2014, the court denied the plaintiffs' motion for leave to submit an amended report, and granted our motion for summary judgment, dismissing the plaintiffs' claims in their entirety. In August 2014, the plaintiffs appealed the District Court's decision to the U.S. Court of Appeals for the Second Circuit.

Effexor

- *Personal Injury Actions*

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 Effexor. Among other types of actions, the Effexor personal injury litigation includes actions alleging a variety of birth defects as a result of the purported ingestion of Effexor by women during pregnancy. Plaintiffs in these birth-defect actions seek compensatory and punitive damages. In August 2013, the federal birth-defect cases were transferred for consolidated pre-trial proceedings to a Multi-District Litigation (In re Effexor (Venlafaxine Hydrochloride) Products Liability Litigation MDL-2458) in the U.S. District Court for the Eastern District of Pennsylvania. Almost all plaintiffs have voluntarily dismissed their actions. The Multi-District Litigation, as well as the coordinated state court proceedings in California, have been administratively stayed.

- *Antitrust Actions*

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 have appealed to the U.S. Court of Appeals for the Third Circuit. Motions to dismiss remain pending as to the end-payer plaintiffs' remaining claims.

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.

Lipitor

- *Whistleblower Action*

In 2004, a former employee filed a "whistleblower" action against us in the U.S. District Court for the Eastern District of New York. The complaint remained under seal until September 2007, at which time the U.S. Attorney for the Eastern District of New York declined to intervene in the case. We were served with the complaint in December 2007. Plaintiff alleges off-label promotion of Lipitor in violation of the Federal Civil False Claims Act and the false claims acts of certain states, and he seeks treble damages and civil penalties on behalf of the federal government and the specified states as the result of their purchase, or reimbursement of patients for the purchase, of Lipitor allegedly for such off-label uses. Plaintiff also seeks compensation as a whistleblower under those federal and state statutes. In addition, plaintiff alleges that he was wrongfully terminated, in violation of the anti-retaliation provisions of applicable federal and New York law, and he seeks damages and the reinstatement of his employment. In 2009, the District Court dismissed without prejudice the off-label promotion claims and, in 2010, plaintiff filed an amended complaint containing off-label promotion allegations that are substantially similar to the allegations in the original complaint. In November 2012, the District Court dismissed the amended complaint. In December 2012, plaintiff appealed the District Court's decision to the U.S. Court of Appeals for the Second Circuit. In August 2014, the U.S. Court of Appeals for the Second Circuit dismissed the appeal for lack of jurisdiction and sent the case back to the District Court for clarification of its ruling regarding the plaintiff's employment claims. In November 2014, the District Court granted plaintiff's motion for a partial final judgment certifying the dismissal of the false claims counts, and plaintiff appealed the order dismissing those claims to the U.S. Court of Appeals for the Second Circuit.

- *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 (MDL) (*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 MDL plaintiffs. All plaintiffs have appealed the District Court's orders dismissing their claims with prejudice to the United States 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.

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.

Chantix/Champix
Beginning in December 2008, purported class actions were filed against us in the Ontario Superior Court of Justice (Toronto Region), the Superior Court of Quebec (District of Montreal), the Court of Queen's Bench of Alberta, Judicial District of Calgary, and the Superior Court of British Columbia (Vancouver Registry) on behalf of all individuals and third-party payers in Canada who have purchased and ingested Champix or reimbursed patients for the purchase of Champix. Each of these actions asserts claims under Canadian product liability law, including with respect to the safety and efficacy of Champix, and, on behalf of the putative class, seeks monetary relief, including punitive damages. In June 2012, the Ontario Superior Court of Justice certified the Ontario proceeding as a class action, defining the class as consisting of the following: (i) all persons in Canada who ingested Champix during the period from April 2, 2007 to May 31, 2010 and who experienced at least one of a number of specified neuropsychiatric adverse events; (ii) all persons who are entitled to assert claims in respect of Champix pursuant to Canadian legislation as the result of their relationship with a class member; and (iii) all health insurers who are entitled to assert claims in respect of Champix pursuant to Canadian legislation. The Ontario Superior Court of Justice certified the class against Pfizer Canada Inc. only and ruled that the action against Pfizer should be stayed until after the trial of the issues that are common to the class members. The actions in Quebec, Alberta and British Columbia have been stayed in favor of the Ontario action, which is proceeding on a national basis.

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.

Reglan
Reglan is a pro-motility medicine for the treatment of gastroesophageal reflux disease and diabetic gastroparesis that was marketed by Wyeth and a predecessor company from 1979 until the end of 2001, when Wyeth sold the product and transferred the new drug application to another pharmaceutical company. Generic versions of Reglan have been sold by other companies since 1985. Pfizer, as Wyeth's parent company, and certain wholly-owned subsidiaries and limited liability companies, including Wyeth, along with several other pharmaceutical manufacturers, have been named as defendants in numerous actions in various federal and state courts alleging a variety of personal injuries, including movement disorders such as Tardive Dyskinesia, resulting from the use of Reglan and/or generic equivalents thereof. As of February 2016, we entered into agreements in principle to settle virtually all of the known Reglan lawsuits on terms not material to Pfizer. We expect that the resolution of the remaining Reglan cases would not be material to us.

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 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 Corporation (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 now 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 is defending and indemnifying Pharmacia in connection with various claims and litigation arising out of, or related to, the agricultural business.

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 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 New Monsanto are defending and indemnifying Pharmacia in connection with various claims and litigation arising out of, or related to, Former Monsanto's chemical businesses.

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 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 will allow Wyeth Holdings LLC to complete the design and to implement the remedy for the main plant area. In December 2015, the consent decree was entered by the District Court. The estimated costs of the site remedy for the North Haven facility and the site remediation for the Bound Brook facility are covered by accruals previously taken by us.

India's National Green Tribunal (NGT) and the Maharashtra Pollution Control Board (MPCB) are actively reviewing various industrial facilities in the vicinity of Aurangabad, India, to determine whether those facilities have contributed to alleged groundwater and soil contamination in the area. In July 2015, the NGT issued an order directing Hospira India, as the owner of a manufacturing facility in Aurangabad, to deposit approximately $1.8 million in escrow (subsequently reduced to $0.9 million) to be applied to any required costs of remediation in the event Hospira India is determined to have responsibility for the alleged contamination. Subsequent to the NGT order, MPCB ordered the immediate closure of Hospira India's Aurangabad facility. Hospira India appealed the MPCB order and in November 2015, the closure order was overturned by the NGT.

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.

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.

In 2009, the U.S. Department of Justice (DOJ) filed a civil complaint in intervention in two qui tam actions that had been filed under seal in the U.S. District Court for the District of Massachusetts. The complaint alleges that Wyeth's practices relating to the pricing for Protonix for Medicaid rebate purposes between 2001 and 2006, prior to Wyeth ' s acquisition by Pfizer, violated the Federal Civil False Claims Act and federal common law. The two qui tam actions have been unsealed and the complaints include substantially similar allegations. In addition, in 2009, several states and the District of Columbia filed a complaint under the same docket number in the U.S. District Court for the District of Massachusetts asserting violations of various state laws based on allegations substantially similar to those set forth in the civil complaint filed by the DOJ. On February 12, 2016, Wyeth and the DOJ reached an agreement in principle to resolve the actions pending in the U.S. District Court for the District of Massachusetts for $784.6 million . The agreement in principle does not include an admission of liability by Wyeth and is subject to the negotiation of final settlement agreements and court approval.

In 2012, Pfizer sold the UK 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.

A5. Legal Proceedings—Matters Resolved During 2015

During 2015 , certain matters, including the matters discussed below, were resolved or were the subject of definitive settlement agreements or settlement agreements-in-principle.

Lyrica (pregabalin)
In May and June 2011, Apotex Inc. notified us that it had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Lyrica oral solution and Lyrica capsules, respectively. Apotex Inc. asserts the invalidity and non-infringement of the basic patent, as well as the seizure patent that expired in October 2013. In July 2011, we filed an action against Apotex Inc. in the U.S. District Court for the District of Delaware asserting the validity and infringement of the challenged patents in connection with both abbreviated new drug applications. In January 2015, the District Court entered a stipulated dismissal, and as a result, Apotex Inc. cannot obtain FDA approval for, or market in the U.S., its generic versions of Lyrica prior to the expiration of the basic patent in December 2018.

Viagra (sildenafil)
In October 2010, we filed a patent-infringement action with respect to Viagra in the U.S. District Court for the Southern District of New York against Apotex Inc. and Apotex Corp., Mylan Pharmaceuticals Inc. (Mylan) and Mylan Inc. and Actavis, Inc. These generic drug manufacturers have filed abbreviated new drug applications with the FDA seeking approval to market their generic versions of Viagra. They assert the invalidity and non-infringement of the Viagra method-of-use patent, which expires in 2020 (including the six -month pediatric exclusivity period resulting from the Company's conduct of clinical studies to evaluate Revatio in the treatment of pediatric patients with pulmonary arterial hypertension; Viagra and Revatio have the same active ingredient, sildenafil).

In May and June 2011, Watson Laboratories Inc. (Watson) and Hetero Labs Limited (Hetero), respectively, notified us that they had filed abbreviated new drug applications with the FDA seeking approval to market their generic versions of Viagra. Each asserts the invalidity and non-infringement of the Viagra method-of-use patent. In June and July 2011, we filed actions against Watson and Hetero, respectively, in the U.S. District Court for the Southern District of New York asserting the validity and infringement of the Viagra method-of-use patent.

In April 2015, we entered into settlement agreements with each of Mylan, Mylan Inc., Watson, Actavis, Inc., Apotex Inc. and Apotex Corp. pursuant to which we granted licenses to the method-of-use patent permitting Mylan, Mylan Inc., Watson, Actavis, Inc., Apotex Inc. and Apotex Corp. to launch generic versions of Viagra in the U.S. beginning on or after December 11, 2017. In June 2015, we entered into a settlement agreement with Hetero pursuant to which we granted a license to the method-of-use patent permitting Hetero to launch a generic version of Viagra in the U.S. beginning on or after December 11, 2017.

Celebrex (celecoxib)
In March 2013, the USPTO granted us a reissue patent covering methods of treating osteoarthritis and other approved conditions with celecoxib, the active ingredient in Celebrex. The reissue patent, including the six -month pediatric exclusivity period, expired in December 2015. On the date that the reissue patent was granted, we filed suit against Teva Pharmaceuticals USA, Inc. (Teva USA), Mylan, Watson (as predecessor to Allergan plc), Lupin Pharmaceuticals USA, Inc. (Lupin), Apotex Corp. and Apotex Inc. in the U.S. District Court for the Eastern District of Virginia, asserting the infringement of the reissue patent. Each of the defendant generic drug companies had previously filed an abbreviated new drug application with the FDA seeking approval to market a generic version of celecoxib beginning in May 2014, upon the expiration of the basic patent (including the six-month pediatric exclusivity period) for celecoxib. In March 2014, the District Court granted the defendants' motion for summary judgment, invalidating the reissue patent. In May 2014, we appealed the District Court's decision to the U.S. Court of Appeals for the Federal Circuit. In June 2015, the U.S. Court of Appeals for the Federal Circuit affirmed the District Court's decision.

In April 2014, we entered into settlement agreements with two of the defendants, Teva USA and Watson, pursuant to which we granted licenses to the reissue patent permitting Teva USA and Watson to launch generic versions of celecoxib in the U.S. beginning in December 2014. In June 2014 and October 2014, we entered into settlement agreements with Mylan and Lupin, respectively, pursuant to which we granted licenses to the reissue patent permitting Mylan and Lupin to launch generic versions of celecoxib in the U.S. beginning in December 2014. In December 2014, Teva USA, Watson, Mylan and Lupin commenced marketing of generic versions of celecoxib.

Various Drugs: Off-Label Promotion Action
In May 2010, a purported class action was filed in the U.S. District Court for the Southern District of New York against Pfizer and several of our current and former officers. The complaint alleges that the defendants violated federal securities laws by making or causing Pfizer to make false statements, and by failing to disclose or causing Pfizer to fail to disclose material information concerning the alleged off-label promotion of certain pharmaceutical products, alleged payments to physicians to promote the sale of those products and government investigations related thereto. Plaintiffs seek damages in an unspecified amount. In March 2012, the court certified a class consisting of all persons who purchased Pfizer common stock in the U.S. or on U.S. stock exchanges between January 19, 2006 and January 23, 2009 and were damaged as a result of the decline in the price of Pfizer common stock allegedly attributable to the claimed violations. In January 2015, the parties reached an agreement in principle to resolve the matter for $400 million . In July 2015, the court approved the settlement.

B. Guarantees and Indemnifications

In the ordinary course of business and in connection with the sale of assets and businesses, we often indemnify our counterparties against certain liabilities that may arise in connection with the transaction or related to activities prior to the transaction. These indemnifications typically pertain to environmental, tax, employee and/or product-related matters and patent-infringement claims. If the indemnified party were to make a successful claim pursuant to the terms of the indemnification, we would be required to reimburse the loss. These indemnifications are generally subject to threshold amounts, specified claim periods and other restrictions and limitations. Historically, we have not paid significant amounts under these provisions and, as of December 31, 2015 , recorded amounts for the estimated fair value of these indemnifications were 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. Purchase Commitments

As of December 31, 2015 , we had agreements totaling $3.7 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.

Note 18. Segment, Geographic and Other Revenue Information

A. Segment Information

We manage our commercial operations through two distinct businesses: an Innovative Products business and an Established Products business. The Innovative Products business is composed of two operating segments, each of which has been led by a single manager in 2015 and 2014—the Global Innovative Pharmaceutical segment (GIP) and the Global Vaccines, Oncology and Consumer Healthcare segment (VOC). Effective February 8, 2016, the Innovative Products business is led by a single manager. The Established Products business consists of the Global Established Pharmaceutical segment (GEP), which is also 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. As our operations were not managed under the new structure until the beginning of fiscal 2014, certain costs and expenses could not be directly attributed to one of the new operating segments. As a result, our operating segment results for 2013 include allocations. The amounts subject to allocation methods in 2013 were approximately $2.1 billion of selling, informational and administrative expenses and approximately $800 million of research and development expenses:

- The selling, informational and administrative expenses were allocated using proportional allocation methods based on associated selling costs, revenues or product-specific costs, as applicable.
- The research and development expenses were allocated based on product-specific R&D costs or revenue metrics, as applicable.

Management believes that the allocations are reasonable.

We regularly review our segments and the approach used by management to evaluate performance and allocate resources.

Operating Segments

Some additional information about each business and operating segment follows:

Innovative Products Business		*Established Products Business*
Global Innovative Pharmaceutical segment:	**Global Vaccines, Oncology and Consumer Healthcare segment:**	**Global Established Pharmaceutical segment:**
GIP focuses on developing and commercializing novel, value-creating medicines that significantly improve patients' lives. Key therapeutic areas include inflammation/immunology, cardiovascular/metabolic, neuroscience/pain and rare diseases and include leading brands, such as Xeljanz, Eliquis, Lyrica (U.S. and Japan), Enbrel (outside the U.S. and Canada) and Viagra (U.S. and Canada).	VOC focuses on the development and commercialization of vaccines and products for oncology and consumer healthcare. Consumer Healthcare manufactures and markets several well known, over-the-counter (OTC) products. Each of the three businesses in VOC operates as a separate, global business, with distinct specialization in terms of the science and market approach necessary to deliver value to consumers and patients.	GEP 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 and infusion systems.

Additionally, GEP has the knowledge and resources within R&D to develop small molecules, including injectables, and biosimilars. On September 3, 2015, we acquired Hospira, and its commercial operations are now included within GEP. Commencing from the acquisition date, and in accordance with our domestic and international reporting periods, our consolidated statement of income, primarily GEP's operating results, for the year ended December 31, 2015 reflect four months of legacy Hospira U.S. operations and three months of legacy Hospira international operations. See *Note 2A* for additional information.

Our chief operating decision maker uses the revenues and earnings of the three operating segments, among other factors, for performance evaluation and resource allocation.

Other Costs and Business Activities

Certain costs are not allocated to our operating segment results, such as costs associated with the following:

- WRD, which is generally responsible for research projects until proof-of-concept is achieved and then for transitioning those projects to the appropriate operating segment for possible clinical and commercial development. R&D spending may include upfront and milestone payments for intellectual property rights. This 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. WRD is also responsible for facilitating all regulatory submissions and interactions with regulatory agencies, including all safety-event activities.
- Pfizer Medical, which, during the years 2013 through 2015, was 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, partnerships with global public health and medical associations, regulatory inspection readiness reviews, internal audits of Pfizer-sponsored clinical trials and internal regulatory compliance processes.
- 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.
- Other unallocated costs, representing overhead expenses associated with our manufacturing and commercial operations not directly attributable to an operating segment.
- 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 property, plant and equipment; (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, which include 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 multiple 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 $167 billion as of December 31, 2015 and approximately $168 billion as of December 31, 2014 .

Selected Income Statement Information

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)	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013
Reportable Segments:									
GIP	**$ 13,954**	$ 13,861	$ 14,317	**$ 7,757**	$ 7,780	$ 8,549	**$ 248**	$ 255	$ 238
VOC	**12,803**	10,144	9,285	**6,507**	4,692	4,216	**306**	263	231
GEP [c]	**21,587**	25,149	27,619	**12,885**	16,199	17,552	**422**	475	478
Total reportable segments	**48,345**	49,154	51,221	**27,149**	28,671	30,318	**976**	993	947
Other business activities [d]	**506**	253	232	**(2,950)**	(3,092)	(2,828)	**98**	91	105
Reconciling Items:									
Corporate [e]	**—**	—	—	**(5,430)**	(5,200)	(5,689)	**354**	384	432
Purchase accounting adjustments [e]	**—**	—	—	**(3,953)**	(3,641)	(4,344)	**3,573**	3,782	4,487
Acquisition-related costs [e]	**—**	—	—	**(894)**	(183)	(376)	**75**	53	124
Certain significant items [f]	**—**	198	132	**(4,321)**	(3,749)	(692)	**48**	207	167
Other unallocated	**—**	—	—	**(636)**	(567)	(671)	**33**	27	44
	$ 48,851	$ 49,605	$ 51,584	**$ 8,965**	$ 12,240	$ 15,716	**$ 5,157**	$ 5,537	$ 6,306

[a] Income from continuing operations before provision for taxes on income.

[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] On September 3, 2015, we acquired Hospira. Commencing from the acquisition date, and in accordance with our domestic and international reporting periods, our consolidated statement of income for the year ended December 31, 2015 reflects four months of legacy Hospira U.S. operations and three months of legacy Hospira international operations. See *Note 2A* for additional information.

[d] Other business activities includes the revenues and operating results of Pfizer CentreSource, our contract manufacturing and bulk pharmaceutical chemical sales operation, which in 2015 includes the revenues and expenses related to our manufacturing and supply agreements with Zoetis. Other business activities also includes the costs managed by our WRD organization and our Pfizer Medical organization.

[e] For a description, see the “Other Costs and Business Activities” section above.

[f] Certain significant items are substantive, unusual items 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 Revenues in 2014 and 2013, certain significant items primarily represent revenues related to our manufacturing and supply agreements with Zoetis. For additional information, see *Note 2D.*

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 impairments 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.*

For Earnings in 2014, certain significant items includes: (i) charges for certain legal matters of $999 million , (ii) certain asset impairments of $440 million , (iii) a charge for an additional year of Branded Prescription Drug Fee of $215 million , (iv) restructuring charges and implementation costs associated with our cost-reduction initiatives that are not associated with an acquisition of $598 million , (v) an upfront fee associated with collaborative arrangement with Merck KGaA of $1.2 billion , (vi) charges for business and legal entity alignment of $168 million and (vii) other charges of $165 million . For additional information, see *Note 2C, Note 3* and *Note 4* .

For Earnings in 2013 , certain significant items includes: (i) patent litigation settlement income of $1.3 billion , (ii) restructuring charges and implementation costs associated with our cost-reduction initiatives that are not associated with an acquisition of $1.3 billion , (iii) net charges for certain legal matters of $21 million , (iv) certain asset impairments of $836 million , (v) the gain associated with the transfer of certain product rights to Hisun Pfizer of $459 million , (vi) costs associated with the separation of Zoetis of $18 million and (vii) other charges of $290 million . For additional information, see *Note 2E, 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 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

Revenues exceeded $500 million in each of 12 countries outside the U.S. in 2015 , 2014 and 2013 . The U.S. is the only country to contribute more than 10% of total revenue in 2015 and 2014. The U.S. and Japan were the only countries to contribute more than 10% of total revenue in 2013.

The following table provides revenues by geographic area:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2015**	2014	2013
United States [a]	**$ 21,704**	$ 19,073	$ 20,274
Developed Europe [a], [b]	**9,714**	11,719	11,739
Developed Rest of World [a], [c]	**6,298**	7,314	8,346
Emerging Markets [a], [d]	**11,136**	11,499	11,225
Revenues	**$ 48,851**	$ 49,605	$ 51,584

[a] On September 3, 2015, we acquired Hospira. Commencing from the acquisition date, and in accordance with our domestic and international reporting periods, our consolidated statement of income for the year ended December 31, 2015 reflects four months of legacy Hospira U.S. operations and three months of legacy Hospira international operations. See *Note 2A* for additional information.

[b] Developed Europe region includes the following markets: Western Europe, Finland and the Scandinavian countries. Revenues denominated in euros were $7.4 billion in 2015 , $9.0 billion in 2014 and $8.9 billion in 2013 .

[c] Developed Rest of World region includes the following markets: Australia, Canada, Japan, New Zealand and South Korea.

[d] Emerging Markets region includes, but is not limited to, the following markets: Asia (excluding Japan and South Korea), Latin America, Africa, Eastern Europe, Central Europe, the Middle East and Turkey.

Long-lived assets by geographic region follow [a] :

	As of December 31,		
(MILLIONS OF DOLLARS)	**2015**	2014	2013
Property, plant and equipment, net			
United States	**$ 7,072**	$ 5,575	$ 5,885
Developed Europe [b]	**4,376**	4,606	4,845
Developed Rest of World [c]	**660**	617	696
Emerging Markets [d]	**1,658**	963	971
Property, plant and equipment, net	**$ 13,766**	$ 11,762	$ 12,397

[a] Reflects legacy Hospira amounts in 2015 commencing on the Hospira acquisition date, September 3, 2015.

[b] Developed Europe region includes the following markets: Western Europe, Finland and the Scandinavian countries.

[c] Developed Rest of World region includes the following markets: Australia, Canada, Japan, New Zealand, and South Korea.

[d] Emerging Markets region includes, but is not limited to, the following markets: Asia (excluding Japan and South Korea), Latin America, Africa, Eastern Europe, Central Europe, the Middle East and Turkey.

C. Other Revenue Information

Significant Customers

We sell our biopharmaceutical products primarily to customers in the wholesale sector. 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 . In 2014 , sales to our three largest U.S. wholesaler customers represented approximately 13% , 10% and 9% of total revenues, respectively, and, collectively, represented approximately 25% of total trade accounts receivable as of December 31, 2014 . In 2013, sales to our three largest U.S. wholesaler customers represented approximately 12% , 9% and 8% of total revenues, respectively. For all years presented, these sales and related trade accounts receivable were concentrated in our biopharmaceutical businesses.

Significant Product Revenues

The following table provides detailed revenue information:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2015**	2014	2013
INNOVATIVE PRODUCTS BUSINESS [a]	**$ 26,758**	$ 24,005	$ 23,602
GIP [a]	**$ 13,954**	$ 13,861	$ 14,317
Lyrica GIP [b]	**3,655**	3,350	2,965
Enbrel (Outside the U.S. and Canada)	**3,333**	3,850	3,774
Viagra GIP [c]	**1,297**	1,181	1,180
BeneFIX	**752**	856	832
Chantix/Champix	**671**	647	648
Genotropin	**617**	723	772
Refacto AF/Xyntha	**533**	631	602
Xeljanz	**523**	308	114
Toviaz	**267**	288	236
BMP2	**232**	228	209
Somavert	**218**	229	217
Rapamune	**197**	339	350
Alliance revenue GIP [d] [o]	**1,254**	762	1,878
All other GIP [e]	**405**	469	540
VOC [a]	**$ 12,803**	$ 10,144	$ 9,285
Prevnar family [f]	**6,245**	4,464	3,974
Sutent	**1,120**	1,174	1,204
Ibrance	**723**	—	—
Xalkori	**488**	438	282
Inlyta	**430**	410	319
FSME-IMMUN/TicoVac	**104**	—	—
All other V/O [e]	**298**	211	164
Consumer Healthcare	**3,395**	3,446	3,342
ESTABLISHED PRODUCTS BUSINESS [g]	**$ 21,587**	$ 25,149	$ 27,619
Legacy Established Products [h]	**$ 11,745**	$ 13,016	$ 14,089
Lipitor	**1,860**	2,061	2,315
Premarin family	**1,018**	1,076	1,092
Norvasc	**991**	1,112	1,229
Xalatan/Xalacom	**399**	495	589
Zoloft	**374**	423	469
Relpax	**352**	382	359
EpiPen	**339**	294	273
Effexor	**288**	344	440
Zithromax/Zmax	**275**	311	387
Xanax/Xanax XR	**224**	253	276
Cardura	**210**	263	296
Neurontin	**196**	210	216
Diflucan	**181**	208	238
Tikosyn	**179**	141	119
Depo-Provera	**170**	201	191
Unasyn	**118**	96	84
All other Legacy Established Products [e], [o]	**4,571**	5,145	5,516
Peri-LOE Products [i]	**$ 5,326**	$ 8,855	$ 10,151
Lyrica GEP [b]	**1,183**	1,818	1,629
Zyvox	**883**	1,352	1,353

Celebrex	**830**	2,699	2,918
Pristiq	**715**	737	698
Vfend	**682**	756	775
Viagra GEP [c]	**411**	504	701
Revatio	**260**	276	307
All other Peri-LOE Products [e]	**362**	714	1,770
Sterile Injectable Pharmaceuticals [j]	**$ 3,944**	$ 3,277	$ 3,378
Medrol	**402**	381	398
Sulperazon	**339**	354	309
Fragmin	**335**	364	359
Tygacil	**304**	323	358
All other Sterile Injectable Pharmaceuticals [e]	**2,563**	1,855	1,954
Infusion Systems [k]	**$ 403**	$ —	$ —
Biosimilars [l]	**$ 63**	$ —	$ —
Other Established Products [m]	**$ 106**	$ —	$ —
OTHER [n]	**$ 506**	$ 451	$ 364
Revenues	**$ 48,851**	$ 49,605	$ 51,584
Total Lyrica [b]	**$ 4,839**	$ 5,168	$ 4,595
Total Viagra [c]	**$ 1,708**	$ 1,685	$ 1,881
Total Alliance revenues [o]	**$ 1,312**	$ 957	$ 2,628

(a) The Innovative Products business is composed of two operating segments: GIP and VOC.
(b) Lyrica revenues from all of Europe, Russia, Turkey, Israel and Central Asia countries are included in Lyrica-GEP. All other Lyrica revenues are included in Lyrica-GIP. Total Lyrica revenues represent the aggregate of worldwide revenues from Lyrica-GIP and Lyrica-GEP.
(c) Viagra revenues from the U.S. and Canada are included in Viagra-GIP. All other Viagra revenues are included in Viagra-GEP. Total Viagra revenues represent the aggregate of worldwide revenues from Viagra-GIP and Viagra-GEP.
(d) Includes Eliquis, Rebif and Enbrel (in the U.S. and Canada through October 31, 2013).
(e) All other GIP and All other V/O are a subset of GIP and VOC, respectively. All other Legacy Established Products, All other Peri-LOE Products and All other Sterile Injectable Pharmaceuticals are subsets of Established Products.
(f) In 2015, all revenues were composed of Prevnar 13/Prevenar 13. In 2014 and 2013, revenues were composed of the Prevnar family of products, which included Prevnar 13/Prevenar 13 and, to a much lesser extent, Prevenar (7-valent).
(g) The Established Products business consists of GEP, which includes all legacy Hospira commercial operations. Commencing from the acquisition date, September 3, 2015, and in accordance with our domestic and international reporting periods, our consolidated statement of income, primarily GEP's operating results, for the year ended December 31, 2015 reflects four months of legacy Hospira U.S. operations and three months of legacy Hospira international operations.
(h) Legacy Established Products include products that lost patent protection (excluding Sterile Injectable Pharmaceuticals and Peri-LOE Products).
(i) Peri-LOE Products include products that have recently lost or are anticipated to soon lose patent protection. These products primarily include Celebrex, Zyvox and Revatio in most developed markets, Lyrica in the EU, Pristiq in the U.S. and Inspra in the EU.
(j) Sterile Injectable Pharmaceuticals include generic injectables and proprietary specialty injectables (excluding Peri-LOE Products).
(k) Infusion Systems include Medication Management Systems products composed of infusion pumps and related software and services, as well as I.V. Infusion Products, including large volume I.V. solutions and their associated administration sets.
(l) Biosimilars include Inflectra (biosimilar infliximab), Nivestim (biosimilar filgrastim) and Retacrit (biosimilar epoetin zeta) in certain international markets.
(m) Includes legacy Hospira's One-to-One contract manufacturing and bulk pharmaceutical chemical sales organizations.
(n) Other includes revenues from Pfizer CentreSource, our contract manufacturing and bulk pharmaceutical chemical sales organization, and revenues related to our manufacturing and supply agreements with Zoetis.
(o) Total Alliance revenues represent the aggregate of worldwide revenues from Alliance revenues GIP and Alliance revenues GEP, which is included in All other Legacy Established Products.

Note 19. Pending Combination with Allergan plc

On November 23, 2015, we announced that we have entered into a definitive merger agreement with Allergan, a global pharmaceutical company incorporated in Ireland, under which we have agreed to combine with Allergan in a stock transaction valued at $363.63 per Allergan share, for a total enterprise value of approximately $160 billion , based on the closing price of Pfizer common stock of $32.18 on November 20, 2015 (the last trading day prior to the announcement) and certain other assumptions. Allergan shareholders will receive 11.3 shares of the combined company for each of their Allergan shares by virtue of a share split, and Pfizer shareholders will have the option of receiving one share of the combined company for each of their Pfizer shares or receiving cash instead of shares of the combined company for some or all of their Pfizer shares, provided that the aggregate amount of cash to be paid in the merger will not be less than $6 billion or greater than $12 billion . In the event that elections to receive cash and shares in the merger would otherwise result in an aggregate of less than $6 billion or greater than $12 billion of cash being paid out in the merger, then the share elections and cash elections will be subject to proration. The completion of the transaction, which is expected in the second half of 2016, is subject to certain conditions, including receipt of regulatory approval in certain jurisdictions, including the U.S. and EU, the receipt of necessary approvals from both Pfizer and Allergan shareholders, and the completion of Allergan's pending divestiture of its generics business to Teva Pharmaceuticals Industries Ltd. The merger agreement also provides that the businesses of Pfizer and Allergan will be combined under the existing Allergan entity, which, subject to approval by Allergan shareholders, will be renamed "Pfizer plc."

Quarterly Consolidated Financial Data (Unaudited)

Pfizer Inc. and Subsidiary Companies

(MILLIONS OF DOLLARS, EXCEPT PER COMMON SHARE DATA)	Quarter			
	First	Second	Third [a]	Fourth [b]
2015				
Revenues	$ 10,864	$ 11,853	$ 12,087	$ 14,047
Costs and expenses [c]	7,722	8,228	8,808	13,976
Restructuring charges and certain acquisition-related costs [d], [e]	60	86	581	425
Income/(loss) from continuing operations before provision for taxes on income	3,082	3,539	2,697	(354)
Provision/(benefit) for taxes on income	706	905	567	(188)
Income/(loss) from continuing operations	2,376	2,635	2,130	(166)
Discontinued operations—net of tax	5	1	8	(3)
Net income/(loss) before allocation to noncontrolling interests	2,381	2,635	2,139	(169)
Less: Net income attributable to noncontrolling interests	6	9	9	3
Net income/(loss) attributable to Pfizer Inc.	$ 2,376	$ 2,626	$ 2,130	$ (172)
Earnings/(loss) per common share—basic:				
Income/(loss) from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.38	$ 0.43	$ 0.34	$ (0.03)
Discontinued operations—net of tax	—	—	—	—
Net income/(loss) attributable to Pfizer Inc. common shareholders	$ 0.38	$ 0.43	$ 0.35	$ (0.03)
Earnings/(loss) per common share—diluted:				
Income/(loss) from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.38	$ 0.42	$ 0.34	$ (0.03)
Discontinued operations—net of tax	—	—	—	—
Net income/(loss) attributable to Pfizer Inc. common shareholders	$ 0.38	$ 0.42	$ 0.34	$ (0.03)
Cash dividends paid per common share	$ 0.28	$ 0.28	$ 0.28	$ 0.28
Stock prices				
High	$ 35.45	$ 35.53	$ 36.46	$ 36.07
Low	$ 31.01	$ 33.21	$ 28.47	$ 30.64

[a] In accordance with our domestic and international reporting periods, our consolidated statement of income for the third quarter of 2015 reflects one month of legacy Hospira U.S. operations but do not include any financial results from legacy Hospira international operations.

[b] In accordance with our domestic and international reporting periods, our consolidated statement of income for the fourth quarter of 2015 reflects three months of legacy Hospira global operations.

[c] The fourth quarter of 2015 historically reflects higher costs in *Cost of sales, Selling, informational and administrative expenses* and *Research and development expenses*. The fourth quarter of 2015 includes (i) charges of $878 million related to Venezuela resulting from foreign currency loss ($806 million) and an inventory impairment charge ($72 million); (ii) a charge of $784.6 million for an agreement in principle to settle claims relating to Protonix; (iii) charges of $491 million related to pension settlements; (iv) a benefit of $306 million resulting from a change in the profit deferred in inventory relating to inventory that had not been sold to third parties; and (v) a charge of $245 million related to the write-down of assets to net realizable value, which is primarily recorded in *Other (income)/deductions — net*.

[d] The third quarter of 2015 reflects (i) restructuring charges of $469 million for employee termination costs, asset impairments and other exit costs largely associated with our acquisition of Hospira; (ii) transaction costs, such as banking, legal, accounting and other similar services, directly related to our acquisition of Hospira of $64 million; 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 $48 million, largely related to our acquisition of Hospira.

[e] The fourth quarter of 2015 reflects (i) restructuring charges of $256 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, directly related to our pending combination with Allergan plc (Allergan) and our acquisition of Hospira of $52 million ; 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 $116 million , primarily related to our acquisition of Hospira.

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	Third	Fourth
2014				
Revenues	$ 11,353	$ 12,773	$ 12,361	$ 13,118
Costs and expenses [a]	8,448	8,689	8,793	11,185
Restructuring charges and certain acquisition-related costs [b]	58	81	(19)	130
Income from continuing operations before provision/(benefit) for taxes on income	2,847	4,003	3,587	1,803
Provision/(benefit) for taxes on income	582	1,082	911	545
Income from continuing operations	2,265	2,921	2,676	1,257
Discontinued operations—net of tax	73	—	(3)	(21)
Net income before allocation to noncontrolling interests	2,338	2,921	2,672	1,236
Less: Net income attributable to noncontrolling interests	9	9	6	8
Net income attributable to Pfizer Inc.	$ 2,329	$ 2,912	$ 2,666	$ 1,228
Earnings per common share—basic:				
Income from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.35	$ 0.46	$ 0.42	$ 0.20
Discontinued operations—net of tax	0.01	—	—	—
Net income attributable to Pfizer Inc. common shareholders	$ 0.36	$ 0.46	$ 0.42	$ 0.20
Earnings per common share—diluted:				
Income from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.35	$ 0.45	$ 0.42	$ 0.20
Discontinued operations—net of tax	0.01	—	—	—
Net income attributable to Pfizer Inc. common shareholders	$ 0.36	$ 0.45	$ 0.42	$ 0.19
Cash dividends paid per common share	$ 0.26	$ 0.26	$ 0.26	$ 0.26
Stock prices				
High	$ 32.96	$ 32.69	$ 31.31	$ 33.12
Low	$ 29.66	$ 28.77	$ 27.87	$ 27.51

[a] The fourth quarter of 2014 reflects historically higher costs in *Cost of sales, Selling, informational and administrative expenses* and *Research and development expenses* .

[b] The fourth quarter of 2014 reflects higher employee termination costs.

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

(MILLIONS, EXCEPT PER COMMON SHARE DATA)	Year Ended/As of December 31, [a]				
	2015	2014	2013	2012	2011
Revenues [b]	**$ 48,851**	$ 49,605	$ 51,584	$ 54,657	$ 61,035
Income from continuing operations [b]	**6,975**	9,119	11,410	9,021	7,860
Total assets [b], [c]	**167,460**	167,566	170,415	182,974	184,629
Long-term obligations [b], [c], [d]	**73,064**	74,357	73,801	77,758	79,287
Earnings per common share—basic					
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.13**	$ 1.43	$ 1.67	$ 1.21	$ 1.00
Discontinued operations—net of tax [e]	**—**	0.01	1.56	0.75	0.28
Net income attributable to Pfizer Inc. common shareholders	**$ 1.13**	$ 1.44	$ 3.23	$ 1.96	$ 1.28
Earnings per common share—diluted					
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.11**	$ 1.41	$ 1.65	$ 1.20	$ 0.99
Discontinued operations—net of tax [e]	**—**	0.01	1.54	0.74	0.28
Net income attributable to Pfizer Inc. common shareholders	**$ 1.11**	$ 1.42	$ 3.19	$ 1.94	$ 1.27
Cash dividends paid per common share	**$ 1.12**	$ 1.04	$ 0.96	$ 0.88	$ 0.80

[a] Reflects the acquisition of Hospira on September 3, 2015 and the acquisition of King on January 31, 2011.

[b] All amounts reflect the June 24, 2013 disposition of Zoetis and its presentation as a discontinued operation in all periods prior to 2014 presented.

[c] All amounts reflect the retrospective adoption of a new accounting standard as of December 31, 2015 that requires all deferred tax assets and liabilities to be classified as noncurrent in the balance sheet. See Notes to Consolidated Financial Statements— *Note 1B. Adoption of New Accounting Standards.*

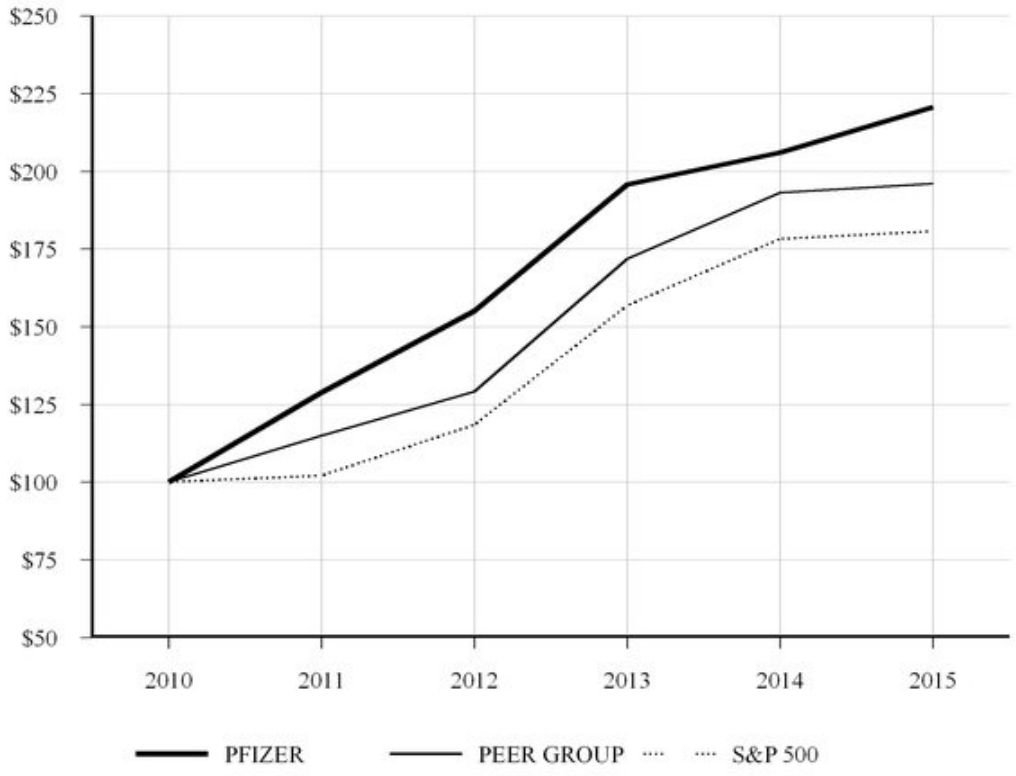
[d] Defined as *Long-term debt, Pension benefit obligations, net, Postretirement benefit obligations, net, Noncurrent deferred tax liabilities, Other taxes payable* and *Other noncurrent liabilities.*

[e] Includes (i) the Animal Health (Zoetis) business through June 24, 2013, the date of disposal, (ii) the Nutrition business through November 30, 2012, the date of disposal and (iii) the Capsugel business through August 1, 2011, the date of disposal.

Peer Group Performance Graph

Pfizer Inc. and Subsidiary Companies

The following graph assumes a $100 investment on December 31, 2010, and reinvestment of all dividends, in each of the Company's Common Shares, 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 the period 2010-2012 only), AbbVie Inc. (for 2013, 2014 and 2015 only), 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

	2010	2011	2012	2013	2014	2015
PFIZER	$100.0	$128.8	$155.1	195.7	$206.1	**$220.7**
PEER GROUP	$100.0	$115.0	$129.2	171.8	$193.2	**$196.0**
S&P 500	$100.0	$102.1	$118.4	156.8	$178.2	**$180.7**

Exhibit 21

SUBSIDIARIES OF THE COMPANY

The following is a list of subsidiaries of the Company as of December 31, 2015, omitting some subsidiaries which, considered in the aggregate, would not constitute a significant subsidiary.

Company	Where Incorporated or Organized
A. H. Robins (Philippines) Company, Inc.	Philippines
Agouron Pharmaceuticals, Inc.	California
AH Robins LLC	Delaware
AHP Holdings B.V.	Netherlands
AHP Manufacturing B.V.	Netherlands
Alacer Corp.	California
Alpharma Holdings Inc.	Delaware
Alpharma Pharmaceuticals LLC	Delaware
Alpharma Specialty Pharma Inc.	Delaware
Alpharma USHP Inc.	Delaware
American Food Industries LLC	Delaware
Ayerst-Wyeth Pharmaceuticals LLC	Delaware
BINESA 2002, S.L.	Spain
Bioren, LLC	Delaware
BioRexis Pharmaceutical LLC	Delaware
Blue Whale Re Ltd.	Vermont
C.E. Commercial Holdings C.V.	Netherlands
C.E. Commercial Investments C.V.	Netherlands
C.E. Holdings Europe 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 Research LLC	Delaware
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
Farmitalia Carlo Erba Limited	United Kingdom
Farmogene Productos Farmaceuticos Lda	Portugal
Ferrosan A/S	Denmark
Ferrosan Holding A/S	Denmark
Ferrosan International A/S	Denmark
Ferrosan S.R.L.	Romania
FoldRx Pharmaceuticals, Inc.	Delaware

Fort Dodge Animal Health Limited	Uganda
Fort Dodge Manufatura Ltda.	Brazil
FPZ AG	Germany
FPZ Deutschland den Rücken Stärken GmbH	Germany
Furina Limited	Ireland
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
HBAF Ltd.	Bahamas
Hospira	Ireland
Hospira (China) Enterprise Management Co. Ltd.	People’s Republic of China
Hospira Adelaide Pty Ltd	Australia
Hospira Argentina S.R.L.	Argentina
Hospira Aseptic Services Limited	United Kingdom
Hospira Australia Pty Ltd	Australia
Hospira Austria GmbH	Austria
Hospira Bahamas (Australia) Holdings Ltd.	Bahamas
Hospira Bahamas (Donegal) Corp.	Bahamas
Hospira Bahamas (Ireland) Corp.	Bahamas
Hospira Bahamas (Irish Manufacturing) Ltd.	Bahamas
Hospira Bahamas Beck Ltd.	Bahamas
Hospira Bahamas Biologics Ltd.	Bahamas
Hospira Bahamas International Holdings Ltd.	Bahamas
Hospira Benelux BVBA	Belgium
Hospira Boulder, Inc.	Delaware
Hospira Chile Limitada	Chile
Hospira Costa Rica Ltd.	Bahamas
Hospira Czech Republic, s.r.o.	Czech Republic
Hospira Deutschland GmbH	Germany
Hospira Enterprises B.V.	Netherlands
Hospira Finland Oy	Finland
Hospira Fleet Services, LLC	Delaware
Hospira France SAS	France
Hospira Healthcare B.V.	Netherlands
Hospira Healthcare Corporation	Canada
Hospira Healthcare India Private Limited	India
Hospira Holding Ltd.	Bahamas
Hospira Holdings (S.A.) Pty Ltd	Australia
Hospira Ireland Holdings	Ireland
Hospira Ireland Sales Limited	Ireland
Hospira Italia S.r.l.	Italy
Hospira Japan Co., Ltd.	Japan
Hospira Korea Co. Ltd	Republic of Korea

Hospira Limitada	Colombia
Hospira Limited	Hong Kong
Hospira Ltd.	Bahamas
Hospira Malaysia Sdn Bhd	Malaysia
Hospira Nordic AB	Sweden
Hospira NZ Limited	New Zealand
Hospira Peru SRL	Peru
Hospira Philippines, Inc.	Philippines
Hospira Portugal LDA	Portugal
Hospira Productos Farmaceuticos y Hospitalarios, S.L.	Spain
Hospira Produtos Hospitalares Ltda.	Brazil
Hospira Pte. Ltd.	Singapore
Hospira Pty Limited	Australia
Hospira Puerto Rico, LLC	Delaware
Hospira S.p.A.	Italy
Hospira Schweiz GmbH	Switzerland
Hospira Singapore Pte Ltd	Singapore
Hospira Slovakia, s.r.o.	Slovakia
Hospira UK Limited	United Kingdom
Hospira Worldwide, Inc.	Delaware
Hospira Zagreb d.o.o.	Croatia
Hospira, Inc.	Delaware
Hospira, S. de R.L. de C.V.	Mexico
Industrial Santa Agape, S.A.	Guatemala
InnoPharma Licensing, LLC	Delaware
InnoPharma, Inc.	Delaware
Innovative Drug Delivery Systems, Inc.	Delaware
Instituto Pasteur de Lisboa Virginio Leitao Vieira dos Santos & Filhos S.A.	Portugal
International Affiliated Corporation LLC	Delaware
Invicta Farma, S.A.	Spain
IP Pharmaceuticals India Private Limited	India
Javelin Pharmaceuticals, Inc.	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, Inc.	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.	Peru
Laboratorios Wyeth S.A.	Venezuela
Mayne Pharma IP Holdings (Euro) Pty Ltd	Australia
Meridian Medical Technologies Limited	United Kingdom
Meridian Medical Technologies, Inc.	Delaware

Minarik Limited	Ireland
Monarch Pharmaceuticals, Inc.	Tennessee
MTG Divestitures LLC	Delaware
Neusentis Limited	United Kingdom
NextWave Pharmaceuticals Incorporated	Delaware
Nordic Sales Group AS	Norway
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 Coöperatief U.A.	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 PH 1 LLC	Delaware
PFE PHAC Inc.	Delaware
PFE PUC Mexico 1 LLC	Delaware
PFE PUC Mexico 2 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 (H.K.) Holding Limited	Hong Kong
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 Afrique de L'Ouest	Senegal
Pfizer AG	Switzerland
Pfizer Animal Health MA EEIG	United Kingdom
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 and Herzegovina
Pfizer Biofarmacêutica, Sociedade Unipessoal Lda	Portugal
Pfizer Biologics Ireland Holdings Limited	Ireland
Pfizer Biotech Corporation	Taiwan
Pfizer Biotechnology Ireland	Ireland
Pfizer Bolivia S.A.	Bolivia
Pfizer Business Enterprises C.V.	Netherlands
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 Consumer Healthcare AB	Sweden
Pfizer Consumer Healthcare GmbH	Germany
Pfizer Consumer Healthcare Ltd.	United Kingdom
Pfizer Consumer Manufacturing Italy S.r.l.	Italy
Pfizer Cork Limited	Ireland
Pfizer Corporation	Panama
Pfizer Corporation Austria Gesellschaft m.b.H.	Austria
Pfizer Corporation Hong Kong Limited	Hong Kong
Pfizer Costa Rica PFE, Sociedad de Responsabilidad Limitada	Costa Rica
Pfizer Croatia d.o.o.	Croatia
Pfizer Deutschland GmbH	Germany
Pfizer Deutschland PFE Holding GmbH	Germany
Pfizer Development LP	United Kingdom
Pfizer Development Services (UK) Limited	United Kingdom
Pfizer Domestic Ventures Limited	Jersey
Pfizer Dominicana PFE, SRL	Dominican Republic
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 Europe Holdings SARL	Luxembourg
Pfizer Europe MA EEIG	United Kingdom
Pfizer Export Company	Ireland
Pfizer Finance International Holdings C.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 PFE S. De R.L.	Panama

Pfizer Free Zone Panama, S. de R.L.	Panama
Pfizer GEP, S.L.	Spain
Pfizer Germany B.V. & Co. KG	Germany
Pfizer Germany Partner B.V.	Netherlands
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 Holdings Company Unlimited	Jersey
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 Americas Corporation	Delaware
Pfizer Holdings Corporation	Delaware
Pfizer Holdings Europe	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 Holdings Turkey Limited	Jersey
Pfizer Ilaclari Limited Sirketi	Turkey
Pfizer Innovations AB	Sweden
Pfizer Innovations LLC	Russia
Pfizer Innovative Supply Point International SPRL	Belgium
Pfizer International Business Europe	Ireland
Pfizer International LLC	New York
Pfizer International Luxembourg Sarl	Luxembourg
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	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	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	Tanzania
Pfizer Limited	Uganda
Pfizer Limited	Taiwan
Pfizer Limited	United Kingdom
Pfizer Limited	India
Pfizer LLC	Russia
Pfizer Luxco Holdings Sarl	Luxembourg
Pfizer Luxembourg Global Holdings SARL	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 Deutschland PFE GmbH	Germany
Pfizer Manufacturing Holdings LLC	Delaware
Pfizer Manufacturing Ireland	Ireland
Pfizer Manufacturing LLC	Delaware
Pfizer Manufacturing Services	Ireland
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 Namibia (Proprietary) Limited	Namibia
Pfizer New Zealand Limited	New Zealand
Pfizer Norge AS	Norway
Pfizer North American Holdings Inc.	Delaware
Pfizer OTC B.V.	Netherlands
Pfizer Overseas Distribution	Belgium
Pfizer Overseas LLC	Delaware
Pfizer Oy	Finland
Pfizer Pakistan Limited	Pakistan
Pfizer Parke Davis	Philippines
Pfizer Parke Davis (Thailand) Ltd.	Thailand
Pfizer Parke Davis Sdn. Bhd.	Malaysia
Pfizer PFE (Malaysia) SDN. BHD.	Malaysia
Pfizer PFE (Thailand) Limited	Thailand
Pfizer PFE ApS	Denmark
Pfizer PFE Argentina Holding 2 B.V.	Netherlands
Pfizer PFE Argentina Holding B.V.	Netherlands
Pfizer PFE Argentina SRL	Argentina
Pfizer PFE Asia Pacific Pte. Ltd.	Singapore
Pfizer PFE AsiaPac Holding B.V.	Netherlands

Pfizer PFE Australia Holding B.V.	Netherlands
Pfizer PFE Australia Pty Ltd	Australia
Pfizer PFE Austria Gesellschaft m.b.H	Austria
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 CIA. Ltda.	Ecuador
Pfizer PFE Colombia Holding 2 Corporation	Delaware
Pfizer PFE Colombia Holding Corp.	Delaware
Pfizer PFE Colombia S.A.S.	Colombia
Pfizer PFE Commercial Holdings LLC	Delaware
Pfizer PFE Corporation Hong Kong Limited	Hong Kong
Pfizer PFE Eastern Investments B.V.	Netherlands
Pfizer PFE Finland Oy	Finland
Pfizer PFE France	France
Pfizer PFE France Holdco 2 S.à r.l.	Luxembourg
Pfizer PFE France Holdco S.à r.l.	Luxembourg
Pfizer PFE Germany Holding 2 S.á.r.l.	Luxembourg
Pfizer PFE Germany Holding S.á.r.l.	Luxembourg
Pfizer PFE Global Holdings B.V.	Netherlands
Pfizer PFE Group Luxembourg S.à r.l.	Luxembourg
Pfizer PFE Hellas E.P.E.	Greece
Pfizer PFE Hong Kong Holding 3 B.V.	Netherlands
Pfizer PFE İlaçları Anonim Şirketi	Turkey
Pfizer PFE Ireland 1 B.V.	Netherlands
Pfizer PFE Ireland 2 B.V.	Netherlands
Pfizer PFE Ireland Holdco S.à r.l.	Luxembourg
Pfizer PFE Ireland Pharmaceuticals Holding 1 Coöperatief U.A.	Netherlands
Pfizer PFE Ireland Pharmaceuticals Holding 2 Coöperatief U.A.	Netherlands
Pfizer PFE Italy Group Holding Coöperatief U.A.	Netherlands
Pfizer PFE Italy Holdco 2 S.à r.l.	Luxembourg
Pfizer PFE Italy Holdco S.à r.l.	Luxembourg
Pfizer PFE Korea Holding 1 B.V.	Netherlands
Pfizer PFE Korea Holding 2 B.V.	Netherlands
Pfizer PFE Korlátolt Felelősségű Társaság	Hungary
Pfizer PFE Luxembourg Holding 1 S.à r.l.	Luxembourg
Pfizer PFE Luxembourg Holding 2 S.à r.l.	Luxembourg
Pfizer PFE Luxembourg Holding 3 S.à r.l.	Luxembourg
Pfizer PFE Luxembourg Holding 4 S.à r.l.	Luxembourg
Pfizer PFE Luxembourg S.à r.l.	Luxembourg
Pfizer PFE Mexico Holding 1 B.V.	Netherlands
Pfizer PFE Mexico Holding 2 B.V.	Netherlands
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 S.R.L.	Peru
Pfizer PFE Pharmaceuticals Holding B.V.	Netherlands

Pfizer PFE Pharmaceuticals Israel Holding LLC	Delaware
Pfizer PFE Pharmaceuticals Israel Ltd.	Israel
Pfizer PFE PHIL Holdco S.à r.l.	Luxembourg
Pfizer PFE PHIL UAE Holding 1 B.V	Netherlands
Pfizer PFE PHIL UAE Holding 2 B.V	Netherlands
Pfizer PFE PHIL UAE Holding 3 B.V	Netherlands
Pfizer PFE PHIL UAE Holding 4 B.V.	Netherlands
Pfizer PFE Philippines Holding 1 B.V.	Netherlands
Pfizer PFE Philippines Holding 2 B.V.	Netherlands
Pfizer PFE PILSA Holdco S.à r.l.	Luxembourg
Pfizer PFE Poland Holding BV	Netherlands
Pfizer PFE Polska sp.z.o.o.	Poland
Pfizer PFE Private Limited	Singapore
Pfizer PFE Service Company Holding Coöperatief U.A.	Netherlands
Pfizer PFE Servicios Mexico, S. de R.L. C.V.	Mexico
Pfizer PFE Singapore Holding Coöperatief U.A.	Netherlands
Pfizer PFE Singapore Pte. Ltd.	Singapore
Pfizer PFE South Africa Holding B.V.	Netherlands
Pfizer PFE Spain B.V.	Netherlands
Pfizer PFE Spain Holding, S.L.	Spain
Pfizer PFE Spain Holdings LLC	Delaware
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 Switzerland Holding GmbH	Switzerland
Pfizer PFE Trading Polska sp z.o.o.	Poland
Pfizer PFE Turkey Holding 1 B.V.	Netherlands
Pfizer PFE Turkey Holding 2 B.V.	Netherlands
Pfizer PFE UK Limited	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 US Holdings 6 LLC	Delaware
Pfizer PFE, Inc.	Philippines
Pfizer PFE, spol. s r.o.	Czech Republic
Pfizer PGM	France
Pfizer PGRD	France
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 Coöperatief U.A.	Netherlands
Pfizer Pharmaceuticals Israel Ltd.	Israel
Pfizer Pharmaceuticals Korea Limited	Republic of Korea

Pfizer Pharmaceuticals Limited	Cayman Islands
Pfizer Pharmaceuticals LLC	Delaware
Pfizer Pharmaceuticals Ltd.	People's Republic of China
Pfizer Pharmaceuticals Tunisie Sarl	Tunisia
Pfizer Pigments Inc.	Delaware
Pfizer Polska Sp. z.o.o.	Poland
Pfizer Precision Holdings SARL	Luxembourg
Pfizer Prev - Sociedade de Previdencia Privada	Brazil
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	Ireland
Pfizer Services 1	France
Pfizer Services LLC	Delaware
Pfizer Shared Services	Ireland
Pfizer Shareholdings Intermediate SARL	Luxembourg
Pfizer Shareholdings Luxembourg SARL	Luxembourg
Pfizer Singapore Trading Pte. Ltd.	Singapore
Pfizer Spain Holdings Coöperatief U.A.	Netherlands
Pfizer Specialities Ghana	Ghana
Pfizer Specialties Limited	Nigeria
Pfizer Specialty UK Limited	United Kingdom
Pfizer Sweden Partnership KB	Sweden
Pfizer Trading Polska sp.z.o.o.	Poland
Pfizer Transactions Ireland	Ireland
Pfizer Transactions LLC	Delaware
Pfizer Transactions Luxembourg SARL	Luxembourg
Pfizer Transport LLC	Delaware
Pfizer Tunisie SA	Tunisia
Pfizer Ukraine LLC	Ukraine
Pfizer Vaccines LLC	Delaware
Pfizer Venezuela, S.A.	Venezuela
Pfizer Ventures LLC	Delaware
Pfizer Warner Lambert Luxembourg SARL	Luxembourg
Pfizer Worldwide Services	Ireland

Pfizer Zona Franca PFE Holding LLC	Delaware
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 GmbH	Germany
Pharmacia Hepar LLC	Delaware
Pharmacia Holding AB	Sweden
Pharmacia Inter-American LLC	Pennsylvania
Pharmacia International B.V.	Netherlands
Pharmacia Laboratories Limited	United Kingdom
Pharmacia Limited	United Kingdom
Pharmacia LLC	Delaware
Pharmacia Nostrum, S.A.	Spain
PHIVCO Corp.	Delaware
PHIVCO Holdco S.à r.l.	Luxembourg
PHIVCO Luxembourg SARL	Luxembourg
PN Mexico LLC	Delaware
PowderJect Research Limited	United Kingdom
PowderJect Vaccines, Inc.	Delaware
PowderMed Limited	United Kingdom
Productos Farmaceuticos PFE Bolivia S.A.	Bolivia
PT. Pfizer Indonesia	Indonesia
PT. Pfizer Parke Davis	Indonesia
Purepac Pharmaceutical Holdings, Inc.	Delaware
PZR Ltd.	United Kingdom
PZR Property Limited	United Kingdom
RedVax GmbH	Switzerland
Renrall LLC	Wyoming
Rinat Neuroscience Corp.	Delaware
Rivepar	France
RMV Produtos Veterinarios Ltda.	Brazil
Roerig Produtos Farmaceuticos, Lda.	Portugal
Roerig S.A.	Chile
Roerig, S.A.	Venezuela
Sao Cristovao Participacoes Ltda.	Brazil
Searle Laboratorios, Lda.	Portugal
Servicios P&U, S. de R.L. de C.V.	Mexico
Sherama Limited	Ireland
Shiley LLC	California
Sinergis Farma-Produtos Farmaceuticos, Lda.	Portugal
Site Realty, Inc.	Delaware

Solinor LLC	Delaware
Soumillon Limited	Ireland
Sugen, Inc.	Delaware
Tabor LLC	Delaware
The Pfizer Incubator LLC	Delaware
Thiakis Limited	United Kingdom
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
Vicuron Pharmaceuticals Italy S.r.l.	Italy
Vinci Farma, S.A.	Spain
Warner Lambert del Uruguay S.A.	Uruguay
Warner Lambert Ilac Sanayi ve Ticaret Limited Sirketi	Turkey
Warner-Lambert (Tanzania), Limited	Tanzania
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 (Asia) Limited	Delaware
Wyeth (Thailand) Ltd.	Thailand
Wyeth AB	Sweden
Wyeth Advertising Inc.	New York
Wyeth Australia Pty. Limited	Australia
Wyeth Ayerst Inc.	Delaware
Wyeth Ayerst SARL	Luxembourg
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 Inc.	Delaware
Wyeth Pharmaceuticals India Private Limited	India
Wyeth Pharmaceuticals Limited	Ireland

Wyeth Prev-Sociedade de Previdencia Privada	Brazil
Wyeth Puerto Rico, Inc.	Puerto Rico
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
Yusafarm D.O.O.	Serbia
Zydus Hospira Oncology Private Limited	India

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 2015 Annual Report on Form 10-K of Pfizer Inc. of our reports dated February 29, 2016 , with respect to the consolidated balance sheets of Pfizer Inc. and Subsidiary Companies as of December 31, 2015 and 2014 , 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, 2015 , and the effectiveness of internal control over financial reporting as of December 31, 2015 , which reports appear in the 2015 Annual Report on Form 10-K of Pfizer Inc. and Subsidiary Companies.

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 April 24, 1998 (File No. 333-50899),
-Form S-8 dated April 22, 1999 (File No. 333-76839),
-Form S-8 dated June 19, 2000 (File No. 333-39610),
-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 27, 2001 (File No. 333-59654),
-Form S-8 dated April 16, 2003 (File No. 333-104581),
-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 29, 2016

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 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 29, 2016

/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 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 29, 2016

/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, 2015 (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 29, 2016

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, 2015 (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 29, 2016

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.