Appendix A
2013 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 2013 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:

- *Overview of Our Performance, Operating Environment, Strategy and Outlook*. This section, beginning on page 2, provides information about the following: our business; our 2013 performance; our operating environment; our strategy; our business development initiatives, such as acquisitions, dispositions, licensing and collaborations; and our financial guidance for 2014.
- *Significant Accounting Policies and Application of Critical Accounting Estimates*. This section, beginning on page 12, discusses those accounting policies and estimates that we consider important in understanding Pfizer's consolidated financial statements. For additional discussion of our accounting policies, see Notes to Consolidated Financial Statements—*Note 1. Basis of Presentation and Significant Accounting Policies*.
- *Analysis of the Consolidated Statements of Income.* This section begins on page 17, and consists of the following sub-sections:
  - *Revenues.* This sub-section, beginning on page 17, provides an analysis of our revenues and products for the three years ended December 31, 2013, including an overview of our important biopharmaceutical product developments.
  - *Costs and Expenses*. This sub-section, beginning on page 29, provides a discussion about our costs and expenses.
  - *Provision for Taxes on Income.* This sub-section, beginning on page 34, provides a discussion of items impacting our tax provisions.
  - *Discontinued Operations.* This sub-section, on page 35, provides an analysis of the financial statement impact of our discontinued operations.
  - *Adjusted Income*. This sub-section, beginning on page 35, provides a discussion of an alternative view of performance used by management.
- *Analysis of the Consolidated Statements of Comprehensive Income.* This section, on page 40, provides a discussion of changes in certain components of other comprehensive income.
- *Analysis of the Consolidated Balance Sheets.* This section, beginning on page 41, provides a discussion of changes in certain balance sheet accounts.
- *Analysis of the Consolidated Statements of Cash Flows.* This section, beginning on page 42, provides an analysis of our consolidated cash flows for the three years ended December 31, 2013.
- *Analysis of Financial Condition, Liquidity and Capital Resources*. This section, beginning on page 43, provides an analysis of selected measures of our liquidity and of our capital resources as of December 31, 2013 and December 31, 2012, as well as a discussion of our outstanding debt and other commitments that existed as of December 31, 2013. Included in the discussion of outstanding debt is a discussion of the amount of financial capacity available to help fund Pfizer's future activities.
- *New Accounting Standards*. This section, on page 47, discusses accounting standards that we have recently adopted, as well as those that recently have been issued, but not yet adopted.
- *Forward-Looking Information and Factors That May Affect Future Results*. This section, beginning on page 47, provides a description of the risks and uncertainties that could cause actual results to differ materially from those discussed in forward-looking statements presented in this Financial Review relating to, among other things, our anticipated 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. Such forward-looking statements are based on management's current expectations about future events, which are inherently susceptible to uncertainty and changes in circumstances. Also included in this section are discussions of Financial Risk Management and Legal Proceedings and Contingencies, including tax matters.

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 and vaccines, as well as many of the world's best-known consumer healthcare products. We work across developed and emerging markets to advance wellness, prevention, treatments and cures that challenge the most feared diseases of our time. We collaborate with healthcare providers, governments and local communities to support and expand access to reliable, affordable healthcare around the world. Our revenues are derived from the sale of our products and, to a much lesser extent, from alliance agreements, under which we co-promote products discovered 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 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, regulatory environment and pricing and access pressures, pipeline productivity and competition among branded products. We also face challenges as a result of the global economic environment. For additional information about these challenges, see the "Our Operating Environment" section of this Financial Review.

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.

References to developed markets include the U.S., Western Europe, Japan, Canada, Australia, Scandinavia, South Korea, Finland and New Zealand; and references to Emerging Markets include the rest of the world, including, among other countries, China, Brazil, Mexico, Russia, Turkey and India.

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 our consolidated statement of income for the year ended December 31, 2013. The operating results of this business are reported as *Income from discontinued operations—net of tax* in our consolidated statements of income through June 24, 2013, the date of disposal. In addition, in the consolidated balance sheet as of December 31, 2012, the assets and liabilities associated with this business are classified as *Assets of discontinued operations and other assets held for sale* and *Liabilities of discontinued operations*, as appropriate. For additional information, see Notes to Consolidated Financial Statements—*Note 2B. Acquisitions, Divestitures, Collaborative Arrangements and Equity-Method Investments: Divestitures* and see the "Our Business Development Initiatives", "Discontinued Operations" and "Analysis of Financial Condition, Liquidity and Capital Resources" sections of this Financial Review.

On November 30, 2012, we completed the sale of our Nutrition business to Nestlé and recognized a gain of approximately $4.8 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, 2012. The operating results of this business are reported as *Income from discontinued operations—net of tax* in our consolidated statements of income through November 30, 2012, the date of disposal. For additional information, see Notes to Consolidated Financial Statements—*Note 2B. Acquisitions, Divestitures, Collaborative Arrangements and Equity-Method Investments: Divestitures* and see the "Our Business Development Initiatives" and "Discontinued Operations" sections of this Financial Review.

On August 1, 2011, we completed the sale of our Capsugel business and recognized a gain of approximately $1.3 billion, net of tax, in G*ain on disposal of discontinued operations—net of tax* in our consolidated statement of income for the year ended December 31, 2011. The operating results of this business are reported as *Income from discontinued operations—net of tax* in our consolidated statements of income through August 1, 2011, the date of disposal. For additional information, see Notes to Consolidated Financial Statements—*Note 2B. Acquisitions, Divestitures, Collaborative Arrangements and Equity-Method Investments: Divestitures* and see the "Our Business Development Initiatives" and "Discontinued Operations" sections of this Financial Review.

The assets, liabilities, operating results and cash flows of acquired businesses, such as King Pharmaceuticals, Inc. (King) (acquired on January 31, 2011), are included in our results on a prospective basis only commencing from the acquisition date. As such, our consolidated financial statements for the year ended December 31, 2011 reflect approximately 11 months of King's U.S. operations and approximately 10 months of King's international operations. For additional information about these acquisitions, see Notes to Consolidated Financial Statements—*Note 2A. Acquisitions, Divestitures, Collaborative Arrangements and Equity-Method Investments: Acquisitions* and see the "Our Business Development Initiatives" section of this Financial Review.

Our 2013 Performance

Revenues decreased 6% in 2013 to $51.6 billion, compared to $54.7 billion in 2012, which reflects an operational decline of $1.9 billion, or 4%.

The operational decrease was primarily the result of:

- the continued erosion of branded Lipitor in the U.S., developed Europe and certain other developed markets (approximately $1.7 billion);
- the loss of exclusivity for Geodon in March 2012 in the U.S. (approximately $130 million);
- other product losses of exclusivity (approximately $1.3 billion);
- the ongoing expiration of the Spiriva collaboration in certain countries (approximately $475 million);

- decreased government purchases of the Prevnar family of products and Enbrel in certain emerging markets (approximately $160 million); and
- lower revenues from generic atorvastatin (approximately $145 million),

partially offset by:

- the growth of certain products, including Lyrica, Inlyta, Celebrex and Xalkori in developed markets and Xeljanz in the U.S. (approximately $1.1 billion);
- the overall growth in the rest of the Emerging Markets business unit (approximately $751 million), excluding the aforementioned decrease in the government purchases of the Prevnar family of products and Enbrel;
- the overall growth in the Consumer Healthcare business unit (approximately $153 million); and
- revenues from the transitional manufacturing and supply agreements with Zoetis (approximately $132 million).

In addition, *Revenues* were unfavorably impacted by foreign exchange of approximately $1.2 billion, or 2%, in 2013 compared to 2012.

Income from continuing operations was $11.4 billion in 2013 compared to $9.0 billion in 2012, primarily reflecting, among other items:

- patent litigation settlement income recorded in 2013 (approximately $1.3 billion, pre-tax) (see also the "Costs and Expenses—Other (Income)/Deductions—Net" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 4. Other (Income)/Deductions—Net*);
- lower net charges for other legal matters (down approximately $2.2 billion, pre-tax) (see also the "Costs and Expenses—Other (Income)/Deductions—Net" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 4. Other (Income)/Deductions—Net*);
- additional benefits generated from our global cost-reduction/productivity initiatives, partially offset by spending to support new product launches;
- a gain recorded in 2013 (approximately $459 million, pre-tax) associated with the transfer of certain product rights to our equity-method investment in China, Hisun Pfizer Pharmaceuticals Company Limited (Hisun Pfizer) (see also the "Our Business Development Initiatives" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 2D. Acquisitions, Divestitures, Collaborative Arrangements and Equity-Method Investments: Equity-Method Investments*); and
- lower amortization of intangible assets (down approximately $510 million, pre-tax),

partially offset by:

- lower revenues, as discussed above;
- higher asset impairments and related charges (up approximately $211 million, pre-tax) (see also the "Costs and Expenses—Other (Income)/Deductions—Net" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 4. Other (Income)/Deductions—Net*); and
- a higher effective tax rate, primarily due to a decrease in tax benefits related to certain audit settlements in multiple jurisdictions covering various periods and a change in the jurisdictional mix of earnings (see also the "Provision for Taxes on Income" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 5. Tax Matters*).

Also, see the "Discontinued Operations" section of this Financial Review.

Our Operating Environment

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 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. This 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, Enbrel (we market Enbrel outside of the U.S. and Canada) and the Prevnar family, 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, and biosimilars are not necessarily identical to the reference products. Therefore, 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 certain of our products and alliance products are expected to face significantly increased generic competition over the next few years.

Specifically:

Recent Losses of Product Exclusivity Impacting Product Revenues

- Lipitor has lost exclusivity in all major markets. Lipitor revenues were $2.3 billion in 2013, $3.9 billion in 2012 and $9.6 billion in 2011. We lost exclusivity for Lipitor in the U.S. in November 2011. The entry of multi-source generic competition in the U.S. began in May 2012, with attendant increased competitive pressures. Lipitor lost exclusivity in Japan in June 2011, Australia in April 2012 and most of developed Europe in March and May 2012 and now faces multi-source generic competition in those markets.

  Prior to loss of exclusivity, sales of Lipitor in each market, except for those in Emerging Markets, were reported in our Primary Care business unit. Typically, as of the beginning of the fiscal year following loss of exclusivity in a market, sales of Lipitor in that market, except for those in Emerging Markets, were reported in our Established Products business unit. Sales of Lipitor in the U.S. and Japan have been reported in our Established Products business unit since January 1, 2012, and sales of Lipitor in developed Europe have been reported in our Established Products business unit since January 1, 2013.

The following table provides information about certain of our products impacted by losses of exclusivity (LOEs) in 2013 and 2012 (other than Lipitor), showing, by product, the LOE dates, the markets impacted and the revenues associated with those products in those LOE markets:

(MILLIONS OF DOLLARS)			Revenues in Markets Impacted		
Products	LOE Dates	Markets Impacted	Year Ended December 31,		
			2013	2012	2011
Xalatan and Xalacom	January 2012	Majority of European markets	**$ 161**	$ 275	$ 509
Aricept	February and April 2012	Majority of European markets	**47**	139	347
Geodon	March 2012	U.S.	**84**	214	859
Revatio tablet	September 2012	U.S.	**67**	312	312
Detrol IR and Detrol LA	September 2012	Majority of European markets	**53**	119	157
Lyrica	February 2013	Canada	**101**	206	185
Viagra	June 2013	Majority of European markets	**265**	370	400

Recent and Expected Losses of Collaboration Rights Impacting Alliance Revenues

- Spiriva—Our collaboration with Boehringer Ingelheim (BI) for Spiriva expires on a country-by-country basis between 2012 and 2016. In the U.S. and certain European countries, the co-promotion agreements for Spiriva entered their final year in 2013, which resulted in a decline in Pfizer's share of Spiriva revenues per the terms of those agreements. Additionally, in Australia, Canada and certain other European markets, the co-promotion agreements for Spiriva expired in 2013, which resulted in no additional revenues after the expiration date. We expect to experience a graduated decline in revenues from Spiriva through 2016 as agreements for other markets enter their final year and subsequently expire. Pfizer Alliance revenues related to Spiriva were $689 million in 2013, $1.2 billion in 2012 and $1.4 billion in 2011.
- Aricept—Our rights to Aricept in Japan returned to Eisai Co., Ltd. in December 2012. The Aricept 23mg tablet lost exclusivity in the U.S. in July 2013.
- Enbrel—Our U.S. and Canada co-promotion agreement with Amgen Inc. for Enbrel expired on October 31, 2013. While we are entitled to royalties for 36 months thereafter, we expect that those royalties will be significantly less than our previous share of Enbrel profits from U.S. and Canada sales. 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. Enbrel revenues in the U.S. and Canada were $1.4 billion in 2013, $1.5 billion in 2012 and $1.3 billion in 2011.
- Rebif—Our collaboration agreement with EMD Serono Inc. to co-promote Rebif in the U.S. will expire at the end of 2015. Rebif revenues were $401 million in 2013, $399 million in 2012 and $320 million in 2011.

Losses and Expected Losses of Product Exclusivity in 2014

- We lost exclusivity for Detrol LA and Rapamune in the U.S. in January 2014. Revenues for Detrol/Detrol LA and Rapamune in the U.S. were $576 million in 2013, $671 million in 2012 and $745 million in 2011.
- We expect to lose exclusivity for various other products in various markets in 2014, including Zyvox in Canada, Celebrex in developed Europe and Viagra in Japan and Australia. For Lyrica, regulatory exclusivity in the EU extends until 2014.

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 of our 2013 Annual Report on Form 10-K.

Our financial results in 2013 and our financial guidance for 2014, 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 2014 financial guidance, see the "Our Financial Guidance for 2014" 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 Biopharmaceutical Products" section of this Financial Review. See Notes to

DOCKET ALARM

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts

Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research

With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips

Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS
Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS
Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS
Sync your system to PACER to automate legal marketing.