Appendix A 2016 Financial Report

GLOSSARY OF DEFINED TERMS

Unless the context requires otherwise, references to "Pfizer," "the Company," "we," "us" or "our" in this 2016 Financial Report (defined below) refer to Pfizer Inc. and its subsidiaries. We also have used several other terms in this 2016 Financial Report, most of which are explained or defined below:

2016 Financial Report	This Financial Report for the fiscal year ended December 31, 2016, which was filed as Exhibit 13 to the Annua Report on Form 10-K for the fiscal year ended December 31, 2016	
2016 Form 10-K	Annual Report on Form 10-K for the fiscal year ended December 31, 2016	
AAV	Adeno-Associated Virus	
ABO	Accumulated postretirement benefit obligation	
ACA (Also referred to as U.S. Healthcare Legislation)	U.S. Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act.	
ACIP	Advisory Committee on Immunization Practices	
ALK	anaplastic lymphoma kinase	
Allergan	Allergan plc	
Alliance revenues	Revenues from alliance agreements under which we co-promote products discovered or developed by other companies or us	
AM-Pharma	AM-Pharma B.V.	
Anacor	Anacor Pharmaceuticals, Inc.	
Astellas	Astellas Pharma U.S. Inc.	
ASU	Accounting Standards Update	
ATM-AVI	aztreonam-avibactam	
Bamboo	Bamboo Therapeutics, Inc.	
Baxter	Baxter International Inc.	
BMS	Bristol-Myers Squibb Company	
CDC	U.S. Centers for Disease Control and Prevention	
Cellectis	Cellectis SA	
Celltrion	Celltrion Inc. and Celltrion Healthcare, Co., Ltd. (collectively)	
Citibank	Citibank N.A.	
Developed Markets	U.S., Western Europe, Japan, Canada, Australia, South Korea, Scandinavian countries, Finland and New Zealand	
EEA	European Economic Area	
EGWP	Employer Group Waiver Plan	
== EH	Essential Health	
ELT	Executive Leadership Team	
EMA	European Medicines Agency	
Emerging Markets	Includes, but is not limited to, the following markets: Asia (excluding Japan and South Korea), Latin America, Africa, Eastern Europe, Central Europe, the Middle East and Turkey	
EPS	earnings per share	
EU	European Union	
Exchange Act	Securities Exchange Act of 1934, as amended	
FASB	Financial Accounting Standards Board	
FDA	U.S. Food and Drug Administration	
GAAP	Generally Accepted Accounting Principles	
GHD	growth hormone deficiency	
GIST	gastrointestinal stromal tumors	
GIP	Global Innovative Pharmaceutical segment	
GPD	Global Product Development organization	
GS&Co.	Goldman, Sachs & Co.	
HER	human epidermal growth factor receptor	
HER2-	human epidermal growth factor receptor 2-negative	
hGH-CTP	human growth hormone	
HIS	Hospira Infusion Systems	
HIV	human immunodeficiency virus	
Hisun	Zhejiang Hisun Pharmaceuticals Co., Ltd.	
Hisun Pfizer	Hisun Pfizer Pharmaceuticals Company Limited	
Hospira	Hospira, Inc.	
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Financial Review

Pfizer Inc. and Subsidiary Companies

ICU Medical	ICU Medical, Inc.
IH	
InnoPharma	InnoPharma. Inc.
IPR&D	in-process research and development
IRC	Internal Revenue Code
IRS	U.S. Internal Revenue Service
IV	intravenous
Janssen	Janssen Biotech Inc.
King LDL	King Pharmaceuticals, Inc.
LIBOR	low density lipoprotein London Interbank Offered Rate
Lilly	Eli Lilly & Company
MCO	loss of exclusivity
	Managed Care Organization
MDV	multi-dose vial
Medivation	Medivation, Inc.
Merck	Merck & Co., Inc.
Moody's	Moody's Investors Service
NAV	Net asset value
NDA	new drug application
NovaQuest	NovaQuest Co-Investment Fund II, L.P. or NovaQuest Co-Investment Fund V, L.P., as applicable
NSCLC	non-small cell lung cancer
NYSE	New York Stock Exchange
ОРКО	OPKO Health, Inc.
отс	over-the-counter
PBM	Pharmacy Benefit Manager
PBO	Projected benefit obligation
PCS	Pfizer CentreSource
PE	pulmonary embolism
PGS	Pfizer Global Supply
Pharmacia	Pharmacia Corporation
PPS	Portfolio Performance Shares
PP&E	Property, plant & equipment
PSAs	Performance Share Awards
PTUs	Profit Units
RCC	renal cell carcinoma
recAP	recombinant human Alkaline Phosphatase
R&D	research and development
RPI	RPI Finance Trust
RSUs	Restricted Stock Units
Sandoz	Sandoz, Inc., a division of Novartis AG
SEC	U.S. Securities and Exchange Commission
SGA	small for gestational age
S&P	Standard and Poor's
Teuto	Laboratório Teuto Brasileiro S.A.
TSR	Total Shareholder Return
TSRUs	Total Shareholder Return Units
U.K.	United Kingdom
U.S.	United States
VAT	value added tax
VIE	Variable interest entity
ViiV	ViiV Healthcare Limited
VOC	Global Vaccines, Oncology and Consumer Healthcare segment
WRD	Worldwide Research and Development
Zoetis	Zoetis Inc.

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INTRODUCTION

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See the Glossary of Defined Terms at the beginning of this 2016 Financial Report for terms used throughout this Financial Review. Our Financial Review is provided to assist readers in understanding the results of operations, financial condition and cash flows of Pfizer Inc. (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 2016 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	Beginning on page 2
This section provides information about the following: Our Business; Our 2016 Performance; Our Operating Environment; The Global Economic Environment, Our Strategy; Our Business Development Initiatives, such as acquisitions, dispositions, licensing and collaborations; and Our Financial Guidance for 2017.	
Significant Accounting Policies and Application of Critical Accounting Estimates and Assumptions	Beginning on page 14
This section discusses those accounting policies and estimates that we consider important in understanding our consolidated financial statements. For additional discussion of our accounting policies, see Notes to Consolidated Financial Statements— <i>Note 1. Basis of Presentation and Significant</i> <i>Accounting Policies</i> .	
Analysis of the Consolidated Statements of Income	Beginning on page 21
This section includes a Revenues Overview section as well as the following sub-sections:	
Revenues-Major Products	Beginning on page 26
This sub-section provides an overview of several of our biopharmaceutical products. Product Developments-Biopharmaceutical	Beginning on page 30
This sub-section provides an overview of important biopharmaceutical product developments.	
• Costs and Expenses	Beginning on page 33
This sub-section provides a discussion about our costs and expenses.	
Provision for Taxes on Income	Beginning on page 38
This sub-section provides a discussion of items impacting our tax provisions.	
Non-GAAP Financial Measure (Adjusted Income)	Beginning on page 38
This sub-section provides a discussion of an alternative view of performance used by management.	Designing an area 44
Analysis of Operating Segment Information	Beginning on page 44
This section provides a discussion of the performance of each of our operating segments. • Analysis of the Consolidated Statements of Comprehensive Income	Beginning on page 51
This section provides a discussion of changes in certain components of other comprehensive income.	
Analysis of the Consolidated Balance Sheets	Beginning on page 51
This section provides a discussion of changes in certain balance sheet accounts, including Accumulated other comprehensive loss.	
Analysis of the Consolidated Statements of Cash Flows	Beginning on page 52
This section provides an analysis of our consolidated cash flows for the three years ended December 31, 2016.	
Analysis of Financial Condition, Liquidity and Capital Resources	Beginning on page 54
This section provides an analysis of selected measures of our liquidity and of our capital resources as of December 31, 2016 and December 31, 2015, as well as a discussion of our outstanding debt and other commitments that existed as of December 31, 2016 and December 31, 2015. 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	Beginning on page 59
This section 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	Beginning on page 61
This section 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. Also included in this section are discussions of Financial Risk Management and Contingencies, including legal and tax matters.	
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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 and vaccines, as well as many of the world's best-known consumer healthcare products. We work across developed and emerging markets to advance wellness, prevention, treatments and cures that challenge the most feared diseases of our time. We collaborate with healthcare providers, governments and local communities to support and expand access to reliable, affordable healthcare around the world. Our revenues are derived from the sale of our products and, to a much lesser extent, from alliance agreements, under which we co-promote products discovered or developed by other companies or us (Alliance revenues).

We manage our commercial operations through two distinct business segments: Pfizer Innovative Health (IH) and Pfizer Essential Health (EH). 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. For additional information, see Notes to Consolidated Financial Statements—*Note 18A. Segment, Geographic and Other Revenue Information: Segment Information* and the "Our Strategy—Commercial Operations" section of this Financial Review below.

The majority of our revenues come from the manufacture and sale of biopharmaceutical products. The biopharmaceutical industry is highly competitive and highly regulated. As a result, we face a number of industry-specific factors and challenges, which can significantly impact our results. These factors include, among others: the loss or expiration of intellectual property rights and the expiration of co-promotion and licensing rights, healthcare legislation, pipeline productivity, the regulatory environment, pricing and access pressures and competition. We also face challenges as a result of the global economic environment. For additional information about these factors and challenges, see the "Our Operating Environment" and "The Global Economic Environment" sections of this Financial Review and Part I, Item 1A, "Risk Factors," of our 2016 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 and emerging markets in this Financial Review include:

Developed markets	U.S., Western Europe, Japan, Canada, Australia, South Korea, Scandinavian countries, Finland and New Zealand
Emerging markets (include, but are not limited to)	Asia (excluding Japan and South Korea), Latin America, Africa, Eastern Europe, Central Europe, the Middle East and Turkey

References to operational variances in this Financial Review pertain to period-over-period growth rates that exclude the impact of foreign exchange as well as the negative currency impact related to Venezuela. The operational variances are determined by multiplying or dividing, as appropriate, our current year U.S. dollar results by the current year average foreign exchange rates and then multiplying or dividing, as appropriate, those amounts by the prior-year average foreign exchange rates. Although exchange rate changes are part of our business, they are not within our control. Exchange rate changes, however, can mask positive or negative trends in the business; therefore, we believe presenting operational variances provides useful information to evaluate the results of our business.

Our significant business development activities include:

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- On February 3, 2017, we completed the sale of our global infusion therapy net assets, HIS, to ICU Medical for up to approximately \$900 million, composed of cash and contingent cash consideration, ICU Medical common stock and seller financing. Assets and liabilities associated with HIS are presented as held for sale in the consolidated balance sheet as of December 31, 2016.
- On December 22, 2016, which falls in the first fiscal quarter of 2017 for our international operations, we acquired the development and commercialization rights to AstraZeneca's small molecule anti-infectives business, primarily outside the U.S., including the commercialization and development rights to the newly approved EU drug Zavicefta[™] (ceftazidime-avibactam), the marketed agents Merrem[™]/Meronem[™] (meropenem) and Zinforo[™] (ceftaroline fosamil), and the clinical development assets ATM-AVI and CXL (ceftaroline fosamil-AVI).
- On September 28, 2016, we acquired Medivation for \$81.50 per share. The total fair value of consideration transferred for Medivation was
 approximately \$14.3 billion in cash (\$13.9 billion, net of cash acquired). Of this consideration, approximately \$365 million was not paid as of
 December 31, 2016, and was recorded in *Other current liabilities*. Commencing from the acquisition date, our financial statements reflect
 the assets, liabilities, operating results and cash flows of Medivation, and, in accordance with our domestic reporting periods, our
 consolidated financial statements for the year ended December 31, 2016 reflect approximately three months of legacy Medivation
 operations.
- On June 24, 2016, we acquired Anacor for \$99.25 per share. The total fair value of consideration transferred for Anacor was approximately \$4.9 billion in cash (\$4.5 billion, net of cash acquired), plus \$698 million debt assumed. Commencing from the acquisition date, our financial statements reflect the assets, liabilities, operating results and cash flows of Anacor, and, in accordance with our domestic reporting periods, our consolidated financial statements for the year ended December 31, 2016 reflect approximately six months of legacy Anacor operations, which were immaterial.
- On April 6, 2016, we announced that the merger agreement between Pfizer and Allergan entered into on November 22, 2015 was terminated by mutual agreement of the companies. The decision was driven by the actions announced by the U.S. Department of Treasury

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