

PFIZER INC
Form 10-Q
August 09, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

OR

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
(State of Incorporation)

13-5315170
(I.R.S. Employer Identification No.)

235 East 42nd Street, New York, New York 10017
(Address of principal executive offices) (zip code)
(212) 733-2323
(Registrant's telephone number)

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 Web site, 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

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Large Accelerated filer ☒
reporting company ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES ☐ NO ☒

At August 5, 2013, 6,620,299,870 shares of the issuer's voting common stock were outstanding.

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FORM 10-Q

For the Quarterly Period Ended
June 30, 2013

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

PFIZER INC. AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

(MILLIONS, EXCEPT PER COMMON SHARE DATA)	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Revenues	\$12,973	\$13,968	\$25,383	\$27,813
Costs and expenses:				
Cost of sales ^(a)	2,242	2,376	4,505	4,759
Selling, informational and administrative expenses ^(a)	3,591	3,665	6,808	7,343
Research and development expenses ^(a)	1,530	1,600	3,240	3,574
Amortization of intangible assets	1,140	1,275	2,359	2,678
Restructuring charges and certain acquisition-related costs	183	184	314	773
Other (income)/deductions—net	(1,070)	688	(925)	2,327
Income from continuing operations before provision for taxes on income	5,357	4,180	9,082	6,359
Provision for taxes on income	1,782	1,180	2,891	1,805
Income from continuing operations	3,575	3,000	6,191	4,554
Discontinued operations:				
Income from discontinued operations—net of tax	141	260	290	509
Gain on disposal of discontinued operations—net of tax	10,418	—	10,418	—
Discontinued operations—net of tax	10,559	260	10,708	509
Net income before allocation to noncontrolling interests	14,134	3,260	16,899	5,063
Less: Net income attributable to noncontrolling interests	39	7	54	16
Net income attributable to Pfizer Inc.	\$14,095	\$3,253	\$16,845	\$5,047
Earnings per common share—basic:				
Income from continuing operations attributable to Pfizer Inc. common shareholders	\$0.51	\$0.40	\$0.87	\$0.60
Discontinued operations—net of tax	1.50	0.03	1.50	0.07
Net income attributable to Pfizer Inc. common shareholders	\$2.00	\$0.44	\$2.37	\$0.67
Earnings per common share—diluted:				
Income from continuing operations attributable to Pfizer Inc. common shareholders	\$0.50	\$0.40	\$0.86	\$0.60
Discontinued operations—net of tax	1.48	0.03	1.49	0.07
Net income attributable to Pfizer Inc. common shareholders	\$1.98	\$0.43	\$2.34	\$0.67
Weighted-average shares—basic	7,042	7,476	7,115	7,506
Weighted-average shares—diluted	7,117	7,537	7,185	7,570
Cash dividends paid per common share	\$0.24	\$0.22	\$0.48	\$0.44

^(a) Excludes amortization of intangible assets, except as disclosed in Note 9B. Goodwill and Other Intangible Assets: Other Intangible Assets.

^(b) EPS amounts may not add due to rounding.

See Notes to Condensed Consolidated Financial Statements.

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PFIZER INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(MILLIONS OF DOLLARS)	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Net income before allocation to noncontrolling interests	\$14,134	\$3,260	\$16,899	\$5,063
Foreign currency translation adjustments	\$(755)	\$(1,981)	\$(1,047)	\$(1,718)
Reclassification adjustments ^(a)	171	—	171	—
	(584)	(1,981)	(876)	(1,718)
Unrealized holding gains/(losses) on derivative financial instruments	263	(657)	(154)	(230)
Reclassification adjustments for realized (gains)/losses ^(b)	(132)	427	249	127
	131	(230)	95	(103)
Unrealized holding gains on available-for-sale securities	88	12	99	92
Reclassification adjustments for realized (gains)/losses ^(b)	(18)	16	(31)	33
	70	28	68	125
Benefit plans: actuarial gains/(losses)	29	(505)	47	(504)
Reclassification adjustments related to amortization ^(c)	150	113	301	229
Reclassification adjustments related to curtailments/settlements, net ^(c)	34	(8)	93	112
Foreign currency translation adjustments and other	43	39	140	55
	256	(361)	581	(108)
Benefit plans: prior service (costs)/credits and other	—	26	3	26
Reclassification adjustments related to amortization ^(c)	(13)	(17)	(29)	(34)
Reclassification adjustments related to curtailments/settlements, net ^(c)	—	(73)	(9)	(82)
Other	(4)	—	(6)	(4)
	(17)	(64)	(41)	(94)
Other comprehensive loss, before tax	(144)	(2,608)	(173)	(1,898)
Tax provision/(benefit) on other comprehensive loss ^(d)	187	(205)	363	(1)
Other comprehensive loss before allocation to noncontrolling interests	\$(331)	\$(2,403)	\$(536)	\$(1,897)
Comprehensive income before allocation to noncontrolling interests	\$13,803	\$857	\$16,363	\$3,166
Less: Comprehensive income/(loss) attributable to noncontrolling interests	18	(10)	30	(2)
Comprehensive income attributable to Pfizer Inc.	\$13,785	\$867	\$16,333	\$3,168

(a) Primarily reclassified into Gain on disposal of discontinued operations—net of tax in the condensed consolidated statements of income.

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

Generally reclassified, as part of net periodic pension cost, into Cost of sales, Selling, informational and

(c) administrative expenses, and/or Research and development expenses, as appropriate, in the condensed consolidated statements of income. For additional information, see Note 10. Pension and Postretirement Benefit Plans.

(d) See Note 5C. Tax Matters: Taxes on Items of Other Comprehensive Loss.

See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(MILLIONS OF DOLLARS)

	June 30, 2013 (Unaudited)	December 31, 2012
Assets		
Cash and cash equivalents	\$2,436	\$10,081
Short-term investments	31,275	22,318
Accounts receivable, less allowance for doubtful accounts	11,523	11,456
Inventories	6,282	6,076
Taxes and other current assets	9,819	8,956
Assets of discontinued operations and other assets held for sale	100	5,944
Total current assets	61,435	64,831
Long-term investments	16,107	14,149
Property, plant and equipment, less accumulated depreciation	12,443	13,213
Goodwill	42,431	43,661
Identifiable intangible assets, less accumulated amortization	41,776	45,146
Taxes and other noncurrent assets	5,143	4,798
Total assets	\$179,335	\$185,798
Liabilities and Equity		
Short-term borrowings, including current portion of long-term debt	\$5,214	\$6,424
Accounts payable	1,978	2,921
Dividends payable	1,685	1,733
Income taxes payable	904	979
Accrued compensation and related items	1,430	1,875
Other current liabilities	12,218	13,812
Liabilities of discontinued operations	21	1,442
Total current liabilities	23,450	29,186
Long-term debt	31,532	31,036
Pension benefit obligations	7,534	7,782
Postretirement benefit obligations	3,454	3,491
Noncurrent deferred tax liabilities	22,338	21,193
Other taxes payable	6,819	6,581
Other noncurrent liabilities	5,231	4,851
Total liabilities	100,358	104,120
Commitments and Contingencies		
Preferred stock	36	39
Common stock	451	448
Additional paid-in capital	76,412	72,608
Treasury stock	(59,515)	(40,122)
Retained earnings	67,628	54,240
Accumulated other comprehensive loss	(6,465)	(5,953)
Total Pfizer Inc. shareholders' equity	78,547	81,260
Equity attributable to noncontrolling interests	430	418
Total equity	78,977	81,678

Total liabilities and equity	\$ 179,335	\$ 185,798
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See Notes to Condensed Consolidated Financial Statements.

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PFIZER INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(MILLIONS OF DOLLARS)	Six Months Ended	
	June 30, 2013	July 1, 2012
Operating Activities		
Net income before allocation to noncontrolling interests	\$16,899	\$5,063
Adjustments to reconcile net income before allocation to noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization	3,297	3,892
Share-based compensation expense	292	247
Gain associated with the transfer of certain product rights to an equity-method investment	(459)) —
Asset write-offs and impairment charges	648	758
Gain on disposal of discontinued operations	(10,539)) —
Deferred taxes from continuing operations	1,254	(126)
Deferred taxes from discontinued operations	(19)	) 20
Benefit plan contributions (in excess of)/less than expense	164	(20)
Other non-cash adjustments, net	(192)	) (114)
Other changes in assets and liabilities, net of acquisitions and divestitures	(5,274)	) (2,925)
Net cash provided by operating activities	6,071	6,795
Investing Activities		
Purchases of property, plant and equipment	(511)	) (548)
Purchases of short-term investments	(21,663)	) (10,395)
Proceeds from redemptions and sales of short-term investments	14,502	14,357
Net purchases of short-term investments with original maturities of 90 days or less	(401)	) (999)
Purchases of long-term investments	(5,233)	) (2,317)
Proceeds from redemptions and sales of long-term investments	3,194	304
Acquisitions, net of cash acquired	(15)	) (782)
Other investing activities	33	(56)
Net cash used in investing activities	(10,094)	) (436)
Financing Activities		
Proceeds from short-term borrowings	2,334	3,764
Principal payments on short-term borrowings	(2,333)	) (3,799)
Net proceeds from/(payments on) short-term borrowings with original maturities of 90 days or less	2,251	(349)
Proceeds from issuance of long-term debt ^(a)	6,618	—
Principal payments on long-term debt	(2,394)	) (7)
Purchases of common stock	(7,889)	) (2,999)
Cash dividends paid	(3,436)	) (3,283)
Proceeds from exercise of stock options and other financing activities	1,249	198
Net cash used in financing activities	(3,600)	) (6,475)
Effect of exchange-rate changes on cash and cash equivalents	(22)	) (35)
Net decrease in cash and cash equivalents	(7,645)	) (151)
Cash and cash equivalents, beginning	10,081	3,182
Cash and cash equivalents, end	\$2,436	\$3,031

Supplemental Cash Flow Information

Non-cash transactions:

Sale of Zoetis (our Animal Health business) for Pfizer common stock ^(b)	\$11,408	\$—
Exchange of Zoetis common stock for the retirement of Pfizer commercial paper issued in 2013 ^(b)	2,479	—
Exchange of Zoetis senior notes for the retirement of Pfizer commercial paper issued in 2012 ^(b)	992	—
Transfer of certain product rights to an equity-method investment ^(c)	1,233	—
Cash paid during the period for:		
Income taxes	\$1,305	\$1,127
Interest	1,103	1,194

Includes \$2.6 billion from the issuance of senior notes by Zoetis, our former Animal Health subsidiary, net of the
^(a) non-cash exchange of Zoetis senior notes for the retirement of Pfizer commercial paper issued in 2012. See Note 2B. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Divestitures.

^(b) See Note 2B. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Divestitures.

^(c) See Note 2D. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Equity-Method Investment.

See Notes to Condensed Consolidated Financial Statements.

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PFIZER INC. AND SUBSIDIARY COMPANIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 1. Basis of Presentation and Significant Accounting Policies

A. Basis of Presentation

We prepared the condensed consolidated financial statements following the requirements of the U.S. Securities and Exchange Commission (SEC) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by accounting principles generally accepted in the United States of America (U.S. GAAP) can be condensed or omitted.

Balance sheet amounts and operating results for subsidiaries operating outside the U.S. are as of and for the three and six months ended May 26, 2013 and May 27, 2012.

On June 24, 2013, we completed the full disposition of our Animal Health business (Zoetis), and recognized a gain of approximately \$10.4 billion, net of tax, related to the disposal of this business in Gain on disposal of discontinued operations—net of tax in the condensed consolidated statements of income for the three and six months ended June 30, 2013. The operating results of this business are reported as Income from discontinued operations—net of tax in the condensed consolidated statements of income for all periods presented. In addition, in the condensed 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. Prior period financial statements have been restated. For additional information, see Note 2B. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Divestitures.

On November 30, 2012, we completed the sale of our Nutrition business to Nestlé. The operating results of this business are reported as Income from discontinued operations—net of tax in the condensed consolidated statements of income for the three and six months ended July 1, 2012. For additional information, see Note 2B. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Divestitures.

Revenues, expenses, assets and liabilities can vary during each quarter of the year. Therefore, the results and trends in these interim financial statements may not be representative of those for the full year.

We are responsible for the unaudited financial statements included in this Quarterly Report on Form 10-Q. The financial statements include all normal and recurring adjustments that are considered necessary for the fair presentation of our financial position and results of operations.

The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in our 2012 Annual Report on Form 10-K/A.

B. Adoption of New Accounting Standards

There were no new accounting and disclosure standards adopted in 2013.

C. Fair Value

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 are directly or indirectly observable (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.

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PFIZER INC. AND SUBSIDIARY COMPANIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 2. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment

A. Acquisitions

NextWave Pharmaceuticals, Inc.

In the first quarter of 2013, we finalized the allocation of the consideration transferred to the assets acquired and the liabilities assumed in the acquisition of NextWave Pharmaceuticals Incorporated (NextWave), completed on November 27, 2012. The total consideration for the acquisition was approximately \$442 million, and we recorded \$519 million in Identifiable intangible assets, consisting of \$474 million in Developed technology rights and \$45 million in In-process research and development; \$166 million in net deferred tax liabilities; and \$89 million in Goodwill.

Alacer Corp.

On February 26, 2012, we completed our acquisition of Alacer Corp., a company that manufactures, markets and distributes Emergen-C, a line of effervescent, powdered drink mix vitamin supplements that is the largest-selling branded vitamin C line in the U.S. In connection with this Consumer Healthcare acquisition, we recorded \$181 million in Identifiable intangible assets, consisting primarily of the Emergen-C indefinite-lived brand; \$69 million in net deferred tax liabilities; and \$192 million in Goodwill. The allocation of the consideration transferred to the assets acquired and the liabilities assumed has been finalized.

Ferrosan Holding A/S

On December 1, 2011, we completed our acquisition of the consumer healthcare business of Ferrosan Holding A/S (Ferrosan), a Danish company engaged in the sale of science-based consumer healthcare products, including dietary supplements and lifestyle products, primarily in the Nordic region and the emerging markets of Russia and Central and Eastern Europe. This acquisition is reflected in our condensed consolidated financial statements beginning in the first fiscal quarter of 2012. Our acquisition of Ferrosan's consumer healthcare business increases our presence in dietary supplements with a new set of brands and pipeline products. Also, we believe that the acquisition allows us to expand the marketing of Ferrosan's brands through Pfizer's global footprint and provide greater distribution and scale for certain Pfizer brands, such as Centrum and Caltrate, in Ferrosan's key markets. In connection with this Consumer Healthcare acquisition, we recorded \$362 million in Identifiable intangible assets, consisting of indefinite-lived and finite-lived brands; \$94 million in net deferred tax liabilities; and \$322 million in Goodwill. The allocation of the consideration transferred to the assets acquired and the liabilities assumed has been finalized.

B. Divestitures

Animal Health Business—Zoetis Inc.

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

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' overallotment 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

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PFIZER INC. AND SUBSIDIARY COMPANIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

consideration received over the net book value of our divested interest was approximately \$2.3 billion and was recorded in Additional paid-in capital. For additional information, see Note 6. Certain Changes in Total Equity.

Exchange Offer (80.2% Interest)—On June 24, 2013, we exchanged all of our remaining interest in Zoetis, 400.985 million shares of Class A common stock of Zoetis (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. For additional information, see Note 6. Certain Changes in Total Equity. The gain on the sale of the remaining interest in Zoetis was approximately \$10.4 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 condensed consolidated statements of income for the three and six months ended June 30, 2013.

In summary, as a result of the above transactions, we received approximately \$6.1 billion of cash and Treasury stock valued at \$11.4 billion.

The operating results of the animal health business are reported as Income from discontinued operations—net of tax in the condensed consolidated statements of income for all periods presented. In addition, in the condensed 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. Prior period financial statements have been restated.

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. Under the MSAs, we will manufacture and supply certain animal health products to Zoetis for a transitional period of up to 5 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 full disposition date.

Nutrition Business

On November 30, 2012, we completed the sale of our Nutrition business to Nestlé for \$11.85 billion in cash, and recognized a gain of approximately \$4.8 billion, net of tax. The divested business includes:

- our former Nutrition operating segment and certain prenatal vitamins previously commercialized by the Pfizer Consumer Healthcare operating segment; and
- other associated amounts, such as direct manufacturing costs, enabling support functions and other costs not charged to the business, purchase-accounting impacts, acquisition-related costs, impairment charges, restructuring charges and implementation costs associated with our cost-reduction/productivity initiatives, all of which are reported outside our operating segment results.

The operating results of this business are classified as Income from discontinued operations—net of tax in the condensed consolidated statements of income for the three and six months ended July 1, 2012.

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PFIZER INC. AND SUBSIDIARY COMPANIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

(MILLIONS OF DOLLARS)	Three Months Ended ^(a)		Six Months Ended ^(a)	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Revenues	\$1,112	\$1,675	\$2,201	\$3,230
Pre-tax income from discontinued operations	\$189	\$422	\$389	\$796
Provision for taxes on income ^(b)	48	162	99	287
Income from discontinued operations—net of tax	141	260	290	509
Pre-tax gain on disposal of discontinued operations	10,539	—	10,539	—
Provision for taxes on income ^(c)	121	—	121	—
Gain on disposal of discontinued operations—net of tax	10,418	—	10,418	—
Discontinued operations—net of tax	\$10,559	\$260	\$10,708	\$509

^(a) Includes the Animal Health (Zoetis) business for all periods presented and the Nutrition business for the three and six months ended July 1, 2012.

Includes a deferred tax benefit of \$26 million and a deferred tax expense of \$41 million for the three months ended June 30, 2013 and July 1, 2012, respectively, and a deferred tax benefit of \$19 million and a deferred tax expense

^(b) of \$20 million for the six months ended June 30, 2013 and July 1, 2012, respectively. These deferred tax provisions include deferred taxes related to investments in certain foreign subsidiaries resulting from our intention not to hold these subsidiaries indefinitely.

^(c) Reflects income taxes resulting from certain legal entity reorganizations.

The following table provides the components of Assets of discontinued operations and other assets held for sale and Liabilities of discontinued operations:

(MILLIONS OF DOLLARS)	June 30, 2013	December 31, 2012
Accounts receivable, less allowance for doubtful accounts	\$—	\$922
Inventories	—	1,137
Other current assets	—	550
Property, plant and equipment, less accumulated depreciation	100	1,318
Goodwill	—	1,011
Identifiable intangible assets, less accumulated amortization	—	867
Other noncurrent assets	—	139
Assets of discontinued operations and other assets held for sale	\$100	\$5,944
Current liabilities	\$—	\$874
Other liabilities	21	568
Liabilities of discontinued operations	\$21	\$1,442

The net cash flows of our discontinued operations for each of the categories of operating, investing and financing activities are not significant for the six months ended June 30, 2013 and July 1, 2012.

C. Collaborative Arrangement

Collaboration for ertugliflozin

On April 29, 2013, we announced that we had entered into a worldwide, except Japan, collaboration agreement with Merck & Co., Inc. (Merck) for the development and commercialization of Pfizer's ertugliflozin (PF-04971729), an

investigational oral sodium glucose cotransporter (SGLT2) inhibitor being evaluated for the treatment of type 2 diabetes. Under the terms of the agreement, we will collaborate with Merck on the clinical development and commercialization of ertugliflozin, and ertugliflozin-containing fixed-dose combinations with metformin and Januvia (sitagliptin) tablets. Merck will continue to retain the rights to its existing portfolio of sitagliptin-containing products. Through June 30, 2013, we received payments totaling \$60 million and we will be eligible for additional payments associated with the achievement of future clinical, regulatory and

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PFIZER INC. AND SUBSIDIARY COMPANIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

commercial milestones. The payments received to date have been deferred and will be recognized in Other (income)/deductions—net over a multi-year period. We will share potential revenues and certain costs with Merck on a 60%/40% basis, with Pfizer having the 40% share. Each party has the right to terminate the agreement at certain times under certain circumstances, with various resulting rights and obligations depending on the nature of the termination. In addition, Merck has the right to terminate the agreement at any time up to the commencement of the first Phase III clinical trial.

D. Equity-Method Investment

Investment in Hisun Pfizer Pharmaceuticals Company Limited

On September 6, 2012, we and Zhejiang Hisun Pharmaceuticals Co., Ltd., a leading pharmaceutical company in China, formed a new company, Hisun Pfizer Pharmaceuticals Company Limited (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 begins 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, reflecting the transfer of the business to Hisun Pfizer (including an allocation of goodwill from our Emerging Markets reporting unit as part of the carrying amount of the business transferred). Since we hold a 49% interest in Hisun Pfizer, we have 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 valuing our investment in Hisun Pfizer (which includes the indirect retained interest in the contributed assets), we used discounted cash flow techniques, utilizing a 11.5% discount rate, 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 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 as a private equity investment in Long-term investments, and our share of Hisun Pfizer's income and expenses is recorded in Other (income)/deductions—net. As of June 30, 2013, the carrying value of our investment in Hisun Pfizer is approximately \$1.4 billion, and the amount of our underlying equity in the net assets of Hisun Pfizer is approximately \$700 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.

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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. Since the acquisition of Wyeth on October 15, 2009, our cost-reduction initiatives announced on January 26, 2009, but not completed as of December 31, 2009, were incorporated into a comprehensive plan to integrate Wyeth's operations to generate cost savings and to capture synergies across the combined company. In addition, among our ongoing cost-reduction/productivity initiatives, on February 1, 2011, we announced a new productivity initiative to accelerate our strategies to improve innovation and productivity in R&D by prioritizing areas that we believe have the greatest scientific and commercial promise, utilizing appropriate risk/return profiles and focusing on areas with the highest potential to deliver value in the near term and over time.

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

(MILLIONS OF DOLLARS)	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Restructuring charges ^(a) :				
Employee terminations	\$136	\$43	\$115	\$307
Asset impairments	12	28	115	246
Exit costs	2	8	15	20
Total restructuring charges	150	79	245	573
Integration costs ^(b)	33	105	69	200
Restructuring charges and certain acquisition-related costs	183	184	314	773
Additional depreciation—asset restructuring recorded in our condensed consolidated statements of income as follows ^(c) :				
Cost of sales	58	54	91	130
Selling, informational and administrative expenses	8	5	19	6
Research and development expenses	3	—	94	259
Total additional depreciation—asset restructuring	69	59	204	395
Implementation costs recorded in our condensed consolidated statements of income as follows ^(d) :				
Cost of sales	5	4	11	4
Selling, informational and administrative expenses	34	14	65	30
Research and development expenses	7	37	9	85

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Total implementation costs	46	55	85	119
Total costs associated with acquisitions and cost-reduction/productivity initiatives	\$298	\$298	\$603	\$1,287

From the beginning of our cost-reduction/productivity initiatives in 2005 through June 30, 2013, Employee
^(a) termination costs represent the expected reduction of the workforce by approximately 63,300 employees, mainly in manufacturing and sales and research, of which

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approximately 56,000 employees have been terminated as of June 30, 2013. For the six months ended June 30, 2013, substantially all employee termination costs represents additional costs with respect to approximately 1,100 employees.

The restructuring charges in 2013 are associated with the following:

For the three months ended June 30, 2013, Primary Care operating segment (\$21 million), Specialty Care and Oncology operating segment (\$13 million), Established Products and Emerging Markets operating segment (\$19 million), Consumer Healthcare operating segment (\$1 million), research and development operations (\$12 million), manufacturing operations (\$80 million) and Corporate (\$4 million).

For the six months ended June 30, 2013, Primary Care operating segment (\$17 million), Specialty Care and Oncology operating segment (\$19 million), Established Products and Emerging Markets operating segment (\$30 million), Consumer Healthcare operating segment (\$1 million), research and development operations (\$15 million), manufacturing operations (\$82 million) and Corporate (\$81 million).

The restructuring charges in 2012 are associated with the following:

For the three months ended July 1, 2012, Primary Care operating segment (\$35 million income), Specialty Care and Oncology operating segment (\$16 million), Established Products and Emerging Markets operating segment (\$1 million), Consumer Healthcare operating segment (\$9 million), research and development operations (\$13 million), manufacturing operations (\$15 million) and Corporate (\$60 million).

For the six months ended July 1, 2012, Primary Care operating segment (\$32 million income), Specialty Care and Oncology operating segment (\$19 million), Established Products and Emerging Markets operating segment (\$4 million), Consumer Healthcare operating segment (\$13 million), research and development operations (\$25 million), manufacturing operations (\$166 million) and Corporate (\$378 million).

(b) 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.

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

(d) 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, December 31, 2012 ^(a)	\$ 1,734	\$—	\$152	\$1,886
Provision	115	115	15	245
Utilization and other ^(b)	(529)	(115)	(53)	(697)
Balance, June 30, 2013 ^(c)	\$ 1,320	\$—	\$114	\$1,434

(a) Included in Other current liabilities (\$1.2 billion) and Other noncurrent liabilities (\$720 million).

(b) Includes adjustments for foreign currency translation.

(c) Included in Other current liabilities (\$823 million) and Other noncurrent liabilities (\$611 million).

Total restructuring charges incurred from the beginning of our cost-reduction/productivity initiatives in 2005 through June 30, 2013 were \$15.9 billion.

The asset impairment charges included in restructuring charges for the six months ended June 30, 2013 primarily relate to assets held for sale and are based on an estimate of fair value, which was determined to be lower than the carrying value of the assets prior to the impairment charge.

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The following table provides additional information about the long-lived assets that were impaired during the first six months of 2013 in Restructuring charges and certain acquisition-related costs:

	Fair Value ^(a)				Six Months Ended June 30, 2013
(MILLIONS OF DOLLARS)	Amount	Level 1	Level 2	Level 3	Impairment
Assets held for sale ^(b)	\$84	\$—	\$84	\$—	\$64
Assets abandoned/demolished	—	—	—	—	51
Long-lived assets	\$84	\$—	\$84	\$—	\$115

(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 1C. Basis of Presentation and Significant Accounting Policies: Fair Value.

Reflects property, plant and equipment and other long-lived held-for-sale assets written down to their fair value,

(b) less costs to sell of \$2 million (a net of \$82 million), in the first six months of 2013. Fair value was determined primarily using a market approach, with various inputs, such as recent sales transactions.

Note 4. Other (Income)/Deductions—Net

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

(MILLIONS OF DOLLARS)	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Interest income ^(a)	\$(102)	\$(85)	\$(197)	\$(166)
Interest expense ^(a)	356	378	727	768
Net interest expense	254	293	530	602
Royalty-related income	(120)	(103)	(183)	(194)
Patent litigation settlement income ^(b)	(1,351)	—	(1,351)	—
Other legal matters, net ^(c)	(12)	473	(95)	1,287
Gain associated with the transfer of certain product rights to an equity-method investment ^(d)	31	—	(459)	—
Net gain on asset disposals	(28)	(17)	(54)	(24)
Certain asset impairment charges ^(e)	127	78	525	510
Costs associated with the Zoetis IPO ^(f)	—	29	18	61
Other, net	29	(65)	144	85
Other (income)/deductions—net	\$(1,070)	\$688	\$(925)	\$2,327

Interest income increased in the second quarter and first six months of 2013 due to higher cash and investment

(a) balances. Interest expense decreased in the second quarter and first six months of 2013 due to lower debt balances and the effective conversion of some fixed-rate liabilities to floating-rate liabilities.

Reflects income from a litigation settlement with Teva Pharmaceuticals Industries Ltd. (Teva) and Sun Pharmaceutical Industries, Limited (Sun) for patent-infringement damages resulting from their "at-risk" launches of generic Protonix in the United States. As of June 30, 2013, the receivables from Teva and Sun are included in

(b) Taxes and other current assets (\$1.7 billion) and Taxes and other noncurrent assets (\$128 million). In addition, we have recorded an associated payable to Takeda Pharmaceutical Company Limited (Takeda) in Other current liabilities (\$460 million) as certain payments due to Takeda will be sent to us on their behalf. For additional information, see Note 12A1. Commitments and Contingencies: Legal Proceedings—Patent Litigation.

(c) In the first six months of 2013, primarily includes an \$80 million insurance recovery related to a certain litigation matter. In the second quarter and first six months of 2012, primarily includes charges for hormone-replacement

therapy litigation. The first six months of 2012 also includes a \$450 million charge in connection with an agreement-in-principle to settle a lawsuit by Brigham Young University related to Celebrex (which was ultimately settled for that amount). For additional information, see Note 12. Commitments and Contingencies.

(d) In the first six months of 2013, represents the gain associated with the transfer of certain product rights to our equity-method investment in China. For additional information, see Note 2D. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Equity-Method Investment.

(e) In the first six months of 2013, includes intangible asset impairment charges of \$489 million, primarily 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, and (ii) \$81 million related to two in-process research and development (IPR&D) compounds. The intangible asset impairment charges for

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2013 reflect, among other things, updated commercial forecasts. The impairment charges for the first six months of 2013 are associated with the following: Specialty Care (\$394 million), Worldwide Research and Development (\$43 million), Primary Care (\$38 million) and Consumer Healthcare (\$14 million). In addition, the first six months of 2013 includes charges of approximately \$36 million for certain private company investments.

In the first six months of 2012, includes intangible asset impairment charges of \$449 million, reflecting (i) \$305 million of IPR&D, substantially all related to assets that targeted autoimmune and inflammatory diseases (full write-off), (ii) \$45 million related to our Consumer Healthcare indefinite-lived brand, Robitussin, a cough suppressant, and (iii) \$99 million related to three developed technology rights. Most of these impairment charges relate to intangible assets that were acquired as part of our acquisition of Wyeth. The intangible asset impairment charges for 2012 reflect, among other things, the impact of new scientific findings, updated commercial forecasts and an increased competitive environment specifically for Robitussin. The impairment charges for the first six months of 2012 are associated with the following: Worldwide Research and Development (\$297 million); Consumer Healthcare (\$45 million); Established Products (\$45 million); Primary Care (\$43 million) and Specialty Care (\$19 million). In addition, the first six months of 2012 includes charges of approximately \$61 million for certain investments. These investment impairment charges reflect the difficult global economic environment.

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

Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Divestitures.

The asset impairment charges included in Other (income)/deductions—net for the first six months of 2013 primarily relate to identifiable intangible assets and are based on estimates of fair value.

The following table provides additional information about the significant intangible assets that were impaired during the first six months of 2013 in Other (income)/deductions—net:

(MILLIONS OF DOLLARS)	Fair Value ^(a)				Six Months Ended June 30, 2013
	Amount	Level 1	Level 2	Level 3	Impairment
Intangible assets—Developed technology rights ^(b)	\$564	\$—	\$—	\$564	\$394
Intangible assets—IPR&D	220	—	—	220	81
Total	\$784	\$—	\$—	\$784	\$475

^(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 1C. Basis of Presentation and Significant Accounting Policies: Fair Value.

Reflects intangible assets written down to their fair value in the first six months of 2013. 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 we applied an asset-specific discount rate to arrive at a net present value amount. Some of the more significant

^(b) 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

Our effective tax rate for continuing operations was 33.3% for the second quarter of 2013, compared to 28.2% for the second quarter of 2012, and was 31.8% for the first six months of 2013, compared to 28.4% for the first six months of 2012. The effective tax rate for the second quarter of 2013 was unfavorably impacted by (i) the tax rate associated with the patent litigation settlement income and (ii) the change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business, partially offset by the extension of the U.S. R&D tax credit, which was signed into law in January 2013 (U.S. R&D tax credit). The effective tax rate for the first six months of 2013 was unfavorably impacted by (i) the tax rate associated with the patent litigation settlement income, (ii) 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 our equity-method investment in China and (iii) the change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business, partially offset by the extension of the U.S. R&D tax credit (resulting in the full-year benefit of the 2012 R&D tax credit and a portion of the 2013 R&D tax credit being recorded in the first six months of 2013). For additional information about the patent litigation settlement income, see Note 12A1. Commitments and Contingencies: Legal Proceedings—Patent Litigation. For additional information about the transfer of certain product rights to our equity-method

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investment in China, see Note 2D. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Equity-Method Investment.

B. 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. We treat these events as discrete items in the period of resolution.

The United States is one of our major tax jurisdictions, and we are regularly audited by the U.S. Internal Revenue Service (IRS):

• With respect to Pfizer Inc., tax years 2009 and 2010 are currently under audit. Tax years 2011-2013 are open, but not under audit. All other tax years are closed.

• With respect to Wyeth, tax years 2006 through the Wyeth acquisition date (October 15, 2009) are currently under audit. All other tax years are closed.

With respect to King, tax years 2009 and 2010 are currently under audit. Tax year January 1, 2011 through the date of acquisition (January 31, 2011) is open, but not under audit. All other tax years are closed. The open tax years and audits for King and its subsidiaries are not material to Pfizer Inc.

In addition to the open audit years in the U.S., we have open audit years in other major tax jurisdictions, such as Canada (2001-2013), Japan (2007-2013), Europe (2007-2013, primarily reflecting Ireland, the United Kingdom, France, Italy, Spain and Germany), Latin America (1998-2013, primarily reflecting Brazil and Mexico) and Puerto Rico (2007-2013).

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C. Taxes on Items of Other Comprehensive Loss

The following table provides the components of tax provision/(benefit) on Other comprehensive loss:

(MILLIONS OF DOLLARS)	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Foreign currency translation adjustments ^(a)	\$ 19	\$(30)	) \$90	\$37
Unrealized holding gains/(losses) on derivative financial instruments	104	(216)	) (53)	) (57)
Reclassification adjustments for realized (gains)/losses	(55)	) 133	89	18
	49	(83)	) 36	(39)
Unrealized holding gains/(losses) on available-for-sale securities	35	(1)	) 48	13
Reclassification adjustments for realized (gains)/losses	(3)	) (2)	) (5)	) 5
	32	(3)	) 43	18
Benefit plans: actuarial gains/(losses)	5	(118)	) 11	(118)
Reclassification adjustments related to amortization	52	41	106	85
Reclassification adjustments related to curtailments/settlements, net	16	(4)	) 36	39
Foreign currency translation adjustments and other	21	18	58	17
	94	(63)	) 211	23
Benefit plans: prior service (costs)/credits and other	2	8	1	8
Reclassification adjustments related to amortization	(6)	) (6)	) (12)	) (14)
Reclassification adjustments related to curtailments/settlements, net	(1)	) (28)	) (4)	) (32)
Other	(2)	) —	(2)	) (2)
	(7)	) (26)	) (17)	) (40)
Tax provision/(benefit) on other comprehensive loss	\$ 187	\$(205)	) \$363	\$(1)

^(a) Taxes are not provided for foreign currency translation adjustments relating to investments in international subsidiaries that will be held indefinitely.

Note 6. Certain Changes in Total Equity

The change in Additional paid-in capital in the first six months of 2013 reflects, among other things, the impact of share-based payment transactions and an increase of approximately \$2.3 billion related to the completion of an IPO for a 19.8% interest in Zoetis, our former Animal Health subsidiary, in the first quarter of 2013. The Zoetis-related increase represents the excess of the consideration received over the book value of our divested interest, which was recorded in Additional paid-in capital as we retained control over Zoetis immediately after the IPO transaction. For additional information, see Note 2B. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Divestitures.

The change in Treasury stock in the first six months of 2013 reflects, among other things, an increase of approximately \$7.9 billion related to common stock acquired for cash and an increase of approximately \$11.4 billion related to the divestment of the remaining 80.2% interest in Zoetis in the second quarter of 2013 through an exchange offer. For additional information, see Note 2B. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Divestitures.

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The following table provides the changes, net of tax, in Accumulated other comprehensive loss, excluding noncontrolling interests:

(MILLIONS OF DOLLARS)	Net Unrealized Gains/(Losses)			Benefit Plans		Accumulated Other Comprehensive Loss
	Foreign Currency Translation Adjustments	Derivative Financial Instruments	Available-For-Sale Securities	Actuarial Gains/(Losses)	Prior Service (Costs)/ Credits and Other	
Balance, December 31, 2012	\$(177)	\$(88)	\$ 163	\$(6,110)	\$259	\$(5,953)
Other comprehensive income/(loss) ^(a)	(942)	59	25	370	(24)	(512)
Balance, June 30, 2013	\$(1,119)	\$(29)	\$ 188	\$(5,740)	\$235	\$(6,465)

^(a) Amounts do not include foreign currency translation loss of \$24 million attributable to noncontrolling interests for the first six months of 2013.

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Note 7. Financial Instruments

A. Selected Financial Assets and Liabilities

The following table provides additional information about certain of our financial assets and liabilities:

(MILLIONS OF DOLLARS)	June 30, 2013	December 31, 2012
Selected financial assets measured at fair value on a recurring basis ^(a)		
Trading securities ^(b)	\$ 118	\$ 142
Available-for-sale debt securities ^(c)	41,397	32,584
Available-for-sale money market funds ^(d)	2,457	1,727
Available-for-sale equity securities, excluding money market funds ^(c)	413	263
Derivative financial instruments in receivable positions ^(e) :		
Interest rate swaps	653	1,036
Foreign currency swaps	354	194
Foreign currency forward-exchange contracts	294	152
	45,686	36,098
Other selected financial assets		
Held-to-maturity debt securities, carried at amortized cost ^{(c), (f)}	1,387	1,459
Private equity securities, carried at equity-method or at cost ^{(f), (g)}	2,374	1,239
	3,761	2,698
Total selected financial assets	\$49,447	\$38,796
Financial liabilities measured at fair value on a recurring basis ^(a)		
Derivative financial instruments in a liability position ^(h) :		
Foreign currency swaps	\$ 704	\$ 428
Interest rate swaps	196	33
Foreign currency forward-exchange contracts	60	243
	960	704
Other financial liabilities ⁽ⁱ⁾		
Short-term borrowings, carried at historical proceeds, as adjusted ^(f)	5,214	6,424
Long-term debt, carried at historical proceeds, as adjusted ^{(i), (k)}	31,532	31,036
	36,746	37,460
Total selected financial liabilities	\$37,706	\$38,164

We use a market approach in valuing financial instruments on a recurring basis. For additional information, see

- (a) Note 1C. Basis of Presentation and Significant Accounting Policies: Fair Value. 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 or Level 3 inputs.
- (b) Trading securities are held in trust for legacy business acquisition severance benefits.
- (c) Gross unrealized gains and losses are not significant.
- (d) Includes \$434 million as of June 30, 2013 and \$408 million as of December 31, 2012 of money market funds held in trust in connection with the asbestos litigation involving Quigley Company, Inc., a wholly owned subsidiary. Designated as hedging instruments, except for certain contracts used as offsets; namely, foreign currency forward-exchange contracts with fair values of \$116 million as of June 30, 2013; and, foreign currency forward-exchange contracts with fair values of \$102 million as of December 31, 2012.
- (f) 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 June 30, 2013 or December 31, 2012. 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 at cost are based on Level 3 inputs, using a market approach.

Our private equity securities represent investments in the life sciences sector. The increase in 2013 primarily (g) reflects an increased investment in our equity-method investment in China. For additional information, see Note 2D. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Equity-Method Investment.

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- Designated as hedging instruments, except for certain foreign currency contracts used as offsets; namely, foreign
- (h) currency swaps with fair values of \$162 million and foreign currency forward-exchange contracts with fair values of \$52 million as of June 30, 2013; and, foreign currency forward-exchange contracts with fair values of \$141 million and foreign currency swaps with fair values of \$129 million as of December 31, 2012.
- (i) Some carrying amounts may include adjustments for discount or premium amortization or for the effect of interest rate swaps designated as hedges.
- (j) Includes foreign currency debt with fair values of \$699 million as of June 30, 2013 and \$809 million as of December 31, 2012, which are used as hedging instruments.
- The fair value of our long-term debt (not including the current portion of long-term debt) is \$36.6 billion as of
- (k) June 30, 2013 and \$37.5 billion as of December 31, 2012. The fair value measurements for our long-term debt are based on Level 2 inputs, using a market approach.

The following table provides the classification of these selected financial assets and liabilities in the condensed consolidated balance sheets:

(MILLIONS OF DOLLARS)	June 30, 2013	December 31, 2012
Assets		
Cash and cash equivalents	\$764	\$947
Short-term investments	31,275	22,318
Long-term investments	16,107	14,149
Taxes and other current assets ^(a)	383	296
Taxes and other noncurrent assets ^(b)	918	1,086
	\$49,447	\$38,796
Liabilities		
Short-term borrowings, including current portion of long-term debt	\$5,214	\$6,424
Other current liabilities ^(c)	72	330
Long-term debt	31,532	31,036
Other noncurrent liabilities ^(d)	888	374
	\$37,706	\$38,164

- As of June 30, 2013, derivative instruments at fair value include foreign currency forward-exchange contracts
- (a) (\$294 million), interest rate swaps (\$74 million), and foreign currency swaps (\$15 million) and, as of December 31, 2012, include foreign currency forward-exchange contracts (\$152 million) and foreign currency swaps (\$144 million).

- As of June 30, 2013, derivative instruments at fair value include interest rate swaps (\$579 million) and foreign
- (b) currency swaps (\$339 million) and, as of December 31, 2012, include interest rate swaps (\$1 billion) and foreign currency swaps (\$50 million).

- At June 30, 2013, derivative instruments at fair value include foreign currency forward-exchange
- (c) contracts (\$60 million) and foreign currency swaps (\$12 million) and, as of December 31, 2012, include foreign currency forward-exchange contracts (\$243 million) and foreign currency swaps (\$87 million).

- At June 30, 2013, derivative instruments at fair value include foreign currency swaps (\$692 million) and interest
- (d) rate swaps (\$196 million) and, as of December 31, 2012, include foreign currency swaps (\$341 million) and interest rate swaps (\$33 million).

In addition, we have 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. The differences between the estimated fair values and carrying values of these

receivables were not significant as of June 30, 2013 or December 31, 2012.

There were no significant impairments of financial assets recognized in any period presented.

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B. Investments in Debt Securities

The following table provides the contractual maturities of the available-for-sale and held-to-maturity debt securities:

(MILLIONS OF DOLLARS)	Years			June 30, 2013 Total
	Within 1	Over 1 to 5	Over 5 to 10	
Available-for-sale debt securities				
Western European, Scandinavian and other government debt ^(a)	\$ 19,293	\$ 2,082	\$ —	\$ 21,375
Corporate debt ^(b)	1,976	4,019	1,621	7,616
Western European, Scandinavian, Australian and other government agency debt ^(a)	2,983	393	—	3,376
Reverse repurchase agreements ^(c)	2,097	—	—	2,097
Supranational debt ^(a)	1,071	762	—	1,833
Federal Home Loan Mortgage Corporation and Federal National Mortgage Association asset-backed securities	14	1,733	—	1,747
Government National Mortgage Association and other U.S. government guaranteed asset-backed securities	326	1,045	330	1,701
U.S. government debt	1,187	449	16	1,652
Held-to-maturity debt securities				
Certificates of deposit and other	1,059	327	1	1,387
Total debt securities	\$ 30,006	\$ 10,810	\$ 1,968	\$ 42,784

^(a) All issued by above-investment-grade governments, government agencies or supranational entities, as applicable.

^(b) Largely issued by above-investment-grade institutions in the financial services sector.

^(c) Involving U.S. government securities.

C. Short-Term Borrowings

Short-term borrowings include amounts for commercial paper of \$1.3 billion and \$2.7 billion as of June 30, 2013 and December 31, 2012, respectively.

D. 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 that were due June 2013, which had a balance of \$2.4 billion at December 31, 2012.

The following table provides the components of the senior unsecured long-term debt issued in the second quarter of 2013:

(MILLIONS OF DOLLARS)	Maturity Date	As of June 30, 2013
1.50% ^(a)	June 2018	\$ 1,000
3.00% ^(b)	June 2023	1,000
0.90% ^(a)	January 2017	750

4.30% ^(b)	June 2043	750
Three-month London Interbank Offering Rate (LIBOR) plus 0.30%	June 2018	500
Total long-term debt issued in the second quarter of 2013		\$4,000

Instrument is callable by us at any time at the greater of 100% of the principal amount or the sum of the present
^(a) values of the remaining scheduled payments of principal and interest discounted at the U.S. Treasury rate, plus
 0.10% plus, in each case, accrued and unpaid interest.

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Instrument is callable by us at any time at the greater of 100% of the principal amount or the sum of the present
 (b) values of the remaining scheduled payments of principal and interest discounted at the U.S. Treasury rate, plus
 0.15% plus, in each case, accrued and unpaid interest.

The following table provides the maturity schedule of our Long-term debt outstanding as of June 30, 2013:

(MILLIONS OF DOLLARS)	2014	2015	2016	2017	After 2017	Total
Maturities	\$1,247	\$2,934	\$4,395	\$2,654	\$20,302	\$31,532

E. Derivative Financial Instruments and Hedging Activities

Foreign Exchange Risk

As of June 30, 2013, the aggregate notional amount of foreign exchange derivative financial instruments hedging or offsetting foreign currency exposures is \$42.2 billion. The derivative financial instruments primarily hedge or offset exposures in the euro, Japanese yen, U.K. pound, Canadian dollar and Swiss franc. The maximum length of time over which we are hedging future foreign exchange cash flow relates to our \$2.3 billion U.K. pound debt maturing in 2038.

Interest Rate Risk

As of June 30, 2013, the aggregate notional amount of interest rate derivative financial instruments is \$15.9 billion. The derivative financial instruments primarily hedge U.S. dollar and euro fixed-rate debt.

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The following table provides information about the gains/(losses) recognized to hedge or offset operational foreign exchange or interest rate risk:

(MILLIONS OF DOLLARS)	Amount of Gains/(Losses) Recognized in OID ^{(a), (b), (c)}		Amount of Gains/(Losses) Recognized in OCL (Effective Portion) ^{(a), (d)}		Amount of Gains/(Losses) Reclassified from OCL into OID (Effective Portion) ^{(a), (d)}	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Three Months Ended						
Derivative Financial Instruments in						
Cash Flow Hedge Relationships:						
Foreign currency swaps	\$—	\$—	\$262	\$(646)	\$132	\$(432)
Derivative Financial Instruments in						
Net Investment Hedge						
Relationships:						
Foreign currency swaps	—	(1)	16	(53)	—	—
Derivative Financial Instruments Not						
Designated as Hedges:						
Foreign currency forward-exchange contracts	(21)	190	—	—	—	—
Foreign currency swaps	5	6	—	—	—	—
Non-Derivative Financial						
Instruments in Net Investment						
Hedge Relationships:						
Foreign currency long-term debt	—	—	34	(27)	—	—
All other net	—	3	1	(4)	—	5
	\$(16)	\$198	\$313	\$(730)	\$132	\$(427)
Six Months Ended						
Derivative Financial Instruments in						
Cash Flow Hedge Relationships:						
Foreign currency swaps	\$—	\$—	\$(155)	\$(218)	\$(249)	\$(132)
Derivative Financial Instruments in						
Net Investment Hedge Relationships:						
Foreign currency swaps	(3)	(3)	139	73	—	—
Derivative Financial Instruments Not						
Designated as Hedges:						
Foreign currency forward-exchange contracts	128	64	—	—	—	—
Foreign currency swaps	1	(17)	—	—	—	—

Non-Derivative Financial
Instruments in Net Investment
Hedge Relationships:

Foreign currency long-term debt	—	—	97	23	—	—
All other net	—	1	1	5	—	5
	\$ 126	\$ 45	\$ 82	\$(117)	\$(249)	\$(127)

OID = Other (income)/deductions—net, included in Other (income)/deductions—net in the condensed consolidated

(a) statements of income. OCL = Other comprehensive loss, included in the condensed consolidated statements of comprehensive income.

(b) Also includes gains and losses attributable to the hedged risk in fair value hedge relationships.

(c) There was no significant ineffectiveness for any period presented.

Amounts presented represent the effective portion of the gain or loss. For derivative financial instruments in cash flow hedge relationships, the effective portion is included in Other comprehensive loss—Unrealized

(d) holding gains/(losses) on derivative financial instruments. 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 loss—Foreign currency translation adjustments.

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For information about the fair value of our derivative financial instruments, and the impact on our condensed consolidated balance sheets, see Note 7A. Financial Instruments: Selected Financial Assets and Liabilities 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 June 30, 2013, the aggregate fair value of these derivative instruments that are in a net liability position is \$218 million, for which we have posted collateral of \$197 million 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 S&P or the equivalent rating by Moody's Investors Service, on June 30, 2013, we would have been required to post an additional \$23 million of collateral to our counterparties. The collateral advanced receivables are reported in Cash and cash equivalents.

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 June 30, 2013, we had \$3.0 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. Financial Instruments: Investments in Debt Securities.

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 collateral payments, depending on levels of exposure, our credit rating and the credit rating of the counterparty. For information about our financial instruments (excluding the impact of collateral), see Note 7A. Financial Instruments: Selected Financial Assets and Liabilities and Note 7B. Financial Instruments: Investments in Debt Securities above. For information about the collateral posted on our derivative instruments, see Note 7E. Financial Instruments: Derivative Financial Instruments and Hedging Activities above. As of June 30, 2013, we received cash collateral of \$899 million 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)	June 30, 2013	December 31, 2012
Finished goods	\$2,567	\$ 2,254
Work-in-process	3,139	3,374
Raw materials and supplies	576	448
Inventories	\$6,282	\$ 6,076
Noncurrent inventories not included above ^(a)	\$540	\$ 612

^(a) Included in Taxes and other noncurrent assets. There are no recoverability issues associated with these amounts.

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Note 9. Goodwill and Other Intangible Assets

A. Goodwill

The following table provides the components of and changes in the carrying amount of Goodwill:

(MILLIONS OF DOLLARS)	Primary Care	Specialty Care and Oncology	Established Products and Emerging Markets	Consumer Healthcare	Total
Balance, December 31, 2012	\$6,152	\$16,885	\$18,603	\$2,021	\$43,661
Derecognition ^(a)	—	—	(292)	—	(292)
Other ^(b)	(129)	(382)	(422)	(5)	(938)
Balance, June 30, 2013	\$6,023	\$16,503	\$17,889	\$2,016	\$42,431

Reflects the goodwill derecognized as part of the transfer of certain product rights, which constituted a business, to

^(a) our equity-method investment in China. For additional information, see Note 2D. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Equity-Method Investment.

^(b) Primarily reflects the impact of foreign exchange.

B. Other Intangible Assets

Balance Sheet Information

The following table provides the components of Identifiable intangible assets:

(MILLIONS OF DOLLARS)	June 30, 2013			December 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Identifiable Intangible Assets, less Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Identifiable Intangible Assets, less Accumulated Amortization
Finite-lived intangible assets						
Developed technology rights	\$71,748	\$(39,162)	\$32,586	\$72,349	\$(36,895)	\$35,454
Brands	1,651	(732)	919	1,657	(693)	964
License agreements and other	897	(691)	206	914	(642)	272
	74,296	(40,585)	33,711	74,920	(38,230)	36,690
Indefinite-lived intangible assets						
Brands	7,476	—	7,476	7,787	—	7,787
In-process research and development	589	—	589	669	—	669
	8,065	—	8,065	8,456	—	8,456
Identifiable intangible assets ^(a)	\$82,361	\$(40,585)	\$41,776	\$83,376	\$(38,230)	\$45,146

^(a) The decrease is primarily related to amortization, asset impairment charges and the transfer of certain product rights to our equity-method investment in China. For additional information about the asset impairment charges, see Note 4. Other (Income)/Deductions—Net. For additional information about the transfer of certain product rights, see Note 2D. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment:

Equity-Method Investment.

As of June 30, 2013, our identifiable intangible assets are associated with the following, as a percentage of total identifiable intangible assets, less accumulated amortization:

Developed Technology Rights: Specialty Care (67%); Established Products (19%); Primary Care (13%); and Oncology (1%);

- Brands, finite-lived: Consumer Healthcare (73%); and Established Products (27%);

Brands, indefinite-lived: Consumer Healthcare (69%); and Established Products (31%); and

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IPR&D: Worldwide Research and Development (57%); Established Products (23%); Specialty Care (12%) and Primary Care (8%).

There are no percentages for our Emerging Markets business unit as it is a geographic-area unit, not a product-based unit. The carrying value of the assets associated with our Emerging Markets business unit is included within the assets associated with the other four biopharmaceutical business units.

Amortization

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 is included in Cost of sales, Selling, informational and administrative expenses or Research and development expenses, as appropriate. Total amortization expense for finite-lived intangible assets was \$1.2 billion for the second quarter of 2013 and \$1.3 billion for the second quarter of 2012, and \$2.5 billion for the first six months of 2013 and \$2.8 billion for the first six months of 2012.

Impairment Charges

For information about impairments of intangible assets, see Note 4. Other (Income)/Deductions—Net.

For IPR&D assets, the risk of failure is significant and there can be no certainty that these assets ultimately will yield a successful product. 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.

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Note 10. Pension and Postretirement Benefit Plans

The following table provides the components of net periodic benefit cost:

	Pension Plans						Postretirement Plans	
	U.S. Qualified ^(a)		U.S. Supplemental (Non-Qualified) ^(b)		International ^(c)			
(MILLIONS OF DOLLARS)	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Three Months Ended								
Net periodic benefit cost:								
Service cost	\$75	\$90	\$6	\$9	\$51	\$50	\$15	\$17
Interest cost	167	175	13	15	92	100	41	45
Expected return on plan assets	(251)	(246)	—	—	(99)	(106)	(13)	(14)
Amortization of:								
Actuarial losses	89	77	14	10	35	17	12	9
Prior service credits	(1)	(3)	—	—	(1)	(2)	(11)	(12)
Curtailments and settlements—net	33	(18)	6	(3)	2	3	(2)	(12)
Special termination benefits	—	2	—	5	1	1	—	2
	\$112	\$77	\$39	\$36	\$81	\$63	\$42	\$35
Six Months Ended								
Net periodic benefit cost:								
Service cost	\$152	\$186	\$13	\$19	\$105	\$101	\$31	\$35
Interest cost	335	358	27	32	187	200	83	91
Expected return on plan assets	(504)	(491)	—	—	(202)	(211)	(27)	(23)
Amortization of:								
Actuarial losses	179	157	27	21	72	34	23	17
Prior service credits	(3)	(6)	(1)	(1)	(3)	(3)	(22)	(24)
Curtailments and settlements—net	62	26	28	10	5	(7)	(9)	(23)
Special termination benefits	—	7	—	15	2	3	—	4
	\$221	\$237	\$94	\$96	\$166	\$117	\$79	\$77

The decrease in net periodic benefit costs for the six months ended June 30, 2013, compared to the six months ended July 1, 2012, for our U.S. qualified plans was primarily driven by lower service cost resulting from the decision in 2012 to freeze the defined benefit plans in the U.S. and Puerto Rico, lower settlement activity and greater expected return on plan assets resulting from a higher plan asset base, partially offset by the curtailment gain in the second quarter of 2012 resulting from the decision to freeze the defined benefit plans in the U.S. and Puerto Rico. Also, the decrease in the discount rate resulted in lower interest costs, as well as an increase in the amounts amortized for actuarial losses.

(a)

- The decrease in net periodic benefit costs for the six months ended June 30, 2013, compared to the six months ended July 1, 2012, for our U.S. supplemental (non-qualified) pension plans was primarily driven by special
- (b) termination benefits in 2012 and lower service cost resulting from the decision in 2012 to freeze the defined benefit plans in the U.S. and Puerto Rico, partially offset by higher settlement activity and the curtailment gain in the second quarter of 2012 resulting from the decision to freeze the defined benefit plans in the U.S. and Puerto Rico. The increase in net periodic benefit costs for the six months ended June 30, 2013, compared to the six months
- (c) ended July 1, 2012, for our international pension plans was primarily driven by an increase in the amounts amortized for actuarial losses resulting from decreases in discount rates and the curtailment gain for our German pension plans in 2012.

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For the six months ended June 30, 2013, we contributed from our general assets: \$123 million to our U.S. supplemental (non-qualified) pension plans, \$156 million to our international pension plans and \$115 million to our postretirement plans. We did not make a contribution to our U.S. qualified pension plans during the first six months of 2013.

During 2013, we expect to contribute from our general assets a total of \$193 million to our U.S. supplemental (non-qualified) pension plans, \$336 million to our international pension plans and \$246 million to our postretirement plans. We do not expect to make contributions to our U.S. qualified pension plans during 2013. Contributions expected to be made for 2013 are inclusive of amounts contributed during the six months ended June 30, 2013. The international pension plan, postretirement plan and U.S. supplemental (non-qualified) pension plan contributions from our general assets include direct employer benefit payments.

Note 11. Earnings Per Common Share Attributable to Common Shareholders

The following table provides the detailed calculation of Earnings per common share:

(IN MILLIONS)	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
EPS Numerator—Basic				
Income from continuing operations	\$3,575	\$3,000	\$6,191	\$4,554
Less: Net income attributable to noncontrolling interests	10	7	19	16
Income from continuing operations attributable to Pfizer Inc.	3,565	2,993	6,172	4,538
Less: Preferred stock dividends—net of tax	—	—	1	1
Income from continuing operations attributable to Pfizer Inc. common shareholders	3,565	2,993	6,171	4,537
Discontinued operations—net of tax	10,559	260	10,708	509
Less: Discontinued operations—net of tax, attributable to noncontrolling interests	25	—	39	—
Discontinued operations—net of tax, attributable to Pfizer Inc. common shareholders	10,534	260	10,669	509
Net income attributable to Pfizer Inc. common shareholders	\$14,099	\$3,253	\$16,840	\$5,046
EPS Numerator—Diluted				
Income from continuing operations attributable to Pfizer Inc. common shareholders and assumed conversions	\$3,565	\$2,993	\$6,172	\$4,538
Discontinued operations—net of tax, attributable to Pfizer Inc. common shareholders	10,534	260	10,669	509
Net income attributable to Pfizer Inc. common shareholders and assumed conversions	\$14,099	\$3,253	\$16,841	\$5,047
EPS Denominator				
Weighted-average number of common shares outstanding—Basic	7,042	7,476	7,115	7,506
Common-share equivalents: stock options, stock issuable under employee compensation plans and convertible preferred stock	75	61	70	64
Weighted-average number of common shares outstanding—Diluted	7,117	7,537	7,185	7,570
Stock options that had exercise prices greater than the average market price of our common stock issuable under employee compensation plans ^(a)	44	216	44	216

These common stock equivalents were outstanding for the six months ended June 30, 2013 and July 1, 2012, but
(a) were not included in the computation of diluted EPS for those periods because their inclusion would have had an anti-dilutive effect.

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Note 12. 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 Notes to Condensed Consolidated Financial Statements—Note 5B. Tax Matters: Tax Contingencies.

A. Legal Proceedings

Our non-tax contingencies include, among others, 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-law, 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 these 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.

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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 manufacturer. Also, counterclaims, as well as various independent actions, have been filed claiming 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.

Viagra (sildenafil)

In March 2010, we brought a patent-infringement action in the U.S. District Court for the Eastern District of Virginia against Teva Pharmaceuticals USA, Inc. (Teva USA) and Teva Pharmaceutical Industries Ltd. (Teva Pharmaceutical Industries), which had filed an abbreviated new drug application with the U.S. Food and Drug Administration (FDA) seeking approval to market a generic version of Viagra. Teva Pharmaceutical Industries subsequently was dismissed from this action. Teva USA asserts the invalidity and non-infringement of the Viagra use patent, which (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) expires in 2020. In August 2011, the court ruled that our Viagra use patent is valid and infringed, thereby preventing Teva USA from receiving FDA approval for a generic version of Viagra and from marketing its generic product in the U.S. before 2020. In September 2011, Teva USA appealed the decision to the U.S. Court of Appeals for the Federal Circuit. We and Teva USA have entered into an agreement to settle this litigation that will become effective upon the satisfaction of certain conditions, including court approval.

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. and Mylan Inc., Actavis, Inc. and Amneal Pharmaceuticals LLC. These generic 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 use patent.

In May and June 2011, respectively, Watson Laboratories Inc. (Watson) and Hetero Labs Limited (Hetero) 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 use patent. In June and July 2011, respectively, we filed actions against Watson and Hetero in the U.S. District Court for the Southern District of New York asserting the validity and infringement of the use patent.

Sutent (sunitinib malate)

In May 2010, Mylan Pharmaceuticals Inc. 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, which expire in 2020 and 2021. In June 2010, we filed suit against Mylan Pharmaceuticals Inc. in the U.S. District Court for the District of Delaware asserting the infringement of those three patents.

Lyrica (pregabalin)

Beginning in March 2009, several generic manufacturers notified us that they had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Lyrica capsules and, in the case of one

generic manufacturer, Lyrica oral solution. Each of the generic manufacturers is challenging one or more of three patents for Lyrica: the basic patent, which expires in 2018, and two other patents, which expire in 2013 and 2018. Each of the generic manufacturers asserts the invalidity and/or the non-infringement of the patents subject to challenge. Beginning in April 2009, we filed actions against these generic manufacturers in the U.S. District Court for the District of Delaware asserting the infringement and validity of our patents for Lyrica. All of these cases were consolidated in the District of Delaware. In July 2012, the court held that all three patents are valid and infringed, thereby preventing the generic manufacturers from obtaining final FDA approval for their generic versions of Lyrica and from marketing those products in the U.S. prior to the expiration of the three patents. In August 2012, the generic manufacturers appealed the decision to the U.S. Court of Appeals for the Federal Circuit.

Apotex Inc. notified us, in May and June 2011, respectively, that it had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Lyrica oral solution and Lyrica capsules. Apotex Inc. asserts the invalidity and non-infringement of the basic patent, as well as the seizure patent that expires in 2013. In July 2011, we filed an action against

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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 of the abbreviated new drug applications.

In November 2010, Novel Laboratories, Inc. (Novel) notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Lyrica oral solution and asserting the invalidity and/or non-infringement of our three patents for Lyrica referred to above in the first paragraph of this section. In January 2011, we filed an action against Novel in the U.S. District Court for the District of Delaware asserting the validity and infringement of all three patents.

In October 2011, Alembic Pharmaceuticals Limited (Alembic) notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Lyrica capsules and asserting the invalidity of the basic patent. In addition, in December 2012, Wockhardt Limited (Wockhardt) notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Lyrica oral solution and asserting the invalidity and non-infringement of the basic patent. In December 2011 and January 2013, we filed actions against Alembic and Wockhardt, respectively, in the U.S. District Court for the District of Delaware asserting the validity and infringement of the basic patent.

Each of Novel, Alembic and Wockhardt has agreed to a stay of the respective actions described above and to be bound by the decision of the U.S. Court of Appeals for the Federal District in the appeal of the judgment of the District of Delaware in the consolidated action discussed above in the first paragraph of this section.

Protonix (pantoprazole sodium)

Wyeth has a license to market Protonix in the U.S. from Nycomed GmbH (Nycomed), which owns the patents relating to Protonix. Nycomed was acquired by Takeda Pharmaceutical Company Limited (Takeda) in 2011. The basic patent (including the six-month pediatric exclusivity period) for Protonix expired in January 2011.

In June 2013, Pfizer announced a settlement of Pfizer's and Takeda's patent-infringement action against Teva Pharmaceutical Industries and Sun Pharmaceutical Industries Ltd. (Sun) in the U.S. District Court for the District of New Jersey that provides for the payment of a total of \$2.15 billion by the two generic companies. In that action, Pfizer and Takeda sought compensation for damages resulting from Teva Pharmaceutical Industries' and Sun's "at-risk" launches of Protonix in the U.S. prior to the expiration of the basic patent. Pursuant to the settlement agreement, Teva Pharmaceutical Industries will pay \$800 million in the second half of 2013 and an additional \$800 million by October 2014, and Sun will pay \$550 million in 2013. Pfizer is entitled to 64% and Takeda is entitled to 36% of the settlement proceeds.

Separately, Wyeth and Nycomed were defendants in purported class actions in the U.S. District Court for the District of New Jersey that alleged violation of antitrust laws in connection with the procurement and enforcement of the patents for Protonix. These actions had been stayed pending resolution of the underlying patent litigation discussed above. In July 2013, after the settlement and dismissal of the underlying patent litigation, these purported class actions were dismissed with the consent of the parties.

EpiPen

King Pharmaceuticals, Inc. (King) 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 July 2010 as the result of its abbreviated new drug application 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.

Embeda (morphine sulfate/naltrexone hydrochloride extended-release capsules)

In August 2011, Watson Laboratories Inc. - Florida (Watson Florida) notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Embeda extended-release capsules. Watson Florida asserts the invalidity and non-infringement of three formulation patents that expire in 2027. In October 2011, we filed an action against Watson Florida in the U.S. District Court for the District of Delaware asserting the infringement of, and defending against the allegations of the invalidity of, the three formulation patents.

Torisel (temsirolimus)

In December 2011, we brought patent-infringement actions in the U.S. District Court for the District of Delaware against Sandoz and Accord Healthcare, Inc. USA and certain of its affiliates (collectively, Accord) as a result of their abbreviated new drug applications with the FDA seeking approval to market generic versions of Torisel before the expiration of the basic patent

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in 2014. In May 2012, we brought an action in the same court against Sandoz for infringement of a formulation patent that expires in 2026. In September 2012, our actions against Sandoz and Accord were consolidated in the District of Delaware.

Pristiq (desvenlafaxine)

Beginning in May 2012, several generic manufacturers notified us that they had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Pristiq. Each of the generic manufacturers asserts the invalidity, unenforceability and/or non-infringement of two patents for Pristiq that expire in 2022 and in 2027. Beginning in June 2012, we filed actions against these generic manufacturers in the U.S. District Court for the District of Delaware and, in certain instances, also in other jurisdictions asserting the validity, enforceability and infringement of those patents. The actions in the District of Delaware have been consolidated, and the consolidated action remains pending; the actions in other jurisdictions have been dismissed.

Zyvox (linezolid)

In February 2013, Apotex Inc. and Apotex Corp. notified us that they had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Zyvox. They assert invalidity of the basic Zyvox patent, which (including the six-month pediatric exclusivity period) expires in 2015. In March 2013, we filed an action against Apotex Inc. and Apotex Corp. in the U.S. District Court for the Northern District of Illinois for infringement of the basic patent.

Detrol LA (tolterodine)

In February 2013, Lupin Ltd. and Lupin Pharmaceuticals, Inc. notified us that they had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Detrol LA. They assert the invalidity and non-infringement of three Detrol LA formulation patents, which (including the six-month pediatric exclusivity period) expire in 2020. In March 2013, we filed an action against Lupin Ltd. and Lupin Pharmaceuticals, Inc. in the U.S. District Court for the District of New Jersey for infringement of two of the formulation patents.

In March 2013, Inventia Healthcare Private Limited (Inventia) notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Detrol LA. Inventia asserts the invalidity and non-infringement of the three Detrol LA formulation patents referred to above. In April 2013, we filed an action against Inventia in the U.S. District Court for the Northern District of Illinois for infringement of two of the formulation patents.

Celebrex (celecoxib)

In March 2013, the U.S. Patent and Trademark Office 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, expires in December 2015. On the date that the reissue patent was granted, we filed suit in the U.S. District Court for the Eastern District of Virginia, asserting the infringement of the reissue patent, against Teva USA, Mylan Pharmaceuticals Inc., Watson, Lupin Pharmaceuticals USA, Inc., Apotex Corp. and Apotex Inc. Each of those generic 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.

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 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 Orange Book. Beginning in June 2013, we filed actions against all of those generic manufacturers in the U.S. District Court for the District of Delaware asserting the infringement of five of our 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.

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.

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Asbestos

Quigley

Quigley Company, Inc. (Quigley), a wholly owned subsidiary, was acquired by Pfizer in 1968 and sold products containing small amounts of asbestos until the early 1970s. In September 2004, Pfizer and Quigley took steps that were intended to resolve all pending and future claims against Pfizer and Quigley in which the claimants allege personal injury from exposure to Quigley products containing asbestos, silica or mixed dust. We recorded a charge of \$369 million pre-tax (\$229 million after-tax) in the third quarter of 2004 in connection with these matters.

In September 2004, Quigley filed a petition in the U.S. Bankruptcy Court for the Southern District of New York seeking reorganization under Chapter 11 of the U.S. Bankruptcy Code. In March 2005, Quigley filed a reorganization plan in the Bankruptcy Court that needed the approval of 75% of the voting claimants, as well as the Bankruptcy Court and the U.S. District Court for the Southern District of New York. In connection with that filing, Pfizer entered into settlement agreements with lawyers representing more than 80% of the individuals with claims related to Quigley products against Quigley and Pfizer. The agreements provide for a total of \$430 million in payments, of which \$215 million became due in December 2005 and has been and is being paid to claimants upon receipt by Pfizer of certain required documentation from each of the claimants. The reorganization plan provided for the establishment of a trust (the Trust) for the evaluation and, as appropriate, payment of all unsettled pending claims, as well as any future claims alleging injury from exposure to Quigley products.

In February 2008, the Bankruptcy Court authorized Quigley to solicit an amended reorganization plan for acceptance by claimants. According to the official report filed with the court by the balloting agent in July 2008, the requisite votes were cast in favor of the amended plan of reorganization.

The Bankruptcy Court held a confirmation hearing with respect to Quigley's amended plan of reorganization that concluded in December 2009. In September 2010, the Bankruptcy Court declined to confirm the amended reorganization plan. As a result of the foregoing, Pfizer recorded additional charges for this matter of approximately \$1.3 billion pre-tax (approximately \$800 million after-tax) in 2010. Further, in order to preserve its right to address certain legal issues raised in the court's opinion, in October 2010, Pfizer filed a notice of appeal and motion for leave to appeal the Bankruptcy Court's decision denying confirmation.

In March 2011, Pfizer entered into a settlement agreement with a committee (the Ad Hoc Committee) representing approximately 40,000 claimants in the Quigley bankruptcy proceeding (the Ad Hoc Committee claimants). Consistent with the charges previously recorded with respect to Quigley, the principal provisions of the settlement agreement provide for a settlement payment in two installments and other consideration, as follows:

- the payment to the Ad Hoc Committee, for the benefit of the Ad Hoc Committee claimants, of a first installment of \$500 million upon receipt by Pfizer of releases of asbestos-related claims against Pfizer Inc. from Ad Hoc Committee claimants holding \$500 million in the aggregate of claims (Pfizer began paying this first installment in June 2011);
- the payment to the Ad Hoc Committee, for the benefit of the Ad Hoc Committee claimants, of a second installment of \$300 million upon Pfizer's receipt of releases of asbestos-related claims against Pfizer Inc. from Ad Hoc Committee claimants holding an additional \$300 million in the aggregate of claims (Pfizer began paying this second installment in April 2013);
- the payment of the Ad Hoc Committee's legal fees and expenses incurred in this matter up to a maximum of \$19 million (Pfizer began paying these legal fees and expenses in May 2011); and
- the procurement by Pfizer of insurance for the benefit of certain Ad Hoc Committee claimants to the extent such claimants with non-malignant diseases have a future disease progression to a malignant disease (Pfizer procured this

insurance in August 2011).

Following the execution of the settlement agreement with the Ad Hoc Committee, Quigley filed a revised plan of reorganization and accompanying disclosure statement with the Bankruptcy Court in April 2011, which it amended in June 2012. In August 2012, the Bankruptcy Court authorized Quigley to solicit the amended plan of reorganization for acceptance by claimants. The balloting agent's tabulation report filed with the court reflects that the requisite number of asbestos-related claimants cast votes in favor of the revised plan.

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In June 2013, the Bankruptcy Court held a hearing to consider confirmation of the amended reorganization plan and, in July 2013, it entered an order confirming the plan. Subsequently, in July 2013, the District Court entered an order issuing an injunction directing pending and future claims alleging asbestos-related personal injury from exposure to Quigley products to the Trust, subject to any appeal and to the decision of the Second Circuit discussed below. When the amended reorganization plan becomes effective, and consistent with the charges previously recorded with respect to Quigley, we expect to contribute an additional amount of cash and non-cash items (including insurance proceeds and the value of certain debt forgiveness) to Reorganized Quigley and the Trust with a value of approximately \$964.5 million. Subject to any appeal, we expect the amended reorganization plan to become effective before the end of this year.

In April 2012, the U.S. Court of Appeals for the Second Circuit affirmed a ruling by the U.S. District Court for the Southern District of New York that the Bankruptcy Court's preliminary injunction in the Quigley bankruptcy proceeding does not prohibit actions directly against Pfizer Inc. for alleged asbestos-related personal injury from exposure to Quigley products based on the "apparent manufacturer" theory of liability under Pennsylvania law. The Second Circuit's decision is procedural and does not address the merits of the plaintiffs' claims under Pennsylvania law. In June 2013, the U.S. Supreme Court denied our petition for certiorari seeking a reversal of the Second Circuit's decision. As a result, actions pending against Pfizer Inc. for alleged asbestos-related personal injury from exposure to Quigley products based on an "apparent manufacturer" theory of liability are no longer stayed and additional actions might be filed to the extent allowed by the Second Circuit's decision and applicable law.

In a separately negotiated transaction with an insurance company in August 2004, we agreed to a settlement related to certain insurance coverage which provides for payments to an insurance proceeds trust established by Pfizer and Quigley over a ten-year period of amounts totaling \$405 million. Most of these insurance proceeds, as well as other payments from insurers that issued policies covering Pfizer and Quigley, would be paid, following confirmation, to the Trust for the benefit of present unsettled and future claimants with claims arising from exposure to Quigley products.

Other Matters

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 June 30, 2013, approximately 66,500 claims naming American Optical and numerous other defendants were pending in various federal and state courts seeking damages for alleged personal injury from exposure to asbestos and other allegedly hazardous materials. Warner-Lambert is actively engaged in the defense of, and will continue to explore various means to resolve, these claims.

Warner-Lambert and American Optical brought suit in state court in New Jersey against the insurance carriers that provided coverage for the asbestos and other allegedly hazardous materials claims related to American Optical. A majority of the carriers subsequently agreed to pay for a portion of the costs of defending and resolving those claims. The litigation continues against the carriers who have disputed coverage or how costs should be allocated to their policies, and the court held that Warner-Lambert and American Optical are entitled to payment from each of those carriers of a proportionate share of the costs associated with those claims. Under New Jersey law, a special allocation master was appointed to implement certain aspects of the court's rulings. By late-May 2013, Warner-Lambert and American Optical had agreed to principal settlement terms with all of those remaining carriers regarding their payment of a portion of the past costs and their coverages for a portion of the future costs of defending and resolving the aforementioned claims against American Optical. Final settlement agreements are currently being negotiated, and

it is expected that Warner-Lambert's and American Optical's action against the insurance carriers will be dismissed with the consent of the parties in the near future.

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.

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Celebrex and Bextra

Beginning in late 2004, several purported class actions were filed in federal and state courts alleging that Pfizer and certain current and former officers of Pfizer 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 November 2012, several institutional investors that had opted out of the certified class filed three, separate, multi-plaintiff actions in the Southern District of New York against the same defendants named in the consolidated class action, asserting allegations substantially similar to those asserted in the consolidated class action.

Various Drugs: Off-Label Promotion Actions

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.

Various Drugs: Foreign Corrupt Practices Act Compliance

In late February 2013, a shareholder derivative action was filed in the Supreme Court of the State of New York, County of New York, against certain current and former officers and directors of Pfizer. Pfizer is named as a nominal defendant. The complaint alleges that the individual defendants breached their fiduciary duties to the Company as the result of, among other things, inadequate oversight of compliance by Pfizer subsidiaries in various countries outside the U.S. with the U.S. Foreign Corrupt Practices Act. The plaintiff seeks damages in unspecified amounts and other unspecified relief on behalf of Pfizer.

Hormone-Replacement Therapy

Personal Injury and Economic Loss Actions

Pfizer and certain wholly owned subsidiaries and limited liability companies, including Wyeth and King, along with several other pharmaceutical manufacturers, have been named as defendants in approximately 10,000 actions in various federal and state courts alleging personal injury or economic loss related to the use or purchase of certain estrogen and progestin medications prescribed for women to treat the symptoms of menopause. Although new actions are occasionally filed, the number of new actions was not significant in the second quarter of 2013, and we do not expect a substantial change in the rate of new actions being filed. Plaintiffs in these suits allege a variety of personal injuries, including breast cancer, ovarian cancer, stroke and heart disease. Certain co-defendants in some of these actions have asserted indemnification rights against Pfizer and its affiliated companies. The cases against Pfizer and its affiliated companies involve one or more of the following products, all of which remain approved by the FDA: femhrt (which Pfizer divested in 2003); Activella and Vagifem (which are Novo Nordisk products that were marketed by a Pfizer affiliate from 2000 to 2004); Premarin, Prempro, Aygestin, Cycrin and Premphase (which are legacy Wyeth products); and Provera, Ogen, Depo-Estradiol, Estring and generic MPA (which are legacy Pharmacia &

Upjohn products). The federal cases were transferred for consolidated pre-trial proceedings to a Multi-District Litigation (In re Prempro Products Liability Litigation MDL-1507) in the U.S. District Court for the Eastern District of Arkansas. Certain of the federal cases have been remanded to their respective District Courts for further proceedings including, if necessary, trial.

This litigation consists of individual actions; a few purported statewide class actions; a purported nationwide class action in Canada; a purported province-wide class action in Quebec, Canada; a statewide class action in California; and a nationwide class action in Canada. In March 2011, in an action against Wyeth seeking the refund of the purchase price paid for Wyeth's hormone-replacement therapy products by individuals in the State of California during the period from January 1995 to January 2003, the U.S. District Court for the Southern District of California certified a class consisting of all individual purchasers of such products in California who actually heard or read Wyeth's alleged misrepresentations regarding such products. This is the only hormone-replacement therapy action to date against Pfizer and its affiliated companies in the U.S. in which a class has been certified. In addition, in August 2011, in an action against Wyeth seeking damages for personal injury and consumer fraud,

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the Supreme Court of British Columbia certified a class consisting of all women who were prescribed Premplus and/or Premarin in combination with progestin in Canada between January 1, 1997 and December 1, 2003 and who thereafter were diagnosed with breast cancer.

Pfizer and its affiliated companies have prevailed in many of the hormone-replacement therapy actions that have been resolved to date, whether by voluntary dismissal by the plaintiffs, summary judgment, defense verdict or judgment notwithstanding the verdict; a number of these cases have been appealed by the plaintiffs. Certain other hormone-replacement therapy actions have resulted in verdicts for the plaintiffs and have included the award of compensatory and, in some instances, punitive damages; each of these cases has been appealed by Pfizer and/or its affiliated companies. The decisions in a few of the cases that had been appealed by Pfizer and/or its affiliated companies or by the plaintiffs have been upheld by the appellate courts, while several other cases that had been appealed by Pfizer and/or its affiliated companies or by the plaintiffs have been remanded by the appellate courts to their respective trial courts for further proceedings. Trials of additional hormone-replacement therapy actions are scheduled in 2014.

Most of the unresolved actions against Pfizer and/or its affiliated companies have been outstanding for more than five years and could take many more years to resolve. However, opportunistic settlements could occur at any time. The litigation process is time-consuming, as every hormone-replacement action being litigated involves contested issues of medical causation and knowledge of risk. Even though the vast majority of hormone-replacement therapy actions concern breast cancer, the underlying facts (e.g., medical causation, family history, reliance on warnings, physician/patient interaction, analysis of labels, actual, provable injury and other critical factors) can differ significantly from action to action, and the process of discovery has not yet begun for a majority of the unresolved actions. In addition, the hormone-replacement therapy litigation involves fundamental issues of science and medicine that often are uncertain and continue to evolve.

As of June 30, 2013, Pfizer and its affiliated companies had settled, or entered into definitive agreements or agreements-in-principle to settle, approximately 98% of the hormone-replacement therapy actions pending against us and our affiliated companies. Since the inception of this litigation, we recorded aggregate charges in previous years with respect to those actions, as well as with respect to the actions that have resulted in verdicts against us or our affiliated companies, of approximately \$1.7 billion. These charges also include approximately \$25 million for the expected costs to resolve all remaining hormone-replacement therapy actions against Pfizer and its affiliated companies, excluding the class actions and purported class actions referred to above. The approximately \$25 million charges are an estimate and, while we cannot reasonably estimate the range of reasonably possible loss in excess of the amounts accrued for these contingencies given the uncertainties inherent in this product liability litigation, as described above, additional charges may be required in the future.

Government Inquiries; Action by the State of Nevada

Pfizer and/or its affiliated companies also have received inquiries from various federal and state agencies and officials relating to the marketing of their hormone-replacement products. In November 2008, the State of Nevada filed an action against Pfizer, Pharmacia & Upjohn Company and Wyeth in state court in Nevada alleging that they had engaged in deceptive marketing of their respective hormone-replacement therapy medications in Nevada in violation of the Nevada Deceptive Trade Practices Act. The action seeks monetary relief, including civil penalties and treble damages. In February 2010, the action was dismissed by the court on statute of limitations grounds. In July 2011, the Nevada Supreme Court reversed the dismissal and remanded the case to the district court for further proceedings.

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.

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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, enforcing certain patents for Effexor XR, and entering into a litigation settlement agreement with a generic 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 July 2013, the previously disclosed stay of these actions was lifted.

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.

Neurontin

Off-Label Promotion Actions

A number of lawsuits, including purported class actions, have been filed against us in various federal and state courts alleging claims arising from the promotion and sale of Neurontin. The plaintiffs in the purported class actions seek to represent nationwide and certain statewide classes consisting of persons, including individuals, health insurers, employee benefit plans and other third-party payers, who purchased or reimbursed patients for the purchase of Neurontin that allegedly was used for indications other than those included in the product labeling approved by the FDA. In 2004, many of the suits pending in federal courts, including individual actions as well as purported class actions, were transferred for consolidated pre-trial proceedings to a Multi-District Litigation (In re Neurontin Marketing, Sales Practices and Product Liability Litigation MDL-1629) in the U.S. District Court for the District of Massachusetts.

In the Multi-District Litigation, the District Court (i) denied the plaintiffs' motion for certification of a nationwide class of all individual consumers and third-party payers who allegedly purchased or reimbursed patients for the purchase of Neurontin for off-label uses from 1994 through 2004, and (ii) dismissed an individual action by a third-party payer, Aetna, as well as actions by certain proposed class representatives for third-party payers and for individual consumers. In April 2013, the U.S. Court of Appeals for the First Circuit reversed the decisions of the District Court dismissing the individual action by Aetna as well as the action by the third-party payer proposed class representatives. The First

Circuit remanded those actions to the District Court for further consideration, including reconsideration of class certification in the third-party payer action. In addition, a number of individual actions by other third-party payers remain pending in the Multi-District Litigation and in other courts.

In January 2011, the U.S. District Court for the District of Massachusetts entered an order trebling a jury verdict against us in an individual action by a third-party payer, the Kaiser Foundation Health Plan Inc., seeking damages for the alleged off-label promotion of Neurontin in violation of the federal Racketeer Influenced and Corrupt Organizations (RICO) Act. The verdict was for approximately \$47.4 million, which was subject to automatic trebling to \$142.1 million under the RICO Act. In November 2010, the court had entered a separate verdict against us in the amount of \$65.4 million, together with prejudgment interest, under California's Unfair Trade Practices law relating to the same alleged conduct, which amount is included within and is not additional to the \$142.1 million trebled amount of the jury verdict. In April 2013, the U.S. Court of Appeals for the First Circuit affirmed the District Court's decision.

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Plaintiffs are seeking certification of statewide classes of Neurontin purchasers in actions pending in California and Illinois that allege off-label promotion of Neurontin. State courts in New York, Pennsylvania, Missouri and New Mexico have declined to certify statewide classes of Neurontin purchasers.

Personal Injury Actions

A number of individual lawsuits have been filed against us in various federal and state courts alleging suicide, attempted suicide and other personal injuries as a result of the purported ingestion of Neurontin. Certain of the federal actions have been transferred for consolidated pre-trial proceedings to the same Multi-District Litigation referred to in the first paragraph of the “Neurontin—Off-Label Promotion Actions” section above.

Antitrust Action

In January 2011, in a Multi-District Litigation (In re Neurontin Antitrust Litigation MDL-1479) that consolidates four actions, the U.S. District Court for the District of New Jersey certified a nationwide class consisting of wholesalers and other entities who purchased Neurontin directly from Pfizer and Warner-Lambert during the period from December 11, 2002 to August 31, 2008 and who also purchased generic gabapentin after it became available. The complaints allege that Pfizer and Warner-Lambert engaged in anticompetitive conduct in violation of the Sherman Act that included, among other things, submitting patents for listing in the Orange Book and prosecuting and enforcing certain patents relating to Neurontin, as well as engaging in off-label marketing of Neurontin. Plaintiffs seek compensatory damages on behalf of the class, which may be subject to trebling.

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 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, the plaintiff appealed the District Court's decision 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 Pfizer, certain affiliates of Pfizer, and, in most of the actions, Ranbaxy, among others. The plaintiffs in these various actions seek to represent nationwide, multi-state or statewide classes consisting of persons or entities who directly purchased, indirectly purchased or reimbursed patients for the purchase of Lipitor (or, in certain of the actions, generic

Lipitor) from any of the defendants from March 2010 until the cessation of the defendants' allegedly unlawful conduct (the Class Period). The plaintiffs allege delay in the launch of generic Lipitor, in violation of federal antitrust laws and/or state antitrust, consumer protection and various other laws, resulting from (i) the 2008 agreement pursuant to which Pfizer and Ranbaxy settled certain patent litigation involving Lipitor, and Pfizer granted Ranbaxy a license to sell a generic version of Lipitor in various markets beginning on varying dates, and (ii) in certain of the actions, the procurement and/or enforcement of certain patents for Lipitor. Each of the actions seeks, among other things, treble damages on behalf of the putative class for alleged price overcharges for Lipitor (or, in certain of the actions, generic Lipitor) during the Class Period. In addition, individual actions have been filed against Pfizer, Ranbaxy and certain of their affiliates, among others, that assert claims and seek relief for the plaintiffs that are substantially similar to the claims asserted and the relief sought in the purported class actions described above. These various actions have been consolidated for pre-trial proceedings in a Multi-District Litigation (In re Lipitor Antitrust Litigation MDL-2332) in the U.S. District Court for the District of New Jersey. Also, the State of West Virginia filed an action in West Virginia state court

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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.

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 Inc. 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.

Bapineuzumab

In June 2010, a purported class action was filed in the U.S. District Court for the District of New Jersey against Pfizer, as successor to Wyeth, and several former officers of Wyeth. The complaint alleges that Wyeth and the individual defendants violated federal securities laws by making or causing Wyeth to make false and misleading statements, and by failing to disclose or causing Wyeth to fail to disclose material information, concerning the results of a clinical trial involving bapineuzumab, a product in development for the treatment of Alzheimer's disease. The plaintiff seeks to represent a class consisting of all persons who purchased Wyeth securities from May 21, 2007 through July 2008 and seeks damages in an unspecified amount on behalf of the putative class. In February 2012, the court granted the defendants' motion to dismiss the complaint. In December 2012, the court granted the plaintiff's motion to file an amended complaint. In April 2013, the court granted the defendants' motion to dismiss the amended complaint. In May 2013, the plaintiff appealed the District Court's decision to the U.S. Court of Appeals for the Third Circuit.

Thimerosal

Wyeth is a defendant in a number of suits by or on behalf of vaccine recipients alleging that exposure through vaccines to cumulative doses of thimerosal, a preservative used in certain childhood vaccines formerly manufactured and distributed by Wyeth and other vaccine manufacturers, caused severe neurological damage and/or autism in children. While several suits were filed as purported nationwide or statewide class actions, all of the purported class actions have been dismissed, either by the courts or voluntarily by the plaintiffs. In addition to the suits alleging injury from exposure to thimerosal, certain of the cases were brought by parents in their individual capacities for, among other things, loss of services and loss of consortium of the injured child.

The National Childhood Vaccine Injury Act (the Vaccine Act) requires that persons alleging injury from childhood vaccines first file a petition in the U.S. Court of Federal Claims asserting a vaccine-related injury. At the conclusion of that proceeding, petitioners may bring a lawsuit against the manufacturer in federal or state court, provided that they have satisfied certain procedural requirements. Also under the terms of the Vaccine Act, if a petition has not been

adjudicated by the U.S. Court of Federal Claims within a specified time period after filing, the petitioner may opt out of the proceeding and pursue a lawsuit against the manufacturer by following certain procedures. Some of the vaccine recipients who have sued Wyeth to date may not have satisfied the conditions to filing a lawsuit that are mandated by the Vaccine Act. The claims brought by parents for, among other things, loss of services and loss of consortium of the injured child are not covered by the Vaccine Act.

In 2002, the Office of Special Masters of the U.S. Court of Federal Claims established an Omnibus Autism Proceeding with jurisdiction over petitions in which vaccine recipients claim to suffer from autism or autism spectrum disorder as a result of receiving thimerosal-containing childhood vaccines and/or the measles, mumps and rubella (MMR) vaccine. There currently are several thousand petitions pending in the Omnibus Autism Proceeding. Special masters of the court have heard six test cases on petitioners' theories that either thimerosal-containing vaccines in combination with the MMR vaccine or thimerosal-containing vaccines alone can cause autism or autism spectrum disorder.

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In February 2009, special masters of the U.S. Court of Federal Claims rejected the three cases brought on the theory that a combination of MMR and thimerosal-containing vaccines caused petitioners' conditions. After these rulings were affirmed by the U.S. Court of Federal Claims, two of them were appealed by petitioners to the U.S. Court of Appeals for the Federal Circuit. In 2010, the Federal Circuit affirmed the decisions of the special masters in both of these cases.

In March 2010, special masters of the U.S. Court of Federal Claims rejected the three additional test cases brought on the theory that thimerosal-containing vaccines alone caused petitioners' conditions. Petitioners did not seek review by the U.S. Court of Federal Claims of the decisions of the special masters in these latter three test cases, and judgments were entered dismissing the cases in April 2010.

Petitioners in each of the six test cases have filed an election to bring a civil action.

Rebif

We have an exclusive collaboration agreement with EMD Serono, Inc. (Serono) to co-promote Rebif, a treatment for multiple sclerosis, in the U.S. In August 2011, Serono filed a complaint in the Philadelphia Court of Common Pleas seeking a declaratory judgment that we are not entitled to a 24-month extension of the Rebif co-promotion agreement, which otherwise would terminate at the end of 2013. We disagree with Serono's interpretation of the agreement and believe that we have the right to extend the agreement to the end of 2015. In October 2011, the court sustained our preliminary objections and dismissed Serono's complaint. In March 2013, the Superior Court of Pennsylvania affirmed the decision of the Philadelphia Court of Common Pleas dismissing Serono's complaint, thereby upholding our right to extend the Rebif co-promotion agreement to the end of 2015. In May 2013, the Superior Court of Pennsylvania denied Serono's petition seeking reconsideration of the decision.

Various Drugs: Co-Pay Programs

In March 2012, a purported class action was filed against Pfizer in the U.S. District Court for the Southern District of New York. The plaintiffs sought to represent a class consisting of all entities in the U.S. and its territories that have reimbursed patients for the purchase of certain Pfizer drugs for which co-pay programs exist or have existed. The plaintiffs alleged that these programs violate the federal Racketeer Influenced and Corrupt Organization (RICO) Act and federal antitrust law by, among other things, providing an incentive for patients to use certain Pfizer drugs rather than less-expensive competitor products, thereby increasing the payers' reimbursement costs. The plaintiffs sought treble damages on behalf of the putative class for their excess reimbursement costs allegedly attributable to the co-pay programs as well as an injunction prohibiting us from offering such programs. In July 2012, a substantially similar purported class action was filed against Pfizer in the U.S. District Court for the Southern District of Illinois, which action was stayed in October 2012 pending the outcome of the action in the Southern District of New York. In June 2013, the U.S. District Court for the Southern District of New York granted the plaintiffs' motion to voluntarily dismiss without prejudice the action filed in New York, and the U.S. District Court for the Southern District of Illinois lifted the stay in the action filed in Illinois. Similar purported class actions have been filed against several other pharmaceutical companies.

A3. Legal Proceedings—Commercial and Other Matters

Average Wholesale Price Litigation

Pfizer, certain of its subsidiaries and other pharmaceutical manufacturers are defendants in actions 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. The plaintiffs claim that the alleged spread between the AWP's at which purchasers were

reimbursed and the actual sale prices was promoted by the defendants as an incentive to purchase certain of their products. In addition to suing on their own behalf, some of the plaintiff states seek to recover on behalf of individuals, private-sector insurance companies and medical plans in their states. These various actions allege, among other things, fraud, unfair competition, unfair trade practices and the violation of consumer protection statutes, and seek 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.

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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 related 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.

Trade Secrets Action in California

In 2004, Ischemia Research and Education Foundation (IREF) and its chief executive officer brought an action in California Superior Court, Santa Clara County, against a former IREF employee and Pfizer. Plaintiffs allege that defendants conspired to misappropriate certain information from IREF's allegedly proprietary database in order to assist Pfizer in designing and executing a clinical study of a Pfizer drug. In 2008, the jury returned a verdict for compensatory damages of approximately \$38.7 million. In March 2009, the court awarded prejudgment interest, but declined to award punitive damages. In July 2009, the court granted our motion for a new trial and vacated the jury verdict. In February 2013, the trial court's decision was affirmed by the California Court of Appeal, Sixth Appellate District. In May 2013, the action was remanded for further proceedings to the California Superior Court, Santa Clara County.

Environmental Matters

In 2009, we submitted to the U.S. Environmental Protection Agency (EPA) a corrective measures study report with regard to Pharmacia Corporation'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 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. 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.

We are a party to a number of other proceedings brought under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (CERCLA or Superfund), and other state, local or foreign laws in which the primary relief sought is the cost of past and/or future remediation.

In February 2011, King received notice from the U.S. Department of Justice (DOJ) advising that the EPA had requested that the DOJ initiate enforcement action seeking injunctive relief and penalties against King for alleged non-compliance with certain provisions of the federal Clean Air Act at its Bristol, Tennessee manufacturing facility. In June 2013, King entered into a consent decree to resolve this matter. Pursuant to the consent decree, King will pay a civil penalty of \$2.2 million to the EPA and the State of Tennessee and undertake certain actions related to the federal Clean Air Act at the Bristol facility.

In October 2011, we voluntarily disclosed to the EPA potential non-compliance with certain provisions of the federal Clean Air Act at our Barceloneta, Puerto Rico manufacturing facility. We do not expect that any injunctive relief or penalties that may result from our voluntary disclosure will be material to Pfizer. Separately, in October 2012, the EPA issued an administrative complaint and penalty demand of \$216,000 to resolve alleged non-compliance with similar provisions of the federal Clean Air

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Act that the EPA identified as part of its March 2010 inspection of the Barceloneta facility. We have commenced discussions with the EPA seeking to resolve these matters.

A4. Legal Proceedings—Government Investigations

Like other pharmaceutical companies, we are subject to extensive regulation by national, state and local government agencies in the U.S. and in the other countries in which we operate. As a result, we have interactions with government agencies on an ongoing basis. It is possible that criminal charges and substantial fines and/or civil penalties could result from government investigations. Among the investigations by government agencies is the matter discussed below.

In 2009, the 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 asserting violations of various state laws based on allegations substantially similar to those set forth in the civil complaint filed by the DOJ. We are exploring with the DOJ various ways to resolve this matter.

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 June 30, 2013, recorded amounts for the estimated fair value of these indemnifications are not significant.

Pfizer Inc. has also guaranteed the long-term debt of certain companies that it acquired and that now are subsidiaries of Pfizer.

Note 13. Segment, Geographic and Other Revenue Information

A. Segment Information

We manage our operations through four operating segments—Primary Care, Specialty Care and Oncology, Established Products and Emerging Markets, and Consumer Healthcare. Each operating segment has responsibility for its commercial activities and for certain research and development activities related to in-line products and IPR&D projects that generally have achieved proof-of-concept.

We regularly review our segments and the approach used by management to evaluate performance and allocate resources. Generally, products are transferred to the Established Products unit in the beginning of the fiscal year following loss of patent protection or marketing exclusivity.

Operating Segments

A description of each of our four operating segments follows:

Primary Care operating segment—includes revenues and earnings, as defined by management, from prescription pharmaceutical products primarily prescribed by primary-care physicians, and may include products in the following therapeutic and disease areas: Alzheimer's disease, cardiovascular (excluding pulmonary arterial hypertension), erectile dysfunction, genitourinary, major depressive disorder, pain, respiratory and smoking cessation. Examples of products in this unit in 2013 include Celebrex, Chantix/Champix, Eliquis, Lyrica, Premarin, Pristiq and Viagra (outside Canada and South Korea). All revenues and earnings for such products are allocated to the Primary Care unit, except those generated in Emerging Markets and those that are managed by the Established Products unit.

Specialty Care and Oncology operating segment—comprises the Specialty Care business unit and the Oncology business unit.

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Specialty Care—includes revenues and earnings, as defined by management, from prescription pharmaceutical products primarily prescribed by physicians who are specialists, and may include products in the following therapeutic and disease areas: anti-infectives, endocrine disorders, hemophilia, inflammation, ophthalmology, pulmonary arterial hypertension, specialty neuroscience and vaccines. Examples of products in this unit in 2013 include BeneFIX, Enbrel, Genotropin, Geodon (outside the U.S.), the Prevnar/Prevenar family, ReFacto AF, Revatio (outside the U.S.), Tygacil, Vfend (outside the U.S. and South Korea), Vyndaqel (outside the U.S.), Xalatan (outside the U.S., Canada, South Korea, developed Europe, Australia and New Zealand), Xeljanz, Xyntha and Zyvox. All revenues and earnings for such products are allocated to the Specialty Care unit, except those generated in Emerging Markets and those that are managed by the Established Products unit.

Oncology—includes revenues and earnings, as defined by management, from prescription pharmaceutical products addressing oncology and oncology-related illnesses. The products in this unit in 2013 include Inlyta, Sutent, Torisel, Xalkori, Mylotarg (in Japan), Bosulif (in the U.S. and European Union (EU)) and Aromasin (in Japan and South Korea). All revenues and earnings for such products are allocated to the Oncology unit, except those generated in Emerging Markets and those that are managed by the Established Products unit.

Established Products and Emerging Markets operating segment—comprises the Established Products business unit and the Emerging Markets business unit.

Established Products—includes revenues and earnings, as defined by management, from prescription pharmaceutical products that have lost patent protection or marketing exclusivity in certain countries and/or regions. Typically, products are transferred to this unit in the beginning of the fiscal year following loss of patent protection or marketing exclusivity. However, in certain situations, products may be transferred to this unit at a different point than the beginning of the fiscal year following loss of patent protection or marketing exclusivity in order to maximize their value. This unit also excludes revenues and earnings generated in Emerging Markets. Examples of products in this unit in 2013 include Arthrotec, Effexor, Geodon (in the U.S.), Lipitor, Medrol, Norvasc, Protonix, Relpax, Vfend (in the U.S. and South Korea), Xalatan (in the U.S., Canada, South Korea, developed Europe, Australia and New Zealand), Zosyn/Tazocin and Viagra (in Canada and South Korea).

Emerging Markets—includes revenues and earnings, as defined by management, from all prescription pharmaceutical products sold in Emerging Markets, including Asia (excluding Japan and South Korea), Latin America, the Middle East, Eastern Europe, Africa, Turkey and Central Europe.

- Consumer Healthcare operating segment—includes worldwide revenues and earnings, as defined by management, from non-prescription products in the following therapeutic categories: dietary supplements, pain management, respiratory and personal care. Products marketed by Consumer Healthcare include Advil, Caltrate, Centrum, ChapStick, Emergen-C, Preparation H and Robitussin.

Our chief operating decision maker uses the revenues and earnings of the four operating segments, among other factors, for performance evaluation and resource allocation. For the operating segments that comprise more than one business unit, a single segment manager has responsibility for those business units.

Other Costs and Business Activities

Certain costs are not allocated to our operating segment results, such as costs associated with the following: Worldwide Research and Development, which 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. 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. Worldwide Research and Development is also responsible for facilitating all regulatory submissions and interactions with regulatory agencies, including all safety-event activities.

Pfizer Medical is responsible for external affairs relating to all therapeutic areas, providing Pfizer-related medical information to healthcare providers, patients and other parties, and quality assurance and regulatory compliance activities, which include conducting clinical trial audits and readiness reviews.

Corporate, which is responsible for platform functions such as finance, global real estate operations, human resources, legal, compliance, science and technology, worldwide procurement, worldwide public affairs and policy and worldwide technology. These costs also include compensation costs and other miscellaneous operating expenses not charged to our operating segments, as well as interest income and expense.

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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 activities, where we incur costs for restructuring, integration, implementation and executing the transaction; 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.

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 \$179 billion as of June 30, 2013 and approximately \$186 billion as of December 31, 2012.

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Selected income statement information

The following table provides selected income statement information by reportable segment:

(MILLIONS OF DOLLARS)	Revenues		R&D Expenses		Earnings ^(a)	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Three Months Ended						
Reportable Segments:						
Primary Care ^(b)	\$3,333	\$4,018	\$214	\$251	\$2,071	\$2,617
Specialty Care and Oncology	3,777	3,820	316	326	2,696	2,657
Established Products and Emerging Markets ^(c)	5,000	5,301	105	66	2,813	3,076
Total reportable segments	12,110	13,139	635	643	7,580	8,350
Consumer Healthcare and other business activities ^(d)	863	829	703	694	(453)	(470)
Reconciling Items:						
Corporate ^(e)	—	—	179	209	(1,466)	(1,589)
Purchase accounting adjustments ^(f)	—	—	(1)	(2)	(1,108)	(1,153)
Acquisition-related costs ^(g)	—	—	—	—	(113)	(228)
Certain significant items ^(h)	—	—	10	37	1,012	(672)
Other unallocated ⁽ⁱ⁾	—	—	4	19	(95)	(58)
	\$12,973	\$13,968	\$1,530	\$1,600	\$5,357	\$4,180
Six Months Ended						
Reportable Segments:						
Primary Care ^(b)	\$6,571	\$8,115	\$437	\$492	\$4,085	\$5,287
Specialty Care and Oncology	7,313	7,688	721	699	5,011	5,253
Established Products and Emerging Markets ^(c)	9,772	10,401	169	139	5,623	6,253
Total reportable segments	23,656	26,204	1,327	1,330	14,719	16,793
Consumer Healthcare and other business activities ^(d)	1,727	1,609	1,379	1,389	(919)	(1,028)
Reconciling Items:						
Corporate ^(e)	—	—	419	488	(2,825)	(3,341)
Purchase accounting adjustments ^(f)	—	—	(2)	(3)	(2,327)	(2,586)
Acquisition-related costs ^(g)	—	—	—	5	(203)	(401)
Certain significant items ^(h)	—	—	103	339	924	(2,732)
Other unallocated ⁽ⁱ⁾	—	—	14	26	(287)	(346)
	\$25,383	\$27,813	\$3,240	\$3,574	\$9,082	\$6,359

^(a) Income from continuing operations before provision for taxes on income.

^(b) Revenues and Earnings from the Primary Care segment decreased in the three and six months ended June 30, 2013 as compared to the prior year, and earnings as a percentage of revenues also declined, primarily due to the loss of exclusivity for Lipitor in developed Europe and Australia and the subsequent shift in the reporting of Lipitor in

those markets to the Established Products business unit, as well as the losses of exclusivity of certain other products in various markets, lower Alliance revenues from Spiriva due to the final-year terms of our co-promotion agreements in the U.S., Australia, Canada and certain European countries and the termination of the co-promotion agreement with Aricept in Japan in December 2012.

- (c) Revenues and Earnings from the Established Products and Emerging Markets segment decreased in the three and six months ended June 30, 2013 as compared to the prior year, primarily due to multi-source generic competition in the U.S. for Lipitor beginning in late-May 2012, partially offset by the addition of products in certain markets that shifted to the Established Products unit from other business

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PFIZER INC. AND SUBSIDIARY COMPANIES

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units beginning January 1, 2013 and strong volume growth in China. Earnings as a percentage of revenue decreased in the three and six months ended June 30, 2013 as compared to the prior year due to the change in the mix of products.

Other business activities includes the revenues and operating results of Pfizer CentreSource, our contract manufacturing and bulk pharmaceutical chemical sales operation, and the R&D costs managed by our Worldwide Research and Development organization and our Pfizer Medical organization.

Corporate for R&D expenses includes, among other things, administration expenses and compensation expenses associated with our research and development activities, and for Earnings includes, among other things, administration expenses, interest income/(expense) and certain compensation and other costs not charged to our operating segments.

Purchase accounting adjustments include certain charges related to the fair value adjustments to inventory, intangible assets and property, plant and equipment.

Acquisition-related costs can include costs associated with acquiring, integrating and restructuring newly acquired businesses, such as transaction costs, integration costs, restructuring charges and additional depreciation associated with asset restructuring (see Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives for additional information).

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 Earnings in the second quarter of 2013, certain significant items includes: (i) patent litigation settlement income of \$1.4 billion, (ii) restructuring charges and implementation costs associated with our cost-reduction initiatives that are not associated with an acquisition of \$185 million, (iii) certain asset impairment charges of \$95 million and (iv) other charges of \$59 million. For additional information, see Note 2D. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Equity-Method Investment, Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives and Note 4. Other (Income)/Deductions—Net.

For Earnings in the second quarter of 2012, certain significant items includes: (i) charges for certain legal matters of \$483 million, (ii) certain asset impairment charges of \$77 million, (iii) restructuring charges and implementation costs associated with our cost-reduction initiatives that are not associated with an acquisition of \$70 million, (iv) costs associated with the separation of Zoetis of \$29 million and (v) other charges of \$13 million. For additional information, see Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives and Note 4. Other (Income)/Deductions—Net.

For Earnings in the first six months of 2013, certain significant items includes: (i) patent litigation settlement income of \$1.4 billion, (ii) the gain associated with the transfer of certain product rights to our equity-method investment in China of \$459 million, (iii) net credits for certain legal matters of \$100 million, (iv) certain asset impairment charges of \$489 million, (v) restructuring charges and implementation costs associated with our cost-reduction initiatives that are not associated with an acquisition of \$400 million, (vi) other charges of \$79 million and (vii) costs associated with the separation of Zoetis of \$18 million. For additional information, see Note 2D. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Equity-Method Investment, Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives and Note 4. Other (Income)/Deductions—Net.

For Earnings in the first six months of 2012, certain significant items includes: (i) charges for certain legal matters of \$1.3 billion, (ii) restructuring charges and implementation costs associated with our cost-reduction initiatives that are not associated with an acquisition of \$886 million, (iii) certain asset impairment charges of \$489 million, (iv) costs associated with the separation of Zoetis of \$61 million and (v) other charges of \$38 million. For additional information, see Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives and Note 4. Other (Income)/Deductions—Net.

For R&D in all periods presented, certain significant items primarily reflect additional depreciation—asset restructuring and implementation costs.

- (i) Includes overhead expenses associated with our manufacturing and commercial operations not directly attributable to an operating segment.

B. Geographic Information

The following table provides revenues by geographic area:

(MILLIONS OF DOLLARS)	Three Months Ended			Six Months Ended		
	June 30, 2013	July 1, 2012	% Change	June 30, 2013	July 1, 2012	% Change
United States	\$5,090	\$5,307	(4)	\$10,004	\$10,837	(8)
Developed Europe ^(a)	2,913	3,291	(11)	5,717	6,629	(14)
Developed Rest of World ^(b)	2,108	2,526	(17)	4,147	4,997	(17)
Emerging Markets ^(c)	2,862	2,844	1	5,515	5,350	3
Revenues	\$12,973	\$13,968	(7)	\$25,383	\$27,813	(9)

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- Developed Europe region includes the following markets: Western Europe, Finland and the Scandinavian countries. Revenues denominated in euros were \$2.2 billion and \$2.5 billion in the second quarter of 2013 and 2012, respectively, and \$4.3 billion and \$5.0 billion in the first six months of 2013 and 2012, respectively.
- (b) Developed Rest of World region includes the following markets: Australia, Canada, Japan, New Zealand and South Korea.
- (c) Emerging Markets region includes, but is not limited to, the following markets: Asia (excluding Japan and South Korea), Latin America, the Middle East, Eastern Europe, Africa, Turkey and Central Europe.

C. Other Revenue Information

Significant Product Revenues

The following table provides revenues by product:

(MILLIONS OF DOLLARS)	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Revenues from biopharmaceutical products:				
Lyrica	\$1,134	\$1,035	\$2,200	\$1,990
Prevnar/Prevenar family	969	996	1,896	2,079
Enbrel (Outside the U.S. and Canada)	960	988	1,837	1,887
Celebrex	715	659	1,368	1,293
Lipitor ^(a)	545	1,220	1,171	2,615
Viagra	484	485	945	981
Zyvox	346	343	688	668
Sutent	312	319	614	619
Norvasc	313	348	614	682
Premarin family	273	274	517	535
BeneFIX	217	193	406	376
Genotropin	198	212	387	407
Vfend	177	178	364	356
Pristiq	177	158	343	309
Chantix/Champix	166	172	332	350
Detrol/Detrol LA	155	205	306	400
Xalatan/Xalacom	147	209	294	436
ReFacto AF/Xyntha	146	138	285	270
Medrol	123	141	236	275
Effexor	125	106	230	235
Zoloft	109	139	225	269
Zithromax/Zmax	83	106	199	229
Zosyn/Tazocin	102	141	189	269
Relpax	94	89	180	174
Fragmin	94	101	180	192
Tygacil	92	86	179	167
Rapamune	86	85	170	167
Cardura	75	91	151	175
Revatio	78	143	150	279
EpiPen	73	92	145	150

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Sulperazon	73	71	144	129
Xanax XR	65	69	135	137
Inlyta	71	17	134	24
Aricept ^(b)	59	84	121	178

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(UNAUDITED)

Xalkori	67	23	120	40
Toviaz	65	52	117	98
Caduet	56	58	112	123
BMP2	66	67	111	134
Inspira	59	56	111	105
Unasyn	53	57	109	111
Neurontin	56	62	108	120
Diflucan	60	67	105	124
Somavert	55	49	103	94
Metaxalone/Skelaxin	66	61	96	94
Depo-Provera	54	44	90	77
Xeljanz	22	—	33	—
Alliance revenues ^(c)	756	862	1,503	1,698
All other biopharmaceutical products	1,839	1,988	3,603	4,084
	12,110	13,139	23,656	26,204
Other revenues:				
Consumer Healthcare	800	769	1,611	1,496
Other ^(d)	63	60	116	113
	\$12,973	\$13,968	\$25,383	\$27,813

Lipitor lost exclusivity in the U.S. in November 2011 and various other major markets in 2011 and 2012.

(a) This loss of exclusivity reduced branded worldwide revenues by \$657 million in the second quarter of 2013, in comparison with the second quarter of 2012, and by \$1.4 billion in the first six months of 2013, in comparison with the first six months of 2012.

(b) Represents direct sales under license agreement with Eisai Co., Ltd.

(c) Includes Enbrel (in the U.S. and Canada), Spiriva, Rebif, Aricept and Eliquis.

(d) Represents revenues generated from Pfizer CentreSource, our contract manufacturing and bulk pharmaceutical chemical sales organization.

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REVIEW REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Pfizer Inc.:

We have reviewed the condensed consolidated balance sheet of Pfizer Inc. and Subsidiary Companies as of June 30, 2013, and the related condensed consolidated statements of income, comprehensive income and cash flows for the three-month and six-month periods ended June 30, 2013, and July 1, 2012. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Pfizer Inc. and Subsidiary Companies as of December 31, 2012, and the related consolidated statements of income, comprehensive income, equity, and cash flows for the year then ended (not presented herein); and in our report dated February 28, 2013, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2012, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG LLP
New York, New York
August 9, 2013

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

Introduction

Our MD&A is provided in addition to the accompanying condensed consolidated financial statements and footnotes to assist readers in understanding Pfizer's results of operations, financial condition and cash flows. The MD&A is organized as follows:

Overview of Our Performance, Operating Environment, Strategy and Outlook. This section, beginning on page 52 provides information about the following: our business; our performance during the second quarter and first six months of 2013 and 2012; our operating environment; our strategy; our business development initiatives, such as acquisitions, dispositions, licensing and collaborations; and our financial guidance for 2013.

Analysis of the Condensed Consolidated Statements of Income. This section begins on page 61 and consists of the following sub-sections:

Revenues. This sub-section, beginning on page 65, provides an analysis of our revenues and products for the second quarter and first six months of 2013 and 2012, as well as an overview of research and development (R&D) expenses and important biopharmaceutical product developments.

Costs and Expenses. This sub-section, beginning on page 74, provides a discussion about our costs and expenses.

Provision for Taxes on Income. This sub-section, on page 79, provides a discussion of items impacting our tax provisions.

Discontinued Operations. This sub-section, beginning on page 79, provides an analysis of the financial statement impact of our discontinued operations.

Adjusted Income. This sub-section, beginning on page 80, provides a discussion of an alternative view of performance used by management.

Analysis of the Condensed Consolidated Statements of Comprehensive Income. This section, on page 84, provides a discussion of changes in certain components of other comprehensive income.

Analysis of the Condensed Consolidated Balance Sheets. This section, on page 84, provides a discussion of changes in certain balance sheet accounts.

Analysis of the Condensed Consolidated Statements of Cash Flows. This section, beginning on page 86, provides an analysis of our cash flows for the first six months of 2013 and 2012.

Analysis of Financial Condition, Liquidity and Capital Resources. This section, beginning on page 87, provides an analysis of selected measures of our liquidity and of our capital resources as of June 30, 2013 and December 31, 2012, as well as a discussion of our outstanding debt and other commitments that existed as of June 30, 2013 and December 31, 2012. 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, beginning on page 90, 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 91, 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 MD&A relating to, among other things, our anticipated financial and operating 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.

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The following table provides the components of the condensed consolidated statements of income:

(MILLIONS OF DOLLARS, EXCEPT PER COMMON SHARE DATA)	Three Months Ended			Six Months Ended		
	June 30, 2013	July 1, 2012	% Change	June 30, 2013	July 1, 2012	% Change
Revenues	\$12,973	\$13,968	(7)	\$25,383	\$27,813	(9)
Cost of sales	2,242	2,376	(6)	4,505	4,759	(5)
% of revenues	17.3	% 17.0	%	17.7	% 17.1	%
Selling, informational and administrative expenses	3,591	3,665	(2)	6,808	7,343	(7)
% of revenues	27.7	% 26.2	%	26.8	% 26.4	%
Research and development expenses	1,530	1,600	(4)	3,240	3,574	(9)
% of revenues	11.8	% 11.5	%	12.8	% 12.9	%
Amortization of intangible assets	1,140	1,275	(11)	2,359	2,678	(12)
% of revenues	8.8	% 9.1	%	9.3	% 9.6	%
Restructuring charges and certain acquisition-related costs	183	184	(1)	314	773	(59)
% of revenues	1.4	% 1.3	%	1.2	% 2.8	%
Other (income)/deductions—net	(1,070)	688	*	(925)	2,327	*
Income from continuing operations before provision for taxes on income	5,357	4,180	28	9,082	6,359	43
% of revenues	41.3	% 29.9	%	35.8	% 22.9	%
Provision for taxes on income	1,782	1,180	51	2,891	1,805	60
Effective tax rate	33.3	% 28.2	%	31.8	% 28.4	%
Income from continuing operations	3,575	3,000	19	6,191	4,554	36
% of revenues	27.6	% 21.5	%	24.4	% 16.4	%
Discontinued operations—net of tax	10,559	260	*	10,708	509	*
Net income before allocation to noncontrolling interests	14,134	3,260	*	16,899	5,063	*
% of revenues	108.9	% 23.3	%	66.6	% 18.2	%
Less: Net income attributable to noncontrolling interests	39	7	*	54	16	*
Net income attributable to Pfizer Inc.	\$14,095	\$3,253	*	\$16,845	\$5,047	*
% of revenues	108.6	% 23.3	%	66.4	% 18.1	%
Earnings per common share—basic						
Income from continuing operations attributable to Pfizer Inc. common shareholders	\$0.51	\$0.40	28	\$0.87	\$0.60	45

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Discontinued operations—net of tax	1.50	0.03	*	1.50	0.07	*
Net income attributable to Pfizer Inc. common shareholders	\$2.00	\$0.44	*	\$2.37	\$0.67	*
Earnings per common share—diluted ^(a)						
Income from continuing operations attributable to Pfizer Inc. common shareholders	\$0.50	\$0.40	25	\$0.86	\$0.60	43
Discontinued operations—net of tax	1.48	0.03	*	1.49	0.07	*
Net income attributable to Pfizer Inc. common shareholders	\$1.98	\$0.43	*	\$2.34	\$0.67	*
Cash dividends paid per common share	\$0.24	\$0.22	9	\$0.48	\$0.44	9

* Calculation not meaningful.

(a)EPS amounts may not add due to rounding.

Certain amounts and percentages may reflect rounding adjustments.

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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, as well as through alliance agreements, under which we co-promote products discovered by other companies (Alliance revenues).

On June 24, 2013, we completed the full disposition of our Animal Health business (Zoetis). The operating results of this business are reported as Income from discontinued operations—net of tax in the condensed consolidated statements of income for all periods presented. In addition, in the condensed 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 Condensed Consolidated Financial Statements—Note 2B. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Divestitures and see the “Our Business Development Initiatives”, “Discontinued Operations” and “Analysis of Financial Condition, Liquidity and Capital Resources” sections of this MD&A.

On November 30, 2012, we completed the sale of our Nutrition business. The operating results of this business are reported as Income from discontinued operations—net of tax in our condensed consolidated statements of income for the three and six months ended July 1, 2012. For additional information, see Notes to Condensed Consolidated Financial Statements—Note 2B. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Divestitures and see the “Our Business Development Initiatives” and “Discontinued Operations” sections of this MD&A.

Our 2013 Performance

Revenues in the second quarter of 2013 were \$13.0 billion, a decrease of 7% compared to the same period in 2012, which reflects an operational decline of \$603 million, or 4%, and the unfavorable impact of foreign exchange of \$392 million, or 3%. The operational decrease was primarily the result of the loss of exclusivity of Lipitor in developed Europe in the second quarter of 2012, as well as the impact of multi-source generic competition for Lipitor in the U.S. beginning in late-May 2012. Additionally, revenues were negatively impacted by other product losses of exclusivity, the decline in Pfizer's share of Spiriva revenue in certain markets, government purchasing patterns for Plevnar/Prevenar in various markets, and certain other events, primarily within the Emerging Markets business unit as highlighted below. Lipitor and other product losses of exclusivity negatively impacted revenues by approximately \$1.1 billion, or 8%, in the second quarter of 2013 compared to the same period in 2012.

Revenues in the first six months of 2013 were \$25.4 billion, a decrease of 9% compared to the same period in 2012, which reflects an operational decline of \$1.9 billion, or 7%, and the unfavorable impact of foreign exchange of \$515 million, or 2%. The operational decrease was primarily the result of the loss of exclusivity of Lipitor in the second quarter of 2012 in developed Europe, as well as the impact of multi-source generic competition for Lipitor in the U.S. beginning in late-May 2012, the loss of exclusivity for Geodon in March 2012 in the U.S., other product losses of exclusivity, the decline in Pfizer's share of Spiriva revenue in certain markets and government purchasing patterns for Plevnar/Prevenar in various markets, which was slightly offset by growth in the Emerging Markets business unit. Lipitor and other product losses of exclusivity negatively impacted revenues by approximately \$2.4 billion, or 9%, in the first six months of 2013 compared to the same period in 2012.

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Income from continuing operations for the second quarter of 2013 was \$3.6 billion, compared to \$3.0 billion in the second quarter of 2012, and \$6.2 billion in the first six months of 2013, compared to \$4.6 billion in the first six months of 2012, primarily reflecting, among other items:

- patent litigation settlement income of \$1.4 billion (pre-tax) in the second quarter of 2013 (see also the “Costs and Expenses—Other (Income)/Deductions—Net” section of this MD&A and Notes to Condensed Consolidated Financial Statements—Note 4. Other (Income)/Deductions—Net);
- net charges for other legal matters that were approximately \$485 million (pre-tax) lower in the second quarter of 2013 and \$1.4 billion (pre-tax) lower in the first six months of 2013 compared to the same periods in 2012 (see also the “Costs and Expenses—Other (Income)/Deductions—Net” section of this MD&A and Notes to Condensed 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;
- charges related to our non-acquisition related cost-reduction and productivity initiatives that were \$486 million (pre-tax) lower in the first six months of 2013 than in the same period in 2012;
- a gain of \$459 million (pre-tax) in the first six months of 2013 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 MD&A and Notes to Condensed Consolidated Financial Statements—Note 2D. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Equity-Method Investments);
- lower amortization of intangible assets in the first six months of 2013 and in the second quarter of 2013 as compared to the same periods in 2012; and
- acquisition-related costs that were approximately \$115 million (pre-tax) lower in the second quarter of 2013 and \$198 million (pre-tax) lower in the first six months of 2013 than in the same periods in 2012,

partially offset by:

- lower revenues, primarily due to the loss of exclusivity of Lipitor, as well as certain other products (see also “Industry-Specific Challenges” section of this MD&A);
- charges related to our non-acquisition related cost-reduction and productivity initiatives that were approximately \$115 million (pre-tax) higher in the second quarter of 2013 compared to the same period in 2012; and
- higher effective tax rates in the second quarter and first six months of 2013 compared to the same periods in 2012, primarily due to the tax rate associated with the aforementioned patent litigation settlement, and for the first six months of 2013, the gain associated with our equity-method investment in China, Hisun Pfizer, in addition to the aforementioned patent litigation settlement.

See also the “Discontinued Operations” section of this MD&A.

Our Operating Environment

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), was enacted in the U.S. As explained more fully in our 2012 Annual Report on Form 10-K/A, this legislation has resulted in both current and longer-term impacts on us.

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

\$103 million in the second quarter of 2013 and \$110 million in the second quarter of 2012, and \$231 million in the first six months of 2013 and \$234 million in the first six months of 2012, recorded as a reduction to Revenues, related to the higher, extended and expanded rebate provisions and the Medicare “coverage gap” discount provision; and \$75 million in the second quarter of 2013 and \$78 million in the second quarter of 2012, and \$131 million in the first six months of 2013 and \$181 million in the first six months of 2012, 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.

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Industry-Specific Challenges

The majority of our revenues come from the manufacture and sale of biopharmaceutical products. As explained more fully in our 2012 Annual Report on Form 10-K/A, the biopharmaceutical industry is highly competitive and 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, pipeline productivity and the regulatory environment, pricing and access pressures and competition among branded products.

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. Our 2013 financial guidance reflects the anticipated impact in 2013 of the loss of such rights as described below (see the “Our Financial Guidance for 2013” section of this MD&A for additional information).

Our financial results have been and/or will be adversely impacted by the following:

Lipitor in the U.S.—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 in international markets—Lipitor lost exclusivity in Australia in April 2012 and most of developed Europe in March 2012 and May 2012, and now faces multi-source generic competition in those markets. Lipitor has lost exclusivity in all major markets.

Other recent loss of exclusivity impacts—In the U.S., we lost exclusivity for Geodon in March 2012 and Revatio tablet in September 2012. We lost exclusivity for Xalatan and Xalacom in the majority of European markets in January 2012 and Australia in July 2012. We lost exclusivity for Aricept in the majority of European markets in February 2012 and April 2012. Caduet lost exclusivity in the majority of European markets in March and May 2012. We lost exclusivity in the U.S. for Detrol IR in June 2012. Detrol IR and Detrol LA lost exclusivity in most European markets in September 2012. Viagra lost exclusivity in major EU markets in June 2013.

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.

Spiriva—Our collaboration with Boehringer Ingelheim (BI) for Spiriva expires on a country-by-country basis between 2012 and 2016, including the expiration in certain EU markets and Canada and Australia in early 2013 and in the U.S. in early 2014, which is adversely impacting our 2013 results. We expect to experience a graduated decline in revenues from Spiriva through 2016.

Enbrel—Our U.S. and Canada collaboration agreement with Amgen Inc. for Enbrel will expire in October 2013.

While we are entitled to royalties for 36 months thereafter, we expect that those royalties will be significantly less than our current share of Enbrel profits from U.S. and Canada sales. Outside the U.S. and Canada, our exclusive rights to Enbrel continue in perpetuity.

Rebif—Our collaboration agreement with EMD Serono Inc. to co-promote Rebif in the U.S. will expire at the end of 2015. For additional information, see Notes to Condensed Consolidated Financial Statements—Note 12. Commitments and Contingencies.

For additional information, including with regard to the expiration of the patents and of co-promotion and licensing rights for various products in the U.S., EU and Japan in 2013 and subsequent years, see the “Patents and Intellectual Property Rights” section of our 2012 Annual Report on Form 10-K/A and the “The Loss or Expiration of Intellectual Property Rights” section of our 2012 Financial Report, which was filed as Exhibit 13 to our 2012 Annual Report on Form 10-K/A.

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—Selected Revenues from Biopharmaceutical Products” section of this MD&A. See Part II—Other Information; Item 1. Legal Proceedings, of this

Quarterly Report on Form 10-Q for a discussion of certain recent developments with respect to patent litigation.

In August 2011, the federal Budget Control Act of 2011 (the Budget Control Act) was enacted in the U.S. The Budget Control Act includes provisions to raise the U.S. Treasury Department's borrowing limit, known as the debt ceiling, and provisions to reduce the federal deficit by \$2.4 trillion between 2012 and 2021. Initial deficit-reduction targets included \$900 billion of discretionary spending reductions associated with the Department of Health and Human Services and various agencies charged with national security, but those discretionary spending reductions did not include programs such as Medicare and Medicaid or direct changes to pharmaceutical pricing, rebates or discounts. The Office of Management and Budget (OMB) was responsible for identifying the remaining \$1.5 trillion of deficit reductions, which were divided evenly between defense and non-defense spending. Under this OMB review process, Social Security, Medicaid, Veteran Benefits and certain other spending categories

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were excluded from consideration, but reductions in payments to Medicare providers were made, although these reductions were prohibited by law from exceeding 2% of the originally budgeted amount. Additionally, certain payments to Medicare Part D plans, such as low-income subsidy payments, were exempt from reduction as was all patient cost-sharing under Medicare. As a result, we do not expect that the Budget Control Act will have a material adverse impact on our results of operations. However, 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 broader deficit-reduction effort or legislative replacement for the Budget Control Act could have an adverse impact on our results of operations. Although the U.S. federal debt ceiling was reached on May 18, 2013, it is estimated by the Congressional Budget Office that measures taken by the U.S. Treasury Department will enable the U.S. federal government to continue meeting its financial obligations until the fall of 2013. If the U.S. federal government fails to suspend enforcement of or to increase the debt ceiling at that time, and, as a result, is unable to satisfy its financial obligations, including under Medicare, Medicaid and other publicly funded or subsidized health programs, our results of operations could be adversely impacted.

Like other pharmaceutical companies, we are subject to extensive regulation, including inspections of our manufacturing facilities, by national, state and local government agencies in the U.S. and in the other countries in which we operate. In March 2013, we received a warning letter from the FDA with respect to our manufacturing facility in Catania, Italy. The letter raised certain issues related to the inspection of that facility that was conducted by the FDA in 2012 in connection with our application to transfer to Catania the manufacture of Tygacil and the packaging of the 40-gram dosage of Zosyn, both for the U.S. market. We currently manufacture penicillin and non-penicillin antibiotics, as well as methotrexate and diluent for Torisel, at Catania. In June 2013, the FDA accepted our proposed corrective actions in response to the warning letter, subject to a future reinspection.

The Global Economic Environment

In addition to the industry-specific factors discussed above, we, like other businesses, continue to face the effects of the challenging economic environment, which have impacted our biopharmaceutical operations in the U.S. and Europe, including the countries that use the euro, and in a number of emerging markets. We believe that patients, experiencing the effects of the challenging economic environment, including high unemployment levels, and increases in co-pays, sometimes switch to generic products, delay treatments, skip doses or use less effective treatments to reduce their costs. Challenging economic conditions in the U.S. also have increased the number of patients in the Medicaid program, under which sales of pharmaceuticals are subject to substantial rebates and, in many states, to formulary restrictions limiting access to brand-name drugs, including ours. In addition, we continue to experience pricing pressure in various markets around the world, including in developed European markets, Japan and in a number of emerging markets, with government-mandated reductions in prices for certain biopharmaceutical products and government-imposed access restrictions in certain countries. In addition, some government agencies and third-party payers use health technology assessments in ways that, at times, lead to lower prices for and restricted access to new medicines.

Significant portions of our revenues and earnings 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 U.K. pound, the Chinese renminbi, 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 weakens against a specific foreign currency, our revenues will increase, having a positive impact, and our overall expenses will increase, having a negative impact, on net income. Likewise, if the U.S. dollar strengthens against a specific foreign currency, our revenues will decrease,

having a negative impact, and our overall expenses will decrease, having a positive impact on net income. Therefore, significant changes in foreign exchange rates can impact our results and our financial guidance.

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, and we have experienced and will continue to experience ongoing adverse impacts to earnings as our revenues and expenses will be translated into U.S. dollars at lower rates. We cannot predict whether there will be further devaluations of the Venezuelan currency or devaluations of any other currencies.

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

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believe that we have 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. As market conditions change, we continue to monitor our liquidity position. We have taken and will continue to take a conservative approach to our financial investments. Both short-term and long-term investments consist primarily of high-quality, highly liquid, well-diversified, available-for-sale debt securities. For further discussion of our financial condition, see the "Analysis of Financial Condition, Liquidity and Capital Resources" section of this MD&A.

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 MD&A; in Part II, Item 1A., "Risk Factors", of this Quarterly Report on Form 10-Q; and in Part I, Item 1A, "Risk Factors," of our 2012 Annual Report on Form 10-K/A.

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 significantly improve their lives. By doing so, we expect to create value for the patients we serve and for our shareholders.

Commercial Operations

We currently manage our commercial operations through four operating segments—Primary Care, Specialty Care and Oncology, Established Products and Emerging Markets, and Consumer Healthcare. For additional information about our operating structure, see Notes to Condensed Consolidated Financial Statements—Note 13A. Segment, Geographic and Other Revenue Information: Segment Information.

On July 29, 2013, we announced plans to internally create a new global commercial organization structure. Beginning in fiscal 2014, we will manage our commercial operations through three business segments—the Innovative Products Group (IPG) and the Vaccines, Oncology and Consumer Healthcare Group (VOC) (collectively, the innovative business) and the Value Products Group (VPG or the value business).

A significant change effected by this new structure is the full integration of emerging markets into each business segment. Emerging markets are an important component of our strategy for global leadership, and our new 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.

Some additional information about each product grouping:

Innovative Product Group—IPG will generally comprise medicines within several therapeutic areas that are expected to have market exclusivity beyond 2015. These therapeutic areas include immunology and inflammation, cardiovascular/metabolic, neuroscience and pain, rare diseases and women's/men's health.

Vaccines, Oncology and Consumer Healthcare Group—VOC will focus on the development of vaccines and products for oncology and consumer healthcare. Each of the three businesses comprising this group will operate as a separate, global business, requiring distinct specialization in terms of the science, talent and market approach necessary to deliver value to consumers and patients.

Value Products Group—VPG will include the brands that have lost market exclusivity and, generally, the mature, patent-protected products that are expected to lose exclusivity through 2015 in most major markets. Additionally, VPG will include our biosimilars portfolio and current and future established products initiatives, such as our existing agreements with Mylan in Japan, Hisun in China and Teuto in Brazil.

The IPG and VOC biopharmaceutical portfolios of innovative, largely patent-protected, in-line products will be sustained by ongoing internal investments and targeted business development designed to maximize the value of our in-line products and ensure a robust pipeline of highly-differentiated product candidates in areas of unmet medical need. In addition, VOC will include our Consumer Healthcare business, which manufactures and markets several well-known brands. The assets to be

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managed by these groups are science-driven, highly differentiated and generally require a high-level of engagement with healthcare providers and consumers.

VPG will be expected to generate strong consistent cash flow by providing patients around the world with access to effective, lower-cost, high-value treatments. VPG will leverage our experience in biologic development, manufacturing and commercialization.

These changes will not be implemented until 2014 to allow for the necessary internal transition process. We will consult, as necessary, with works councils or unions. Beginning with our first-quarter 2014 financial results, we will provide greater financial transparency into our new segments.

Research Operations

We continue to transform our global research and development organization and pursue strategies intended to improve innovation and overall productivity in R&D with the goal of building 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 the system's overall productivity. As such, our research primarily focuses on five high-priority areas that have a mix of small molecules and large molecules-immunology and inflammation; oncology; cardiovascular and metabolic diseases; neuroscience and pain; and vaccines. Other areas of focus include rare diseases and biosimilars.

While a significant portion of R&D is done internally, we continue to seek to expand our pipeline by entering into agreements with other companies to develop, license or acquire promising compounds, technologies or capabilities. Collaboration, alliance and license agreements and acquisitions allow us to capitalize on these compounds to expand our pipeline of potential future products. In addition, collaborations and alliances allow us to share risk and to access external scientific and technological expertise.

For additional information about R&D by operating segment, see the "Research and Development-Research and Development Operations" section of this MD&A.

For additional information about our pending new drug applications and supplemental filings, see the "Research and Development-Product Developments-Biopharmaceutical" section of this MD&A.

For additional information about current and recent restructuring activities, see the "Costs and Expenses-Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives" section of this MD&A.

For additional information about recent transactions and strategic investments that we believe advance our pipeline and maximize the value of our in-line products, see the "Our Business Development Initiatives" section of this MD&A.

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 advance our pipeline and maximize the value of our in-line products, see the "Our Business Development Initiatives" section of this MD&A.

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 Condensed Consolidated Financial Statements—Note 12A1. Commitments and Contingencies-Legal Proceedings—Patent Litigation.

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Capital 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 dividends and share repurchases. For additional information about our financial condition, liquidity and capital resources, see the “Analysis of Financial Condition, Liquidity and Capital Resources” section of this MD&A.

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 MD&A.

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, dispositions and acquisitions. We view our business development activity as an enabler of our strategies, and we seek to generate profitable revenue 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; oncology; cardiovascular and metabolic diseases; neuroscience and pain; and vaccines—and in emerging markets and established products. Other areas of focus include rare diseases and biosimilars. We assess our businesses and assets as part of our regular, ongoing portfolio review process and also continue to consider business development activities for our businesses.

The most significant recent transactions and events are described below:

On June 24, 2013, we completed the full disposition of our Animal Health business (Zoetis). The full disposition was completed through a series of steps, including the formation of Zoetis, an initial public offering (IPO) of an approximate 19.8% interest in Zoetis and an exchange offer for the remaining 80.2% interest. For additional information, see Notes to Condensed Consolidated Financial Statements—Note 2B. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Divestitures.

On April 29, 2013, we announced that we entered into a worldwide, except Japan, collaboration agreement with Merck & Co., Inc. (Merck) for the development and commercialization of Pfizer's ertugliflozin (PF-04971729), an investigational oral sodium glucose cotransporter (SGLT2) inhibitor being evaluated for the treatment of type 2 diabetes. For additional information, see Notes to Condensed Consolidated Financial Statements—Note 2C.

Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Collaborative Arrangement.

On September 6, 2012, we and Zhejiang Hisun Pharmaceuticals Co., Ltd. formed a new company, Hisun Pfizer, to develop, manufacture, market and sell pharmaceutical products, primarily branded generic products, predominately in China. On January 1, 2013, we contributed assets constituting a business to this 49%-owned equity-method investment and recognized a pre-tax gain of approximately \$459 million in Other (income)/deductions—net. For additional information, see Notes to Condensed Consolidated Financial Statements—Note 2D. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Equity-Method Investment.

On November 30, 2012, we completed the sale of our Nutrition business to Nestlé for \$11.85 billion in cash. For additional information, see Notes to Condensed Consolidated Financial Statements—Note 2B. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Divestitures.

On November 27, 2012, we completed our acquisition of NextWave Pharmaceuticals Incorporated (NextWave), a privately held, specialty pharmaceutical company. As a result of the acquisition, we now hold exclusive North American rights to Quillivant XR™ (methylphenidate hydrochloride), the first once-daily liquid medication approved in the U.S. for the treatment of attention deficit hyperactivity disorder. The total consideration for the acquisition was approximately \$442 million. For additional information, see Notes to Condensed Consolidated Financial Statements—Note 2A. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Acquisitions.

On October 31, 2012, our equity-method investee, ViiV Healthcare Limited (ViiV), acquired the remaining 50% of Shionogi-ViiV Healthcare LLC, its equity-method investee, from Shionogi & Co., Ltd. (Shionogi) in consideration for a 10% interest in ViiV (newly issued shares) and contingent consideration in the form of future royalties.

On August 13, 2012, we announced that we entered into an agreement with AstraZeneca for the global over-the-counter (OTC) rights for Nexium, a leading prescription drug currently approved to treat the symptoms of gastroesophageal reflux disease. We made an upfront payment of \$250 million to AstraZeneca, and AstraZeneca is eligible to receive milestone payments of up to \$550 million based on product launches and level of sales as well as royalty payments based on sales. In

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June 2013, the Committee for Medicinal Products for Human Use of the European Medicines Agency issued a positive opinion recommending that the European Commission approve 'Nexium Control' OTC for the short-term treatment of reflux symptoms (including heartburn and acid regurgitation in adults). A new drug application submission for Nexium OTC in the U.S. in a 20mg delayed-release capsule was completed in the first half of 2013. On March 12, 2012, Biocon and Pfizer announced the conclusion of their October 18, 2010 alliance to commercialize Biocon's biosimilar versions of insulin and insulin analog products. The companies agreed that, due to the individual priorities for their respective biosimilars businesses, each company would move forward independently. On February 26, 2012, we completed our acquisition of Alacer Corp. (Alacer), a company that manufactures, markets and distributes Emergen-C, a line of effervescent, powdered drink mix vitamin supplements that is the largest-selling branded vitamin C line in the U.S. For additional information, see Notes to Condensed Consolidated Financial Statements—Note 2A. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Acquisitions.

On December 1, 2011, we completed our acquisition of the consumer healthcare business of Ferrosan Holding A/S (Ferrosan), a Danish company engaged in the sale of science-based consumer healthcare products, including dietary supplements and lifestyle products, primarily in the Nordic region and the emerging markets of Russia and Central and Eastern Europe. For additional information, see Notes to Condensed Consolidated Financial Statements—Note 2A. Acquisitions, Divestitures, Collaborative Arrangement and Equity-Method Investment: Acquisitions.

Our Financial Guidance for 2013

As reported on June 24, 2013, we updated our 2013 financial guidance solely to reflect the impact of the Zoetis exchange offer. We noted that, among other things, the impact of the removal of the full-year 2013 financial contribution of Zoetis, as well as the impact of the partial-year benefit from the net reduction in Pfizer's outstanding common stock due to the exchange offer resulted in a \$0.04 decrease in the upper and lower ends of our projected range for 2013 Adjusted diluted EPS.

All components of our 2013 financial guidance as reported on June 24, 2013 are affirmed, except that the guidance for Reported diluted EPS has been updated to reflect (i) the gain on disposal of Zoetis, and (ii) the income from a litigation settlement with Teva Pharmaceuticals Industries Ltd. and Sun Pharmaceuticals Industries, Limited for patent-infringement damages resulting from their "at-risk" launches of generic Protonix in the U.S.

The following table provides our current financial guidance for 2013:

Revenues	\$50.8 to \$52.8 billion
Adjusted cost of sales as a percentage of revenues	18.0% to 19.0%
Adjusted selling, informational and administrative expenses	\$14.2 to \$15.2 billion
Adjusted research and development expenses	\$6.1 to \$6.6 billion
Adjusted other (income)/deductions	Approximately \$800 million
Effective tax rate on adjusted income	Approximately 28.0%
Reported diluted EPS	\$3.07 to \$3.22
Adjusted diluted EPS	\$2.10 to \$2.20

For an understanding of Adjusted income and Adjusted diluted EPS (both non-GAAP financial measures), see the "Adjusted Income" section of this MD&A.

The current exchange rates assumed in connection with the 2013 financial guidance are a blend of the actual exchange rates in effect through June 2013 and the mid-July 2013 exchange rates for the remainder of the year. The weighted average shares outstanding assumed reflects the net reduction in our common stock outstanding as a result of the Zoetis exchange offer. Since this reduction occurred on June 24, 2013, we will only recognize a partial-year benefit to our Adjusted and Reported diluted EPS guidance.

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The following table provides a reconciliation of 2013 Adjusted income and Adjusted diluted EPS guidance to the 2013 Reported net income attributable to Pfizer Inc. and Reported diluted EPS attributable to Pfizer Inc. common shareholders guidance:

(BILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)	Full-Year 2013 Guidance	
	Net Income ^(a)	Diluted EPS ^(a)
Adjusted income/diluted EPS ^(b) guidance	\$14.4 - \$15.1	\$2.10 - \$2.20
Purchase accounting impacts of transactions completed as of June 30, 2013	(3.4)	(0.50)
Acquisition-related costs	(0.4 - 0.5)	(0.06 - 0.07)
Non-acquisition-related restructuring costs	(0.5 - 0.8)	(0.08 - 0.12)
Certain other items incurred through June 30, 2013 ^(c)	0.7	0.10
Discontinued operations ^(d)	10.7	1.56
Reported net income attributable to Pfizer Inc./diluted EPS guidance	\$21.1 - \$22.2	\$3.07 - \$3.22

Does not assume the completion of any business-development transactions not completed as of June 30, 2013,

(a) including any one-time upfront payments associated with such transactions. Also excludes the potential effects of the resolution of litigation-related matters not substantially resolved as of June 30, 2013.

(b) For an understanding of Adjusted income and Adjusted diluted EPS, see the “Adjusted Income” section of this MD&A.

Primarily reflects the income from a litigation settlement with Teva Pharmaceutical Industries Ltd. and Sun

(c) Pharmaceuticals Industries, Limited for patent-infringement damages resulting from their “at-risk” launches of generic Protonix in the United States.

The financial results of the Animal Health business from January 1, 2013 to June 24, 2013, as well as the gain on disposal of Zoetis, are presented as a discontinued operation. As a result, they have been excluded from all

(d) components of the financial guidance, except Reported diluted EPS and Reported net income attributable to Pfizer Inc. Reported diluted EPS and Reported net income guidance includes the gain on disposal of Zoetis, as well as the financial results of the Animal Health business as follows:

January 1, 2013 to February 6, 2013: 100% of Zoetis financial results are included;

February 7, 2013 to June 24, 2013: 80.2% of Zoetis financial results are included; 19.8% of Zoetis financial results are excluded, as this interest in Zoetis was no longer owned by Pfizer; and

June 24, 2013 through December 31, 2013: no actual or projected financial results of Zoetis are included.

For a description of our actual and anticipated costs and savings associated with our cost-reduction initiatives, see the “Costs and Expenses—Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives” section of this MD&A.

Our 2013 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 MD&A; Part II, Item 1A., “Risk Factors,” of this Quarterly Report on Form 10-Q; the “Our Operating Environment” and “Our Strategy” sections of our 2012 Financial Report, which was filed as Exhibit 13 to our 2012 Annual Report on Form 10-K/A; and Part I, Item 1A, “Risk Factors,” of our 2012 Annual Report on Form 10-K/A.

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ANALYSIS OF THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Revenues

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

	Worldwide		U.S.		International		World- wide	U.S.	Inter- national	
(MILLIONS OF DOLLARS)	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012	% Change in Revenues			
Three Months Ended										
Biopharmaceutical revenues:										
Primary Care Operating Segment	\$3,333	\$4,018	\$2,107	\$2,042	\$1,226	\$1,976	(17	) 3	(38)
Specialty Care	3,378	3,497	1,489	1,493	1,889	2,004	(3	) —	(6)
Oncology	399	323	183	141	216	182	24	30	19	
SC&O Operating Segment	3,777	3,820	1,672	1,634	2,105	2,186	(1	) 2	(4)
Emerging Markets	2,615	2,620	—	—	2,615	2,620	—	—	—	
Established Products	2,385	2,681	959	1,269	1,426	1,412	(11	) (24	) 1	
EP&EM Operating Segment	5,000	5,301	959	1,269	4,041	4,032	(6	) (24) —	
	12,110	13,139	4,738	4,945	7,372	8,194	(8	) (4	) (10)
Consumer Healthcare	800	769	337	340	463	429	4	(1	) 8	
Other ^(a)	63	60	15	22	48	38	5	(32	) 26	
Total revenues	\$12,973	\$13,968	\$5,090	\$5,307	\$7,883	\$8,661	(7	) (4	) (9)
Six Months Ended										
Biopharmaceutical revenues:										
Primary Care Operating Segment	\$6,571	\$8,115	\$4,112	\$4,043	\$2,459	\$4,072	(19	) 2	(40)
Specialty Care	6,542	7,077	2,852	3,111	3,690	3,966	(8	) (8	) (7)
Oncology	771	611	349	264	422	347	26	32	22	
SC&O Operating Segment	7,313	7,688	3,201	3,375	4,112	4,313	(5	) (5	) (5)
Emerging Markets	5,035	4,919	—	—	5,035	4,919	2	—	2	
Established Products	4,737	5,482	1,942							