PFIZER INC
Form 10-Q
November 05, 2015
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 September 27, 2015

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	13-5315170
(State of Incorporation)	(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 X 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 X 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):

Large Accelerated filer X Accelerated filer ___ Non-accelerated filer ___ Smaller reporting company ___

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

At November 2, 2015, 6,173,001,952 shares of the issuer's voting common stock were outstanding.

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements
PFIZER INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
(MILLIONS, EXCEPT PER COMMON SHARE DATA)	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Revenues	$12,087	$12,361	$34,804	$36,487
Costs and expenses:				
Cost of sales[(a)]	2,219	2,368	6,238	6,875
Selling, informational and administrative expenses[(a)]	3,270	3,556	9,761	10,116
Research and development expenses[(a)]	1,722	1,802	5,342	5,184
Amortization of intangible assets	937	972	2,748	3,090
Restructuring charges and certain acquisition-related costs	581	(19)	727	120
Other (income)/deductions—net	661	94	670	665
Income from continuing operations before provision for taxes on income	2,697	3,587	9,319	10,437
Provision for taxes on income	567	911	2,178	2,575
Income from continuing operations	2,130	2,676	7,141	7,862
Discontinued operations—net of tax	8	(3)	14	70
Net income before allocation to noncontrolling interests	2,139	2,672	7,155	7,932
Less: Net income attributable to noncontrolling interests	9	6	23	25
Net income attributable to Pfizer Inc.	$2,130	$2,666	$7,132	$7,907
Earnings per common share—basic:				
Income from continuing operations attributable to Pfizer Inc. common shareholders	$0.34	$0.42	$1.15	$1.23
Discontinued operations—net of tax	—	—	—	0.01
Net income attributable to Pfizer Inc. common shareholders	$0.35	$0.42	$1.15	$1.24
Earnings per common share—diluted:				
Income from continuing operations attributable to Pfizer Inc. common shareholders	$0.34	$0.42	$1.14	$1.22
Discontinued operations—net of tax	—	—	—	0.01
Net income attributable to Pfizer Inc. common shareholders	$0.34	$0.42	$1.14	$1.23
Weighted-average shares—basic	6,168	6,330	6,176	6,363
Weighted-average shares—diluted	6,243	6,403	6,259	6,441
Cash dividends paid per common share	$0.28	$0.26	$0.84	$0.78

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

Amounts may not add due to rounding.

See Notes to Condensed Consolidated Financial Statements.

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

(MILLIONS OF DOLLARS)	Three Months Ended		Nine Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Net income before allocation to noncontrolling interests	$2,139	$2,672	$7,155	$7,932
Foreign currency translation adjustments, net	$(535)	$(431)	$(2,170)	$(273)
Reclassification adjustments[a]	—	—	—	(62)
	(535)	(430)	(2,170)	(334)
Unrealized holding losses on derivative financial instruments, net	(217)	(172)	(80)	(229)
Reclassification adjustments for realized (gains)/losses[b]	(35)	441	(545)	527
	(251)	269	(625)	298
Unrealized holding gains/(losses) on available-for-sale securities, net	25	(200)	(502)	(107)
Reclassification adjustments for realized (gains)/losses[b]	69	15	815	(163)
	94	(185)	312	(270)
Benefit plans: actuarial gains/(losses), net	(144)	18	(122)	13
Reclassification adjustments related to amortization[c]	140	48	409	146
Reclassification adjustments related to settlements, net[c]	36	19	98	58
Other	(10)	42	120	16
	23	127	506	233
Benefit plans: prior service credits and other, net	—	—	506	—
Reclassification adjustments related to amortization[c]	(46)	(19)	(115)	(55)
Reclassification adjustments related to curtailments, net[c]	(4)	1	(21)	12
Other	(1)	—	(3)	(1)
	(51)	(18)	366	(44)
Other comprehensive loss, before tax	(721)	(238)	(1,611)	(118)
Tax provision/(benefit) on other comprehensive loss[d]	(65)	83	267	71
Other comprehensive loss before allocation to noncontrolling interests	$(656)	$(320)	$(1,878)	$(189)
Comprehensive income before allocation to noncontrolling interests	$1,483	$2,352	$5,277	$7,743
Less: Comprehensive income/(loss) attributable to noncontrolling interests	2	1	(1)	32
Comprehensive income attributable to Pfizer Inc.	$1,481	$2,351	$5,278	$7,711

[a] Reclassified into 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.
[c]

Generally reclassified, as part of net periodic pension cost, into Cost of sales, Selling, informational and administrative expenses, and/or Research and development expenses, as appropriate, in the condensed consolidated statements of income. For additional information, see Note 10. Pension and Postretirement Benefit Plans.

(d) See Note 5C. Tax Matters: Tax Provision/(Benefit) on Other Comprehensive Loss.

Amounts may not add due to rounding.

See Notes to Condensed Consolidated Financial Statements.

PFIZER INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(MILLIONS OF DOLLARS)	September 27, 2015 (Unaudited)	December 31, 2014
Assets		
Cash and cash equivalents	$3,099	$3,343
Short-term investments	17,559	32,779
Trade accounts receivable, less allowance for doubtful accounts: 2015—$416; 2014—$412	9,535	8,401
Inventories	7,678	5,663
Current deferred tax assets and other current tax assets	4,883	4,498
Other current assets	2,248	3,019
Total current assets	45,001	57,702
Long-term investments	16,233	17,518
Property, plant and equipment, less accumulated depreciation	13,695	11,762
Identifiable intangible assets, less accumulated amortization	43,297	35,166
Goodwill	47,217	42,069
Noncurrent deferred tax assets and other noncurrent tax assets	1,512	1,544
Other noncurrent assets	3,911	3,513
Total assets	$170,867	$169,274
Liabilities and Equity		
Short-term borrowings, including current portion of long-term debt	$9,818	$5,141
Trade accounts payable	3,294	3,210
Dividends payable	1,728	1,711
Income taxes payable	1,178	531
Accrued compensation and related items	2,155	1,841
Other current liabilities	9,672	9,197
Total current liabilities	27,845	21,631
Long-term debt	29,079	31,541
Pension benefit obligations, net	6,745	7,885
Postretirement benefit obligations, net	1,980	2,379
Noncurrent deferred tax liabilities	28,654	24,981
Other taxes payable	4,452	4,353
Other noncurrent liabilities	4,987	4,883
Total liabilities	103,743	97,652
Commitments and Contingencies		
Preferred stock	27	29
Common stock	459	455
Additional paid-in capital	80,763	78,977
Treasury stock	(79,259)	(73,021)
Retained earnings	74,019	72,176
Accumulated other comprehensive loss	(9,170)	(7,316)
Total Pfizer Inc. shareholders' equity	66,838	71,301
Equity attributable to noncontrolling interests	286	321
Total equity	67,124	71,622

Total liabilities and equity	$170,867	$169,274

Amounts may not add due to rounding.

See Notes to Condensed Consolidated Financial Statements.

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

(MILLIONS OF DOLLARS)	Nine Months Ended September 27, 2015	Nine Months Ended September 28, 2014
Operating Activities		
Net income before allocation to noncontrolling interests	$7,155	$7,932
Adjustments to reconcile net income before allocation to noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization	3,733	4,206
Asset write-offs and impairments	864	414
Adjustment to gain on disposal of discontinued operations	—	(65)
Deferred taxes from continuing operations	(165)	766
Share-based compensation expense	488	424
Benefit plan contributions (in excess of)/less than expense	(804)	(208)
Other adjustments, net	(184)	(464)
Other changes in assets and liabilities, net of acquisitions and divestitures	(1,288)	(1,519)
Net cash provided by operating activities	9,799	11,485
Investing Activities		
Purchases of property, plant and equipment	(786)	(845)
Purchases of short-term investments	(21,068)	(36,294)
Proceeds from redemptions/sales of short-term investments	33,609	32,883
Net proceeds from redemptions/sales of short-term investments with original maturities of 90 days or less	5,557	4,945
Purchases of long-term investments	(6,578)	(9,254)
Proceeds from redemptions/sales of long-term investments	4,535	4,637
Acquisitions of businesses, net of cash acquired	(16,322)	(195)
Acquisitions of intangible assets	(48)	(342)
Other investing activities, net	346	325
Net cash used in investing activities	(756)	(4,140)
Financing Activities		
Proceeds from short-term borrowings	2,022	8
Principal payments on short-term borrowings	(15)	(3)
Net proceeds from/(payments on) short-term borrowings with original maturities of 90 days or less	1,907	(2,758)
Proceeds from issuance of long-term debt	—	4,491
Principal payments on long-term debt	(3,003)	(786)
Purchases of common stock	(6,160)	(3,801)
Cash dividends paid	(5,211)	(4,970)
Proceeds from exercise of stock options	1,165	704
Other financing activities, net	171	56
Net cash used in financing activities	(9,124)	(7,060)
Effect of exchange-rate changes on cash and cash equivalents	(162)	(30)
Net increase/(decrease) in cash and cash equivalents	(244)	255
Cash and cash equivalents, beginning	3,343	2,183
Cash and cash equivalents, end	$3,099	$2,437

Supplemental Cash Flow Information		
Cash paid during the period for:		
Income taxes	$1,414	$1,484
Interest	1,162	1,329

Amounts may not add due to rounding.

See Notes to Condensed Consolidated Financial Statements.

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 United States (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 nine months ended August 23, 2015 and August 24, 2014.

In the condensed consolidated balance sheet as of December 31, 2014, we performed certain reclassifications to conform to current period presentation, none of which were material to our financial statements.

Unless the context requires otherwise, references to “Pfizer,” “the Company,” “we,” “us” or “our” in this Quarterly Report on Form 10-Q refer to Pfizer Inc. and its subsidiaries.

On September 3, 2015 (the acquisition date), we acquired Hospira, Inc. (Hospira) for approximately $16.0 billion in cash. Commencing from the acquisition date, our financial statements reflect the assets, liabilities, operating results and cash flows of Hospira, and, in accordance with our domestic and international reporting periods, our consolidated financial statements for the three and nine months ended September 27, 2015 reflect one month of legacy Hospira U.S. operations but do not include any financial results from legacy Hospira international operations. Hospira is now a subsidiary of Pfizer. The combination of local Pfizer and Hospira entities may be pending in various jurisdictions and integration is subject to completion of various local legal and regulatory steps. See Note 2A for additional information.

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 condensed consolidated balance sheets and condensed consolidated statements of income.

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 2014 Annual Report on Form 10-K.

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

B. Adoption of New Accounting Standard

We adopted a new accounting and disclosure standard as of January 1, 2015 that limits the presentation of discontinued operations to when the disposal of the business operation represents a strategic shift that has had or will have a major effect on our operations and financial results. This new standard is applied prospectively to all disposals

(or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. We did not have any disposals within the scope of this new standard and, therefore, there were no impacts to our condensed consolidated financial statements.

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 inputs other than quoted prices that are directly or indirectly observable, or inputs that are derived principally from, or corroborated by, observable market data by correlation or other means (Level 2 inputs).
- Unobservable inputs that reflect estimates and assumptions (Level 3 inputs).

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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.

Note 2. Acquisitions, Licensing Agreements, Collaborative Arrangements, Equity-Method Investments and Cost-Method Investment

A. Acquisitions

Hospira, Inc. (Hospira)

On September 3, 2015 (the acquisition date), we acquired Hospira, a leading provider of sterile injectable drugs and infusion technologies as well as a provider of biosimilars, for $90 per share in cash. The total fair value of consideration transferred for Hospira was approximately $16.0 billion in cash ($15.6 billion, net of cash acquired). Hospira is now a subsidiary of Pfizer. The combination of local Pfizer and Hospira entities may be pending in various jurisdictions and integration is subject to completion of various local legal and regulatory steps.

Hospira's principal business was the development, manufacture, marketing and distribution of generic acute-care and oncology injectables, biosimilars and integrated infusion therapy and medication management systems. Hospira’s broad portfolio of products is used by hospitals and alternate site providers, such as clinics, home healthcare providers and long-term care facilities. We believe our acquisition of Hospira has strengthened our Global Established Products (GEP) business, as GEP now has a broadened portfolio of generic and branded sterile injectables, marketed biosimilars, medication management systems and biosimilars in development.

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

(MILLIONS OF DOLLARS)	Amounts Recognized as of Acquisition Date (Provisional)
Working capital, excluding inventories[a]	$271
Inventories	1,894
Property, plant and equipment	2,338
Identifiable intangible assets, excluding in-process research and development[b]	10,030
In-process research and development	1,120
Other noncurrent assets	311
Long-term debt	(1,928)
Benefit obligations	(117)
Net income tax accounts[c]	(3,645)
Other noncurrent liabilities	(37)
Total identifiable net assets	10,237
Goodwill	5,790
Net assets acquired/total consideration transferred	$16,027

(a) Includes cash and cash equivalents, short-term investments, accounts receivable, other current assets, assets held for sale, accounts payable and other current liabilities.

(b) Comprised of finite-lived developed technology rights with a weighted-average life of approximately 13 years ($9.4 billion) and other finite-lived identifiable intangible assets with a weighted-average life of approximately 18

years ($590 million).

(c) As of the acquisition date, included in Current deferred tax assets and other current tax assets ($218 million), Noncurrent deferred tax liabilities ($3.8 billion) and Other taxes payable ($114 million, including accrued interest of $5 million).

As of the acquisition date, the fair value of accounts receivable approximated the book value acquired. The gross contractual amount receivable was $573 million, of which $7 million was not expected to be collected.

In the ordinary course of business, Hospira incurs liabilities for environmental, legal and tax matters, as well as guarantees and indemnifications. These matters may include contingencies. Except as specifically excluded by the relevant accounting standard, contingencies are required to be measured at fair value as of the acquisition date, if the acquisition-date fair value of the asset or liability arising from a contingency can be determined. If the acquisition-date fair value of the asset or liability cannot be determined, the asset or liability would be recognized at the acquisition date if both of the following criteria were

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

met: (i) it is probable that an asset existed or that a liability had been incurred at the acquisition date, and (ii) the amount of the asset or liability can be reasonably estimated.

- Environmental Matters—In the ordinary course of business, Hospira incurs liabilities for environmental matters such as remediation work, asset retirement obligations and environmental guarantees and indemnifications. See below for items pending finalization.
- Legal Matters—Hospira is involved in various legal proceedings, including product liability, patent, commercial, antitrust and environmental matters and government investigations, of a nature considered normal to its business. The contingencies arising from legal matters are not significant to Pfizer's financial statements.
- Tax Matters—In the ordinary course of business, Hospira incurs liabilities for income taxes. Income taxes are exceptions to both the recognition and fair value measurement principles associated with the accounting for business combinations. Reserves for income tax contingencies continue to be measured under the benefit recognition model as previously used by Hospira (see Notes to Consolidated Financial Statements—Note 1O. Basis of Presentation and Significant Accounting Policies: Deferred Tax Assets and Liabilities and Income Tax Contingencies in our 2014 Financial Report). Net liabilities for income taxes approximate $3.6 billion as of the acquisition date, which includes $112 million for uncertain tax positions. The net tax liability includes the recording of additional adjustments of approximately $3.5 billion for the tax impact of fair value adjustments and approximately $790 million for income tax matters that we intend to resolve in a manner different from what Hospira had planned or intended. For example, because we plan to repatriate certain overseas funds, we provided deferred taxes on Hospira's unremitted earnings for which no taxes have been previously provided by Hospira as it was Hospira's intention to indefinitely reinvest those earnings.

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Specifically, the goodwill recorded as part of the acquisition of Hospira includes the following:

- the expected specific synergies and other benefits that we believe will result from combining the operations of Hospira with the operations of Pfizer;
- any intangible assets that do not qualify for separate recognition, as well as future, as yet unidentified projects and products; and
- the value of the going-concern element of Hospira's existing businesses (the higher rate of return on the assembled collection of net assets versus if Pfizer had acquired all of the net assets separately).

Goodwill is not amortized and is not deductible for tax purposes. All of the goodwill related to the acquisition of Hospira is related to our GEP segment (see Note 9 for additional information).

All the recorded amounts for assets acquired and liabilities assumed from Hospira as of the acquisition date are provisional and subject to change, which could be significant, pending finalization of the evaluation of the assets acquired and the liabilities assumed as well as the valuation efforts associated with the acquired assets and liabilities.

Actual and Pro Forma Impact of Acquisition—The following table presents information for Hospira's operations that are included in Pfizer's condensed consolidated statements of income beginning from the acquisition date, September 3, 2015 (see Note 1A):

(MILLIONS OF DOLLARS)	Three Months Ended September 27, 2015	Nine Months Ended September 27, 2015
Revenues	$330	$330
Net loss attributable to Pfizer Inc. common shareholders[(a)]	(265)	(265)

(a) Includes purchase accounting charges related to (i) the preliminary fair value adjustment for acquisition-date inventory estimated to have been sold ($77 million pre-tax in both the third quarter and first nine months of 2015); (ii) amortization expense related to the preliminary fair value of identifiable intangible assets acquired from Hospira ($57 million pre-tax in both the third quarter and first nine months of 2015); (iii) depreciation expense related to the preliminary fair value adjustment of fixed assets acquired from Hospira ($8 million pre-tax both in the third quarter and first nine months of 2015); and (iv) amortization expense related to the fair value adjustment of long-term debt acquired from Hospira ($3 million income pre-tax both in the third quarter and first nine months of 2015), as well as restructuring and integration costs ($413 million pre-tax in both the third quarter and first nine months of 2015).

PFIZER INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The following table provides supplemental pro forma information as if the acquisition of Hospira had occurred on January 1, 2014:

	Unaudited Supplemental Pro Forma Consolidated Results			
	Three Months Ended		Nine Months Ended	
(MILLIONS OF DOLLARS, EXCEPT PER SHARE DATA)	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Revenues	$12,957	$13,512	$38,034	$39,824
Net income attributable to Pfizer Inc. common shareholders	2,471	2,679	7,432	6,966
Diluted earnings per share attributable to Pfizer Inc. common shareholders	0.40	0.42	1.19	1.08

The unaudited supplemental pro forma consolidated results do not purport to reflect what the combined company's results of operations would have been had the acquisition occurred on January 1, 2014, nor do they project the future results of operations of the combined company or reflect the expected realization of any cost savings associated with the acquisition. The actual results of operations of the combined company may differ significantly from the pro forma adjustments reflected here due to many factors. The unaudited supplemental pro forma financial information includes various assumptions, including those related to the preliminary purchase price allocation of the assets acquired and the liabilities assumed from Hospira.

The unaudited supplemental pro forma consolidated results reflect the historical financial information of Pfizer and Hospira, adjusted to give effect to the acquisition of Hospira as if it had occurred on January 1, 2014, primarily for the following pre-tax adjustments:

- Elimination of Hospira's historical intangible asset amortization expense (approximately $9 million in the third quarter of 2015, $17 million in the third quarter of 2014, $33 million in the first nine months of 2015 and $61 million in the first nine months of 2014).
- Additional amortization expense (approximately $143 million in the third quarter of 2015, $199 million in the third quarter of 2014, $541 million in the first nine months of 2015 and $579 million in the first nine months of 2014) related to the preliminary estimate of the fair value of identifiable intangible assets acquired.
- Additional depreciation expense (approximately $19 million in the third quarter of 2015, $28 million in the third quarter of 2014, $72 million in the first nine months of 2015 and $83 million in the first nine months of 2014) related to the preliminary estimate of the fair value adjustment to property, plant and equipment (PP&E) acquired.
- Adjustment related to the preliminary estimate of the non-recurring fair value adjustment to acquisition-date inventory estimated to have been sold (the elimination of $66 million of charges in the third quarter of 2015, the addition of $17 million of charges in the third quarter of 2014, the elimination of $42 million of charges in the first nine months of 2015 and the addition of $514 million of charges in the first nine months of 2014).
- Adjustment to decrease interest expense (approximately $3 million in the third quarter of 2015, $10 million in the third quarter of 2014, $23 million in the first nine months of 2015 and $29 million in the first nine months of 2014) related to the fair value adjustment of Hospira debt.
- Adjustment for non-recurring acquisition-related costs directly attributable to the acquisition (the elimination of $682 million of charges in the third quarter of 2015 and $724 million of charges in the first nine months of 2015, and the addition of $724 million of charges in the first nine months of 2014, reflecting non-recurring charges incurred by both Hospira and Pfizer).

The above adjustments were adjusted for the applicable tax impact. The taxes associated with the adjustments related to the preliminary estimate of the fair value adjustment for acquired intangible assets, property, plant and equipment, inventory and debt reflect the statutory tax rates in the various jurisdictions where the adjustments are expected to be incurred. The taxes associated with the adjustment for the acquisition-related costs directly attributable to the

acquisition were based on the tax rate in the jurisdiction in which the related deductible costs were incurred.

Marketed Vaccines Business of Baxter International Inc. (Baxter)

On December 1, 2014 (which falls in the first fiscal quarter of 2015 for our international operations), we acquired Baxter's portfolio of marketed vaccines for a final purchase price of $648 million. The portfolio that was acquired consists of NeisVac-C and FSME-IMMUN/TicoVac. NeisVac-C is a vaccine that helps protect against meningitis caused by group C meningococcal meningitis and FSME-IMMUN/TicoVac is a vaccine that helps protect against tick-borne encephalitis. In connection with this

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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acquisition, we recorded $376 million in Identifiable intangible assets, primarily consisting of $371 million in Developed technology rights. We also recorded $194 million of Inventories and $12 million in Goodwill. The final allocation of the consideration transferred to the assets acquired and the liabilities assumed has been completed.

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

B. Licensing Agreements

Cellectis SA (Cellectis)
On June 18, 2014, we entered into a global arrangement with Cellectis to develop Chimeric Antigen Receptor T-cell immunotherapies in the field of oncology directed at select cellular surface antigen targets. In August 2014, in connection with this licensing agreement, we made an upfront payment of $80 million to Cellectis, which was recorded in Research and development expenses. We will also fund research and development costs associated with 15 Pfizer-selected targets and, for the benefit of Cellectis, a portion of the research and development costs associated with four Cellectis-selected targets within the arrangement. Cellectis is eligible to receive development, regulatory and commercial milestone payments of up to $185 million per product that results from the Pfizer-selected targets. Cellectis is also eligible to receive tiered royalties on net sales of any products that are commercialized by Pfizer. In addition, in August 2014, we acquired approximately 10% of the capital of Cellectis through the purchase of newly issued shares, for a total investment of approximately $35 million. As of August 21, 2015, Pfizer’s ownership in Cellectis has been reduced to approximately 7.95% of Cellectis’ outstanding shares due to subsequent share issuances by Cellectis, including the initial public offering of Cellectis American Depository Shares.

Nexium Over-the-Counter Rights

In August 2012, we entered into an agreement with AstraZeneca PLC (AstraZeneca) for the exclusive, global, over-the-counter (OTC) rights for Nexium, a leading prescription drug approved to treat the symptoms of gastroesophageal reflux disease. In connection with this Consumer Healthcare licensing agreement, we made an upfront payment of $250 million to AstraZeneca, which was recorded in Research and development expenses when incurred. On May 27, 2014, we launched Nexium 24HR in the U.S., and on July 11, 2014, we paid AstraZeneca a related $200 million product launch milestone payment. On August 1, 2014, we launched Nexium Control in Europe, and on September 15, 2014, we paid AstraZeneca a related $50 million product launch milestone payment. These post-approval milestone payments were recorded in Identifiable intangible assets, less accumulated amortization in the consolidated balance sheet and are being amortized over the estimated useful life of the Nexium brand. AstraZeneca is eligible to receive additional milestone payments of up to $300 million, based on the level of worldwide sales as well as royalty payments, based on worldwide sales.

C. Collaborative Arrangements

Collaboration with Eli Lilly & Company (Lilly)

In October 2013, we entered into a collaboration agreement with Lilly to jointly develop and globally commercialize Pfizer's tanezumab, which provides that Pfizer and Lilly will equally share product-development expenses as well as potential revenues and certain product-related costs. Following the decision by the FDA in March 2015 to lift the partial clinical hold on the tanezumab development program, we received a $200 million upfront payment from Lilly in accordance with the collaboration agreement between Pfizer and Lilly, which is recorded as deferred income in our condensed consolidated balance sheet and is being recognized into Other (income)/deductions—net over a multi-year period beginning in the second quarter of 2015. Pfizer and Lilly resumed the Phase 3 chronic pain program for tanezumab in July 2015, which will consist of 6 studies in approximately 7,000 patients across osteoarthritis, chronic low back pain and cancer pain. Under the collaboration agreement with Lilly, we are eligible to receive additional payments from Lilly upon the achievement of specified regulatory and commercial milestones.

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Collaboration with OPKO Health, Inc. (OPKO)
On December 13, 2014, we entered into a collaborative agreement with OPKO to develop and commercialize OPKO's long-acting human growth hormone (hGH-CTP) for the treatment of growth hormone deficiency (GHD) in adults and children, as well as for the treatment of growth failure in children born small for gestational age (SGA) who fail to show catch-up growth by two years of age. hGH-CTP has the potential to reduce the required dosing frequency of human growth hormone to a single weekly injection from the current standard of one injection per day. We have received the exclusive license to commercialize hGH-CTP worldwide. OPKO will lead the clinical activities and will be responsible for funding the development programs for the key indications, which include Adult and Pediatric GHD and Pediatric SGA. We will be responsible for all development costs for additional indications, all postmarketing studies, manufacturing and commercialization activities for all indications, and we will lead the manufacturing activities related to product development. The transaction closed on January 28, 2015, upon termination of the waiting period under the Hart-Scott-Rodino Act. In February 2015, we made an upfront payment of $295 million to OPKO, which was recorded in Research and development expenses, and OPKO is eligible to receive up to an additional $275 million upon the achievement of certain regulatory milestones. OPKO is also eligible to receive royalty payments associated with the commercialization of hGH-CTP for Adult GHD, which is subject to regulatory approval. Upon the launch of hGH-CTP for Pediatric GHD, which is subject to regulatory approval, the royalties will transition to tiered gross profit sharing for both hGH-CTP and our product, Genotropin.

D. Equity-Method Investments

Investment in Hisun Pfizer Pharmaceuticals Company Limited (Hisun Pfizer)

In the third quarter of 2015, we determined that we had an other-than-temporary decline in value of our equity-method investment in China, Hisun Pfizer, and, therefore, in the third quarter and first nine months of 2015, we recognized a loss of $470 million in Other (income)/deductions—net.

The decline in value resulted from lower expectations as to the future cash flows to be generated by Hisun Pfizer, as a result of lower than expected recent performance, increased competition, a slowdown in the China economy as well as changes in the regulatory environment.
In valuing our investment in Hisun Pfizer, we used discounted cash flow techniques, utilizing a 12% 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, economic and/or regulatory forces on the products; the long-term growth rate, which seeks to project the sustainable growth rate over the long-term; and the discount rate, which seeks to reflect the various risks inherent in the projected cash flows, including country risk.

Investment in ViiV Healthcare Limited (ViiV)
Our minority ownership interest in ViiV, a company formed in 2009 by Pfizer and GlaxoSmithKline plc (GSK) to focus solely on research, development and commercialization of human immunodeficiency virus (HIV) medicines, was impacted by the January 21, 2014 European Commission approval of Tivicay (dolutegravir), a product for the treatment of HIV-1 infection, developed by ViiV. This approval triggered a reduction in our equity interest in ViiV from 12.6% to 11.7%, effective April 1, 2014. As a result, in the first nine months of 2014, we recognized a loss of approximately $30 million in Other (income)/deductions—net.

E. Cost-Method Investment

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

On April 9, 2015, we acquired a minority equity interest in AM-Pharma, a privately held Dutch biopharmaceutical company focused on the development of recombinant human Alkaline Phosphatase (recAP) for inflammatory diseases, and secured an exclusive option to acquire the remaining equity in the company. The option becomes exercisable upon delivery of the clinical trial report after completion of a Phase II trial of recAP in the treatment of Acute Kidney Injury related to sepsis. Results from the current Phase II trial for recAP are expected in the second half of 2016. Under the terms of the agreement, we paid $87.5 million for both the exclusive option and the minority equity interest, which was recorded as a cost-method investment in Long-term investments, and we may make additional payments of up to $512.5 million upon exercise of the option and potential launch of any product that may result from this investment.

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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 (R&D), as well as groups such as information technology, shared services and corporate operations.

In connection with our acquisition of Hospira, we are focusing our efforts on achieving an appropriate cost structure for the combined company. For up to a three-year period post-acquisition, we expect to incur costs of approximately $1 billion associated with the integration of Hospira.

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

- Manufacturing plant network rationalization and optimization, where execution timelines are necessarily long. Our plant network strategy is expected to result in the exit of four sites over the next several years. In connection with these activities, during 2014-2016, we expect to incur costs of approximately $300 million associated with prior acquisition activity and costs of approximately $1.2 billion associated with new non-acquisition-related cost-reduction initiatives. Through September 27, 2015, we incurred approximately $289 million and $380 million, respectively, associated with these initiatives.
- New global commercial structure reorganization, which primarily includes the streamlining of certain functions, the realignment of regional locations and colleagues to support the businesses, as well as implementing the necessary system changes to support future reporting requirements. In connection with this reorganization, during 2014-2016, we expect to incur costs of approximately $300 million. Through September 27, 2015, we incurred approximately $213 million associated with this reorganization.
- Other new cost-reduction/productivity initiatives, primarily related to commercial property rationalization and consolidation. In connection with these cost-reduction activities, during 2014-2016, we expect to incur costs of approximately $900 million. Through September 27, 2015, we incurred approximately $303 million associated with these initiatives.

The costs expected to be incurred during 2014-2016, of approximately $2.7 billion in total for the above-mentioned programs (but not including expected costs associated with the Hospira integration), include restructuring charges, implementation costs and additional depreciation—asset restructuring. Of this amount, we expect that about a quarter of the charges will be non-cash.

Current-Period Key Activities

In the first nine months of 2015, we incurred approximately $863 million in cost-reduction and acquisition-related costs (excluding transaction costs) in connection with the acquisition of Hospira and the aforementioned programs, primarily associated with our manufacturing and sales operations.

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

(MILLIONS OF DOLLARS)	Three Months Ended		Nine Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Restructuring charges[a]:				
Employee terminations	$241	$ (51)	$306	$ (4)
Asset impairments	198	9	209	28
Exit costs	30	4	40	44
Total restructuring charges	469	(38)	555	68
Transaction costs[b]	64	—	70	—
Integration costs[c]	48	19	102	53
Restructuring charges and certain acquisition-related costs	581	(19)	727	120
Additional depreciation—asset restructuring recorded in our condensed consolidated statements of income as follows[d]:				
Cost of sales	23	52	67	199
Selling, informational and administrative expenses	—	—	—	1
Research and development expenses	1	1	3	30
Total additional depreciation—asset restructuring	24	54	71	230
Implementation costs recorded in our condensed consolidated statements of income as follows[e]:				
Cost of sales	23	24	64	52
Selling, informational and administrative expenses	16	36	55	89
Research and development expenses	2	12	13	40
Other (income)/deductions—net	2	—	3	—
Total implementation costs	42	73	135	181
Total costs associated with acquisitions and cost-reduction/productivity initiatives	$647	$ 108	$933	$ 531

(a) In the nine months ended September 27, 2015, Employee terminations represent the expected reduction of the workforce by approximately 2,500 employees, mainly in sales, corporate and research. Employee termination costs are generally recorded when the actions are probable and estimable and include accrued severance benefits, pension and postretirement benefits, many of which may be paid out during periods after termination.

The restructuring charges for 2015 are associated with the following:

- For the third quarter of 2015, the Global Innovative Pharmaceutical segment (GIP) ($16 million); the Global Vaccines, Oncology and Consumer Healthcare segment (VOC) ($7 million income); the Global Established Pharmaceutical segment (GEP) ($280 million); Worldwide Research and Development and Medical (WRD/M) ($50 million); manufacturing operations ($26 million); and Corporate ($104 million).
- For the first nine months of 2015, GIP ($35 million); VOC ($20 million); GEP ($288 million); WRD/M ($66 million); manufacturing operations ($18 million); and Corporate ($127 million).

The restructuring charges for 2014 are associated with the following:

- For the third quarter of 2014, GIP ($4 million); VOC ($10 million); GEP ($4 million); WRD/M ($2 million); manufacturing operations ($21 million); and Corporate ($14 million), as well as $92 million of income related to the partial reversal of prior-period restructuring charges not directly associated with the new individual segments, and reflecting a change in estimate with respect to our sales force restructuring plans.

For the first nine months of 2014, GIP ($14 million); VOC ($16 million); GEP ($34 million); WRD/M ($11 million); manufacturing operations ($59 million); and Corporate ($25 million), as well as $92 million of income related to the partial reversal of prior-period restructuring charges not directly associated with the new individual segments, and reflecting a change in estimate with respect to our sales force restructuring plans.

- In September 2015, in order to eliminate certain redundancies in Pfizer's biosimilar drug products pipeline created as a result of the acquisition of Hospira, Pfizer opted to return rights to Celltrion Inc. and Celltrion Healthcare, Co., Ltd. (collectively, Celltrion) that Hospira had previously acquired to potential biosimilars to Rituxan® (rituximab) and Herceptin® (trastuzumab). As such, upon return of the acquired rights, we wrote off the applicable IPR&D assets, totaling $160 million. In addition, we wrote-off amounts prepaid to Celltrion in

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the amount of $25 million. Both these amounts are included in Asset impairments in the third quarter and first nine months of 2015. Also, upon the return of the acquired rights, we paid Celltrion $20 million, which is included in Exit costs in the third quarter and first nine months of 2015. The recorded amounts for the assets acquired from Hospira are provisional and are subject to change. See Note 2A.

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

(c) Integration costs represent external, incremental costs directly related to integrating acquired businesses, and primarily include expenditures for consulting and the integration of systems and processes.

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

(e) Implementation costs represent external, incremental costs directly related to implementing our non-acquisition-related cost-reduction/productivity initiatives.

The following table provides the components of and changes in our restructuring accruals:

(MILLIONS OF DOLLARS)	Employee Termination Costs	Asset Impairment Charges	Exit Costs	Accrual
Balance, December 31, 2014[a]	$1,114	$—	$52	$1,166
Provision	306	209	40	555
Utilization and other[b]	(281)	(209)	(66)	(556)
Balance, September 27, 2015[c]	$1,139	$—	$26	$1,165

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

(b) Includes adjustments for foreign currency translation.

(c) Included in Other current liabilities ($723 million) and Other noncurrent liabilities ($442 million).

Note 4. Other (Income)/Deductions—Net

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

(MILLIONS OF DOLLARS)	Three Months Ended		Nine Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Interest income[a]	$(121)	$(108)	$(332)	$(303)
Interest expense[a]	278	343	864	1,007
Net interest expense	157	235	533	703
Royalty-related income	(204)	(251)	(683)	(737)
Certain legal matters, net[b]	—	28	99	720
Net gains on asset disposals[c]	(35)	(53)	(230)	(267)
Certain asset impairments[d]	633	243	658	358
Business and legal entity alignment costs[e]	60	47	224	114
Other, net[f]	50	(155)	70	(226)
Other (income)/deductions—net	$661	$94	$670	$665

(a) Interest income increased in the third quarter and first nine months of 2015, primarily due to higher investment returns. Interest expense decreased in the third quarter and first nine months of 2015, primarily due to the repayment of a portion of long-term debt in the first quarter of 2015 and the benefit of the effective conversion of some fixed-rate liabilities to floating-rate liabilities.

(b) In the first nine months of 2014, primarily includes approximately $610 million for Neurontin-related matters (including off-label promotion actions and antitrust actions) and approximately $55 million for an Effexor-related matter.

(c) In the first nine months of 2015, primarily includes gains on sales/out-licensing of product and compound rights (approximately $76 million) and gains on sales of investments in equity securities (approximately $160 million). In the first nine months of 2014, primarily includes gains on sales/out-licensing of product and compound rights (approximately $128 million) and gains on sales of investments in equity securities (approximately $114 million).

(d) In the third quarter and first nine months of 2015, primarily includes an impairment loss of $470 million related to Pfizer's 49%-owned equity-method investment with Zhejiang Hisun Pharmaceuticals Co., Ltd. (Hisun) in China, Hisun Pfizer, (for additional information concerning Hisun Pfizer, see Note 2D) and impairment charges for intangible assets of $163 million, reflecting (i) $115 million related to developed technology rights for the treatment of attention deficit hyperactivity disorder; (ii) $28 million related to an IPR&D project for the treatment of attention deficit hyperactivity disorder; and (iii) $20 million related to an indefinite-lived brand. The intangible asset impairment charges for the third quarter and first nine months of 2015 are associated with the following: Consumer Healthcare ($20 million) and GEP ($143 million).

The intangible asset impairment charges for 2015 reflect, among other things, updated commercial forecasts due to increased competition.

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In the third quarter of 2014, includes intangible asset impairment charges of $242 million, reflecting (i) $144 million related to developed technology rights; (ii) $79 million related to an IPR&D compound for the treatment of skin fibrosis; and (iii) $18 million related to an indefinite-lived brand. The intangible asset impairment charges for the third quarter of 2014 are associated with the following: GEP ($163 million) and Worldwide Research and Development (WRD) ($79 million).

In the first nine months of 2014, includes intangible asset impairment charges of $356 million, reflecting (i) $190 million for an IPR&D compound for the treatment of skin fibrosis (full write-off); (ii) $147 million related to developed technology rights; and (iii) $18 million related to an indefinite-lived brand. The intangible asset impairment charges for the first nine months of 2014 are primarily associated with the following: GEP ($166 million) and WRD ($190 million).

The intangible asset impairment charges for 2014 reflect, among other things, updated commercial forecasts; and with regard to IPR&D, the impact of changes to the development program and new scientific findings.

(e) In the third quarter and first nine months of 2015 and 2014, represents expenses for planning and implementing changes to our infrastructure to align our operations and reporting for our business segments established in 2014.

(f) Includes the following for 2014: (i) in the third quarter and first nine months of 2014, gains of approximately $102 million, reflecting the changes in the fair value of contingent consideration associated with prior acquisitions; (ii) in the third quarter and first nine months of 2014, income of $90 million resulting from a decline in the estimated loss from an option to acquire the remaining interest in Laboratório Teuto Brasileiro S.A.; and (iii) in the first nine months of 2014, a loss of $30 million due to a change in our ownership interest in ViiV. For additional information concerning ViiV, see Note 2D.

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

	Fair Value[a]				Nine Months Ended September 27, 2015
(MILLIONS OF DOLLARS)	Amount	Level 1	Level 2	Level 3	Impairment
Intangible assets—IPR&D[b]	$—	$—	$—	$—	$28
Intangible assets—Developed technology rights[b]	85	—	—	85	115
Intangible assets—Indefinite-lived brands[b]	22	—	—	22	20
Total	$107	$—	$—	$107	$163

(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.

(b) Reflects intangible assets written down to fair value in the first nine months of 2015. Fair value was determined using the income approach, specifically the multi-period excess earnings method, also known as the discounted cash flow method. We started with a forecast of all the expected net cash flows associated with the asset and then we applied an asset-specific discount rate to arrive at a net present value amount. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, which includes the expected impact of competitive, legal and/or regulatory forces on the product and the impact of technological risk associated with IPR&D assets; the discount rate, which seeks to reflect the various risks inherent in the projected cash flows; and the tax rate, which seeks to incorporate the geographic diversity of the projected cash flows.

Note 5. Tax Matters

A. Taxes on Income from Continuing Operations

Our effective tax rate for continuing operations was 21.0% for the third quarter of 2015, compared to 25.4% for the third quarter of 2014, and was 23.4% for the first nine months of 2015, compared to 24.7% for the first nine months of 2014.

The lower effective tax rate for the third quarter of 2015 in comparison with the same period in 2014 was primarily due to:

- an increase in tax benefits associated with the resolution of certain tax positions pertaining to prior years with various foreign tax authorities, and the expiration of certain statutes of limitations; as well as
- the non-recurrence of the non-tax deductible charge to account for an additional year of the Branded Prescription Drug Fee in accordance with final regulations issued in the third quarter of 2014 by the U.S. Internal Revenue Service (IRS),

partially offset by:

- the unfavorable change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business.

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The lower effective tax rate for the first nine months of 2015 in comparison with the first nine months of 2014 was primarily due to:

- the favorable change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business; and
- the non-recurrence of the non-tax deductible charge to account for an additional year of the Branded Prescription Drug Fee in accordance with final regulations issued in the third quarter of 2014 by the IRS,

partially offset by:

- a decline in tax benefits associated with the resolution of certain tax positions pertaining to prior years, primarily with various foreign tax authorities, and the expiration of certain statutes of limitations.

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, as we treat these events as discrete items in the period of resolution.

The U.S. is one of our major tax jurisdictions, and we are regularly audited by the IRS:

- With respect to Pfizer Inc., the IRS has issued a Revenue Agent’s Report (RAR) for tax years 2009-2010. We are not in agreement with the RAR and are currently appealing certain disputed issues. Tax years 2011-2013 are currently under audit. Tax years 2014 and 2015 are open, but not under audit. All other tax years are closed.
- With respect to Hospira, Inc., the IRS is auditing 2010-2011 and 2012-2013. Tax years 2014-2015 are open but not under audit. All other tax years are closed. The open tax years and audits for Hospira, Inc. and its subsidiaries are not considered material to Pfizer.

In addition to the open audit years in the U.S., we have open audit years in other major tax jurisdictions, such as Canada (2010-2015), Japan (2015), Europe (2007-2015, primarily reflecting Ireland, the United Kingdom, France, Italy, Spain and Germany), Latin America (1998-2015, primarily reflecting Brazil) and Puerto Rico (2010-2015).

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C. Tax Provision/(Benefit) on Other Comprehensive Loss
The following table provides the components of Tax provision/(benefit) on other comprehensive loss:

(MILLIONS OF DOLLARS)	Three Months Ended		Nine Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Foreign currency translation adjustments, net[(a)]	$(7)	$23	$90	$13
Unrealized holding losses on derivative financial instruments, net	(57)	(117)	(160)	(133)
Reclassification adjustments for realized (gains)/losses	15	175	43	183
	(42)	58	(117)	50
Unrealized holding gains/(losses) on available-for-sale securities, net	6	(27)	(63)	(4)
Reclassification adjustments for realized (gains)/losses	1	2	63	(38)
	7	(25)	—	(42)
Benefit plans: actuarial gains/(losses), net	(51)	5	(43)	3
Reclassification adjustments related to amortization	43	15	133	47
Reclassification adjustments related to settlements, net	12	6	35	21
Other	(9)	3	29	(4)
	(4)	30	154	68
Benefit plans: prior service credits and other, net	(4)	—	188	—
Reclassification adjustments related to amortization	(36)	(7)	(42)	(21)
Reclassification adjustments related to curtailments, net	18	1	(8)	2
Other	2	2	2	—
	(19)	(4)	139	(19)
Tax provision/(benefit) on other comprehensive loss	$(65)	$83	$267	$71

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

Note 6. Accumulated Other Comprehensive Loss, Excluding Noncontrolling Interests
The following table provides the changes, net of tax, in Accumulated other comprehensive loss:

(MILLIONS OF DOLLARS)	Net Unrealized Gains/(Losses)			Benefit Plans		
	Foreign Currency Translation Adjustments	Derivative Financial Instruments	Available-For-Sale Securities	Actuarial Gains/(Losses)	Prior Service (Costs)/Credits and Other	Accumulated Other Comprehensive Loss
Balance, December 31, 2014	$(2,689)	$517	$ (222)	$(5,654)	$ 733	$(7,316)
Other comprehensive income/(loss)[(a)]	(2,237)	(508)	312	351	227	(1,854)
Balance, September 27, 2015	$(4,926)	$9	$ 91	$(5,303)	$ 960	$(9,170)

(a) Amounts do not include foreign currency translation adjustments attributable to noncontrolling interests of $24 million loss for the first nine months of 2015.

As of September 27, 2015, with respect to derivative financial instruments, the amount of unrealized pre-tax losses estimated to be reclassified into income within the next 12 months is $82 million (which is expected to be offset

primarily by gains resulting from reclassification adjustments related to available-for-sale securities).

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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)	September 27, 2015	December 31, 2014
Selected financial assets measured at fair value on a recurring basis[a]		
Trading funds and securities[b]	$273	$105
Available-for-sale debt securities[c]	30,145	39,762
Available-for-sale money market funds	1,103	2,174
Available-for-sale equity securities, excluding money market funds[c]	464	397
Derivative financial instruments in a receivable position[d]:		
Interest rate swaps	898	801
Foreign currency swaps	599	593
Foreign currency forward-exchange contracts	211	547
	33,693	44,379
Other selected financial assets		
Held-to-maturity debt securities, carried at amortized cost[c], [e]	1,676	7,255
Private equity securities, carried at equity-method or at cost[e], [f]	1,345	1,993
	3,022	9,248
Total selected financial assets	$36,715	$53,627
Selected financial liabilities measured at fair value on a recurring basis[a]		
Derivative financial instruments in a liability position[g]:		
Interest rate swaps	$157	$17
Foreign currency swaps	1,341	594
Foreign currency forward-exchange contracts	203	78
	1,701	689
Other selected financial liabilities[h]		
Short-term borrowings, carried at historical proceeds, as adjusted[e]	9,818	5,141
Long-term debt, carried at historical proceeds, as adjusted[i], [j]	29,079	31,541
	38,897	36,682
Total selected financial liabilities	$40,598	$37,371

(a) We use a market approach in valuing financial instruments on a recurring basis. For additional information, see Note 1C. All of our financial assets and liabilities measured at fair value on a recurring basis use Level 2 inputs in the calculation of fair value, except less than 1% that use Level 1 inputs.

(b) As of September 27, 2015, trading funds and securities are composed of $91 million of trading equity funds, $102 million of trading debt funds, and $80 million of trading equity securities. As of December 31, 2014, trading securities of $105 million is composed of debt and equity securities. The trading equity securities as of September 27, 2015 and the trading debt and equity securities as of December 31, 2014 are held in trust for benefits attributable to the former Pharmacia Savings Plus Plan.

(c) Gross unrealized gains and losses are not significant.

(d) Designated as hedging instruments, except for certain contracts used as offsets; namely, foreign currency forward-exchange contracts with fair values of $111 million as of September 27, 2015; and foreign currency forward-exchange contracts with fair values of $159 million as of December 31, 2014.

(e) Short-term borrowings include foreign currency short-term borrowings with fair values of $545 million as of September 27, 2015, which are used as hedging instruments. The differences between the estimated fair values and

carrying values of held-to-maturity debt securities, private equity securities at cost and short-term borrowings not measured at fair value on a recurring basis were not significant as of September 27, 2015 or December 31, 2014. The fair value measurements of our held-to-maturity debt securities and our short-term borrowings are based on Level 2 inputs, using a market approach. The fair value measurements of our private equity securities carried at cost are based on Level 3 inputs.

(f) Our private equity securities represent investments in the life sciences sector.

(g) Designated as hedging instruments, except for certain contracts used as offsets; namely, foreign currency swaps with fair values of $209 million and foreign currency forward-exchange contracts with fair values of $65 million as of September 27, 2015; and foreign currency swaps with fair values of $121 million and foreign currency forward-exchange contracts with fair values of $54 million as of December 31, 2014.

(h) Some carrying amounts may include adjustments for discount or premium amortization or for the effect of hedging the interest rate fair value risk associated with certain financial liabilities by interest rate swaps.

(i) Includes foreign currency debt with fair value of $560 million as of December 31, 2014, which are used as hedging instruments.

(j) The fair value of our long-term debt (not including the current portion of long-term debt) was $33.0 billion as of September 27, 2015 and $36.6 billion as of December 31, 2014. The fair value measurements for our long-term debt are based on Level 2 inputs, using a market approach. Generally, the difference between the fair value of our long-term debt and the amount reported on the condensed consolidated balance sheet is due to a decline in relative market interest rates since the debt issuance.

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

(MILLIONS OF DOLLARS)	September 27, 2015	December 31, 2014
Assets		
Cash and cash equivalents	$1,215	$1,389
Short-term investments	17,559	32,779
Long-term investments	16,233	17,518
Other current assets[a]	713	1,059
Other noncurrent assets[b]	995	881
	$36,715	$53,627
Liabilities		
Short-term borrowings, including current portion of long-term debt	$9,818	$5,141
Other current liabilities[c]	772	93
Long-term debt	29,079	31,541
Other noncurrent liabilities[d]	929	596
	$40,598	$37,371

(a) As of September 27, 2015, derivative instruments at fair value include interest rate swaps ($1 million), foreign currency swaps ($518 million) and foreign currency forward-exchange contracts ($195 million) and, as of December 31, 2014, include interest rate swaps ($34 million), foreign currency swaps ($494 million) and foreign currency forward-exchange contracts ($531 million).

(b) As of September 27, 2015, derivative instruments at fair value include interest rate swaps ($897 million), foreign currency swaps ($81 million) and foreign currency forward-exchange contracts ($16 million) and, as of December 31, 2014, include interest rate swaps ($767 million), foreign currency swaps ($99 million) and foreign currency forward-exchange contracts ($15 million).

(c) As of September 27, 2015, derivative instruments at fair value include interest rate swaps ($13 million), foreign currency swaps ($565 million) and foreign currency forward-exchange contracts ($194 million) and, as of December 31, 2014, include interest rate swaps ($1 million), foreign currency swaps ($13 million) and foreign currency forward-exchange contracts ($78 million).

(d) As of September 27, 2015, derivative instruments at fair value include interest rate swaps ($144 million), foreign currency swaps ($776 million) and foreign currency forward-exchange contracts ($9 million) and, as of December 31, 2014, include interest rate swaps ($16 million) and foreign currency swaps ($581 million).

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, or as necessary, the estimated maturities, of the available-for-sale and held-to-maturity debt securities:

	Years				September 27, 2015
(MILLIONS OF DOLLARS)	Within 1	Over 1 to 5	Over 5 to 10	Over 10	Total
Available-for-sale debt securities					
Western European, Asian and other government debt[a]	$7,929	$1,692	$—	$—	$9,621
Corporate debt[b]	2,863	4,662	1,963	18	9,506
U.S. government debt	755	1,380	50	—	2,185
Federal Home Loan Mortgage Corporation and Federal National Mortgage Association asset-backed securities	1	2,078	40	—	2,120
Western European, Scandinavian and other government agency debt[a]	1,606	274	—	—	1,880
Supranational debt[a]	1,084	480	—	—	1,564
Government National Mortgage Association and other U.S. government guaranteed asset-backed securities	112	722	21	—	854
Other asset-backed debt[c]	953	665	73	22	1,714
Reverse repurchase agreements[d]	701	—	—	—	701
Held-to-maturity debt securities					
Time deposits, corporate debt and other[a]	1,482	7	—	—	1,488
Western European government debt[a]	188	—	—	—	188
Total debt securities	$17,673	$11,961	$2,147	$42	$31,822

(a) Issued by governments, government agencies or supranational entities, as applicable, all of which are investment-grade, except for $213 million worth of Brazilian government bonds.

(b) Issued by a diverse group of corporations, largely consisting of financial institutions, virtually all of which are investment-grade.

(c) Includes loan-backed, receivable-backed, and mortgage-backed securities, all of which are investment-grade and in senior positions in the capital structure of the security. Loan-backed securities are collateralized by senior secured obligations of a diverse pool of companies or student loans, and receivable-backed securities are collateralized by credit cards receivables. Mortgage-backed securities are collateralized by diversified pools of residential and commercial mortgages.

(d) Involving U.S. securities.

C. Short-Term Borrowings

Short-term borrowings include amounts for commercial paper of $4.9 billion as of September 27, 2015 and $570 million as of December 31, 2014.

D. Long-Term Debt

Our long-term debt increased due to the addition of an aggregate principal amount of $1,750 million of legacy Hospira debt, recorded at acquisition date fair value of $1,928 million.

The following table provides the components of senior unsecured long-term debt acquired from Hospira:

(MILLIONS OF DOLLARS)	Maturity Date	As of September 27, 2015
6.05% Notes (2017 Notes) [a], [d]	2017	$586
5.20% Notes (2020 Notes) [b], [d]	2020	391
5.80% Notes (2023 Notes) [b], [d]	2023	408
5.60% Notes (2040 Notes) [c], [d], [e]	2040	539
Total long-term debt acquired from Hospira		$1,924

[a] Interest is payable semi-annually beginning March 30, 2016.

[b] Interest is payable semi-annually beginning February 12, 2016.

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(c) Interest is payable semi-annually beginning March 15, 2016.

(d) The notes are redeemable in whole or in part, at any time at our option, at a redemption price equal to the greater of 100% of the principal amount of the notes to be redeemed, and the sum of the present values of the remaining scheduled payments of principal and interest discounted to the date of optional redemption at a rate equal to the U.S. Treasury rate, plus an incremental percentage of 25 basis points in the case of the 2017 Notes, 50 basis points in the case of the 2020 Notes and the 2023 Notes, and 30 basis points in case of the 2040 Notes; plus, in each case, accrued and unpaid interest.

(e) If the 2040 Notes are redeemed on or after March 15, 2040 (six months prior to the maturity date of the 2040 Notes), the optional redemption price for the 2040 Notes will equal 100% of the principal amount of the 2040 Notes to be redeemed.

The following table provides the maturity schedule of our Long-term debt outstanding as of September 27, 2015:

(MILLIONS OF DOLLARS)	2017	2018	2019	2020	After 2020	TOTAL
Maturities	$4,432	$2,396	$4,837	$391	$17,022	$29,079

E. Derivative Financial Instruments and Hedging Activities

Foreign Exchange Risk

As of September 27, 2015, the aggregate notional amount of foreign exchange derivative financial instruments hedging or offsetting foreign currency exposures was $32.4 billion. The derivative financial instruments primarily hedge or offset exposures in the euro, Japanese yen and U.K. pound. The maximum length of time over which we are hedging future foreign exchange cash flow relates to our $2.3 billion U.K. pound debt maturing in 2038.

Interest Rate Risk

As of September 27, 2015, the aggregate notional amount of interest rate derivative financial instruments was $20.8 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) incurred to hedge or offset operational foreign exchange or interest rate risk:

	Amount of Gains/(Losses) Recognized in OID[a], [b], [c]		Amount of Gains/(Losses) Recognized in OCI (Effective Portion)[a], [d]		Amount of Gains/(Losses) Reclassified from OCI into OID (Effective Portion)[a], [d]	
(MILLIONS OF DOLLARS)	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Three Months Ended						
Derivative Financial Instruments in Cash Flow Hedge Relationships:						
Foreign currency swaps	$—	$ —	$(96)	$ (383)	$(86)	$ (474)
Foreign currency forward-exchange contracts	—	—	(89)	212	120	33
Derivative Financial Instruments in Net Investment Hedge Relationships:						
Foreign currency swaps	—	—	—	21	—	—
Foreign currency forward-exchange contracts	—	—	(5)	—	—	—
Derivative Financial Instruments Not Designated as Hedges:						
Foreign currency forward-exchange contracts	50	30	—	—	—	—
Non-Derivative Financial Instruments in Net Investment Hedge Relationships:						
Foreign currency short-term borrowings	—	—	(12)	—	—	—
Foreign currency long-term debt	—	—	—	46	—	—
All other net	—	—	(32)	—	—	—
	$49	$ 31	$(235)	$ (104)	$35	$ (441)
Nine Months Ended						
Derivative Financial Instruments in Cash Flow Hedge Relationships:						
Foreign currency swaps	$—	$ —	$(594)	$ (409)	$(451)	$ (471)
Foreign currency forward-exchange contracts	—	—	532	180	996	(56)

Derivative Financial Instruments in Net Investment Hedge Relationships:						
Foreign currency swaps	—	—	—	11	—	—
Foreign currency forward-exchange contracts	2	—	254	—	—	—
Derivative Financial Instruments Not Designated as Hedges:						
Foreign currency forward-exchange contracts	(64)	51	—	—	—	—
Foreign currency swaps	(2)	—	—	—	—	—
Non-Derivative Financial Instruments in Net Investment Hedge Relationships:						
Foreign currency short-term borrowings	—	—	6	—	—	—
Foreign currency long-term debt	—	—	—	24	—	—
All other net	—	(3)	(18)	—	—	—
	$(64)	$ 48	$180	$ (194)	$545	$ (527)

(a) OID = Other (income)/deductions—net, included in Other (income)/deductions—net in the condensed consolidated statements of income. OCI = Other comprehensive income/(loss), included in the condensed consolidated statements of comprehensive income.

(b) Also, includes gains and losses attributable to derivative instruments designated and qualifying as fair value hedges, as well as the offsetting gains and losses attributable to the hedged items in such hedging relationships.

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

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(d) For derivative financial instruments in cash flow hedge relationships, the effective portion is included in Other comprehensive loss—Unrealized holding losses on derivative financial instruments, net. For derivative financial instruments in net investment hedge relationships and for foreign currency debt designated as hedging instruments, the effective portion is included in Other comprehensive loss—Foreign currency translation adjustments, net.

For information about the fair value of our derivative financial instruments, and the impact on our condensed consolidated balance sheets, see Note 7A. 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 September 27, 2015, the aggregate fair value of these derivative instruments that are in a net liability position was $852 million, for which we have posted collateral of $923 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 Standard and Poor's (S&P) or the equivalent rating by Moody's Investors Service, on September 27, 2015, we would have been required to post an additional $35 million of collateral to our counterparties. The collateral advanced receivables are reported in Short-term investments.

F. Credit Risk

On an ongoing basis, we review the creditworthiness of counterparties to our foreign exchange and interest rate agreements and do not expect to incur a significant loss from failure of any counterparties to perform under the agreements. There are no significant concentrations of credit risk related to our financial instruments with any individual counterparty. As of September 27, 2015, we had $2.4 billion due from a well-diversified, highly rated group (S&P ratings of mostly A or better) of bank counterparties around the world. For details about our investments, see Note 7B above.

In general, there is no requirement for collateral from customers. However, derivative financial instruments are executed under master netting agreements with financial institutions and these agreements contain provisions that provide for the ability for collateral payments, depending on levels of exposure, our credit rating and the credit rating of the counterparty. As of September 27, 2015, we received cash collateral of $1,077 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)	September 27, 2015	December 31, 2014
Finished goods	$2,557	$ 1,905
Work-in-process	4,198	3,248
Raw materials and supplies	923	510
Inventories[a]	$7,678	$ 5,663
Noncurrent inventories not included above[b]	$539	$ 425

(a) Increase is primarily due to the acquisition of Hospira inventories, which were recorded at fair value. See Note 2A.
(b) Included in Other noncurrent assets. There are no recoverability issues associated with these amounts.

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Note 9. Identifiable Intangible Assets and Goodwill

A. Identifiable Intangible Assets

Balance Sheet Information
The following table provides the components of Identifiable intangible assets:

	September 27, 2015			December 31, 2014		
(MILLIONS OF DOLLARS)	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	$79,677	$(46,636)	$33,041	$70,946	$(44,694)	$26,252
Brands	1,903	(911)	992	1,951	(855)	1,096
Licensing agreements and other	1,645	(902)	742	991	(832)	159
	83,225	(48,449)	34,775	73,887	(46,381)	27,506
Indefinite-lived intangible assets						
Brands and other	7,156		7,156	7,273		7,273
In-process research and development	1,365		1,365	387		387
	8,522		8,522	7,660		7,660
Identifiable intangible assets[(a)]	$91,747	$(48,449)	$43,297	$81,547	$(46,381)	$35,166

(a) The increase in identifiable intangible assets, less accumulated amortization, is primarily related to the assets acquired as part of the acquisition of Hospira and Baxter's portfolio of marketed vaccines, partially offset by amortization, impairments and the impact of foreign exchange. For information about the assets acquired as part of the acquisition of Hospira and Baxter's portfolio of marketed vaccines, see Note 2A.

Our identifiable intangible assets are associated with the following, as a percentage of total identifiable intangible assets, less accumulated amortization:

	September 27, 2015							
	GIP		VOC		GEP		WRD	
Developed technology rights	22	%	27	%	52	%	—	%
Brands, finite-lived	—	%	80	%	20	%	—	%
Brands, indefinite-lived	—	%	69	%	31	%	—	%
In-process research and development	2	%	9	%	86	%	3	%

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 and/or Research and development expenses, as appropriate. Total amortization expense for finite-lived intangible assets was $950 million for the third quarter of 2015 and $1.0 billion for the third quarter of 2014, and $2.8 billion for the first nine months of 2015 and $3.1 billion for the first nine months of 2014.

Impairment Charges

For information about impairments of intangible assets, see Note 4.

For IPR&D assets, the risk of failure is significant and there can be no certainty that these assets ultimately will yield successful products. The nature of the biopharmaceutical business is high-risk and, as such, we expect that many of these IPR&D assets will become impaired and be written off at some time in the future.

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B. Goodwill

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

(MILLIONS OF DOLLARS)	GIP	VOC	GEP	Total
Balance, December 31, 2014	$13,032	$11,398	$17,639	$42,069
Additions[(a)]	—	39	5,790	5,829
Other[(b)]	(205)	(197)	(279)	(681)
Balance, September 27, 2015	$12,827	$11,240	$23,150	$47,217

(a) GEP additions relate to our acquisition of Hospira and are subject to change until we complete the recording of the assets acquired and liabilities assumed from Hospira (see Note 2A).

(b) Primarily reflects the impact of foreign exchange.

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Note 10. Pension and Postretirement Benefit Plans

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

	Pension Plans							
	U.S. Qualified[a]		U.S. Supplemental (Non-Qualified)		International[b]		Postretirement Plans[c]	
(MILLIONS OF DOLLARS)	Sep 27, 2015	Sep 28, 2014	Sep 27, 2015	Sep 28, 2014	Sep 27, 2015	Sep 28, 2014	Sep 27, 2015	Sep 28, 2014
Three Months Ended								
Net periodic benefit cost/(credit):								
Service cost	$71	$63	$5	$5	$46	$49	$14	$14
Interest cost	169	174	13	14	77	99	26	42
Expected return on plan assets	(272)	(260)	—	—	(105)	(117)	(13)	(16)
Amortization of:								
Actuarial losses	89	15	11	7	31	24	9	1
Prior service credits	(2)	(2)	—	—	(2)	(2)	(43)	(14)
Curtailments	1	—	—	—	—	(11)	(4)	—
Settlements	32	11	4	5	1	2	—	—
Special termination benefits	—	—	—	—	1	2	—	—
	$88	$2	$33	$31	$49	$46	$(11)	$27
Nine Months Ended								
Net periodic benefit cost/(credit):								
Service cost	$216	$190	$17	$15	$140	$153	$41	$41
Interest cost	505	524	41	43	232	300	91	127
Expected return on plan assets	(813)	(785)	—	—	(314)	(347)	(39)	(47)
Amortization of:								
Actuarial losses	253	47	34	22	94	73	28	4
Prior service credits	(5)	(5)	(1)	(1)	(5)	(5)	(104)	(43)
Curtailments	2	2	—	—	—	4	(20)	(4)
Settlements	76	32	21	21	1	4	—	—
Special termination benefits	—	—	—	—	1	7	—	—
	$235	$5	$110	$100	$150	$188	$(5)	$78

(a) The increase in net periodic benefit costs for the three and nine months ended September 27, 2015, compared to the three and nine months ended September 28, 2014, for our U.S. qualified pension plans was primarily driven by (i) the increase in the amounts amortized for actuarial losses resulting from the decrease, in 2014, in the discount rate used to determine the benefit obligation (which increased the amount of deferred actuarial losses) and, to a lesser extent, a 2014 change in mortality assumptions (reflecting a longer life expectancy for plan participants), and (ii) higher settlement activity. The aforementioned increases were partially offset by (i) a greater expected return on plan assets resulting from an increased plan asset base due to a voluntary contribution of $1.0 billion made at the beginning of January 2015, which in turn was partially offset by a decrease in the expected rate of return on plan assets from 8.50% to 8.25%, and (ii) lower interest costs resulting from the decrease, in 2014, in the discount rate used to determine the benefit obligation.

(b)

The decrease in net periodic benefit costs for the nine months ended September 27, 2015, compared to the nine months ended September 28, 2014, for our international pension plans was primarily driven by (i) the decrease in interest cost resulting from the decrease, in 2014, in the discount rate used to determine the benefit obligation, and (ii) a decrease in service cost related to changes in actuarial assumptions (lower inflation and lower rate of wage increases) and the U.K. pension plan freeze in 2014, which offset the impact of the decrease, in 2014, in the discount rate used to determine the benefit obligation (the effect of which is an increase in service costs). The aforementioned decrease in net periodic benefit costs was partially offset by (i) a decrease in the expected return on plan assets due to a lower expected rate of return on plan assets and (ii) an increase in the amounts amortized for actuarial losses resulting from the decrease, in 2014, in the discount rate used to determine the benefit obligation.

The increase in net periodic benefit costs for the three months ended September 27, 2015, compared to the three months ended September 28, 2014, for our international pension plans was driven by (i) the net impact of a decrease in 2014 in the discount rate used to determine the benefit obligation, and (ii) a decrease in the expected return on plan assets due to a lower expected rate of return on plan assets, which was offset by a decrease in curtailment gains related to restructuring activities in 2014.

(c) The decrease in net periodic benefit costs for the three and nine months ended September 27, 2015, compared to the three and nine months ended September 28, 2014, for our postretirement plans was primarily driven by (i) the increase in the amounts amortized for prior service credits and (ii) an increase in curtailment gain resulting from the implementation of changes to certain retiree medical benefits to adopt

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programs eligible for the Medicare Part D plan subsidy, as allowed under the employer group waiver plan, which was approved and communicated to plan participants, and will go into effect on January 1, 2016, as well as (iii) a decrease in interest cost resulting from the decrease, in 2014, in the discount rate used to determine the benefit obligation. The aforementioned decreases were partially offset by an increase in actuarial losses resulting from the decrease, in 2014, in the discount rate used to determine the benefit obligation.

As of and for the nine months ended September 27, 2015, we contributed and expect to contribute from our general assets as follows:

	Pension Plans			
(MILLIONS OF DOLLARS)	U.S. Qualified	U.S. Supplemental (Non-Qualified)	International	Postretirement Plans
Contributions from/reimbursements of our general assets for the nine months ended September 27, 2015[(a)]	$1,000	$103	$165	$27
Expected contributions from our general assets during 2015[(b)]	$1,000	$122	$235	$80

(a) Contributions to the postretirement plans reflect reimbursements of approximately $133 million received for eligible 2014 prescription drug expenses for certain retirees.

(b) Contributions expected to be made for 2015 are inclusive of amounts contributed during the nine months ended September 27, 2015, including the $1.0 billion voluntary contribution that was made in January 2015 for the U.S. qualified plan. The U.S. supplemental (non-qualified) pension plan, international pension plan and the postretirement plan contributions from our general assets include direct employer benefit payments.

We recorded pension and postretirement benefit obligations of approximately $115 million as a result of the acquisition of Hospira and an additional $164 million for the decision to terminate Hospira’s U.S. qualified pension plan effective December 31, 2015.

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Note 11. Earnings Per Common Share Attributable to Common Shareholders
The following table provides the detailed calculation of Earnings per common share (EPS):

(IN MILLIONS)	Three Months Ended		Nine Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
EPS Numerator—Basic				
Income from continuing operations	$2,130	$2,676	$7,141	$7,862
Less: Net income attributable to noncontrolling interests	9	6	23	25
Income from continuing operations attributable to Pfizer Inc.	2,122	2,669	7,118	7,838
Less: Preferred stock dividends—net of tax	—	—	1	1
Income from continuing operations attributable to Pfizer Inc. common shareholders	2,121	2,669	7,117	7,837
Discontinued operations—net of tax	8	(3)	14	70
Less: Discontinued operations—net of tax, attributable to noncontrolling interests	—	—	—	—
Discontinued operations—net of tax, attributable to Pfizer Inc. common shareholders	8	(3)	14	70
Net income attributable to Pfizer Inc. common shareholders	$2,130	$2,666	$7,131	$7,906
EPS Numerator—Diluted				
Income from continuing operations attributable to Pfizer Inc. common shareholders and assumed conversions	$2,121	$2,670	$7,117	$7,838
Discontinued operations—net of tax, attributable to Pfizer Inc. common shareholders and assumed conversions	8	(3)	14	70
Net income attributable to Pfizer Inc. common shareholders and assumed conversions	$2,130	$2,666	$7,131	$7,908
EPS Denominator				
Weighted-average number of common shares outstanding—Basic	6,168	6,330	6,176	6,363
Common-share equivalents: stock options, stock issuable under employee compensation plans, convertible preferred stock and accelerated share repurchase agreement	75	73	83	78
Weighted-average number of common shares outstanding—Diluted	6,243	6,403	6,259	6,441
Stock options that had exercise prices greater than the average market price of our common stock issuable under employee compensation plans[(a)]	55	44	48	44

(a) These common stock equivalents were outstanding for the nine months ended September 27, 2015 and September 28, 2014, but 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 Note 5B.

On February 9, 2015, we entered into an accelerated share repurchase agreement with Goldman, Sachs & Co. (GS&Co.) to repurchase shares of our common stock. This agreement was entered into under our previously announced share repurchase authorization. Pursuant to the terms of the agreement, on February 11, 2015, we paid $5 billion to GS&Co. and received approximately 151 million shares of our common stock from GS&Co. On July 2, 2015, the accelerated share repurchase agreement with GS&Co. was completed, which, per the terms of the agreement, resulted in us owing GS&Co. a certain number of shares of Pfizer common stock or its equivalent dollar value. Pursuant to the agreement's settlement terms, we elected to settle this amount in cash and paid an additional $160 million to GS&Co. on July 13, 2015, resulting in a total of approximately$5.2 billion paid to GS&Co. The final average price paid for the shares delivered under the accelerated share repurchase agreement was $34.13 per share. After giving effect to this accelerated share repurchase agreement, as well as other share repurchases to date in 2015, our remaining share-purchase authorization is approximately $5.4 billion.

A. Legal Proceedings

Our non-tax contingencies include, but are not limited to, the following:

- Patent litigation, which typically involves challenges to the coverage and/or validity of our patents on various products, processes or dosage forms. We are the plaintiff in the vast majority of these actions. An adverse outcome in actions in which we are the plaintiff could result in a loss of patent protection for the drug at issue, a significant loss of revenues from that drug and impairments of any associated assets.
- Product liability and other product-related litigation, which can include personal injury, consumer, off-label promotion, securities, antitrust and breach of contract claims, among others, often involves highly complex issues relating to medical causation, label warnings and reliance on those warnings, scientific evidence and findings, actual, provable injury and other matters.
- Commercial and other matters, which can include merger-related and product-pricing claims and environmental claims and proceedings, can involve complexities that will vary from matter to matter.
- Government investigations, which often are related to the extensive regulation of pharmaceutical companies by national, state and local government agencies in the U.S. and in other countries.

Certain of these contingencies could result in losses, including damages, fines and/or civil penalties, and/or criminal charges, which could be substantial.

We believe that our claims and defenses in these matters are substantial, but litigation is inherently unpredictable and excessive verdicts do occur. We do not believe that any of these matters will have a material adverse effect on our financial position. However, we could incur judgments, enter into settlements or revise our expectations regarding the outcome of certain matters, and such developments could have a material adverse effect on our results of operations in the period in which the amounts are accrued and/or our cash flows in the period in which the amounts are paid.

We have accrued for losses that are both probable and reasonably estimable. Substantially all of our contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss can be complex. Consequently, we are unable to estimate the range of reasonably possible loss in excess of

amounts accrued. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but the assessment process relies heavily on estimates and assumptions that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions.

Amounts recorded for legal and environmental contingencies can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions.

The principal pending matters to which we are a party are discussed below. In determining whether a pending matter is a principal matter, we consider both quantitative and qualitative factors in order to assess materiality, such as, among other things, the amount of damages and the nature of any other relief sought in the proceeding, if such damages and other relief are specified; our view of the merits of the claims and of the strength of our defenses; whether the action purports to be a class action and our view of the likelihood that a class will be certified by the court; the jurisdiction in which the proceeding is

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pending; any experience that we or, to our knowledge, other companies have had in similar proceedings; whether disclosure of the action would be important to a reader of our financial statements, including whether disclosure might change a reader's judgment about our financial statements in light of all of the information about the Company that is available to the reader; the potential impact of the proceeding on our reputation; and the extent of public interest in the matter. In addition, with respect to patent matters, we consider, among other things, the financial significance of the product protected by the patent. As a result of considering qualitative factors in our determination of principal matters, there are some matters discussed below with respect to which management believes that the likelihood of possible loss in excess of amounts accrued is remote.

A1. Legal Proceedings—Patent Litigation

Like other pharmaceutical companies, we are involved in numerous suits relating to our patents, including but not limited to, those discussed below. Most of the suits involve claims by generic drug manufacturers that patents covering our products, processes or dosage forms are invalid and/or do not cover the product of the generic drug manufacturer. Also, counterclaims, as well as various independent actions, have been filed 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. We are also a party to other patent damages suits in various jurisdictions pursuant to which generic drug manufacturers, payers, governments or other parties are seeking damages from us for alleged delay of generic entry related to patent enforcement litigation. Additionally, our licensing and collaboration partners face challenges by generic drug manufacturers to patents covering several of their products that may impact our licenses or co-promotion rights to such products. We are also subject to patent litigation pursuant to which one or more third-parties is seeking damages and/or injunctive relief to compensate for the alleged infringement of its patents due to our commercial or other activities. For example, our subsidiary, Hospira, is involved in patent and patent-related disputes over its attempts to bring generic pharmaceutical and biosimilar products to market. If the marketed product is ultimately found to infringe the valid patent rights of a third-party, such third-party may be awarded significant damages, or we may be prevented from further sales of such product. Such damages may be enhanced as much as three-fold in the event that we or one of our subsidiaries, like Hospira, is found to have willfully infringed the valid patent rights of a third-party.

Actions In Which We Are The Plaintiff

Sutent (sunitinib malate)
In May 2010, Mylan notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Sutent and challenging on various grounds the Sutent basic patent, which expires in 2021, and two other patents that expire in 2020 and 2021, respectively. In June 2010, we filed suit against Mylan in the U.S. District Court for the District of Delaware asserting the infringement of those three patents. The patent expiring in 2020 was dismissed from the case prior to trial. In October 2014, the court held that the two patents expiring in 2021 were valid and infringed. In October 2014, Mylan appealed the decision to the U.S. Court of Appeals for the Federal Circuit.

EpiPen
In July 2010, King Pharmaceuticals, Inc. (King), which we acquired in 2011 and is a wholly owned subsidiary, brought a patent-infringement action against Sandoz, Inc., a division of Novartis AG (Sandoz), in the U.S. District Court for the District of New Jersey in connection with Sandoz's abbreviated new drug application filed with the FDA

seeking approval to market an epinephrine injectable product. Sandoz is challenging patents, which expire in 2025, covering the next-generation autoinjector for use with epinephrine that is sold under the EpiPen brand name.

Toviaz (fesoterodine)
We have an exclusive, worldwide license to market Toviaz from UCB Pharma GmbH, which owns the patents relating to Toviaz.

Beginning in May 2013, several generic drug manufacturers notified us that they had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Toviaz and asserting the invalidity, unenforceability and/or non-infringement of all of our patents for Toviaz that are listed in the FDA's list of Approved Drug Products with Therapeutic Equivalence Evaluations, commonly referred to as the "Orange Book". Beginning in June 2013, we filed actions against all of those generic drug manufacturers in the U.S. District Court for the District of Delaware, asserting the infringement of five of the patents for Toviaz: three composition-of-matter patents and a method-of-use patent that expire in 2019, and a patent covering salts of fesoterodine that expires in 2022. In June and July 2015, we settled with four of the eight generic defendants. The trial relating to the remaining defendants occurred in July 2015, and we are waiting for a ruling from the court.

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Tygacil (tigecycline)
In October 2013, we received notice of a Section 505(b)(2) new drug application filed by Fresenius Kabi USA LLC (Fresenius) for a tigecycline injectable product. Fresenius asserts the invalidity and non-infringement of the polymorph patent for Tygacil that expires in 2030, the formulation patent for Tygacil that expires in 2029 and the basic patent for Tygacil, which expires in 2016. In November 2013, we filed suit against Fresenius in the U.S. District Court for the District of Delaware asserting the validity and infringement of the patents in suit.

In May 2014, CFT Pharmaceuticals LLC (CFT) notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Tygacil. CFT asserts the invalidity and non-infringement of the polymorph patent for Tygacil and the formulation patent for Tygacil. CFT has not challenged the basic patent. In June 2014, we filed suit against CFT in the U.S. District Court for the District of Delaware asserting the validity and infringement of the polymorph patent and the formulation patent for Tygacil. In September 2015, we settled our claims against CFT on terms that permit CFT to launch a generic version of Tygacil in the U.S. prior to the expiration of the patents that were the subject of the challenge.

In May 2014, Aurobindo Pharma Limited (Aurobindo) notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Tygacil. Aurobindo asserts the invalidity and non-infringement of the polymorph patent for Tygacil and the formulation patent for Tygacil. Aurobindo has not challenged the basic patent. In July 2014, we filed suit against Aurobindo in the U.S. District Court for the District of Delaware, asserting the validity and infringement of the polymorph patent and the formulation patent for Tygacil. In September 2015, we settled our claims against Aurobindo on terms that permit Aurobindo to launch a generic version of Tygacil in the U.S. prior to the expiration of the patents that were the subject of the challenge.

In November 2014, Mylan Laboratories Limited (formerly Agila Specialties Private Limited) (Mylan Laboratories) notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Tygacil. Mylan Laboratories asserts the invalidity and non-infringement of the polymorph patent for Tygacil and the formulation patent for Tygacil. Mylan Laboratories has not challenged the basic patent. In January 2015, we filed suit against Mylan Laboratories in the U.S. District Court for the District of Delaware, asserting the validity and infringement of the polymorph patent and the formulation patent for Tygacil. In addition, in September 2015, we received notice of a Section 505(b)(2) new drug application filed by Mylan for a tigecycline injectable product. Mylan asserts the invalidity and non-infringement of the polymorph patent for Tygacil, and two formulation patents for Tygacil that expire in 2028 and 2029, respectively. In October 2015, we filed suit against Mylan in the U.S. District Court for the District of Delaware and in the U.S. District Court for the District of West Virginia asserting the validity and infringement of the patents in suit.

Precedex Premix
In June 2014, Ben Venue Laboratories, Inc. (Ben Venue) notified our subsidiary, Hospira, that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Hospira's premix version of Precedex and containing allegations that a patent relating to the use of Precedex in an intensive care unit setting, which expires in March 2019, was invalid or not infringed. In August 2014, Hospira and Orion Corporation (co-owner of the patent in suit) filed suit against Ben Venue, Hikma Pharmaceuticals PLC (Hikma), and West-Ward Pharmaceutical Corp. in the U.S. District Court for the District of Delaware asserting the validity and infringement of the patent in suit. In October 2014, Eurohealth International Sarl was substituted for Ben Venue and Hikma.

In June 2015, Amneal Pharmaceuticals LLC (Amneal) notified Hospira that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Hospira's premix version of Precedex and

containing allegations that four patents relating to the Precedex premix formulations and their use, all of which expire in 2032, were invalid or not infringed. In August 2015, Hospira filed suit against Amneal in the U.S. District Court for the District of Delaware asserting the validity and infringement of the patents in suit.

Matters Involving Our Collaboration/Licensing Partners

Nexium 24HR (esomeprazole)

We have an exclusive license from AstraZeneca PLC (AstraZeneca) to market in the U.S. the over-the-counter (OTC) version of Nexium (Nexium 24HR). Beginning in October 2014, Actavis Laboratories FL, Inc., and then subsequently Andrx Labs, LLC (Andrx), Perrigo Company plc (Perrigo), in June 2015, Lupin Limited, and, in October 2015, Dr. Reddy's Laboratories, Inc. & Ltd. notified us that they had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Nexium 24HR prior to the expiration of one or more of AstraZeneca's patents listed in the Orange Book for Nexium 24HR. In November 2014, December 2014, February 2015 and August 2015, AstraZeneca filed actions against Actavis

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Laboratories FL, Inc., Andrx, Perrigo and Lupin Limited, respectively, in the U.S. District Court for the District of New Jersey asserting the infringement of the challenged patents. We are not a party to AstraZeneca's patent-infringement actions.

Eliquis (apixaban) - Inter-Partes Review (IPR)
In August 2015, Bristol-Myers Squibb (BMS) received a Petition for Inter Partes Review (the Petition) of the composition of matter patent that contains claims that cover apixaban, the active ingredient in Eliquis, which is co-marketed by BMS and Pfizer. The patent expires in February 2023, but BMS has filed a request for patent term restoration with the U.S. Patent & Trademark Office (USPTO) which, if successful, will result in a patent expiration date of December 2026. The Petition was filed at the USPTO by the Coalition for Affordable Drugs and requests that the Patent Trial and Appeal Board (PTAB) initiate a proceeding to review the validity of the patent, including claims that cover apixaban. BMS intends to respond to and oppose this petition in November 2015 and a decision by the PTAB on initiation is expected in February 2016.

Action In Which We Are The Defendant

Effexor XR (venlafaxine HCI)
In 2006, Wyeth and Wyeth Canada Limited (the Wyeth companies) filed an action in the Federal Court in Canada against Ratiopharm Inc. (Ratiopharm) seeking to prevent Ratiopharm from obtaining approval in Canada for its generic version of Effexor XR prior to the expiration of one of the Wyeth companies' patents. As a result of that action, Ratiopharm was enjoined from obtaining regulatory approval for its generic product. However, in August 2007, the Federal Court of Appeal in Canada ruled that the patent at issue could not be asserted against Ratiopharm under the applicable Canadian regulations governing approvals, and it dismissed the Wyeth companies' action.

Following the dismissal, in 2007, Ratiopharm filed an action in the Federal Court in Canada seeking damages from the Wyeth companies for preventing Ratiopharm from marketing its generic version of Effexor XR in Canada from January 2006 through August 2007. The Federal Court dismissed Ratiopharm's action in 2011, but the Federal Court of Appeal reinstated it in 2012. In 2011 and 2012, Pfizer made payments to Teva Canada Limited, which had acquired Ratiopharm, totaling Canadian dollars 52.5 million in partial settlement of this action.

The trial in this action was held in January 2014, and the court issued various findings in March 2014. On June 30, 2014, the Federal Court in Canada issued a judgment based on those findings, awarding Teva Canada Limited damages of approximately Canadian dollars 125 million, consisting of compensatory damages, pre-judgment interest and legal costs. This judgment was satisfied by Pfizer Canada Inc., as successor to the Wyeth companies, in July 2014. In September 2014, Pfizer Canada Inc. appealed the judgment.

A2. Legal Proceedings—Product Litigation

Like other pharmaceutical companies, we are defendants in numerous cases, including but not limited to those discussed below, related to our pharmaceutical and other products. Plaintiffs in these cases seek damages and other relief on various grounds for alleged personal injury and economic loss.

Asbestos
Between 1967 and 1982, Warner-Lambert owned American Optical Corporation, which manufactured and sold respiratory protective devices and asbestos safety clothing. In connection with the sale of American Optical in 1982, Warner-Lambert agreed to indemnify the purchaser for certain liabilities, including certain asbestos-related and other

claims. As of September 27, 2015, approximately 57,040 claims naming American Optical and numerous other defendants were pending in various federal and state courts seeking damages for alleged personal injury from exposure to asbestos and other allegedly hazardous materials. Warner-Lambert was acquired by Pfizer in 2000 and is now a wholly owned subsidiary of Pfizer. Warner-Lambert is actively engaged in the defense of, and will continue to explore various means of resolving, these claims.

Numerous lawsuits are pending against Pfizer in various federal and state courts seeking damages for alleged personal injury from exposure to products containing asbestos and other allegedly hazardous materials sold by Gibsonburg Lime Products Company (Gibsonburg). Gibsonburg was acquired by Pfizer in the 1960s and sold products containing small amounts of asbestos until the early 1970s.

There also are a small number of lawsuits pending in various federal and state courts seeking damages for alleged exposure to asbestos in facilities owned or formerly owned by Pfizer or its subsidiaries.

Celebrex and Bextra
Beginning in late 2004, several purported class actions were filed in federal and state courts alleging that Pfizer and certain of our current and former officers violated federal securities laws by misrepresenting the safety of Celebrex and Bextra. In June 2005, the federal actions were transferred for consolidated pre-trial proceedings to a Multi-District Litigation (In re Pfizer Inc.

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Securities, Derivative and "ERISA" Litigation MDL-1688) in the U.S. District Court for the Southern District of New York. In March 2012, the court in the Multi-District Litigation certified a class consisting of all persons who purchased or acquired Pfizer stock between October 31, 2000 and October 19, 2005. In May 2014, the court in the Multi-District Litigation granted Pfizer's motion to exclude the testimony of the plaintiffs' loss causation and damages expert. We subsequently filed a motion for summary judgment seeking dismissal of the litigation, and the plaintiffs filed a motion for leave to submit an amended report by their expert. In July 2014, the court denied the plaintiffs' motion for leave to submit an amended report, and granted our motion for summary judgment, dismissing the plaintiffs' claims in their entirety. In August 2014, the plaintiffs appealed the District Court's decision to the U.S. Court of Appeals for the Second Circuit.

Effexor

- Personal Injury Actions

A number of individual lawsuits and multi-plaintiff lawsuits have been filed against us and/or our subsidiaries in various federal and state courts alleging personal injury as a result of the purported ingestion of Effexor. Among other types of actions, the Effexor personal injury litigation includes actions alleging a variety of birth defects as a result of the purported ingestion of Effexor by women during pregnancy. Plaintiffs in these birth-defect actions seek compensatory and punitive damages. In August 2013, the federal birth-defect cases were transferred for consolidated pre-trial proceedings to a Multi-District Litigation (In re Effexor (Venlafaxine Hydrochloride) Products Liability Litigation MDL-2458) in the U.S. District Court for the Eastern District of Pennsylvania. A number of plaintiffs have voluntarily dismissed their actions.

- Antitrust Actions

Beginning in May 2011, actions, including purported class actions, were filed in various federal courts against Wyeth and, in certain of the actions, affiliates of Wyeth and certain other defendants relating to Effexor XR, which is the extended-release formulation of Effexor. The plaintiffs in each of the class actions seek to represent a class consisting of all persons in the U.S. and its territories who directly purchased, indirectly purchased or reimbursed patients for the purchase of Effexor XR or generic Effexor XR from any of the defendants from June 14, 2008 until the time the defendants' allegedly unlawful conduct ceased. The plaintiffs in all of the actions allege delay in the launch of generic Effexor XR in the U.S. and its territories, in violation of federal antitrust laws and, in certain of the actions, the antitrust, consumer protection and various other laws of certain states, as the result of Wyeth fraudulently obtaining and improperly listing certain patents for Effexor XR in the Orange Book, enforcing certain patents for Effexor XR and entering into a litigation settlement agreement with a generic drug manufacturer with respect to Effexor XR. Each of the plaintiffs seeks treble damages (for itself in the individual actions or on behalf of the putative class in the purported class actions) for alleged price overcharges for Effexor XR or generic Effexor XR in the U.S. and its territories since June 14, 2008. All of these actions have been consolidated in the U.S. District Court for the District of New Jersey.

In October 2014, the District Court dismissed the direct purchaser plaintiffs' claims based on the litigation settlement agreement, but declined to dismiss the other direct purchaser plaintiff claims. In January 2015, the District Court entered partial final judgments as to all settlement agreement claims, including those asserted by direct purchasers and end-payer plaintiffs, which plaintiffs have appealed to the United States Court of Appeals for the Third Circuit. Motions to dismiss remain pending as to the end-payer plaintiffs' remaining claims.

Zoloft

A number of individual lawsuits and multi-plaintiff lawsuits have been filed against us and/or our subsidiaries in various federal and state courts alleging personal injury as a result of the purported ingestion of Zoloft. Among other

types of actions, the Zoloft personal injury litigation includes actions alleging a variety of birth defects as a result of the purported ingestion of Zoloft by women during pregnancy. Plaintiffs in these birth-defect actions seek compensatory and punitive damages and the disgorgement of profits resulting from the sale of Zoloft. In April 2012, the federal birth-defect cases were transferred for consolidated pre-trial proceedings to a Multi-District Litigation (In re Zoloft Products Liability Litigation MDL-2342) in the U.S. District Court for the Eastern District of Pennsylvania. A number of plaintiffs have voluntarily dismissed their actions.

Lipitor

- Whistleblower Action

In 2004, a former employee filed a "whistleblower" action against us in the U.S. District Court for the Eastern District of New York. The complaint remained under seal until September 2007, at which time the U.S. Attorney for the Eastern District of New York declined to intervene in the case. We were served with the complaint in December 2007. Plaintiff alleges off-label promotion of Lipitor in violation of the Federal Civil False Claims Act and the false claims acts of certain states, and he seeks treble damages and civil penalties on behalf of the federal government and the specified states as the result of their purchase, or reimbursement of patients for the purchase, of Lipitor allegedly for such off-label uses. Plaintiff also seeks compensation as a

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whistleblower under those federal and state statutes. In addition, plaintiff alleges that he was wrongfully terminated, in violation of the anti-retaliation provisions of applicable federal and New York law, and he seeks damages and the reinstatement of his employment. In 2009, the District Court dismissed without prejudice the off-label promotion claims and, in 2010, plaintiff filed an amended complaint containing off-label promotion allegations that are substantially similar to the allegations in the original complaint. In November 2012, the District Court dismissed the amended complaint. In December 2012, plaintiff appealed the District Court's decision to the U.S. Court of Appeals for the Second Circuit. In August 2014, the U.S. Court of Appeals for the Second Circuit dismissed the appeal for lack of jurisdiction and sent the case back to the District Court for clarification of its ruling regarding the plaintiff's employment claims. In November 2014, the District Court granted plaintiff's motion for a partial final judgment certifying the dismissal of the false claims counts, and plaintiff appealed the order dismissing those claims to the U.S. Court of Appeals for the Second Circuit.

- Antitrust Actions

Beginning in November 2011, purported class actions relating to Lipitor were filed in various federal courts against, among others, Pfizer, certain affiliates of Pfizer, and, in most of the actions, Ranbaxy, Inc. (Ranbaxy) and certain affiliates of Ranbaxy. The plaintiffs in these various actions seek to represent nationwide, multi-state or statewide classes consisting of persons or entities who directly purchased, indirectly purchased or reimbursed patients for the purchase of Lipitor (or, in certain of the actions, generic Lipitor) from any of the defendants from March 2010 until the cessation of the defendants' allegedly unlawful conduct (the Class Period). The plaintiffs allege delay in the launch of generic Lipitor, in violation of federal antitrust laws and/or state antitrust, consumer protection and various other laws, resulting from (i) the 2008 agreement pursuant to which Pfizer and Ranbaxy settled certain patent litigation involving Lipitor, and Pfizer granted Ranbaxy a license to sell a generic version of Lipitor in various markets beginning on varying dates, and (ii) in certain of the actions, the procurement and/or enforcement of certain patents for Lipitor. Each of the actions seeks, among other things, treble damages on behalf of the putative class for alleged price overcharges for Lipitor (or, in certain of the actions, generic Lipitor) during the Class Period. In addition, individual actions have been filed against Pfizer, Ranbaxy and certain of their affiliates, among others, that assert claims and seek relief for the plaintiffs that are substantially similar to the claims asserted and the relief sought in the purported class actions described above. These various actions have been consolidated for pre-trial proceedings in a Multi-District Litigation (In re Lipitor Antitrust Litigation MDL-2332) in the U.S. District Court for the District of New Jersey.

In September 2013 and 2014, the District Court dismissed with prejudice the claims by direct purchasers. In October and November 2014, the District Court dismissed with prejudice the claims of all other MDL plaintiffs. All plaintiffs have appealed the District Court's orders dismissing their claims with prejudice to the United States Court of Appeals for the Third Circuit. In addition, the direct purchaser class plaintiffs appealed the order denying their motion to amend the judgment and for leave to amend their complaint to the United States Court of Appeals for the Third Circuit.

Also, in January 2013, the State of West Virginia filed an action in West Virginia state court against Pfizer and Ranbaxy, among others, that asserts claims and seeks relief on behalf of the State of West Virginia and residents of that state that are substantially similar to the claims asserted and the relief sought in the purported class actions described above.

- Personal Injury Actions

A number of individual and multi-plaintiff lawsuits have been filed against us in various federal and state courts alleging that the plaintiffs developed type 2 diabetes as a result of the purported ingestion of Lipitor. Plaintiffs seek compensatory and punitive damages. In February 2014, the federal actions were transferred for consolidated pre-trial proceedings to a Multi-District Litigation (In re Lipitor (Atorvastatin Calcium) Marketing, Sales Practices and

Products Liability Litigation (No. II) MDL-2502) in the U.S. District Court for the District of South Carolina.

Chantix/Champix

Beginning in December 2008, purported class actions were filed against us in the Ontario Superior Court of Justice (Toronto Region), the Superior Court of Quebec (District of Montreal), the Court of Queen's Bench of Alberta, Judicial District of Calgary, and the Superior Court of British Columbia (Vancouver Registry) on behalf of all individuals and third-party payers in Canada who have purchased and ingested Champix or reimbursed patients for the purchase of Champix. Each of these actions asserts claims under Canadian product liability law, including with respect to the safety and efficacy of Champix, and, on behalf of the putative class, seeks monetary relief, including punitive damages. In June 2012, the Ontario Superior Court of Justice certified the Ontario proceeding as a class action, defining the class as consisting of the following: (i) all persons in Canada who ingested Champix during the period from April 2, 2007 to May 31, 2010 and who experienced at least one of a number of specified neuropsychiatric adverse events; (ii) all persons who are entitled to assert claims in respect of Champix pursuant to Canadian legislation as the result of their relationship with a class member; and (iii) all health insurers who are entitled to assert claims in respect of Champix pursuant to Canadian legislation. The Ontario Superior Court of Justice certified the class against Pfizer Canada Inc. only and ruled that the action against Pfizer should be stayed until after the trial of the issues that are

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common to the class members. The actions in Quebec, Alberta and British Columbia have been stayed in favor of the Ontario action, which is proceeding on a national basis.

Celebrex
Beginning in July 2014, purported class actions were filed in the U.S. District Court for the Eastern District of Virginia against Pfizer and certain subsidiaries of Pfizer relating to Celebrex. The plaintiffs seek to represent U.S. nationwide or multi-state classes consisting of persons or entities who directly purchased from the defendants, or indirectly purchased or reimbursed patients for some or all of the purchase price of, Celebrex or generic Celebrex from May 31, 2014 until the cessation of the defendants' allegedly unlawful conduct. The plaintiffs allege delay in the launch of generic Celebrex in violation of federal antitrust laws or certain state antitrust, consumer protection and various other laws as a result of Pfizer fraudulently obtaining and improperly listing a patent on Celebrex, engaging in sham litigation, and prolonging the impact of sham litigation through settlement activity that further delayed generic entry. Each of the actions seeks treble damages on behalf of the putative class for alleged price overcharges for Celebrex since May 31, 2014. In December 2014, the District Court granted the parties' joint motions to consolidate the direct purchaser and end-payer cases, and all such cases were consolidated as of March 2015. In October 2014 and March 2015, we filed motions to dismiss the direct purchasers' and end-payers' amended complaints, respectively. In July 2015, another direct purchaser putative class action was filed in the Eastern District of Virginia.

Reglan
Reglan is a pro-motility medicine for the treatment of gastroesophageal reflux disease and diabetic gastroparesis that was marketed by Wyeth and a predecessor company from 1979 until the end of 2001, when Wyeth sold the product and transferred the new drug application to another pharmaceutical company. Generic versions of Reglan have been sold by other companies since 1985. Pfizer, as Wyeth's parent company, and certain wholly owned subsidiaries and limited liability companies, including Wyeth, along with several other pharmaceutical manufacturers, have been named as defendants in numerous actions in various federal and state courts alleging personal injury resulting from the use of Reglan and/or generic equivalents thereof. Plaintiffs in these actions seek to hold the defendants, including Pfizer and its affiliated companies, liable for a variety of personal injuries, including movement disorders such as Tardive Dyskinesia, allegedly resulting from the ingestion of Wyeth's product and/or products sold by other companies. A substantial majority of the claims involve the ingestion of generic versions of Reglan produced and sold by other companies. Claims against Pfizer and its affiliated companies are largely based on the novel theory of innovator liability under which plaintiffs allege that an innovator pharmaceutical company can be liable for injuries caused by the ingestion of generic forms of the product produced and sold by other companies. This theory of liability has been rejected by more than 100 federal and state courts, applying the laws of 30 states. However, a small number of courts have adopted the theory, including the Alabama Supreme Court in August 2014. In May 2015, the Governor of Alabama signed legislation that abolishes the innovator liability theory in Alabama for any cases filed on or after November 1, 2015. Actions have been filed under the laws of multiple jurisdictions, including Alabama, and additional actions may be filed in the future.

A3. Legal Proceedings—Commercial and Other Matters

Average Wholesale Price Litigation
Pfizer, certain of its subsidiaries and other pharmaceutical manufacturers were sued in various state courts by a number of states alleging that the defendants provided average wholesale price (AWP) information for certain of their products that was higher than the actual average prices at which those products were sold. The AWP is used to determine reimbursement levels under Medicare Part B and Medicaid and in many private-sector insurance policies and medical plans. All but two of those actions have been resolved through settlement, dismissal or final judgment.

The plaintiff states in the two remaining actions claim that the alleged spread between the AWPs at which purchasers were reimbursed and the actual sale prices was promoted by the defendants as an incentive to purchase certain of their products. In addition to suing on their own behalf, the two states seek to recover on behalf of individuals, private-sector insurance companies and medical plans in their states. These 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 relating to Former Monsanto's chemical businesses are limited to sites that Solutia has owned or operated. In addition, in connection with its spinoff that was completed in 2002, New Monsanto assumed, and agreed to indemnify Pharmacia for, any liabilities primarily related to Former Monsanto's chemical businesses, including, but not limited to, any such liabilities that Solutia assumed. Solutia's and New Monsanto's assumption of, and agreement to, indemnify Pharmacia for these liabilities apply to pending actions and any future actions related to Former Monsanto's chemical businesses in which Pharmacia is named as a defendant, including, without limitation, actions asserting environmental claims, including alleged exposure to polychlorinated biphenyls. Solutia and New Monsanto are defending and indemnifying Pharmacia in connection with various claims and litigation arising out of, or related to, Former Monsanto's chemical businesses.

Environmental Matters
In 2009, we submitted to the U.S. Environmental Protection Agency (EPA) a corrective measures study report with regard to Pharmacia's discontinued industrial chemical facility in North Haven, Connecticut and a revised site-wide feasibility study with regard to Wyeth Holdings Corporation's discontinued industrial chemical facility in Bound Brook, New Jersey. In September 2010, our corrective measures study report with regard to the North Haven facility was approved by the EPA, and we commenced construction of the site remedy in late 2011 under an Updated Administrative Order on Consent with the EPA. In July 2011, Wyeth Holdings Corporation finalized an Administrative Settlement Agreement and Order on Consent for Removal Action with the EPA with regard to the Bound Brook facility. In May 2012, we completed construction of an interim remedy to address the discharge of impacted groundwater from that facility to the Raritan River. In September 2012, the EPA issued a final remediation plan for the Bound Brook facility's main plant area, which is generally in accordance with one of the remedies evaluated in our revised site-wide feasibility study. In March 2013, Wyeth Holdings Corporation (now Wyeth Holdings LLC) entered into an Administrative Settlement Agreement and Order on Consent with the EPA to allow us to undertake detailed engineering design of the remedy for the main plant area and to perform a focused feasibility study for two adjacent lagoons. In September 2015, the U.S., on behalf of the EPA, lodged a complaint and consent decree with the federal District Court for the District of New Jersey that will allow Wyeth Holdings LLC to complete the design and to implement the remedy for the main plant area. The estimated costs of the site remedy for the North Haven facility and the site remediation for the Bound Brook facility are covered by accruals previously taken by us.

India's National Green Tribunal (NGT) and the Maharashtra Pollution Control Board (MPCB) are actively reviewing various industrial facilities in the vicinity of Aurangabad, India, to determine whether those facilities have contributed to alleged groundwater and soil contamination in the area. In July 2015, the NGT issued an order directing Hospira India, as the owner of a manufacturing facility in Aurangabad, to deposit approximately $1.8 million in escrow (subsequently reduced to $0.9 million) to be applied to any required costs of remediation in the event Hospira India is determined to have responsibility for the alleged contamination. Subsequent to the NGT order, MPCB ordered the immediate closure of Hospira India's Aurangabad facility. Hospira India appealed the MPCB order, and in response, the NGT stayed the closure order until at least late November 2015, when a further hearing is scheduled. A prolonged closure of the Aurangabad facility would affect production at that facility, as well as production at Hospira India's Irungattukottai, India facility.

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

A4. Legal Proceedings—Government Investigations

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

In 2009, the U.S. Department of Justice (DOJ) filed a civil complaint in intervention in two qui tam actions that had been filed under seal in the U.S. District Court for the District of Massachusetts. The complaint alleges that Wyeth's practices relating to

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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.

In 2012, Pfizer sold the UK Marketing Authorisation for phenytoin sodium capsules to a third-party, but retained the right to supply the finished product to that third-party. In May 2013, the U.K. Competition & Markets Authority (CMA) informed us that it had launched an investigation into the supply of phenytoin sodium capsules in the U.K. market. In August 2015, the CMA issued a Statement of Objections alleging that Pfizer and Pfizer Limited, a U.K. subsidiary, engaged in conduct that violates U.K. and EU antitrust laws.

A5. Legal Proceedings—Matters Resolved During the First Nine Months of 2015

During the first nine months of 2015, certain matters, including the matters discussed below, were resolved or were the subject of definitive settlement agreements or settlement agreements-in-principle.

Lyrica (pregabalin)
In May and June 2011, Apotex Inc. notified us that it had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Lyrica oral solution and Lyrica capsules, respectively. Apotex Inc. asserts the invalidity and non-infringement of the basic patent, as well as the seizure patent that expired in October 2013. In July 2011, we filed an action against Apotex Inc. in the U.S. District Court for the District of Delaware asserting the validity and infringement of the challenged patents in connection with both abbreviated new drug applications. In January 2015, the District Court entered a stipulated dismissal, and as a result, Apotex Inc. cannot obtain FDA approval for, or market in the U.S., its generic versions of Lyrica prior to the expiration of the basic patent in December 2018.

Neurontin
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 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 decision of the District Court dismissing the action by the third-party payer proposed class representatives and remanded that action to the District Court for further consideration, including reconsideration of class certification.

In December 2013, the U.S. Supreme Court denied our petition for certiorari seeking review of the First Circuit's decision reversing the dismissal of the third-party payer purported class action. In April 2014, we and the attorneys for the proposed class representatives and for the plaintiffs in various individual actions entered into an agreement-in-principle to settle the third-party payer purported class action, subject to court approval, as well as the pending individual actions by third-party payers, for an aggregate of $325 million. In November 2014, the District Court granted final approval of the class settlement.

Viagra (sildenafil)

In October 2010, we filed a patent-infringement action with respect to Viagra in the U.S. District Court for the Southern District of New York against Apotex Inc. and Apotex Corp., Mylan Pharmaceuticals Inc. (Mylan) and Mylan Inc. and Actavis, Inc. These generic drug manufacturers have filed abbreviated new drug applications with the FDA seeking approval to market their generic versions of Viagra. They assert the invalidity and non-infringement of the Viagra method-of-use patent, which expires in 2020 (including the six-month pediatric exclusivity period resulting from the Company's conduct of clinical studies to evaluate Revatio in the treatment of pediatric patients with pulmonary arterial hypertension; Viagra and Revatio have the same active ingredient, sildenafil).

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In May and June 2011, Watson Laboratories Inc. (Watson) and Hetero Labs Limited (Hetero), respectively, notified us that they had filed abbreviated new drug applications with the FDA seeking approval to market their generic versions of Viagra. Each asserts the invalidity and non-infringement of the Viagra method-of-use patent. In June and July 2011, we filed actions against Watson and Hetero, respectively, in the U.S. District Court for the Southern District of New York asserting the validity and infringement of the Viagra method-of-use patent.

In April 2015, we entered into settlement agreements with each of Mylan, Mylan Inc., Watson, Actavis, Inc., Apotex Inc. and Apotex Corp. pursuant to which we granted licenses to the method-of-use patent permitting Mylan, Mylan Inc., Watson, Actavis, Inc., Apotex Inc. and Apotex Corp. to launch generic versions of Viagra in the U.S. beginning on or after December 11, 2017. In June 2015, we entered into a settlement agreement with Hetero pursuant to which we granted a license to the method-of-use patent permitting Hetero to launch a generic version of Viagra in the U.S. beginning on or after December 11, 2017.

Celebrex (celecoxib)
In March 2013, the USPTO granted us a reissue patent covering methods of treating osteoarthritis and other approved conditions with celecoxib, the active ingredient in Celebrex. The reissue patent, including the six-month pediatric exclusivity period, expires in December 2015. On the date that the reissue patent was granted, we filed suit against Teva Pharmaceuticals USA, Inc. (Teva USA), Mylan, Watson (as predecessor to Allergan plc), Lupin Pharmaceuticals USA, Inc. (Lupin), Apotex Corp. and Apotex Inc. in the U.S. District Court for the Eastern District of Virginia, asserting the infringement of the reissue patent. Each of the defendant generic drug companies had previously filed an abbreviated new drug application with the FDA seeking approval to market a generic version of celecoxib beginning in May 2014, upon the expiration of the basic patent (including the six-month pediatric exclusivity period) for celecoxib. In March 2014, the District Court granted the defendants' motion for summary judgment, invalidating the reissue patent. In May 2014, we appealed the District Court's decision to the U.S. Court of Appeals for the Federal Circuit. In June 2015, the U.S. Court of Appeals for the Federal Circuit affirmed the District Court's decision.

In April 2014, we entered into settlement agreements with two of the defendants, Teva USA and Watson, pursuant to which we granted licenses to the reissue patent permitting Teva USA and Watson to launch generic versions of celecoxib in the U.S. beginning in December 2014. In June 2014 and October 2014, we entered into settlement agreements with Mylan and Lupin, respectively, pursuant to which we granted licenses to the reissue patent permitting Mylan and Lupin to launch generic versions of celecoxib in the U.S. beginning in December 2014. In December 2014, Teva USA, Watson, Mylan and Lupin commenced marketing of generic versions of celecoxib.

Various Drugs: Off-Label Promotion Action
In May 2010, a purported class action was filed in the U.S. District Court for the Southern District of New York against Pfizer and several of our current and former officers. The complaint alleges that the defendants violated federal securities laws by making or causing Pfizer to make false statements, and by failing to disclose or causing Pfizer to fail to disclose material information concerning the alleged off-label promotion of certain pharmaceutical products, alleged payments to physicians to promote the sale of those products and government investigations related thereto. Plaintiffs seek damages in an unspecified amount. In March 2012, the court certified a class consisting of all persons who purchased Pfizer common stock in the U.S. or on U.S. stock exchanges between January 19, 2006 and January 23, 2009 and were damaged as a result of the decline in the price of Pfizer common stock allegedly attributable to the claimed violations. In January 2015, the parties reached an agreement in principle to resolve the matter for $400 million. In July 2015, the court approved the settlement.

B. Guarantees and Indemnifications

In the ordinary course of business and in connection with the sale of assets and businesses, we often indemnify our counterparties against certain liabilities that may arise in connection with the transaction or related to activities prior to the transaction. These indemnifications typically pertain to environmental, tax, employee and/or product-related matters and patent-infringement claims. If the indemnified party were to make a successful claim pursuant to the terms of the indemnification, we would be required to reimburse the loss. These indemnifications are generally subject to threshold amounts, specified claim periods and other restrictions and limitations. Historically, we have not paid significant amounts under these provisions and, as of September 27, 2015, recorded amounts for the estimated fair value of these indemnifications were not significant.

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

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Note 13. Segment, Geographic and Other Revenue Information

A. Segment Information

We manage our commercial operations through two distinct businesses: an Innovative Products business and an Established Products business. The Innovative Products business is composed of two operating segments, each of which is led by a single manager—the Global Innovative Pharmaceutical segment (GIP) and the Global Vaccines, Oncology and Consumer Healthcare segment (VOC). The Established Products business consists of the Global Established Pharmaceutical segment (GEP), which is led by a single manager. Each operating segment has responsibility for its commercial activities and for certain IPR&D projects for new investigational products and additional indications for in-line products that generally have achieved proof of concept. Each business has a geographic footprint across developed and emerging markets.

We regularly review our segments and the approach used by management to evaluate performance and allocate resources.

Operating Segments

Some additional information about each segment follows:

- GIP is focused on developing and commercializing novel, value-creating medicines that significantly improve patients' lives. Key therapeutic areas include inflammation/immunology, cardiovascular/metabolic, neuroscience/pain and rare diseases and include leading brands, such as Xeljanz, Eliquis and Lyrica (U.S., Japan).
- VOC focuses on the development and commercialization of vaccines and products for oncology and consumer healthcare. Consumer Healthcare manufactures and markets several well known, OTC products. Each of the three businesses in VOC operates as a separate, global business with distinct specialization in terms of the science and market approach necessary to deliver value to consumers and patients.
- GEP includes the legacy brands that have lost or will lose exclusivity, branded generics, generic sterile injectable products, biosimilars and medical devices. Additionally, GEP has the knowledge and resources within R&D to develop small molecules, injectables and biosimilars. On September 3, 2015, we acquired Hospira, and its commercial operations are now included within GEP. Commencing from the acquisition date, and in accordance with our domestic and international reporting periods, our consolidated statements of income, primarily GEP's operating results, for the three and nine months ended September 27, 2015 reflect one month of legacy Hospira U.S. operations but do not include any financial results from legacy Hospira international operations. See Note 2A for additional information.
- Our chief operating decision maker uses the revenues and earnings of the three operating segments, among other factors, for performance evaluation and resource allocation.

Other Costs and Business Activities

Certain costs are not allocated to our operating segment results, such as costs associated with the following:

- WRD, which is generally responsible for research projects until proof-of-concept is achieved and then for transitioning those projects to the appropriate operating segment for possible clinical and commercial development. R&D spending may include upfront and milestone payments for intellectual property rights. This organization also has responsibility for certain science-based and other platform-services organizations, which provide technical expertise and other services to the various R&D projects. WRD is also responsible for facilitating all regulatory submissions and interactions with regulatory agencies, including all safety-event activities.

Pfizer Medical, which is responsible for the provision of medical information to healthcare providers, patients and other parties, transparency and disclosure activities, clinical trial results publication, grants for healthcare quality improvement and medical education, partnerships with global public health and medical associations, regulatory inspection readiness reviews, internal audits of Pfizer-sponsored clinical trials and internal regulatory compliance processes.

- Corporate, representing platform functions (such as worldwide technology, global real estate operations, legal, finance, human resources, worldwide public affairs, compliance and worldwide procurement) and certain compensation and other corporate costs, such as interest income and expense, and gains and losses on investments.
- Other unallocated costs, representing overhead expenses associated with our manufacturing and commercial operations not directly attributable to an operating segment.
- Certain transactions and events such as (i) purchase accounting adjustments, where we incur expenses associated with the amortization of fair value adjustments to inventory, intangible assets and property, plant and equipment; (ii) acquisition-related costs, where we incur costs for executing the transaction, integrating the acquired operations and restructuring the

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combined company; and (iii) certain significant items, which include non-acquisition-related restructuring costs, as well as costs incurred for legal settlements, asset impairments and disposals of assets or businesses, including, as applicable, any associated transition activities.

Segment Assets

We manage our assets on a total company basis, not by operating segment, as many of our operating assets are shared (such as our plant network assets) or commingled (such as accounts receivable, as many of our customers are served by multiple operating segments). Therefore, our chief operating decision maker does not regularly review any asset information by operating segment and, accordingly, we do not report asset information by operating segment. Total assets were approximately $171 billion as of September 27, 2015 and approximately $169 billion as of December 31, 2014.

Selected Income Statement Information
The following table provides selected income statement information by reportable segment:

(MILLIONS OF DOLLARS)	Revenues		Earnings[a]	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Three Months Ended				
Reportable Segments:				
GIP	$3,521	$3,490	$2,146	$ 2,063
VOC	3,231	2,511	1,796	1,235
GEP[b]	5,219	6,239	3,230	3,993
Total reportable segments	11,971	12,240	7,172	7,291
Other business activities[c]	116	56	(691)	(832)
Reconciling Items:				
Corporate[d]	—	—	(1,376)	(1,308)
Purchase accounting adjustments[d]	—	—	(960)	(812)
Acquisition-related costs[d]	—	—	(541)	(54)
Certain significant items[e]	—	65	(837)	(548)
Other unallocated	—	—	(70)	(149)
	$12,087	$12,361	$2,697	$ 3,587
Nine Months Ended				
Reportable Segments:				
GIP	$10,093	$10,114	$5,669	$ 5,838
VOC	9,028	7,264	4,939	3,447
GEP[b]	15,323	18,742	9,664	12,219
Total reportable segments	34,444	36,119	20,272	21,504
Other business activities[c]	360	175	(2,039)	(2,212)
Reconciling Items:				
Corporate[d]	—	—	(3,949)	(3,794)
Purchase accounting adjustments[d]	—	—	(2,698)	(2,768)
Acquisition-related costs[d]	—	—	(631)	(131)
Certain significant items[e]	—	193	(1,369)	(1,803)
Other unallocated	—	—	(268)	(359)

	$34,804	$36,487	$9,319	$ 10,437

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

(b) On September 3, 2015, we acquired Hospira. Commencing from the acquisition date, and in accordance with our domestic and international reporting periods, our consolidated statements of income for the three and nine months ended September 27, 2015 reflect one month of legacy Hospira U.S. operations but do not include any financial results from legacy Hospira international operations. See Note 2A for additional information.

(c) Other business activities includes the revenues and operating results of Pfizer CentreSource, our contract manufacturing and bulk pharmaceutical chemical sales operation, which in 2015 includes the revenues and expenses related to our transitional manufacturing and supply agreements with Zoetis Inc. (Zoetis). Other business activities also includes the costs managed by our WRD organization and our Pfizer Medical organization.

(d) For a description, see the “Other Costs and Business Activities” section above.

(e) 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.

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For Revenues in the third quarter and first nine months of 2014, certain significant items represents revenues related to our transitional manufacturing and supply agreements with Zoetis. For additional information, see Notes to Consolidated Financial Statements—Note 2D. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments: Divestitures included in our 2014 Financial Report, which was filed as Exhibit 13 to our 2014 Annual Report on Form 10-K.

For Earnings in the third quarter of 2015, certain significant items includes: (i) restructuring charges and implementation costs associated with our cost-reduction initiatives that are not associated with an acquisition of $107 million, (ii) certain asset impairment charges of $633 million, (iii) charges for business and legal entity alignment of $60 million and (iv) other charges of $36 million. For additional information, see Note 3 and Note 4.

For Earnings in the third quarter of 2014, certain significant items includes: (i) charges for certain legal matters of $28 million, (ii) restructuring charges and implementation costs associated with our cost-reduction initiatives that are not associated with an acquisition of $54 million, (iii) certain asset impairment charges of $242 million, (iv) a charge for an additional year of Branded Prescription Drug Fee of $215 million, (v) charges for business and legal entity alignment of $47 million and (vi) other income of $37 million. For additional information, see Note 3 and Note 4.

For Earnings in the first nine months of 2015, certain significant items includes: (i) restructuring charges and implementation costs associated with our cost-reduction initiatives that are not associated with an acquisition of $302 million, (ii) certain asset impairment charges of $633 million, (iii) charges for business and legal entity alignment of $224 million, (iv) charges for certain legal matters of $92 million and (v) other charges of $117 million. For additional information, see Note 3 and Note 4.

For Earnings in the first nine months of 2014, certain significant items includes: (i) charges for certain legal matters of $726 million, (ii) certain asset impairments of $356 million, (iii) a charge for an additional year of Branded Prescription Drug Fee of $215 million, (iv) restructuring charges and implementation costs associated with our cost-reduction initiatives that are not associated with an acquisition of $400 million, (iv) charges for business and legal entity alignment of $114 million and (v) other income of $9 million. For additional information, see Note 3 and Note 4.

Equity in the net income of investees accounted for by the equity method is not significant for any of our operating segments.

B. Geographic Information

The following table provides revenues by geographic area:

(MILLIONS OF DOLLARS)	Three Months Ended			Nine Months Ended		
	September 27, 2015	September 28, 2014	% Change	September 27, 2015	September 28, 2014	% Change
United States[a]	$5,565	$4,842	15	$14,993	$14,023	7
Developed Europe[b]	2,315	2,837	(18)	7,006	8,641	(19)
Developed Rest of World[c]	1,513	1,816	(17)	4,562	5,404	(16)
Emerging Markets[d]	2,694	2,866	(6)	8,243	8,419	