UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021

☐ **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

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PFIZER INC.

(Exact name of registrant as specified in its charter)

Delaware	
(State or other jurisdiction of incorporation or organization)	(I.R.S. Emp

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on wh registered
Common Stock, $.05 par value	PFE	New York Stock Exchange
0.250% Notes due 2022	PFE22	New York Stock Exchange
1.000% Notes due 2027	PFE27	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files.) Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, July 4, 2021, was approximately $223 billion. This excludes shares of common stock held by directors and executive officers at July 4, 2021. Exclusion of shares held by any person should not be construed to indicate that such person possesses the power, directly or indirectly, to direct or cause the direction of the management or policies of the registrant, or that such person is controlled by or under common control with the registrant. The registrant has no non-voting common stock.

The number of shares outstanding of the registrant's common stock as of February 22, 2022 was 5,623,346,471 shares of common stock, all of one class.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2022 Annual Meeting of Shareholders	Part III

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DEFINED TERMS

Unless the context requires otherwise, references to “Pfizer,” “the Company,” “we,” “us” or “our” in this Form 10-K (defined below) refer to Pfizer Inc. and its subsidiaries. Pfizer’s fiscal year-end for subsidiaries operating outside the U.S. is as of and for the year ended November 30 for each year presented. Pfizer's fiscal year-end for U.S. subsidiaries is as of and for the year ended December 31 for each year presented. References to “Notes” in this Form 10-K are to the Notes to the consolidated financial statements in *Item 8. Financial Statements and Supplementary Data* in this Form 10-K. We also have used several other terms in this Form 10-K, most of which are explained or defined below.

Form 10-K	This Annual Report on Form 10-K for the fiscal year ended December 31, 2021
Proxy Statement	Proxy Statement for the 2022 Annual Meeting of Shareholders, which will be filed no later than 120 days after December 31, 2021
AbbVie	AbbVie Inc.
ABO	Accumulated benefit obligation represents the present value of the benefit obligation earned through the end of the year but does not factor in future compensation increases
ACA (also referred to as U.S. Healthcare Legislation)	U.S. Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act
ACIP	Advisory Committee on Immunization Practices
Akcea	Akcea Therapeutics, Inc.
ALK	anaplastic lymphoma kinase
Alliance revenues	Revenues from alliance agreements under which we co-promote products discovered or developed by other companies or us
Anacor	Anacor Pharmaceuticals, Inc.
ASR	accelerated share repurchase agreement
Arena	Arena Pharmaceuticals, Inc.
Array	Array BioPharma Inc.
Arvinas	Arvinas, Inc.
Astellas	Astellas Pharma Inc., Astellas US LLC and Astellas Pharma US, Inc.
ATTR-CM	transthyretin amyloid cardiomyopathy
Beam	Beam Therapeutics Inc.
Biogen	Biogen Inc.
Biohaven	Biohaven Pharmaceutical Holding Company Ltd., Biohaven Pharmaceutical Ireland DAC and BioShin Limited. (collectively, Biohaven)
BioNTech	BioNTech SE
Biopharma	Pfizer Biopharmaceuticals Group
BLA	Biologics License Application
BMS	Bristol-Myers Squibb Company
*BNT162b2**	Pfizer-BioNTech COVID-19 Vaccine, also known as Comirnaty
BOD	Board of Directors
BRCA	BReast CAncer susceptibility gene
CDC	U.S. Centers for Disease Control and Prevention
cGMPs	current Good Manufacturing Practices
*Comirnaty**	Pfizer-BioNTech COVID-19 Vaccine, also known as BNT162b2
Consumer Healthcare JV	GSK Consumer Healthcare JV
COVID-19	novel coronavirus disease of 2019
CMA	conditional marketing authorisation
CStone	CStone Pharmaceuticals
DEA	U.S. Drug Enforcement Agency
Developed Europe	Includes the following markets: Western Europe, Scandinavian countries and Finland
Developed Markets	Includes the following markets: U.S., Developed Europe, Japan, Canada, South Korea, Australia and New Zealand
Developed Rest of World	Includes the following markets: Japan, Canada, South Korea, Australia and New Zealand
EC	European Commission
EMA	European Medicines Agency
Emerging Markets	Includes, but is not limited to, the following markets: Asia (excluding Japan and South Korea), Latin America, Central Europe, Eastern Europe, the Middle East, Africa and Turkey

GAAP	Generally Accepted Accounting Principles
GDFV	grant-date fair value
GIST	gastrointestinal stromal tumors
GPD	Global Product Development organization
GSK	GlaxoSmithKline plc
Hospira	Hospira, Inc.
Ionis	Ionis Pharmaceuticals, Inc.
IPR&D	in-process research and development
IRC	Internal Revenue Code
IRS	U.S. Internal Revenue Service
JAK	Janus kinase
JV	joint venture
King	King Pharmaceuticals LLC (formerly King Pharmaceuticals, Inc.)
LIBOR	London Interbank Offered Rate
Lilly	Eli Lilly and Company
LOE	loss of exclusivity
MCO	managed care organization
mCRC	metastatic colorectal cancer
mCRPC	metastatic castration-resistant prostate cancer
mCSPC	metastatic castration-sensitive prostate cancer
mRNA	messenger ribonucleic acid
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
Medivation	Medivation LLC (formerly Medivation, Inc.)
Meridian	Meridian Medical Technologies, Inc.
Moody's	Moody's Investors Service
MTM	mark-to-market
Mylan	Mylan N.V.
Mylan-Japan collaboration	a pre-existing strategic collaboration between Pfizer and Mylan for generic drugs in Japan that terminated on December 21, 2020
Myovant	Myovant Sciences Ltd.
NAV	net asset value
NDA	new drug application
nmCRPC	non-metastatic castration-resistant prostate cancer
NMPA	National Medical Product Administration in China
NSCLC	non-small cell lung cancer
NYSE	New York Stock Exchange
OPKO	OPKO Health, Inc.
OTC	over-the-counter
*Paxlovid**	an oral COVID-19 treatment (nirmatrelvir [PF-07321332] tablets and ritonavir tablets)
PBM	pharmacy benefit manager
PBO	Projected benefit obligation; represents the present value of the benefit obligation earned through the end of the year and factors in future compensation increases
PC1	Pfizer CentreOne
PGS	Pfizer Global Supply
Pharmacia	Pharmacia Corporation
PMDA	Pharmaceuticals and Medical Device Agency in Japan
PRAC	Pharmacovigilance Risk Assessment Committee

U.K.	United Kingdom
Upjohn Business	Pfizer's former global, primarily off-patent branded and generics business, which included a portfolio of 20 globally recognized solid oral dose brands, including Lipitor, Lyrica, Norvasc, Celebrex and Viagra, as well as a U.S.-based generics platform, Greenstone, that was spun-off on November 16, 2020 and combined with Mylan to create Viatris
U.S.	United States
Valneva	Valneva SE
VBP	volume-based procurement
Viatris	Viatris Inc.
ViiV	ViiV Healthcare Limited
WHO	World Health Organization
WRDM	Worldwide Research, Development and Medical
WTO	World Trade Organization

* This Form 10-K includes discussion of the COVID-19 vaccine that Pfizer has co-developed with BioNTech (BNT162b2) and our oral COVID-19 treatment (Paxlovid). This Form 10-K may refer to the vaccine by its brand name, Comirnaty (approved under a BLA), or as BNT162b2 (authorized under EUA). The vaccine is FDA-approved to prevent COVID-19 in individuals 16 years of age and older. The vaccine is authorized by the FDA to prevent COVID-19 in individuals 5 years of age and older. In addition, Comirnaty/BNT162b2 is authorized by the FDA for a third dose in certain immunocompromised individuals 5 years of age and older and as a booster dose in individuals 12 years of age and older. Paxlovid has been authorized for emergency use by the FDA under an EUA, for the treatment of mild-to-moderate COVID-19 in adults and pediatric patients (12 years of age and older weighing at least 40 kg [88 lbs]) with positive results of direct SARS CoV-2 viral testing, and who are at high-risk for progression to severe COVID-19, including hospitalization or death. The emergency uses are only authorized for the duration of the declaration that circumstances exist justifying the authorization of emergency use of the medical product under Section 564(b)(1) of the FFDCA unless the declaration is terminated or authorization revoked sooner. The FDA has issued EUAs to certain other companies for products intended for the prevention or treatment of COVID-19 and may continue to do so during the duration of the Declaration. Please see the EUA Fact Sheets at *www.cvdvaccine-us.com* and *www.covid19oralrx.com*.

This Form 10-K includes discussion of certain clinical studies relating to various in-line products and/or product candidates. These studies typically are part of a larger body of clinical data relating to such products or product candidates, and the discussion herein should be considered in the context of the larger body of data. In addition, clinical trial data are subject to differing interpretations, and, even when we view data as sufficient to support the safety and/or effectiveness of a product candidate or a new indication for an in-line product, regulatory authorities may not share our views and may require additional data or may deny approval altogether.

Some amounts in this Form 10-K may not add due to rounding. All percentages have been calculated using unrounded amounts. All trademarks mentioned are the property of their owners.

AVAILABLE INFORMATION

Our website is located at *www.pfizer.com*. This Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and our proxy statements, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are, or will be, available (free of charge) on our website, in text format and, where applicable, in interactive data file format, as soon as reasonably practicable after we electronically file this material with, or furnish it to, the SEC.

Throughout this Form 10-K, we "incorporate by reference" certain information from other documents filed or to be filed with the SEC, including our Proxy Statement. Please refer to this information. This Form 10-K will be available on our website on or about February 24, 2022. Our Proxy Statement will be available on our website on or about March 17, 2022.

Our 2021 Environmental, Social and Governance (ESG) report, which provides enhanced ESG disclosures, will be available on our website on or about March 17, 2022. We also have a Pfizer Investor Insights website, which includes articles on the company, its products and its pipeline, located at *insights.pfizer.com*. Information in our ESG Report and on the Pfizer Investor Insights website are not incorporated by reference into this Form 10-K.

We may use our website as a means of disclosing material information and for complying with our disclosure obligations under Regulation Fair Disclosure promulgated by the SEC. These disclosures are included on our website in the “About—Investors” or “News” sections. Accordingly, investors should monitor these portions of our website, in addition to following our press releases, SEC filings, public conference calls and webcasts, as well as our social media channels (our Facebook, YouTube and LinkedIn pages and Twitter accounts (@*Pfizer* and @*Pfizer_News*)). The information contained on our website, our Facebook, YouTube and LinkedIn pages or our Twitter accounts, or any third-party website, is not incorporated by reference into this Form 10-K.

Information relating to corporate governance at Pfizer, including our Corporate Governance Principles; Director Qualification Standards; Pfizer Policies on Business Conduct (for all of our employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer); Code of Business Conduct and Ethics for Members of the Board of Directors; information concerning our Directors; ways to communicate by e-mail with our Directors; information concerning our Board Committees; Committee Charters; Charter of the Lead Independent Director; and transactions in Pfizer securities by Directors and Officers are available on our website. We will provide any of the foregoing information without charge upon written request to our Corporate Secretary, Pfizer Inc., 235 East 42nd Street, New York, NY 10017. We will disclose any future amendments to, or waivers from, provisions of the Pfizer Policies on Business Conduct affecting our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer on our website as promptly as practicable, as may be required under applicable SEC and NYSE rules. Information relating to shareholder services, including the Computershare Investment Program, book-entry share ownership and direct deposit of dividends, is also available on our website.

FORWARD-LOOKING INFORMATION AND FACTORS THAT MAY AFFECT FUTURE RESULTS

This Form 10-K contains forward-looking statements. We also provide forward-looking statements in other materials we release to the public, as well as public oral statements. Given their forward-looking nature, these statements involve substantial risks, uncertainties and potentially inaccurate assumptions.

We have tried, wherever possible, to identify such statements by using words such as “will,” “may,” “could,” “likely,” “ongoing,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “assume,” “target,” “forecast,” “guidance,” “goal,” “objective,” “aim,” “seek,” “potential” and other words and terms of similar meaning or by using future dates.

We include forward-looking information in our discussion of the following, among other topics:

- our anticipated operating and financial performance, reorganizations, business plans, strategy and prospects;
- expectations for our product pipeline, in-line products and product candidates, including anticipated regulatory submissions, data read-outs, study starts, approvals, clinical trial results and other developing data, revenue contribution, growth, performance, timing of exclusivity and potential benefits;
- strategic reviews, capital allocation objectives, dividends and share repurchases;
- plans for and prospects of our acquisitions, dispositions and other business development activities, and our ability to successfully capitalize on these opportunities;
- sales, expenses, interest rates, foreign exchange rates and the outcome of contingencies, such as legal proceedings;
- expectations for impact of or changes to existing or new government regulations or laws;
- our ability to anticipate and respond to macroeconomic, geopolitical, health and industry trends, pandemics, acts of war and other large-scale crises; and
- manufacturing and product supply.

In particular, forward-looking information in this Form 10-K includes statements relating to specific future actions and effects, including, among others, our efforts to respond to COVID-19, including our development of a vaccine to help prevent COVID-19 and an oral COVID-19 treatment, the forecasted revenue contribution of Comirnaty and the potential number of doses that we and BioNTech believe can be manufactured and/or delivered; the forecasted revenue contribution of Paxlovid and the potential number of treatment courses that we believe can be manufactured; our expectations regarding the impact of COVID-19 on our business; the expected patent term for Comirnaty and Paxlovid; the expectations for ongoing revenue streams from Comirnaty and Paxlovid; the expected impact of patent expiries and competition from generic manufacturers; the expected pricing pressures on our products and the anticipated impact to our business; the availability of raw materials for 2022; the expected charges and/or costs in connection with the spin-off of the Upjohn Business and its combination with Mylan; the benefits expected from our business development transactions; our anticipated liquidity position; the anticipated costs and savings from certain of our initiatives, including our Transforming to a More Focused Company program; our planned capital spending; and the expected benefit payments and employer contributions for our benefit plans.

Given their nature, we cannot assure that any outcome expressed in these forward-looking statements will be realized in whole or in part. Actual outcomes may vary materially from past results and those anticipated, estimated, implied or projected. These forward-looking statements may be affected by underlying assumptions that may prove inaccurate or incomplete, or by known or unknown risks and uncertainties, including those described in this section and in the *Item 1A. Risk Factors* section in this Form 10-K.

Therefore, you are cautioned not to unduly rely on forward-looking statements, which speak only as of the date of this Form 10-K. We undertake no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities law. You are advised, however, to consult any further disclosures we make on related subjects.

Some of the factors that could cause actual results to differ are identified below, as well as those discussed in the *Item 1A. Risk Factors* section in this Form 10-K and within MD&A. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. The occurrence of any of the risks identified below or in the *Item 1A. Risk Factors* section in this Form 10-K, or other risks currently unknown, could have a material adverse effect on our business, financial condition or results of operations, or we may be required to increase our accruals for contingencies. It is not possible to predict or identify all such factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties:

Risks Related to Our Business, Industry and Operations, and Business Development:

- the outcome of R&D activities, including, the ability to meet anticipated pre-clinical or clinical endpoints, commencement and/or completion dates for our pre-clinical or clinical trials, regulatory submission dates, and/or regulatory approval and/or launch dates; the possibility of unfavorable pre-clinical and clinical trial results, including the possibility of unfavorable new pre-clinical or clinical data and further analyses of existing pre-clinical or clinical data; the risk that pre-clinical and clinical trial data are subject to differing interpretations and assessments, including during the peer review/publication process, in the scientific community generally, and by regulatory authorities; and whether and when additional data from our pipeline programs will be published in scientific journal publications, and if so, when and with what modifications and interpretations;
- our ability to successfully address comments received from regulatory authorities such as the FDA or the EMA, or obtain approval for new products and indications from regulators on a timely basis or at all; regulatory decisions impacting labeling, including the scope of indicated patient populations, product dosage, manufacturing processes, safety and/or other matters, including decisions relating to emerging developments regarding potential product impurities; the impact of recommendations by technical or advisory committees; and the timing of pricing approvals and product launches;
- claims and concerns that may arise regarding the safety or efficacy of in-line products and product candidates, including claims and concerns that may arise from the outcome of post-approval clinical trials, which could impact marketing approval, product labeling, and/or availability or commercial potential, including uncertainties regarding the commercial or other impact of the results of the Xeljanz ORAL Surveillance (A3921133) study or actions by regulatory authorities based on analysis of ORAL Surveillance or other data, including on other JAK inhibitors in our portfolio;
- the success and impact of external business development activities, including the ability to identify and execute on potential business development opportunities; the ability to satisfy the conditions to closing of announced transactions in the anticipated time frame or at all; the ability to realize the anticipated benefits of any such transactions in the anticipated time frame or at all; the

potential need for and impact of additional equity or debt financing to pursue these opportunities, which could result in increased leverage and/or a downgrade of our credit ratings; challenges integrating the businesses and operations; disruption to business and operations relationships; risks related to growing revenues for certain acquired products; significant transaction costs; and unknown liabilities;

- competition, including from new product entrants, in-line branded products, generic products, private label products, biosimilars and product candidates that treat or prevent diseases and conditions similar to those treated or intended to be prevented by our in-line products and product candidates;
- the ability to successfully market both new and existing products, including biosimilars;
- difficulties or delays in manufacturing, sales or marketing; supply disruptions, shortages or stock-outs at our facilities or third-party facilities that we rely on; and legal or regulatory actions;
- the impact of public health outbreaks, epidemics or pandemics (such as the COVID-19 pandemic), including the impact of vaccine mandates where applicable, on our business, operations and financial condition and results, including impacts on our employees, manufacturing, supply chain, sales and marketing, R&D and clinical trials;
- risks and uncertainties related to our efforts to develop a vaccine to help prevent COVID-19 and an oral COVID-19 treatment, as well as challenges related to their manufacturing, supply and distribution;
- trends toward managed care and healthcare cost containment, and our ability to obtain or maintain timely or adequate pricing or favorable formulary placement for our products;
- interest rate and foreign currency exchange rate fluctuations, including the impact of possible currency devaluations in countries experiencing high inflation rates;
- any significant issues involving our largest wholesale distributors or government customers, which account for a substantial portion of our revenues;
- the impact of the increased presence of counterfeit medicines or vaccines in the pharmaceutical supply chain;
- any significant issues related to the outsourcing of certain operational and staff functions to third parties; and any significant issues related to our JVs and other third-party business arrangements;
- uncertainties related to general economic, political, business, industry, regulatory and market conditions including, without limitation, uncertainties related to the impact on us, our customers, suppliers and lenders and counterparties to our foreign-exchange and interest-rate agreements of challenging global economic conditions and recent and possible future changes in global financial markets;
- any changes in business, political and economic conditions due to actual or threatened terrorist activity, civil unrest or military action;
- the impact of product recalls, withdrawals and other unusual items, including uncertainties related to regulator-directed risk evaluations and assessments;
- trade buying patterns;
- the risk of an impairment charge related to our intangible assets, goodwill or equity-method investments;
- the impact of, and risks and uncertainties related to, restructurings and internal reorganizations, as well as any other corporate strategic initiatives, and cost-reduction and productivity initiatives, each of which requires upfront costs but may fail to yield anticipated benefits and may result in unexpected costs or organizational disruption;

Risks Related to Government Regulation and Legal Proceedings:

- the impact of any U.S. healthcare reform or legislation or any significant spending reductions or cost controls affecting Medicare, Medicaid or other publicly funded or subsidized health programs or changes in the tax treatment of employer-sponsored health insurance that may be implemented;
- U.S. federal or state legislation or regulatory action and/or policy efforts affecting, among other things, pharmaceutical product pricing, intellectual property, reimbursement or access or restrictions on U.S. direct-to-consumer advertising; limitations on interactions with healthcare professionals and other industry stakeholders; as well as pricing pressures for our products as a result of highly competitive insurance markets;

- legislation or regulatory action in markets outside of the U.S., including China, affecting pharmaceutical product pricing, intellectual property, reimbursement or access, including, in particular, continued government-mandated reductions in prices and access restrictions for certain biopharmaceutical products to control costs in those markets;
- the exposure of our operations globally to possible capital and exchange controls, economic conditions, expropriation and other restrictive government actions, changes in intellectual property legal protections and remedies, as well as political unrest, unstable governments and legal systems and inter-governmental disputes;
- legal defense costs, insurance expenses, settlement costs and contingencies, including those related to actual or alleged environmental contamination;
- the risk and impact of an adverse decision or settlement and the adequacy of reserves related to legal proceedings;
- the risk and impact of tax related litigation;
- governmental laws and regulations affecting our operations, including, without limitation, changes in laws and regulations or their interpretation, including, among others, changes in tax laws and regulations internationally and in the U.S., including, among others, potential adoption of global minimum taxation requirements and potential changes to existing tax law by the current U.S. Presidential administration and Congress;

Risks Related to Intellectual Property, Technology and Security:

- any significant breakdown or interruption of our information technology systems and infrastructure (including cloud services);
- any business disruption, theft of confidential or proprietary information, extortion or integrity compromise resulting from a cyber-attack;
- the risk that our currently pending or future patent applications may not be granted on a timely basis or at all, or any patent-term extensions that we seek may not be granted on a timely basis, if at all; and
- our ability to protect our patents and other intellectual property, including against claims of invalidity that could result in LOE, unasserted intellectual property claims and in response to any pressure, or legal or regulatory action by, various stakeholders or governments that could potentially result in us not seeking intellectual property protection for or agreeing not to enforce or being restricted from enforcing intellectual property related to our products, including our vaccine to help prevent COVID-19 and our oral COVID-19 treatment.

PART I

ITEM 1. BUSINESS

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ABOUT PFIZER

Pfizer Inc. is a research-based, global biopharmaceutical company. We apply science and our global resources to bring therapies to people that extend and significantly improve their lives through the discovery, development, manufacture, marketing, sale and distribution of biopharmaceutical products worldwide. We work across developed and emerging markets to advance wellness, prevention, treatments and cures that challenge the most feared diseases of our time. We collaborate with healthcare providers, governments and local communities to support and expand access to reliable, affordable healthcare around the world. The Company was incorporated under the laws of the State of Delaware on June 2, 1942.

Most of our revenues come from the manufacture and sale of biopharmaceutical products. We believe that our medicines and vaccines provide significant value for healthcare providers and patients, through improved treatment of diseases, improvements in health, wellness and productivity as well as by reducing other healthcare costs, such as emergency room or hospitalization. We seek to enhance the value of our medicines and vaccines and actively engage in dialogues about how we can best work with patients, physicians and payers to prevent and treat disease and improve outcomes. We seek to maximize patient access and evaluate our pricing arrangements and contracting methods with payers to minimize adverse impact on our revenues within the current legal and pricing structures.

We are committed to fulfilling our purpose: *Breakthroughs that change patients' lives*. Our purpose fuels everything we do and reflects both our passion for science and our commitment to patients. Pfizer's growth strategy is driven by five "Bold Moves" that help us deliver breakthroughs for patients and create value for shareholders and other stakeholders:

1. *Unleash the power of our people*;
2. *Deliver first-in-class science*;
3. *Transform our go-to-market model*;
4. *Win the digital race in pharma*; and
5. *Lead the conversation*.

In addition, Pfizer continues to enhance its ESG strategy, which is focused on six areas where we see opportunities to create a meaningful impact over the next decade: product innovation; equitable access and pricing; product quality and safety; diversity, equity and inclusion; climate change; and business ethics.

We are committed to strategically capitalizing on growth opportunities, primarily by advancing our own product pipeline and maximizing the value of our existing products, but also through various business development activities. We view our business development activity as an enabler of our strategies and seek to generate growth by pursuing opportunities and transactions that

have the potential to strengthen our business and our capabilities. We assess our business, assets and scientific capabilities/portfolio as part of our regular, ongoing portfolio review process and also continue to consider business development activities that will help advance our business strategy.

Our significant recent business development activities in 2021 include, among others: (i) the July 2021 global collaboration with Arvinas to develop and commercialize ARV-471, an investigational oral PROTAC® (PROteolysis TArgeting Chimera) estrogen receptor protein degrader (the estrogen receptor is a well-known disease driver in most breast cancers); (ii) the November 2021 collaboration and license agreement with Biohaven to acquire rights to commercialize rimegepant and zavegepant for the treatment and prevention of migraines outside of the U.S. upon approval; (iii) the November 2021 acquisition of Trillium, a clinical stage immuno-oncology company developing innovative potential therapies for the treatment of cancer; and (iv) the December 2021 research collaboration with Beam to utilize Beam's in vivo base editing programs, which use mRNA and lipid nanoparticles, for three targets for rare genetic diseases of the liver, muscle and central nervous system. In addition, in December 2021, we entered into a definitive agreement to acquire Arena, a clinical stage company developing innovative potential therapies for the treatment of several immuno-inflammatory diseases. On February 2, 2022, Arena shareholders voted to approve the proposed acquisition, which is targeted to close in the first half of 2022, subject to review under antitrust laws and other customary closing conditions. For a further discussion of our strategy and our business development initiatives, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook* section within MD&A and *Note 2*.

In 2020 and 2021, our business, operations and financial condition and results were impacted by the COVID-19 pandemic. To confront the public health challenge posed by the pandemic, we have made some important advances, including, the development of a vaccine to help prevent

COVID-19 and an oral COVID-19 treatment. For additional information, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook—COVID-19 Pandemic* section within MD&A and the *Item 1A. Risk Factors—COVID-19 Pandemic* section in this Form 10-K.

COMMERCIAL OPERATIONS

Following (i) the spin-off and combination of the Upjohn Business (which was our global, primarily off-patent branded and generics business) with Mylan in 2020, which created a new global pharmaceutical company, Viatris, and (ii) the formation of the Consumer Healthcare JV with GSK in 2019, we saw the culmination of Pfizer's transformation into a more focused, global leader in science-based innovative medicines and vaccines, and beginning in the fourth quarter of 2020, we operated as a single operating segment engaged in the discovery, development, manufacturing, marketing, sale and distribution of biopharmaceutical products worldwide. At the beginning of our fiscal fourth quarter 2021, we reorganized our commercial operations and began to manage our commercial operations through a new global structure consisting of two operating segments, each led by a single manager: Biopharma, our innovative science-based biopharmaceutical business, and PC1, our global contract development and manufacturing organization and a leading supplier of specialty active pharmaceutical ingredients.

Our Biopharma business includes the following therapeutic areas and key products:

Therapeutic Area	*Description*	*Key Products*
Vaccines	Includes innovative vaccines across all ages—infants, adolescents and adults—in pneumococcal disease, meningococcal disease, tick-borne encephalitis and COVID-19, with a pipeline focus on infectious diseases with significant unmet medical need.	Comirnaty/BNT162b2*, the Prevnar family*, Nimenrix, FSME/IMMUN-TicoVac and Trumenba
Oncology	Includes innovative oncology brands of biologics, small molecules, immunotherapies and biosimilars across a wide range of cancers.	Ibrance*, Xtandi*, Inlyta*, Sutent, Retacrit, Lorbrena and Braftovi
Internal Medicine	Includes innovative brands in cardiovascular metabolic and women's health, as well as regional brands.	Eliquis* and the Premarin family
Hospital*	Includes our global portfolio of sterile injectable and anti-infective medicines, as well as an oral COVID-19 treatment.	Sulperazon, Medrol, Zavicefta, Zithromax, Vfend, Panzyga and Paxlovid
Inflammation & Immunology	Includes innovative brands and biosimilars for chronic immune and inflammatory diseases.	Xeljanz*, Enbrel (outside the U.S. and Canada)*, Inflectra, Eucrisa/ Staquis and Cibinqo
Rare Disease	Includes innovative brands for a number of therapeutic areas with rare diseases, including amyloidosis, hemophilia and endocrine diseases.	Vyndaqel/Vyndamax*, BeneFIX and Genotropin

* Each of Prevnar 13/Prevenar 13, Ibrance, Eliquis, Xeljanz and Enbrel recorded direct product and/or Alliance revenues of more than $1 billion in 2021, 2020 and 2019. Each of Comirnaty/BNT162b2 and Inlyta recorded direct product and/or Alliance revenues of more than $1 billion in 2021. Each of Xtandi and Vyndaqel/Vyndamax recorded direct product and/or Alliance revenues of more than $1 billion in 2021 and 2020. Comirnaty/BNT162b2, Eliquis and Xtandi include Alliance revenues and direct sales. Prevnar family include revenues from Prevnar 13/Prevenar 13 (pediatric and adult) and Prevnar 20 (adult).

** Prior to the fourth quarter of 2021, PC1 had been managed within the Hospital therapeutic area. Also, on December 31, 2021, we completed the sale of our Meridian subsidiary, which was part of the Hospital therapeutic area prior to its sale. See *Note 1A* for additional information.

For additional information on our operating segments and products, see *Note 17* and for additional information on the key operational revenue drivers of our business, see the *Analysis of the Consolidated Statements of Income* section within MD&A. For a discussion

of the risks associated with our dependence on certain of our major products, see the *Item 1A. Risk Factors—Concentration* section in this Form 10-K.

COLLABORATION AND CO-PROMOTION

We use collaboration and/or co-promotion arrangements to enhance our development, R&D, sales and distribution of certain biopharmaceutical products, which include, among others, the following:

- **Comirnaty/BNT162b2** is an mRNA-based coronavirus vaccine to help prevent COVID-19, which is being jointly developed and commercialized with BioNTech. Pfizer and BioNTech equally share the costs of development for the Comirnaty program. Comirnaty/BNT162b2 has been granted an approval or an authorization in many countries around the world in populations varying by country. We also share gross profits equally from commercialization of Comirnaty/BNT162b2 and are working jointly with BioNTech in our respective territories to commercialize the vaccine worldwide (excluding China, Hong Kong, Macau and Taiwan), subject to regulatory authorizations or approvals market by market. For discussion on Comirnaty/BNT162b2, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook—COVID-19 Pandemic* section within MD&A.
- **Eliquis** (apixaban) is part of the Novel Oral Anticoagulant market and was jointly developed and commercialized with BMS as an alternative treatment option to warfarin in appropriate patients. We fund between 50% and 60% of all development costs depending on the study, and profits and losses are shared equally except in certain countries where we commercialize Eliquis and pay a percentage of net sales to BMS. In certain smaller markets we have full commercialization rights and BMS supplies the product to us at cost plus a percentage of the net sales to end-customers.
- **Xtandi** (enzalutamide) is an androgen receptor inhibitor that blocks multiple steps in the androgen receptor signaling pathway within tumor cells that is being developed and commercialized in collaboration with Astellas. We share equally in the gross profits and losses related to U.S. net sales and also share equally all Xtandi commercialization costs attributable to the U.S. market, subject to certain exceptions. In addition, we share certain development and other collaboration expenses. For international net sales we receive royalties based on a tiered percentage.
- **Bavencio** (avelumab) is a human anti-programmed death ligand-1 (PD-L1) antibody that is being developed and commercialized in collaboration with Merck KGaA. We jointly fund the majority of development and commercialization costs and split profits equally related to net sales generated from any products containing avelumab.
- **Orgovyx** (relugolix) is an oral gonadotropin-releasing hormone (GnRH) receptor antagonist for the treatment of adult patients with advanced prostate cancer that is being developed and commercialized with Myovant. The companies are also collaborating on **Myfembree** (relugolix 40

mg, estradiol 1.0 mg, and norethindrone acetate 0.5 mg) for heavy menstrual bleeding associated with uterine fibroids in premenopausal women and the management of moderate to severe pain associated with endometriosis. The companies will equally share profits and allowable expenses in the U.S. and Canada for Orgovyx and Myfembree, with Myovant bearing our share of allowable expenses up to a maximum of $50 million in 2022. Myovant will remain responsible for regulatory interactions and drug supply and continue to lead clinical development for the relugolix combination tablet.

Revenues associated with these arrangements are included in Alliance revenues (except in certain markets where we have direct sales and except for the majority of revenues for Comirnaty/BNT162b2, which are included as direct product revenues). In addition, we have collaboration arrangements for the development and commercialization of certain pipeline products that are in development stage, including, among others, (i) with BioNTech to develop a modified mRNA-based vaccine for the prevention of varicella zoster (Shingles), and (ii) with Valneva to co-develop and commercialize Valneva's Lyme disease vaccine candidate, VLA15. For further discussion of collaboration and co-promotion agreements, see the *Item 1A. Risk Factors—Collaborations and Other Relationships with Third Parties* section in this Form 10-K and *Notes 2* and *17*.

RESEARCH AND DEVELOPMENT

R&D is at the heart of fulfilling our purpose to deliver breakthroughs that change patients' lives as we work to translate advanced science and technologies into the therapies that may be the most impactful for patients. The discovery and development of drugs, vaccines and biological products are time consuming, costly and unpredictable. In addition to discovering and developing new products, our R&D efforts seek to add value to our existing products by improving their effectiveness and ease of dosing and by discovering potential new indications.

Our R&D Priorities and Strategy. Our R&D priorities include:

- delivering a pipeline of highly differentiated medicines and vaccines where we have a unique opportunity to bring the most important new therapies to patients in need;
- advancing our capabilities that can position us for long-term R&D leadership; and
- advancing new models for partnerships with creativity, flexibility and urgency to deliver innovation to patients as quickly as possible.

To that end, our R&D primarily focuses on our main therapeutic areas.

While a significant portion of our R&D is internal, we also seek promising chemical and biological lead molecules and innovative technologies developed by others to incorporate into our discovery and development processes or projects, as well as our product lines. We do so by entering into collaboration, alliance and license agreements with universities, biotechnology companies and other firms as well as through acquisitions and investments. These collaboration, alliance and license agreements and investments allow us to share knowledge, risk and cost. They also enable us to access external scientific and technological expertise, as well as provide us the opportunity to advance our own products and in-licensed or acquired products. For information on certain of these collaborations, alliances and license arrangements and investments, see *Note 2*.

Our R&D Operations. In 2021, we continued to strengthen our global R&D operations and pursue strategies to improve R&D productivity to achieve a sustainable pipeline that is positioned to deliver value in the near term and over time. Our R&D activity is conducted through various platform functions that operate in parallel within our global operations, including the following:

- **WRDM.** Research units within WRDM are generally responsible for research and early-stage development assets for our business (assets that have not yet achieved proof-of-concept) and are organized by therapeutic area to enhance flexibility, cohesiveness and focus. We can rapidly redeploy resources within a research unit and between various projects to leverage, as necessary, common skills, expertise or focus.

- **GPD.** Our GPD organization is a unified center for clinical development and regulatory activities that is generally responsible for the clinical development strategy and operational execution of clinical trials for late-stage clinical assets in Pfizer's pipeline.

- **Science-based platform-services organizations within WRDM.** These organizations provide technical expertise and other services to various R&D projects, and are organized into science-based functions. These organizations allow us to react more quickly and effectively to evolving needs by sharing resources among projects, candidates and targets across therapeutic areas

and phases of development. Examples of these platform organizations include Pharmaceutical Sciences and Medicine Design, and Worldwide Medical and Safety.

We manage R&D operations on a total-company basis through our platform functions described above. Specifically, the Portfolio Strategy & Investment committee, composed of senior executives, is accountable for aligning resources among all of our WRDM, GPD and R&D projects and for seeking to ensure optimal capital allocation across the innovative R&D portfolio. We believe that this approach also serves to maximize accountability and flexibility.

We do not disaggregate total R&D expense by development phase or by therapeutic area since, as described above, we do not manage our R&D operations by development phase or by therapeutic area. Further, as we are able to adjust a significant portion of our spending quickly, we believe that any prior-period information about R&D expense by development phase or by therapeutic area would not necessarily be representative of future spending.

For additional information, see the *Costs and Expenses—Research and Development (R&D) Expenses* section within MD&A and *Note 17*.

Our R&D Pipeline. The process of drug and biological product discovery from initiation through development and to potential regulatory approval is lengthy and can take more than ten years. As of February 8, 2022, we had the following number of projects in various stages of R&D:

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Development of a single compound is often pursued as part of multiple programs. While our drug candidates may or may not receive regulatory approval, new candidates entering clinical development phases are the foundation for future products. Information concerning several of our drug candidates in development, as well as supplemental filings for existing products, is set forth in the *Product Developments* section within MD&A. For information on the risks associated with R&D, see the *Item 1A. Risk Factors—Research and Development* section of this Form 10-K.

INTERNATIONAL OPERATIONS

Our operations are conducted globally, and we sell our products in over 125 countries. Emerging markets are an important component of our strategy for global leadership, and our commercial structure recognizes that the demographics and rising economic power of the fastest-growing emerging markets are becoming more closely aligned with the profile found within developed markets. Urbanization and the rise of the middle class in emerging markets provide potential growth opportunities for our products.

Revenues from operations outside the U.S. of $51.5 billion accounted for 63% of our total revenues in 2021. Revenues exceeded $500 million in each of 21, 8 and 10 countries outside the U.S. in 2021, 2020 and 2019, respectively, with the increase in the number of countries in 2021 primarily driven by Comirnaty/BNT162b2. By total revenues, Japan was our largest national market outside the U.S. in 2021. For a geographic breakdown of revenues, see the *Analysis of the Consolidated Statements of Income—Revenues by Geography* section within MD&A and the table captioned *Geographic Information* in *Note 17B.*

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Our international operations are subject to risks inherent in carrying on business in other countries. For additional information, see the *Item 1A. Risk Factors—Global Operations* and *Item 1. Business—Government Regulation and Price Constraints* sections in this Form 10-K.

SALES AND MARKETING

Our prescription biopharmaceutical products are sold principally to wholesalers, but we also sell directly to retailers, hospitals, clinics, government agencies and pharmacies. In the U.S., we primarily sell our vaccines directly to the federal government, CDC, wholesalers, individual provider offices, retail pharmacies and integrated delivery systems. Outside the U.S., we primarily sell our vaccines to government and non-government institutions. Certain of these government contracts may be renegotiated or terminated at the discretion of a government entity. In addition, our contracts with government and supranational organizations for the sales of Comirnaty/BNT162b2 and Paxlovid, which are on a committed basis, represented a significant amount of revenues in 2021. We also seek to gain access for our products on formularies, which are lists of approved medicines available to members of healthcare programs or PBMs. PBMs use various benefit designs, such as tiered co-pays for formulary products, to drive utilization of products in preferred formulary positions. We may also work with payers on disease management programs that help to develop tools and materials to educate patients and physicians on key disease areas. For information on our significant customers, see *Note 17C*.

We promote our products to healthcare providers and patients. Through our marketing organizations, we explain the approved uses, benefits and risks of our products to healthcare providers and patients; MCOs that provide insurance coverage, such as hospitals, integrated delivery systems, PBMs and health plans; and employers and government agencies who hire MCOs to provide health benefits to their employees. In the U.S., we market directly to consumers through direct-to-consumer advertising that seeks to communicate the approved uses, benefits and risks of our products while motivating people to have meaningful conversations with their doctors. In addition, we sponsor general advertising to educate the public on disease awareness, prevention and wellness, important public health issues and our patient assistance programs.

PATENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS

Patents. We own or license a number of patents covering pharmaceutical and other products, their uses, formulations, and product manufacturing processes.

Patents for individual products extend for varying periods according to the date of patent filing or grant and the legal term of patents in the various countries where patent protection is obtained. The scope of protection afforded by a patent can vary from country to country and depends on the patent type, the scope of its patent claims and the availability of legal remedies. Patent term extensions (PTE) may be available in some countries to compensate for a loss of patent term due to delay in a product's approval due to the regulatory requirements. One of the primary considerations in limiting our operations in some countries outside the U.S. is the lack of effective intellectual property protection for our products, although international and U.S. free trade agreements have included some improved global protection of intellectual property rights. For additional information, see the *Item 1. Business—Government Regulation and Price Constraints* section in this Form 10-K.

In various markets, a period of regulatory exclusivity may be provided for drugs or vaccines upon approval. The scope and term of such exclusivity will vary but, in general, the period will run concurrently with the term of any existing patent rights associated with the drug at the time of approval.

Based on current sales, and considering the competition with products sold by our competitors, the patent rights we consider most significant in relation to our business as a whole, together with the year in which the basic product patent expires, are as follows:

Product	U.S. Basic Product Patent Expiration Year[1]	Major Europe Basic Product Patent Expiration Year[1]	Japan Basic Product Patent Expiration Year[1]
Chantix/Champix	2020[2]	2021[2]	2022
Sutent	2021[3]	2022[3]	2024
Inlyta	2025	2025	2025
Xeljanz	2025	2028[4]	2025
Prevnar 13/Prevenar 13	2026	[5]	2029
Eliquis[6]	2026	2026	2026
Ibrance	2027	2028	2028
Xtandi[7]	2027	[7]	[7]
Vyndaqel/Vyndamax/Vynmac	2024 (2028 pending PTE)	2026	2026/2029[8]
Xalkori	2029	2027	2028
Besponsa	2030	2028	2028[4]
Braftovi[9]	2031 (2031 pending PTE)	[9]	[9]
Mektovi[9]	2031[10]	[9]	[9]
Bavencio[11]	2033	2032	2033
Lorbrena	2033	2034	2036
Prevnar 20/Apexxnar	2033 (2035 pending PTE)	2033	2033[12]
Cibinqo	2034	2034[13]	2034 (2038 pending PTE)
Comirnaty	[14]	[14], [15]	[14]
Paxlovid	[16]	[16]	[16]

(1) Unless otherwise indicated, the years pertain to the basic product patent expiration, including granted PTEs, supplementary protection certificates (SPC) or pediatric exclusivity periods. SPCs are included when granted in three out of five major European markets (France, Germany, Italy, Spain and the U.K.). Noted in parentheses is the projected year of expiry of the earliest pending patent term extension in the U.S. or Japan and/or SPC application in Europe, the term of which, if granted, may be shorter than originally requested due to a number of factors. In some instances, there are later-expiring patents relating to our products which may or may not protect our product from generic or biosimilar competition after the expiration of the basic patent.

(2) The basic product patent for Chantix expired in the U.S. in November 2020 and in Europe in September 2021.

(3) The basic product patent for Sutent expired in the U.S. in August 2021 and in Europe in January 2022.

(4) Expiry is provided by regulatory exclusivity in this market.

(5) The Europe patent that covers the combination of the 13 serotype conjugates of Prevenar 13 was revoked following an opposition and has now been withdrawn. There are other Europe patents and pending applications covering the formulation, various aspects of the manufacturing process, and the combination of serotype conjugates of Prevenar 13 that remain in force.

(6) Eliquis was developed and is being commercialized in collaboration with BMS. For Eliquis in the U.S., two patents listed in the FDA Orange Book, the composition of matter patent claiming apixaban specifically and a formulation patent, were challenged by numerous generic companies and were the subject of patent infringement litigation. Prior to the resolution of the litigation in our favor on both challenged patents, we and BMS settled with a number of these generic companies (settled generic companies) while continuing to litigate against three remaining generic companies (remaining generic companies). As a result of the litigation, the remaining generic companies are not permitted to launch their products until the 2031 expiration date of the formulation patent. Under the terms of the settlement agreements, the permitted date of launch for the settled generic companies under these patents is April 1, 2028.

Both patents may be subject to subsequent challenges. While we cannot predict the outcome of any potential future litigation, these are the alternatives that might occur: (a) if both patents are upheld in future litigation, through appeal, the permitted date of launch for the settled generic companies under these patents would remain April 1, 2028; (b) if the formulation patent is held invalid or not infringed in future litigation, through appeal, the settled generic companies and any successful future litigant would be permitted to launch on November 21, 2026; or (c) if both patents are held invalid or not infringed in future litigation, through appeal, the settled generic companies and any successful future litigant could launch products immediately upon such an adverse decision.

Refer to *Note 16A1* for more information.

(7) Xtandi is being developed and commercialized in collaboration with Astellas, which has exclusive commercialization rights for Xtandi outside the U.S. Pfizer receives tiered royalties as a percentage of international Xtandi net sales.

(8) Vyndaqel (tafamidis meglumine) basic patent expiry in Japan is August 2026 for treatment of polyneuropathy. Vynmac (tafamidis) was approved in Japan for treatment of cardiomyopathy with regulatory exclusivity expiring March 2029.

(9) We have exclusive rights to Braftovi and Mektovi in the U.S. The Pierre Fabre Group has exclusive rights to commercialize both products in Europe and Ono Pharmaceutical Co., Ltd. has exclusive rights to commercialize both products in Japan. We receive royalties from The Pierre Fabre Group and Ono Pharmaceutical Co., Ltd. on sales of Braftovi and Mektovi outside the U.S.

(10) Mektovi U.S. expiry is provided by a method of use patent.

(11) Bavencio is being developed and commercialized in collaboration with Merck KGaA.

(12) Product not yet approved or authorized in this market.

(13) An SPC has been filed for Cibinqo in the U.K. with expected expiry in 2036 based on the September 2021 approval. Cibinqo was approved in other major European markets in December 2021.

(14) The basic product patent application for Comirnaty has been filed in these markets. If granted, a full term is expected in these markets. Comirnaty is being developed and commercialized in collaboration with BioNTech.

(15) Pfizer does not have co-promotion rights for Comirnaty in Germany.

(16) The basic product patent application for Paxlovid has been filed in these markets. If granted, a full term is expected in these markets.

Loss of Intellectual Property Rights. The loss, expiration or invalidation of intellectual property rights, patent litigation settlements with manufacturers and the expiration of co-promotion and licensing rights can have a material adverse effect on our revenues. Once patent protection has expired or has been lost prior to the expiration date as a result of a legal challenge, we typically lose exclusivity on these products, and generic and biosimilar pharmaceutical manufacturers generally produce identical or highly similar products and sell them for a lower price. The date at which generic or biosimilar competition commences may be different from the date that the patent or regulatory exclusivity expires. However, when generic or biosimilar competition does commence, the resulting price competition can substantially decrease our revenues for the impacted products, often in a very short period of time. Also, if one of our product-related patents is found to be invalid by judicial, court or regulatory or administrative proceedings, generic or biosimilar products could be introduced, resulting in the erosion of sales of our existing products.

We continue to vigorously defend our patent rights against infringement, and we will continue to support efforts that strengthen worldwide recognition of patent rights while taking necessary steps to help ensure appropriate patient access. For additional information, see the *Item 1A. Risk Factors—Competitive Products, —Intellectual Property Protection* and *—Third-Party Intellectual Property Claims* sections in this Form 10-K and *Note 16A1*.

Certain of our products have experienced patent-based expirations or loss of regulatory exclusivity in certain markets in the last few years, and we expect certain products to face increased generic competition over the next few years. For additional information on the impact of LOEs on our revenues, see the *Analysis of the Consolidated Statements of Income—Revenues—Selected Product Discussion* section within MD&A.

Trademarks. Our products are sold under brand-name and logo trademarks and trade dress. Registrations generally are for fixed, but renewable, terms and protection is provided in some countries for as long as the mark is used while in others, for as long as it is registered. Protecting our trademarks is of material importance to Pfizer.

COMPETITION

Our business is conducted in intensely competitive and often highly regulated markets. Many of our products face competition in the form of branded or generic drugs or biosimilars that treat similar diseases or indications. The principal forms of competition include efficacy, safety, ease of use and cost. Though the means of competition vary among our products, demonstrating the value of our products is a critical factor for success.

We compete with other companies that manufacture and sell products that treat or prevent diseases or indications similar to those treated or prevented by our major products. These competitors include other worldwide research-based biopharmaceutical companies, smaller research companies with more limited therapeutic focus and generic drug and biosimilar manufacturers. Our competitors also may devote substantial funds and resources to R&D and their successful R&D could result in erosion of the sales of

our existing products and potential sales of products in development, as well as unanticipated product obsolescence. In addition, several of our competitors operate without large R&D expenses and make a regular practice of challenging our product patents before their expiration.

To address competitive trends we continually emphasize innovation, which is underscored by our multi-billion-dollar investment in R&D, as well as our business development transactions, both designed to result in a strong product pipeline. Our investment in research continues even after drug or vaccine approval as we seek to further demonstrate the value of our products for the conditions they treat or prevent, as well as potential new applications. We educate patients, physicians, payers and global health authorities on the benefits and risks of our medicines and vaccines, and seek to continually enhance the organizational effectiveness of our biopharmaceutical functions, including to accurately and ethically launch and market our products to our customers.

Operating conditions have also shifted as a result of increased global competitive pressures, industry regulation and cost containment. We continue to evaluate, adapt and improve our organization and business practices in an effort to better meet customer and public needs. We believe that we have taken an industry-leading role in evolving our approaches to U.S. direct-to-consumer advertising, interactions with, and payments to, healthcare professionals and medical education grants. We also continue to sponsor programs to address patient affordability and access barriers, as we strive to advance fundamental health system change through our support for better healthcare solutions.

Our vaccines may face competition, including from the introduction of alternative vaccines or “next-generation” vaccines prior to or after the expiration of their patents, which may adversely affect our future results.

Our biosimilars, which include biosimilars of certain inflammation & immunology and oncology biologic medicines, compete with branded products from competitors, as well as other generics and biosimilars manufacturers. We seek to maximize the opportunity to establish a “first-to-

market" or early market position for our biosimilars to provide customers a lower-cost alternative immediately when available and also to potentially provide us with higher levels of sales and profitability until other competitors enter the market.

Generic Products. Generic pharmaceutical manufacturers pose one of the biggest competitive challenges to our branded small molecule products because they can market a competing version of our product after the expiration or loss of our patent and often charge much less. Several competitors regularly challenge our product patents before their expiration. Generic competitors often operate without large R&D expenses, as well as without costs of conveying medical information about products to the medical community. In addition, the FDA approval process exempts generics from costly and time-consuming clinical trials to demonstrate their safety and efficacy, allowing generic manufacturers to rely on the safety and efficacy data of the innovator product. In China, for example, we expect to continue to face intensified competition by certain generic manufacturers in 2022 and beyond, which may result in price cuts and volume loss of some of our products. In addition, generic versions of competitors' branded products may also compete with our products.

MCOs that focus primarily on the immediate cost of drugs often favor generics over brand-name drugs. Many governments also encourage the use of generics as alternatives to brand-name drugs in their healthcare programs, including Medicaid in the U.S., and U.S. laws generally allow, and in some cases require, pharmacists to substitute generic drugs for brand-name drugs. In a small subset of states, prescribing physicians are able to expressly prevent such substitution.

Biosimilars. Certain of our biologic products, including Enbrel (we market Enbrel outside the U.S. and Canada), already face, or may face in the future, competition from biosimilars (also referred to as follow-on biologics). Biosimilars are versions of biologic medicines that have been developed and proven to be highly similar to the original biologic in terms of safety and efficacy and that have no clinically meaningful differences in safety, purity or potency. Biosimilars have the potential to offer high-quality, lower-cost alternatives to innovative biologic medicines. In the U.S., biosimilars referencing innovative biologic products are approved under the U.S. Public Health Service Act.

PRICING PRESSURES AND MANAGED CARE ORGANIZATIONS

Commercial Pricing Pressures. Pricing and access pressures in the commercial sector continue to be significant. Overall, there is increasing pressure on U.S. providers to deliver healthcare at a lower cost and to ensure that those expenditures deliver demonstrated value in terms of health outcomes. Many employers have adopted high deductible health plans, which can increase out-of-pocket costs for medicines. This trend is likely to continue. Private third-party payers, such as health plans, increasingly challenge pharmaceutical product pricing, which could result in lower prices, lower reimbursement rates and a reduction in demand for our products. Pricing pressures also may occur as a result of highly competitive insurance markets. Healthcare provider purchasers, directly or through group purchasing organizations, are seeking enhanced discounts or implementing more rigorous bidding or purchasing review processes.

Longer term, we foresee a shift in focus away from fee-for-service payments towards outcomes-based payments and risk-sharing arrangements that reward providers for cost reductions and improved patient outcomes. These new payment models can, at times, lead to lower prices for, and restricted access to, new medicines. At the same time, these models can also promote utilization of drugs by encouraging physicians to screen and diagnose and consider drugs as a means of forestalling more costly medical interventions.

In light of the COVID-19 pandemic and related large-scale healthcare disruptions, we expect value-based payment models may have reduced participation if the incentives to participate are reduced or eliminated. Financially weakened hospitals may weigh their ability to take on the financial risk of downside models. In contrast, providers in more advanced value-based models, such as full capitation, a fixed amount paid in advance per patient per unit of time-period, generally found their revenues remained steady during the pandemic, which may ultimately encourage the growth of such models.

We believe medicines and vaccines are the most efficient and effective use of healthcare dollars based on the value they deliver to the overall healthcare system. We work with law makers and advocate for solutions that effectively improve patient health outcomes, lower costs to the healthcare system, and help ensure access to medicines and vaccines within an efficient and affordable healthcare system. This includes assessing our go-to market model to address patient affordability challenges. We have engaged with major payors and the U.S. government to explore opportunities to improve access and reimbursement in an effort to drive pro-patient policies. In addition, in response to the evolving U.S. and global healthcare spending landscape, we work with health authorities,

health technology assessment and quality measurement bodies and major U.S. payers throughout the product-development process to better understand how these entities value our compounds and products. Further, we are developing stronger internal capabilities focused on demonstrating the value of the medicines and vaccines that we discover or develop, register and manufacture, by recognizing patterns of usage of our medicines and vaccines and competitor medicines and vaccines along with patterns of healthcare costs.

For information on government pricing pressures, see the *Item 1. Business—Government Regulation and Price Constraints* and *Item 1A. Risk Factors—Pricing and Reimbursement* sections in this Form 10-K.

Managed Care Organizations. The evolution of managed care in the U.S. has been a major factor in the competitiveness of the healthcare marketplace. Approximately 302 million people in the U.S. now have some form of health insurance coverage, and the marketing of prescription drugs and vaccines to both consumers and the entities that manage coverage in the U.S. continues to grow in importance. In particular, the influence of MCOs has increased in recent years due to the growing number of patients receiving coverage through MCOs. At the same time, consolidation in the MCO industry has resulted in fewer, even larger MCOs, which enhances those MCOs' ability to negotiate pricing and increases their importance to our business. Since MCOs seek to contain and reduce healthcare expenditures, their growing influence has increased pressure on drug prices as well as revenues.

MCOs typically negotiate prices with pharmaceutical providers by using formularies (which are lists of approved medicines available to MCO members), clinical protocols (which require prior authorization for a branded product if a generic product is available or require the patient to first fail on one or more generic products before permitting access to a branded medicine), volume purchasing, long-term contracts and their ability to influence volume and market share of prescription drugs. In addition, by placing branded medicines on higher-tier or non-preferred status in their formularies, MCOs transfer a portion of the cost to the patient, resulting in significant patient out-of-pocket expenses. This financial disincentive is a tool for MCOs to manage drug costs and channel patients to medicines preferred by the MCOs. The ACA has accelerated payment reform by distributing risk across MCOs and other stakeholders in care delivery with the intent of improving quality while reducing costs, which creates

pressure on MCOs to tie reimbursement to defined outcomes. We are closely monitoring these newer approaches and developing appropriate strategies to respond to them.

The breadth of the products covered by formularies can vary considerably from one MCO to another, and many formularies include alternative and competitive products for treatment of particular medical problems. MCOs also emphasize primary and preventive care, out-patient treatment and procedures performed at doctors' offices and clinics as ways to manage costs. Hospitalization and surgery, typically the most expensive forms of treatment, are carefully managed, and drugs that can reduce the need for hospitalization, professional therapy or surgery may become favored first-line treatments for certain diseases.

Exclusion of a product from a formulary or other MCO-implemented restrictions can significantly impact drug usage in the MCO patient population and beyond. Consequently, pharmaceutical companies compete to gain access to formularies for their products, typically on the basis of unique product features, such as greater efficacy, better patient ease of use, or fewer side effects, as well as the overall cost of the therapy. We have been generally, although not universally, successful in having our major products included on MCO formularies. However, increasingly our branded products are being placed on the higher tiers or in a non-preferred status. For additional information, see the *Item 1A. Risk Factors—Managed Care Trends* section in this Form 10-K.

RAW MATERIALS

We procure raw materials essential to our business from numerous suppliers worldwide. In general, these materials have been available in sufficient quantities to support our demand and in many cases are available from multiple suppliers. No significant impact to our operations due to the availability of raw materials is currently anticipated in 2022. However, we are seeing an increase in overall demand in the industry for certain components and raw materials with the potential to constrain available supply, which could have a future impact on our business. We are continuing to monitor and implement mitigation strategies in an effort to reduce any potential risk or impact, including active supplier management, qualification of additional suppliers and advanced purchasing to the extent possible.

GOVERNMENT REGULATION AND PRICE CONSTRAINTS

We are subject to extensive regulation by government authorities in the countries in which we do business. This includes laws and regulations governing the operations of biopharmaceutical companies, such as the approval, manufacturing and marketing of products, pricing (including discounts and rebates) and health information privacy, among others. These laws and regulations may require administrative guidance for implementation, and a failure to comply could subject us to legal and/or administrative actions. Enforcement measures may include substantial fines and/or penalties, orders to stop non-compliant activities, criminal charges, warning letters, product recalls or seizures, delays in product approvals, exclusion from participation in government programs or contracts as well as limitations on conducting business in applicable jurisdictions, and could result in harm to our reputation and business. For additional information, see *Note 16A.* Compliance with these laws and regulations may be costly, and may require significant technical expertise and capital investment to ensure compliance. While capital expenditures or operating costs for compliance with government regulations cannot be predicted with certainty, we do not currently anticipate they will have a material effect on our capital expenditures or competitive position.

In the United States

Drug and Biologic Regulation. The FDA, pursuant to the FFDCA, the Public Health Service Act and other federal statutes and regulations, extensively regulates pre- and post-marketing activities related to our biopharmaceutical products. The regulations govern areas such as the safety and efficacy of medicines and vaccines, clinical trials, advertising and promotion, quality control, manufacturing, labeling, distribution, post-marketing safety surveillance and reporting, and record keeping. Other U.S. federal agencies, including the DEA, also regulate certain of our products and activities.

For a biopharmaceutical company to market a drug or a biologic product, including vaccines, in the U.S., the FDA must evaluate whether the product is safe and effective for its intended use. If the FDA determines that the drug or biologic is safe and effective, the FDA will approve the product's NDA or BLA (or supplemental NDA or supplemental BLA), as appropriate.

A drug or biologic may be subject to postmarketing commitments, which are studies or clinical trials that the product sponsor agrees to conduct, or postmarketing requirements, which are studies or clinical trials that are required as a condition of approval. In addition, we are also required to report adverse events and comply with cGMPs (the FDA regulations that govern all aspects of manufacturing

quality for pharmaceuticals) and the Drug Supply Chain Security Act (the law that, among other things, sets forth requirements related to product tracing, product identifiers and verification for manufacturers, wholesale distributors, repackagers and dispensers to facilitate the tracing of product through the pharmaceutical distribution supply chain), as well as advertising and promotion regulations. For additional information, see the *Item 1A. Risk Factors—Development, Regulatory Approval and Marketing of Products* and *—Post-Authorization/Approval Data* sections in this Form 10-K.

In the context of public health emergencies, like the COVID-19 pandemic, we may apply to the FDA for an EUA, which if granted, allows for the distribution and use of our products during the declared emergency, in accordance with the conditions set forth in the EUA, unless the EUA is otherwise terminated by the government. Although the criteria for an EUA differ from the criteria for approval of an NDA or BLA, EUAs nevertheless require the development and submission of data to satisfy the relevant FDA standards, and a number of ongoing obligations. The FDA generally expects EUA holders to work toward submission of full applications, such as a BLA or an NDA, as soon as possible.

Biosimilar Regulation. The FDA is responsible for approval of biosimilars. Innovator biologics are entitled to 12 years of market exclusivity by statute, and biosimilars applications may not be submitted until four years after the approval of the reference innovator biologic.

Sales and Marketing Regulations. Our marketing practices are subject to state laws, as well as federal laws, such as the Anti-Kickback Statute and False Claims Act, intended to prevent fraud and abuse in the healthcare industry. The Anti-Kickback Statute generally prohibits corruptly soliciting, offering, receiving, or paying anything of value to generate business. The False Claims Act generally prohibits anyone from knowingly and willingly presenting, or causing to be presented, any claims for payment for goods or services, including to government payers, such as Medicare and Medicaid, that are false or fraudulent and generally treat claims generated through kickbacks as false or fraudulent. The federal government and states also regulate sales and marketing activities and financial interactions between manufacturers and healthcare providers, requiring disclosure to government authorities and the public of such interactions, and the adoption of compliance standards or programs. State

attorneys general have also taken action to regulate the marketing of prescription drugs under state consumer protection and false advertising laws.

Pricing, Reimbursement and Access Regulations. Pricing and reimbursement for our products depend in part on government regulation. Any significant efforts at the federal or state levels to reform the healthcare system by changing the way healthcare is provided or funded or more directly impose controls on drug pricing, government reimbursement, and access to medicines and vaccines on public and private insurance plans could have a material impact on us.

In addition, in order to have our products covered by Medicaid, we must offer discounts or rebates on purchases of pharmaceutical products under various federal and state programs. We also must report specific prices to government agencies. The calculations necessary to determine the prices reported are complex and the failure to do so accurately may expose us to enforcement measures. See the discussion regarding rebates in the *Analysis of the Consolidated Statements of Income—Revenues by Geography* section within MD&A and *Note 1H.*

Government and private payers routinely seek to manage utilization and control the costs of our products, and there is considerable public and government scrutiny of pharmaceutical pricing. Efforts by states and the federal government to regulate prices or payment for pharmaceutical products, including proposed actions to facilitate drug importation, limit reimbursement to lower international reference prices, require deep discounts, and require manufacturers to report and make public price increases and sometimes a written justification for the increase, could adversely affect our business if implemented. We expect to see continued focus by Congress and the Biden Administration on regulating pricing which could result in legislative and regulatory changes designed to control costs. For example, there is proposed legislation that, if enacted, would allow Medicare to negotiate prices for certain prescription drugs, as well as require that penalties be paid by manufacturers who raise drug prices faster than inflation. In addition, changes to the Medicaid program or the federal 340B drug pricing program, which imposes ceilings on prices that drug manufacturers can charge for medications sold to certain health care facilities, could have a material impact on our business. For example, certain changes issued in a final rule by the Centers for Medicare & Medicaid Services (CMS) in December 2020 to the Medicaid Drug Rebate Program could increase our Medicaid rebate obligations and increase the discounts we extend to 340B covered entities. Additional changes to the 340B program are undergoing review and their status is unclear. For additional information, see the *Item 1A. Risk Factors—Pricing and Reimbursement* section in this Form 10-K.

A majority of states use preferred drug lists to manage access to pharmaceutical products under Medicaid, including some of our products. For example, access to our products under the Medicaid managed care programs typically is determined by the health plans with which state Medicaid agencies contract to provide services to beneficiaries. States seek to control healthcare costs related to Medicaid and other state healthcare programs, including the implementation of supplemental rebate agreements under the Medicaid drug rebate program tied to patient outcomes. States' budgets were impacted less by the COVID-19 pandemic than expected and are generally growing. We expect states to seek cost cutting within Medicaid, which may focus on managed care capitation payments and/or formulary management. States may also advance drug-pricing initiatives with a focus on affordability review boards, financial penalties related to pricing practices, manufacturer pricing and reporting requirements, as well as regulation of prescription drug assistance or copay accumulator programs in the commercial market. Payers may promote generic drugs and biosimilars more aggressively to generate savings and attempt to stimulate additional price competition. In addition, we expect that consolidation and integration among pharmacy chains, wholesalers and PBMs will increase pricing pressures in the industry. For additional information, see the *Item 1A. Risk Factors—Managed Care Trends* section in this Form 10-K.

Anti-Corruption. The FCPA prohibits U.S. corporations and their representatives from offering, promising, authorizing or making payments to any foreign government official, government staff member, political party or political candidate to obtain or retain business abroad. The scope of the FCPA includes interactions with certain healthcare professionals in many countries. Other countries have enacted similar anti-corruption laws and/or regulations.

Data Privacy. The collection and use of personal data by us is increasingly important to our business and is subject to various federal and state privacy and data security laws and regulations, including oversight by various regulatory and other governmental bodies. Such laws and regulations continue to evolve and are increasingly being enforced vigorously.

Outside the United States

New Drug Approvals. In the EU, the EMA conducts the scientific evaluation, supervision and safety monitoring of our innovative medicinal products, and employs a centralized procedure for approval for the EU and the European Economic Area (EEA) countries. In the U.K., the Medicines and Healthcare products Regulatory Agency is the sole regulatory authority. In Japan, the PMDA is involved in a wide range of regulatory activities, including clinical studies, approvals, post-marketing reviews and pharmaceutical safety. In China, the NMPA is the primary regulatory authority for approving and supervising medicines. Health authorities in many middle- and lower-income countries require marketing approval by a recognized regulatory authority (e.g., the FDA or EMA) before they begin to conduct their application review process and/or issue their final approval.

Pharmacovigilance. In the EU, the EMA's PRAC is responsible for reviewing and making recommendations on product safety issues. Outside developed markets, pharmacovigilance requirements vary and are generally not as extensive, but there is a trend toward increasing regulation.

Pricing and Reimbursement. Certain governments, including in the different EU member states, the U.K., Japan, China, Canada and South Korea, provide healthcare at low-to-zero direct cost to consumers at the point of care and have significant power to regulate pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored healthcare system, particularly under recent global financing pressures. Governments globally may use a variety of measures to control costs, including proposing price reform or legislation, cross country collaboration and procurement, price cuts, mandatory rebates, health technology assessments, forced localization as a condition of market access, "international reference pricing" (i.e., the practice of a country linking its regulated medicine prices to those of other countries), QCE processes and VBP. In addition, the international patchwork of price regulation, differing economic conditions and incomplete value assessments across countries has led to varying access to quality medicines in many markets and some third-party trade in our products between countries. Several important multilateral organizations such as the WHO are increasing scrutiny of international pharmaceutical pricing through policy recommendations and sponsorship of programs, such as "The Oslo Medicines Initiative" which is planning a high-level meeting in 2022 to agree on WHO Europe Member States' commitments to ensure "affordability for high-priced medicines". In November 2020, the EC published its new Pharmaceutical Strategy for Europe which envisions a broad range of new initiatives and legislation including a significant focus on affordability and access to medicines.

In China, pricing pressures have increased in recent years because of an overall focus on healthcare cost containment with government officials emphasizing improved health outcomes, healthcare reform and decreased drug prices as key indicators of progress towards reform. For patented products, drug prices have decreased dramatically as a result of adding innovative drugs (including oncology medicines) to the National Reimbursement Drug List (NRDL). In the off-patent space, numerous local generics have been officially deemed bioequivalent under a QCE process that required domestically-manufactured generic drugs to pass a test to assess their bioequivalence to a qualified reference drug (typically the originator drug). A centralized VBP program, a tender process where a certain portion of included molecule volumes are guaranteed to tender winners and is intended to contain healthcare costs by driving utilization of generics that have passed QCE, has resulted in dramatic price cuts for off-patent medicines. Furthermore, the Chinese government has discussed moving toward efforts to unify the reimbursement price between QCE-approved generic medicines and the applicable original medicines, which the government currently plans to implement within the next few years. We and most off-patent originators have mostly not been successful in the VBP bidding process. The government has indicated that additional post-LOE drugs could be subjected to VBP qualification in future rounds. While certain details of future QCE expansion have been made available, we are unable to determine the impact on our business and financial condition until the initiation of these future rounds.

Healthcare Provider Transparency and Disclosures. Several countries have implemented laws requiring (or industry trade associations have recommended) disclosure of transfers of value made by pharmaceutical companies to healthcare providers and/or healthcare organizations, such as academic teaching hospitals.

Intellectual Property. Reliable patent protection and enforcement around the world are among the key factors we consider for continued business and R&D investment. The WTO Agreement on Trade Related Aspects of Intellectual Property Rights (WTO-TRIPS) requires participant countries to provide patent and other intellectual property-related protection for pharmaceutical products by law, with an exemption provided for least-developed countries until 2033. While some countries have made improvements, we still face patent grant, enforcement and other intellectual property challenges in many countries.

While the global intellectual property policy environment has generally improved following WTO-TRIPS and bilateral/multilateral trade agreements, our growth and ability to bring new product innovation to patients depends on further progress in intellectual property protection. In certain developed international markets, governments maintain relatively effective intellectual property policies. However, in the EU, pursuant to the ongoing review of pharmaceutical intellectual property and regulatory incentives, legislative change may result in the reduction of certain protections. In several emerging market countries, governments have used intellectual property policies as a tool to force innovators to accept less than fair value for medicines, as well as to advance industrial policy and localization goals. Discussions are ongoing at the WTO that seek to limit intellectual property protections within the context of the COVID-19 pandemic response.

Considerable political and economic pressure has weakened current intellectual property protection in some countries and has led to policies such as more restrictive standards for obtaining patents and more difficult procedures for patenting biopharmaceutical inventions, restrictions on patenting certain types of inventions, revocation of patents, laws or regulations that promote or provide broad discretion to issue a compulsory license, weak intellectual property enforcement and failure to implement effective regulatory data protection.

Our industry advocacy efforts focus on seeking a fair and transparent business environment for foreign manufacturers, underscoring the importance of strong intellectual property systems for local innovative industries and helping improve patients' access to innovative medicines and vaccines.

Data Privacy. Outside of the U.S., many countries have privacy and data security laws and regulations concerning the collection and use of personal data, including but not limited to, the EU's General Data Protection Regulations and China's Personal Information Protection Law. The legislative and regulatory framework for privacy and data protection issues worldwide is also rapidly evolving as countries continue to adopt new and updated privacy and data security laws. The interpretation and application of such laws and regulations remain uncertain and continue to evolve. In addition, enforcement of such laws and regulations is increasing.

ENVIRONMENTAL MATTERS

Our operations are affected by national, state and/or local environmental laws. We have made, and intend to continue to make, the expenditures necessary for compliance with applicable laws. We also are cleaning up environmental contamination from past

industrial activity at certain sites. We incurred capital and operational expenditures in 2021 for environmental compliance purposes and for the clean-up of certain past industrial activity as follows: $55 million in environment-related capital expenditures and $152 million in other environment-related expenses.

While capital expenditures or operating costs for environmental compliance cannot be predicted with certainty, we do not currently anticipate they will have a material effect on our capital expenditures or competitive position. See also *Note 16A3*.

Climate change presents risks to our operations, including the potential for additional regulatory requirements and associated costs, the potential for more frequent and severe weather events, and water availability challenges that may impact our facilities and those of our suppliers. We cannot provide assurance that physical risks to our facilities or supply chain due to climate change will not occur in the future. We periodically review our vulnerability to potential weather-related risks and other natural disasters and update our assessments accordingly. Based on our reviews, we do not believe these potential risks are material to our operations at this time.

HUMAN CAPITAL

Our purpose is: *Breakthroughs that change patients' lives*. These breakthroughs are delivered through the relentless collaboration of our talented workforce. As of December 31, 2021, we employed approximately 79,000 people worldwide, with approximately 29,000 based in the U.S. Women compose approximately 49% of our global workforce, and approximately 34% of our U.S.-based employees are individuals with ethnically diverse backgrounds.

Our continued success links directly to the commitment, engagement and performance of our employees. It is important that we not only attract and retain the best and brightest diverse talent, but also ensure they remain engaged and can thrive in an environment that is committed to helping them grow, succeed and contribute directly to achieving our purpose. As part of these efforts, we strive for an inclusive and empowering work environment, adopting practices to simplify processes and remove needless complexity, rewarding both performance and leadership skills,

fostering career growth and internal mobility and offering competitive compensation and benefits programs that encourage mental and physical well being.

Core Values. To fully realize Pfizer's purpose we have established a clear set of goals regarding what we need to achieve for patients and how we will go about achieving them. The "how" is represented by four simple, powerful company values – *Courage*, *Excellence*, *Equity* and *Joy*. Each value defines our company and our culture:

- *Courage*: Breakthroughs start by challenging convention – especially in the face of uncertainty or adversity. This happens when we think big, speak up and are decisive.
- *Excellence*: We can only change patients' lives when we perform at our best together. This happens when we focus on what matters, agree who does what and measure outcomes.
- *Equity*: Every person deserves to be seen, heard and cared for. This happens when we are inclusive, act with integrity and reduce health care disparities.
- *Joy*: We give ourselves to our work, and it also gives to us. We find joy when we take pride, recognize one another and have fun.

Diversity, Equity and Inclusion. At Pfizer, every person deserves to be seen, heard and cared for, and we work to further this goal by bringing together people with different backgrounds, perspectives and experiences. Our commitments to equity consist of specific actions to help foster a more inclusive environment within Pfizer, including, among others: (i) building a more inclusive colleague experience through representation and meaningful connections; (ii) advancing equitable health outcomes by evaluating our work through the lens of the communities we serve, (iii) providing resources on allyship and the science behind inclusion to support all colleagues in having courageous conversations about equity, race and the avoidance of bias; (iv) working to help transform society with external diversity, equity and inclusion partnerships, including deploying capital, engaging diverse suppliers and amplifying equity initiatives; and (v) working to help ensure demographics of clinical trials correlate to those of the countries where trials are taking place.

Colleague Engagement. To attract, develop and inspire the brightest talent, we aim to support our colleagues by engaging and partnering with them to help ensure they feel they are part of a community. We understand the importance of continuously listening and responding to colleague feedback and our annual engagement survey, Pfizer Pulse, provides a forum for our colleagues to give structured feedback about their colleague experience. Through this survey, we measure and track key areas of the overall colleague experience and equip leaders with actionable insights for discussion and follow up. Regular topics in the survey include: (i) employee engagement, such as colleagues' commitment to and advocacy for Pfizer; (ii) purpose, including how colleagues' work connects with our purpose; (iii) inclusion, such as having a climate in which diverse perspectives are valued; and (iv) growth, including the ability for colleagues to gain new experiences that align with their individual career goals.

In 2021, we continued to maintain low turnover rates relative to the pharmaceutical industry and in our 2021 Pfizer Pulse survey, on average, 90% of colleagues reported feeling engaged, as measured by pride in working at Pfizer, willingness to recommend Pfizer as a great place to work and intent to stay. In addition, 92% of the colleagues agreed that their daily work contributes to our purpose. While we are slightly behind in our Bold Moves goal to create room for meaningful work, we continue to make progress on simplifying processes and removing needless complexity. We have committed to tangible actions and principles that incorporate the similar behaviors and mindset we used to develop a COVID-19 vaccine in an accelerated timeline. These behaviors include working with urgency and overcoming bureaucracy, as well as believing in our purpose, trusting in one another and being transparent.

Performance, Leadership and Growth. We are committed to helping our colleagues reach their full potential by rewarding both their performance and leadership skills and by providing opportunities for growth and development. Our performance management approach—called Performance and Leadership Insights—is based on six-month semesters during which our colleagues and their managers set goals, receive feedback and meet to discuss performance. These conversations are meant to help colleagues grow and develop by evaluating performance (what the colleague achieved, measured by outcomes), leadership (how they achieved it, taking into account Pfizer's values of courage, excellence, equity and joy), and identifying areas of growth that help move colleagues towards fulfilling their career goals and their potential. Our commitments to colleague development consist of specific actions to encourage non-linear career growth paths for all colleagues, including (i) a common language around growth—along with a guiding framework—to help colleagues identify their next best growth experience, (ii) tools and resources to encourage growth conversations and offer transparency on the sources of growth available, and (iii) a variety of programs including mentoring, job rotations,

experiential project roles, skill-based volunteering and learning resources focused on various topics, including leadership and management skills and industry- and job-specific learning, as well as general business, manufacturing, finance and technology skills.

Health, Safety and Well-Being. Protecting the health, safety and well-being of colleagues and contingent workers, all of whom are essential to delivering our business objectives, is an integral part of how we operate. Our Global Environment, Health & Safety (EHS) Policy and supporting standards outline our approach to assessment, evaluation, elimination, and mitigation of EHS risks across our operations. COVID-19 pandemic preparedness and response continues to be a key focus to help ensure on-site workers at our commercial, manufacturing and research sites remain safe and healthy while continuing to support work from home arrangements for colleagues who can work remotely. As part of these efforts, we (i) implemented a vaccination program for colleagues and their families in the U.S. and 23 other countries where employer vaccination programs were possible, (ii) partnered with and launched Thrive Global, a wellness and organizational change initiative with a primary focus on colleague mental health and wellness, and (iii) hosted educational webinars and information sessions on mental health and well-being, nutrition and work life balance through our employee assistance program provider.

Pay Equity. Our commitment to pay equity for all colleagues is based in our value of *Equity* and our intention to continue to build a diverse and inclusive workforce. We are committed to equitable pay practices at Pfizer for employees based on role, education, experience, performance, and location and we conduct and report publicly on pay equity on an annual basis.

Additional information regarding our human capital programs and initiatives is available in the “About—Careers” section of Pfizer’s website and our ESG Report.

ITEM 1A. RISK FACTORS

This section describes the material risks to our business, which should be considered carefully in addition to the other information in this report and our other filings with the SEC. Investors should be aware that it is not possible to predict or identify all such factors and that the following is

not meant to be a complete discussion of all potential risks or uncertainties. Additionally, our business is subject to general risks applicable to any company, such as economic conditions, geopolitical events, extreme weather and natural disasters. If known or unknown risks or uncertainties materialize, our business operations, financial condition, operating results (including components of our financial results), cash flows, prospects, reputation or credit ratings could be adversely affected now and in the future, potentially in a material way. The following discussion of risk factors contains forward-looking statements, as discussed in the Forward-Looking Information and Factors that May Affect Future Results section in this Form 10-K.

RISKS RELATED TO OUR BUSINESS, INDUSTRY AND OPERATIONS:

MANAGED CARE TRENDS

Private payers, such as health plans, and other managed care entities, such as PBMs, continue to take action to manage the utilization and costs of drugs. The negotiating power of MCOs and other private third-party payers has increased due to consolidation, and they, along with governments, increasingly employ formularies to control costs and encourage utilization of certain drugs, including through the use of formulary inclusion or favorable formulary placement. These initiatives have increased consumers' interest and input in medication choices, as they pay for a larger portion of their prescription costs and may cause them to favor lower-cost generic alternatives. We may fail to obtain or maintain timely or adequate pricing or formulary placement of our products, or fail to obtain such formulary placement at favorable pricing.

The growing availability and use of innovative specialty pharmaceutical medicines that treat rare or life-threatening conditions, which typically have smaller patient populations, combined with their relative higher cost as compared to other types of pharmaceutical products, also has generated increased payer interest in developing cost-containment strategies targeted to this sector.

Third-party payers also use additional measures such as new-to-market blocks, exclusion lists, indication-based pricing and value-based pricing/contracting to improve their cost containment efforts. Such payers are also increasingly imposing utilization management tools, such as clinical protocols, requiring prior authorization for a branded product if a generic product is available or requiring the patient to first fail on one or more generic products before permitting access to a branded medicine. As the U.S. private third-party payer market consolidates further and as more drugs become available in generic form, we may face greater pricing pressure from private third-party payers as they continue to drive more of their patients to use lower cost generic alternatives.

Also, business arrangements in this area are subject to a high degree of government scrutiny, and available safe harbors under applicable federal and state fraud and abuse laws are subject to change through legislative and regulatory action, as well as evolving judicial interpretations. Our approach to these arrangements may also be informed by such government and industry guidance.

COMPETITIVE PRODUCTS

Competitive product launches may erode future sales of our products, including our existing products and those currently under development, or result in unanticipated product obsolescence. Such launches continue to occur, and potentially competitive products are in various stages of development. We cannot predict with accuracy the timing or impact of the introduction of competitive products that treat diseases and conditions like those treated by our in-line products and product candidates.

In addition, competition from manufacturers of generic drugs, including from generic versions of competitors' branded products that lose their market exclusivity, is a major challenge for our branded products. Certain of our products have experienced significant generic competition over the last few years. For additional information, see the *Item 1. Business—Patents and Other Intellectual Property Rights* section in this Form 10-K. In China, we expect to continue to face intense competition by certain generic manufacturers, which may result in price cuts and volume loss of some of our products.

In addition, our patented products may face generic competition before patent exclusivity expires, including upon the "at-risk" launch (despite pending patent infringement litigation against the generic product) by a manufacturer of a generic version of one of our patented products. Generic manufacturers have filed applications with the FDA seeking approval of product candidates that they claim do not infringe our patents or claim that our patents are not valid; these include candidates that would compete with, among other products, Ibrance and Xeljanz. Our licensing and collaboration partners also face challenges by generic drug manufacturers to patents covering products for which we have licenses or co-promotion rights.

We may become subject to competition from biosimilars referencing our biologic products if competitors are able to obtain marketing approval for such biosimilars.

We also commercialize biosimilar products that compete with products of others, including other biosimilar products. The entry to the market of competing biosimilars is expected to increase pricing pressures on our biosimilar products. Uptake of our biosimilars may be lower due to various factors, such as anti-competitive practices, access challenges where our product may not receive appropriate coverage/reimbursement access or remains in a disadvantaged position relative to an innovator product, physician reluctance to prescribe biosimilars for existing patients taking the innovative product, or misaligned financial incentives.

For additional information on competition our products face, see the *Item 1. Business—Competition* section in this Form 10-K.

CONCENTRATION

We recorded direct product and/or Alliance revenues of more than $1 billion for each of nine products that collectively accounted for 75% of our total revenues in 2021. In particular, Comirnaty/BNT162b2 accounted for 45% of our total revenues in 2021. For additional information, see *Notes 1* and *17*. If these products or any of our other major products were to experience loss of patent protection (if applicable), changes in prescription or vaccination growth rates, material product liability litigation, unexpected side effects or safety concerns, regulatory proceedings, negative publicity affecting doctor or patient confidence, pressure from existing competitive products, changes in labeling, pricing and access pressures or supply shortages or if a new, more effective product should be introduced, the adverse impact on our revenues could be significant. In particular, certain of our products have experienced patent-based expirations or loss of regulatory exclusivity in certain markets in the last few years, and patents covering a number of our best-selling products are, or have been, the subject of pending legal challenges. For additional information on our patents, see the *Item 1. Business—Patents and Other Intellectual Property Rights* section in this Form 10-K. For Comirnaty/BNT162b2 and

Paxlovid, while we believe that these products have the potential to provide ongoing revenue streams for Pfizer for the foreseeable future, revenues of these products following the COVID-19 pandemic may not be at the similar levels as those being generated during the pandemic. For information on additional risks associated with Comirnaty/BNT162b2 and Paxlovid, see the *COVID-19 Pandemic* section below.

In addition, we sell our prescription pharmaceutical products principally through wholesalers in the U.S. For additional information, see *Note 17C*. If one of our significant biopharmaceutical wholesalers should encounter financial or other difficulties, it might decrease the amount of business the wholesaler does with us and/or we might be unable to timely collect all the amounts that the wholesaler owes us or at all, which could negatively impact our results of operations. In addition, we expect that consolidation and integration of pharmacy chains and wholesalers will increase competitive and pricing pressures on pharmaceutical manufacturers, including us.

RESEARCH AND DEVELOPMENT

The discovery and development of new products, as well as the development of additional uses for existing products, are necessary for the continued strength of our business. Our product lines must be replenished over time to offset revenue losses when products lose exclusivity or market share, as well as to provide for earnings growth, primarily through internal R&D or through collaborations, acquisitions, JVs, licensing or other arrangements. Growth depends in large part on our ability to identify and develop new products or new indications for existing products that address unmet medical needs and receive reimbursement from payers. However, balancing current growth, investment for future growth and the delivery of shareholder return remains a major challenge. The costs of product development continue to be high, as are regulatory requirements in many therapeutic areas, which may affect the number of candidates we are able to fund as well as the sustainability of the R&D portfolio. Decisions made early in the development process of a drug or vaccine candidate can have a substantial impact on the marketing strategy and payer reimbursement possibilities if the candidate receives regulatory approval. We try to plan clinical trials prudently and to reasonably anticipate and address challenges, but there is no assurance that an optimal balance between trial conduct, speed and desired outcome will be achieved.

Additionally, our product candidates can fail at any stage of the R&D process, and may not receive regulatory approval even after many years of R&D. We may fail to correctly identify indications for which our science is promising or allocate R&D investment resources efficiently, and failure to invest in the right technology platforms, therapeutic areas, product classes, geographic markets and/or licensing opportunities could adversely impact the productivity of our pipeline. Further, even if we identify areas with the greatest commercial potential, the scientific approach may not succeed despite the significant investment required for R&D, and the product may not be as competitive as expected because of the highly dynamic market environment and the hurdles in terms of access and reimbursement. For example, our gene therapy product candidates are based on a novel technology with only a few gene therapies approved to date, which makes it difficult to predict the time and cost of development and the ability to obtain regulatory approval. Further, gene therapy may face difficulties in gaining the acceptance of patients or the medical community.

GLOBAL OPERATIONS

We operate on a global scale and could be affected by currency fluctuations, capital and exchange controls, global economic conditions including inflation, expropriation and other restrictive government actions, changes in intellectual property legal protections and remedies, trade regulations, tax laws and regulations and procedures and actions affecting approval, production, pricing, and marketing of, reimbursement for and access to our products, as well as impacts of political or civil unrest or military action, including the current conflict between Russia and Ukraine, terrorist activity, unstable governments and legal systems, inter-governmental disputes, public health outbreaks, epidemics, pandemics, natural disasters or disruptions related to climate change.

Some emerging market countries may be particularly vulnerable to periods of financial or political instability or significant currency fluctuations or may have limited resources for healthcare spending. As a result of these and other factors, our strategy to grow in emerging markets may not be successful, and growth rates in these markets may not be sustainable.

Government financing and economic pressures can lead to negative pricing pressure in various markets where governments take an active role in setting prices, access criteria (e.g., through health technology assessments) or other means of cost control. For additional information on government pricing pressures, see the *Item 1. Business—Government Regulation and Price Constraints* section in this Form 10-K.

We continue to monitor the global trade environment and potential trade conflicts and impediments that could impact our business. If trade restrictions or tariffs reduce global economic activity, potential impacts could include declining sales; increased costs; volatility in foreign exchange rates; a decline in the value of our financial assets and pension plan investments; required increases of our pension funding obligations; increased government cost control efforts; delays or failures in the performance of customers, suppliers and other third parties on whom we may depend for the performance of our business; and the risk that our allowance for doubtful accounts may not be adequate.

We operate in many countries and transact in over 100 different currencies. Changes in the value of those currencies relative to the U.S. dollar, or high inflation in these countries, can impact our revenues, costs and expenses and our financial guidance. Significant portions of our revenues, costs and expenses, as well as our substantial international net assets, are exposed to exchange rate changes. 63% of our total 2021 revenues were derived from international operations, including 29% from Europe and 19% from China, Japan and the rest of Asia. Future changes in exchange rates or economic conditions and the impact they may have on our results of operations, financial condition or business are difficult to predict. For additional information about our exposure to foreign currency risk, see the *Analysis of Financial Condition, Liquidity, Capital Resources and Market Risk* section within MD&A.

In addition, our borrowing, pension benefit and postretirement benefit obligations and interest-bearing investments, are subject to risk from changes in interest and exchange rates. The risks related to interest-bearing investments and borrowings and the measures we have taken to help contain them are discussed in the *Analysis of Financial Condition, Liquidity, Capital Resources and Market Risk* section within MD&A and *Note 7E*. For additional details on critical accounting estimates and assumptions for our benefit plans, see the *Significant Accounting Policies and Application of Critical Accounting Estimates and Assumptions—Benefit Plans* section within MD&A and *Note 11*.

From time to time, we issued variable rate debt based on LIBOR, or undertook interest rate swaps that contain a variable element based on LIBOR. The U.K. Financial Conduct Authority announced in 2017 that it will no longer compel banks to submit rates used to calculate LIBOR after 2021. This deadline was extended until June 2023 for a number of key U.S. dollar benchmark maturities (including the 1-month and 3-month

LIBOR rates). The U.S. Federal Reserve has selected the Secured Overnight Funding Rate (SOFR) as the preferred alternate rate and the transition away from LIBOR will continue despite the extended timeline. We are planning for this transition and will amend any contracts to accommodate the SOFR rate where required. We do not expect the transition to have significant impact on our business or financial condition.

PRODUCT MANUFACTURING, SALES AND MARKETING RISKS

We could encounter difficulties or delays in our supply chain, product manufacturing and distribution networks, as well as sales or marketing, due to regulatory actions, shut-downs, work stoppages or strikes, approval delays, withdrawals, recalls, penalties, supply disruptions, shortages or stock-outs at our facilities or third-party facilities that we rely on, reputational harm, the impact to our facilities due to health pandemics or natural or man-made disasters, including as a result of climate change, product liability or unanticipated costs. Examples of such difficulties or delays include the inability to increase production capacity commensurate with demand; challenges related to component materials to maintain supply and/or appropriate quality standards throughout our supply network and/or comply with applicable regulations; inability to supply certain products due to voluntary product recalls (as is the case with Chantix); and supply chain disruptions at our facilities or at a supplier or vendor. In addition, we engage contract manufacturers, and, from time to time, our contract manufacturers may face difficulties or are unable to manufacture our products at the necessary quantity or quality levels.

Regulatory agencies periodically inspect our manufacturing facilities, as well as third-party facilities that we rely on, to evaluate compliance with cGMP or other applicable requirements. Failure to comply with these requirements may subject us to possible legal or regulatory actions, such as warning letters, suspension of manufacturing, seizure of product, injunctions, debarment, product recalls, delays or denials of product approvals, import bans or denials of import certifications.

In July and August 2021, Pfizer recalled 16 lots of Chantix in the U.S. due to the presence of a nitrosamine, N-nitroso-varenicline, at or above the FDA interim acceptable intake limit. In September 2021, Pfizer expanded its voluntary recall in the U.S. to include all lots of Chantix. We currently also have a voluntary recall across multiple markets and a global pause in shipments of Chantix. Technical solutions are being pursued to reduce nitrosamine levels in Chantix to enable return to market. Nitrosamines are impurities common in water and foods and everyone is exposed to some level of nitrosamines. In response to requests from various regulatory authorities, manufacturers across the pharmaceutical industry, including Pfizer, are evaluating their product portfolios for the potential for the presence or formation of nitrosamines. This may lead to additional recalls or other market actions for Pfizer products.

COLLABORATIONS AND OTHER RELATIONSHIPS WITH THIRD PARTIES

We depend on third-party collaborators, service providers, and others in the research, development, manufacturing and commercialization of our products and product candidates and also enter into JVs and other business development transactions. To achieve expected longer-term benefits, we may make substantial upfront payments as part of these transactions, which may negatively impact our reported earnings or cash flows. We rely heavily on these parties for multiple aspects of our drug development, manufacturing and commercialization activities, but we do not control many aspects of those activities. We also outsource certain services, including activities related to transaction processing, accounting, information technology, manufacturing, clinical trial recruitment and execution, clinical lab services, non-clinical research, safety services, integrated facilities management and other areas. Failure by one or more of the third-party collaborators, service providers and others to complete activities on schedule or in accordance with our expectations or to meet their contractual or other obligations to us; failure of one or more of these parties to comply with applicable laws or regulations; or any disruption in the relationships between us and these parties, could delay or prevent the development, approval, manufacturing or commercialization of our products and product candidates, expose us to suboptimal quality of service delivery or deliverables, result in repercussions such as missed deadlines or other timeliness issues, erroneous data and supply disruptions, and could also result in non-compliance with legal or regulatory requirements or industry standards or subject us to reputational harm, all with potential negative implications for our product pipeline and business. Further, our Alliance revenues will be adversely affected by the termination or expiration of collaboration and co-promotion agreements that we have entered into and that we may enter into from time to time. For information on additional risks specific to our Consumer Healthcare JV, see the *Consumer Healthcare JV with GSK* section below.

COUNTERFEIT PRODUCTS

Our reputation and promising pipeline render our medicines and vaccines prime targets for counterfeiters. Counterfeit medicines and vaccines pose a significant risk to patient health and safety because of the conditions under which they are manufactured—often in unregulated, unlicensed, uninspected and unsanitary sites—as well as the lack of regulation of their contents. Failure to mitigate this threat could adversely impact Pfizer's patients, potentially causing them harm. This, in turn, may result in the loss of patient confidence in the Pfizer name and in the integrity of our medicines and vaccines, and potentially impact our business through lost sales, product recalls, and possible litigation.

The prevalence of counterfeit medicines is an industry-wide issue due to a variety of factors, including the adoption of e-commerce, which increased during the COVID-19 pandemic, greatly enhancing consumers' ability to obtain prescriptions and other medical treatments via the internet in lieu of traditional brick and mortar pharmacies or authorized full-service internet pharmacies. The internet exposes patients to greater risk as it is a preferred vehicle for dangerous counterfeit offers and scams because of consumers' misplaced trust with certain e-commerce retailers coupled with the anonymity the internet affords counterfeiters. While counterfeiters generally target any medicine or vaccine boasting strong demand, we have observed heightened counterfeit and fraud attempts to our COVID-19 vaccine, as well as other products potentially utilized in the treatment of COVID-19.

We consistently invest in an enterprise-wide strategy to aggressively combat counterfeit threats by educating patients and health care providers about the risks, investing in innovative technologies to detect and disrupt sophisticated internet offers and scams, proactively monitoring and interdicting supply with the help of law enforcement; and advising legislators and regulators. However, our efforts and those of others may not be entirely successful, and the presence of counterfeit medicines may continue to increase.

RISKS RELATED TO GOVERNMENT REGULATION AND LEGAL PROCEEDINGS:

PRICING AND REIMBURSEMENT

U.S. and international governmental regulations that mandate price controls or limitations on patient access to our products or establish prices paid by government entities or programs for our products impact our business, and our future results could be adversely affected by changes in such regulations or policies. The adoption of restrictive price controls in new jurisdictions, more restrictive controls in existing jurisdictions or the failure to obtain or maintain timely or adequate pricing could also adversely impact revenue. We expect pricing pressures will continue globally.

In the U.S., pharmaceutical product pricing is subject to government and public scrutiny and calls for reform, and many of our products are subject to increasing pricing pressures as a result. We expect to see continued focus by the Federal government on regulating pricing which could result in legislative and regulatory changes designed to control costs. Some states have implemented, and others are considering, patient access constraints or cost cutting under the Medicaid program, and some are considering measures that would apply to broader segments of their populations that are not Medicaid-eligible. State legislatures also have continued to focus on addressing drug costs, generally by increasing price transparency or limiting drug price increases. Measures to regulate prices or payment for pharmaceutical products, including legislation on drug importation, could adversely affect our business. For additional information on U.S. pricing and reimbursement, see the *Item 1. Business—Government Regulation and Price Constraints* section in this Form 10-K.

We encounter similar regulatory and legislative issues in most other countries in which we operate. In certain markets, such as in EU member states, the U.K., Japan, China, Canada and South Korea, governments have significant power as large single payers to regulate prices, access criteria, or impose other means of cost control, particularly as a result of recent global financing pressures. For example, the QCE and VBP tender process in China has resulted in dramatic price cuts for off-patent medicines. For additional information regarding these government initiatives, see the *Item 1. Business—Government Regulation and Price Constraints* section in this Form 10-K. We anticipate that these and similar initiatives will continue to increase pricing pressures in China and elsewhere in the future. In addition, in many countries, with respect to our vaccines, we participate in a tender process for selection in national immunization programs. Failure to secure participation in national immunization programs or to obtain acceptable pricing in the tender process could adversely affect our business. We also anticipate pricing pressures will be amplified by COVID-19 induced budget deficits and focus on pricing for COVID-19 treatments and vaccines.

U.S. HEALTHCARE REGULATION

The U.S. healthcare industry is highly regulated and subject to frequent and substantial changes. Any significant efforts at the U.S. federal or state levels to reform the healthcare system by changing the way healthcare is provided or funded could have a material impact on us. For additional information on U.S. healthcare regulation, see the *Item 1. Business—Government Regulation and Price Constraints* section in this Form 10-K.

Other U.S. federal or state legislative or regulatory action and/or policy efforts could adversely affect our business, including, among others, general budget control actions, changes in patent laws, the importation of prescription drugs to the U.S. at prices that are regulated by foreign governments, revisions to reimbursement of biopharmaceuticals under government programs that could reference international prices or require new discounts, limitations on interactions with healthcare professionals and other industry stakeholders, or the use of comparative effectiveness methodologies that could be implemented in a manner that focuses primarily on cost differences and minimizes the therapeutic differences among pharmaceutical products and restricts access to innovative medicines.

A reduction of U.S. federal spending on entitlement programs, including Medicare and Medicaid, may affect payment for our products or services provided using our products. Any other significant spending reductions or cost controls affecting Medicare, Medicaid or other publicly funded or subsidized health programs that may be implemented could have an adverse impact on our results of operations.

DEVELOPMENT, REGULATORY APPROVAL AND MARKETING OF PRODUCTS

The discovery and development of drugs, vaccines and biological products are time consuming, costly and unpredictable. The outcome is inherently uncertain and involves a high degree of risk due to the following factors, among others:

- The process from early discovery to design and adequate implementation of clinical trials to regulatory approval can take many years.
- Product candidates can and do fail at any stage of the process, including as the result of unfavorable pre-clinical and clinical trial results, or unfavorable new pre-clinical or clinical data and further analyses of existing pre-clinical or clinical data, including results that may not support further clinical development of the product candidate or indication.
- We may need to amend our clinical trial protocols or conduct additional clinical trials under certain circumstances, for example, to further assess appropriate dosage or collect additional safety data.
- We may not be able to meet anticipated pre-clinical or clinical endpoints, commencement and/or completion dates for our pre-clinical or clinical trials, regulatory submission dates, regulatory approval dates and/or launch dates.
- We may not be able to successfully address all the comments received from regulatory authorities such as the FDA and the EMA, or be able to obtain approval for new products and indications from regulators.

Regulatory approvals of our products depend on myriad factors, including regulatory determinations as to the product's safety and efficacy. In the context of public health emergencies like the COVID-19 pandemic, regulators evaluate various factors and criteria to potentially allow for marketing authorization on an emergency or conditional basis. Additionally, clinical trial and other product data are subject to differing interpretations and assessments by regulatory authorities. As a result of regulatory interpretations and assessments or other developments that occur during the review process, and even after a product is authorized or approved for marketing, a product's commercial potential could be adversely affected by potential emerging concerns or regulatory decisions regarding or impacting labeling or marketing, manufacturing processes, safety and/or other matters, including decisions relating to emerging developments regarding potential product impurities.

We may not be able to receive or maintain favorable recommendations by technical or advisory committees, such as the ACIP or any FDA Advisory Committee that may be convened to review our applications such as EUAs, NDAs or BLAs, which may impact the potential marketing and use of our products. Further, claims and concerns that may arise regarding the safety and efficacy of in-line products and product candidates can negatively impact product sales, and potentially lead to product recalls or withdrawals, including regulator-directed risk evaluations and

assessments, and/or consumer fraud, product liability and other litigation and claims. Further regulatory agency requirements may result in a more challenging, expensive and lengthy regulatory approval process than anticipated due to requests for, among other things, additional or more extensive clinical trials prior to granting approval, or increased post-approval requirements. For these and other reasons discussed in this Risk Factors section, we may not obtain the approvals we expect within the timeframe we anticipate, or at all.

POST-AUTHORIZATION/APPROVAL DATA

As a condition to granting marketing authorization or approval of a product, the FDA may require additional clinical trials or other studies. The results generated in these trials could result in the loss of marketing approval, changes in labeling, and/or new or increased concerns about the side effects, efficacy or safety. Regulatory agencies in countries outside the U.S. often have similar regulations and may impose comparable requirements. Post-marketing studies and clinical trials, whether conducted by us or by others, whether mandated by regulatory agencies or conducted voluntarily, and other emerging data about products, such as adverse event reports, may also adversely affect the availability or commercial potential of our products. Further, if safety or efficacy concerns are raised about a product in the same class as one of our products, those concerns could implicate the entire class; and this, in turn, could have an adverse impact on the availability or commercial viability of our product(s) as well as other products in the class. The potential regulatory and commercial implications of post-marketing study results typically cannot immediately be determined. For example, in December 2021, in light of the results from the completed required postmarketing safety study of Xeljanz, ORAL Surveillance (A3921133), the U.S. label for Xeljanz was revised. Updates include a new boxed warning for major adverse cardiovascular events (MACE) and updated boxed warnings regarding mortality, malignancies and thrombosis (with corresponding updates to applicable warnings and precautions). In addition, indications for the treatment of adults with moderately to severely active RA or active PsA, and patients who are two years of age and older with active polyarticular course juvenile idiopathic arthritis have been revised; Xeljanz is now indicated in patients who have had inadequate response or intolerance to one or more tumor necrosis factor blockers. In addition, at the request of the EC, the PRAC of the EMA has adopted a referral procedure under Article 20 of Regulation (EC) No 726/2004 to assess safety information relating to oral JAK inhibitors authorized for inflammatory diseases, including Xeljanz and Cibinqo, which is ongoing. We continue to work with regulatory agencies to review the full results and analyses of ORAL Surveillance and their impact on product labeling.

The terms of our EUA for Comirnaty require that we conduct post-authorization observational studies in patients at least 5 years of age or older who received a booster dose, or other populations of interest including healthcare workers, pregnant women, immunocompromised individuals, and subpopulations with specific comorbidities. Additionally, in relation to the FDA approval for Comirnaty, we are required to complete certain postmarketing study requirements and commitments by 2024 as identified in the August 2021 approval letter. The terms of our EUA for Paxlovid require monitoring for convergence of global viral variants of SARS-CoV-2 and potential assessment of Paxlovid activity against identified global variants of interest. Additionally, in relation to the potential FDA approval for Paxlovid, we are required to complete certain other analyses and studies as identified in the December 2021 authorization letter.

LEGAL MATTERS

We are and may be involved in various legal proceedings, including patent litigation, product liability and other product-related litigation, including personal injury, consumer, off-label promotion, securities, antitrust and breach of contract claims, commercial and other asserted and unasserted matters, environmental, government investigations, employment, tax litigation and other legal proceedings that arise from time to time in the ordinary course of our business. Litigation is inherently unpredictable, and excessive verdicts do occur. Although we believe that our claims and defenses in matters in which we are a defendant are substantial, we could in the future 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.

Claims against our patents include challenges to the coverage and/or validity of our patents on various products or processes. There can be no assurance as to the outcome of these matters, and a loss in any of these cases could result in a loss of patent protection for the product at issue, which could lead to a significant loss of sales of that product and could materially affect future results of operations.

Government investigations and actions could result in substantial fines and/or criminal charges and civil penalties, limitations on our ability to conduct business in applicable jurisdictions, corporate integrity or deferred prosecution agreements and other disciplinary actions, as well as reputational harm, including as a result of increased public interest in the matter. In addition, in a qui tam lawsuit in which the government declines to intervene, the relator may still pursue a suit for the recovery of civil damages and penalties on behalf of the government.

Our sales and marketing activities and the pricing of our products are subject to extensive regulation under the FFDCA, the Medicaid Drug Rebate Program, the FCPA and other federal and state statutes, including those discussed elsewhere in this Form 10-K, as well as the Anti-Kickback Statute, anti-bribery laws, the False Claims Act, and similar laws in international jurisdictions. In addition to the potential for changes to relevant laws, the compliance and enforcement landscape is informed by government litigation, settlement precedent, advisory opinions, and special fraud alerts. Our approach to certain practices may evolve over time in light of these types of developments. Requirements or industry standards in the U.S. and certain jurisdictions abroad require pharmaceutical manufacturers to track and disclose financial interactions with healthcare professionals and healthcare providers and can increase government and public scrutiny of such financial interactions. If an interaction is found to be improper, government enforcement actions and penalties could result. Like many companies in our industry, we have from time-to-time received, and may receive in the future, inquiries and subpoenas and other types of information demands from government authorities. In addition, we have been subject to claims and other actions related to our business activities, brought by governmental authorities, as well as consumers and private payers. In some instances, we have incurred significant expense, civil payments, fines and other adverse consequences as a result of these claims, actions and inquiries. Such claims, actions and inquiries may relate to alleged non-compliance with laws and regulations associated with the dissemination of product (approved and unapproved) information, potentially resulting in government enforcement action and reputational damage. This risk may be heightened by digital marketing, including social media, mobile applications and blogger outreach.

In connection with the resolution of a U.S. government investigation concerning independent copay assistance organizations that provide financial assistance to Medicare patients, in 2018, we entered into a Corporate Integrity Agreement (CIA) with the Office of the Inspector General of the U.S. Department of Health and Human Services, which is effective for a period of five years. In the CIA, we agreed to implement and/or maintain certain compliance program elements to promote compliance with federal healthcare program requirements. Breaches of the CIA could result in severe sanctions against us.

We and certain of our subsidiaries are also subject to numerous contingencies arising in the ordinary course of business relating to legal claims and proceedings, including environmental contingencies. 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. While we have accrued for worldwide legal liabilities, no guarantee exists that additional costs will not be incurred beyond the amounts accrued.

For additional information, including information regarding certain legal proceedings in which we are involved in, see *Note 16A*.

RISKS RELATED TO INTELLECTUAL PROPERTY, TECHNOLOGY AND SECURITY:

INTELLECTUAL PROPERTY PROTECTION

Our success largely depends on our ability to market technologically competitive products. We rely and expect to continue to rely on a combination of intellectual property, including patent, trademark, trade dress, copyright, trade secret and domain name protection laws, as well as confidentiality and license agreements, to protect our intellectual property and proprietary rights. If we fail to obtain and maintain adequate intellectual property protection, we may not be able to prevent third parties from launching generic or biosimilar versions of our branded products, from using our proprietary technologies or from marketing products that are very similar or identical to ours. Our currently pending or future patent applications may not result in issued patents or be granted on a timely basis. Similarly, any term extensions that we seek may not be granted on a timely basis, if at all. For example, in May 2021, the Brazilian Supreme Court voted to invalidate Article 40 of Brazil's Patent Law, which guaranteed a minimum 10-year patent term from patent grant, and to give retroactive effect to such decision. In addition, our issued patents may not contain claims sufficiently broad to protect us against claims regarding validity, enforceability, scope and effective term made by parties with similar technologies or products or provide us with any competitive advantage, including exclusivity in a particular product area.

Further, legal or regulatory action by various stakeholders or governments could potentially result in us not seeking intellectual property protection for or agreeing not to enforce or being restricted from enforcing intellectual property related to our products. Discussions are ongoing at the WTO regarding the role of intellectual property in the context of the COVID-19 pandemic response. This includes a proposal that would release WTO members from their obligation under WTO-TRIPS to grant and enforce various types of intellectual property protection on health products and technology in relation to the prevention, containment or treatment of COVID-19. In May 2021 and again in November 2021, the Biden Administration called on countries to waive intellectual property protections on COVID-19 vaccines.

The scope of our patent claims also may vary between countries, as individual countries have distinct patent laws, and our ability to enforce our patents depends on the laws of each country, its enforcement practices, and the extent to which certain countries engage in policies or practices that weaken a country's intellectual property framework (e.g., laws or regulations that promote or provide broad discretion to issue a compulsory license). In countries that provide some form of regulatory exclusivity, mechanisms exist permitting some form of challenge to our patents by competitors or generic drug marketers prior to or immediately following the expiration of such regulatory exclusivity, and generic companies are employing aggressive strategies, such as "at risk" launches that challenge our patent rights. Most of the suits involve claims by generic drug manufacturers that patents covering our products, uses, processes or dosage forms are invalid and/or do not cover the product of the generic or biosimilar drug manufacturer. Independent actions have been filed alleging that our assertions of, or attempts to enforce, patent rights with respect to certain products constitute unfair competition and/or violations of antitrust laws. Such claims may also be brought as counterclaims to actions we bring to enforce our patents. We are also party to other patent damages suits in various jurisdictions pursuant to which generic drug manufacturers, payers, governments or other parties are seeking damages from us for alleged delay of generic entry. We also are often involved in other proceedings, such as inter partes review, post-grant review, re-examination or opposition proceedings, before the U.S. Patent and Trademark Office, the European Patent Office, or other foreign counterparts relating to our intellectual property or the intellectual property rights of others. Also, if one of our patents or a competitors' patents is found to be invalid in such proceedings, generic or biosimilar products could be introduced into the market resulting in the erosion of sales of our existing products. For additional information, including information regarding certain legal proceedings in which we are involved, see *Note 16A1*. Further, if we are unable to maintain our existing license agreements or other agreements pursuant to which third parties grant us rights to intellectual property, our operating results and financial condition could be adversely affected.

We currently hold trademark registrations and have trademark applications pending in many jurisdictions, any of which may be the subject of a governmental or third-party objection, which could prevent the maintenance or issuance of the trademark. As our products mature, our reliance on our trademarks and trade dress to differentiate us from our competitors increases and, as a result, our business could be adversely affected if we are unable to prevent third parties from adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate our rights. We seek to protect our proprietary information, including our trade secrets and proprietary know-how, by requiring our employees, consultants, other advisors and other third parties to execute proprietary information and confidentiality agreements upon the commencement of their relationship with us. Despite these efforts and precautions, we may be unable to prevent a third-party from copying or otherwise obtaining and using our trade secrets or our other intellectual property without authorization, and legal remedies may not adequately compensate us for the damages caused by such unauthorized use. Further, others may independently and lawfully develop substantially similar or identical products that circumvent our intellectual property by means of alternative designs or processes or otherwise.

THIRD-PARTY INTELLECTUAL PROPERTY CLAIMS

A properly functioning intellectual property regime is essential to our business model. We are committed to respecting the valid intellectual property rights of other companies, but the patent granting process is imperfect. Accordingly, the pursuit of valid business opportunities may require us to challenge intellectual property rights held by others that we believe were improperly granted, including challenges through negotiation and litigation, and such challenges may not always be successful.

Part of our business depends upon identifying biosimilar opportunities and launching products to take advantage of those opportunities, which may involve litigation, associated costs and time delays, and may ultimately not be successful. These opportunities may arise in situations where patent protection of equivalent branded products has expired or been declared invalid, or where products do not infringe the patents of others. In some circumstances we may take action, such as litigation, asserting that our products do not infringe patents of existing products or that those patents are invalid or unenforceable in order to achieve a “first-to-market” or early market position for our products.

Third parties may claim that our products infringe one or more patents owned or controlled by them. Claims of intellectual property infringement can be costly and time-consuming to resolve, may delay or prevent product launches, and may result in significant royalty payments or damages.

For example, our R&D in a therapeutic area may not be first and another company or entity may have obtained relevant patents before us. We are involved in patent-related disputes with third parties over our attempts to market pharmaceutical products. Once we have final regulatory approval of the related products, we may decide to commercially market these products even though associated legal proceedings (including any appeals) have not been resolved (i.e., “at-risk” launch). If one of our marketed products is found to infringe valid patent rights of a third party, such third party may be awarded significant damages or royalty payments, or we may be prevented from further sales of that product. Such damages may be enhanced as much as three-fold if we or one of our subsidiaries is found to have willfully infringed valid patent rights of a third party.

INFORMATION TECHNOLOGY AND SECURITY

Significant disruptions of information technology systems or breaches of information security could adversely affect our business. We extensively rely upon sophisticated information technology systems (including cloud services) to operate our business. We produce, collect, process, store and transmit large amounts of confidential information (including personal information and intellectual property), and we deploy and operate an array of technical and procedural controls to maintain the confidentiality, integrity and availability of such confidential information. We have outsourced significant elements of our operations, including significant elements of our information technology infrastructure and, as a result, we manage relationships with many third-party providers who may or could have access to our confidential information. We rely on technology developed, supplied and/or maintained by third-parties that may make us vulnerable to “supply chain” style cyber-attacks. Further, technology and security vulnerabilities of acquisitions, business partners or third-party providers may not be identified during due diligence or soon enough to mitigate exploitation. The size and complexity of our information technology and information security systems, and those of our third-party providers (and the large amounts of confidential information that is present on them), make such systems potentially vulnerable to service interruptions or to security breaches from inadvertent or intentional actions by our employees or contingent workers, providers, or malicious attackers. As a global pharmaceutical company, our systems and assets are the target of frequent cyber-attacks. Such cyber-attacks are of ever-increasing levels of sophistication and are made by groups and individuals with a wide range of motives (including, but not limited to, industrial espionage) and expertise, including organized criminal groups, “hacktivists,” nation states and others. Due to the nature of some of these attacks, there is a risk that they may remain undetected for a period of time. While we have invested in the protection of data and information technology, our efforts may not prevent service interruptions, extortion, theft of confidential or proprietary information, compromise of data integrity or unauthorized information disclosure. Any such interruption or breach of our systems could adversely affect our business operations and/or result in the loss of confidential information or intellectual property, and could result in financial, legal, business and reputational harm to us. We maintain cyber liability insurance; however, this insurance may not be sufficient to cover the financial, legal, business or reputational losses that may result from an interruption or breach of our systems.

RISKS RELATED TO BUSINESS DEVELOPMENT:

BUSINESS DEVELOPMENT ACTIVITIES

We expect to enhance our in-line products and product pipeline through various forms of business development, which can include alliances, licenses, JVs, collaborations, equity- or debt-based investments, dispositions, divestments, mergers and acquisitions. The success of these activities is dependent on the availability and accurate cost/benefit evaluation of appropriate opportunities, competition from others that are seeking similar opportunities and our ability to successfully identify, structure and execute transactions, including the ability to satisfy closing conditions in the anticipated timeframes or at all, and successfully integrate acquisitions. Pursuing these opportunities may require us to obtain additional equity or debt financing, which could result in increased leverage and/or a downgrade of our credit ratings. Where we acquire debt or equity securities as all or part of the consideration for business development activities, the value of those securities will fluctuate, and may depreciate. We may not control a company in which we invest, and, as a result, we will have limited ability to determine its management, operational decisions and policies. Further, while we seek to mitigate risks and liabilities of such transactions through, among other things, due diligence, there may be risks and liabilities that such efforts fail to discover, that are not disclosed to us, or that we inadequately assess. The success of any of our acquisitions will depend, when applicable, on our ability to realize anticipated benefits from integrating these businesses with us. We, for example, may fail to achieve cost savings anticipated with certain of these acquisitions, or such cost savings within the expected time frame. Similarly, the accretive impact anticipated from certain of these acquisitions may not be realized or may be delayed. Integration of these businesses may result in the loss of key employees, the disruption of ongoing business, including third-party relationships, or inconsistencies in standards, controls, procedures and policies. We also may fail to generate the expected

revenue growth for the acquired business. Expected revenue from acquired products and product candidates also may be constrained by developments outside of our control. Unsuccessful clinical trials, regulatory hurdles and commercialization challenges may adversely impact revenue and income contribution from products and product candidates, including those acquired in these acquisitions.

SPIN-OFF AND COMBINATION OF UPJOHN WITH MYLAN

We may not realize some or all of the expected benefits of the spin-off and combination (the Transactions) of the Upjohn Business with Mylan, which resulted in the creation of Viatris in November 2020, due to many factors, including, among others, strategic adjustments required to reflect the nature of our business following the Transactions, increased risks resulting from us becoming a company that is a more focused, innovative science-based biopharmaceutical products business and the possibility that we may not achieve our strategic objectives. In addition, we have agreed to provide certain transition services to Viatris, generally for an initial period of 24 months following the completion of the Transactions (with certain possibilities for extension). These obligations under the transition services agreements may divert our focus and resources that would otherwise be invested into maintaining or growing our business.

CONSUMER HEALTHCARE JV WITH GSK

In 2019, we and GSK combined our respective consumer healthcare businesses into a JV that operates globally under the GSK Consumer Healthcare name. Although we have certain consent, board representation and other governance rights, we are a minority owner of the JV and do not control the JV, its management or its policies. As a result, our ability to realize the anticipated benefits of the transaction depend upon GSK's operation and management of the JV. In addition, the JV is subject to risks that are different than the risks associated with our business. Many of these risks are outside GSK's or the JV's control and could materially impact the business, financial condition and results of operations of the JV.

In June 2021, GSK announced that it intends to demerge at least 80% of its 68% ownership interest in the JV in mid-2022, subject to GSK shareholder approval. Following the demerger, the JV is expected to be an independent, listed company on the London Stock Exchange with American Depositary Receipts to be listed in the U.S., in which Pfizer would initially hold a 32% ownership interest and GSK may hold up to a 13.6% ownership interest. Notwithstanding GSK's announcement, the demerger may not be completed within expected time periods or at all, and both the timing and success of the demerger (or any other separation and public listing transaction), will be subject to prevailing market conditions and other factors at the time of such transaction. Any future distribution or sale of our stake in the JV will similarly be subject to prevailing market conditions and other factors at the time of such transaction. Our ability to complete any such future distribution or sale may also be impacted by the size of our retained stake at the time. The uncertainty relating to any separation and public listing transactions (including the announced demerger), their implementation, their timing and their yet to be determined effects on the JV's business may subject us and the JV to risks and uncertainties that may adversely affect our business and financial results.

GENERAL RISKS:

COVID-19 PANDEMIC

Our business, operations and financial condition and results have been and may continue to be impacted by the COVID-19 pandemic to varying degrees. The pandemic has presented a number of risks and challenges for our business, including, among others: impacts due to travel limitations and mobility restrictions; manufacturing disruptions and delays; supply chain disruptions and shortages, including challenges related to reliance on third-party suppliers resulting in reduced availability of materials or components used in the development, manufacturing, distribution or administration of our products; disruptions to pipeline development and clinical trials, including difficulties or delays in enrolling certain clinical trials, retaining clinical trial participants, accessing needed supplies, and accruing a sufficient number of cases in certain clinical trials; decreased product demand, due to reduced numbers of in-person meetings with prescribers, patient visits with physicians, vaccinations and elective surgeries, resulting in fewer new prescriptions or refills of existing prescriptions and reduced demand for products used in procedures; reduced product demand as a result of unemployment or increased focus on COVID-19 vaccination; challenges presented by reallocating personnel and R&D, manufacturing and other resources to assist in responding to the pandemic; costs associated with the COVID-19 pandemic, including practices intended to reduce the risk of transmission, increased supply chain costs and additional R&D costs incurred in our efforts to develop a vaccine to help prevent COVID-19 and an oral COVID-19 treatment; challenges related to our business development initiatives, including potential delays or disruptions related to regulatory approvals; interruptions or delays in the operations of regulatory authorities, which may delay potential approval of new products we are developing, potential label expansions for existing products and the launch of newly-approved products; challenges operating in a virtual work environment; increased cyber incidents such as phishing, social engineering and malware attacks; challenges related to our intellectual property, both domestically and internationally, including in response to any pressure or legal or regulatory action that could potentially result in us not seeking intellectual property protection for, licensing, or agreeing not to enforce or being restricted from enforcing, intellectual property rights related to our products, including our vaccine to help prevent COVID-19 and an oral COVID-19 treatment; challenges related to conducting oversight and monitoring of regulated activities in a remote or virtual environment; challenges related to our human capital and talent development, including challenges in attracting, hiring and retaining highly skilled and diverse workforce; challenges related to vaccine mandates; and other challenges presented by disruptions to our normal operations in response to the pandemic, as well as uncertainties regarding the duration and severity of the pandemic and its impacts, and government or regulatory actions to contain the virus or control the supply of medicines and vaccines.

We also face risks and uncertainties related to our efforts to develop and commercialize a vaccine to help prevent COVID-19 and an oral COVID-19 treatment, as well as challenges related to their manufacturing, supply and distribution, including, among others:

- uncertainties inherent in R&D, including the ability to meet anticipated clinical endpoints, commencement and/or completion dates for clinical trials, regulatory submission dates, regulatory approval dates and/or launch dates, as well as risks associated with pre-clinical and clinical data (including the Phase 1/2/3 or Phase 4 data for BNT162b2 or any other vaccine candidate in the BNT162 program or Paxlovid or any other future COVID-19 treatment) in any of our studies in pediatrics, adolescents or adults or real world evidence, including the possibility of unfavorable new pre-clinical, clinical or safety data and further analyses of existing pre-clinical, clinical or safety data or further information regarding the quality of pre-clinical, clinical or safety data, including by audit or inspection;

- the ability to produce comparable clinical or other results for BNT162b2 or Paxlovid, including the rate of effectiveness and/or efficacy, safety and tolerability profile observed to date, in additional analyses of the Phase 3 trial for BNT162b2 or Paxlovid and additional studies, in real-world data studies or in larger, more diverse populations following commercialization;
- the ability of BNT162b2 or any future vaccine to prevent, or Paxlovid or any other future COVID-19 treatment to be effective against, COVID-19 caused by emerging virus variants;
- the risk that more widespread use of the vaccine or Paxlovid will lead to new information about efficacy, safety or other developments, including the risk of additional adverse reactions, some of which may be serious;
- the risk that pre-clinical and clinical trial data are subject to differing interpretations and assessments, including during the peer review/publication process, in the scientific community generally, and by regulatory authorities;
- whether and when additional data from the BNT162 mRNA vaccine program, Paxlovid or other programs will be published in scientific journal publications and, if so, when and with what modifications and interpretations;
- whether regulatory authorities will be satisfied with the design of and results from these and any future pre-clinical and clinical studies;
- whether and when submissions to request emergency use or conditional marketing authorizations for BNT162b2 or any potential future vaccines in additional populations, for a booster dose for BNT162b2 or any potential future vaccines (including potential future annual boosters or re-vaccinations), and/or biologics license and/or EUA applications or amendments to any such applications may be filed in particular jurisdictions for BNT162b2 or any other potential vaccines, and if obtained, whether or when such EUA or licenses will expire or terminate;
- whether and when submissions to request emergency use or conditional marketing authorizations for Paxlovid or any other future COVID-19 treatment and/or any drug applications for any indication for Paxlovid or any other future COVID-19 treatment may be filed in any jurisdiction, and if obtained, whether or when such EUA or licenses will expire or terminate;
- whether and when any application that may be pending or filed for BNT162b2 or other vaccines that may result from the BNT162 program, Paxlovid or any other future COVID-19 treatment or any other COVID-19 program may be approved by particular regulatory authorities, which will depend on myriad factors, including making a determination as to whether the vaccine's or drug's benefits outweigh its known risks and determination of the vaccine's or drug's efficacy and, if approved, whether it will be commercially successful;

- decisions by regulatory authorities impacting labeling or marketing, manufacturing processes, safety and/or other matters that could affect the availability or commercial potential of a vaccine or drug, including development of products or therapies by other companies;
- disruptions in the relationships between us and our collaboration partners, clinical trial sites or third-party suppliers, including our relationship with BioNTech;
- the risk that other companies may produce superior or competitive products;
- the risk that demand for any products may be reduced or no longer exist;
- the possibility that COVID-19 will diminish in severity or prevalence, or disappear entirely;
- risks related to the availability of raw materials to manufacture or test any such products;
- challenges related to our vaccine's formulation, dosing schedule and attendant storage, distribution and administration requirements, including risks related to storage and handling after delivery by us;
- the risk that we may not be able to successfully develop other vaccine formulations, booster doses or potential future annual boosters or re-vaccinations or new variant-specific vaccines;
- the risk that we may not be able to recoup costs associated with our R&D and manufacturing efforts;
- risks associated with any changes in the way we approach or provide research funding for the BNT162 program, Paxlovid or any other COVID-19 program;
- challenges and risks associated with the pace of our development programs;
- the risk that we may not be able to maintain or scale up manufacturing capacity on a timely basis or maintain access to logistics or supply channels commensurate with global demand for our vaccine or any treatment for COVID-19, which would negatively impact our ability to supply the estimated numbers of doses of our vaccine or treatment courses of Paxlovid within the projected time periods;
- whether and when additional supply or purchase agreements will be reached;
- uncertainties regarding the ability to obtain recommendations from vaccine or treatment advisory or technical committees and other public health authorities and uncertainties regarding the commercial impact of any such recommendations;
- pricing and access challenges for such products;
- challenges related to public confidence or awareness of our COVID-19 vaccine or Paxlovid, including challenges driven by misinformation, access, concerns about clinical data integrity and prescriber and pharmacy education;
- trade restrictions;
- potential third-party royalties or other claims related to our COVID-19 vaccine or Paxlovid; and
- competitive developments.

Further, the COVID-19 pandemic, and the volatile global economic conditions stemming from the pandemic, could precipitate or amplify the other risks that we identify in this Risk Factors section, which could adversely affect our business, operations and financial condition and results.

We are continuing to monitor the latest developments regarding the COVID-19 pandemic and its effects on our business, operations and financial condition and results, and have made certain assumptions regarding the COVID-19 pandemic for purposes of our operational planning and financial projections, including assumptions regarding the duration, severity and the global macroeconomic impact of the pandemic, as well as COVID-19 vaccine and oral COVID-19 treatment supply and contracts, which remain dynamic. Despite careful tracking and planning, we are unable to accurately predict the extent of the impact of the pandemic on our business, operations and financial condition and results due to the uncertainty of future developments. In particular, we believe the ultimate impact on our business, operations and financial condition and results will be affected by the speed and extent of the continued spread of the coronavirus globally, the emergence of additional virus variants, the duration of the pandemic, new information regarding the severity and incidence of COVID-19, the safety, efficacy and availability of vaccines and treatments for COVID-19, the rate at which the population becomes vaccinated against COVID-19, the global macroeconomic impact of the pandemic and governmental or regulatory actions to contain the virus or control supply of medicines and vaccines. The pandemic may also affect our business, operations or financial condition and results in a manner that is not presently known to us or that we currently do not consider as presenting significant risks.

MARKET FLUCTUATIONS IN OUR EQUITY AND OTHER INVESTMENTS

Changes in fair value of certain equity investments need to be recognized in net income that may result in increased volatility of our income. For additional information, see *Note 4* and the *Analysis of Financial Condition, Liquidity, Capital Resources and Market Risk* section within MD&A.

Our pension benefit obligations and postretirement benefit obligations are subject to volatility from changes in fair value of equity investments and other investment risk in the assets funding these plans. For additional information, see the *Significant Accounting Policies and Application of Critical Accounting Estimates and Assumptions—Benefit Plans* section within MD&A and *Note 11.*

COST AND EXPENSE CONTROL AND NONORDINARY EVENTS

Growth in costs and expenses, changes in product and geographic mix and the impact of acquisitions, divestitures, restructurings, internal reorganizations, product withdrawals, recalls and other unusual events that could result from evolving business strategies, evaluation of asset realization and organizational restructuring could adversely affect future results. Such risks and uncertainties include, in particular, our ability to realize the projected benefits of our cost-reduction and productivity initiatives, other corporate strategic initiatives and any acquisitions, divestitures or other initiatives, as well as potential disruption of ongoing business.

INTANGIBLE ASSETS, GOODWILL AND EQUITY-METHOD INVESTMENTS

Our consolidated balance sheet contains significant amounts of intangible assets, including IPR&D and goodwill. For IPR&D assets, the risk of failure is significant, and there can be no certainty that these assets ultimately will yield successful products. Our ability to realize value on these significant investments is often contingent upon, among other things, regulatory approvals and market acceptance. As such, we expect that many of these IPR&D assets will become impaired and/or be written off at some time in the future if the associated R&D effort is abandoned or is curtailed. For goodwill, all reporting units can confront events and circumstances that can lead to a goodwill impairment charge such as, among other things, unanticipated competition, an adverse action or assessment by a regulator, a significant adverse change in legal matters or in the

business climate and/or a failure to replace the contributions of products that lose exclusivity. Our other intangible assets, including developed technology rights and brands, face similar risks for impairment. Our equity-method investments may also be subject to impairment charges that may result from the occurrence of unexpected adverse events or management decisions that impact our estimates of expected cash flows to be generated from these investments. We may recognize impairment charges as a result of a weak economic environment, events related to particular customers or asset types, challenging market conditions or decisions by management. Any such impairment charge of our intangible assets, goodwill and equity-method investments may be significant. For additional details, see the S*ignificant Accounting Policies and Application of Critical Accounting Estimates and Assumptions* section within MD&A.

CHANGES IN LAWS AND ACCOUNTING STANDARDS

Our future results could be adversely affected by changes in laws and regulations or their interpretation, including, among others, changes in accounting standards, tax laws and regulations internationally and in the U.S. (including, among other things, any potential adoption of global minimum taxation requirements and any potential changes to existing tax law and regulations by the Biden Administration and Congress), competition laws, privacy laws and environmental laws in the U.S. and other countries. For additional information on changes in tax laws or rates or accounting standards, see the *Provision/(Benefit) for Taxes on Income* and *New Accounting Standards* sections within MD&A and *Note 1B*.

ITEM 2. PROPERTIES

We own and lease space globally for sales and marketing, customer service, regulatory compliance, R&D, manufacturing and distribution and corporate enabling functions. In many locations, our business and operations are co-located to achieve synergy and operational efficiencies. Our global headquarters are located in New York City. We continue to advance our global workplace strategy to provide workplaces that enable collaboration and foster innovation. As of December 31, 2021, we had 327 owned and leased properties, amounting to approximately 41 million square feet.

We expect to relocate our global headquarters to the Spiral, an office building in the Hudson Yards neighborhood of New York City, with occupancy expected beginning in the second half of 2022. In April 2018, we entered into an agreement to lease space at this property. In July 2018, we completed the sale of our current headquarters in New York City. We remain in a lease-back arrangement with the buyer while we complete our relocation.

Our PGS platform function is headquartered in various locations, with leadership teams primarily in New York City and in Peapack, New Jersey. As of December 31, 2021, PGS had responsibility for 39 plants around the world, including in Belgium, Germany, India, Ireland, Italy, Japan, Singapore and the U.S., which manufacture products for our business. PGS expects to exit three of these sites over the next several years. PGS also operates multiple distribution facilities around the world.

In general, we believe that our properties, including the principal properties described above, are well-maintained, adequate and suitable for their current requirements and for our operations in the foreseeable future. See *Note 9* for amounts invested in land, buildings and equipment.

ITEM 3. LEGAL PROCEEDINGS

Certain legal proceedings in which we are involved are discussed in *Note 16A*.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The executive officers of the Company are set forth in this table. Each holds the office or offices indicated until his or her successor is chosen and qualified at the regular meeting of the BOD to be held on the date of the 2022 Annual Meeting of Shareholders, or until his or her earlier death, resignation or removal. Each of the executive officers is a member of the Pfizer Executive Leadership Team.

Name	Age	Position
Albert Bourla	60	Chairman of the Board since January 2020 and Chief Executive Officer since January 2019. Chief Operating Officer from January 2018 until December 2018. Group President, Pfizer Innovative Health from June 2016 until December 2017. Group President, Global Innovative Pharma Business (responsible for Vaccines, Oncology and Consumer Healthcare since 2014) from February 2016 until June 2016. President and General Manager of Established Products Business Unit from December 2010 until December 2013. Our Director since February 2018.
William Carapezzi	64	Executive Vice President, Global Business Services and Transformation since June 2020. Senior Vice President of Global Business Operations from June 2013 until June 2020. Senior Vice President of Global Tax from 2008 until June 2013.
Frank A. D'Amelio	64	Chief Financial Officer, Executive Vice President since January 2022. Chief Financial Officer and Executive Vice President, Global Supply from June 2020 until December 2021. Chief Financial Officer, Executive Vice President, Business Operations and Global Supply from November 2018 until June 2020. Executive Vice President, Business Operations and Chief Financial Officer from December 2010 until October 2018. Senior Vice President and Chief Financial Officer from September 2007 until December 2010. Director of Zoetis Inc. and Humana Inc. and Chair of the Humana Inc. Board of Directors' Audit Committee.
Mikael Dolsten	63	Chief Scientific Officer, President, Worldwide Research, Development and Medical since January 2019. President of Worldwide Research and Development from December 2010 until December 2018. Senior Vice President; President of Worldwide Research and Development from May 2010 until December 2010. Senior Vice President; President of Pfizer BioTherapeutics Research & Development Group from October 2009 until May 2010. Director of Agilent Technologies, Inc, and Vimian Group AB.

Name	Age	Position
Lidia Fonseca	53	Chief Digital and Technology Officer, Executive Vice President since January 2019. Chief Information Officer and Senior Vice President of Quest Diagnostics Incorporated from 2014 to 2018. Senior Vice President of Laboratory Corporation of America Holdings from 2008 until March 2013. Director of Tegna, Inc.
Angela Hwang	56	Group President, Pfizer Biopharmaceuticals Group since January 2019. Group President, Pfizer Essential Health from January 2018 until December 2018. Global President, Pfizer Inflammation and Immunology from January 2016 until December 2017. Regional Head, U.S. Vaccines from January 2014 until December 2015. Vice President, Emerging Markets for the Primary Care therapeutic area from September 2011 until December 2013. Director of United Parcel Service, Inc.
Rady A. Johnson	60	Chief Compliance, Quality and Risk Officer, Executive Vice President since January 2019. Executive Vice President, Chief Compliance and Risk Officer from December 2013 until December 2018. Senior Vice President and Associate General Counsel from October 2006 until December 2013.
Douglas M. Lankler	56	General Counsel, Executive Vice President since December 2013. Corporate Secretary from January 2014 until February 2014. Executive Vice President, Chief Compliance and Risk Officer from February 2011 until December 2013. Executive Vice President, Chief Compliance Officer from December 2010 until February 2011.
Aamir Malik	46	Chief Business Innovation Officer, Executive Vice President since August 2021. Various U.S. geographic leadership roles with McKinsey & Company from 2019 to 2021; previously co-led McKinsey & Company's Global Pharmaceuticals & Medical Products practice from 2015 to 2018.
Michael McDermott	56	Chief Global Supply Officer, Executive Vice President since January 2022. President of Pfizer Global Supply from 2018 until 2021. Vice President of Pfizer Global Supply from 2014 until 2018. Vice President of the Biotechnology Unit from 2012 until 2014.
Payal Sahni	47	Chief People Experience Officer, Executive Vice President since January 2022. Chief Human Resources Officer, Executive Vice President from June 2020 to December 2021. From May 2016 until June 2020 served as Senior Vice President of Human Resources for multiple operating units. Vice President of Human Resources, Vaccines, Oncology & Consumer from 2015 until 2016. Ms. Sahni has served in a number of positions in the Human Resources organization with increasing responsibility since joining Pfizer in 1997.
Sally Susman	60	Chief Corporate Affairs Officer, Executive Vice President since January 2019. Executive Vice President, Corporate Affairs (formerly Policy, External Affairs and Communications) from December 2010 until December 2018. Senior Vice President, Policy, External Affairs and Communications from December 2009 until December 2010. Director of WPP plc.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The principal market for our common stock is the NYSE. Our common stock currently trades on the NYSE under the symbol "PFE". As of February 22, 2022, there were 133,758 holders of record of our common stock.

The following summarizes purchases of our common stock during the fourth quarter of 2021[(a)]:

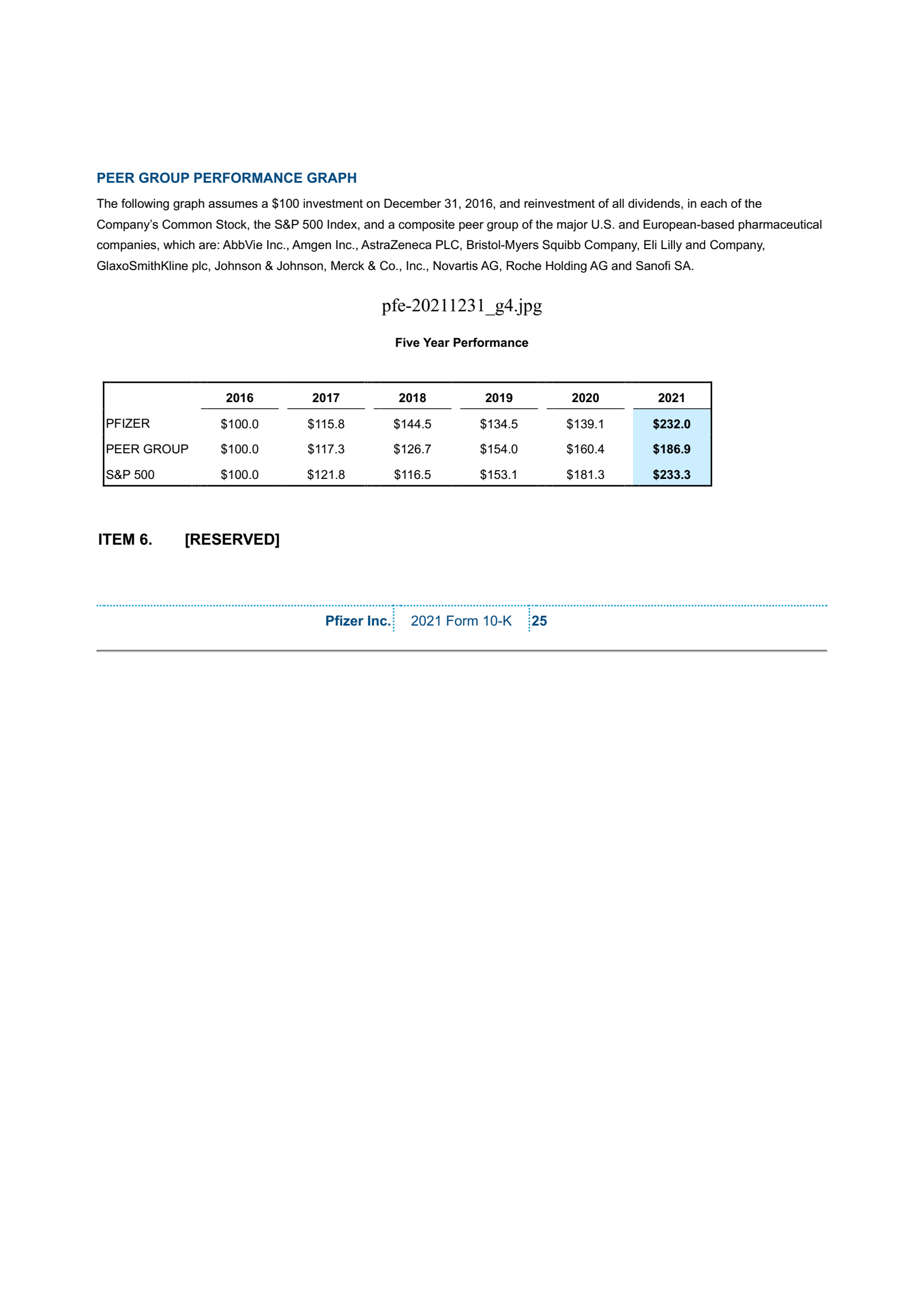
Period	Total Number of Shares Purchased[b]	Average Price Paid per Share[b]	Total Number of Shares Purchased as Part of Publicly Announced Plan	Approximate Value of Shares that May Yet Be Purchased Under the Plan[a]
October 4 through October 31, 2021	8,817	$ 44.74	—	$ 5,292,881,709
November 1 through November 30, 2021	4,687	$ 44.71	—	$ 5,292,881,709
December 1 through December 31, 2021	33,186	$ 55.35	—	$ 5,292,881,709
Total	46,690	$ 52.27	—	

[a] See *Note 12*.

[b] Represents (i) 44,604 shares of common stock surrendered to the Company to satisfy tax withholding obligations in connection with the vesting of awards under our long-term incentive programs and (ii) the open market purchase by the trustee of 2,086 shares of common stock in connection with the reinvestment of dividends paid on common stock held in trust for employees who deferred receipt of performance share awards.

PEER GROUP PERFORMANCE GRAPH

The following graph assumes a $100 investment on December 31, 2016, and reinvestment of all dividends, in each of the Company's Common Stock, the S&P 500 Index, and a composite peer group of the major U.S. and European-based pharmaceutical companies, which are: AbbVie Inc., Amgen Inc., AstraZeneca PLC, Bristol-Myers Squibb Company, Eli Lilly and Company, GlaxoSmithKline plc, Johnson & Johnson, Merck & Co., Inc., Novartis AG, Roche Holding AG and Sanofi SA.



Five Year Performance

	2016	2017	2018	2019	2020	2021
PFIZER	$100.0	$115.8	$144.5	$134.5	$139.1	**$232.0**
PEER GROUP	$100.0	$117.3	$126.7	$154.0	$160.4	**$186.9**
S&P 500	$100.0	$121.8	$116.5	$153.1	$181.3	**$233.3**

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW OF OUR PERFORMANCE, OPERATING ENVIRONMENT, STRATEGY AND OUTLOOK

Financial Highlights

The following is a summary of certain financial performance metrics (in billions, except per share data):

2021 Total Revenues—$81.3 billion

An increase of 95% compared to 2020

2021 Net Cash Flow from Operations—$32.6 billion

An increase of 126% compared to 2020

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2021 Reported Diluted EPS—$3.85

An increase of 137% compared to 2020

2021 Adjusted Diluted EPS (Non-GAAP)—$4.42*

An increase of 96% compared to 2020

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* For additional information regarding Adjusted diluted EPS (which is a non-GAAP financial measure), including reconciliations of certain GAAP reported to non-GAAP adjusted information, see the *Non-GAAP Financial Measure: Adjusted Income* section within MD&A.

References to operational variances pertain to period-over-period changes that exclude the impact of foreign exchange rates. Although foreign exchange rate changes are part of our business, they are not within our control and since they can mask positive or negative trends in the business, we believe presenting operational variances excluding these foreign exchange changes provides useful information to evaluate our results.

Our Business and Strategy

Most of our revenues come from the manufacture and sale of biopharmaceutical products. With the formation of the Consumer Healthcare JV in 2019 and the spin-off of our former Upjohn Business in the fourth quarter of 2020, Pfizer transformed into a more focused, global leader in science-based innovative medicines and vaccines and beginning in the fourth quarter of 2020 operated as a single operating segment engaged in the discovery, development, manufacturing, marketing, sale and distribution of biopharmaceutical products worldwide. At the beginning of our fiscal fourth quarter of 2021, we reorganized our commercial operations and began to manage our commercial operations through a new global structure consisting of two operating segments: Biopharma and PC1. Biopharma is the only reportable segment. On December 31, 2021, we completed the sale of our Meridian subsidiary, and beginning in the fourth quarter of 2021, the financial results of Meridian are reflected as discontinued operations for all periods presented. Beginning in the fourth quarter of 2020, the financial results of the Upjohn Business and the Mylan-Japan collaboration were reflected as discontinued operations for all periods presented. Prior-period information has been restated to reflect our current organizational structure. See *Note 1A* and *Item 1. Business—Commercial Operations* of this Form 10-K for additional information. We expect to incur costs of approximately $700 million in connection with separating Upjohn, of which, approximately 75% has been incurred since inception and through December 31, 2021. These charges include costs and expenses related to separation of legal entities and transaction costs.

Transforming to a More Focused Company: We have undertaken efforts to ensure our cost base and support model align appropriately with our new operating structure. While certain direct costs transferred to the Consumer Healthcare JV and to the Upjohn Business in connection with the spin-off, there are indirect costs which did not transfer. We are taking steps to restructure our corporate enabling functions to appropriately support our business, R&D and PGS platform functions. In addition, we are transforming our commercial go-to market model in the way we engage patients and physicians. See the *Costs and Expenses—Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives* section of this MD&A.

R&D: We believe we have a strong pipeline and are well-positioned for future growth. R&D is at the heart of fulfilling our purpose to deliver breakthroughs that change patients' lives as we work to translate advanced science and technologies into the therapies that

may be the most impactful for patients. Innovation, drug discovery and development are critical to our success. In addition to discovering and developing new

products, our R&D efforts seek to add value to our existing products by improving their effectiveness and ease of dosing and by discovering potential new indications. See the *Item 1. Business—Research and Development* section of this Form 10-K for our R&D priorities and strategy.

We seek to leverage a strong pipeline, organize around expected operational growth drivers and capitalize on trends creating long-term growth opportunities, including:

- an aging global population that is generating increased demand for innovative medicines and vaccines that address patients' unmet needs;
- advances in both biological science and digital technology that are enhancing the delivery of breakthrough new medicines and vaccines; and
- the increasingly significant role of hospitals in healthcare systems.

Our Business Development Initiatives

We are committed to strategically capitalizing on growth opportunities, primarily by advancing our own product pipeline and maximizing the value of our existing products, but also through various business development activities. We view our business development activity as an enabler of our strategies and seek to generate growth by pursuing opportunities and transactions that have the potential to strengthen our business and our capabilities. We assess our business, assets and scientific capabilities/portfolio as part of our regular, ongoing portfolio review process and also continue to consider business development activities that will help advance our business strategy.

Our significant recent business development activities that closed or are targeted to close in 2022 include:

Acquisition of Arena

In December 2021, we and Arena announced that the companies entered into a definitive agreement under which we will acquire Arena, a clinical stage company developing innovative potential therapies for the treatment of several immuno-inflammatory diseases. Under the terms of the agreement, we will acquire all outstanding shares of Arena for $100 per share in an all-cash transaction for a total equity value of approximately $6.7 billion. On February 2, 2022, Arena shareholders voted to approve the proposed acquisition, which is targeted to close in the first half of 2022, subject to review under antitrust laws and other customary closing conditions.

Collaboration with Biohaven

In November 2021, we entered into a collaboration and license agreement and related sublicense agreement with Biohaven Pharmaceutical Holding Company Ltd., Biohaven Pharmaceutical Ireland DAC and BioShin Limited (collectively, Biohaven) pursuant to which we acquired rights to commercialize rimegepant and zavegepant for the treatment and prevention of migraines outside of the U.S., subject to regulatory approval. Rimegepant is currently commercialized in the U.S., Israel, and the U.A.E. under the brand name Nurtec® ODT, with certain additional applications pending outside of the U.S. Biohaven will continue to lead R&D globally and we have the exclusive right to commercialization globally, outside of the U.S. Upon the closing of the transaction, which occurred on January 4, 2022, we paid Biohaven $500 million, including an upfront payment of $150 million and an equity investment of $350 million. Biohaven is also eligible to receive up to $740 million in non-U.S. commercialization milestone payments, in addition to tiered double-digit royalties on net sales outside of the U.S. In addition to the milestone payments and royalties above, we will also reimburse Biohaven for the portion of certain additional milestone payments and royalties due to third parties in accordance with preexisting Biohaven agreements, which are attributed to ex-U.S. sales.

For additional information, including discussion of recent significant business development activities, see *Note 2*.

Our 2021 Performance

Revenues

Revenues increased $39.6 billion, or 95%, to $81.3 billion in 2021 from $41.7 billion in 2020, reflecting an operational increase of $38.4 billion, or 92%, as well as a favorable impact of foreign exchange of $1.2 billion, or 3%. Excluding direct sales and alliance revenues of Comirnaty and sales of Paxlovid, revenues increased 6% operationally, reflecting strong growth in Eliquis, Biosimilars,

PC1, Vyndaqel/Vyndamax, the Hospital therapeutic area, Inlyta and Xtandi, partially offset by declines in the Prevnar family, Chantix/Champix, Enbrel and Sutent.

The following outlines the components of the net change in revenues:

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See the *Analysis of the Consolidated Statements of Income—Revenues by Geography* and *Revenues—Selected Product Discussion* sections within MD&A for more information, including a discussion of key drivers of our revenue performance. For information regarding the primary indications or class of certain products, see *Note 17C.*

Income from Continuing Operations Before Provision/(Benefit) for Taxes on Income

The increase in *Income from continuing operations before provision/(benefit) for taxes on income* of $17.3 billion in 2021, compared to 2020, was primarily attributable to: (i) higher revenues, (ii) net periodic benefit credits in 2021 versus net periodic benefit costs in 2020, (iii) lower asset impairment charges, and (iv) higher net gains on equity securities, partially offset by (v) increases in: *Cost of sales, Research and development expenses* and *Selling, informational and administrative expenses.*

See the *Analysis of the Consolidated Statements of Income* within MD&A and *Note 4* for additional information.

For information on our tax provision and effective tax rate, see the *Provision/(Benefit) for Taxes on Income* section within MD&A and *Note 5*.

Our Operating Environment

We, like other businesses in our industry, are subject to certain industry-specific challenges. These include, among others, the topics listed below. See also the *Item 1. Business—Government Regulation and Price Constraints* and *Item 1A. Risk Factors* sections of this Form 10-K.

Regulatory Environment—Pipeline Productivity

Our product lines must be replenished to offset revenue losses when products lose exclusivity or market share or to respond to healthcare and innovation trends, as well as to provide for earnings growth. As a result, we devote considerable resources to our R&D activities which, while essential to our growth, incorporate a high degree of risk and cost, including whether a particular product candidate or new indication for an in-line product will achieve the desired clinical endpoint or safety profile, will be approved by regulators or will be successful commercially. We conduct clinical trials to provide data on safety and efficacy to support the evaluation of a product's overall benefit-risk profile for a particular patient population. In addition, after a product has been approved or authorized and launched, we continue to monitor its safety as long as it is available to patients. This includes postmarketing trials that may be conducted voluntarily or pursuant to a regulatory request to gain additional medical knowledge. For the entire life of the product, we collect safety data and report safety information to the FDA and other regulatory authorities. Regulatory authorities may evaluate potential safety concerns and take regulatory actions in response, such as updating a product's labeling, restricting its use, communicating new safety information to the public, or, in rare cases, requiring us to suspend or remove a product from the market. The commercial potential of in-line products may be negatively impacted by post-marketing developments.

Intellectual Property Rights and Collaboration/Licensing Rights

The loss, expiration or invalidation of intellectual property rights, patent litigation settlements with manufacturers and the expiration of co-promotion and licensing rights can have a material adverse effect on our revenues. Certain of our products have experienced patent-based expirations or loss of regulatory exclusivity in certain markets in the last few years, and we expect certain products to face increased generic competition over the next few years. While additional patent expiries will continue, we expect a moderate impact of reduced revenues due to patent expiries from 2022 through 2025. We continue to vigorously defend our patent rights against infringement, and we will continue to support efforts that strengthen worldwide recognition of patent rights while taking necessary steps to help ensure appropriate patient access.

For additional information on patent rights we consider most significant to our business as a whole, see the *Item 1. Business—Patents and Other Intellectual Property Rights* section in this Form 10-K. For a discussion of recent developments with respect to patent litigation, see *Note 16A1.*

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

The pricing of medicines by pharmaceutical manufacturers and the cost of healthcare, which includes medicines, medical services and hospital services, continues to be important to payers, governments, patients, and other stakeholders. Federal and state governments and private third-party payers in the U.S. continue to take action to manage the utilization of drugs and cost of drugs, including increasingly employing formularies to control costs by taking into account discounts in connection with decisions about formulary inclusion or favorable formulary placement. We consider a number of factors impacting the pricing of our medicines and vaccines. Within the U.S., we often engage with patients, doctors and healthcare plans. We also often provide significant discounts

from the list price to insurers, including PBMs and MCOs. The price that patients pay in the U.S. for prescribed medicines and vaccines is ultimately set by healthcare providers and insurers. Governments globally may use a variety of measures to control costs, including proposing pricing reform or legislation, cross country collaboration and procurement, price cuts, mandatory rebates, health technology assessments, forced localization as a condition of market access, "international reference pricing" (i.e., the practice of a country linking its regulated medicine prices to those of other countries), QCE processes and VBP. In the U.S., we expect to see continued focus by Congress and the Biden Administration on regulating pricing which could result in legislative and regulatory changes designed to control costs. For example, there is proposed legislation that, if enacted, would allow Medicare to negotiate prices for certain prescription drugs, as well as require that penalties be paid by manufacturers who raise drug prices faster than inflation. Also, certain changes proposed by the CMS in December 2020 to the Medicaid program and 340B drug pricing program, which imposes ceilings on prices that drug manufacturers can charge for medications sold to certain health care facilities, could increase our Medicaid rebate obligations and increase the discounts we extend to 340B covered entities if they go into effect. Additional changes to the 340B program are undergoing review and their status is unclear. We anticipate that these and similar initiatives will continue to increase pricing pressures globally. For additional information, see the *Item 1. Business—Pricing Pressures and Managed Care Organizations* and *—Government Regulation and Price Constraints* sections in this Form 10-K.

Product Supply

We periodically encounter supply delays, disruptions or shortages, including due to voluntary product recalls such as our recent Chantix recall. For information on our recent Chantix recall and risks related to product manufacturing, see the *Item 1A. Risk Factors—Product Manufacturing, Sales and Marketing Risks* section in this Form 10-K.

The Global Economic Environment

In addition to the industry-specific factors discussed above, we, like other businesses of our size and global extent of activities, are exposed to economic cycles. Certain factors in the global economic environment that may impact our global operations include, among other things, currency fluctuations, capital and exchange controls, global economic conditions including inflation, restrictive government actions, changes in intellectual property, legal protections and remedies, trade regulations, tax laws and regulations and procedures and actions affecting approval,

production, pricing, and marketing of, reimbursement for and access to our products, as well as impacts of political or civil unrest or military action, including the current conflict between Russia and Ukraine, terrorist activity, unstable governments and legal systems, inter-governmental disputes, public health outbreaks, epidemics, pandemics, natural disasters or disruptions related to climate change. Government pressures can lead to negative pricing pressure in various markets where governments take an active role in setting prices, access criteria or other means of cost control.

COVID-19 Pandemic

The COVID-19 pandemic has impacted our business, operations and financial condition and results.

Our Response to COVID-19

Pfizer has helped lead the global effort to confront the COVID-19 pandemic by advancing a vision for industry-wide collaboration while making significant investments in breakthrough science and global manufacturing.

- *Comirnaty/BNT162b2*:
  - We have collaborated with BioNTech to jointly develop Comirnaty/BNT162b2, a mRNA-based coronavirus vaccine to help prevent COVID-19. The FDA has approved Comirnaty in the U.S. to prevent COVID-19 in individuals 16 years of age and older as a two-dose primary series (30 µg per dose). Comirnaty is the first COVID-19 vaccine to be granted approval by the FDA and had previously been available to this patient population in the U.S. under an EUA since December 2020. The vaccine is also available to individuals 5 to 15 years old under an EUA granted by the FDA in 2021 (10 µg per dose for children 5 through 11 years of age (October 2021) and 30 µg per dose for individuals 12 years of age and older (May 2021)). The FDA has also authorized for emergency use: (i) a third dose of Comirnaty/BNT162b2 in certain immunocompromised individuals 5 years of age and older and (ii) Comirnaty/BNT162b2 as a booster dose in individuals 12 years of age and older. Comirnaty/BNT162b2 has also been granted an approval or an authorization in many other countries around the world in populations varying by country. We continue to evaluate our vaccine, including for additional pediatric indications, and the short- and long-term efficacy of Comirnaty. We are also studying vaccine candidates to potentially prevent COVID-19 caused by new and emerging variants, such as the Omicron variant, or an updated vaccine as needed.
  - In 2021, we manufactured more than three billion doses and, in fiscal 2021, delivered 2.2 billion doses around the world. Pfizer and BioNTech expect we can manufacture up to four billion doses in total by the end of 2022. The companies have entered into agreements to supply pre-specified doses of Comirnaty in 2022 with multiple developed and emerging countries around the world and are continuing to deliver doses of Comirnaty to governments under such agreements. We also signed agreements with multiple countries to supply Comirnaty doses in 2023 and are currently negotiating similar potential agreements with multiple other countries. We anticipate delivering at least two billion doses to low- and middle-income countries by the end of 2022—one billion that was delivered in 2021 and one billion expected to be delivered in 2022, with the possibility to increase those deliveries if more orders are placed by these countries for 2022. One billion of the aforementioned doses to low- and middle-income countries are being supplied to the U.S. government at a not-for-profit price to be donated to the world's poorest nations at no charge to those countries.
  - As of February 8, 2022, we forecasted approximately $32 billion in revenues for Comirnaty in 2022, with gross profit to be split evenly with BioNTech, which includes doses expected to be delivered in fiscal 2022 under contracts signed as of late-January 2022.
- *Paxlovid*:
  - In December 2021, the FDA authorized the emergency use of Paxlovid, a novel oral COVID-19 treatment, which is a SARS-CoV2-3CL protease inhibitor and is co-administered with a low dose of ritonavir, for the treatment of mild-to-moderate COVID-19 in adults and pediatric patients (12 years of age and older weighing at least 40 kg [88 lbs]) with positive results of direct SARS-CoV-2 viral testing, and who are at high risk for progression to severe COVID-19, including hospitalization or death. The FDA based its decision on clinical data from the Phase 2/3 EPIC-HR (Evaluation of Protease Inhibition for COVID-19 in High-Risk Patients), which enrolled non-hospitalized adults aged 18 and older with confirmed COVID-19 who are at increased risk of progressing to severe illness. Paxlovid has been granted an authorization or approval in many other countries.
  - We continue to evaluate Paxlovid in other populations, including in patients with a confirmed diagnosis of SARS-CoV-2 infection who are at standard risk (i.e., low risk of hospitalization or death) (Phase 2/3 EPIC-SR (Evaluation of Protease Inhibition for

COVID-19 in Standard Risk Patients)) and in adults living in the same household as someone with a confirmed COVID-19 infection (Phase 2/3 EPIC-PEP (Evaluation of Protease Inhibition for COVID-19 in Post-Exposure Prophylaxis)).

- We have entered into agreements with multiple countries to supply pre-specified courses of Paxlovid, such as the U.S. and U.K., and have initiated bilateral outreach to approximately 100 countries around the world. Additionally, we have signed a voluntary non-exclusive license agreement with the Medicines Patent Pool (MPP) for Paxlovid. Under the terms of the agreement, MPP can grant sublicenses to qualified generic medicine manufacturers worldwide to manufacture and supply Paxlovid to 95 low- and middle-income countries, covering up to approximately 53% of the world's population.
- Pfizer plans to manufacture up to 120 million treatment courses by the end of 2022, depending on the global need, which will be driven by advance purchase agreements, with 30 million courses expected to be produced in the first half of 2022 and the remaining 90 million courses expected to be produced in the second half of 2022.
- As of February 8, 2022, we forecasted approximately $22 billion of revenues for Paxlovid in 2022, which includes treatment courses expected to be delivered in fiscal 2022, primarily relating to supply contracts signed or committed as of late-January 2022.

- *IV Protease Inhibitor:*
  - In February 2022, we discontinued the global clinical development program for PF-07304814, an intravenously administered SARS-CoV-2 main protease inhibitor being evaluated in adults hospitalized with severe COVID-19. This decision was made based on a totality of information, including a careful review of early data and a thorough assessment of the candidate's potential to successfully fulfill patient needs. Dosing of PF-07304814 in the National Institutes of Health's ongoing Accelerating COVID-19 Therapeutic Interventions and Vaccines (ACTIV)-3 study has ceased.

Impact of COVID-19 on Our Business and Operations

As part of our on-going monitoring and assessment, we have made certain assumptions regarding the pandemic for purposes of our operational planning and financial projections, including assumptions regarding the duration, severity and the global macroeconomic impact of the pandemic,

as well as COVID-19 vaccine and oral COVID-19 treatment supply and contracts, which remain dynamic. Despite careful tracking and planning, we are unable to accurately predict the extent of the impact of the pandemic on our business, operations and financial condition and results due to the uncertainty of future developments. We are focused on all aspects of our business and are implementing measures aimed at mitigating issues where possible, including by using digital technology to assist in operations for our commercial, manufacturing, R&D and corporate enabling functions globally.

Apart from our introduction of Comirnaty/BNT162b2 and Paxlovid, our business and operations have been impacted by the pandemic in various ways. Our portfolio of products experienced varying impacts from the pandemic in 2021. For example, certain of our vaccines such as the Prevnar family were impacted by disruptions to healthcare activity related to COVID-19, including the prioritization of primary and booster vaccination campaigns for COVID-19. For some products such as Vyndaqel/Vyndamax, we continued to see postponement of elective and diagnostic procedures in 2021 due to COVID-19, which may subside in 2022 as COVID-19 vaccination and booster rates continue to increase and/or if COVID-19 cases subside. On the other hand, some products such as Ibrance saw accelerating demand in 2021 as the delays in diagnosis and treatment initiations caused by the COVID-19 pandemic show signs of recovery across several international markets. For detail on the impact of the COVID-19 pandemic on certain of our products, see the *Analysis of the Consolidated Statements of Income—Revenues by Geography* and *Revenues—Selected Product Discussion* sections within this MD&A.

In 2021, engagement with healthcare professionals started to return to pre-pandemic levels and we continue to review and assess epidemiological data to inform in-person engagements with healthcare professionals and to help ensure the safety of our colleagues, customers and communities. As part of our commitment to engaging our customers in the manner they prefer, we are also taking a hybrid approach of virtual and in person engagements and saw customer response to both approaches. During the pandemic, we adapted our promotional platform by amplifying our digital capabilities to reach healthcare professionals and customers to provide critical education and information, including increasing the scale of our remote engagement. Most of our colleagues who are able to perform their job functions outside of our facilities continue to temporarily work remotely, while certain colleagues in the PGS and WRDM organizations continue to work onsite and are subject to strict protocols intended to reduce the risk of transmission. As of December 31, 2021, more than 96% of our U.S. employee population had been fully vaccinated or received an approved exception. Also, in 2021 and to date, we have not seen a significant disruption to our supply chain, and all of our manufacturing sites globally have continued to operate at or near normal levels. However, we are seeing an increase in overall demand in the industry for certain components and raw materials potentially constraining available supply, which could have a future impact on our business. We are continuing to monitor and implement mitigation strategies in an effort to reduce any potential risk or impact including active supplier management, qualification of additional suppliers and advanced purchasing to the extent possible. Certain of our clinical trials were impacted by the COVID-19 pandemic in 2021, which included, in some cases, challenges related to recruiting clinical trial participants and accruing cases in certain studies. Our clinical trials also progressed in this challenging environment through innovation, such as decentralized visits (e.g., telemedicine and home visits) to accommodate participants' ability to maintain scheduled visits, as well as working with suppliers to manage the shortage of certain clinical supplies.

We will continue to pursue efforts to maintain the continuity of our operations while monitoring for new developments related to the pandemic. Future developments could result in additional favorable or unfavorable impacts on our business, operations or financial condition and results. If we experience significant disruption in our manufacturing or supply chains or significant disruptions in clinical trials or other operations, or if demand for our products is significantly reduced as a result of the COVID-19 pandemic, we could experience a material adverse impact on our business, operations and financial condition and results.

For additional information, please see the *Item 1A. Risk Factors—COVID-19 Pandemic* section of this Form 10-K.

SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Following is a discussion about the critical accounting estimates and assumptions impacting our consolidated financial statements. Also, see *Note 1D*.

For a description of our significant accounting policies, see *Note 1*. Of these policies, the following are considered critical to an understanding of our consolidated financial statements as they require the application of the most subjective and the most complex judgments: Acquisitions (*Note 1E*); Fair Value (*Note 1F*); Revenues (*Note 1H*); Asset Impairments (*Note 1M*); Tax Assets and

Liabilities and Income Tax Contingencies (*Note 1Q*); Pension and Postretirement Benefit Plans (*Note 1R*); and Legal and Environmental Contingencies (*Note 1S*).

For a discussion of a recently adopted accounting standard and a change in accounting principle related to our pension and postretirement plans, see *Notes 1B* and *1C.*

Acquisitions

We account for acquired businesses using the acquisition method of accounting, which requires, among other things, that most assets acquired and liabilities assumed be recognized at their estimated fair value as of the acquisition date. For further detail on acquisition accounting, see *Note 1E*. Historically, intangible assets have been the most significant fair values within our business combinations. For further information on our process to estimate the fair value of intangible assets, see *Asset Impairments* below.

Revenues

Our gross product revenues are subject to a variety of deductions, which generally are estimated and recorded in the same period that the revenues are recognized. Such variable consideration represents chargebacks, rebates, sales allowances and sales returns. These deductions represent estimates of the related obligations and, as such, knowledge and judgment are required when estimating the impact of these revenue deductions on gross sales for a reporting period. Historically, adjustments to these estimates to reflect actual results or updated expectations, have not been material to our overall business and generally have been less than 1% of revenues. Product-specific rebates, however, can have a significant impact on year-over-year individual product revenue growth trends. If any of our ratios, factors, assessments, experiences or judgments are not indicative or accurate estimates of our future experience, our results could be materially affected. The potential of our estimates to vary (sensitivity) differs by program, product, type of customer and geographic location. However, estimates associated with U.S. Medicare, Medicaid and performance-based contract rebates are most at risk for material adjustment because of the extensive time delay

between the recording of the accrual and its ultimate settlement, an interval that can generally range up to one year. Because of this lag, our recording of adjustments to reflect actual amounts can incorporate revisions of several prior quarters. Rebate accruals are product specific and, therefore for any period, are impacted by the mix of products sold as well as the forecasted channel mix for each individual product. For further information, see the *Analysis of the Consolidated Statements of Income—Revenue Deductions* section within MD&A and *Note 1H*.

Asset Impairments

We review all of our long-lived assets for impairment indicators throughout the year. We perform impairment testing for indefinite-lived intangible assets and goodwill at least annually and for all other long-lived assets whenever impairment indicators are present. When necessary, we record charges for impairments of long-lived assets for the amount by which the fair value is less than the carrying value of these assets. Our impairment review processes are described in *Note 1M.*

Examples of events or circumstances that may be indicative of impairment include:

- A significant adverse change in legal factors or in the business climate that could affect the value of the asset. For example, a successful challenge of our patent rights would likely result in generic competition earlier than expected.
- A significant adverse change in the extent or manner in which an asset is used such as a restriction imposed by the FDA or other regulatory authorities that could affect our ability to manufacture or sell a product.
- An expectation of losses or reduced profits associated with an asset. This could result, for example, from a change in a government reimbursement program that results in an inability to sustain projected product revenues and profitability. This also could result from the introduction of a competitor's product that impacts projected revenue growth, as well as the lack of acceptance of a product by patients, physicians and payers. For IPR&D projects, this could result from, among other things, a change in outlook based on clinical trial data, a delay in the projected launch date or additional expenditures to commercialize the product.

Identifiable Intangible Assets

We use an income approach, specifically the discounted cash flow method to determine the fair value of intangible assets, other than goodwill. We start with a forecast of all the expected net cash flows associated with the asset, which incorporates the consideration of a terminal value for indefinite-lived assets, and then we apply an asset-specific discount rate to arrive at a net present value amount. Some of the more significant estimates and assumptions that impact our fair value estimates include: the amount and timing of the projected net cash flows, which includes the expected impact of competitive, legal and/or regulatory forces on the projections and the impact of technological advancements and risk associated with IPR&D assets, as well as the selection of a long-term growth rate; the discount rate, which seeks to reflect the various risks inherent in the projected cash flows; and the tax rate, which seeks to incorporate the geographic origin of the projected cash flows.

While all intangible assets other than goodwill can face events and circumstances that can lead to impairment, those that are most at risk of impairment include IPR&D assets (approximately $3.1 billion as of December 31, 2021) and newly acquired or recently impaired indefinite-lived brand assets. IPR&D assets are high-risk assets, given the uncertain nature of R&D. Newly acquired and recently impaired indefinite-lived assets are more vulnerable to impairment as the assets are recorded at fair value and are then subsequently measured at the lower of fair value or carrying value at the end of each reporting period. As such, immediately after acquisition or impairment, even small declines in the outlook for these assets can negatively impact our ability to recover the carrying value and can result in an impairment charge.

Goodwill

Our goodwill impairment review work as of December 31, 2021 concluded that none of our goodwill was impaired and we do not believe the risk of impairment is significant at this time.

In our review, we first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Qualitative factors that we consider include, for example, macroeconomic and industry conditions, overall financial performance and other relevant entity-specific events. If we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we then perform a quantitative fair value test.

When we are required to determine the fair value of a reporting unit, we typically use the income approach. The income approach is a forward-looking approach to estimating fair value and relies primarily on internal forecasts. Within the income approach, we use the discounted cash flow method. We start with a forecast of all the expected net cash flows for the reporting unit, which includes the application of a terminal value, and then we apply a reporting unit-specific discount rate to arrive at a net present value amount. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, which includes the expected impact of technological risk and competitive, legal and/or regulatory forces on the projections, as well as the selection of a long-term growth rate; the discount rate, which seeks to reflect the various risks inherent in the projected cash flows; and the tax rate, which seeks to incorporate the geographic diversity of the projected cash flows.

For all of our reporting units, there are a number of future events and factors that may impact future results and that could potentially have an impact on the outcome of subsequent goodwill impairment testing. For a list of these factors, see the *Forward-Looking Information and Factors That May Affect Future Result*s and the *Item 1A. Risk Factors* sections in this Form 10-K.

Benefit Plans

For a description of our different benefit plans, see *Note 11*.

Our assumptions reflect our historical experiences and our judgment regarding future expectations that have been deemed reasonable by management. The judgments made in determining the costs of our benefit plans can materially impact our results of operations.

The following provides (i) at the end of each year, the expected annual rate of return on plan assets for the following year, (ii) the actual annual rate of return on plan assets achieved in each year, and (iii) the weighted-average discount rate used to measure the benefit obligations at the end of each year for our U.S. pension plans and our international pension plans[(a)]:

	2021	2020	2019
U.S. Pension Plans			
Expected annual rate of return on plan assets	**6.3 %**	6.8 %	7.0 %
Actual annual rate of return on plan assets	**9.2**	14.1	22.6
Discount rate used to measure the plan obligations	**2.9**	2.6	3.3
International Pension Plans			
Expected annual rate of return on plan assets	**3.1**	3.4	3.6
Actual annual rate of return on plan assets	**11.4**	9.7	10.7
Discount rate used to measure the plan obligations	**1.6**	1.5	1.7

[(a)] For detailed assumptions associated with our benefit plans, see *Note 11B*.

Expected Annual Rate of Return on Plan Assets

The assumptions for the expected annual rate of return on all of our plan assets reflect our actual historical return experience and our long-term assessment of forward-looking return expectations by asset classes, which is used to develop a weighted-average expected return based on the implementation of our targeted asset allocation in our respective plans.

The expected annual rate of return on plan assets for our U.S. plans and the majority of our international plans is applied to the fair value of plan assets at each year-end and the resulting amount is reflected in our net periodic benefit costs in the following year.

The following illustrates the sensitivity of net periodic benefit costs to a 50 basis point decline in our assumption for the expected annual rate of return on plan assets, holding all other assumptions constant (in millions, pre-tax):

Assumption	Change	Increase in 2022 Net Periodic Benefit Costs
Expected annual rate of return on plan assets	50 basis point decline	$133

The actual return on plan assets was approximately $2.6 billion during 2021.

Discount Rate Used to Measure Plan Obligations

The weighted-average discount rate used to measure the plan obligations for our U.S. defined benefit plans is determined at least annually and evaluated and modified, as required, to reflect the prevailing market rate of a portfolio of high-quality fixed income investments, rated AA/Aa or better, that reflect the rates at which the pension benefits could be effectively settled. The discount rate used to measure the plan obligations for our international plans is determined at least annually by reference to investment grade corporate bonds, rated AA/Aa or better, including, when there is sufficient data, a yield-curve approach. These discount rate determinations are made in consideration of local requirements. The measurement of the plan obligations at the end of the year will affect the amount of service cost, interest cost and amortization expense reflected in our net periodic benefit costs in the following year.

The following illustrates the sensitivity of net periodic benefit costs and benefit obligations to a 10 basis point decline in our assumption for the discount rate, holding all other assumptions constant (in millions, pre-tax):

Assumption	Change	Decrease in 2022 Net Periodic Benefit Costs	Increase to 2021 Benefit Obligations
Discount rate	10 basis point decline	$16	$442

The change in the discount rates used in measuring our plan obligations as of December 31, 2021 resulted in a decrease in the measurement of our aggregate plan obligations by approximately $786 million.

Income Tax Assets and Liabilities

Income tax assets and liabilities include income tax valuation allowances and accruals for uncertain tax positions. For additional information, see *Notes 1Q* and *5,* as well as the *Analysis of Financial Condition, Liquidity, Capital Resources and Market Risk* section within MD&A.

Contingencies

We and certain of our subsidiaries are subject to numerous contingencies arising in the ordinary course of business, including tax, legal contingencies and guarantees and indemnifications. For additional information, see *Notes 1Q*, *1S*, *5D* and *16*.

ANALYSIS OF THE CONSOLIDATED STATEMENTS OF INCOME

Revenues by Geography

The following presents worldwide revenues by geography:

	Year Ended December 31,									% Change					
	Worldwide			U.S.			International			Worldwide		U.S.		International	
(MILLIONS)	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019	**21/20**	20/19	**21/20**	20/19	**21/20**	20/19
Operating segments:															
Biopharma	**$79,557**	$40,724	$38,013	**$29,221**	$21,055	$18,901	**$50,336**	$19,670	$19,112	**95**	7	**39**	11	**156**	3
Pfizer CentreOne	**1,731**	926	810	**524**	400	437	**1,206**	526	374	**87**	14	**31**	(8)	**129**	41
Consumer Healthcare	**—**	—	2,082	**—**	—	988	**—**	—	1,094	**—**	(100)	**—**	(100)	**—**	(100)
Total revenues	**$81,288**	$41,651	$40,905	**$29,746**	$21,455	$20,326	**$51,542**	$20,196	$20,579	**95**	2	**39**	6	**155**	(2)

2021 v. 2020

The following provides an analysis of the change in worldwide revenues by geographic areas in 2021:

(MILLIONS)	Worldwide	U.S.	International
Operational growth/(decline):			
Growth from Comirnaty, Eliquis, Biosimilars, Vyndaqel/Vyndamax, the Hospital therapeutic area, Inlyta and Xtandi, partially offset by a decline from the Prevnar family, while Xeljanz and Ibrance were flat. See the *Analysis of the Consolidated Statements of Income—Revenues—Selected Product Discussion* within MD&A for additional analysis	**$ 38,546**	**$ 8,802**	**$ 29,744**
Growth from PC1 primarily reflecting manufacturing of legacy Upjohn products for Viatris under manufacturing and supply agreements and certain Comirnaty-related manufacturing activities performed on behalf of BioNTech. See the *Analysis of the Consolidated Statements of Income—Revenues—Selected Product Discussion* within MD&A for additional analysis	**780**	**124**	**656**
Lower revenues for Chantix/Champix, Enbrel and Sutent: • The decrease for Chantix/Champix was driven by the voluntary recall across multiple markets in the second half of 2021 and the ongoing global pause in shipments of Chantix due to the presence of N-nitroso-varenicline above an acceptable level of intake set by various global regulators, the ultimate timing for resolution of which may vary by country, and the negative impact of the COVID-19 pandemic resulting in a decline in patient visits to doctors for preventive health purposes • The decrease for Enbrel internationally primarily reflects continued biosimilar competition, which is expected to continue • The decrease for Sutent primarily reflects lower volume demand in the U.S. resulting from its loss of exclusivity in August 2021, as well as continued erosion as a result of increased competition in certain international developed markets	**(869)**	**(501)**	**(368)**
Other operational factors, net	**(27)**	**(134)**	**106**
Operational growth, net	**38,429**	**8,291**	**30,137**
Favorable impact of foreign exchange	**1,208**	**—**	**1,208**
Revenues increase/(decrease)	**$ 39,637**	**$ 8,291**	**$ 31,346**

Emerging markets revenues increased $12.3 billion, or 147%, in 2021 to $20.7 billion from $8.4 billion in 2020, reflecting an operational increase of $12.2 billion, or 145%, and a favorable impact from foreign exchange of approximately 2%. The operational increase in emerging markets was primarily driven by revenues from Comirnaty and growth from certain products in the Hospital therapeutic area, Eliquis and PC1, partially offset by a decline from the Prevnar family.

2020 v. 2019

The following provides an analysis of the change in worldwide revenues by geographic areas in 2020:

(MILLIONS)	Worldwide	U.S.	International
Operational growth/(decline):			
Growth from Vyndaqel/Vyndamax, Eliquis, Biosimilars, Ibrance, Inlyta, Xeljanz, Xtandi, the Hospital therapeutic area and the Prevnar family	$ 3,560	$ 2,132	$ 1,428
Growth from PC1 in international markets driven by growth of certain key accounts as well new contract manufacturing activities	114	(36)	151
Impact of completion of the Consumer Healthcare JV transaction. Revenues in 2019 reflect seven months of Consumer Healthcare business domestic operations and eight months of international operations, and none in 2020	(2,082)	(988)	(1,094)
Lower revenues for Enbrel internationally, primarily reflecting continued biosimilar competition in most developed Europe markets, as well as in Japan and Brazil, all of which is expected to continue	(320)	—	(320)
Decline from Chantix/Champix reflecting the negative impact of the COVID-19 pandemic resulting in a decline in patient visits to doctors for preventive health purposes as well as the loss of patent protection in the U.S. in November 2020	(185)	(183)	(2)
Other operational factors, net	(9)	205	(214)
Operational growth/(decline), net	1,078	1,129	(50)
Unfavorable impact of foreign exchange	(331)	—	(331)
Revenues increase/(decrease)	$ 746	$ 1,129	$ (383)

Revenues for 2020 included an estimated unfavorable impact of approximately $700 million, or 2%, due to COVID-19, primarily reflecting lower demand for certain products in China and unfavorable disruptions to wellness visits for patients in the U.S., which negatively impacted prescribing patterns for certain products, partially offset by increased U.S. demand for certain sterile injectable products and increased adult uptake for the Prevnar family in certain international markets, resulting from greater vaccine awareness for respiratory illnesses, and U.S. revenues for Comirnaty.

Emerging markets revenues decreased $456 million, or 5%, in 2020 to $8.4 billion, from $8.8 billion in 2019, and were relatively flat operationally, reflecting an unfavorable impact of foreign exchange of 5% on emerging markets revenues. The relatively flat operational performance was primarily driven by growth from Eliquis, the Prevnar family, Ibrance and Zavicefta, offset by lower revenues for Consumer Healthcare, reflecting the July 31, 2019 completion of the Consumer Healthcare JV transaction.

Revenue Deductions

Our gross product revenues are subject to a variety of deductions, which generally are estimated and recorded in the same period that the revenues are recognized. These deductions represent estimates of related obligations and, as such, knowledge and judgment are required when estimating the impact of these revenue deductions on gross sales for a reporting period. Historically, adjustments to these estimates to reflect actual results or updated expectations, have not been material to our overall business and generally have been less than 1% of revenues. Product-specific rebates, however, can have a significant impact on year-over-year individual product revenue growth trends.

The following presents information about revenue deductions:

	Year Ended December 31,		
(MILLIONS)	**2021**	2020	2019
Medicare rebates	**$ 726**	$ 647	$ 628
Medicaid and related state program rebates	**1,214**	1,136	1,259
Performance-based contract rebates	**3,253**	2,660	2,332
Chargebacks	**6,122**	4,531	3,411
Sales allowances	**4,809**	3,835	3,776
Sales returns and cash discounts	**1,054**	924	878
Total	**$ 17,178**	$ 13,733	$ 12,284

Revenue deductions are primarily a function of product sales volume, mix of products sold, contractual or legislative discounts and rebates.

For information on our accruals for revenue deductions, including the balance sheet classification of these accruals, see *Note 1H*.

Revenues—Selected Product Discussion

Biopharma

(MILLIONS)			Revenue Year Ended Dec. 31,		% Change		
Product	**Global Revenues**	**Region**	**2021**	**2020**	**Total**	**Oper.**	**Operational Results Commentary**
Comirnaty[(a)]	**$36,781** *	U.S.	**$ 7,809**	$ 154	*		Driven by global uptake, following a growing number of regulatory approvals and temporary authorizations.
		Int'l.	**28,972**	—	*	*	
		Worldwide	**$ 36,781**	$ 154	*	*	
Eliquis	**$5,970 Up 19% (operationally)**	U.S.	**$ 3,160**	$ 2,688	18		Global growth driven primarily by continued increased adoption in non-valvular atrial fibrillation and oral anti-coagulant market share gains, as well as a favorable adjustment related to the Medicare "coverage gap" provision resulting from lower than previously expected discounts in prior periods.
		Int'l.	**2,810**	2,260	24	21	
		Worldwide	**$ 5,970**	$ 4,949	21	19	
Ibrance	**$5,437 Flat (operationally)**	U.S.	**$ 3,418**	$ 3,634	(6)		Flat performance driven primarily by accelerating demand internationally as the delays in diagnosis and treatment initiations caused by the COVID-19 pandemic show signs of recovery across several international markets, offset by a decline in the U.S., primarily driven by an increase in the proportion of patients accessing Ibrance through our Patient Assistance Program.
		Int'l.	**2,019**	1,758	15	12	
		Worldwide	**$ 5,437**	$ 5,392	1	—	
Prevnar family	**$5,272 Down 11% (operationally)**	U.S.	**$ 2,701**	$ 2,930	(8)		Decline primarily resulting from: • the normalization of demand in Germany and certain other developed markets following significantly increased adult demand in 2020 resulting from greater vaccine awareness for respiratory illnesses due to the COVID-19 pandemic; • the adult indication due to disruptions to healthcare activity related to COVID-19, including the prioritization of primary and booster vaccination campaigns for COVID-19 in the U.S.; • the continued impact of the lower remaining unvaccinated eligible adult population in the U.S. and the June 2019 change to the ACIP recommendation for the Prevnar 13 adult indication to shared clinical decision-making; and • a decline in the pediatric indication internationally due to disruptions to healthcare activity related to COVID-19. This decline was partially offset by: • U.S. growth in the pediatric indication, driven by government purchasing patterns, which was partially offset by disruptions to healthcare activity related to COVID-19.
		Int'l.	**2,571**	2,920	(12)	(13)	
		Worldwide	**$ 5,272**	$ 5,850	(10)	(11)	

(MILLIONS)			Revenue Year Ended Dec. 31,		% Change		
Product	**Global Revenues**	**Region**	**2021**	**2020**	**Total**	**Oper.**	**Operational Results Commentary**
Biosimilars	**$2,343 Up 51% (operationally)**	U.S.	**$ 1,561**	$ 899	74		Growth primarily driven by recent oncology monoclonal antibody biosimilar launches and growth from Retacrit in the U.S.
		Int'l.	**782**	628	25	19	
		Worldwide	**$ 2,343**	$ 1,527	53	51	
Hospital	**$7,301 Up 5% (operationally)**	U.S.	**$ 2,688**	$ 2,705	(1)		Growth primarily driven by the anti-infectives portfolio in international markets, primarily as a result of recent launches of Zavicefta and Cresemba.
		Int'l.	**4,613**	4,073	13	9	
		Worldwide	**$ 7,301**	$ 6,777	8	5	

Pfizer CentreOne

(MILLIONS)			Revenue Year Ended Dec. 31,		% Change		
Operating Segment	**Global Revenues**	**Region**	**2021**	**2020**	**Total**	**Oper.**	**Operational Results Commentary**
PC1	**$1,731 Up 84% (operationally)**	U.S.	**$ 524**	$ 400	31		Growth primarily reflects manufacturing of legacy Upjohn products for Viatris under manufacturing and supply agreements and certain Comirnaty-related manufacturing activities performed on behalf of BioNTech.
		Int'l.	**1,206**	526	129	125	
		Worldwide	**$ 1,731**	$ 926	87	84	

[(a)] Comirnaty includes direct sales and alliance revenues related to sales of the Pfizer-BioNTech COVID-19 vaccine, which are recorded within our Vaccines therapeutic area. It does not include revenues for certain Comirnaty-related manufacturing activities performed on behalf of BioNTech, which are included in the PC1 contract development and manufacturing organization. Revenues related to these manufacturing activities totaled $320 million for 2021 and $0 million in 2020.

* Calculation is not meaningful or results are equal to or greater than 100%.

See the *Item 1. Business—Patents and Other Intellectual Property Rights* section in this Form 10-K for information regarding the expiration of various patent rights, *Note 16* for a discussion of recent developments concerning patent and product litigation relating to certain of the products discussed above and *Note 17C* for additional information regarding the primary indications or class of the selected products discussed above.

Costs and Expenses

Costs and expenses follow:

	Year Ended December 31,			% Change	
(MILLIONS)	**2021**	2020	2019	**21/20**	20/19
Cost of sales	**$ 30,821**	$ 8,484	$ 8,054	*	5
Percentage of *Revenues*	**37.9 %**	20.4 %	19.7 %		
Selling, informational and administrative expenses	**12,703**	11,597	12,726	**10**	(9)
Research and development expenses	**13,829**	9,393	8,385	**47**	12
Amortization of intangible assets	**3,700**	3,348	4,429	**11**	(24)
Restructuring charges and certain acquisition-related costs	**802**	579	601	**38**	(4)
Other (income)/deductions—net	**(4,878)**	1,219	3,497	*	(65)

* *Calculation is not meaningful or results are equal to or greater than 100%.*

Cost of Sales

2021 v. 2020

Cost of sales increased $22.3 billion, primarily due to:

- the impact of Comirnaty, which includes a charge for the 50% gross profit split with BioNTech and applicable royalty expenses;
- increased sales volumes of other products, driven mostly by PC1; and
- the unfavorable impact of foreign exchange and hedging activity on intercompany inventory.

The increase in *Cost of sales* as a percentage of revenues was primarily due to all of the factors discussed above, partially offset by an increase in alliance revenues, which have no associated cost of sales.

2020 v. 2019

Cost of sales increased $431 million, primarily due to:

- increased sales volumes;
- an increase in royalty expenses, due to an increase in sales of related products;
- an unfavorable impact of incremental costs incurred in response to the COVID-19 pandemic; and

- an unfavorable impact of foreign exchange and hedging activity on intercompany inventory,

partially offset by:

- the favorable impact of the July 31, 2019 completion of the Consumer Healthcare JV transaction.

The increase in *Cost of sales* as a percentage of revenues was primarily due to all of the factors discussed above, partially offset by an increase in alliance revenues, which have no associated cost of sales.

Selling, Informational and Administrative (SI&A) Expenses

2021 v. 2020

SI&A expenses increased $1.1 billion, mostly due to:

- increased product-related spending across multiple therapeutic areas;
- costs related to Comirnaty, driven by a higher provision for healthcare reform fees based on sales; and
- an increase in costs related to implementing our cost-reduction/productivity initiatives,

partially offset by:

- lower spending on Chantix following the loss of patent protection in the U.S. in November 2020.

2020 v. 2019

SI&A expenses decreased $1.1 billion, mostly due to:

- the favorable impact of the July 31, 2019 completion of the Consumer Healthcare JV transaction;
- lower spending for corporate enabling functions;
- lower spending on sales and marketing activities due to the impact of the COVID-19 pandemic; and
- lower investments across the Internal Medicine and Inflammation & Immunology portfolios,

partially offset by:

- an increase in costs related to implementing our cost-reduction/productivity initiatives; and
- an increase in business and legal entity alignment costs.

Research and Development (R&D) Expenses

2021 v. 2020

R&D expenses increased $4.4 billion, primarily due to:

- a charge for acquired IPR&D related to our acquisition of Trillium;
- a net increase in charges for upfront and milestone payments on collaboration and licensing arrangements, driven by payments to Arvinas and Beam; and
- increased investments across multiple therapeutic areas, including additional spending related to the development of the oral COVID-19 treatment program.

2020 v. 2019

R&D expenses increased $1.0 billion, mainly due to:

- costs related to our collaboration agreement with BioNTech to co-develop a COVID-19 vaccine, including an upfront payment to BioNTech and a premium paid on our equity investment in BioNTech;
- a net increase in upfront payments, mainly related to Myovant and Valneva; and
- increased investments towards building new capabilities and driving automation,

partially offset by:

- a net reduction of upfront and milestone payments associated with the acquisition of Therachon and Akcea in 2019.

Amortization of Intangible Assets

2021 v. 2020

Amortization of intangible assets increased $353 million, primarily due to amortization of capitalized Comirnaty sales milestones to BioNTech.

2020 v. 2019

Amortization of intangible assets decreased $1.1 billion, mainly due the non-recurrence of amortization of fully amortized assets and the impairment of Eucrisa in the fourth quarter of 2019, partially offset by the increase in amortization of intangible assets from our acquisition of Array.

For additional information, see *Notes 2A* and *10A*.

Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives

Transforming to a More Focused Company Program

For a description of our program, as well as the anticipated and actual costs, see *Note 3.* The program savings discussed below may be rounded and represent approximations. In connection with restructuring our corporate enabling functions, we expect gross cost savings of $1.0 billion, or net cost savings, excluding merit and inflation growth and certain real estate cost increases, of $700 million, to be achieved primarily from 2021 through 2022. In connection with transforming our marketing strategy, we expect net cost savings of $1.3 billion, to be achieved primarily from

2022 through 2024. In connection with manufacturing network optimization, we expect net cost savings of $550 million to be achieved primarily from 2020 through 2023.

Certain qualifying costs for this program were recorded in 2021 and 2020, and in the fourth quarter of 2019, and are reflected as Certain Significant Items and excluded from our non-GAAP measure of Adjusted Income. See the *Non-GAAP Financial Measure: Adjusted Income* section of this MD&A.

In addition to this program, we continuously monitor our operations for cost reduction and/or productivity opportunities, especially in light of the losses of exclusivity and the expiration of collaborative arrangements for various products.

Other (Income)/Deductions—Net

2021 v. 2020

Other income—net increased $6.1 billion, mainly due to:

- net periodic benefit credits recorded in 2021 versus net periodic benefit costs recorded in 2020;
- lower asset impairment charges;
- higher net gains on equity securities; and
- net gains on asset disposals in 2021 versus net losses in 2020.

2020 v. 2019

Other deductions—net decreased $2.3 billion, mainly due to:

- lower asset impairment charges;
- lower business and legal entity alignment costs;
- higher Consumer Healthcare JV equity method income;
- lower charges for certain legal matters; and
- higher income from collaborations, out-licensing arrangements and sales of compound/product rights,

  partially offset by:
- higher net losses on asset disposals.

See *Note 4* for additional information.

Provision/(Benefit) for Taxes on Income

	Year Ended December 31,			% Change	
(MILLIONS)	**2021**	2020	2019	**21/20**	20/19
Provision/(benefit) for taxes on income	**$ 1,852**	$ 370	$ 583	*	(36)
Effective tax rate on continuing operations	**7.6 %**	5.3 %	5.2 %		

* Indicates calculation not meaningful or result is equal to or greater than 100%.

For information about our effective tax rate and the events and circumstances contributing to the changes between periods, as well as details about discrete elements that impacted our tax provisions, see *Note 5*.

Discontinued Operations

For information about our discontinued operations, see *Note 2B*.

PRODUCT DEVELOPMENTS

A comprehensive update of Pfizer's development pipeline was published as of February 8, 2022 and is available at www.pfizer.com/science/drug-product-pipeline. It includes an overview of our research and a list of compounds in development with targeted

indication and phase of development, as well as mechanism of action for some candidates in Phase 1 and all candidates from Phase 2 through registration.

The following provides information about significant marketing application-related regulatory actions by, and filings pending with, the FDA and regulatory authorities in the EU and Japan.

The table below includes only approvals for products that have occurred in the last twelve months and does not include approvals that may have occurred prior to that time. The table includes filings with regulatory decisions pending (even if the filing occurred outside of the last twelve-month period).

PRODUCT	DISEASE AREA	APPROVED/FILED*		
		U.S.	EU	JAPAN
Comirnaty/BNT162b2 (PF-07302048)[a]	Immunization to prevent COVID-19 (16 years of age and older)	**BLA** Aug. 2021	**CMA** Dec. 2020	**Approved** Feb. 2021
	Immunization to prevent COVID-19 (12-15 years of age)	**EUA** May 2021	**CMA** May 2021	**Approved** May 2021
	Immunization to prevent COVID-19 (booster)	**EUA** Sep. 2021	**CMA** Oct. 2021	**Approved** Nov. 2021
	Immunization to prevent COVID-19 (5-11 years of age)	**EUA** Oct. 2021	**CMA** Nov. 2021	**Approved** Jan. 2022
Bavencio (avelumab)[b]	First-line maintenance urothelial cancer		**Approved** Jan. 2021	**Approved** Feb. 2021
Xtandi (enzalutamide)[c]	mCSPC		**Approved** April 2021	
Cibinqo (abrocitinib)	Atopic dermatitis	**Approved** Jan. 2022	**Approved** Dec. 2021	**Approved** Sep. 2021
Xeljanz (tofacitinib)	Ankylosing spondylitis	**Approved** Dec. 2021	**Approved** Nov. 2021	
Myfembree (relugolix fixed dose combination)[d]	Uterine fibroids (combination with estradiol and norethindrone acetate)	**Approved** May 2021		
	Endometriosis (combination with estradiol and norethindrone acetate)	**Filed** Sep. 2021		
Lorbrena/Lorviqua (lorlatinib)	First-line ALK-positive NSCLC	**Approved** Mar. 2021	**Approved** Jan. 2022	**Approved** Nov. 2021
Ngenla (somatrogon)[e]	Pediatric growth hormone deficiency	**Filed** Jan. 2021	**Approved** Feb. 2022	**Approved** Jan. 2022
Prevnar 20/Apexxnar (Vaccine)[f]	Immunization to prevent invasive and non-invasive pneumococcal infections (adults)	**Approved** June 2021	**Approved** Feb. 2022	
TicoVac (Vaccine)	Immunization to prevent tick-borne encephalitis	**Approved** Aug. 2021		
Paxlovid[g] **(nirmatrelvir [PF-07321332]; ritonavir)**	COVID-19 infection (high risk population)	**EUA** Dec. 2021	**CMA** Jan. 2022	**Approved** Feb. 2022
Rimegepant[h]	Acute migraine		**Filed** Feb. 2021	
	Migraine prevention		**Filed** Feb. 2021	

* For the U.S., the filing date is the date on which the FDA accepted our submission. For the EU, the filing date is the date on which the EMA validated our submission.

(a) Being developed in collaboration with BioNTech. Prior to BLA, Comirnaty/BNT162b2 for ages 16 and up was available in the U.S. pursuant to an EUA from the FDA on December 11, 2020. In December 2021, a supplemental BLA was submitted to the FDA requesting to expand the approval of Comirnaty to include individuals ages 12 through 15 years. In February 2022, following a request from the FDA, a rolling submission seeking to amend the EUA to include children 6 months through 4 years of age (6 months to <5 years of age) was initiated as we wait for data evaluating a third 3 µg dose given at least two months after the second dose of the two-dose series in this age group. A booster dose received EUA from the FDA on September 22, 2021 for individuals 65 years of age and older, individuals 18 through 64 years of age at high risk of severe COVID-19, and individuals 18 through 64 years of age with frequent institutional or occupational exposure to SARS-CoV-2. In addition, in October 2021, the FDA authorized for emergency use a booster dose to eligible individuals who have completed primary vaccination with a different authorized COVID-19 vaccine. Subsequently, the FDA expanded the booster EUA: (i) in November 2021 to include individuals 18 years of age and older, (ii) in December 2021 to include individuals 16 years of age and older and (iii) in January 2022 to include individuals 12 years of age and older as well as individuals 5 through 11 years of age who have been determined to have certain kinds of immunocompromise. A booster dose received conditional marketing authorization from the EMA in October 2021 for individuals 18 years of age and older and may be given to individuals 5 years and older with a severely weakened immune system, at least 28 days after their second dose. A booster dose received approval in Japan in November 2021 for 18 years of age and older.

(b) Being developed in collaboration with Merck KGaA, Germany.

(c) Being developed in collaboration with Astellas.

(d) Being developed in collaboration with Myovant.

(e) Being developed in collaboration with OPKO. In January 2022, Pfizer and OPKO received a Complete Response Letter (CRL) from the FDA for the BLA for somatrogon. Pfizer is evaluating the CRL and will work with the FDA to determine an appropriate path forward in the U.S.

(f) In October 2021, the CDC's ACIP voted to recommend Prevnar 20 for routine use in adults. Specifically, the ACIP voted to recommend the following: (i) adults 65 years of age or older who have not previously received a pneumococcal conjugate vaccine or whose previous vaccination history is unknown should receive a pneumococcal conjugate vaccine (either pneumococcal 20-valent conjugate vaccine (PCV20) or pneumococcal 15-valent conjugate vaccine (PCV15)). If PCV15 is used, this should be followed by a dose of pneumococcal polysaccharide vaccine (PPSV23); and (ii) adults aged 19 years of age or older with certain underlying medical conditions or other risk factors who have not previously received a pneumococcal conjugate vaccine or whose previous vaccination history is unknown should receive a pneumococcal conjugate vaccine (either PCV20 or PCV15). If PCV15 is used, this should be followed by a dose of PPSV23. The

recommendations were published in the Morbidity and Mortality Weekly Report on January 28, 2022. The publication also notes “for adults who have received pneumococcal conjugate vaccine (PCV13) but have not completed their recommended pneumococcal vaccine series with PPSV23, one dose of Prevnar 20 may be used if PPSV23 is not available.”

(g) In December 2021, the FDA authorized the emergency use of Paxlovid for the treatment of mild-to-moderate COVID-19 in adults and pediatric patients (12 years of age and older weighing at least 40 kg [88 lbs]) with positive results of direct SARS-CoV-2 viral testing, and who are at high risk for progression to severe COVID-19, including hospitalization or death. In January 2022, the EMA approved the CMA of Paxlovid for treating COVID-19 in adults who do not require supplemental oxygen and who are at increased risk of the disease becoming severe.

(h) Under a commercialization arrangement with Biohaven.

In September 2021, the FDA issued a Drug Safety Communication (DSC) related to Xeljanz/Xeljanz XR and two competitors’ arthritis medicines in the same drug class, based on its completed review of the ORAL Surveillance trial. The DSC stated that the FDA will require revisions to the Boxed Warnings for each of these medicines to include information about the risks of serious heart-related events, cancer, blood clots, and death. In addition, the DSC indicated the FDA’s intention to limit approved uses of these products to certain patients who have not responded or cannot tolerate one or more tumor necrosis factor (TNF) blockers. In December 2021, in light of the results from the completed required postmarketing safety study of Xeljanz, ORAL Surveillance (A3921133), the U.S. label for Xeljanz was revised. In addition, at the request of the EC, the PRAC of the EMA has adopted a referral procedure under Article 20 of Regulation (EC) No 726/2004 to assess safety information relating to oral JAK inhibitors authorized for inflammatory diseases, including Xeljanz and Cibinqo, which is ongoing. For additional information, see *Item 1A. Risk Factors—Post-Authorization/Approval Data*.

In China, the following products received regulatory approvals in the last twelve months: Cresemba for fungal infection and Besponsa for second line acute lymphoblastic leukemia, both in December 2021.

The following provides information about additional indications and new drug candidates in late-stage development:

	PRODUCT/CANDIDATE	PROPOSED DISEASE AREA
LATE-STAGE CLINICAL PROGRAMS FOR ADDITIONAL USES AND DOSAGE FORMS FOR IN-LINE AND IN-REGISTRATION PRODUCTS	Ibrance (palbociclib)[a]	ER+/HER2+ metastatic breast cancer
	Xtandi (enzalutamide)[b]	Non-metastatic high-risk castration sensitive prostate cancer
	Talzenna (talazoparib)	Combination with Xtandi (enzalutamide) for first-line mCRPC
		Combination with Xtandi (enzalutamide) for DNA Damage Repair (DDR)-deficient mCSPC
	PF-06482077 (Vaccine)	Immunization to prevent invasive and non-invasive pneumococcal infections (pediatric)
	somatrogon (PF-06836922)[c]	Adult growth hormone deficiency
	Braftovi (encorafenib) and Erbitux® (cetuximab)[d]	First-line $BRAF^{v600E}$-mutant mCRC
	Myfembree (relugolix fixed dose combination)[e]	Combination with estradiol and norethindrone acetate for contraceptive efficacy
	Braftovi (encorafenib) and Mektovi (binimetinib) and Keytruda® (pembrolizumab)[f]	$BRAF^{v600E}$-mutant metastatic or unresectable locally advanced melanoma
	Comirnaty/BNT162b2 (PF-07302048)[g]	Immunization to prevent COVID-19 (children 2 to <5 years of age)
		Immunization to prevent COVID-19 (infants 6 months to <24 months)
	Paxlovid (nirmatrelvir [PF-07321332]; ritonavir)	COVID-19 Infection (standard risk population)
		COVID-19 Infection (post exposure prophylaxis)
NEW DRUG CANDIDATES IN LATE-STAGE DEVELOPMENT	aztreonam-avibactam (PF-06947387)	Treatment of infections caused by Gram-negative bacteria
	fidanacogene elaparvovec (PF-06838435)[h]	Hemophilia B
	giroctocogene fitelparvovec (PF-07055480)[i]	Hemophilia A
	PF-06425090 (Vaccine)	Immunization to prevent primary clostridioides difficile infection
	PF-06886992 (Vaccine)	Immunization to prevent serogroups meningococcal infection (adolescent and young adults)
	PF-06928316 (Vaccine)	Immunization to prevent respiratory syncytial virus infection (maternal)
		Immunization to prevent respiratory syncytial virus infection (older adults)
	PF-07265803	Dilated cardiomyopathy due to Lamin A/C gene mutation
	ritlecitinib (PF-06651600)	Alopecia areata
	sasanlimab (PF-06801591)	Combination with Bacillus Calmette-Guerin for non-muscle-invasive bladder cancer
	fordadistrogene movaparvovec (PF-06939926)	Duchenne muscular dystrophy
	marstacimab (PF-06741086)	Hemophilia
	elranatamab (PF-06863135)	Multiple myeloma, double-class exposed
	Omicron-based mRNA vaccine[g]	Immunization to prevent COVID-19 (adults)

(a) Being developed in collaboration with The Alliance Foundation Trials, LLC.

(b) Being developed in collaboration with Astellas.

(c) Being developed in collaboration with OPKO.

(d) Erbitux® is a registered trademark of ImClone LLC. In the EU, we are developing in collaboration with the Pierre Fabre Group. In Japan, we are developing in collaboration with Ono Pharmaceutical Co., Ltd.

(e) Being developed in collaboration with Myovant.

(f) Keytruda® is a registered trademark of Merck Sharp & Dohme Corp.

(g) Being developed in collaboration with BioNTech.

(h) Being developed in collaboration with Spark Therapeutics, Inc.

(i) Being developed in collaboration with Sangamo Therapeutics, Inc.

In February 2022, Pfizer and Merck KGaA, Darmstadt, Germany (Merck KGaA) provided an update on the Phase 3 JAVELIN Lung 100 trial, which assessed the safety and efficacy of two dosing regimens of avelumab monotherapy compared with platinum-based doublet chemotherapy as first-line treatment in patients with metastatic NSCLC whose tumors express PD-L1. While avelumab showed clinical activity in this population, the study did not meet the primary endpoints of overall survival and progression-free survival in the high PD-L1+population for either of the avelumab dosing regimens evaluated. The safety profile for avelumab in this trial was consistent with that observed in the overall JAVELIN clinical development program. Avelumab is not approved for the treatment of any patients with NSCLC. The outcome of the JAVELIN Lung 100 trial has no bearing on any of avelumab's currently-approved indications. Full results of the study will be shared at a future date.

In the fourth quarter of 2021, enrollment was stopped in C4591015 Study (a Phase 2/3 placebo controlled randomized observer-blind study to evaluate the safety, tolerability, and immunogenicity of BNT162b2 against COVID-19 in healthy pregnant women 18 years of age and older). This study was developed prior to availability or recommendation for COVID-19 vaccination in pregnant women. The environment changed during 2021 and by September 2021, COVID-19 vaccines were recommended by applicable recommending bodies (e.g., ACIP in the U.S.) for pregnant women in all participating/planned countries, and as a result the enrollment rate declined significantly. With the declining enrollment, the study had insufficient sample size to assess the primary immunogenicity objective and continuation of this placebo controlled study could no longer be justified due to global recommendations. This proposal was shared with and agreed to by FDA and EMA.

For additional information about our R&D organization, see the *Item 1. Business—Research and Development* section of this Form 10-K.

NON-GAAP FINANCIAL MEASURE: ADJUSTED INCOME

Adjusted income is an alternative measure of performance used by management to evaluate our overall performance in conjunction with other performance measures. As such, we believe that investors' understanding of our performance is enhanced by disclosing this measure. We use Adjusted income, certain components of Adjusted income and Adjusted diluted EPS to present the results of our major operations—the discovery, development, manufacture, marketing, sale and distribution of biopharmaceutical products worldwide—prior to considering certain income statement elements as follows:

Measure	Definition	Relevance of Metrics to Our Business Performance
Adjusted income	*Net income attributable to Pfizer Inc. common shareholders*[(a)] before the impact of purchase accounting for acquisitions, acquisition-related items, discontinued operations and certain significant items	• Provides investors useful information to: ◦ evaluate the normal recurring operational activities, and their components, on a comparable year-over-year basis ◦ assist in modeling expected future performance on a normalized basis • Provides investors insight into the way we manage our budgeting and forecasting, how we evaluate and manage our recurring operations and how we reward and compensate our senior management[(b)]
Adjusted cost of sales, Adjusted selling, informational and administrative expenses, Adjusted research and development expenses, Adjusted amortization of intangible assets and Adjusted other (income)/deductions—net	*Cost of sales, Selling, informational and administrative expenses, Research and development expenses, Amortization of intangible assets* and *Other (income)/deductions—net* [(a)], each before the impact of purchase accounting for acquisitions, acquisition-related items, discontinued operations and certain significant items, which are components of the Adjusted income measure	
Adjusted diluted EPS	*EPS attributable to Pfizer Inc. common shareholders—diluted* [(a)] before the impact of purchase accounting for acquisitions, acquisition-related items, discontinued operations and certain significant items	

(a) Most directly comparable GAAP measure.

(b) The short-term incentive plans for substantially all non-sales-force employees worldwide are funded from a pool based on our performance, measured in significant part by three metrics, one of which is Adjusted diluted EPS, which is derived from Adjusted income and accounts for 40% of the bonus pool funding tied to financial performance. Additionally, the payout for performance share awards is determined in part by Adjusted net income, which is derived from Adjusted income. The bonus pool funding, which is largely based on financial performance, may be modified by our R&D performance as measured by four metrics relating to our pipeline and may be further modified by our Compensation Committee's assessment of other factors.

Adjusted income and its components and Adjusted diluted EPS are non-GAAP financial measures that have no standardized meaning prescribed by GAAP and, therefore, are limited in their usefulness to investors. Because of their non-standardized definitions, they may not be comparable to the calculation of similar measures of other companies and are presented to permit investors to more fully understand how management assesses performance. A limitation of these measures is that they provide a view of our operations without including all events during a period, and do not provide a comparable view of our performance to peers. These measures are not, and should not be viewed as, substitutes for their directly comparable GAAP measures of *Net income attributable to Pfizer Inc. common shareholders*, components of *Net income attributable to Pfizer Inc. common shareholders* and *EPS attributable to Pfizer Inc. common shareholders—diluted*, respectively. See the accompanying reconciliations of certain GAAP reported to non-GAAP adjusted information—certain line items for 2021, 2020 and 2019 below.

We also recognize that, as internal measures of performance, these measures have limitations, and we do not restrict our performance-management process solely to these measures. We also use other tools designed to achieve the highest levels of

performance. For example, our R&D organization has productivity targets, upon which its effectiveness is measured. In addition, total shareholder return, both on an absolute basis and relative to a publicly traded pharmaceutical index, plays a significant role in determining payouts under certain of our incentive compensation plans.

Purchase Accounting Adjustments

Adjusted income excludes certain significant purchase accounting impacts resulting from business combinations and net asset acquisitions. These impacts can include the incremental charge to cost of sales from the sale of acquired inventory that was written up to fair value, amortization related to the increase in fair value of the acquired finite-lived intangible assets, and to a much lesser extent, depreciation related to the increase/decrease in fair value of the acquired fixed assets, amortization related to the increase in fair value of acquired debt, and the fair value changes for contingent consideration. Therefore, the Adjusted income measure includes the revenues earned upon the sale of the acquired products without considering the acquisition cost of those products.

The exclusion of amortization attributable to acquired intangible assets provides management and investors an alternative view of our results by providing a degree of parity to internally developed intangible assets for which R&D costs have been expensed. However, we have not factored in the impacts of any other differences that might have occurred if we had discovered and developed those intangible assets on our own, such as different R&D costs, timelines or resulting sales; accordingly, this approach does not intend to be representative of the results that would have occurred if we had discovered and developed the acquired intangible assets internally.

Acquisition-Related Items

Adjusted income excludes acquisition-related items, which are comprised of transaction, integration, restructuring charges and additional depreciation costs for business combinations because these costs are unique to each transaction and represent costs that were incurred to restructure and integrate businesses as a result of an acquisition. We have made no adjustments for resulting synergies.

The significant costs incurred in connection with a business combination result primarily from the need to eliminate duplicate assets, activities or employees—a natural result of acquiring a fully integrated set of activities. For this reason, we believe that such costs incurred can be viewed differently in the context of an acquisition from those costs incurred in other, more normal, business contexts. The integration and restructuring costs for a business combination may occur over several years, with the more significant impacts typically ending within three years of the relevant transaction. Because of the need for certain external approvals for some actions, the span of time needed to achieve certain restructuring and integration activities can be lengthy.

Discontinued Operations

Adjusted income excludes the results of discontinued operations, as well as any related gains or losses on the disposal of such operations. We believe that this presentation is meaningful to investors because, while we review our therapeutic areas and product lines for strategic fit with our operations, we do not build or run our business with the intent to discontinue parts of our business. Restatements due to discontinued operations do not impact compensation or change the Adjusted income measure for the compensation in respect of the restated periods, but are presented for consistency across all periods.

Certain Significant Items

Adjusted income excludes certain significant items representing substantive and/or unusual items that are evaluated individually on a quantitative and qualitative basis. Certain significant items may be highly variable and difficult to predict. Furthermore, in some cases it is reasonably possible that they could reoccur in future periods. For example, although major non-acquisition-related cost-reduction programs are specific to an event or goal with a defined term, we may have subsequent programs based on reorganizations of the business, cost productivity or in response to LOE or economic conditions. Legal charges to resolve litigation are also related to specific cases, which are facts and circumstances specific and, in some cases, may also be the result of litigation matters at acquired companies that were inestimable, not probable or unresolved at the date of acquisition. Gains and losses on equity securities have a very high degree of inherent market volatility, which we do not control and cannot predict with any level of certainty and because we do not believe including these gains and losses assists investors in understanding our business or is reflective of our core operations and business. Unusual items represent items that are not part of our ongoing business; items that, either as a result of their nature or size, we would not expect to occur as part of our normal business on a regular basis; items that would be non-recurring; or items that relate to products we no longer sell. See the *Reconciliations of GAAP Reported to Non-GAAP Adjusted Information—Certain Line Items* below for a non-inclusive list of certain significant items.

Beginning in 2021, we exclude pension and postretirement actuarial remeasurement gains and losses from our measure of Adjusted income because of their inherent market volatility, which we do not control and cannot predict with any level of certainty and because we do not believe including these gains and losses assists investors in understanding our business or is reflective of our core operations and business.

Reconciliations of GAAP Reported to Non-GAAP Adjusted Information—Certain Line Items

Data presented will not (in all cases) aggregate to totals. IN MILLIONS, EXCEPT PER COMMON SHARE DATA	2021 Cost of sales	Selling, informational and administrative expenses	Research and development expenses	Amortization of intangible assets	Other (income)/ deductions—net	Net income attributable to Pfizer Inc. common shareholders[a]	Earnings per common share attributable to Pfizer Inc. common shareholders—diluted
GAAP reported	**$ 30,821**	**$ 12,703**	**$ 13,829**	**$ 3,700**	**$ (4,878)**	**$ 21,979**	**$ 3.85**
Purchase accounting adjustments[b]	25	(3)	6	(3,088)	(114)	3,175	
Acquisition-related items	—	—	—	—	—	52	
Discontinued operations[c]	—	—	—	—	—	585	
Certain significant items:							
Restructuring charges/(credits) and implementation costs and additional depreciation—asset restructuring[d]	(108)	(450)	(1)	—	—	1,309	
Certain asset impairments[e]	—	—	—	—	(86)	86	
Upfront and milestone payments on collaborative and licensing arrangements[f]	—	—	(1,056)	—	—	1,056	
(Gains)/losses on equity securities[g]	—	—	—	—	1,338	(1,338)	
Actuarial valuation and other pension and postretirement plan (gains)/losses[g]	—	—	—	—	1,601	(1,601)	
Asset acquisitions of IPR&D[h]	—	—	(2,240)	—	—	2,240	
Other	(52)	(141)	(15)	—	(334)[i]	542	
Income tax provision—Non-GAAP items						(2,848)	
Non-GAAP adjusted	$ 30,685	$ 12,110	$ 10,523	$ 613	$ (2,473)	$ 25,236	$ 4.42

Data presented will not (in all cases) aggregate to totals.	2020						
IN MILLIONS, EXCEPT PER COMMON SHARE DATA	Cost of sales	Selling, informational and administrative expenses	Research and development expenses	Amortization of intangible assets	Other (income)/ deductions—net	Net income attributable to Pfizer Inc. common shareholders[a]	Earnings per common share attributable to Pfizer Inc. common shareholders—diluted
GAAP reported	**$ 8,484**	**$ 11,597**	**$ 9,393**	**$ 3,348**	**$ 1,219**	**$ 9,159**	**$ 1.63**
Purchase accounting adjustments[b]	18	(2)	5	(3,064)	(75)	3,117	
Acquisition-related items	—	—	—	—	—	44	
Discontinued operations[c]	—	—	—	—	—	(2,879)	
Certain significant items:							
Restructuring charges/(credits) and implementation costs and additional depreciation—asset restructuring[d]	(61)	(197)	2	—	—	791	
Certain asset impairments[e]	—	—	—	—	(1,691)	1,691	
Upfront and milestone payments on collaborative and licensing arrangements[f]	—	—	(454)	—	—	454	
(Gains)/losses on equity securities[g]	—	—	—	—	557	(557)	
Actuarial valuation and other pension and postretirement plan (gains)/losses[g]	—	—	—	—	(1,092)	1,092	
Asset acquisitions of IPR&D[h]	—	—	(50)	—	—	50	
Other	(56)	(292) [j]	(24)	—	(697) [i]	1,063	
Income tax provision—Non-GAAP items						(1,299)	
Non-GAAP adjusted	$ 8,386	$ 11,106	$ 8,872	$ 284	$ (1,779)	$ 12,727	$ 2.26

Data presented will not (in all cases) aggregate to totals.	2019						
IN MILLIONS, EXCEPT PER COMMON SHARE DATA	Cost of sales	Selling, informational and administrative expenses	Research and development expenses	Amortization of intangible assets	Other (income)/ deductions—net	Net income attributable to Pfizer Inc. common shareholders[a]	Earnings per common share attributable to Pfizer Inc. common shareholders—diluted
GAAP reported	**$ 8,054**	**$ 12,726**	**$ 8,385**	**$ 4,429**	**$ 3,497**	**$ 16,026**	**$ 2.82**
Purchase accounting adjustments[b]	19	2	4	(4,158)	(21)	4,153	
Acquisition-related items	—	(2)	—	—	—	185	
Discontinued operations[c]	—	—	—	—	—	(6,056)	
Certain significant items:							
Restructuring charges/(credits) and implementation costs and additional depreciation—asset restructuring[d]	(89)	(73)	(30)	—	—	611	
Certain asset impairments[e]	—	—	—	—	(2,757)	2,757	
Upfront and milestone payments on collaborative and licensing arrangements[f]	—	—	(279)	—	—	279	
(Gains)/losses on equity securities[g]	—	—	—	—	415	(415)	
Actuarial valuation and other pension and postretirement plan (gains)/losses[g]	—	—	—	—	(750)	750	
(Gain) on completion of Consumer Healthcare JV transaction	—	—	—	—	—	(8,107)	
Asset acquisitions of IPR&D[h]	—	—	(337)	—	—	337	
Other	(118)	(190)	(18)	—	(1,007)[i]	1,333	
Income tax provision—Non-GAAP items						(797)	
Non-GAAP adjusted	$ 7,865	$ 12,463	$ 7,726	$ 271	$ (623)	$ 11,056	$ 1.95

[a] Items that reconcile GAAP Reported to Non-GAAP Adjusted balances are shown pre-tax and include discontinued operations. Our effective tax rates for GAAP reported income from continuing operations were: 7.6% in 2021, 5.3% in 2020 and 5.2% in 2019. See *Note 5.* Our effective tax rates on Non-GAAP adjusted income were: 15.3% in 2021, 13.7% in 2020 and 16.0% in 2019.

[b] Purchase accounting adjustments include items such as the incremental charge to cost of sales from the sale of acquired inventory that was written up to fair value, amortization related to the increase in fair value of the acquired finite-lived intangible assets, depreciation related to the increase/decrease in fair value of the acquired fixed assets, amortization related to the increase in fair value of acquired debt, and the fair value changes for contingent consideration. For all years presented, primarily consists of amortization of intangible assets.

[c] Relates primarily to the spin-off of our Upjohn Business, and our sale of Meridian. *See Note 2B.*

[d] Includes employee termination costs, asset impairments and other exit costs related to our cost-reduction and productivity initiatives not associated with acquisitions. See *Note 3.*

(e) Primarily includes intangible asset impairment charges. For 2020, $900 million is related to IPR&D assets acquired from Array and $528 million is related to Eucrisa. For 2019, $2.6 billion is related to Eucrisa. See *Note 4*.

(f) Primarily includes the following charges: (i) for 2021, an upfront payment to Arvinas and a premium paid on our equity investment in Arvinas totaling $706 million, a $300 million upfront payment to Beam and a $50 million net upfront payment to BioNTech; (ii) for 2020, a payment of $151 million representing the expense portion of an upfront payment to Myovant, an upfront payment to Valneva of $130 million, an upfront payment to BioNTech and a premium paid on our equity investment in BioNTech totaling $98 million, as well as a $75 million milestone payment to Akcea; and (iii) for 2019, an upfront license fee payment of $250 million to Akcea.

(g) (Gains)/losses on equity securities, and actuarial valuation and other pension and postretirement plan (gains)/losses are removed from adjusted earnings due to their inherent market volatility.

(h) Primarily includes payments for acquired IPR&D. For 2021, includes a $2.1 billion charge related to our acquisition of Trillium, which was accounted for as an asset acquisition, and a $177 million charge related to an asset acquisition completed in the second quarter of 2021. For 2019, included a $337 million charge related to our acquisition of Therachon, which was accounted for as an asset acquisition.

(i) For 2021, the total of $334 million primarily includes: (i) charges representing our equity-method accounting pro rata share of restructuring charges and costs of preparing for separation from GSK of $185 million recorded by the Consumer Healthcare JV and (ii) charges for certain legal matters of $162 million. For 2020, the total of $697 million primarily included: (i) charges of $367 million, which represent our equity-method accounting pro rata share of transaction-specific restructuring and business combination accounting charges recorded by the Consumer Healthcare JV, and (ii) losses on asset disposals of $238 million. For 2019, the total of $1.0 billion primarily included: (i) $300 million of business and legal entity alignment costs for consulting, legal, tax and advisory services associated with the design, planning and implementation of our then new business structure, effective in the beginning of 2019, (ii) charges for certain legal matters of $291 million, (iii) charges of $152 million for external incremental costs, such as transaction costs and costs to separate our Consumer Healthcare business into a separate legal entity associated with the formation of the Consumer Healthcare JV, (iv) net losses on early retirement of debt of $138 million and (v) charges of $112 million representing our equity-method accounting pro rata share of restructuring and business combination accounting charges recorded by the Consumer Healthcare JV.

(j) For 2020, amounts in *Selling, informational and administrative expenses* of $292 million primarily include costs for consulting, legal, tax and advisory services associated with a non-recurring internal reorganization of legal entities.

ANALYSIS OF THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash Flows from Continuing Operations

(MILLIONS)	Year Ended December 31, 2021	2020	2019	Drivers of change
Cash provided by/(used in):				
Operating activities from continuing operations	**$ 32,922**	$ 10,540	$ 7,015	*2021 v. 2020* The change was driven primarily by higher net income adjusted for non-cash items, the payment for the acquisition of Trillium, a decrease in contributions to pension plans, and the impact of timing of receipts and payments in the ordinary course of business, mostly from an increase in cash flows from Other current liabilities driven by: (i) a $9.7 billion accrual for the gross profit split due to BioNTech, (ii) an increase in royalties payable, as well as (iii) an increase in deferred revenues for advance payments in 2021 for Comirnaty. The change in *Other Adjustments, net*, is mostly due to an increase in unrealized gains on equity securities. *2020 v. 2019* The change was driven mainly by higher net income adjusted for non-cash items, advanced payments in 2020 for Comirnaty recorded in deferred revenue, the upfront cash payment associated with our acquisition of Therachon in 2019, and the upfront cash payment associated with our licensing agreement with Akcea in 2019, partially offset by an increase in benefit plan contributions. The change also reflects the impact of timing of receipts and payments in the ordinary course of business. The change in *Other adjustments, net* was driven primarily by an increase in equity method dividends received, partially offset by an increase in equity income and increases in net unrealized gains on equity securities.
Investing activities from continuing operations	**$ (22,534)**	$ (4,162)	$ (3,825)	*2021 v. 2020* The change was driven mainly by a $24.7 billion increase in purchases of short-term investments with original maturities of greater than three months and a $9.0 billion increase in net purchases of short-term investments with original maturities of three months or less, partially offset by a $16.4 billion increase in redemptions of short-term investments with original maturities of greater than three months. *2020 v. 2019* The change was driven mostly by a $6.0 billion decrease in net proceeds from short-term investments with original maturities of three months or less and $2.7 billion in net purchases of short-term investments with original maturities of greater than three months in 2020 (compared to $2.3 billion net proceeds from short-term investments with original maturities of greater than three months in 2019), partially offset by the cash used to acquire Array, net of cash acquired, of $10.9 billion in 2019.
Financing activities from continuing operations	**$ (9,816)**	$ (21,640)	$ (8,485)	*2021 v. 2020* The change was driven mostly by a $9.8 billion net reduction in repayments of short-term borrowings with maturities of greater than three months, a $4.0 billion decrease in net payments on short-term borrowings with maturities of three months or less and a $2.0 billion reduction in repayments of long-term debt, partially offset by a $4.2 billion decrease in proceeds from issuances of long-term debt. *2020 v. 2019* The change was driven mostly by $14.0 billion net payments of short-

Cash Flows from Discontinued Operations

Cash flows from discontinued operations primarily relate to our former Meridian subsidiary, Upjohn Business and the Mylan-Japan collaboration (see *Note 2B*). In 2020, net cash provided by financing activities from discontinued operations primarily reflects issuances of long-term debt.

ANALYSIS OF FINANCIAL CONDITION, LIQUIDITY, CAPITAL RESOURCES AND MARKET RISK

Due to our significant operating cash flows, which is a key strength of our liquidity and capital resources and our primary funding source, as well as our financial assets, access to capital markets, revolving credit agreements, and available lines of credit, we believe that we have, and will maintain, the ability to meet our liquidity needs to support ongoing operations, our capital allocation objectives, and our contractual and other obligations for the foreseeable future.

We focus efforts to optimize operating cash flows through achieving working capital efficiencies that target accounts receivable, inventories, accounts payable, and other working capital. Excess cash from operating cash flows is invested in money market funds and available-for-sale debt securities which consist of primarily high-quality, highly liquid, well-diversified debt securities. We have taken, and will continue to take, a conservative approach to our financial investments and monitoring of our liquidity position in response to market changes. We typically maintain cash and cash equivalent balances and short-term investments which, together with our available revolving credit facilities, are in excess of our commercial paper and other short-term borrowings.

Additionally, we may obtain funding through short-term or long-term sources from our access to the capital markets, banking relationships and relationships with other financial intermediaries to meet our liquidity needs.

Diverse sources of funds:	Related disclosure presented in this Form 10-K
Internal sources:	
• Operating cash flows	*Consolidated Statements of Cash Flows – Operating Activities* and the *Analysis of the Consolidated Statements of Cash Flows* within MD&A
• Cash and cash equivalents	*Consolidated Balance Sheets*
• Money market funds	*Note 7A*
• Available-for-sale debt securities	*Note 7A, 7B*
External sources:	
Short-term funding:	
• Commercial paper	*Note 7C*
• Revolving credit facilities	*Note 7C*
• Lines of credit	*Note 7C*
Long-term funding:	
• Long-term debt	*Note 7D*
• Equity	*Consolidated Statements of Equity* and *Note 12*

For additional information about the sources and uses of our funds and capital resources for the years ended December 31, 2021 and 2020, see the *Analysis of the Consolidated Statements of Cash Flows* in this MD&A.

In August 2021, we completed a public offering of $1 billion aggregate principal amount of senior unsecured sustainability notes. We are using the net proceeds to finance or refinance, in whole or in part as follows: R&D expenses related to our COVID-19 vaccines, capital expenditures in connection with the manufacture and distribution of COVID-19 vaccines and our other projects that have environmental and/or social benefits. For additional information, see *Note 7D*.

Credit Ratings

The cost and availability of financing are influenced by credit ratings, and increases or decreases in our credit rating could have a beneficial or adverse effect on financing. Our long-term debt is rated high-quality by both S&P and Moody's. In November 2020, upon the completion of the Upjohn separation, both Moody's and S&P lowered our long-term debt rating one notch to 'A2' and 'A+', respectively, and our short-term rating remained unchanged. S&P continues to rate our long-term debt rating outlook as Stable since November 2020, while Moody's recently upgraded our long-term debt rating outlook to Positive in December 2021.

The current ratings assigned to our commercial paper and senior unsecured long-term debt:

NAME OF RATING AGENCY	Pfizer Short-Term Rating	Pfizer Long-Term Rating	Outlook/Watch
Moody's	P-1	A2	Positive
S&P	A-1+	A+	Stable

A security rating is not a recommendation to buy, sell or hold securities and the rating is subject to revision or withdrawal at any time by the rating organization. Each rating should be evaluated independently of any other rating.

Capital Allocation Framework

Our capital allocation framework is devised to facilitate (i) the achievement of medical breakthroughs through R&D investments and business development activities and (ii) returning capital to shareholders through dividends and share repurchases. See the *Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Business and Strategy* section of this MD&A.

Our current and projected dividends provide a return to shareholders while maintaining sufficient capital to invest in growing our business. Our dividends are not restricted by debt covenants. While the dividend level remains a decision of Pfizer's BOD and will continue to be evaluated in the context of future business performance, we currently believe that we can support future annual dividend increases, barring significant unforeseen events. In December 2021, our BOD declared a first-quarter dividend of $0.40 per share, payable on March 4, 2022, to shareholders of record at the close of business on January 28, 2022. The first-quarter 2022 cash dividend will be our 333rd consecutive quarterly dividend.

See *Note 12* for information on the shares of our common stock purchased and the cost of purchases under our publicly announced share-purchase plans, including our accelerated share repurchase agreements. At December 31, 2021, our remaining share-purchase authorization was approximately $5.3 billion.

Off-Balance Sheet Arrangements, Contractual, and Other Obligations

In the ordinary course of business, (i) we enter into off-balance sheet arrangements that may result in contractual and other obligations and (ii) in connection with the sale of assets and businesses and other transactions, we often indemnify our counterparties against certain liabilities that

may arise in connection with the transaction or that are related to events and activities. For more information on guarantees and indemnifications, see *Note 16B*.

Additionally, certain of our co-promotion or license agreements give our licensors or partners the rights to negotiate for, or in some cases to obtain under certain financial conditions, co-promotion or other rights in specified countries with respect to certain of our products. Furthermore, collaboration, licensing or other R&D arrangements may give rise to potential milestone payments. Payments under these agreements generally become due and payable only upon the achievement of certain development, regulatory and/or commercialization milestones, which may span several years and which may never occur.

Our significant contractual and other obligations as of December 31, 2021 consisted of:

- Long-term debt, including current portion (see *Note 7*) and related interest payments;
- Estimated cash payments related to the TCJA repatriation estimated tax liability (see *Note 5*). Estimated future payments related to the TCJA repatriation tax liability that will occur after December 31, 2021 total $8.3 billion, of which an estimated $750 million is to be paid in the next twelve months and an estimated $7.6 billion is to be paid in periods thereafter;
- Certain commitments totaling $5.2 billion, of which an estimated $1.5 billion is to be paid in the next twelve months, and $3.7 billion in periods thereafter (*see Note 16C*);
- Purchases of property plant and equipment (*see Note 9*). In 2022, we expect to spend approximately $3.3 billion on property, plant and equipment; and
- Future minimum rental commitments under non-cancelable operating leases (see *Note 15*).

Global Economic Conditions

Our Venezuela and Argentina operations function in hyperinflationary economies. The impact to Pfizer is not considered material. For additional information on the global economic environment, see the *Item 1A. Risk Factors—Global Operations* section in this Form 10-K.

Market Risk

We are subject to foreign exchange risk, interest rate risk, and equity price risk. The objective of our financial risk management program is to minimize the impact of foreign exchange rate and interest rate movements on our earnings. We address such exposures through a combination of operational means and financial instruments. For more information on how we manage our foreign exchange and interest rate risks, see *Notes 1G* and *7E*, as well as the *Item 1A. Risk Factors—Global Operations* section in this Form 10-K for key currencies in which we operate. Our sensitivity analyses of such risks are discussed below.

Foreign Exchange Risk—The fair values of our financial instrument holdings are analyzed at year-end to determine their sensitivity to foreign exchange rate changes. In this analysis, holding all other assumptions constant and assuming that a change in one currency's rate relative to the U.S. dollar would not have any effect on another currency's rates relative to the U.S. dollar, if the dollar were to appreciate against all other currencies by 10%, as of December 31, 2021, the expected adverse impact on our net income would not be significant.

Interest Rate Risk—The fair values of our financial instrument holdings are analyzed at year-end to determine their sensitivity to interest rate changes. In this analysis, holding all other assumptions constant and assuming a parallel shift in the interest rate curve for all maturities and for all instruments, if there were a one hundred basis point decrease in interest rates as of December 31, 2021, the expected adverse impact on our net income would not be significant.

Equity Price Risk—We hold equity securities with readily determinable fair values in life science companies as a result of certain business development transactions. While we are holding such securities, we are subject to equity price risk, and this may increase the volatility of our income in future periods due to changes in the fair value of equity investments. From time to time, we will sell such equity securities based on our business considerations, which may include limiting our price risk. Our equity securities with readily determinable fair values are analyzed at year-end to determine their sensitivity to equity price rate changes. In this sensitivity analysis, the expected adverse impact on our net income would not be significant.

LIBOR

For information on interest rate risk and LIBOR, see the *Item 1A. Risk Factors—Global Operations* section in this Form 10-K. We do not expect the transition to an alternative rate to have a material impact on our liquidity or financial resources.

NEW ACCOUNTING STANDARDS

Recently Adopted Accounting Standard

See *Note 1B.*

Recently Issued Accounting Standards, Not Adopted as of December 31, 2021

Standard/Description	Effective Date	Effect on the Financial Statements
Reference rate reform provides temporary optional expedients and exceptions to the guidance for contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued after 2021 because of reference rate reform. The new guidance provides the following optional expedients: 1. Simplify accounting analyses under current U.S. GAAP for contract modifications. 2. Simplify the assessment of hedge effectiveness and allow hedging relationships affected by reference rate reform to continue. 3. Allow a one-time election to sell or transfer debt securities classified as held to maturity that reference a rate affected by reference rate reform.	Elections can be adopted prospectively at any time through December 31, 2022.	We are assessing the impact, but currently, we do not expect this new guidance to have a material impact on our consolidated financial statements.
Accounting for contract assets and contract liabilities from contracts with customers requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606. This new guidance will generally result in the acquirer recognizing contract assets and contract liabilities at the same amounts that were recorded by the acquiree. Previously, these amounts were recognized by the acquirer at fair value as of the acquisition date.	January 1, 2023. Early adoption is permitted.	We do not expect this new guidance to have a material impact on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this Item is incorporated by reference to the discussion in the *Analysis of Financial Condition, Liquidity, Capital Resources and Market Risk* section within MD&A.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Pfizer Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Pfizer Inc. and Subsidiary Companies (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 24, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1C to the consolidated financial statements, the Company has elected to change its method of accounting for pension and postretirement plans in 2021 to immediately recognize actuarial gains and losses in the consolidated statements of income.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of the U.S. Medicare, Medicaid, and performance-based contract rebates accrual

As discussed in Note 1H to the consolidated financial statements, the Company records estimated deductions for Medicare, Medicaid, and performance-based contract rebates (collectively, U.S. rebates) as a reduction to gross product revenues. The accrual for U.S. rebates is recorded in the same period that the corresponding revenues are recognized. The length of time between when a sale is made and when the U.S. rebate is paid by the Company can be as long as one year, which increases the need for significant management judgment and knowledge of market conditions and practices in estimating the accrual.

We identified the evaluation of the U.S. rebates accrual as a critical audit matter because the evaluation of the product-specific experience ratio assumption involved especially challenging auditor judgment. The product-specific experience ratio assumption relates to estimating which of the Company's revenue transactions will ultimately be subject to a related rebate.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's U.S. rebates accrual process related to the development of the product-specific experience ratio assumptions. We estimated the U.S. rebates accrual using internal information and historical data and compared the result to the Company's estimated U.S. rebates accrual. We evaluated the Company's ability to accurately estimate the accrual for U.S. rebates by comparing historically recorded accruals to the actual amount that was ultimately paid by the Company.

Evaluation of gross unrecognized tax benefits

As discussed in Notes 5D and 1Q, the Company's tax positions are subject to audit by local taxing authorities in each respective tax jurisdiction, and the resolution of such audits may span multiple years. Since tax law is complex and often subject to varied interpretations and judgments, it is uncertain whether some of the Company's tax positions will be sustained upon audit. As of December 31, 2021, the Company has recorded gross unrecognized tax benefits, excluding associated interest, of $6.1 billion.

We identified the evaluation of the Company's gross unrecognized tax benefits as a critical audit matter because a high degree of audit effort, including specialized skills and knowledge, and complex auditor judgment was required in evaluating the Company's interpretation of tax law and its estimate of the ultimate resolution of its tax positions.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of an internal control over the Company's liability for unrecognized tax position process related to (1) interpretation of tax law, (2) evaluation of which of the Company's tax positions may not be sustained upon audit, and (3) estimation and recording of the gross unrecognized tax benefits. We involved tax and valuation professionals with specialized skills and knowledge who assisted in evaluating the Company's interpretation of tax laws, including the assessment of transfer pricing practices in accordance with applicable tax laws and regulations. We inspected settlements with applicable taxing authorities, including assessing the expiration of statutes of limitations. We tested the calculation of the liability for uncertain tax positions, including an evaluation of the Company's assessment of the technical merits of tax positions and estimates of the amount of tax benefits expected to be sustained.

Evaluation of product and other product-related litigation

As discussed in Notes 1S and 16 to the consolidated financial statements, the Company is involved in 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. Certain of these pending product and other product-related legal proceedings could result in losses that could be substantial. The accrued liability and/or disclosure for the pending product and other product-related legal proceedings requires a complex series of judgments by the Company about future events, which involves a number of uncertainties.

We identified the evaluation of product and other product-related litigation as a critical audit matter. Challenging auditor judgment was required to evaluate the Company's judgments about future events and uncertainties.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's product liability and other product-related litigation processes, including controls related to (1) the evaluation of information from external and internal legal counsel, (2) forward-looking expectations, and (3) new legal proceedings, or other legal proceedings not currently reserved or disclosed. We read letters received directly from the Company's external and internal legal counsel that described the Company's probable or reasonably possible legal contingency to pending product and other product-related legal proceedings. We inspected the Company's minutes from meetings of the Audit Committee, which included the status of key litigation matters. We evaluated the Company's ability to estimate its monetary exposure to pending product and other product-related legal proceedings by comparing historically recorded liabilities to actual monetary amounts incurred upon resolution of prior legal matters. We analyzed relevant publicly available information about the Company, its competitors, and the industry.

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We have not been able to determine the specific year that we or our predecessor firms began serving as the Company's auditor, however, we are aware that we or our predecessor firms have served as the Company's auditor since at least 1942.

New York, New York

February 24, 2022

Consolidated Statements of Income

Pfizer Inc. and Subsidiary Companies

(MILLIONS, EXCEPT PER COMMON SHARE DATA)	Year Ended December 31, 2021	2020	2019
Revenues	**$ 81,288**	$ 41,651	$ 40,905
Costs and expenses:			
Cost of sales[a]	**30,821**	8,484	8,054
Selling, informational and administrative expenses[a]	**12,703**	11,597	12,726
Research and development expenses[a]	**13,829**	9,393	8,385
Amortization of intangible assets	**3,700**	3,348	4,429
Restructuring charges and certain acquisition-related costs	**802**	579	601
(Gain) on completion of Consumer Healthcare JV transaction	**—**	(6)	(8,107)
Other (income)/deductions—net	**(4,878)**	1,219	3,497
Income from continuing operations before provision/(benefit) for taxes on income	**24,311**	7,036	11,321
Provision/(benefit) for taxes on income	**1,852**	370	583
Income from continuing operations	**22,459**	6,666	10,738
Discontinued operations—net of tax	**(434)**	2,529	5,318
Net income before allocation to noncontrolling interests	**22,025**	9,195	16,056
Less: Net income attributable to noncontrolling interests	**45**	36	29
Net income attributable to Pfizer Inc. common shareholders	**$ 21,979**	$ 9,159	$ 16,026
Earnings per common share—basic:			
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 4.00**	$ 1.19	$ 1.92
Discontinued operations—net of tax	**(0.08)**	0.46	0.95
Net income attributable to Pfizer Inc. common shareholders	**$ 3.92**	$ 1.65	$ 2.88
Earnings per common share—diluted:			
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 3.93**	$ 1.18	$ 1.89
Discontinued operations—net of tax	**(0.08)**	0.45	0.94
Net income attributable to Pfizer Inc. common shareholders	**$ 3.85**	$ 1.63	$ 2.82
Weighted-average shares—basic	**5,601**	5,555	5,569
Weighted-average shares—diluted	**5,708**	5,632	5,675

[a] Exclusive of amortization of intangible assets, except as disclosed in *Note 1M.*

See Accompanying Notes.

Consolidated Statements of Comprehensive Income

Pfizer Inc. and Subsidiary Companies

	Year Ended December 31,		
(MILLIONS)	**2021**	2020	2019
Net income before allocation to noncontrolling interests	**$ 22,025**	$ 9,195	$ 16,056
Foreign currency translation adjustments, net	**(682)**	772	675
Reclassification adjustments	**—**	(17)	(288)
	(682)	755	387
Unrealized holding gains/(losses) on derivative financial instruments, net	**526**	(582)	476
Reclassification adjustments for (gains)/losses included in net income[(a)]	**134**	21	(664)
	660	(561)	(188)
Unrealized holding gains/(losses) on available-for-sale securities, net	**(355)**	361	(1)
Reclassification adjustments for (gains)/losses included in net income[(b)]	**(30)**	(188)	39
	(384)	173	38
Benefit plans: prior service (costs)/credits and other, net	**116**	52	(7)
Reclassification adjustments related to amortization of prior service costs and other, net	**(154)**	(176)	(181)
Reclassification adjustments related to curtailments of prior service costs and other, net	**(74)**	—	(2)
Other	**(2)**	—	1
	(113)	(124)	(189)
Other comprehensive income/(loss), before tax	**(519)**	243	48
Tax provision/(benefit) on other comprehensive income/(loss)	**71**	(227)	178
Other comprehensive income/(loss) before allocation to noncontrolling interests	**$ (589)**	$ 471	$ (130)
Comprehensive income/(loss) before allocation to noncontrolling interests	**$ 21,435**	$ 9,666	$ 15,926
Less: Comprehensive income/(loss) attributable to noncontrolling interests	**43**	27	18
Comprehensive income/(loss) attributable to Pfizer Inc.	**$ 21,393**	$ 9,639	$ 15,908

[(a)] Reclassified into *Other (income)/deductions—net* and *Cost of sales*. See *Note 7E*.

[(b)] Reclassified into *Other (income)/deductions—net*.

See Accompanying Notes.

Consolidated Balance Sheets

Pfizer Inc. and Subsidiary Companies

(MILLIONS, EXCEPT PER COMMON SHARE DATA)	As of December 31, 2021	2020
Assets		
Cash and cash equivalents	**$ 1,944**	$ 1,786
Short-term investments	**29,125**	10,437
Trade accounts receivable, less allowance for doubtful accounts: 2021—$492; 2020—$508	**11,479**	7,913
Inventories	**9,059**	8,020
Current tax assets	**4,266**	3,264
Other current assets	**3,820**	3,646
Total current assets	**59,693**	35,067
Equity-method investments	**16,472**	16,856
Long-term investments	**5,054**	3,406
Property, plant and equipment	**14,882**	13,745
Identifiable intangible assets	**25,146**	28,337
Goodwill	**49,208**	49,556
Noncurrent deferred tax assets and other noncurrent tax assets	**3,341**	2,383
Other noncurrent assets	**7,679**	4,879
Total assets	**$ 181,476**	$ 154,229
Liabilities and Equity		
Short-term borrowings, including current portion of long-term debt: 2021—$1,636; 2020—$2,002	**$ 2,241**	$ 2,703
Trade accounts payable	**5,578**	4,283
Dividends payable	**2,249**	2,162
Income taxes payable	**1,266**	1,049
Accrued compensation and related items	**3,332**	3,049
Deferred revenues	**3,067**	1,113
Other current liabilities	**24,939**	11,561
Total current liabilities	**42,671**	25,920
Long-term debt	**36,195**	37,133
Pension benefit obligations	**3,489**	4,766
Postretirement benefit obligations	**235**	645
Noncurrent deferred tax liabilities	**349**	4,063
Other taxes payable	**11,331**	11,560
Other noncurrent liabilities	**9,743**	6,669
Total liabilities	**104,013**	90,756
Commitments and Contingencies		
Preferred stock, no par value, at stated value; 27 shares authorized; no shares issued or outstanding at December 31, 2021 and December 31, 2020	**—**	—
Common stock, $0.05 par value; 12,000 shares authorized; issued: 2021—9,471; 2020—9,407	**473**	470
Additional paid-in capital	**90,591**	88,674
Treasury stock, shares at cost: 2021—3,851; 2020—3,840	**(111,361)**	(110,988)
Retained earnings	**103,394**	90,392
Accumulated other comprehensive loss	**(5,897)**	(5,310)
Total Pfizer Inc. shareholders' equity	**77,201**	63,238
Equity attributable to noncontrolling interests	**262**	235
Total equity	**77,462**	63,473

See Accompanying Notes.

Consolidated Statements of Equity

Pfizer Inc. and Subsidiary Companies

(MILLIONS, EXCEPT PREFERRED SHARES)	PFIZER INC. SHAREHOLDERS											
	Preferred Stock		Common Stock			Treasury Stock						
	Shares	Stated Value	Shares	Par Value	Add'l Paid-In Capital	Shares	Cost	Retained Earnings	Accum. Other Comp. Loss	Share-holders' Equity	Non-controlling Interests	Total Equity
Balance, January 1, 2019	478	$ 19	9,332	$ 467	$86,253	(3,615)	$(101,610)	$ 83,527	$ (5,249)	$63,407	$ 351	$63,758
Net income								16,026		16,026	29	16,056
Other comprehensive income/(loss), net of tax									(118)	(118)	(11)	(130)
Cash dividends declared, per share:												
$1.46												
Common stock								(8,174)		(8,174)		(8,174)
Preferred stock								(1)		(1)		(1)
Noncontrolling interests										—	(6)	(6)
Share-based payment transactions			37	2	1,219	(8)	(326)			894		894
Purchases of common stock						(213)	(8,865)			(8,865)		(8,865)
Preferred stock conversions and redemptions	(47)	(2)			(3)	—	1			(4)		(4)
Other					(40)	—	—	19		(21)	(60)	(81)
Balance, December 31, 2019	431	17	9,369	468	87,428	(3,835)	(110,801)	91,397	(5,367)	63,143	303	63,447
Net income								9,159		9,159	36	9,195
Other comprehensive income/(loss), net of tax									480	480	(9)	471
Cash dividends declared, per share:												
$1.53												
Common stock								(8,571)		(8,571)		(8,571)
Preferred stock								—		—		—
Noncontrolling interests										—	(91)	(91)
Share-based payment transactions			37	2	1,261	(6)	(218)			1,044		1,044
Preferred stock conversions and redemptions[a]	(431)	(17)			(15)	1	31			(1)		(1)
Distribution of Upjohn Business[b]								(1,592)	(423)	(2,015)	(3)	(2,018)
Other					—	—		—		—	(1)	(1)
Balance, December 31, 2020	—	—	9,407	470	88,674	(3,840)	(110,988)	90,392	(5,310)	63,238	235	63,473
Net income								**21,979**		**21,979**	**45**	**22,025**
Other comprehensive income/(loss), net of tax									**(587)**	**(587)**	**(3)**	**(589)**
Cash dividends declared, per share:												
$1.57												
Common stock								**(8,816)**		**(8,816)**		**(8,816)**
Preferred stock										**—**		**—**
Noncontrolling interests										**—**	**(8)**	**(8)**
Share-based payment transactions			**64**	**3**	**1,917**	**(11)**	**(373)**	**(77)**		**1,470**		**1,470**
Other					**—**	**—**	**—**	**(85)**		**(85)**	**(7)**	**(92)**
Balance, December 31, 2021	**—**	**$ —**	**9,471**	**$ 473**	**$90,591**	**(3,851)**	**$(111,361)**	**$103,394**	**$ (5,897)**	**$77,201**	**$ 262**	**$77,462**

[a] See *Note 12*.

[b] See *Note 2B*.

See Accompanying Notes.

Consolidated Statements of Cash Flows

Pfizer Inc. and Subsidiary Companies

(MILLIONS)	Year Ended December 31, 2021	2020	2019
Operating Activities			
Net income before allocation to noncontrolling interests	**$ 22,025**	$ 9,195	$ 16,056
Discontinued operations—net of tax	**(434)**	2,529	5,318
Net income from continuing operations before allocation to noncontrolling interests	**22,459**	6,666	10,738
Adjustments to reconcile net income before allocation to noncontrolling interests to net cash provided by operating activities:			
Depreciation and amortization	**5,191**	4,681	5,755
Asset write-offs and impairments	**276**	2,049	2,889
TCJA impact	**—**	—	(323)
Gain on completion of Consumer Healthcare JV transaction, net of cash conveyed[a]	**—**	(6)	(8,254)
Deferred taxes from continuing operations	**(4,293)**	(1,575)	561
Share-based compensation expense	**1,182**	755	687
Benefit plan contributions in excess of expense/income	**(3,123)**	(1,242)	(55)
Other adjustments, net	**(1,573)**	(479)	(1,080)
Other changes in assets and liabilities, net of acquisitions and divestitures:			
Trade accounts receivable	**(3,811)**	(1,275)	(1,124)
Inventories	**(1,125)**	(778)	(1,071)
Other assets	**(1,057)**	(137)	847
Trade accounts payable	**1,242**	355	(341)
Other liabilities	**18,721**	2,768	861
Other tax accounts, net	**(1,166)**	(1,240)	(3,074)
Net cash provided by operating activities from continuing operations	**32,922**	10,540	7,015
Net cash provided by/(used in) operating activities from discontinued operations	**(343)**	3,863	5,572
Net cash provided by operating activities	**32,580**	14,403	12,588
Investing Activities			
Purchases of property, plant and equipment	**(2,711)**	(2,226)	(2,046)
Purchases of short-term investments	**(38,457)**	(13,805)	(6,835)
Proceeds from redemptions/sales of short-term investments	**27,447**	11,087	9,183
Net (purchases of)/proceeds from redemptions/sales of short-term investments with original maturities of three months or less	**(8,088)**	920	6,925
Purchases of long-term investments	**(1,068)**	(597)	(201)
Proceeds from redemptions/sales of long-term investments	**649**	723	232
Acquisitions of businesses, net of cash acquired	**—**	—	(10,861)
Other investing activities, net[a]	**(305)**	(265)	(223)
Net cash provided by/(used in) investing activities from continuing operations	**(22,534)**	(4,162)	(3,825)
Net cash provided by/(used in) investing activities from discontinued operations	**(12)**	(109)	(120)
Net cash provided by/(used in) investing activities	**(22,546)**	(4,271)	(3,945)
Financing Activities			
Proceeds from short-term borrowings	**—**	12,352	16,455
Principal payments on short-term borrowings	**—**	(22,197)	(8,378)
Net (payments on)/proceeds from short-term borrowings with original maturities of three months or less	**(96)**	(4,129)	2,551
Proceeds from issuance of long-term debt	**997**	5,222	4,942
Principal payments on long-term debt	**(2,004)**	(4,003)	(6,806)
Purchases of common stock	**—**	—	(8,865)
Cash dividends paid	**(8,729)**	(8,440)	(8,043)

Consolidated Statements of Cash Flows

Pfizer Inc. and Subsidiary Companies

	Year Ended December 31,		
	2021	2020	2019
Supplemental Cash Flow Information			
Cash paid/(received) during the period for:			
Income taxes	**$ 7,427**	$ 3,153	$ 3,664
Interest paid	**1,467**	1,641	1,587
Interest rate hedges	**(2)**	(20)	(42)
Non-cash transactions:			
Right-of-use assets obtained in exchange for lease liabilities	**$ 1,943**	$ 410	$ 314
32% equity-method investment in the Consumer Healthcare JV received in exchange for contributing Pfizer's Consumer Healthcare business[(a)]	**—**	—	15,711

[(a)] The $8.3 billion *Gain on completion of Consumer Healthcare JV transaction, net of cash conveyed* reflects the receipt of a 32% equity-method investment in the new company initially valued at $15.7 billion in exchange for net assets contributed of $7.6 billion and is presented in operating activities net of $146 million cash conveyed that is reflected in *Other investing activities, net*. See *Note 2C.*

See Accompanying Notes.

Note 1. Basis of Presentation and Significant Accounting Policies

A. Basis of Presentation

The consolidated financial statements include the accounts of our parent company and all subsidiaries and are prepared in accordance with U.S. GAAP. The decision of whether or not to consolidate an entity for financial reporting purposes requires consideration of majority voting interests, as well as effective economic or other control over the entity. Typically, we do not seek control by means other than voting interests. For subsidiaries operating outside the U.S., the financial information is included as of and for the year ended November 30 for each year presented. Pfizer's fiscal year-end for U.S. subsidiaries is as of and for the year ended December 31 for each year presented. Substantially all unremitted earnings of international subsidiaries are free of legal and contractual restrictions. All significant transactions among our subsidiaries have been eliminated.

At the beginning of our fiscal fourth quarter of 2021, we reorganized our commercial operations and began to manage our commercial operations through a new global structure consisting of two operating segments, each led by a single manager: Biopharma, our innovative science-based biopharmaceutical business and PC1, our global contract development and manufacturing organization and a leading supplier of specialty active pharmaceutical ingredients. See *Note 17*. On December 31, 2021, we completed the sale of our Meridian subsidiary, the manufacturer of EpiPen and other auto-injector products. Prior to its sale, Meridian was managed within the Hospital therapeutic area. Beginning in the fourth quarter of 2021, the financial results of Meridian are reflected as discontinued operations for all periods presented. On December 21, 2020, Pfizer and Viatris completed the termination of a pre-existing strategic collaboration between Pfizer and Mylan for generic drugs in Japan (the Mylan-Japan collaboration) pursuant to an agreement dated November 13, 2020, and we transferred related inventories and operations that were part of the Mylan-Japan collaboration to Viatris. On November 16, 2020, we completed the spin-off and the combination of our Upjohn Business with Mylan to form Viatris. Beginning in the fourth quarter of 2020, the financial results of the Upjohn Business and the Mylan-Japan collaboration were reflected as discontinued operations for all periods presented. The assets and liabilities associated with Meridian and the Mylan-Japan collaboration are classified as assets and liabilities of discontinued operations as of December 31, 2020. Upon completion of the spin-off of the Upjohn Business on November 16, 2020, the Upjohn assets and liabilities were derecognized from our consolidated balance sheet and are reflected in *Retained Earnings–Distribution of Upjohn Business* in the consolidated statement of equity. Prior to the spin-off of the Upjohn Business in November 2020, the Upjohn Business, the Mylan-Japan collaboration and Meridian were managed as part of our former Upjohn operating segment. With the separation of the Upjohn Business, the Mylan-Japan collaboration and Meridian, as well as the formation of the Consumer Healthcare JV in 2019, Pfizer transformed into a more focused, global leader in science-based innovative medicines and vaccines. Certain prior year amounts have been reclassified to conform with the current year presentation. In addition, other acquisitions and business development activities completed in 2021, 2020 and 2019 impacted financial results in the periods presented. See *Note 2.*

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

B. New Accounting Standard Adopted in 2021

On January 1, 2021, we adopted a new accounting standard for income tax that eliminates certain exceptions to the guidance related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The adoption of this guidance did not have a material impact on our consolidated financial statements.

C. Change in Accounting Principle

In the first quarter of 2021, we adopted a change in accounting principle to a more preferable policy under U.S. GAAP to immediately recognize actuarial gains and losses arising from the remeasurement of our pension and postretirement plans (MTM Accounting).

Under the prior policy, we deferred recognition of these gains and losses in *Accumulated other comprehensive loss*. The accumulated actuarial gains/losses outside of a “corridor” were then amortized into net periodic benefit costs over the average remaining service period or the average life expectancy of participants. This change has been applied to all pension and postretirement plans on a retrospective basis for all prior periods presented, and as of January 1, 2019, resulted in a cumulative effect decrease to *Retained earnings* of $6.0 billion, with a corresponding offset to *Accumulated other comprehensive loss*. Each time a pension or postretirement plan is remeasured, the actuarial gain or loss is recognized immediately and classified as *Other (income)/deductions—net*.

We believe that MTM Accounting is a more preferable policy as it provides improved transparency of results and performance, better alignment with fair value accounting principles and a better reflection of current economic and interest rate trends on plan investments and assumptions and the actuarial impact of plan remeasurements.

The impacts of the adjustments on our consolidated financial statements are summarized as follows:

	Year Ended December 31,								
	2021			2020			2019		
(MILLIONS, EXCEPT PER COMMON SHARE DATA)	Previous Accounting Principle	Impact of Change	As Reported	Previous Accounting Principle	Impact of Change	As Adjusted	Previous Accounting Principle	Impact of Change	As Adjusted
Consolidated Statements of Income:									
(Gain) on completion of Consumer Healthcare JV transaction	**$ —**	**$ —**	**$ —**	$ (6)	$ —	$ (6)	$ (8,086)	$ (21)	$ (8,107)
Other (income)/deductions—net	**(2,820)**	**(2,058)**	**(4,878)**	672	547	1,219	3,264	233	3,497
Income from continuing operations before provision/(benefit) for taxes on income	**22,253**	**2,058**	**24,311**	7,584	(547)	7,036	11,533	(212)	11,321
Provision/(benefit) for taxes on income	**1,399**	**453**	**1,852**	496	(125)	370	631	(48)	583
Discontinued operations—net of tax	**(434)**	**—**	**(434)**	2,564	(35)	2,529	5,400	(82)	5,318
Net income before allocation to noncontrolling interests	**20,420**	**1,605**	**22,025**	9,652	(457)	9,195	16,302	(246)	16,056
Net income attributable to Pfizer Inc. common shareholders	**20,374**	**1,605**	**21,979**	9,616	(457)	9,159	16,273	(246)	16,026
Earnings per common share—basic:									
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 3.71**	**$ 0.29**	**$ 4.00**	$ 1.27	$ (0.08)	$ 1.19	$ 1.95	$ (0.03)	$ 1.92
Discontinued operations—net of tax	**(0.08)**	**—**	**(0.08)**	0.46	(0.01)	0.46	0.97	(0.01)	0.95
Net income attributable to Pfizer Inc. common shareholders	**3.63**	**0.29**	**3.92**	1.73	(0.08)	1.65	2.92	(0.04)	2.88
Earnings per common share—diluted:									
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 3.65**	**$ 0.28**	**$ 3.93**	$ 1.25	$ (0.07)	$ 1.18	$ 1.92	$ (0.03)	$ 1.89
Discontinued operations—net of tax	**(0.08)**	**—**	**(0.08)**	0.46	(0.01)	0.45	0.95	(0.01)	0.94
Net income attributable to Pfizer Inc. common shareholders	**3.57**	**0.28**	**3.85**	1.71	(0.08)	1.63	2.87	(0.04)	2.82

	Year Ended December 31,								
	2021			2020			2019		
(MILLIONS)	Previous Accounting Principle	Impact of Change	As Reported	Previous Accounting Principle	Impact of Change	As Adjusted	Previous Accounting Principle	Impact of Change	As Adjusted
Consolidated Statements of Comprehensive Income:									
Foreign currency translation adjustments, net	**$ (731)**	**$ 49**	**$ (682)**	$ 957	$ (185)	$ 772	$ 654	$ 21	$ 675
Benefit plans: actuarial gains/(losses), net	**1,565**	**(1,565)**	**—**	(1,128)	1,128	—	(826)	826	—
Reclassification adjustments related to amortization	**285**	**(285)**	**—**	276	(276)	—	241	(241)	—
Reclassification adjustments related to settlements, net	**209**	**(209)**	**—**	278	(278)	—	274	(274)	—
Other	**49**	**(49)**	**—**	(189)	189	—	22	(22)	—
Tax provision/(benefit) on other									

(MILLIONS)	Year Ended December 31, 2021 Previous Accounting Principle	2021 Impact of Change	2021 As Reported	2020 Previous Accounting Principle	2020 Impact of Change	2020 As Adjusted
Consolidated Balance Sheets:						
Noncurrent deferred tax assets and other noncurrent tax assets	**$ 3,320**	**$ 22**	**$ 3,341**	$ 2,383	$ —	$ 2,383
Other noncurrent assets	**7,679**	**—**	**7,679**	4,879	—	4,879
Pension benefit obligations	**3,489**	**—**	**3,489**	4,766	—	4,766
Retained earnings	**101,789**	**1,605**	**103,394**	96,770	(6,378)	90,392
Accumulated other comprehensive loss	**(4,313)**	**(1,583)**	**(5,897)**	(11,688)	6,378	(5,310)

D. Estimates and Assumptions

In preparing these financial statements, we use certain estimates and assumptions that affect reported amounts and disclosures. These estimates and assumptions can impact all elements of our financial statements. For example, in the consolidated statements of income, estimates are used when accounting for deductions from revenues, determining the cost of inventory that is sold, allocating cost in the form of depreciation and amortization, and estimating restructuring charges and the impact of contingencies, as well as determining provisions for taxes on income. On the consolidated balance sheets, estimates are used in determining the valuation and recoverability of assets, and in determining the reported amounts of liabilities, all of which also impact the consolidated statements of income. Certain estimates of fair value and amounts recorded in connection with acquisitions, revenue deductions, impairment reviews, restructuring-associated charges, investments and financial instruments, valuation allowances, pension and postretirement benefit plans, contingencies, share-based compensation, and other calculations can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions.

Our estimates are often based on complex judgments and assumptions that we believe to be reasonable, but that can be inherently uncertain and unpredictable. If our estimates and assumptions are not representative of actual outcomes, our results could be materially impacted. As future events and their effects cannot be determined with precision, our estimates and assumptions may prove to be incomplete or inaccurate, or unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions. We are subject to risks and uncertainties that may cause actual results to differ from estimated amounts, such as changes in the healthcare environment, competition, litigation, legislation and regulations. We regularly evaluate our estimates and assumptions using historical experience and expectations about the future. We adjust our estimates and assumptions when facts and circumstances indicate the need for change.

E. Acquisitions

Our consolidated financial statements include the operations of acquired businesses after the completion of the acquisitions. We account for acquired businesses using the acquisition method of accounting, which requires, among other things, that most assets acquired and liabilities assumed be recognized at their estimated fair values as of the acquisition date and that the fair value of acquired IPR&D be recorded on the balance sheet. Transaction costs are expensed as incurred. Any excess of the consideration transferred over the assigned values of the net assets acquired is recorded as goodwill. When we acquire net assets that do not constitute a business, as defined in U.S. GAAP, no goodwill is recognized and acquired IPR&D is expensed in *Research and development expenses*.

Contingent consideration in a business combination is included as part of the acquisition cost and is recognized at fair value as of the acquisition date. Fair value is generally estimated by using a probability-weighted discounted cash flow approach. See *Note 16D*. Any liability resulting from contingent consideration is remeasured to fair value at each reporting date until the contingency is resolved. These changes in fair value are recognized in earnings in *Other (income)/deductions—net*.

F. Fair Value

We measure certain assets and liabilities at fair value, either upon initial recognition or for subsequent accounting or reporting. We estimate fair value using an exit price approach, which requires, among other things, that we determine the price that would be received to sell an asset or paid to transfer a liability in an orderly market. The determination of an exit price is considered from the perspective of market participants, considering the highest and best use of non-financial assets and, for liabilities, assuming that the risk of non-performance will be the same before and after the transfer.

When estimating fair value, depending on the nature and complexity of the asset or liability, we may use one or all of the following techniques:

- Income approach, which is based on the present value of a future stream of net cash flows.

- Market approach, which is based on market prices and other information from market transactions involving identical or comparable assets or liabilities.
- Cost approach, which is based on the cost to acquire or construct comparable assets, less an allowance for functional and/or economic obsolescence.

Our fair value methodologies depend on the following types of inputs:

- Quoted prices for identical assets or liabilities in active markets (Level 1 inputs).
- Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are directly or indirectly observable, or inputs that are derived principally from, or corroborated by, observable market data by correlation or other means (Level 2 inputs).
- Unobservable inputs that reflect estimates and assumptions (Level 3 inputs).

The following inputs and valuation techniques are used to estimate the fair value of our financial assets and liabilities:

- Available-for-sale debt securities—third-party matrix-pricing model that uses significant inputs derived from or corroborated by observable market data and credit-adjusted yield curves.
- Equity securities with readily determinable fair values—quoted market prices and observable NAV prices.
- Derivative assets and liabilities—third-party matrix-pricing model that uses inputs derived from or corroborated by observable market data. Where applicable, these models use market-based observable inputs, including interest rate yield curves to discount future cash flow amounts, and forward and spot prices for currencies. The credit risk impact to our derivative financial instruments was not significant.
- Money market funds—observable NAV prices.

We periodically review the methodologies, inputs and outputs of third-party pricing services for reasonableness. Our procedures can include, for example, referencing other third-party pricing models, monitoring key observable inputs (like benchmark interest rates) and selectively performing test-comparisons of values with actual sales of financial instruments.

G. Foreign Currency Translation

For most of our international operations, local currencies have been determined to be the functional currencies. We translate functional currency assets and liabilities to their U.S. dollar equivalents at exchange rates in effect as of the balance sheet date and income and expense amounts at average exchange rates for the period. The U.S. dollar effects that arise from changing translation rates are recorded in *Other comprehensive income/(loss)*. The effects of converting non-functional currency monetary assets and liabilities into the functional currency are recorded in *Other (income)/deductions—net*. For operations in highly inflationary economies, we translate monetary items at rates in effect as of the balance sheet date, with translation adjustments recorded in *Other (income)/deductions—net*, and we translate non-monetary items at historical rates.

H. Revenues and Trade Accounts Receivable

Revenue Recognition—We record revenues from product sales when there is a transfer of control of the product from us to the customer. We typically determine transfer of control based on when the product is shipped or delivered and title passes to the customer.

Our Sales Contracts—Sales on credit are typically under short-term contracts. Collections are based on market payment cycles common in various markets, with shorter cycles in the U.S. Sales are adjusted for sales allowances, chargebacks, rebates and sales returns and cash discounts. Sales returns occur due to LOE, product recalls or a changing competitive environment.

Deductions from Revenues—Our gross product revenues are subject to a variety of deductions, which generally are estimated and recorded in the same period that the revenues are recognized. Such variable consideration represents chargebacks, rebates, sales allowances and sales returns. These deductions represent estimates of the related obligations and, as such, knowledge and judgment is required when estimating the impact of these revenue deductions on gross sales for a reporting period.

Provisions for pharmaceutical sales returns—Provisions are based on a calculation for each market that incorporates the following, as appropriate: local returns policies and practices; historical returns as a percentage of sales; an understanding of the reasons for past returns; estimated shelf life by product; an estimate of the amount of time between shipment and return or lag time; and any other factors that could impact the estimate of future returns, such as LOE, product recalls or a changing competitive environment. Generally, returned products are destroyed, and customers are refunded the sales price in the form of a credit.

We record sales incentives as a reduction of revenues at the time the related revenues are recorded or when the incentive is offered, whichever is later. We estimate the cost of our sales incentives based on our historical experience with similar incentives programs to predict customer behavior.

The following outlines our common sales arrangements:

- *Customers*—Our prescription pharmaceutical products are sold principally to wholesalers, but we also sell directly to retailers, hospitals, clinics, government agencies and pharmacies. In the U.S., we primarily sell our vaccines products directly to the federal government, CDC, wholesalers, individual provider offices, retail pharmacies, and integrated delivery networks. Outside the U.S., we primarily sell our vaccines to government and non-government institutions. Prescription pharmaceutical products that ultimately are used by patients are generally covered under governmental programs, managed care programs and insurance programs, including those managed through PBMs, and are subject to sales allowances and/or rebates payable directly to those programs. Those sales allowances and rebates are generally negotiated, but government programs may have legislated amounts by type of product (e.g., patented or unpatented).

Specifically:

- In the U.S., we sell our products principally to distributors and hospitals. We also have contracts with managed care programs or PBMs and legislatively mandated contracts with the federal and state governments under which we provide rebates based on medicines utilized by the lives they cover. We record provisions for Medicare, Medicaid, and performance-based contract pharmaceutical rebates based upon our experience ratio of rebates paid and actual prescriptions written during prior periods. We apply the experience ratio to the respective period’s sales to determine the rebate accrual and related expense. This experience ratio is evaluated regularly to ensure that the historical trends are as current as practicable. We estimate discounts on branded

prescription drug sales to Medicare Part D participants in the Medicare "coverage gap," also known as the "doughnut hole," based on the historical experience of beneficiary prescriptions and consideration of the utilization that is expected to result from the discount in the coverage gap. We evaluate this estimate regularly to ensure that the historical trends and future expectations are as current as practicable. For performance-based contract rebates, we also consider current contract terms, such as changes in formulary status and rebate rates.

- Outside the U.S., the majority of our pharmaceutical sales allowances are contractual or legislatively mandated and our estimates are based on actual invoiced sales within each period, which reduces the risk of variations in the estimation process. In certain European countries, rebates are calculated on the government's total unbudgeted pharmaceutical spending or on specific product sales thresholds and we apply an estimated allocation factor against our actual invoiced sales to project the expected level of reimbursement. We obtain third-party information that helps us to monitor the adequacy of these accruals.
- Provisions for pharmaceutical chargebacks (primarily reimbursements to U.S. wholesalers for honoring contracted prices and legislated discounts to third parties) closely approximate actual amounts incurred, as we settle these deductions generally within two to five weeks of incurring the liability.

We recorded direct product sales and/or Alliance revenues of more than $1 billion for each of nine products in 2021, for each of seven products in 2020 and for each of six products in 2019. In the aggregate, these direct products sales and/or alliance product revenues represented 75% of our revenues in 2021, 54% of our revenues in 2020 and 49% of our revenues in 2019. See *Note 17B* for additional information. The loss or expiration of intellectual property rights can have a significant adverse effect on our revenues as our contracts with customers will generally be at lower selling prices and lower volumes due to added generic competition. We generally provide for higher sales returns during the period in which individual markets begin to near the loss or expiration of intellectual property rights.

Our accruals for Medicare, Medicaid and related state program and performance-based contract rebates, chargebacks, sales allowances and sales returns and cash discounts are as follows:

	As of December 31,	
(MILLIONS)	**2021**	2020
Reserve against ***Trade accounts receivable, less allowance for doubtful accounts***	**$ 1,077**	$ 861
***Other current liabilities*:**		
Accrued rebates	**3,811**	3,017
Other accruals	**528**	432
Other noncurrent liabilities	**433**	399
Total accrued rebates and other sales-related accruals	**$ 5,850**	$ 4,708

Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from *Revenues*.

Trade Accounts Receivable—Trade accounts receivable are stated at their net realizable value. The allowance for credit losses reflects our best estimate of expected credit losses of the receivables portfolio determined on the basis of historical experience, current information, and forecasts of future economic conditions. In developing the estimate for expected credit losses, trade accounts receivables are segmented into pools of assets depending on market (U.S. versus international), delinquency status, and customer type (high risk versus low risk and government versus non-government), and fixed reserve percentages are established for each pool of trade accounts receivables.

In determining the reserve percentages for each pool of trade accounts receivables, we considered our historical experience with certain customers and customer types, regulatory and legal environments, country and political risk, and other relevant current and future forecasted macroeconomic factors. These credit risk indicators are monitored on a quarterly basis to determine whether there have been any changes in the economic environment that would indicate the established reserve percentages should be adjusted, and are considered on a regional basis to reflect more geographic-specific metrics. Additionally, write-offs and recoveries of customer receivables are tracked against collections on a quarterly basis to determine whether the reserve percentages remain appropriate. When management becomes aware of certain customer-specific factors that impact credit risk, specific allowances for these known troubled accounts are recorded. Trade accounts receivable are written off after all reasonable means to collect the full amount (including litigation, where appropriate) have been exhausted.
During 2021 and 2020, additions to the allowance for credit losses, write-offs and recoveries of customer receivables were not material to our consolidated financial statements.

I. Collaborative Arrangements

Payments to and from our collaboration partners are presented in our consolidated statements of income based on the nature of the arrangement (including its contractual terms), the nature of the payments and applicable accounting guidance. Under co-promotion agreements, we record the amounts received for our share of gross profits from our collaboration partners as alliance revenues, a component of *Revenues,* when our collaboration partners are the principal in the transaction and we receive a share of their net sales or profits. Alliance revenues are recorded as we perform co-promotion activities for the collaboration and the collaboration partners sell the products to their customers. The related expenses for selling and marketing these products including reimbursements to or from our collaboration partners for these costs are included in *Selling, informational and administrative expenses.* In collaborative arrangements where we manufacture a product for our collaboration partners, we record revenues when we transfer control of the product to our collaboration partners. In collaboration arrangements where we are the principal in the transaction, we record amounts paid to collaboration partners for their share of net sales or profits earned, and all royalty payments to collaboration partners as *Cost of sales*. Royalty payments received from collaboration partners are included in *Other (income)/ deductions—net.*

Reimbursements to or from our collaboration partners for development costs are typically recorded in *Research and development expenses*. Upfront payments and pre-approval milestone payments due from us to our collaboration partners in development stage collaborations are recorded as *Research and development expenses*. Milestone payments due from us to our collaboration partners after regulatory approval has been attained for a medicine are recorded in *Identifiable intangible assets—Developed technology rights*. Upfront and pre-approval milestone payments earned from our collaboration partners by us are recognized in *Other (income)/deductions—net* over the development period for the products, when our performance obligations include providing R&D services to our collaboration partners. Upfront, pre-approval and post-approval milestone payments earned by us may be recognized in *Other (income)/deductions—net* immediately when earned or over other periods depending upon the nature of our performance obligations in the applicable collaboration. Where the milestone event is regulatory approval for a medicine, we generally recognize milestone payments due to us in the transaction price when regulatory approval in the applicable jurisdiction has been attained. We may recognize milestone payments due to us in the transaction price earlier than the milestone event in certain circumstances when recognition of the income would not be probable of a significant reversal.

J. Cost of Sales and Inventories

Inventories are recorded at the lower of cost or net realizable value. The cost of finished goods, work in process and raw materials is determined using average actual cost. We regularly review our inventories for impairment and reserves are established when necessary.

K. Selling, Informational and Administrative Expenses

Selling, informational and administrative costs are expensed as incurred. Among other things, these expenses include the internal and external costs of marketing, advertising, shipping and handling, information technology and legal defense. Advertising expenses totaled approximately $2.0 billion in 2021, $1.8 billion in 2020 and $2.3 billion in 2019. Production costs are expensed as incurred and the costs of TV, radio, and other electronic media and publications are expensed when the related advertising occurs.

L. Research and Development Expenses

R&D costs are expensed as incurred. These expenses include the costs of our proprietary R&D efforts, as well as costs incurred in connection with certain licensing arrangements. Before a compound receives regulatory approval, we record upfront and milestone payments we make to third parties under licensing arrangements as expense. Upfront payments are recorded when incurred, and milestone payments are recorded when the specific milestone has been achieved. Once a compound receives regulatory approval, we record any milestone payments in *Identifiable intangible assets, less accumulated amortization* and, unless the asset is determined to have an indefinite life, we typically amortize the payments on a straight-line basis over the remaining agreement term or the expected product life cycle, whichever is shorter.

M. Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets

Long-lived assets include:

- *Property, plant and equipment*, less accumulated depreciation—These assets are recorded at cost, including any significant improvements after purchase, less accumulated depreciation. Property, plant and equipment assets, other than land and construction in progress, are depreciated on a straight-line basis over the estimated useful life of the individual assets. Depreciation begins when the asset is ready for its intended use. For tax purposes, accelerated depreciation methods are used as allowed by tax laws.
- *Identifiable intangible assets, less accumulated amortization*—These assets are recorded at fair value at acquisition. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. Intangible assets with indefinite lives are not amortized until a useful life can be determined.
- *Goodwill*—Goodwill represents the excess of the consideration transferred for an acquired business over the assigned values of its net assets. Goodwill is not amortized.

Amortization of 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 of intangible assets that are for a single function and depreciation of property, plant and equipment are included in *Cost of sales, Selling, informational and administrative expenses* and/or *Research and development expenses,* as appropriate.

We review our long-lived assets for impairment indicators throughout the year. We perform impairment testing for indefinite-lived intangible assets and goodwill at least annually and for all other long-lived assets whenever impairment indicators are present. When necessary, we record impairments of long-lived assets for the amount by which the fair value is less than the carrying value of these assets.

Specifically:

- For finite-lived intangible assets, such as developed technology rights, and for other long-lived assets, such as property, plant and equipment, whenever impairment indicators are present, we calculate the undiscounted value of the projected cash flows for the asset, or asset group, and compare this estimated amount to the carrying amount. If the carrying amount is greater, we record an impairment loss for the excess of book value over fair value. In addition, in all cases of an impairment review, we reevaluate the remaining useful lives of the assets and modify them, as appropriate.
- For indefinite-lived intangible assets, such as brands and IPR&D assets, when necessary, we determine the fair value of the asset and record an impairment loss, if any, for the excess of book value over fair value. In addition, in all cases of an impairment review other than for IPR&D assets, we re-evaluate whether continuing to characterize the asset as indefinite-lived is appropriate.
- For goodwill, when necessary, we determine the fair value of each reporting unit and record an impairment loss, if any, for the excess of the book value of the reporting unit over the implied fair value.

N. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives

We may incur restructuring charges in connection with acquisitions when we implement plans to restructure and integrate the acquired operations or in connection with our cost-reduction and productivity initiatives.

- 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 for site closings and other facility rationalization actions, workforce reductions and the expansion of shared services, including the development of global systems.

Included in *Restructuring charges and certain acquisition-related costs* are all restructuring charges, as well as certain other costs associated with acquiring and integrating an acquired business. If the restructuring action results in a change in the estimated useful life of an asset, that incremental impact is classified in *Cost of sales, Selling, informational and administrative expenses* and/or *Research and development expenses*, as appropriate. 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. Transaction costs, such as banking, legal, accounting and other similar costs incurred in connection with a business acquisition are expensed as incurred.

Our business and platform functions may be impacted by these actions, including sales and marketing, manufacturing and R&D, as well as our corporate enabling functions (such as digital, global real estate operations, legal, finance, human resources, worldwide public affairs, compliance and worldwide procurement).

O. Cash Equivalents and Statement of Cash Flows

Cash equivalents include items almost as liquid as cash, such as certificates of deposit and time deposits with maturity periods of three months or less when purchased. If items meeting this definition are part of a larger investment pool, we classify them as *Short-term investments*.

Cash flows for financial instruments designated as fair value or cash flow hedges may be included in operating, investing or financing activities, depending on the classification of the items being hedged. Cash flows for financial instruments designated as net investment hedges are classified according to the nature of the hedging instrument. Cash flows for financial instruments that do not qualify for hedge accounting treatment are classified according to their purpose and accounting nature.

P. Investments and Derivative Financial Instruments

The classification of an investment depends on the nature of the investment, our intent and ability to hold the investment, and the degree to which we may exercise influence. Our investments are primarily comprised of the following:

- Public equity securities with readily determinable fair values, which are carried at fair value, with changes in fair value reported in *Other (income)/deductions—net.*
- Available-for-sale debt securities, which are carried at fair value, with changes in fair value reported in *Other comprehensive income/(loss)* until realized.
- Held-to-maturity debt securities, which are carried at amortized cost.
- Private equity securities without readily determinable fair values and where we have no significant influence are measured at cost minus any impairment and plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.
- For equity investments in common stock or in-substance common stock where we have significant influence over the financial and operating policies of the investee, we use the equity-method of accounting. Under the equity-method, we record our share of the investee's income and expenses in *Other (income)/deductions—net*. The excess of the cost of the investment over our share of the underlying equity in the net assets of the investee as of the acquisition date is allocated to the identifiable assets and liabilities of the investee, with any remaining excess amount allocated to goodwill. Such investments are initially recorded at cost, which is the fair value of consideration paid and typically does not include contingent consideration.

Realized gains or losses on sales of investments are determined by using the specific identification cost method.

We regularly evaluate all of our financial assets for impairment. For investments in debt and equity, when a decline in fair value, if any, is determined, an impairment charge is recorded and a new cost basis in the investment is established.

Derivative financial instruments are carried at fair value in various balance sheet categories (see *Note 7A*), with changes in fair value reported in *Net income* or, for derivative financial instruments in certain qualifying hedging relationships, in *Other comprehensive income/(loss)* (see *Note 7E*).

Q. Tax Assets and Liabilities and Income Tax Contingencies

Tax Assets and Liabilities

Current tax assets primarily include (i) tax effects for intercompany transfers of inventory within our combined group, which are recognized in the consolidated statements of income when the inventory is sold to a third party and (ii) income tax receivables that are expected to be recovered either via refunds from taxing authorities or reductions to future tax obligations.

Deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates and laws. We provide a valuation allowance when we believe that our deferred tax assets are not recoverable based on an assessment of estimated future taxable income that incorporates ongoing, prudent and feasible tax-planning strategies, that would be implemented, if necessary, to realize the deferred tax assets. Amounts recorded for valuation allowances requires judgments about future income which can depend heavily on estimates and assumptions. All deferred tax assets and liabilities within the same tax jurisdiction are presented as a net amount in the noncurrent section of our consolidated balance sheet.

The TCJA subjects a U.S. shareholder to current tax on global intangible low-taxed income earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, *Accounting for Global Intangible Low-Taxed Income*, states that we are permitted to make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as global intangible low-taxed income in future years or provide for the tax expense related to such income in the year the tax is incurred. We elected to recognize deferred taxes for temporary differences expected to reverse as global intangible low-taxed income in future years.

Other non-current tax assets primarily represent our estimate of the potential tax benefits in one tax jurisdiction that could result from the payment of income taxes in another tax jurisdiction. These potential benefits generally result from cooperative efforts among taxing authorities, as required by tax treaties to minimize double taxation, commonly referred to as the competent authority process. The recoverability of these assets, which we believe to be more likely than not, is dependent upon the actual payment of taxes in one tax jurisdiction and, in some cases, the successful petition for recovery in another tax jurisdiction.

Other taxes payable as of December 31, 2021 and 2020 include liabilities for uncertain tax positions and the noncurrent portion of the repatriation tax liability for which we elected payment over eight years through 2026. For additional information, see *Note 5D* for uncertain tax positions and *Note 5A* for the repatriation tax liability and other estimates and assumptions in connection with the TCJA.

Income Tax Contingencies

We account for income tax contingencies using a benefit recognition model. If we consider that a tax position is more likely than not to be sustained upon audit, based solely on the technical merits of the position, we recognize all or a portion of the benefit. We measure the benefit by determining the amount that is greater than 50% likely of being realized upon settlement, presuming that the tax position is examined by the taxing authority with full knowledge of all relevant information.

We regularly monitor our position and subsequently recognize the unrecognized tax benefit: (i) if there are changes in tax law, analogous case law or there is new information that sufficiently raise the likelihood of prevailing on the technical merits of the position to "more likely than not"; (ii) if the statute of limitations expires; or (iii) if there is a completion of an audit resulting in a favorable settlement of that tax year with the appropriate agency. Liabilities for uncertain tax positions are classified as current only when we expect to pay cash within the next 12 months. Interest and penalties, if any, are recorded in *Provision/(benefit) for taxes on income* and are classified on our consolidated balance sheet with the related tax liability.

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.

R. Pension and Postretirement Benefit Plans

The majority of our employees worldwide are covered by defined benefit pension plans, defined contribution plans or both. In the U.S., we have both IRC-qualified and supplemental (non-qualified) defined benefit plans and defined contribution plans, as well as other postretirement benefit plans consisting primarily of medical insurance for retirees and their eligible dependents. We recognize the overfunded or underfunded status of each of our defined benefit plans as an asset or liability. The obligations are generally measured at the actuarial present value of all benefits attributable to employee service rendered, as provided by the applicable benefit formula. Our pension and other postretirement obligations may be determined using assumptions such as discount rate, expected annual rate of return on plan assets, expected employee turnover and participant mortality. For our pension plans, the obligation may also include assumptions as to future compensation levels. For our other postretirement benefit plans, the obligation may include assumptions as to the expected cost of providing medical insurance benefits, as well as the extent to which those costs are shared with the employee or others (such as governmental programs). Plan assets are measured at fair value. Net periodic pension and postretirement benefit costs other than the service costs are recognized in *Other (income)/deductions—net*.

S. Legal and Environmental Contingencies

We and certain of our subsidiaries are subject to numerous contingencies arising in the ordinary course of business, such as patent litigation, product liability and other product-related litigation, commercial litigation, environmental claims and proceedings, government investigations and guarantees and indemnifications. In assessing contingencies related to legal and environmental proceedings that are pending against the Company, or unasserted claims that are probable of being asserted, we record accruals for these contingencies to the extent that we conclude that a loss is both probable and reasonably estimable. If some amount within a range of loss appears to be a better estimate than any other amount within the range, we accrue that amount. Alternatively, when no amount within a range of loss appears to be a better estimate than any other amount, we accrue the lowest amount in the range. We record anticipated recoveries under existing insurance contracts when recovery is assured.

T. Share-Based Payments

Our compensation programs can include share-based payments. Generally, grants under share-based payment programs are accounted for at fair value and these fair values are generally amortized on a straight-line basis over the vesting terms with the related costs recorded in *Cost of sales, Selling, informational and administrative expenses* and/or *Research and development expenses*, as appropriate.

Note 2. Acquisitions, Divestitures, Equity-Method Investments, Licensing Arrangements and Collaborative Arrangements

A. Acquisitions

Trillium

On November 17, 2021, we acquired all of the issued and outstanding common stock not already owned by Pfizer of Trillium, a clinical stage immuno-oncology company developing therapies targeting cancer immune evasion pathways and specific cell targeting approaches, for a price of $18.50 per share in cash, for total consideration of $2.0 billion, net of cash acquired. As a result, Trillium became our wholly owned subsidiary. We previously held a 2% ownership investment in Trillium. Trillium's lead program, TTI-622, is an investigational fusion protein that is designed to block the inhibitory activity of CD47, a molecule that is overexpressed by a wide variety of tumors.

We accounted for the transaction as an asset acquisition since the lead asset, TTI-622, represented substantially all of the fair value of the gross assets acquired, which exclude cash acquired. At the acquisition date, we recorded a $2.1 billion charge representing an acquired IPR&D asset with no alternative future use in *Research and development expenses*, of which the $2.0 billion net cash consideration is presented as a cash outflow from operating activities. In connection with this acquisition, we recorded $256 million of assets acquired primarily consisting of cash and investments. Liabilities assumed were approximately $81 million.

Array

On July 30, 2019, we acquired Array, a commercial stage biopharmaceutical company focused on the discovery, development and commercialization of targeted small molecule medicines to treat cancer and other diseases of high unmet need, for $48 per share in cash. The total fair value of the consideration transferred was $11.2 billion ($10.9 billion, net of cash acquired). In addition, $157 million in payments to Array employees for the fair value of previously unvested stock options was recognized as post-closing compensation expense and recorded in *Restructuring charges and certain acquisition-related costs* (see *Note 3*). We financed the majority of the transaction with debt and the balance with existing cash.

Array's portfolio includes Braftovi (encorafenib) and Mektovi (binimetinib), a broad pipeline of targeted cancer medicines in different stages of R&D, as well as a portfolio of out-licensed medicines, which may generate milestones and royalties over time.

The final allocation of the consideration transferred to the assets acquired and the liabilities assumed was completed in 2020. In connection with this acquisition, we recorded: (i) $6.3 billion in *Identifiable intangible assets*, consisting of $2.0 billion of *Developed technology rights* with a useful life of 16 years, $2.8 billion of *IPR&D* and $1.5 billion of *Licensing agreements and other* ($1.2 billion for technology in development—indefinite-lived licensing agreements and $360 million for developed technology—finite-lived licensing agreements with a useful life of 10 years), (ii) $6.1 billion of *Goodwill*, (iii) $1.1 billion of net deferred tax liabilities and (iv) $451 million of assumed long-term debt, which was paid in full in 2019.

In 2020, we recorded measurement period adjustments to the estimated fair values initially recorded in 2019, which resulted in a reduction in *Identifiable intangible assets* of approximately $900 million with a corresponding change to *Goodwill* and net deferred tax liabilities. The measurement period adjustments were recorded to better reflect market participant assumptions about facts and circumstances existing as of the acquisition date and did not have a material impact on our consolidated statement of income for the year ended December 31, 2020.

Therachon

On July 1, 2019, we acquired all the remaining shares of Therachon, a privately-held clinical-stage biotechnology company focused on rare diseases, with assets in development for the treatment of achondroplasia, a genetic condition and the most common form of short-limb dwarfism, for $340 million upfront, plus potential milestone payments of up to $470 million contingent on the achievement of key milestones in the development and commercialization of the lead asset. We accounted for the transaction as an asset acquisition since the lead asset represented substantially all the fair value of the gross assets acquired. The total fair value of the consideration transferred for Therachon was $322 million, which consisted of $317 million of cash and our previous $5 million investment in Therachon. In connection with this asset acquisition, we recorded a charge of $337 million in *Research and development expenses.*

B. Divestitures

Meridian

On December 31, 2021, we completed the sale of our Meridian subsidiary for approximately $51 million in cash and recognized a loss of approximately $167 million, net of tax, in *Discontinued operations—net of tax*. In connection with the sale, Pfizer and the purchaser of Meridian entered into various agreements to provide a framework for our relationship after the sale, including interim TSAs and a manufacturing supply agreement (MSA). The TSAs primarily involve Pfizer providing services related to information technology, among other activities, and are generally expected to be for terms of no more than 12 to 18 months post sale. The MSA is for a term of three years post sale with a two year extension period. No amounts were recorded under the above arrangements in 2021.

Upjohn Separation and Combination with Mylan

On November 16, 2020, we completed the spin-off and the combination of the Upjohn Business with Mylan (the Transactions) to form Viatris.

The Transactions were structured as an all-stock, Reverse Morris Trust transaction. Specifically, (i) we contributed the Upjohn Business to a wholly owned subsidiary, which was renamed Viatris, so that the Upjohn Business was separated from the remainder of our business (the Separation), (ii) following the Separation, we distributed, on a pro rata basis, all of the shares of Viatris common stock held by Pfizer to Pfizer stockholders as of the November 13, 2020 record date, such that each Pfizer stockholder as of the record date received approximately 0.124079 shares of Viatris common stock per share of Pfizer common stock (the Distribution); and (iii) immediately after the Distribution, the Upjohn Business combined with Mylan in a series of transactions in which Mylan shareholders received one share of Viatris common stock for each Mylan ordinary share held by such shareholder, subject to any applicable withholding taxes (the Combination). Prior to the Distribution, Viatris made a cash payment to Pfizer equal to $12.0 billion as partial consideration for the contribution of the Upjohn Business to Viatris. As of the closing of the Combination, Pfizer

stockholders owned approximately 57% of the outstanding shares of Viatris common stock, and Mylan shareholders owned approximately 43% of the outstanding shares of Viatris common stock, in each case on a fully diluted, as-converted and as-exercised basis. The Transactions are generally expected to be tax free to Pfizer and Pfizer stockholders for U.S. tax purposes. Beginning November 16, 2020, Viatris operates both the Upjohn Business and Mylan as an independent publicly traded company, which is traded under the symbol “VTRS” on the NASDAQ.

In connection with the Transactions, in June 2020, Upjohn Inc. and Upjohn Finance B.V. completed privately placed debt offerings of $7.45 billion and €3.60 billion aggregate principal amounts, respectively, (approximately $11.4 billion) of senior unsecured notes and entered into other financing arrangements, including a $600 million delayed draw term loan agreement and a revolving credit facility agreement for up to $4.0 billion. Proceeds from the debt offerings and other financing arrangements were used to fund the $12.0 billion cash distribution Viatris made to Pfizer prior to the Distribution. We used the cash distribution proceeds to pay down commercial paper borrowings and redeem the $1.15 billion aggregate principal amount outstanding of our 1.95% senior unsecured notes that were due in June 2021 and $342 million aggregate principal amount outstanding of our 5.80% senior unsecured notes that were due in August 2023, before the maturity date. Interest expense for the $11.4 billion in debt securities incurred during 2020 is included in *Discontinued operations—net of tax*. Following the Separation and Combination of the Upjohn Business with Mylan, we are no longer the obligor or guarantor of any Upjohn debt or Upjohn financing arrangements.

As a result of the spin-off of the Upjohn Business, we distributed net assets of $1.6 billion as of November 16, 2020, which was reflected as a reduction to *Retained earnings* and reflects the change in accounting principle in the first quarter of 2021 to MTM Accounting. See *Note 1C.* Of this amount, $412 million represents cash transferred to the Upjohn Business, with the remainder considered a non-cash activity in the consolidated statement of cash flows for the year ended December 31, 2020. The spin-off also resulted in a net increase to *Accumulated other comprehensive loss* of $423 million for the derecognition of net gains on foreign currency translation adjustments of $397 million and prior service net credits associated with benefit plans of $26 million, which were reclassified to *Retained earnings*.

As a result of the separation of Upjohn, we incurred separation-related costs of $434 million in 2020 and $83 million in 2019, which are included in *Discontinued operations—net of tax*. These costs primarily relate to professional fees for regulatory filings and separation activities within finance, tax, legal and information system functions as well as investment banking fees.

In connection with the Transactions, Pfizer and Viatris entered into various agreements to effect the Separation and Combination to provide a framework for our relationship after the Combination, including a separation and distribution agreement, interim operating models, including agency arrangements, MSAs, TSAs, a tax matters agreement, and an employee matters agreement, among others. The interim agency operating model arrangements primarily include billings, collections and remittance of rebates that we are performing on a transitional basis on behalf of Viatris. Under the MSAs, Pfizer or Viatris, as the case may be, manufactures, labels and packages products for the other party. The terms of the MSAs range in initial duration from four to seven years post-Separation. The TSAs primarily involve Pfizer providing services to Viatris related to finance, information technology and human resource infrastructure and are generally expected to be for terms of no more than three years post-Separation. The amounts recorded under the above agreements were not material to our consolidated results of operations in 2021 and 2020. In addition, Pfizer and Mylan had a pre-existing arms-length commercial agreement, which is continuing with Viatris and is not material to Pfizer's consolidated financial statements.

Net amounts due from Viatris under the above agreements were $53 million as of December 31, 2021 and $401 million as of December 31, 2020. The cash flows associated with the above agreements are included in *Net cash provided by operating activities from continuing operations,* except for a $277 million payment to Viatris made in 2021 pursuant to terms of the separation agreement, which is reported in *Other financing activities, net,* and was recorded as a payable to Viatris in *Other current liabilities* as of December 31, 2020.

Components of *Discontinued operations—net of tax:*

	Year Ended December 31,[a]		
(MILLIONS)	**2021**	2020	2019
Revenues	**$ 277**	$ 7,572	$ 10,845
Costs and expenses:			
Cost of sales	**204**	2,106	2,173
Selling, informational and administrative expenses	**26**	1,682	1,624
Research and development expenses	**9**	224	265
Amortization of intangible assets	**45**	224	181
Restructuring charges and certain acquisition-related costs	**2**	29	146
Other (income)/deductions—net	**365**	428	401
Pre-tax income/(loss) from discontinued operations	**(375)**	2,879	6,056
Provision/(benefit) for taxes on income	**(107)**	349	738
Income/(loss) from discontinued operations—net of tax	**(268)**	2,529	5,318
Pre-tax loss on sale of discontinued operations	**(211)**	—	—
Benefit for taxes on income	**(44)**	—	—
Loss on sale of discontinued operations—net of tax	**(167)**	—	—
Discontinued operations—net of tax	**$ (434)**	$ 2,529	$ 5,318

[a] In 2021, *Discontinued operations—net of tax* primarily includes (i) the operations of Meridian prior to its sale on December 31, 2021 recognized in Income/(loss) from discontinued operations—net of tax, which includes a pre-tax amount for a Multi-District Litigation relating to EpiPen against the Company in the U.S. District Court for the District of Kansas for $345 million; and (ii) the after tax loss of $167 million related to the sale of Meridian recognized in Loss on sale of discontinued operations—net of tax. To a much lesser extent, *Discontinued operations—net of tax* in 2021 also includes the operations of the Mylan-Japan collaboration prior to its termination on December 21, 2020 and post-closing adjustments directly related to our former Upjohn and Nutrition discontinued businesses, including adjustments for tax, benefits and legal-related matters recognized in Income/(loss) from discontinued operations—net of tax. In 2020 and 2019, *Discontinued operations—net of tax* relates to the operations of the Upjohn Business, Meridian and the Mylan-Japan collaboration and includes the change in accounting principle in the first quarter of 2021 to MTM

Accounting. See *Note 1C*. In 2020, *Discontinued operations—net of tax* includes pre-tax interest expense of $116 million associated with the U.S. dollar and Euro denominated senior unsecured notes issued by Upjohn Inc. and Upjohn Finance B.V. in the second quarter of 2020 and pre-tax charges of $223 million related to the remeasurement of Euro debt issued by Upjohn Finance B.V. in the second quarter of 2020.

Components of assets and liabilities of discontinued operations and other assets held for sale:

	As of December 31,[a]	
(MILLIONS)	**2021**	2020
Current assets of discontinued operations and other assets held for sale—*Other current assets*	**$ 25**	$ 215
Property, plant and equipment	**$ —**	$ 155
Identifiable intangible assets	**—**	134
Other noncurrent assets	**—**	29
Noncurrent assets of discontinued operations—*Other noncurrent assets*	**$ —**	$ 319
Current liabilities of discontinued operations—*Other current liabilities*	**$ —**	$ 74
Noncurrent liabilities of discontinued operations—*Other noncurrent liabilities*	**$ —**	$ 16

[a] Amounts as of December 31, 2021 represent property, plant and equipment held for sale. Amounts as of December 31, 2020 primarily relate to discontinued operations of our former Meridian subsidiary and the Mylan-Japan collaboration.

C. Equity-Method Investments

Formation of Consumer Healthcare JV

On July 31, 2019, we completed a transaction in which we and GSK combined our respective consumer healthcare businesses into a new JV that operates globally under the GSK Consumer Healthcare name. In exchange, we received a 32% equity stake in the new company and GSK owns the remaining 68%. Upon closing, we deconsolidated our Consumer Healthcare business and recognized a pre-tax gain of $8.1 billion ($5.4 billion, net of tax) in the third quarter of 2019 in *(Gain) on completion of Consumer Healthcare JV transaction* for the difference in the fair value of our 32% equity stake and the carrying value of our Consumer Healthcare business. Our financial results and our Consumer Healthcare segment's operating results for 2019 reflect seven months of Consumer Healthcare segment domestic operations and eight months of Consumer Healthcare segment international operations. The financial results for 2021 and 2020 do not reflect any contribution from the Consumer Healthcare business.

In valuing our investment in the Consumer Healthcare JV, we used discounted cash flow techniques. 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 or regulatory forces on the products; the long-term growth rate, which seeks to project the sustainable growth rate over the long term; the discount rate, which seeks to reflect our best estimate of 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.

We are accounting for our interest in the Consumer Healthcare JV as an equity-method investment. The carrying value of our investment in the Consumer Healthcare JV is $16.3 billion as of December 31, 2021 and $16.7 billion as of December 31, 2020 and is reported as a private equity investment in *Equity-method investments* as of December 31, 2021 and 2020. The Consumer Healthcare JV is a foreign investee whose reporting currency is the U.K. pound, and therefore we translate its financial statements into U.S. dollars and recognize the impact of foreign currency translation adjustments in the carrying value of our investment and in other comprehensive income. The decrease in the value of our investment from December 31, 2020 to December 31, 2021 is primarily due to dividends totaling $499 million, as well as $384 million in pre-tax foreign currency translation adjustments (see *Note 6*), partially offset by our share of the JV's earnings. We record our share of earnings from the Consumer Healthcare JV on a quarterly basis on a one-quarter lag in *Other (income)/deductions—net* commencing from August 1, 2019. Our total share of the JV's earnings generated in the fourth quarter of 2020 and the first nine months of 2021, which we recorded in our operating results in 2021, was $495 million. Our total share of the JV's earnings generated in the fourth quarter of 2019 and the first nine months of 2020, which we recorded in our operating results in 2020, was $417 million. Our total share of two months of the JV's earnings generated in the third quarter of 2019, which we recorded in our operating results in the fourth quarter of 2019, was $47 million. As of the July 31, 2019 closing date, we estimated that the fair value of our investment in the Consumer Healthcare JV was $15.7 billion and that 32% of the underlying equity in the carrying value of the net assets of the Consumer Healthcare JV was $11.2 billion, resulting in an initial basis difference of approximately $4.5 billion. In the fourth quarter of 2019, we preliminarily completed the allocation of the basis difference, which resulted from the excess of the initial fair value of our investment over the underlying equity in the carrying value of the net assets of the JV, primarily to inventory, definite-lived intangible assets, indefinite-lived intangible assets, related deferred tax liabilities and equity method goodwill within the investment account. During the fourth quarter of 2019, the Consumer Healthcare JV revised the initial carrying value of the net assets of the JV and our 32% share of the underlying equity in the carrying value of the net assets of the Consumer Healthcare JV was reduced to $11.0 billion and our initial basis difference was increased to $4.8 billion. The adjustment was allocated to equity method goodwill within the investment account. We began recording the amortization of basis differences allocated to inventory, definite-lived intangible assets and related deferred tax liabilities in *Other (income)/deductions—net* commencing August 1, 2019. The total amortization and adjustment of basis differences resulting from the excess of the initial fair value of our investment over the underlying equity in the carrying value of the net assets of the JV is included in *Other (income)/deductions—net* and was not material to our results of operations in the periods presented. See *Note 4.* Amortization of basis differences on inventory and related deferred tax liabilities was completely recognized by the second quarter of 2020. Basis differences on definite-lived intangible assets and related deferred tax liabilities are being amortized over the lives of the underlying assets, which range from 8 to 20 years.

As a part of Pfizer in 2019, pre-tax income on a management basis for the Consumer Healthcare business was $654 million through July 31, 2019.

Summarized financial information for our equity method investee, the Consumer Healthcare JV, as of September 30, 2021, the most recent period available, and as of September 30, 2020 and for the periods ending September 30, 2021, 2020, and 2019 is as follows:

(MILLIONS)	September 30, 2021	September 30, 2020
Current assets	**$ 6,890**	$ 6,614
Noncurrent assets	**39,445**	38,361
Total assets	**$ 46,335**	$ 44,975
Current liabilities	**$ 5,133**	$ 5,246
Noncurrent liabilities	**5,218**	5,330
Total liabilities	**$ 10,351**	$ 10,576
Equity attributable to shareholders	**$ 35,705**	$ 34,154
Equity attributable to noncontrolling interests	**279**	245
Total net equity	**$ 35,984**	$ 34,400

	For the Twelve Months Ending		For the Two Months Ending
(MILLIONS)	September 30, 2021	September 30, 2020	September 30, 2019
Net sales	**$ 12,836**	$ 12,720	$ 2,161
Cost of sales	**(4,755)**	(5,439)	(803)
Gross profit	**$ 8,081**	$ 7,281	$ 1,358
Income from continuing operations	**1,614**	1,350	152
Net income	**1,614**	1,350	152
Income attributable to shareholders	**1,547**	1,307	148

Investment in ViiV

In 2009, we and GSK created ViiV, which is focused on research, development and commercialization of human immunodeficiency virus (HIV) medicines. We own approximately 11.7% of ViiV, and prior to 2016 we accounted for our investment under the equity method due to the significant influence that we have over the operations of ViiV through our board representation and minority veto rights. We suspended application of the equity method to our investment in ViiV in 2016 when the carrying value of our investment was reduced to zero due to the recognition of cumulative equity method losses and dividends. Since 2016, we have recognized dividends from ViiV as income in *Other (income)/deductions—net* when earned, including dividends of $166 million in 2021, $278 million in 2020 and $220 million in 2019 (see *Note 4*).

Summarized financial information for our equity method investee, ViiV, as of December 31, 2021 and 2020 and for the years ending December 31, 2021, 2020, and 2019 is as follows:

	As of December 31,	
(MILLIONS)	**2021**	2020
Current assets	**$ 3,608**	$ 3,283
Noncurrent assets	**3,563**	3,381
Total assets	**$ 7,171**	$ 6,664
Current liabilities	**$ 3,497**	$ 3,028
Noncurrent liabilities	**6,536**	6,370
Total liabilities	**$ 10,033**	$ 9,398
Total net equity/(deficit) attributable to shareholders	**$ (2,862)**	$ (2,734)

	Year Ended December 31,		
(MILLIONS)	**2021**	2020	2019
Net sales	**$ 6,380**	$ 6,224	$ 6,139
Cost of sales	**(682)**	(574)	(516)
Gross profit	**$ 5,698**	$ 5,650	$ 5,623
Income from continuing operations	**2,040**	2,012	3,398
Net income	**2,040**	2,012	3,398
Income attributable to shareholders	**2,040**	2,012	3,398

D. Licensing Arrangements

Agreement with Valneva

On April 30, 2020, we signed an agreement to co-develop and commercialize Valneva's Lyme disease vaccine candidate, VLA15, which covers six serotypes that are prevalent in North America and Europe. Valneva and Pfizer will work closely together throughout the development of VLA15. Valneva is eligible to receive a total of up to $308 million in cash payments from us consisting of a $130 million upfront payment, which was paid and recorded in *Research and development expenses* in our second quarter of 2020, as well as $35 million in development milestones and $143 million in early commercialization milestones. Under the terms of the agreement, Valneva will fund 30% of all development costs through completion of the development program, and in return we will pay Valneva tiered royalties. We will lead late-stage development and have sole control over commercialization.

Agreement with Akcea

On October 4, 2019, we entered into a worldwide exclusive licensing agreement for AKCEA-ANGPTL3-LRx, an investigational antisense therapy being developed to treat patients with certain cardiovascular and metabolic diseases, with Akcea, a wholly-owned subsidiary of Ionis. The transaction closed in November 2019 and we made an upfront payment of $250 million to Akcea, which was recorded in *Research and development expenses* in our fourth quarter of 2019. On January 31, 2022, we and Ionis announced the discontinuation of the Pfizer-led clinical development program for the licensed product and that we would be returning the rights to the licensed product to Ionis.

E. Collaborative Arrangements

We enter into collaborative arrangements with respect to in-line medicines, as well as medicines in development that require completion of research and regulatory approval. Collaborative arrangements are contractual agreements with third parties that involve a joint operating activity, typically a research and/or commercialization effort, where both we and our partner are active participants in the activity and are exposed to the significant risks and rewards of the activity. Our rights and obligations under our collaborative arrangements vary. For example, we have agreements to co-promote pharmaceutical products discovered by us or other companies, and we have agreements where we partner to co-develop and/or participate together in commercializing, marketing, promoting, manufacturing and/or distributing a drug product.

Collaboration with Beam

On December 24, 2021, we entered into a multi-year research collaboration with Beam to utilize Beam's in vivo base editing programs, which use mRNA and lipid nanoparticles, for three targets for rare genetic diseases of the liver, muscle and central nervous system. Under the terms of the agreement, Beam conducts all research activities through development candidate selection for three undisclosed targets, which are not included in Beam's existing programs, and we may opt in to obtain exclusive licenses to each development candidate. Beam has a right to opt in, at the end of phase 1/2 studies, upon the payment by Beam of an option exercise fee, to a global co-development and co-commercialization agreement with respect to one program licensed under the collaboration pursuant to which we and Beam would share net profits as well as development and commercialization costs in a 65%/35% ratio (Pfizer/Beam). Upon entering into the agreement, we recorded $300 million in *Research and development expenses* in the fourth quarter of 2021 for an upfront payment due to Beam, and if we exercise our opt in to licenses for all three targets, Beam would be eligible for up to an additional $1.05 billion in development, regulatory and commercial milestone payments for a potential total deal consideration of up to $1.35 billion. Beam is also eligible to receive royalties on global net sales for each licensed program.

Collaboration with Arvinas

On July 21, 2021, we entered into a global collaboration with Arvinas to develop and commercialize ARV-471, an investigational oral PROTAC® (PROteolysis TArgeting Chimera) estrogen receptor protein degrader. The estrogen receptor is a well-known disease driver in most breast cancers. In connection with the agreement, we made an upfront cash payment of $650 million to Arvinas and we made a $350 million equity investment in the common stock of Arvinas. We recognized $706 million for the upfront payment and a premium paid on our equity investment in *Research and development expenses* in our third quarter of 2021. Arvinas is also eligible to receive up to $400 million in approval milestones and up to $1 billion in commercial milestones. The companies will equally share worldwide development costs, commercialization expenses and profits. As of December 31, 2021, we held a 6.5% equity stake of Arvinas.

Collaboration with Myovant

On December 26, 2020, we entered into a collaboration with Myovant to jointly develop and commercialize Orgovyx (relugolix) in advanced prostate cancer and Myfembree (relugolix 40 mg, estradiol 1.0 mg, and norethindrone acetate 0.5 mg) in women's health in the U.S. and Canada. We also received an exclusive option to commercialize relugolix in oncology outside the U.S. and Canada, excluding certain Asian countries, which we declined to exercise. Under the terms of the agreement, the companies will equally share profits and allowable expenses for Orgovyx and Myfembree in the U.S. and Canada, with Myovant bearing our share of allowable expenses up to a maximum of $100 million in 2021 and up to a maximum of $50 million in 2022. We record our share of gross profits as Alliance revenue. Myovant remains responsible for regulatory interactions and drug supply and continues to lead clinical development for Myfembree. Myovant is entitled to receive up to $4.35 billion, including an upfront payment of $650 million, which was made in December 2020, $200 million in potential regulatory milestones for FDA approvals for Myfembree in women's health, of which $100 million was paid to Myovant in July 2021 and recognized as *Identifiable intangible assets—Developed technology rights*, and tiered sales milestones of up to $3.5 billion in total for prostate cancer and for the combined women's health indications. In connection with this transaction, in 2020 we recognized $499 million in *Identifiable intangible assets—Developed technology rights* and $151 million in *Research and development expenses* representing the relative fair value of the portion of the upfront payment allocated to the approved indication and unapproved indications of the product, respectively.

Collaboration with CStone

On September 29, 2020, we entered into a strategic collaboration with CStone to address oncological needs in China. The collaboration encompasses our $200 million upfront equity investment in CStone, the development and commercialization of CStone's sugemalimab (CS1001, PD-L1 antibody) in mainland China, and a framework between the companies to bring additional oncology assets to the Greater China market. The transaction closed on October 9, 2020. As of December 31, 2021, we held a 9.8% equity stake of CStone.

Collaborations with BioNTech

On December 30, 2021, we entered into a new research, development and commercialization agreement to develop a potential first mRNA-based vaccine for the prevention of shingles (herpes zoster virus) based on BioNTech's proprietary mRNA technology and our antigen technology. Under the terms of the agreement, we agreed to pay BioNTech $225 million, including an upfront cash payment of $75 million and an equity investment of $150 million. BioNTech is eligible to receive future regulatory and sales milestone payments of up to $200 million. In return, BioNTech agreed to pay us $25 million for our proprietary antigen technology. The net upfront payment to BioNTech was recorded to *Research and development expenses* in our fourth quarter of 2021. We and BioNTech will share development costs. We will have commercialization rights to the potential vaccine worldwide, excluding Germany, Turkey and certain developing countries where BioNTech will have commercialization rights. We and BioNTech will share gross profits from commercialization of any product.

On April 9, 2020, we signed a global agreement with BioNTech to co-develop a mRNA-based coronavirus vaccine program, BNT162b2, aimed at preventing COVID-19 infection. In connection with the April 2020 agreement, we made an upfront cash payment of $72 million and an equity investment in the common stock of BioNTech of $113 million. We recognized $98 million for the upfront payment and a premium paid on the equity investment in *Research and development expenses* in our second quarter of 2020. BioNTech became eligible to receive potential milestone payments of up to $563 million for a total consideration of $748 million. Under the terms of this agreement, we and BioNTech share gross profits and development costs equally after approval and successful commercialization of the vaccine, and we were responsible for all of

the development costs until commercialization of the vaccine. Thereafter, BioNTech was to repay us its 50 percent share of these development costs through reductions in gross profit sharing and milestone payments to BioNTech over time. On January 29, 2021, we and BioNTech signed an amended version of the April 2020 agreement. Under the January 2021 agreement, BioNTech paid us their 50 percent share of prior development costs in a lump sum payment during the first quarter of 2021. Further R&D costs are being shared equally. We have commercialization rights to the vaccine worldwide, excluding Germany and Turkey where BioNTech markets and distributes the vaccine under the agreement with us, and excluding China, Hong Kong, Macau and Taiwan, which are subject to a separate collaboration between BioNTech and Shanghai Fosun Pharmaceutical (Group) Co., Ltd. We recognize *Revenues* and *Cost of sales* on a gross basis in markets where we are commercializing the vaccine and we record our share of gross profits related to sales of the vaccine by BioNTech in Germany and Turkey in Alliance revenues.

We made an additional investment of $50 million in common stock of BioNTech as part of an underwritten equity offering by BioNTech, which closed in July 2020. As of December 31, 2021, we held an equity stake of 2.5% of BioNTech.

Summarized Financial Information for Collaborative Arrangements

The following provides the amounts and classification of payments (income/(expense)) between us and our collaboration partners:

	Year Ended December 31,		
(MILLIONS)	**2021**	2020	2019
Revenues—Revenues[a]	**$ 590**	$ 284	$ 305
Revenues—Alliance revenues[b]	**7,652**	5,418	4,648
Total revenues from collaborative arrangements	**$ 8,241**	$ 5,703	$ 4,953
Cost of sales[c]	**$ (16,169)**	$ (61)	$ (52)
Selling, informational and administrative expenses[d]	**(175)**	(194)	(176)
Research and development expenses[e]	**(742)**	(192)	104
Other income/(deductions)—net[f]	**820**	567	362

[a] Represents sales to our partners of products manufactured by us.

[b] Substantially all relates to amounts earned from our partners under co-promotion agreements. The increase in 2021 reflects increases in alliance revenues from Comirnaty, Eliquis and Xtandi, while the increase in 2020 reflects increases in alliance revenues from Eliquis and Xtandi.

[c] Primarily relates to amounts paid to collaboration partners for their share of net sales or profits earned in collaboration arrangements where we are the principal in the transaction, and cost of sales for inventory purchased from our partners. The increase in 2021 is primarily related to Comirnaty.

[d] Represents net reimbursements to our partners for selling, informational and administrative expenses incurred.

[e] Primarily relates to upfront payments and pre-approval milestone payments earned by our partners as well as net reimbursements.

[f] Primarily relates to royalties from our collaboration partners.

The amounts outlined in the above table do not include transactions with third parties other than our collaboration partners, or other costs for the products under the collaborative arrangements.

Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/ Productivity Initiatives

In 2019, we substantially completed several multi-year initiatives focused on positioning us for future growth and creating a simpler, more efficient operating structure within each business.

A. Transforming to a More Focused Company Program

With the formation of the Consumer Healthcare JV in 2019 and the spin-off of our Upjohn Business in the fourth quarter of 2020, Pfizer has transformed into a more focused, global leader in science-based innovative medicines and vaccines. We have undertaken efforts to ensure our cost base and support model align appropriately with our new operating structure. While certain direct costs

transferred to the Consumer Healthcare JV and to the Upjohn Business in connection with the spin-off, there are indirect costs which did not transfer. This program is primarily composed of the following three initiatives:

- We are taking steps to restructure our corporate enabling functions to appropriately support our business, R&D and PGS platform functions. We expect costs, primarily related to restructuring our corporate enabling functions, to total $1.6 billion, with substantially all costs to be cash expenditures. Actions include, among others, changes in location of certain activities, expanded use and co-location of centers of excellence and shared services, and increased use of digital technologies. The associated actions and the specific costs will primarily include severance and benefit plan impacts, exit costs as well as associated implementation costs.
- In addition, we are transforming our commercial go-to market model in the way we engage patients and physicians. We expect costs of $1.1 billion, with substantially all costs to be cash expenditures. Actions include, among others, centralization of certain activities and enhanced use of digital technologies. The costs for this effort primarily include severance and associated implementation costs.
- We are also optimizing our manufacturing network under this program and incurring one-time costs for cost-reduction initiatives related to our manufacturing operations. We expect to incur costs of $800 million, with approximately 25% of the costs to be non-cash. The costs for this effort include, among other things, severance costs, implementation costs, product transfer costs, site exit costs, as well as accelerated depreciation.

The program costs discussed above are expected to be incurred primarily from 2020 through 2022, and may be rounded and represent approximations.

From the start of this program in the fourth quarter of 2019 through December 31, 2021, we incurred costs of $2.2 billion, of which $856 million is associated with Biopharma ($712 million in 2021, $79 million in 2020 and $64 million in 2019).

B. Key Activities

In 2021 and 2020, we incurred costs of $1.3 billion and $838 million, respectively, composed primarily of the Transforming to a More Focused Company program. In 2019, we incurred costs of $820 million composed of $548 million for the 2017-2019 and Organizing for Growth initiatives, $288 million for the integration of Array, $94 million for the integration of Hospira, and $87 million for the Transforming to a More Focused Company program, partially offset by income of $197 million, primarily due to the reversal of certain accruals upon the effective favorable settlement of an IRS audit for multiple tax years and other acquisition-related initiatives.

The following summarizes acquisitions and cost-reduction/productivity initiatives costs and credits:

	Year Ended December 31,		
(MILLIONS)	**2021**	2020	2019
Restructuring charges/(credits):			
Employee terminations	**$ 680**	$ 474	$ 108
Asset impairments	**53**	66	69
Exit costs/(credits)	**8**	(6)	50
Restructuring charges/(credits)[a]	**741**	535	227
Transaction costs[b]	**20**	10	63
Integration costs and other[c]	**41**	34	311
Restructuring charges and certain acquisition-related costs	**802**	579	601
Net periodic benefit costs/(credits) recorded in *Other (income)/deductions—net*[d]	**(63)**	3	23
Additional depreciation—asset restructuring recorded in our consolidated statements of income as follows[e]:			
Cost of sales	**63**	21	29
Selling, informational and administrative expenses	**23**	—	3
Research and development expenses	**—**	(3)	8
Total additional depreciation—asset restructuring	**87**	17	40
Implementation costs recorded in our consolidated statements of income as follows[f]:			
Cost of sales	**45**	40	61
Selling, informational and administrative expenses	**426**	197	73
Research and development expenses	**1**	1	22
Total implementation costs	**472**	238	156
Total costs associated with acquisitions and cost-reduction/productivity initiatives	**$ 1,298**	$ 838	$ 820

[a] Represents acquisition-related costs ($9 million credit in 2021 and $192 million credit in 2019) and cost reduction initiatives ($750 million charge in 2021, $535 million charge in 2020, and $418 million charge in 2019). 2021 and 2020 charges mainly represent employee termination costs for our Transforming to a More Focused Company cost-reduction program. 2019 restructuring charges mainly represent employee termination costs for cost-reduction and productivity initiatives, partially offset by the reversal of certain accruals related to our acquisition of Wyeth upon the effective favorable settlement of an IRS audit for multiple tax years (see *Note 5B*). The employee termination costs for 2019 were primarily for our improvements to operational effectiveness as part of the realignment of our business structure, and also included employee termination costs for the Transforming to a More Focused Company cost-reduction program.

[b] Represents external costs for banking, legal, accounting and other similar services.

[c] Represents external, incremental costs directly related to integrating acquired businesses, such as expenditures for consulting and the integration of systems and processes, and certain other qualifying costs. 2021 costs primarily related to our acquisition of Trillium. 2020 costs primarily related to

our acquisition of Array. 2019 costs mainly related to our acquisitions of Array, including $157 million in payments to Array employees for the fair value of previously unvested stock options that was recognized as post-closing compensation expense (see *Note 2A*), and Hospira.

[d] Amounts include the impact of a change in accounting principle. See *Note 1C*.

[e] Represents the impact of changes in the estimated useful lives of assets involved in restructuring actions.

[f] Represents external, incremental costs directly related to implementing our non-acquisition-related cost-reduction/productivity initiatives.

The following summarizes the components and changes in restructuring accruals:

(MILLIONS)	Employee Termination Costs	Asset Impairment Charges	Exit Costs	Accrual
Balance, January 1, 2020	$ 770	$ —	$ 46	$ 816
Provision	474	66	(6)	535
Utilization and other[a]	(462)	(66)	(25)	(554)
Balance, December 31, 2020[b]	782	—	15	798
Provision	**680**	**53**	**8**	**741**
Utilization and other[a]	**(449)**	**(53)**	**34**	**(468)**
Balance, December 31, 2021[c]	**$ 1,014**	**$ —**	**$ 57**	**$ 1,071**

[a] Includes adjustments for foreign currency translation.

[b] Included in *Other current liabilities* ($628 million) and *Other noncurrent liabilities* ($169 million).

[c] Included in *Other current liabilities* ($816 million) and *Other noncurrent liabilities* ($255 million).

Note 4. Other (Income)/Deductions—Net

Components of *Other (income)/deductions—net* include:

	Year Ended December 31,		
(MILLIONS)	**2021**	2020	2019
Interest income	**$ (36)**	$ (73)	$ (225)
Interest expense[a]	**1,291**	1,449	1,573
Net interest expense	**1,255**	1,376	1,348
Royalty-related income	**(857)**	(770)	(646)
Net (gains)/losses on asset disposals	**(99)**	237	(32)
Net (gains)/losses recognized during the period on equity securities[b]	**(1,344)**	(540)	(454)
Income from collaborations, out-licensing arrangements and sales of compound/ product rights[c]	**(396)**	(326)	(168)
Net periodic benefit costs/(credits) other than service costs[d]	**(2,547)**	311	305
Certain legal matters, net[e]	**182**	28	292
Certain asset impairments[f]	**86**	1,691	2,792
Business and legal entity alignment costs[g]	**—**	—	300
Consumer Healthcare JV equity method (income)/loss[h]	**(471)**	(298)	(17)
Other, net[i]	**(687)**	(491)	(224)
Other (income)/deductions—net	**$ (4,878)**	$ 1,219	$ 3,497

[a] Capitalized interest totaled $108 million in 2021, $96 million in 2020 and $88 million in 2019.

[b] 2021 gains include, among other things, unrealized gains of $1.6 billion related to investments in BioNTech and Cerevel. 2020 gains included, among other things, unrealized gains of $405 million related to investments in BioNTech and SpringWorks Therapeutics, Inc. (SpringWorks). 2019 gains included, among other things, unrealized gains of $295 million related to investments in Cortexyme, Inc. and SpringWorks.

[c] 2021 includes, among other things, $188 million of net collaboration income from BioNTech related to the COVID-19 vaccine and $97 million of milestone income from multiple licensees. 2020 included, among other things, (i) a $75 million upfront payment received from our sale of our CK1 assets to Biogen, (ii) $40 million of milestone income from Puma Biotechnology, Inc. related to Neratinib regulatory approvals in the EU, (iii) $30 million of milestone income from Lilly related to the first commercial sale in the U.S. of LOXO-292 for the treatment of RET fusion-positive NSCLC and (iv) $108 million in milestone income from multiple licensees. 2019 included, among other things, $78 million in milestone income from Mylan Pharmaceuticals Inc. related to the FDA's approval and launch of Wixela Inhub®, a generic of Advair Diskus®(fluticasone propionate and salmeterol inhalation powder) and $52 million in milestone income from multiple licensees.

[d] Amounts include the impact of a change in accounting principle. See *Notes 1C* and *11*. In 2019, other non-service cost components' activity related to the Consumer Healthcare JV transaction, such as gain on settlements, were recorded in *(Gain) on completion of Consumer Healthcare JV transaction.*

[e] Includes legal reserves for certain pending legal matters.

[f] 2020 represents intangible asset impairment charges associated with our Biopharma segment: (i) $900 million related to IPR&D assets for unapproved indications of certain cancer medicines, acquired in our Array acquisition, and reflected, among other things, updated commercial forecasts; (ii) $528 million related to Eucrisa, a finite-lived developed technology right acquired in our Anacor acquisition, and reflected updated commercial forecasts mainly reflecting competitive pressures; and (iii) $263 million related to finite-lived developed technology rights for certain generic sterile injectables acquired in our Hospira acquisition, and reflected updated commercial forecasts mainly reflecting competitive pressures. 2019 primarily included intangible asset impairment charges of $2.8 billion, mainly composed of $2.6 billion, related to Eucrisa, and reflected updated commercial forecasts mainly reflecting competitive pressures.

[g] Mainly represents incremental costs for the design, planning and implementation of our then new business structure, effective in the beginning of 2019, and primarily includes consulting, legal, tax and other advisory services.

[h] See *Note 2C*.

[i] 2021 includes, among other things, (i) income net of costs associated with TSAs of $288 million; (ii) dividend income of $166 million from our investment in ViiV and (iii) charges of $142 million, reflecting the change in the fair value of contingent consideration. 2020 included, among other things, (i) dividend income of $278 million from our investment in ViiV; (ii) income net of costs associated with TSAs of $114 million and (iii) charges of $105 million, reflecting the change in the fair value of contingent consideration. 2019 included, among other things, (i) dividend income of $220 million from our investment in ViiV; (ii) charges of $152 million for external incremental costs, such as transaction costs and costs to separate our Consumer Healthcare business into a separate legal entity, associated with the formation of the Consumer Healthcare JV; and (iii) net losses on early retirement of debt of $138 million.

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

Note 5. Tax Matters

A. Taxes on Income from Continuing Operations

Components of *Income from continuing operations before provision/(benefit) for taxes on income* include:

	Year Ended December 31,		
(MILLIONS)	**2021**	2020	2019
United States	**$ 6,064**	$ (2,887)	$ 7,332
International	**18,247**	9,924	3,988
Income from continuing operations before provision/(benefit) for taxes on income[a], [b]	**$ 24,311**	$ 7,036	$ 11,321

(a) 2021 v. 2020—The domestic income in 2021 versus domestic loss in 2020 was mainly related to Comirnaty income, lower asset impairment charges, net periodic benefit credits in 2021 versus net periodic benefit costs in 2020 and higher net gains from equity securities, partially offset by higher R&D expenses. The increase in the international income was primarily related to Comirnaty income, net periodic benefit credits in 2021 versus net periodic benefit costs in 2020 and lower asset impairment charges.

(b) 2020 v. 2019—The domestic loss in 2020 versus domestic income in 2019 was mainly related to the non-recurrence of the gain on the completion of the Consumer Healthcare JV transaction as well as higher asset impairment charges and higher R&D expenses. The increase in the international income was primarily related to the non-recurrence of the write off of assets contributed to the Consumer Healthcare JV as well as lower asset impairment charges and lower amortization of intangible assets.

Components of *Provision/(benefit) for taxes on income* based on the location of the taxing authorities include:

	Year Ended December 31,		
(MILLIONS)	**2021**	2020	2019
United States			
Current income taxes:			
Federal	**$ 3,342**	$ 372	$ (1,887)
State and local	**34**	56	(186)
Deferred income taxes:			
Federal	**(3,850)**	(1,164)	1,254
State and local	**(491)**	(131)	276
Total U.S. tax benefit	**(964)**	(867)	(543)
TCJA			
Current income taxes	**—**	—	(135)
Deferred Income taxes	**—**	—	(187)
Total TCJA tax benefit	**—**	—	(323)
International			
Current income taxes	**2,769**	1,517	2,418
Deferred income taxes	**48**	(279)	(969)
Total international tax provision	**2,816**	1,237	1,449
Provision/(benefit) for taxes on income	**$ 1,852**	$ 370	$ 583

Amounts discussed below are rounded to the nearest hundred million and represent approximations.

We elected, with the filing of our 2018 U.S. Federal Consolidated Income Tax Return, to pay our initial estimated $15 billion repatriation tax liability on accumulated post-1986 foreign earnings over eight years through 2026. The third annual installment of this liability was paid by its April 15, 2021 due date. The fourth annual installment is due April 18, 2022 and is reported in current *Income taxes payable* as of December 31, 2021. The remaining liability is reported in noncurrent *Other taxes payable.* Our obligations may vary as a result of changes in our uncertain tax positions and/or availability of attributes such as foreign tax and other credit carryforwards.

The changes in *Provision/(benefit) for taxes on income* impacting the effective tax rate year-over-year are summarized below:

2021 v. 2020

The higher effective tax rate in 2021 was mainly the result of:

- the change in the jurisdictional mix of earnings primarily related to Comirnaty; and
- lower tax benefits related to the impairment of intangible assets,

partially offset by:

- certain initiatives executed in the third quarter of 2021 associated with our investment in the Consumer Healthcare JV with GSK based on estimates and assumptions that we believe to be reasonable.

2020 v. 2019

The higher effective tax rate in 2020 was mainly the result of:

- the non-recurrence of the $1.4 billion tax benefits, representing taxes and interest, recorded in 2019 due to the favorable settlement of an IRS audit for multiple tax years;
- the non-recurrence of the tax benefits related to certain tax initiatives associated with the implementation of our then new business structure; and
- the non-recurrence of the tax benefits recorded in 2019 as a result of additional guidance issued by the U.S. Department of Treasury related to the TCJA, as well as:
- lower tax benefits related to the impairment of intangible assets,

partially offset by:

- the non-recurrence of the tax expense of $2.7 billion recorded in the third quarter of 2019 associated with the gain on the completion of the Consumer Healthcare JV transaction; and
- the favorable change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business.

In all years, federal, state and international net tax liabilities assumed or established as part of a business acquisition are not included in *Provision/(benefit) for taxes on income* (see *Note 2A*).

B. Tax Rate Reconciliation

The reconciliation of the U.S. statutory income tax rate to our effective tax rate for *Income from continuing operations* follows:

	Year Ended December 31,		
	2021	2020	2019
U.S. statutory income tax rate	**21.0 %**	21.0 %	21.0 %
TCJA impact[a]	**—**	—	(2.9)
Taxation of non-U.S. operations [b], [c]	**(4.3)**	(9.9)	(4.7)
Tax settlements and resolution of certain tax positions[a]	**(0.4)**	(2.7)	(14.0)
Completion of Consumer Healthcare JV transaction[a]	**—**	—	8.3
Certain Consumer Healthcare JV initiatives[a]	**(6.0)**	—	—
U.S. R&D tax credit	**(0.5)**	(1.4)	(0.8)
Interest[d]	**0.4**	1.1	0.6
All other, net[e]	**(2.6)**	(2.8)	(2.3)
Effective tax rate for income from continuing operations	**7.6 %**	5.3 %	5.2 %

[a] See *Note 5A.*

[b] For taxation of non-U.S. operations, this rate impact reflects the income tax rates and relative earnings in the locations where we do business outside the U.S., together with the U.S. tax cost on our international operations, changes in uncertain tax positions not included in the reconciling item called “Tax settlements and resolution of certain tax positions,” as well as changes in valuation allowances. Specifically: (i) the jurisdictional location of earnings is a significant component of our effective tax rate each year, and the rate impact of this component is influenced by the specific location of non-U.S. earnings and the level of such earnings as compared to our total earnings; (ii) the U.S. tax implications of our foreign operations is a significant component of our effective tax rate each year and generally offsets some of the reduction to our effective tax rate each year resulting from the jurisdictional location of earnings; (iii) the impact of certain tax initiatives; and (iv) the impact of changes in uncertain tax positions not included in the reconciling item called “Tax settlements and resolution of certain tax positions” is a component of our effective tax rate each year that can result in either an increase or decrease to our effective tax rate. The jurisdictional mix of earnings, which includes the impact of the location of earnings as well as the U.S. tax cost on our international operations, can vary as a result of operating fluctuations in the normal course of business and as a result of the extent and location of other income and expense items, such as restructuring charges, asset impairments and gains and losses on strategic business decisions. See also *Note 5A* for the components of pre-tax income and *Provision/(benefit) for taxes on income,* which is based on the location of the taxing authorities, and for information about settlements and other items impacting *Provision/(benefit) for taxes on income*.

[c] In all years, the reduction in our effective tax rate is a result of the jurisdictional location of earnings and is largely due to lower tax rates in certain jurisdictions, as well as manufacturing and other incentives for our subsidiaries in Singapore and, to a lesser extent, in Puerto Rico. We benefit from Puerto Rican tax incentives pursuant to a grant that expires during 2029. Under such grant, we are partially exempt from income, property and municipal taxes. In Singapore, we benefit from incentive tax rates effective through 2047 on income from manufacturing and other operations.

[d] Includes changes in interest related to our uncertain tax positions not included in the reconciling item called “Tax settlements and resolution of certain tax positions”.

[e] All other, net is primarily due to routine business operations.

C. Deferred Taxes

Components of our deferred tax assets and liabilities, shown before jurisdictional netting, follow:

	2021 Deferred Tax*		2020 Deferred Tax*	
(MILLIONS)	Assets	(Liabilities)	Assets	(Liabilities)
Prepaid/deferred items[a]	**$ 4,086**	**$ (456)**	$ 3,114	$ (336)
Inventories	**408**	**(56)**	276	(25)
Intangible assets[b]	**1,778**	**(4,577)**	793	(5,355)
Property, plant and equipment[c]	**117**	**(1,647)**	211	(1,220)
Employee benefits[d]	**1,594**	**(178)**	1,981	(124)
Restructurings and other charges	**303**	**—**	291	—
Legal and product liability reserves	**373**	**—**	382	—
Net operating loss/tax credit carryforwards[e]	**1,431**	**—**	1,761	—
Unremitted earnings	**—**	**(45)**	—	(46)
State and local tax adjustments	**197**	**—**	171	—
Investments[f]	**70**	**(689)**	130	(3,545)
All other	**89**	**(68)**	80	(76)
	10,446	**(7,714)**	9,190	(10,726)
Valuation allowances	**(1,462)**	**—**	(1,586)	—
Total deferred taxes	**$ 8,983**	**$ (7,714)**	$ 7,604	$ (10,726)
Net deferred tax asset/(liability)[g]	**$ 1,269**			$ (3,123)

* The deferred tax assets and liabilities associated with global intangible low-taxed income are included in the relevant categories. See *Note 1Q*.

[a] The increase in net deferred tax assets in 2021 is primarily related to temporary differences associated with Comirnaty royalty accruals and the result of operating lease ROU liabilities recognized during the period.

[b] The increase in the deferred tax assets is primarily due to the acquisition of intangible assets relating to Trillium and the decrease in the 2021 deferred tax liabilities is primarily the result of amortization of intangible assets.

(c) The increase in net deferred tax liabilities in 2021 is primarily the result of operating lease ROU assets recognized during the period. See *Note 15*.

(d) The decrease in net deferred tax assets in 2021 is primarily the result of favorable pension plan asset performance reported in the period. See *Note 11A*.

(e) The amounts in 2021 and 2020 are reduced for unrecognized tax benefits of $3.0 billion and $3.0 billion, respectively, where we have net operating loss carryforwards, similar tax losses, and/or tax credit carryforwards that are available, under the tax law of the applicable jurisdiction, to settle any additional income taxes that would result from the disallowance of a tax position.

(f) The decrease in net deferred tax liabilities in 2021 is primarily due to certain initiatives executed in the third quarter of 2021 associated with our investment in the Consumer Healthcare JV.

(g) In 2021, *Noncurrent deferred tax assets and other noncurrent tax assets* ($1.6 billion), and *Noncurrent deferred tax liabilities* ($0.3 billion). In 2020, *Noncurrent deferred tax assets and other noncurrent tax assets* ($0.9 billion), and *Noncurrent deferred tax liabilities* ($4.1 billion).

We have carryforwards, primarily related to net operating and capital losses, general business credits, foreign tax credits and charitable contributions, which are available to reduce future U.S. federal and/or state, as well as international, income taxes payable with either an indefinite life or expiring at various times from 2022 to 2041. Certain of our U.S. net operating losses and general business credits are subject to limitations under IRC Section 382.

As of December 31, 2021, we have not made a U.S. tax provision on $55.0 billion of unremitted earnings of our international subsidiaries. As these earnings are intended to be indefinitely reinvested overseas, the determination of a hypothetical unrecognized deferred tax liability as of December 31, 2021 is not practicable. The amount of indefinitely reinvested earnings is based on estimates and assumptions and subject to management evaluation, and is subject to change in the normal course of business based on operational cash flow, completion of local statutory financial statements and the finalization of tax returns and audits, among other things. Accordingly, we regularly update our earnings and profits analysis for such events.

D. Tax Contingencies

For a description of our accounting policies associated with accounting for income tax contingencies, see *Note 1Q.*

Uncertain Tax Positions

As tax law is complex and often subject to varied interpretations, it is uncertain whether some of our tax positions will be sustained upon audit. As of December 31, 2021, we had $4.5 billion and as of December 31, 2020, we had $4.3 billion in net unrecognized tax benefits, excluding associated interest.

- Tax assets for uncertain tax positions primarily represent our estimate of the potential tax benefits in one tax jurisdiction that could result from the payment of income taxes in another tax jurisdiction. These potential benefits generally result from cooperative efforts among taxing authorities, as required by tax treaties to minimize double taxation, commonly referred to as the competent authority process. The recoverability of these assets, which we believe to be more likely than not, is dependent upon the actual payment of taxes in one tax jurisdiction and, in some cases, the successful petition for recovery in another tax jurisdiction. As of December 31, 2021, we had $1.5 billion in assets associated with uncertain tax positions. These amounts were included in *Noncurrent deferred tax assets and other noncurrent tax assets* ($1.4 billion) and *Other taxes payable* ($105 million). As of December 31, 2020, we had $1.3 billion in assets associated with uncertain tax positions. These amounts were included in *Noncurrent deferred tax assets and other noncurrent tax assets* ($1.1 billion), *Noncurrent deferred tax liabilities* ($122 million) and *Other taxes payable* ($46 million).
- Substantially all of these unrecognized tax benefits, if recognized, would impact our effective income tax rate.

The reconciliation of the beginning and ending amounts of gross unrecognized tax benefits follows:

(MILLIONS)	**2021**	2020	2019
Balance, beginning	**$ (5,595)**	$ (5,381)	$ (6,259)
Acquisitions	**—**	37	(44)
Divestitures[a]	**—**	265	—
Increases based on tax positions taken during a prior period[b]	**(111)**	(232)	(36)
Decreases based on tax positions taken during a prior period[b], [c]	**103**	64	1,109
Decreases based on settlements for a prior period[d]	**24**	15	100
Increases based on tax positions taken during the current period[b]	**(550)**	(411)	(383)
Impact of foreign exchange	**22**	(72)	25
Other, net[b], [e]	**40**	120	107
Balance, ending[f]	**$ (6,068)**	$ (5,595)	$ (5,381)

[a] For 2020, related to the separation of Upjohn. See *Note 2B*.

[b] Primarily included in *Provision/(benefit) for taxes on income.*

[c] Primarily related to effectively settling certain issues with the U.S. and foreign tax authorities. See *Note 5A*.

[d] Primarily related to cash payments and reductions of tax attributes.

[e] Primarily related to decreases as a result of a lapse of applicable statutes of limitations.

[f] In 2021, included in *Income taxes payable* ($19 million), *Other current assets* ($42 million) *Noncurrent deferred tax assets and other noncurrent tax assets* ($3.0 billion), *Noncurrent deferred tax liabilities* ($5 million) and *Other taxes payable* ($3.0 billion). In 2020, included in *Income taxes payable* ($34 million), *Noncurrent deferred tax assets and other noncurrent tax assets* ($18 million), *Noncurrent deferred tax liabilities* ($3.0 billion) and *Other taxes payable* ($2.5 billion).

- Interest related to our unrecognized tax benefits is recorded in accordance with the laws of each jurisdiction and is recorded primarily in *Provision/(benefit) for taxes on income*. In 2021 and 2020, we recorded net increases in interest of $108 million and $89 million, respectively. In 2019, we recorded a net decrease in interest of $564 million, resulting primarily from a settlement with the IRS. Gross accrued interest totaled $601 million as of December 31, 2021 (reflecting a decrease of $1 million as a result of cash payments) and gross

accrued interest totaled $493 million as of December 31, 2020 (reflecting a decrease of $5 million as a result of cash payments and a decrease of $75 million relating to the separation of Upjohn). In 2021 and 2020, these amounts were substantially all included in *Other taxes payable.* Accrued penalties are not significant. See also *Note 5A.*

Status of Tax Audits and Potential Impact on Accruals for Uncertain Tax Positions

The U.S. is one of our major tax jurisdictions, and we are regularly audited by the IRS. With respect to Pfizer, the IRS has issued Revenue Agent's Reports (RARs) for tax years 2011-2013 and 2014-2015. We are not in agreement with the RARs and are currently appealing certain disputed issues. Tax years 2016-2018 are currently under audit. Tax years 2019-2021 are open, but not under audit. All other tax years are closed. In addition to the open audit years in the U.S., we have open audit years in certain major international tax jurisdictions such as Canada (2013-2021), Europe (2011-2021, primarily reflecting Ireland, the U.K., France, Italy, Spain and Germany), Asia Pacific (2011-2021, primarily reflecting China, Japan and Singapore) and Latin America (1998-2021, primarily reflecting Brazil).

Any settlements or statutes of limitations expirations could result in a significant decrease in our uncertain tax positions. We estimate that it is reasonably possible that within the next 12 months, our gross unrecognized tax benefits, exclusive of interest, could decrease by as much as $75 million, as a result of settlements with taxing authorities or the expiration of the statutes of limitations. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but our estimates of unrecognized tax benefits and potential tax benefits may not be representative of actual outcomes, and variation from such estimates could materially affect our financial statements in the period of settlement or when the statutes of limitations expire, as we treat these events as discrete items in the period of resolution. Finalizing audits with the relevant taxing authorities can include formal administrative and legal proceedings, and, as a result, it is difficult to estimate the timing and range of possible changes related to our uncertain tax positions, and such changes could be significant.

E. Tax Provision/(Benefit) on Other Comprehensive Income/(Loss)

Components of the *Tax provision/(benefit) on other comprehensive income/(loss)* include:

	Year Ended December 31,		
(MILLIONS)	**2021**	2020	2019
Foreign currency translation adjustments, net[(a)]	**$ 43**	$ (119)	$ 260
Unrealized holding gains/(losses) on derivative financial instruments, net	**84**	(88)	83
Reclassification adjustments for (gains)/losses included in net income	**29**	(25)	(125)
	114	(113)	(42)
Unrealized holding gains/(losses) on available-for-sale securities, net	**(44)**	45	—
Reclassification adjustments for (gains)/losses included in net income	**(4)**	(24)	5
	(48)	22	5
Benefit plans: prior service (costs)/credits and other, net	**27**	12	(1)
Reclassification adjustments related to amortization of prior service costs and other, net	**(47)**	(31)	(43)
Reclassification adjustments related to curtailments of prior service costs and other, net	**(17)**	—	(1)
Other	**(1)**	1	—
	(38)	(17)	(45)
Tax provision/(benefit) on other comprehensive income/(loss)	**$ 71**	$ (227)	$ 178

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

Note 6. Accumulated Other Comprehensive Loss, Excluding Noncontrolling Interests

The following summarizes the changes, net of tax, in *Accumulated other comprehensive loss*[a]:

	Net Unrealized Gains/(Losses)			Benefit Plans	
(MILLIONS)	Foreign Currency Translation Adjustments	Derivative Financial Instruments	Available-For-Sale Securities	Prior Service (Costs)/ Credits and Other	Accumulated Other Comprehensive Income/(Loss)
Balance, January 1, 2019	$ (6,075)	$ 167	$ (68)	$ 728	$ (5,249)
Other comprehensive income/(loss)[b]	139	(146)	33	(144)	(118)
Balance, December 31, 2019	(5,936)	20	(35)	584	(5,367)
Other comprehensive income/(loss)[b]	883	(448)	151	(106)	480
Distribution of Upjohn Business[c]	(397)	—	—	(26)	(423)
Balance, December 31, 2020	(5,450)	(428)	116	452	(5,310)
Other comprehensive income/(loss)[b]	**(722)**	**547**	**(336)**	**(75)**	**(587)**
Balance, December 31, 2021	**$ (6,172)**	**$ 119**	**$ (220)**	**$ 377**	**$ (5,897)**

[a] Amounts include the impact of a change in accounting principle. See *Note 1C.*

[b] Amounts do not include foreign currency translation adjustments attributable to noncontrolling interests. Foreign currency translation adjustments include net losses in 2021 and net gains in 2020 and 2019 related to our equity-method investment in the Consumer Healthcare JV (see *Note 2C*), and the impact of our net investment hedging program.

[c] For more information, see *Note 2B.*

Note 7. Financial Instruments

A. Fair Value Measurements

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis and Fair Value Hierarchy, using a Market Approach:

(MILLIONS)	As of December 31, 2021 Total	Level 1	Level 2	As of December 31, 2020 Total	Level 1	Level 2
Financial assets:						
Short-term investments						
Classified as equity securities with readily determinable fair values:						
Money market funds	**$ 5,365**	**$ —**	**$ 5,365**	$ 567	$ —	$ 567
Classified as available-for-sale debt securities:						
Government and agency—non-U.S.	**17,318**	**—**	**17,318**	7,719	—	7,719
Government and agency—U.S.	**4,050**	**—**	**4,050**	982	—	982
Corporate and other	**647**	**—**	**647**	1,008	—	1,008
	22,014	**—**	**22,014**	9,709	—	9,709
Total short-term investments	**27,379**	**—**	**27,379**	10,276	—	10,276
Other current assets						
Derivative assets:						
Interest rate contracts	**4**	**—**	**4**	18	—	18
Foreign exchange contracts	**704**	**—**	**704**	234	—	234
Total other current assets	**709**	**—**	**709**	251	—	251
Long-term investments						
Classified as equity securities with readily determinable fair values[a]	**3,876**	**3,849**	**27**	2,809	2,776	32
Classified as available-for-sale debt securities:						
Government and agency—non-U.S.	**465**	**—**	**465**	6	—	6
Government and agency—U.S.	**6**	**—**	**6**	121	—	121
Corporate and other	**50**	**—**	**50**	—	—	—
	521	**—**	**521**	128	—	128
Total long-term investments	**4,397**	**3,849**	**548**	2,936	2,776	160
Other noncurrent assets						
Derivative assets:						
Interest rate contracts	**16**	**—**	**16**	117	—	117
Foreign exchange contracts	**242**	**—**	**242**	5	—	5
Total derivative assets	**259**	**—**	**259**	122	—	122
Insurance contracts[b]	**808**	**—**	**808**	693	—	693
Total other noncurrent assets	**1,067**	**—**	**1,067**	814	—	814
Total assets	**$ 33,552**	**$ 3,849**	**$ 29,703**	$ 14,278	$ 2,776	$ 11,501
Financial liabilities:						
Other current liabilities						
Derivative liabilities:						
Foreign exchange contracts	**$ 476**	**$ —**	**$ 476**	$ 501	$ —	$ 501
Total other current liabilities	**476**	**—**	**476**	501	—	501
Other noncurrent liabilities						
Derivative liabilities:						
Foreign exchange contracts	**405**	**—**	**405**	599	—	599
Total other noncurrent liabilities	**405**	**—**	**405**	599	—	599
Total liabilities	**$ 881**	**$ —**	**$ 881**	$ 1,100	$ —	$ 1,100

[a] Long-term equity securities of $194 million as of December 31, 2021 and $190 million as of December 31, 2020 were held in restricted trusts for U.S. non-qualified employee benefit plans.

[b] Includes life insurance policies held in restricted trusts for U.S. non-qualified employee benefit plans. The underlying invested assets in these contracts are marketable securities, which are carried at fair value, with changes in fair value recognized in *Other (income)/deductions—net* (see *Note 4*).

Financial Assets and Liabilities Not Measured at Fair Value on a Recurring Basis

The carrying value of Long-term debt, excluding the current portion was $36 billion as of December 31, 2021 and $37 billion as of December 31, 2020. The estimated fair value of such debt, using a market approach and Level 2 inputs, was $42 billion as of December 31, 2021 and $46 billion as of December 31, 2020.

The differences between the estimated fair values and carrying values of held-to-maturity debt securities, private equity securities, long-term receivables and short-term borrowings not measured at fair value on a recurring basis were not significant as of December 31, 2021 and 2020. The fair value measurements of our held-to-maturity debt securities and short-term borrowings are based on Level 2 inputs. The fair value measurements of our long-term receivables and private equity securities are based on Level 3 inputs.

B. Investments

Total Short-Term, Long-Term and Equity-Method Investments

The following summarizes our investments by classification type:

	As of December 31,	
(MILLIONS)	**2021**	2020
Short-term investments		
Equity securities with readily determinable fair values[(a)]	**$ 5,365**	$ 567
Available-for-sale debt securities	**22,014**	9,709
Held-to-maturity debt securities	**1,746**	161
Total Short-term investments	**$ 29,125**	$ 10,437
Long-term investments		
Equity securities with readily determinable fair values	**$ 3,876**	$ 2,809
Available-for-sale debt securities	**521**	128
Held-to-maturity debt securities	**34**	37
Private equity securities at cost[(b)]	**623**	432
Total Long-term investments	**$ 5,054**	$ 3,406
Equity-method investments	**16,472**	16,856
Total long-term investments and equity-method investments	**$ 21,526**	$ 20,262
Held-to-maturity cash equivalents	**$ 268**	$ 89

[(a)] As of December 31, 2021 and 2020, includes money market funds primarily invested in U.S. Treasury and government debt.

[(b)] Represent investments in the life sciences sector.

Debt Securities

At December 31, 2021, our investment portfolio consisted of debt securities issued across diverse governments, corporate and financial institutions, which are investment-grade. The contractual or estimated maturities, are as follows:

	As of December 31, 2021							As of December 31, 2020			
		Gross Unrealized			Maturities (in Years)				Gross Unrealized		
(MILLIONS)	Amortized Cost	Gains	Losses	Fair Value	Within 1	Over 1 to 5	Over 5	Amortized Cost	Gains	Losses	Fair Value
Available-for-sale debt securities											
Government and agency—non-U.S.	**$ 18,032**	**$ 13**	**$ (263)**	**$ 17,783**	**$ 17,318**	**$ 465**	**$ —**	$ 7,593	$ 136	$ (4)	$ 7,725
Government and agency—U.S.	**4,056**	**—**	**(1)**	**4,055**	**4,050**	**6**	**—**	1,104	—	(1)	1,103
Corporate and other	**698**	**—**	**(1)**	**697**	**647**	**50**	**—**	1,006	2	—	1,008
Held-to-maturity debt securities											
Time deposits and other	**947**	**—**	**—**	**947**	**917**	**18**	**11**	283	—	—	283
Government and agency—non-U.S.	**1,102**	**—**	**—**	**1,102**	**1,097**	**4**	**1**	5	—	—	5
Total debt securities	**$ 24,835**	**$ 14**	**$ (265)**	**$ 24,584**	**$ 24,029**	**$ 543**	**$ 13**	$ 9,991	$ 138	$ (5)	$ 10,124

Any expected credit losses to these portfolios would be immaterial to our financial statements.

Equity Securities

The following presents the calculation of the portion of unrealized (gains)/losses that relates to equity securities, excluding equity method investments, held at the reporting date:

	Year Ended December 31,		
(MILLIONS)	**2021**	2020	2019
Net (gains)/losses recognized during the period on equity securities[a]	**$ (1,344)**	$ (540)	$ (454)
Less: Net (gains)/losses recognized during the period on equity securities sold during the period	**(80)**	(24)	(25)
Net unrealized (gains)/losses during the reporting period on equity securities still held at the reporting date[b]	**$ (1,264)**	$ (515)	$ (429)

[a] Reported in *Other (income)/deductions—net.* See *Note 4*.

[b] Included in net unrealized gains are observable price changes on equity securities without readily determinable fair values. As of December 31, 2021, there were cumulative impairments and downward adjustments of $97 million and upward adjustments of $156 million. Impairments, downward and upward adjustments were not significant in 2021, 2020 and 2019.

C. Short-Term Borrowings

Short-term borrowings include:

(MILLIONS)	As of December 31, 2021	2020
Commercial paper	**$ —**	$ 556
Current portion of long-term debt, principal amount	**1,636**	2,004
Other short-term borrowings, principal amount[(a)]	**605**	145
Total short-term borrowings, principal amount	**2,241**	2,705
Net unamortized discounts, premiums and debt issuance costs	**—**	(2)
Total *Short-term borrowings, including current portion of long-term debt*, carried at historical proceeds, as adjusted	**$ 2,241**	$ 2,703

[(a)] Primarily includes cash collateral. See *Note 7F*.

The weighted-average effective interest rate on commercial paper outstanding was approximately 0.13% as of December 31, 2020.

As of December 31, 2021, we had access to a $7 billion committed U.S. revolving credit facility expiring in 2026, which may be used for general corporate purposes including to support our commercial paper borrowings. In addition to the U.S. revolving credit facility, our lenders have provided us an additional $360 million in lines of credit, of which $322 million expire within one year. Essentially all lines of credit were unused as of December 31, 2021.

D. Long-Term Debt

The following outlines our senior unsecured long-term debt and the weighted-average stated interest rate by maturity:

(MILLIONS)	As of December 31, 2021	2020
Notes due 2022 (1.0% for 2020)[a]	**$ —**	$ 1,728
Notes due 2023 (3.2% for 2021 and 2020)	**2,550**	2,550
Notes due 2024 (3.9% for 2021 and 2020)	**2,250**	2,250
Notes due 2025 (0.8% for 2021 and 2020)	**750**	750
Notes due 2026 (2.9% for 2021 and 2020)	**3,000**	3,000
Notes due 2027 (2.1% for 2021 and 2.0% for 2020)	**1,051**	1,121
Notes due 2028-2032 (3.1% for 2021 and 3.4% for 2020)	**6,660**	5,660
Notes due 2033-2037 (5.6% for 2021 and 2020)	**4,250**	4,250
Notes due 2038-2042 (5.5% for 2021 and 2020)	**6,079**	6,086
Notes due 2043-2047 (3.7% for 2021 and 2020)	**4,858**	4,878
Notes due 2048-2050 (3.6% for 2021 and 2020)	**3,500**	3,500
Total long-term debt, principal amount	**34,948**	35,774
Net fair value adjustments related to hedging and purchase accounting	**1,438**	1,562
Net unamortized discounts, premiums and debt issuance costs	**(195)**	(207)
Other long-term debt	**4**	4
Total long-term debt, carried at historical proceeds, as adjusted	**$ 36,195**	$ 37,133
Current portion of long-term debt, carried at historical proceeds, as adjusted (not included above (1.0% for 2021 and 2.6% for 2020))	**$ 1,636**	$ 2,002

[a] Reclassified to the current portion of long-term debt.

Our long-term debt outlined in the above table is generally redeemable by us at any time at varying redemption prices plus accrued and unpaid interest.

Issuances

In August 2021, we issued the following senior unsecured notes at an effective interest rate of 1.79%:

(MILLIONS)		Principal
Interest Rate	Maturity Date	**As of December 31, 2021**
1.750%[a]	August 18, 2031	**$ 1,000**

[a] The notes may be redeemed by us at any time, in whole, or in part, at a redemption price plus accrued and unpaid interest.

In May 2020, we completed a public offering of $4.0 billion aggregate principal amount of senior unsecured notes with a weighted-average effective interest rate of 2.11% and in March 2020, we completed a public offering of $1.25 billion aggregate principal amount of senior unsecured notes with a weighted-average effective interest rate of 2.67%.

In March 2019, we completed a public offering of $5.0 billion aggregate principal amount of senior unsecured notes with a weighted-average effective interest rate of 3.57%.

Retirements

In November 2020, we repurchased all $1.15 billion and $342 million principal amount outstanding of the 1.95% senior unsecured notes due June 2021 and 5.80% senior unsecured notes due August 2023 and recorded a total net loss of $36 million, in *Other (income)/deductions—net.* See *Note 2B*.

In March 2020, we repurchased at par all $1.065 billion principal amount outstanding of our senior unsecured notes due in 2047.

In January 2019, we repurchased all €1.1 billion ($1.3 billion) principal amount outstanding of the 5.75% euro-denominated debt due June 2021 at a redemption value of €1.3 billion ($1.5 billion). We recorded a net loss of $138 million in *Other (income)/deductions—net*, which included the related termination of cross currency swaps.

E. Derivative Financial Instruments and Hedging Activities

Foreign Exchange Risk

A significant portion of our revenues, earnings and net investments in foreign affiliates is exposed to changes in foreign exchange rates. Where foreign exchange risk is not offset by other exposures, we manage our foreign exchange risk principally through the use of derivative financial instruments and foreign currency debt. These financial instruments serve to mitigate the impact on net income as a result of remeasurement into another currency, or against the impact of translation into U.S. dollars of certain foreign exchange-denominated transactions.

The derivative financial instruments primarily hedge or offset exposures in the euro, U.K. pound, Japanese yen and Canadian dollar.

- We hedge a portion of our forecasted intercompany inventory sales denominated in euro, Japanese yen, Canadian dollar, Chinese renminbi, U.K. pound and Australian dollar for up to two years.
- Under certain market conditions, we may seek to protect against possible declines in the reported net investments of our foreign business entities.

Changes in fair value are reported in earnings or in *Other comprehensive income/(loss)*, depending on the nature and purpose of the financial instrument (hedge or offset relationship). For certain foreign exchange contracts, we exclude an amount from the assessment of hedge effectiveness and recognize the excluded amount through an amortization approach in earnings. The hedge relationships are as follows:

- Generally, we recognize the gains and losses on foreign exchange contracts that are designated as fair value hedges in earnings upon the recognition of the change in fair value of the hedged item. We also recognize the offsetting foreign exchange impact attributable to the hedged item in earnings.
- Generally, we record in *Other comprehensive income/(loss)* gains or losses on foreign exchange contracts that are designated as cash flow hedges and reclassify those amounts into earnings in the same period or periods during which the hedged transaction affects earnings.
- We record in *Other comprehensive income/(loss) —Foreign currency translation adjustments, net* the foreign exchange gains and losses related to foreign exchange-denominated debt and foreign exchange contracts designated as a hedge of our net investments in foreign subsidiaries and reclassify those amounts into earnings upon the sale or substantial liquidation of our net investments.
- For foreign exchange contracts not designated as hedging instruments, we recognize the gains and losses immediately into earnings along with the earnings impact of the items they generally offset. These contracts take the opposite currency position of that reflected on the balance sheet to counterbalance the effect of any currency movement.

Interest Rate Risk

Our interest-bearing investments and borrowings are subject to interest rate risk. Depending on market conditions, we may change the profile of our outstanding debt or investments by entering into derivative financial instruments like interest rate swaps, either to

hedge or offset the exposure to changes in the fair value of hedged items with fixed interest rates, or to convert variable rate debt or investments to fixed rates. The derivative financial instruments primarily hedge U.S. dollar fixed-rate debt.

We recognize the change in fair value on interest rate contracts that are designated as fair value hedges in earnings, as well as the offsetting earnings impact of the hedged risk attributable to the hedged item.

The following summarizes the fair value of the derivative financial instruments and notional amounts (including those reported as part of discontinued operations):

(MILLIONS)	**As of December 31, 2021**			As of December 31, 2020		
		Fair Value			Fair Value	
	Notional	Asset	Liability	Notional	Asset	Liability
Derivatives designated as hedging instruments:						
Foreign exchange contracts[(a)]	**$ 29,576**	**$ 787**	**$ 717**	$ 24,369	$ 145	$ 1,005
Interest rate contracts	**2,250**	**21**	**—**	1,950	135	—
		808	**717**		280	1,005
Derivatives not designated as hedging instruments:						
Foreign exchange contracts	**$ 21,419**	**160**	**164**	$ 15,063	94	95
Total		**$ 968**	**$ 881**		$ 373	$ 1,100

[(a)] The notional amount of outstanding foreign exchange contracts hedging our intercompany forecasted inventory sales was $4.8 billion as of December 31, 2021 and $5.0 billion as of December 31, 2020.

The following summarizes information about the gains/(losses) incurred to hedge or offset operational foreign exchange or interest rate risk exposures (including those reported as part of discontinued operations):

	Gains/(Losses) Recognized in OID[a]		Gains/(Losses) Recognized in OCI[a]		Gains/(Losses) Reclassified from OCI into OID and COS[a]	
	Year Ended December 31,					
(MILLIONS)	**2021**	2020	**2021**	2020	**2021**	2020
Derivative Financial Instruments in Cash Flow Hedge Relationships:						
Foreign exchange contracts[b]	**$ —**	$ —	**$ 488**	$ (649)	**$ (173)**	$ (77)
Amount excluded from effectiveness testing and amortized into earnings[c]	**—**	—	**38**	55	**38**	57
Derivative Financial Instruments in Fair Value Hedge Relationships:						
Interest rate contracts	**(7)**	369	**—**	—	**—**	—
Hedged item	**7**	(369)	**—**	—	**—**	—
Derivative Financial Instruments in Net Investment Hedge Relationships:						
Foreign exchange contracts	**—**	—	**468**	(501)	**—**	—
Amount excluded from effectiveness testing and amortized into earnings[c]	**—**	—	**52**	181	**109**	154
Non-Derivative Financial Instruments in Net Investment Hedge Relationships:[d]						
Foreign currency short-term borrowings	**—**	—	**78**	8	**—**	—
Foreign currency long-term debt	**—**	—	**86**	(183)	**—**	—
Derivative Financial Instruments Not Designated as Hedges:						
Foreign exchange contracts	**(192)**	178	**—**	—	**—**	—
All other net[c]	**—**	—	**1**	12	**1**	(1)
	$ (192)	$ 178	**$ 1,210**	$ (1,077)	**$ (25)**	$ 133

[a] OID = Other (income)/deductions—net, included in *Other (income)/deductions—net* in the consolidated statements of income. COS = Cost of Sales, included in *Cost of sales* in the consolidated statements of income. OCI = Other comprehensive income/(loss), included in the consolidated statements of comprehensive income.

[b] The amounts reclassified from OCI into COS were:

- a net loss of $89 million in 2021; and
- a net gain of $172 million in 2020 (including a gain of $22 million reported in *Discontinued operations—net of tax*).

The remaining amounts were reclassified from OCI into OID. Based on year-end foreign exchange rates that are subject to change, we expect to reclassify a pre-tax gain of $362 million within the next 12 months into income. The maximum length of time over which we are hedging our exposure to the variability in future foreign exchange cash flows is approximately 21 years and relates to foreign currency debt.

[c] The amounts reclassified from OCI were reclassified into OID.

[d] Short-term borrowings and long-term debt include foreign currency borrowings which are used as net investment hedges. The short-term borrowings carrying value as of December 31, 2021 was $1.1 billion. The long-term debt carrying values as of December 31, 2021 and December 31, 2020 were $844 million and $2.1 billion, respectively.

The following summarizes cumulative basis adjustments to our long-term debt in fair value hedges:

	As of December 31, 2021			As of December 31, 2020		
		Cumulative Amount of Fair Value Hedging Adjustment Increase/(Decrease) to Carrying Amount			Cumulative Amount of Fair Value Hedging Adjustment Increase/(Decrease) to Carrying Amount	
(MILLIONS)	Carrying Amount of Hedged Assets/ Liabilities[a]	Active Hedging Relationships	Discontinued Hedging Relationships	Carrying Amount of Hedged Assets/ Liabilities[a]	Active Hedging Relationships	Discontinued Hedging Relationships
Long-term debt	**$ 2,233**	**$ 16**	**$ 1,154**	$ 2,016	$ 117	$ 1,149

[a] Carrying amounts exclude the cumulative amount of fair value hedging adjustments.

F. Credit Risk

On an ongoing basis, we monitor and review the credit risk of our customers, financial institutions and exposures in our investment portfolio.

With respect to our trade accounts receivable, we monitor the creditworthiness of our customers to which we grant credit in the normal course of business. In general, there is no requirement for collateral from customers. For additional information on our trade accounts receivable and

allowance for credit losses, see *Note 1H*. A significant portion of our trade accounts receivable balances are due from wholesalers and governments. For additional information on our trade accounts receivables with significant customers, see *Note 17C*.

With respect to our investments, we monitor concentrations of credit risk associated with government, government agency, and corporate issuers of securities. Investments are placed in instruments that are investment grade and are primarily short in duration. Exposure limits are established to limit a concentration with any single credit counterparty. As of December 31, 2021, the largest investment exposures in our portfolio represent primarily sovereign debt instruments issued by the U.S., Canada, Japan, U.K., Germany, France, Australia, and Switzerland.

With respect to our derivative financial instrument agreements with financial institutions, we do not expect to incur a significant loss from failure of any counterparty. Derivative financial instruments are executed under International Swaps and Derivatives Association (ISDA) master agreements with credit-support annexes that contain zero threshold provisions requiring collateral to be exchanged daily depending on levels of exposure. As a result, there are no significant concentrations of credit risk with any individual financial institution. As of December 31, 2021, the aggregate fair value of these derivative financial instruments that are in a net payable position was $372 million, for which we have posted collateral of $382 million with a corresponding amount reported in *Short-term investments*. As of December 31, 2021, the aggregate fair value of our derivative financial instruments that are in a net receivable position was $477 million, for which we have received collateral of $581 million with a corresponding amount reported in *Short-term borrowings, including current portion of long-term debt.*

Note 8. Other Financial Information

A. Inventories

The following summarizes the components of *Inventories*:

	As of December 31,	
(MILLIONS)	**2021**	2020
Finished goods	**$ 3,641**	$ 2,867
Work in process	**4,424**	4,436
Raw materials and supplies	**994**	716
Inventories[a]	**$ 9,059**	$ 8,020
Noncurrent inventories not included above[b]	**$ 939**	$ 890

[a] The change from December 31, 2020 reflects increases for certain products, including inventory build for new product launches (primarily Comirnaty), network strategy and supply recovery, partially offset by decreases due to market demand.

[b] Included in *Other noncurrent assets*. There are no recoverability issues for these amounts.

B. Other Current Liabilities

Other current liabilities includes, among other things, amounts payable to BioNTech for the gross profit split for Comirnaty, which totaled $9.7 billion as of December 31, 2021 and $25 million as of December 31, 2020.

Note 9. Property, Plant and Equipment (PP&E)

The following summarizes the components of *Property, plant and equipment*:

(MILLIONS)	Useful Lives (Years)	As of December 31, 2021	2020
Land	-	**$ 423**	$ 443
Buildings	33-50	**9,001**	8,998
Machinery and equipment	8-20	**12,252**	11,000
Furniture, fixtures and other	3-12.5	**4,457**	4,484
Construction in progress	-	**3,822**	3,481
		29,955	28,406
Less: Accumulated depreciation		**15,074**	14,661
Property, plant and equipment		**$ 14,882**	$ 13,745

The following provides long-lived assets by geographic area:

(MILLIONS)	As of December 31, 2021	2020
Property, plant and equipment		
United States	**$ 8,385**	$ 7,666
Developed Europe	**5,094**	4,775
Developed Rest of World	**347**	413
Emerging Markets	**1,056**	890
Property, plant and equipment	**$ 14,882**	$ 13,745

Note 10. Identifiable Intangible Assets and Goodwill

A. Identifiable Intangible Assets

The following summarizes the components of *Identifiable intangible assets*:

	As of December 31, 2021			As of December 31, 2020		
(MILLIONS)	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[a]	**$ 73,346**	**$ (53,732)**	**$ 19,614**	$ 73,040	$ (50,532)	$ 22,508
Brands	**922**	**(807)**	**115**	922	(774)	148
Licensing agreements and other	**2,284**	**(1,299)**	**985**	2,292	(1,187)	1,106
	76,552	**(55,838)**	**20,714**	76,255	(52,493)	23,762
Indefinite-lived intangible assets						
Brands	**827**		**827**	827		827
IPR&D	**3,092**		**3,092**	3,175		3,175
Licensing agreements and other	**513**		**513**	573		573
	4,432		**4,432**	4,575		4,575
Identifiable intangible assets[b]	**$ 80,984**	**$ (55,838)**	**$ 25,146**	$ 80,830	$ (52,493)	$ 28,337

[a] The increase in the gross carrying amount primarily reflects $500 million of capitalized Comirnaty sales milestones to BioNTech, partially offset by net losses from foreign currency translation adjustments.

[b] The decrease is primarily due to amortization, partially offset by the capitalization of the Comirnaty milestones described above.

Developed Technology Rights

Developed technology rights represent the cost for developed technology acquired from third parties and can include the right to develop, use, market, sell and/or offer for sale the product, compounds and intellectual property that we have acquired with respect to products, compounds and/or processes that have been completed. We possess a well-diversified portfolio of hundreds of developed technology rights across therapeutic categories, representing our commercialized products. The significant components of developed technology rights are the following: Xtandi, Prevnar 13/Prevenar 13 Infant, Braftovi/Mektovi, Premarin, Prevnar 13/ Prevenar 13 Adult, Eucrisa, Orgovyx, Zavicefta, Tygacil, Bavencio, Merrem/Meronem and Comirnaty. Also included in this category are the post-approval milestone payments made under our alliance agreements for certain prescription pharmaceutical products.

Brands

Brands represent the cost for tradenames and know-how, as the products themselves do not receive patent protection. Indefinite-lived brands include Medrol and Depo-Medrol, while finite-lived brands include Zavedos and Depo-Provera.

IPR&D

IPR&D assets represent R&D assets that have not yet received regulatory approval in a major market. The significant components of IPR&D are the following: the program for the oral poly adenosine diphosphate (ADP) ribose polymerase inhibitor for the treatment of patients with germline BRCA-mutated advanced breast cancer acquired as part of the Medivation acquisition and assets acquired in connection with the Array acquisition. IPR&D assets are required to be classified as indefinite-lived assets until the successful

completion or the abandonment of the associated R&D effort. Accordingly, during the development period after the date of acquisition, these assets are not amortized until approval is obtained in a major market, typically either the U.S. or the EU, or in a series of other countries, subject to certain specified conditions and management judgment. At that time, we will determine the useful life of the asset, reclassify it out of IPR&D and begin amortization. If the associated R&D effort is abandoned, the related IPR&D assets will likely be written-off, and we will record an impairment charge.

IPR&D assets are high-risk assets, given the uncertain nature of R&D. Accordingly, we expect that many of these IPR&D assets will become impaired and be written-off at some time in the future.

Licensing Agreements

Licensing agreements for developed technology and for technology in development primarily relate to out-licensing arrangements acquired from third parties, including the Array acquisition. These assets represent the cost for the license, where we acquired the right to future royalties and/or milestones upon development or commercialization by the licensing partner. A significant component of the licensing arrangements are for out-licensing arrangements with a number of partners for oncology technology in varying stages of development that have not yet received regulatory approval in a major market. Accordingly, during the development period after the date of acquisition, each of these assets is classified as indefinite-lived intangible assets and will not be amortized until approval is obtained in a major market. At that time we will determine the useful life of the asset, reclassify the respective licensing arrangement asset to finite-lived intangible asset and begin amortization. If the development effort is abandoned, the related licensing asset will likely be written-off, and we will record an impairment charge.

Amortization

The weighted-average life for each of our total finite-lived intangible assets is approximately 8 years, and for the largest component, developed technology rights, is approximately 7 years. Total amortization expense for finite-lived intangible assets was $3.7 billion in 2021, $3.4 billion in 2020 and $4.5 billion in 2019.

The following provides the expected annual amortization expense:

(MILLIONS)	2022	2023	2024	2025	2026
Amortization expense	$ 3,279	$ 2,936	$ 2,686	$ 2,500	$ 2,449

B. Goodwill

The following summarizes the components and changes in the carrying amount of *Goodwill*:

(MILLIONS)	Total[a]
Balance, January 1, 2020	$ 48,181
Additions[b]	727
Other[c]	648
Balance, December 31, 2020	49,556
Additions	**—**
Other[c]	**(348)**
Balance, December 31, 2021	**$ 49,208**

[a] As a result of the reorganization of our commercial operations during the fourth quarter of 2021 (see *Note 17*), we were required to estimate the relative fair values of our PC1 and Hospital organizations to determine any reallocation of goodwill. We completed this analysis and determined that no goodwill was required to be reallocated. As a result, our entire goodwill balance continues to be assigned within the Biopharma reportable segment.

[b] Additions primarily represent the impact of measurement period adjustments related to our Array acquisition (see *Note 2A*).

[c] Other represents the impact of foreign exchange.

Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans

The majority of our employees worldwide are eligible for retirement benefits provided through defined benefit pension plans, defined contribution plans or both. In the U.S., we sponsor both IRC-qualified and supplemental (non-qualified) defined benefit plans and defined contribution plans. A qualified plan meets the requirements of certain sections of the IRC, and, generally, contributions to qualified plans are tax deductible. A qualified plan typically provides benefits to a broad group of employees with restrictions on discriminating in favor of highly compensated employees with regard to coverage, benefits and contributions. A supplemental (non-qualified) plan provides additional benefits to certain employees. In addition, we provide medical insurance benefits to certain retirees and their eligible dependents through our postretirement plans.

As discussed in *Note 1C*, we adopted a change in accounting principle to a more preferable policy under U.S. GAAP to immediately recognize actuarial gains and losses arising from the remeasurement of pension and postretirement plans. This change has been applied to all pension and postretirement plans on a retrospective basis for all prior periods presented.

A. Components of Net Periodic Benefit Costs and Changes in Other Comprehensive Income/(Loss)

The following summarizes the components of net periodic benefit cost/(credit), including those reported as part of discontinued operations for 2020 and 2019, and the changes in *Other comprehensive income/(loss)* for our benefit plans:

	Pension Plans						Postretirement Plans		
	U.S.			International					
	Year Ended December 31,								
(MILLIONS)	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019
Service cost	**$ —**	$ —	$ —	**$ 130**	$ 146	$ 125	**$ 36**	$ 38	$ 37
Interest cost	**455**	533	676	**146**	164	215	**29**	49	75
Expected return on plan assets	**(1,052)**	(1,015)	(890)	**(327)**	(314)	(318)	**(39)**	(36)	(33)
Amortization of prior service cost/ (credit)	**(2)**	(3)	(4)	**(1)**	(3)	(4)	**(151)**	(170)	(173)
Actuarial (gains)/losses[(a)]	**(684)**	1,152	284	**(690)**	148	669	**(167)**	(165)	(118)
Curtailments	**—**	—	(4)	**(4)**	—	(1)	**(82)**	—	(62)
Special termination benefits	**17**	1	20	**—**	—	—	**2**	—	2
Net periodic benefit cost/(credit) reported in income	**(1,265)**	668	82	**(746)**	141	686	**(372)**	(282)	(271)
Cost/(credit) reported in *Other comprehensive income/(loss)*	**2**	5	4	**4**	5	21	**107**	114	164
Cost/(credit) recognized in *Comprehensive income*	**$ (1,264)**	$ 674	$ 86	**$ (742)**	$ 145	$ 707	**$ (265)**	$ (168)	$ (107)

[(a)] Reflects actuarial remeasurement gains in 2021, primarily due to favorable plan asset performance and increases in discount rates, and actuarial remeasurement losses in 2020 and 2019, primarily due to decreases in discount rates partially offset by favorable plan asset performance.

The components of net periodic benefit cost/(credit) other than the service cost component are included in *Other (income)/ deductions—net* (see *Note 4*).

B. Actuarial Assumptions

	Pension Plans						Postretirement Plans		
	U.S.			International					
	Year Ended December 31,								
(PERCENTAGES)	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019
Weighted-average assumptions used to determine net periodic benefit cost:									
Discount rate:									
Pension plans/postretirement plans	**2.6 %**	3.3 %	4.4 %				**2.5 %**	3.2 %	4.3 %
Interest cost				**1.2 %**	1.5 %	2.2 %			
Service cost				**1.4 %**	1.6 %	2.4 %			
Expected return on plan assets	**6.8 %**	7.0 %	7.2 %	**3.4 %**	3.6 %	3.9 %	**6.8 %**	7.0 %	7.3 %
Rate of compensation increase[(a)]				**2.9 %**	2.9 %	1.4 %			
Weighted-average assumptions used to determine benefit obligations at fiscal year-end:									
Discount rate	**2.9 %**	2.6 %	3.3 %	**1.6 %**	1.5 %	1.7 %	**2.9 %**	2.5 %	3.2 %
Rate of compensation increase[(a)]				**2.8 %**	2.9 %	1.4 %			

[(a)] The rate of compensation increase is not used to determine the net periodic benefit cost and benefit obligation for the U.S. pension plans as these plans are frozen.

All of the assumptions are reviewed on at least an annual basis. We revise these assumptions based on an annual evaluation of long-term trends as well as market conditions that may have an impact on the cost of providing retirement benefits.

The weighted-average discount rate for our U.S. defined benefit plans is determined annually and evaluated and modified to reflect at year-end the prevailing market rate of a portfolio of high-quality fixed income investments, rated AA/Aa or better that reflect the rates at which the pension benefits could be effectively settled. For our international plans, the discount rates are set by benchmarking against investment grade corporate bonds rated AA/Aa or better, including, when there is sufficient data, a yield curve approach. These rate determinations are made consistent with local requirements. Overall, the yield curves used to measure the benefit obligations at year-end 2021 resulted in higher discount rates as compared to the prior year.

The following provides the healthcare cost trend rate assumptions for our U.S. postretirement benefit plans:

	As of December 31,	
	2021	2020
Healthcare cost trend rate assumed for next year	**6.0 %**	5.6 %
Rate to which the cost trend rate is assumed to decline	**4.0 %**	4.5 %
Year that the rate reaches the ultimate trend rate	**2045**	2037

C. Obligations and Funded Status

The following provides: (i) an analysis of the changes in our benefit obligations, plan assets and funded status of our benefit plans, including those reported as part of discontinued operations for 2020, (ii) the funded status recognized in our consolidated balance sheets and (iii) the pre-tax components of cumulative amounts recognized in *Accumulated other comprehensive loss*:

	Pension Plans				Postretirement Plans	
	U.S.		International			
	Year Ended December 31,					
(MILLIONS)	**2021**	2020	**2021**	2020	**2021**	2020
Change in benefit obligation[a]						
Benefit obligation, beginning	**$ 18,306**	$ 17,886	**$ 12,001**	$ 11,059	**$ 1,238**	$ 1,667
Service cost	**—**	—	**130**	146	**36**	38
Interest cost	**455**	533	**146**	164	**29**	49
Employee contributions	**—**	—	**10**	8	**78**	88
Plan amendments	**—**	2	**—**	2	**(116)**	(56)
Changes in actuarial assumptions and other[b]	**(331)**	2,112	**89**	702	**(117)**	(132)
Foreign exchange impact	**—**	—	**(298)**	646	**1**	2
Upjohn spin-off[c]	**—**	(1,016)	**3**	(320)	**—**	(218)
Acquisitions/divestitures/other, net	**—**	—	**—**	—	**—**	—
Curtailments and special termination benefits	**17**	1	**(2)**	—	**(8)**	—
Settlements	**(785)**	(767)	**(47)**	(34)	**—**	—
Benefits paid	**(512)**	(445)	**(374)**	(372)	**(147)**	(201)
Benefit obligation, ending[a]	**17,150**	18,306	**11,657**	12,001	**995**	1,238
Change in plan assets						
Fair value of plan assets, beginning	**16,094**	14,586	**9,811**	8,956	**588**	519
Actual return on plan assets	**1,405**	1,974	**1,106**	868	**89**	69
Company contributions	**143**	1,433	**451**	197	**145**	113
Employee contributions	**—**	—	**10**	8	**78**	88
Foreign exchange impact	**—**	—	**(229)**	462	**—**	—
Upjohn spin-off[c]	**—**	(687)	**2**	(270)	**—**	—
Acquisitions/divestitures, net	**—**	—	**—**	(6)	**—**	—
Settlements	**(785)**	(767)	**(47)**	(34)	**—**	—
Benefits paid	**(512)**	(445)	**(374)**	(372)	**(147)**	(201)
Fair value of plan assets, ending	**16,346**	16,094	**10,729**	9,811	**753**	588
Funded status—Plan assets less than benefit obligation	**$ (805)**	$ (2,211)	**$ (928)**	$ (2,191)	**$ (241)**	$ (651)
Amounts recorded in our consolidated balance sheet:						
Noncurrent assets	**$ 447**	$ —	**$ 1,480**	$ 522	**$ —**	$ —
Current liabilities	**(138)**	(127)	**(33)**	(31)	**(6)**	(6)
Noncurrent liabilities	**(1,113)**	(2,084)	**(2,376)**	(2,681)	**(235)**	(645)
Funded status	**$ (805)**	$ (2,211)	**$ (928)**	$ (2,191)	**$ (241)**	$ (651)
Pre-tax components of cumulative amounts recognized in *Accumulated other comprehensive loss*:						
Prior service (costs)/credits	**$ (6)**	$ (4)	**$ (35)**	$ (31)	**$ 581**	$ 688
Information related to the funded status of pension plans with an ABO in excess of plan assets[d]:						
Fair value of plan assets	**$ 120**	$ 16,094	**$ 1,304**	$ 6,674		
ABO	**1,371**	18,306	**3,344**	8,961		

[a] For the U.S. pension plans, the benefit obligation is both the PBO and ABO as these plans are frozen and future benefit accruals no longer increase with future compensation increases. For the international pension plans, the benefit obligation is the PBO. The ABO for our international pension plans was $11.2 billion in 2021 and $11.5 billion in 2020. For the postretirement plans, the benefit obligation is the ABO.

[b] Primarily includes actuarial gains resulting from increases in discount rates in 2021, offset by increases in inflation assumptions in 2021 for the international plans, and actuarial losses resulting from decreases in discount rates in 2020.

[c] For more information, see *Note 2B*.

[d] Our main U.S. qualified plan and many of our international plans were overfunded as of December 31, 2021.

D. Plan Assets

The following provides the components of plan assets, including those reported as part of discontinued operations for 2020:

(MILLIONS EXCEPT TARGET ALLOCATION PERCENTAGE)	Target Allocation Percentage	As of December 31, 2021 Total	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Assets Measured at NAV[a]	As of December 31, 2020 Total	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Assets Measured at NAV[a]
U.S. pension plans											
Cash and cash equivalents	0-10%	$ 1,326	$ 78	$ 1,248	$ —	$ —	$ 781	$ 70	$ 711	$ —	$ —
Equity securities:	20-40%										
Global equity securities		2,273	2,233	38	2	—	3,241	3,213	27	1	—
Equity commingled funds		1,352	—	1,152	—	200	1,325	—	1,110	—	215
Fixed income securities:	45-75%										
Corporate debt securities		5,566	18	5,548	—	—	6,499	23	6,476	—	—
Government and agency obligations[b]		2,533	—	2,533	—	—	1,555	—	1,555	—	—
Fixed income commingled funds		38	—	38	—	—	23	—	23	—	—
Other investments:	5-20%										
Partnership investments[c]		2,079	3	—	—	2,076	1,431	—	—	—	1,431
Insurance contracts		158	—	158	—	—	190	—	190	—	—
Other commingled funds[d]		1,019	—	10	—	1,009	1,049	—	11	—	1,038
Total	100 %	$16,346	$2,332	$10,726	$ 2	$ 3,286	$16,094	$3,306	$10,103	$ 1	$ 2,684
International pension plans											
Cash and cash equivalents	0-10%	$ 541	$ 191	$ 346	$ —	$ 3	$ 407	$ 61	$ 346	$ —	$ —
Equity securities:	10-20%										
Equity commingled funds		1,453	—	1,386	—	67	2,051	—	1,681	—	370
Fixed income securities:	45-70%										
Corporate debt securities		1,187	—	1,187	—	—	925	—	925	—	—
Government and agency obligations[b]		2,415	—	2,415	—	—	1,334	—	1,334	—	—
Fixed income commingled funds		2,266	—	1,138	—	1,128	2,484	—	1,217	—	1,267
Other investments:	15-35%										
Partnership investments[c]		107	—	2	—	106	69	—	3	—	66
Insurance contracts		1,329	—	56	1,273	—	1,027	—	57	969	1
Other[d]		1,431	—	141	404	886	1,514	—	117	393	1,003

[a] Certain investments that are measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The NAV amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented for the total pension benefits plan assets.

[b] Government and agency obligations are inclusive of repurchase agreements.

[c] Mainly includes investments in private equity, private debt, public equity limited partnerships, and, to a lesser extent, real estate and venture capital.

[d] Mostly includes investments in hedge funds and real estate.

[e] Reflects postretirement plan assets, which support a portion of our U.S. retiree medical plans.

The following provides an analysis of the changes in our more significant investments valued using significant unobservable inputs, including those reported as part of discontinued operations for 2020:

	International Pension Plans	
	Year Ended December 31,	
(MILLIONS)	**2021**	2020
Fair value, beginning	**$ 1,362**	$ 1,342
Actual return on plan assets:		
Assets held, ending	**23**	22
Purchases, sales, and settlements, net	**52**	(47)
Transfer into/(out of) Level 3	**265**	(13)
Exchange rate changes	**(24)**	58
Fair value, ending	**$ 1,677**	$ 1,362

The following methods and assumptions were used to estimate the fair value of our pension and postretirement plans' assets:

- Cash and cash equivalents: Level 1 investments may include cash, cash equivalents and foreign currency valued using exchange rates. Level 2 investments may include short-term investment funds which are commingled funds priced at a stable NAV by the administrator of the funds.
- Equity securities: Level 1 investments may include individual securities that are valued at the closing price or last trade reported on the major market on which they are traded. Level 1 and Level 2 investments may include commingled funds that have a readily determinable fair value based on quoted prices on an exchange or a published NAV derived from the quoted prices in active markets of the underlying securities. Level 3 investments may include individual securities that are unlisted, delisted, suspended, or illiquid and are typically valued using their last available price.
- Fixed income securities: Level 1 investments may include individual securities that are valued at the closing price or last trade reported on the major market on which they are traded. Level 2 investments may include commingled funds that have a readily determinable fair value based on observable prices of the underlying securities. Level 2 investments may include corporate bonds, government and government agency obligations and other fixed income securities valued using bid evaluation pricing models or quoted prices of securities with similar characteristics. Level 3 investments may include securities that are valued using alternative pricing sources, such as investment managers or brokers, which use proprietary pricing models that incorporate unobservable inputs.
- Other investments: Level 1 investments may include individual securities that are valued at the closing price or last trade reported on the major market on which they are traded. Level 2 investments may include Insurance contracts which invest in interest bearing cash, U.S. government securities and corporate debt instruments. Level 3 investments may include securities or insurance contracts that are valued using alternative pricing sources, such as investment managers or brokers, which use proprietary pricing models that incorporate unobservable inputs.

Equity securities, Fixed income securities and Other investments may each be combined into commingled funds. Most commingled funds are valued to reflect the interest in the fund based on the reported year-end NAV. Partnership and Other investments are valued based on year-end reported NAV (or its equivalent), with adjustments as appropriate for lagged reporting of up to three months.

Certain investments are authorized to include derivatives, such as equity or bond futures, swaps, options and currency futures or forwards for managing risks and exposures.

Global plan assets are managed with the objective of generating returns that will enable the plans to meet their future obligations, while seeking to manage net periodic benefit costs and cash contributions over the long-term. We utilize long-term asset allocation ranges in the management of our plans' invested assets. Our long-term return expectations are developed based on a diversified, global investment strategy that takes into account historical experience, as well as the impact of portfolio diversification, active portfolio management, and our view of current and future economic and financial market conditions. As market conditions and other factors change, we may adjust our targets accordingly and our asset allocations may vary from the target allocations.

E. Cash Flows

It is our practice to fund amounts for our qualified pension plans that are at least sufficient to meet the minimum requirements set forth in applicable employee benefit laws and local tax laws.

The following provides the expected future cash flow information related to our benefit plans:

(MILLIONS)	Pension Plans		Postretirement Plans
	U.S.	International	
Expected employer contributions:			
2022	$ 138	$ 177	$ 74
Expected benefit payments:			
2022	$ 1,296	$ 384	$ 78
2023	1,155	372	73
2024	1,140	383	69
2025	1,089	392	66
2026	1,058	397	68
2027–2031	4,908	2,124	359

The above table reflects the total U.S. and international plan benefits projected to be paid from the plans or from our general assets under the current actuarial assumptions used for the calculation of the benefit obligation.

F. Defined Contribution Plans

We have defined contribution plans in the U.S. and other countries. For the majority of the U.S. defined contribution plans, employees may contribute a portion of their salaries and bonuses to the plans, and we match, in cash, a portion of the employee contributions. We also offer a Retirement Savings Contribution (RSC) which is an annual non-contributory employer contribution in the U.S. and Puerto Rico. We recorded charges related to the employer contributions to global defined contribution plans of $732 million in 2021, $685 million in 2020 and $659 million in 2019.

Note 12. Equity

A. Common Stock Purchases

We purchase our common stock through privately negotiated transactions or in the open market as circumstances and prices warrant. Purchased shares under each of the share-purchase plans, which are authorized by our BOD, are available for general corporate purposes. In December 2017, the BOD authorized a $10 billion share repurchase program, which was exhausted in the first quarter of 2019. In December 2018, the BOD authorized another $10 billion share repurchase program to be utilized over time and share repurchases commenced thereunder in the first quarter of 2019.

In February 2019, we entered into an ASR with Goldman Sachs & Co. LLC to repurchase $6.8 billion of our common stock pursuant to our previously announced share repurchase authorization. We paid $6.8 billion and received an initial delivery of 130 million shares of common stock, which represented approximately 80% of the notional amount of the ASR. In August 2019, the ASR with Goldman Sachs & Co. LLC was completed resulting in Goldman Sachs & Co. LLC owing us an additional 33.5 million shares of our common stock. The average price paid for all of the shares delivered under the ASR was $41.42 per share. The common stock received is included in *Treasury stock*.

The following provides the number of shares of our common stock purchased and the cost of purchases under our publicly announced share purchase plans, including our ASR:

	Year Ended December 31,		
(SHARES IN MILLIONS, DOLLARS IN BILLIONS)	**2021**	2020	2019[a]
Shares of common stock purchased	**—**	—	213
Cost of purchase	**$ —**	$ —	$ 8.9

[a] Represents shares purchased pursuant to the ASR with Goldman Sachs & Co. LLC entered into in February 2019, as well as open market share repurchases of $2.1 billion.

Our remaining share-purchase authorization was approximately $5.3 billion at December 31, 2021.

B. Preferred Stock and Employee Stock Ownership Plans

Prior to May 4, 2020, we had outstanding Series A convertible perpetual preferred stock (the Series A Preferred Stock) that was held by an ESOP trust (the Trust). All outstanding shares of Series A Preferred Stock were converted, at the direction of the independent fiduciary under the Trust and in accordance with the certificate of designations for the Series A Preferred Stock, into shares of our common stock on May 4, 2020. The Trust received an aggregate of 1,070,369 shares of our common stock upon conversion, with zero shares of Series A Preferred Stock remaining outstanding as a result of the conversion. In December 2020, we filed a certificate of elimination and a restated certificate of incorporation with the Delaware Secretary of State, which eliminated the Series A Preferred Stock.

Since May 4, 2020, we have one ESOP that holds common stock of the Company (Common ESOP). As of December 31, 2021, all shares of common stock held by the Common ESOP have been allocated to the Pfizer U.S. defined contribution plan participants. The compensation cost related to the Common ESOP was $19 million in 2021, $19 million in 2020 and $20 million in 2019.

Note 13. Share-Based Payments

Our compensation programs can include share-based payment awards with value that is determined by reference to the fair value of our shares and that provide for the grant of shares or options to acquire shares or similar arrangements. Our share-based awards are designed based on competitive survey data or industry peer groups used for compensation purposes, and are allocated between different long-term incentive awards, generally in the form of Total Shareholder Return Units (TSRUs), Restricted Stock Units (RSUs), Portfolio Performance Shares (PPSs), Performance Share Awards (PSAs), Breakthrough Performance Awards (BPAs) and Stock Options, as determined by the Compensation Committee.

The 2019 Stock Plan (2019 Plan) replaced and superseded the 2014 Plan. It provides for 400 million shares, in addition to shares remaining under the 2014 Plan, to be authorized for grants. The 2019 Plan provides that the number of stock options, TSRUs, RSUs, or performance-based awards that may be granted to any one individual during any 36-month period is limited to 20 million shares, and that RSUs count as three shares, PPSs, PSAs and BPAs count as three shares times the maximum potential payout, while TSRUs and stock options count as one share, toward the maximum shares available under the 2019 Plan. As of December 31, 2021, 315 million shares were available for award. Although not required to do so, we have used authorized and unissued shares and, to a lesser extent, treasury stock to satisfy our obligations under these programs.

A summary of the awards and valuation details:

Awarded to	Terms	Valuation	Recognition and Presentation
Total Shareholder Return Units (TSRUs)[a], [b]			
Senior and other key management and select employees	• Entitle the holder to receive shares of our common stock with a value equal to the difference between the defined settlement price and the grant price, plus the dividend equivalents accumulated during the five or seven-year term, if and to the extent the total value is positive. • Settlement price is the average closing price of our common stock during the 20 trading days ending on the fifth or seventh anniversary of the grant, as applicable; the grant price is the closing price of our common stock on the date of the grant. • Automatically settle on the fifth or seventh anniversary of the grant but vest on the third anniversary of the grant.	As of the grant date using a Monte Carlo simulation model	Amortized on a straight-line basis over the vesting term into *Cost of sales*, *Selling, informational and administrative expenses*, and/or *Research and development expenses*, as appropriate.
Restricted Stock Units (RSUs)			
Select employees	• Entitle the holder to receive a specified number of shares of our common stock, including dividend equivalents that are reinvested into additional RSUs. • For RSUs granted, in virtually all instances, the units vest on the third anniversary of the grant date assuming continuous service from the grant date.	As of the grant date using the closing price of our common stock	Amortized on a straight-line basis over the vesting term into *Cost of sales*, *Selling, informational and administrative expenses*, and/or *Research and development expenses*, as appropriate.
Portfolio Performance Shares (PPSs)			
Select employees	• Entitle the holder to receive, at the end of the performance period, shares of our common stock, if any, including shares resulting from dividend equivalents earned on such shares. • For PPSs granted, the awards vest on the third anniversary of the grant assuming continuous service from the grant date and the number of shares paid, if any, depends on the achievement of predetermined goals related to Pfizer's long-term product portfolio during a three or five-year performance period from the year of the grant date, as applicable. • The number of shares that may be earned ranges from 0% to 200% of the initial award depending on goal achievement over the performance period.	As of the grant date using the intrinsic value method using the closing price of our common stock	Amortized on a straight-line basis over the vesting term into *Cost of sales*, *Selling, informational and administrative expenses* and/or *Research and development expenses*, as appropriate, and adjusted each reporting period, as necessary, to reflect changes in the price of our common stock, the number of shares that are probable of being earned, and management's assessment of the probability that the specified performance criteria will be achieved.
Performance Share Awards (PSAs)			
Senior and other key management	• Entitle the holder to receive, at the end of the performance period, shares of our common stock (retirees) earned, if any, or an equal value in cash (active colleagues), including dividend equivalents on shares earned, dependent upon the achievement of predetermined goals related to two measures: a. Adjusted net income over three one-year periods; and b. TSR as compared to the NYSE ARCA Pharmaceutical Index (DRG Index) over the three-year performance period. • PSAs vest on the third anniversary of the grant assuming continuous service from the grant date. • The award that may be earned ranges from 0% to 200% of the target award depending on goal achievement over the performance period.	As of the grant date using the intrinsic value method using the closing price of our common stock	Amortized on a straight-line basis over the vesting term into *Cost of sales*, *Selling, informational and administrative expenses*, and/or *Research and development expenses*, as appropriate, and adjusted each reporting period, as necessary, to reflect changes in the price of our common stock, the number of shares that are probable of being earned and management's assessment of the probability that the specified performance criteria will be achieved.
Breakthrough Performance Awards (BPAs)			
Select employees identified as instrumental in delivering medicines to	• Entitle the holder to receive, at the end of the performance period, shares of our common stock, if any, including shares resulting from dividend equivalents earned on such shares. • For BPAs granted, the awards, if earned/vested, are settled at the end of the performance period, but no earlier than the one-year	As of the grant date using the intrinsic value method using the closing	Amortized on a straight-line basis over the probable vesting term into *Cost of sales*, *Selling, informational and administrative expenses*, and/or *Research and development expenses*, as appropriate, and adjusted each reporting period, as necessary, to reflect changes in the price of our

Awarded to	Terms	Valuation	Recognition and Presentation
Stock Options			
Select employees	• Entitle the holder to purchase a specified number of shares of our common stock at a price per share equal to the closing market price of our common stock on the date of grant, for a period of time when vested. • Since 2016, only a limited set of non-U.S. employees received stock option grants. No stock options were awarded to senior and other key management in any period presented. • Stock options vest on the third anniversary of the grant assuming continuous service from the grant date and have a contractual term of 10 years.	As of the grant date using the Black-Scholes-Merton option-pricing model	Amortized on a straight-line basis over the vesting term into *Cost of sales*, *Selling, informational and administrative expenses*, and/or *Research and development expenses*, as appropriate.

(a) Retirement-eligible holders, as defined in the grant terms, can convert their TSRUs, when vested, into Profit Units (PTUs) with a conversion ratio based on a calculation used to determine the shares at TSRU settlement. The PTUs are entitled to earn Dividend Equivalent Units (DEUs), and the PTUs and DEUs will be settled in our common stock on the TSRUs' original settlement date and will be subject to the terms and conditions of the original grant including forfeiture provisions.

(b) In 2017, Performance Total Shareholder Return Units (PTSRUs) were awarded to the Former Chairman and Chief Executive Officer (1,444,395 PTSRUs) and 361,099 PTSRUs were awarded to the Group President, Chief Business Officer (former role Group President Pfizer Innovative Health) at a grant price of $30.31 and at a GDFV of $5.54 per PTSRU. In addition to having the same characteristics and valuation methodology of TSRUs, PTSRU grants require special service and performance conditions.

The following provides data related to all TSRU, RSU, PPS, PSA and stock option activity:

(MILLIONS, EXCEPT FAIR VALUE OF SHARES VESTED PER TSRU AND STOCK OPTION)	**TSRUs**			**RSUs**			**PPSs**			**PSAs**			**Stock Options**		
Year Ended December 31,	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019
Total fair value of shares vested[a]	**$7.26**	$6.22	$8.52	**$304**	$334	$454	**$181**	$119	$136	**$33**	$25	$64	**$4.86**	$3.56	$5.98
Total intrinsic value of options exercised or share units converted	**$594**	$84	$175				**$228**	$224	$245				**$584**	$293	$261
Cash received upon exercise													**$795**	$425	$394
Tax benefits realized from exercise													**$106**	$55	$47
Compensation cost recognized, pre-tax[b]	**$259**	$287	$294	**$281**	$272	$275	**$535**	$180	$114	**$76**	$31	$28	**$5**	$6	$7
Total compensation cost related to nonvested awards not yet recognized, pre-tax	**$187**	$224	$229	**$271**	$228	$241	**$175**	$104	$87	**$54**	$32	$34	**$3**	$4	$5
Weighted-average period over which cost is expected to be recognized (years)	**1.6**	1.6	1.6	**1.8**	1.7	1.7	**1.8**	1.8	1.8	**1.8**	1.9	1.8	**1.6**	1.7	1.6

(a) Weighted-average GDFV per TSRUs and stock options.

(b) TSRU includes expense for PTSRUs, which is not significant for all years presented.

Total share-based payment expense was $1.2 billion, $780 million and $718 million in 2021, 2020 and 2019, respectively, which includes pre-tax share-based payment expense included in *Discontinued operations—net of tax* of $2 million, $25 million and $32 million in 2021, 2020 and 2019, respectively. Tax benefit for share-based compensation expense was $227 million, $141 million and $137 million in 2021, 2020 and 2019, respectively.

The table above excludes total expense due to the modification for share-based awards in connection with our cost reduction/ productivity initiatives, which was not significant for all years presented and is recorded in *Restructuring charges and certain acquisition-related costs* (see *Note 3*). Amounts capitalized as part of inventory cost were not significant for any period presented.

Summary of the weighted-average assumptions used in the valuation of TSRUs and stock options:

	TSRUs			Stock Options		
Year Ended December 31,	**2021**	2020	2019	**2021**	2020	2019
Expected dividend yield (based on a constant dividend yield during the expected term)	**4.51 %**	4.36 %	3.27 %	**4.51 %**	4.36 %	3.27 %
Risk-free interest rate (based on interpolated yield on U.S. Treasury zero-coupon issues)	**0.93 %**	1.15 %	2.55 %	**1.27 %**	1.25 %	2.66 %
Expected stock price volatility (based on implied volatility, after consideration of historical volatility)	**26.53 %**	20.99 %	18.34 %	**26.54 %**	20.97 %	18.34 %
TSRUs contractual/stock options expected term, years (based on historical exercise and post-vesting termination patterns for stock options)	**5.15**	5.12	5.13	**6.75**	6.75	6.75

Summary of all TSRU, RSU, PPS, PSA and BPA activity during 2021 (with the shares granted representing the maximum award that could be achieved for PPSs, PSAs and BPAs):

	TSRUs			RSUs		PPSs[a]		PSAs		BPAs	
	TSRUs	Per TSRU, Weighted Average		Shares		Shares		Shares		Shares	
	(Thousands)	GDFV	Grant Price	*(Thousands)*	Weighted Avg. GDFV per share	*(Thousands)*	Weighted Avg. Intrinsic Value per share	*(Thousands)*	Weighted Avg. Intrinsic Value per share	*(Thousands)*	Weighted Avg. Intrinsic Value per share
Nonvested, December 31, 2020	129,844	$ 6.90	$32.94	23,692	$ 35.50	20,077	$ 36.81	5,264	$ 36.81	—	$ —
Granted	**34,522**	**7.26**	**33.83**	**10,893**	**34.31**	**8,632**	**33.82**	**1,798**	**33.82**	**1,165**	**38.73**
Vested	**(44,888)**	**7.21**	**30.54**	**(8,747)**	**34.66**	**(6,095)**	**33.88**	**(984)**	**33.85**	**—**	**—**
Reinvested dividend equivalents				**956**	**41.33**						
Forfeited	**(4,879)**	**6.77**	**33.78**	**(1,255)**	**35.17**	**(1,133)**	**41.45**	**(924)**	**34.43**	**(306)**	**47.47**
Nonvested, December 31, 2021	**114,599**	**$ 6.90**	**$34.12**	**25,540**	**$ 35.52**	**21,480**	**$ 59.05**	**5,154**	**$ 59.05**	**859**	**$ 59.05**

[a] Vested and non-vested shares outstanding, but not paid as of December 31, 2021 were 34.1 million.

Summary of TSRU and PTU information as of December 31, 2021[a, b]:

	TSRUs *(Thousands)*	PTUs *(Thousands)*	Weighted-Average Grant Price Per TSRU	Weighted-Average Remaining Contractual Term *(Years)*	Aggregate Intrinsic Value *(Millions)*
TSRUs Outstanding	**206,996**	**—**	**$ 31.71**	**2.2**	**$ 5,969**
TSRUs Vested	**92,398**	**—**	**28.72**	**0.8**	**2,946**
TSRUs Expected to vest[c]	**110,476**	**—**	**34.16**	**3.3**	**2,910**
TSRUs exercised and converted to PTUs	**—**	**3,074**	**$ —**	**0.8**	**$ 182**

[a] In 2021, we settled 46,060,346 TSRUs with a weighted-average grant price of $23.04 per unit.

[b] In 2021, 7,093,787 TSRUs with a weighted-average grant price of $27.41 per unit were converted into 2,943,737 PTUs.

[c] The number of TSRUs expected to vest takes into account an estimate of expected forfeitures.

Summary of all stock option activity during 2021:

	Shares *(Thousands)*	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term *(Years)*	Aggregate Intrinsic Value[a] *(Millions)*
Outstanding, December 31, 2020	75,402	$ 28.31		
Granted	**779**	**33.82**		
Exercised	**(31,036)**	**25.75**		
Forfeited	**(89)**	**34.39**		
Expired	**(181)**	**20.27**		
Outstanding, December 31, 2021	**44,874**	**30.20**	**2.7**	**$ 1,295**
Vested and expected to vest, December 31, 2021[b]	**44,747**	**30.19**	**2.7**	**1,291**
Exercisable, December 31, 2021	**41,583**	**$ 29.81**	**2.3**	**$ 1,216**

[a] Market price of our underlying common stock less exercise price.

[b] The number of options expected to vest takes into account an estimate of expected forfeitures.

Note 14. Earnings Per Common Share Attributable to Pfizer Inc. Common Shareholders

The following presents the detailed calculation of *EPS:*

	Year Ended December 31,		
(IN MILLIONS)	**2021**	2020	2019
EPS Numerator—Basic			
Income from continuing operations attributable to Pfizer Inc.	**$ 22,414**	$ 6,630	$ 10,708
Less: Preferred stock dividends—net of tax	**—**	—	1
Income from continuing operations attributable to Pfizer Inc. common shareholders	**22,414**	6,630	10,708
Discontinued operations—net of tax	**(434)**	2,529	5,318
Net income attributable to Pfizer Inc. common shareholders	**$ 21,979**	$ 9,159	$ 16,025
EPS Numerator—Diluted			
Income from continuing operations attributable to Pfizer Inc. common shareholders and assumed conversions	**$ 22,414**	$ 6,630	$ 10,708
Discontinued operations—net of tax, attributable to Pfizer Inc. common shareholders and assumed conversions	**(434)**	2,529	5,318
Net income attributable to Pfizer Inc. common shareholders and assumed conversions	**$ 21,979**	$ 9,159	$ 16,026
EPS Denominator			
Weighted-average number of common shares outstanding—Basic	**5,601**	5,555	5,569
Common-share equivalents: stock options, stock issuable under employee compensation plans convertible preferred stock and accelerated share repurchase agreements	**107**	77	106
Weighted-average number of common shares outstanding—Diluted	**5,708**	5,632	5,675
Anti-dilutive common stock equivalents[(a)]	**2**	4	2

[(a)] These common stock equivalents were outstanding for the periods presented, but were not included in the computation of diluted EPS for those periods because their inclusion would have had an anti-dilutive effect.

Allocated shares held by the Common ESOP, including reinvested dividends, are considered outstanding for EPS calculations and the eventual conversion of allocated preferred shares held by the Preferred ESOP was assumed in the diluted EPS calculation until the conversion date, which occurred in May 2020. See *Note 12*.

Note 15. Leases

We lease real estate, fleet, and equipment for use in our operations. Our leases generally have lease terms of 1 to 30 years, some of which include options to terminate or extend leases for up to 5 to 10 years or on a month-to-month basis. We include options that are reasonably certain to be exercised as part of the determination of lease terms. We may negotiate termination clauses in anticipation of any changes in market conditions, but generally these termination options have not been exercised. Residual value guarantees are generally not included within our operating leases with the exception of some fleet leases. In addition to base rent payments, the leases may require us to pay directly for taxes and other non-lease components, such as insurance, maintenance and other operating expenses, which may be dependent on usage or vary month-to-month. Variable lease payments amounted to $381 million in 2021, $380 million in 2020 and $326 million in 2019. We elected the practical expedient to not separate non-lease components from lease components in calculating the amounts of ROU assets and lease liabilities for all underlying asset classes.

We determine if an arrangement is a lease at inception of the contract and we perform the lease classification test as of the lease commencement date. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our estimated incremental borrowing rate based on the information available at commencement date in determining the present value of future payments.

For operating leases, the ROU assets and liabilities in our consolidated balance sheets follows:

		As of December 31,	
(MILLIONS)	Balance Sheet Classification	**2021**	2020
ROU assets	*Other noncurrent assets*	**$ 2,839**	$ 1,386
Lease liabilities (short-term)	*Other current liabilities*	**449**	320
Lease liabilities (long-term)	*Other noncurrent liabilities*	**2,510**	1,108

Components of total lease cost includes:

	Year Ended December 31,		
(MILLIONS)	**2021**	2020	2019
Operating lease cost	**$ 548**	$ 432	$ 421
Variable lease cost	**381**	380	326
Sublease income	**(41)**	(40)	(45)
Total lease cost	**$ 888**	$ 772	$ 702

Other supplemental information follows:

(MILLIONS)	As of December 31, 2021	2020
Operating leases		
Weighted-Average Remaining Contractual Lease Term (Years)	**12**	6.9
Weighted-Average Discount Rate	**2.8 %**	2.9 %

(MILLIONS)	Year Ended December 31, 2021	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	**$ 387**	$ 333	$ 338
(Gains)/losses on sale and leaseback transactions, net	**1**	(3)	(29)

The following reconciles the undiscounted cash flows for the first five years and total of the remaining years to the operating lease liabilities recorded in the consolidated balance sheet as of December 31, 2021:

(MILLIONS) Period	Operating Lease Liabilities
Next one year[a]	**$ 520**
1-2 years	**417**
2-3 years	**322**
3-4 years	**279**
4-5 years	**217**
Thereafter	**1,865**
Total undiscounted lease payments	**3,621**
Less: Imputed interest	**661**
Present value of minimum lease payments	**2,960**
Less: Current portion	**449**
Noncurrent portion	**$ 2,510**

[a] Reflects lease payments due within 12 months subsequent to the balance sheet date.

Note 16. Contingencies and Certain Commitments

We and certain of our subsidiaries are subject to numerous contingencies arising in the ordinary course of business, including tax and legal contingencies. The following outlines our legal contingencies. For a discussion of our tax contingencies, see *Note 5B.*

A. Legal Proceedings

Our legal contingencies include, but are not limited to, the following:

- Patent litigation, which typically involves challenges to the coverage and/or validity of patents on various products, processes or dosage forms. An adverse outcome could result in loss of patent protection for a product, a significant loss of revenues from that product or impairment of the value of associated assets. We are the plaintiff in the majority of these actions.

- Product liability and other product-related litigation related to current or former products, which can include personal injury, consumer, off-label promotion, securities, antitrust and breach of contract claims, among others, and 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 asserted or unasserted matters, which can include acquisition-, licensing-, intellectual property-, collaboration- or co-promotion-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 jurisdictions.

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

We believe that our claims and defenses in matters in which we are a defendant 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 matters, which could have a material adverse effect on our results of operations and/or our cash flows in the period in which the amounts are accrued or 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, which result from a complex series of judgments about future events and uncertainties, are based on estimates and assumptions that have been deemed reasonable by management, but 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. For proceedings under environmental laws to which a governmental authority is a party, we have adopted a disclosure threshold of $1 million in potential or actual governmental monetary sanctions.

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 to assess materiality, such as, among others, the amount of damages and the nature of other relief sought, if specified; our view of the merits of the claims and of the strength of our defenses; whether the action purports to be, or is, a class action and, if not certified, our view of the likelihood that a class will be certified by the court; the jurisdiction in which the proceeding is pending; whether related actions have been transferred to multidistrict litigation; 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 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 in which we are the plaintiff, we consider, among other things, the financial significance of the product protected by the patent(s) at issue. Some of the matters discussed below include those which management believes that the likelihood of possible loss in excess of amounts accrued is remote.

A1. Legal Proceedings—Patent Litigation

We are involved in suits relating to our patents, including but not limited to, those discussed below. Most involve claims by generic drug manufacturers that patents covering our products (or those of our collaboration/licensing partners to which we have licenses or co-promotion rights and to which we may or may not be a party), processes or dosage forms are invalid and/or do not cover the product of the generic drug manufacturer. Also, counterclaims, as well as various independent actions, have been filed alleging that our assertions of, or attempts to enforce, 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 that are discussed below, patent rights to certain of our products or those of our collaboration/licensing partners are being challenged in various other jurisdictions. For example, some of our collaboration or licensing partners face challenges to the validity of their patent rights in non-U.S. jurisdictions. We are also party to patent damages suits in various jurisdictions pursuant to which generic drug manufacturers, payers, governments or other parties are seeking damages from us for allegedly causing delay of generic entry.

We also are often involved in other proceedings, such as inter partes review, post-grant review, re-examination or opposition proceedings, before the U.S. Patent and Trademark Office, the European Patent Office, or other foreign counterparts relating to our intellectual property or the intellectual property rights of others. Also, if one of our patents is found to be invalid by such proceedings, generic or competitive products could be introduced into the market resulting in the erosion of sales of our existing products. For example, several of the patents in our pneumococcal vaccine portfolio were challenged in inter partes review and post-grant review proceedings in the U.S. In 2017, the Patent Trial and Appeal Board (PTAB) initiated proceedings with respect to two of our pneumococcal vaccine patents. However, the PTAB declined to initiate proceedings as to two other pneumococcal vaccine patents; those two patents, and one other patent, were challenged in federal court in Delaware. In September 2021, Pfizer and a challenger entered into a settlement and license agreement, resolving all worldwide legal proceedings involving that challenger, related to our pneumococcal vaccine patents. Other challenges to pneumococcal vaccine patents remain pending at the PTAB and outside the U.S. The invalidation of any of the patents in our pneumococcal portfolio could potentially allow additional competitor vaccines into the marketplace. In the event that any of the patents are found valid and infringed, a competitor's vaccine might be prohibited from entering the market or a competitor might be required to pay us a royalty.

We are also subject to patent litigation pursuant to which one or more third parties seek damages and/or injunctive relief to compensate for alleged infringement of its patents by our commercial or other activities. For example, our Hospira subsidiaries are involved in patent and patent-related disputes over their attempts to bring generic pharmaceutical and biosimilar products to market. If one of our marketed products is found to infringe valid patent rights of a third party, such third party may be awarded significant damages or royalty payments, or we may be prevented from further sales of that product. Such damages may be enhanced as much as three-fold if we or one of our subsidiaries is found to have willfully infringed valid patent rights of a third party.

Actions In Which We Are The Plaintiff

EpiPen

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

Xeljanz (tofacitinib)

Beginning in 2017, we brought patent-infringement actions against several generic manufacturers that filed separate ANDAs with the FDA seeking approval to market their generic versions of tofacitinib tablets in one or both of 5 mg and 10 mg dosage strengths, and in both immediate and extended release forms. To date, we have settled actions with several manufacturers on terms not material to us. The remaining actions continue in the U.S. District Court for the District of Delaware as described below.

In January 2021, we brought a separate patent-infringement action against Aurobindo Pharma Limited (Aurobindo) asserting the infringement and validity of the patent covering the active ingredient expiring in December 2025 and the patent covering a polymorphic form of tofacitinib expiring in 2023, which Aurobindo challenged in its ANDA seeking approval to market a generic version of tofacitinib 5 mg and 10 mg tablets.

In October 2021, we brought a separate patent-infringement action against Sinotherapeutics Inc. (Sinotherapeutics) asserting the infringement and validity of our patent covering extended release formulations of tofacitinib that was challenged by Sinotherapeutics in its ANDA seeking approval to market a generic version of tofacitinib 11 mg extended release tablets.

In February 2022, we brought a separate patent-infringement action against Teva Pharmaceuticals USA, Inc. (Teva) asserting the infringement and validity of our patent covering extended release formulations of tofacitinib that was challenged by Teva in its ANDA seeking approval to market a generic version of tofacitinib 22 mg extended release tablets.

In February 2022, we brought a separate patent-infringement action against Slayback Pharma LLC (Slayback) asserting the infringement and validity of our compound patent covering the active ingredient that was challenged by Slayback in its ANDA seeking approval to market a generic version of tofacitinib oral solution 1 mg/mL.

Inlyta (axitinib)
In 2019, Glenmark Pharmaceuticals Ltd. (Glenmark) notified us that it had filed an ANDA with the FDA seeking approval to market a generic version of Inlyta. Glenmark asserts the invalidity and non-infringement of the crystalline form patent for Inlyta that expires in 2030. In 2019, we filed suit against Glenmark in the U.S. District Court for the District of Delaware, asserting the validity and infringement of the crystalline form patent for Inlyta.

Ibrance (palbociclib)
Beginning in September 2020, we received correspondence from several generic companies notifying us that they would seek approval to market generic versions of Ibrance capsules. The generic companies assert the invalidity and non-infringement of our crystalline form patent which expires in 2034. Beginning in October 2020, we brought patent infringement actions against each of these generic companies in various federal courts, asserting the validity and infringement of the crystalline form patent. We have settled with one of these generic companies on terms not material to the company.

Beginning in January 2021, several generic companies notified us that they had filed ANDAs with the FDA seeking approval to market generic versions of Ibrance tablets. The generic companies are challenging some or all of the following patents: (i) the composition of matter patent expiring in 2027; (ii) the composition of matter patent expiring in 2023; (iii) the method of use patent expiring in 2023; (iv) the crystalline form patent expiring in 2034; and (v) a tablet formulation patent expiring in 2036. We brought patent infringement actions against each of the generic filers in various federal courts, asserting the validity and infringement of the patents challenged by the generic companies.

Eucrisa
Beginning in September 2021, several generic companies notified us that they had filed ANDAs with the FDA seeking approval to market generic versions of Eucrisa. The companies assert the invalidity and non-infringement of a composition of matter patent expiring in 2026, two method of use patents expiring in 2027, and one other method of use patent expiring in 2030. In September 2021, we brought patent infringement actions against the generic filers in the U.S. District Court for the District of Delaware, asserting the validity and infringement of the patents challenged by the generic companies.

Matter Involving Our Collaboration/Licensing Partners

Eliquis
In 2017, twenty-five generic companies sent BMS Paragraph-IV certification letters informing BMS that they had filed ANDAs seeking approval of generic versions of Eliquis, challenging the validity and infringement of one or more of the three patents listed in the Orange Book for Eliquis. One of the patents expired in December 2019 and the remaining patents currently are set to expire in 2026 and 2031. Eliquis has been jointly developed and is being commercialized by BMS and Pfizer. BMS and Pfizer filed patent-infringement actions against all generic filers in the U.S. District Court for the District of Delaware and the U.S. District Court for the District of West Virginia, asserting that each of the generic companies' proposed products would infringe each of the patent(s) that each generic filer challenged. Some generic filers challenged only the 2031 patent, some challenged both the 2031 and 2026 patent, and one generic company challenged all three patents. In August 2020, the U.S. District Court for the District of Delaware ruled that both the 2026 patent and the 2031 patent are valid and infringed by the proposed generic products. In August and September 2020, the generic filers appealed the District Court's decision to the U.S. Court of Appeals for the Federal Circuit. Prior to the August 2020 ruling, we and BMS settled with certain of the companies on terms not material to us, and we and BMS may settle with other generic companies in the future. In September 2021, the U.S. Court of Appeals for the Federal Circuit affirmed the District Court's decision.

A2. Legal Proceedings—Product Litigation

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 (American Optical), 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. Warner-Lambert was acquired by Pfizer in 2000 and is 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 against American Optical, Pfizer and certain of its previously owned subsidiaries are pending in various federal and state courts seeking damages for alleged personal injury from exposure to products allegedly containing asbestos and other allegedly hazardous materials sold by Pfizer and certain of its previously owned subsidiaries.

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.

Effexor

Beginning in 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 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 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 appealed to the U.S. Court of Appeals for the Third Circuit. In 2017, the U.S. Court of Appeals for the Third Circuit reversed the District Court's decisions and remanded the claims to the District Court.

Lipitor

Beginning in 2011, purported class actions relating to Lipitor were filed in various federal courts against, among others, Pfizer, certain Pfizer affiliates, and, in most of the actions, Ranbaxy Laboratories Ltd. (Ranbaxy) and certain Ranbaxy affiliates. 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 the U.S. District Court for the District of New Jersey.

In September 2013 and 2014, the District Court dismissed with prejudice the claims of the direct purchasers. In October and November 2014, the District Court dismissed with prejudice the claims of all other Multi-District Litigation plaintiffs. All plaintiffs have appealed the District Court's orders dismissing their claims with prejudice to the U.S. 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 Court of Appeals. In 2017, the Court of Appeals reversed the District Court's decisions and remanded the claims to the District Court.

Also, in 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.

EpiPen (Direct Purchaser)

In February 2020, a lawsuit was filed in the U.S. District Court for the District of Kansas against Pfizer, its affiliates King and Meridian, and various Mylan entities, on behalf of a purported U.S. nationwide class of direct purchaser plaintiffs who purchased EpiPen devices directly from the defendants. Plaintiffs in this action generally allege that Pfizer and Mylan conspired to delay market entry of generic EpiPen through the settlement of patent litigation regarding EpiPen, and thereby delayed market entry of generic EpiPen in violation of federal antitrust law. Plaintiffs seek treble damages for alleged overcharges for EpiPen since 2011. In July 2021, the District Court granted defendants' motion to dismiss the direct purchaser complaint, without prejudice. In September 2021, plaintiffs filed an amended complaint.

Nexium 24HR and Protonix

A number of individual and multi-plaintiff lawsuits have been filed against Pfizer, certain of its subsidiaries and/or other pharmaceutical manufacturers in various federal and state courts alleging that the plaintiffs developed kidney-related injuries purportedly as a result of the ingestion of certain proton pump inhibitors. The cases against Pfizer involve Protonix and/or Nexium 24HR and seek compensatory and punitive damages and, in some cases, treble damages, restitution or disgorgement. In 2017, the federal actions were ordered transferred for coordinated pre-trial proceedings to a Multi-District Litigation in the U.S. District Court for the District of New Jersey. As part of our Consumer Healthcare JV transaction with GSK, the JV has agreed to assume, and to indemnify Pfizer for, liabilities arising out of such litigation to the extent related to Nexium 24HR.

Docetaxel

- *Personal Injury Actions*

A number of lawsuits have been filed against Hospira and Pfizer in various federal and state courts alleging that plaintiffs who were treated with Docetaxel developed permanent hair loss. The significant majority of the cases also name other defendants, including the manufacturer of the branded product, Taxotere. Plaintiffs seek compensatory and punitive damages.

In 2016, the federal cases were transferred for coordinated pre-trial proceedings to a Multi-District Litigation in the U.S. District Court for the Eastern District of Louisiana.

- *Mississippi Attorney General Government Action*

In 2018, the Attorney General of Mississippi filed a complaint in Mississippi state court against the manufacturer of the branded product and eight other manufacturers including Pfizer and Hospira, alleging, with respect to Pfizer and Hospira, a failure to warn about a risk of permanent hair loss in violation of the Mississippi Consumer Protection Act. The action seeks civil penalties and injunctive relief.

Zantac

A number of lawsuits have been filed against Pfizer in various federal and state courts alleging that plaintiffs developed various types of cancer, or face an increased risk of developing cancer, purportedly as a result of the ingestion of Zantac. The significant majority of these cases also name other defendants that have historically manufactured and/or sold Zantac. Pfizer has not sold Zantac since 2006, and only sold an OTC version of the product. Plaintiffs seek compensatory and punitive damages.

In February 2020, the federal actions were transferred for coordinated pre-trial proceedings to a Multi-District Litigation in the U.S. District Court for the Southern District of Florida. Plaintiffs in the Multi-District Litigation have filed against Pfizer and many other defendants a master personal injury complaint, a consolidated consumer class action complaint alleging, among other things, claims under consumer protection

statutes of all 50 states, and a medical monitoring complaint seeking to certify medical monitoring classes under the laws of 13 states. Plaintiffs previously had filed a consolidated third-party payor class action complaint alleging violation of the federal Racketeer Influenced and Corrupt Organizations Act (RICO) statute and seeking reimbursement for payments made for the prescription version of Zantac, but the Multi-District Litigation court dismissed that complaint; Plaintiffs have appealed the dismissal to the U.S. Court of Appeals for the Eleventh Circuit. In addition, (i) Pfizer has received service of Canadian class action complaints naming Pfizer and other defendants, and seeking compensatory and punitive damages for personal injury and economic loss, allegedly arising from the defendants' sale of Zantac in Canada; and (ii) the State of New Mexico and the Mayor and City Council of Baltimore separately filed civil actions against Pfizer and many other defendants in state court, alleging various state statutory and common law claims in connection with the defendants' alleged sale of Zantac in those jurisdictions. In April 2021, a Judicial Council Coordinated Proceeding was created in the Superior Court of California in Alameda County to coordinate personal injury actions against Pfizer and other defendants filed in California state court.

Chantix

Beginning in August 2021, a number of putative class actions have been filed against Pfizer in various U.S. federal courts following Pfizer's voluntary recall of Chantix due to the presence of a nitrosamine, N-nitroso-varenicline. Plaintiffs assert that they suffered economic harm purportedly as a result of purchasing Chantix or generic varenicline medicines sold by Pfizer. Plaintiffs seek to represent nationwide and state-specific classes and seek various remedies, including damages and medical monitoring. Similar putative class actions have been filed in Canada and Israel, where the product brand is Champix.

A3. Legal Proceedings—Commercial and Other Matters

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. 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 a wholly owned subsidiary of Pfizer.

In connection with its spin-off that was completed in 2002, New Monsanto assumed, and agreed to indemnify Pharmacia for, any liabilities related to Pharmacia's former agricultural business. New Monsanto has defended and/or is defending Pharmacia in connection with various claims and litigation arising out of, or related to, the agricultural business, and has been indemnifying Pharmacia when liability has been imposed or settlement has been reached regarding such claims and litigation.

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 primarily limited to sites that Solutia has owned or operated. In addition, in connection with its spin-off 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/or New Monsanto are defending Pharmacia in connection with various claims and litigation arising out of, or related to, Former Monsanto's chemical businesses, and have been indemnifying Pharmacia when liability has been imposed or settlement has been reached regarding such claims and litigation.

Environmental Matters

In 2009, we submitted a revised site-wide feasibility study with regard to the Wyeth Holdings Corporation (formerly, American Cyanamid Company) discontinued industrial chemical facility in Bound Brook, New Jersey. In 2011, Wyeth Holdings Corporation executed an Administrative Settlement Agreement and Order on Consent for Removal Action (the 2011 Administrative Settlement Agreement) with the U.S. Environmental Protection Agency (EPA) with regard to the Bound Brook facility. In accordance with the 2011 Administrative Settlement Agreement, we completed construction of an interim remedy. In 2012, the EPA issued a final remediation plan for the Bound Brook facility's main plant area. In 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 2015, the U.S., on behalf of the EPA, filed a complaint and consent decree with the federal District Court for the District of New Jersey that allows Wyeth Holdings LLC to complete the design and to implement the remedy for the main plant area. The consent decree (which supersedes the 2011 Administrative Settlement Agreement) was entered by the District Court in 2015. In 2018, the EPA issued a final remediation plan for the two adjacent lagoons. In 2019, 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 lagoons. In September 2021, the U.S., on behalf of the EPA, filed a complaint and consent decree with the federal District Court for the District of New Jersey, which the court approved in November 2021, that will allow Wyeth Holdings LLC to complete the design and implement the remedy for the two adjacent lagoons.

We have accrued for the estimated costs of the site remedies for the Bound Brook 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.

Contracts with Iraqi Ministry of Health

In 2017, a number of U.S. service members, civilians, and their families brought a complaint in the U.S. District Court for the District of Columbia against a number of pharmaceutical and medical devices companies, including Pfizer and certain of its subsidiaries, alleging that the defendants violated the U.S. Anti-Terrorism Act. The complaint alleges that the defendants provided funding for terrorist organizations through their sales practices pursuant to pharmaceutical and medical device contracts with the Iraqi Ministry of Health, and seeks monetary relief. In July 2020, the District Court granted defendants' motions to dismiss and dismissed all of plaintiffs' claims. In January 2022, the Court of Appeals reversed the District Court's decision. In February 2022, the defendants filed for en banc review of the Court of Appeals' decision.

Allergan Complaint for Indemnity

In 2019, Pfizer was named as a defendant in a complaint, along with King, filed by Allergan Finance LLC (Allergan) in the Supreme Court of the State of New York, asserting claims for indemnity related to Kadian, which was owned for a short period by King in 2008, prior to Pfizer's acquisition of King in 2010. This suit was voluntarily discontinued without prejudice in January 2021.

Breach of Contract—Xalkori/Lorbrena

We are a defendant in a breach of contract action brought by New York University (NYU) in the Supreme Court of the State of New York (Supreme Court). NYU alleges that it is entitled to royalties on Pfizer's sales of Xalkori under the terms of a Research and License Agreement between NYU and Sugen, Inc. Sugen, Inc. was acquired by Pharmacia in August 1999, and Pharmacia was acquired by Pfizer in 2003 and is a wholly owned subsidiary of Pfizer. The action was originally filed in 2013. In 2015, the Supreme Court dismissed the action and, in 2017, the New York State Appellate Division reversed the decision and remanded the proceedings to the Supreme Court. In January 2020, the Supreme Court denied both parties' summary judgment motions.

In October 2020, NYU filed a separate breach of contract action against Pfizer alleging that it is entitled to royalties on sales of Lorbrena under the terms of the same NYU-Sugen, Inc. Research and Licensing Agreement. In February 2022, the parties reached an agreement to settle both breach of contract actions on terms not material to Pfizer.

Viatris Securities Litigation

In October 2021, a putative class action was filed in the Court of Common Pleas of Allegheny County, Pennsylvania on behalf of former Mylan N.V. shareholders who received Viatris common stock in exchange for Mylan shares in connection with the spin-off of the Upjohn Business and its combination with Mylan (the Transactions). Viatris, Pfizer, and certain of each company's current and former officers, directors and employees are named as defendants. The complaint alleges that the defendants violated certain provisions of the Securities Act of 1933 in connection with certain disclosures made in or omitted from the registration statement and related prospectus issued in connection with the Transactions. Plaintiff seeks damages, costs and expenses and other equitable and injunctive relief.

A4. Legal Proceedings—Government Investigations

We are subject to extensive regulation by government agencies in the U.S., other developed markets and multiple emerging markets in which we operate. Criminal charges, substantial fines and/or civil penalties, limitations on our ability to conduct business in applicable jurisdictions, corporate integrity or deferred prosecution agreements, as well as reputational harm and increased public interest in the matter could result from government investigations in the U.S. and other jurisdictions in which we do business. In addition, in a qui tam lawsuit in which the government declines to intervene, the relator may still pursue a suit for the recovery of civil damages and penalties on behalf of the government. Among the investigations by government agencies are the matters discussed below.

Greenstone Investigations

- *U.S. Department of Justice Antitrust Division Investigation*

Since July 2017, the U.S. Department of Justice's Antitrust Division has been investigating our former Greenstone generics business. We believe this is related to an ongoing broader antitrust investigation of the generic pharmaceutical industry. We have produced records relating to this investigation.

- *State Attorneys General and Multi-District Generics Antitrust Litigation*

In April 2018, Greenstone received requests for information from the Antitrust Department of the Connecticut Office of the Attorney General. In May 2019, Attorneys General of more than 40 states plus the District of Columbia and Puerto Rico filed a complaint against a number of pharmaceutical companies, including Greenstone and Pfizer. The matter has been consolidated with a Multi-District Litigation in the Eastern District of Pennsylvania. As to Greenstone and Pfizer, the complaint alleges anticompetitive conduct in violation of federal and state antitrust laws and state consumer protection laws. In June 2020, the State Attorneys General filed a new complaint against a large number of companies, including Greenstone and Pfizer, making similar allegations, but concerning a new set of drugs. This complaint was transferred to the Multi-District Litigation in July 2020. The Multi-District Litigation also includes

civil complaints filed by private plaintiffs and state counties against Pfizer, Greenstone and a significant number of other defendants asserting allegations that generally overlap with those asserted by the State Attorneys General.

Subpoena relating to Manufacturing of Quillivant XR

In October 2018, we received a subpoena from the U.S. Attorney's Office for the Southern District of New York (SDNY) seeking records relating to our relationship with another drug manufacturer and its production and manufacturing of drugs including, but not limited to, Quillivant XR. We have produced records pursuant to the subpoena.

Government Inquiries relating to Meridian Medical Technologies

In February 2019, we received a civil investigative demand from the U.S. Attorney's Office for the SDNY. The civil investigative demand seeks records and information related to alleged quality issues involving the manufacture of auto-injectors at the Meridian site. In August 2019, we received a HIPAA subpoena from the U.S. Attorney's Office for the Eastern District of Missouri seeking similar records and information. We are producing records in response to these requests.

U.S. Department of Justice/SEC Inquiry relating to Russian Operations

In June 2019, we received an informal request from the U.S. Department of Justice's FCPA Unit seeking documents relating to our operations in Russia. In September 2019, we received a similar request from the SEC's FCPA Unit. We have produced records pursuant to these requests.

Docetaxel—Mississippi Attorney General Government Investigation

See *Legal Proceedings—Product Litigation—Docetaxel—Mississippi Attorney General Government Investigation* above for information regarding a government investigation related to Docetaxel marketing practices.

U.S. Department of Justice Inquiries relating to India Operations

In March 2020, we received an informal request from the U.S. Department of Justice's Consumer Protection Branch seeking documents relating to our manufacturing operations in India, including at our former facility located at Irrungattukottai in India. In April 2020, we received a similar request from the U.S. Attorney's Office for the SDNY regarding a civil investigation concerning operations at our facilities in India. We are producing records pursuant to these requests.

U.S. Department of Justice/SEC Inquiry relating to China Operations

In June 2020, we received an informal request from the U.S. Department of Justice's FCPA Unit seeking documents relating to our operations in China. In August 2020, we received a similar request from the SEC's FCPA Unit. We are producing records pursuant to these requests.

Zantac—State of New Mexico and Mayor and City Council of Baltimore Civil Actions

See *Legal Proceedings—Product Litigation—Zantac* above for information regarding civil actions separately filed by the State of New Mexico and the Mayor and City Council of Baltimore alleging various state statutory and common law claims in connection with the defendants' alleged sale of Zantac in those jurisdictions.

A5. Legal Proceedings—Matters Resolved During 2021

During 2021, certain matters, including the matter discussed below, were resolved or became the subject of definitive settlement agreements or settlement agreements-in-principle.

EpiPen

Beginning in 2017, purported class actions were filed in various federal courts by indirect purchasers of EpiPen against Pfizer, and/or its current and former affiliates King and Meridian, and/or various entities affiliated with Mylan, and Mylan former Chief Executive Officer, Heather Bresch. The plaintiffs in these actions represent U.S. nationwide classes comprising persons or entities who paid for any portion of the end-user purchase price of an EpiPen between 2009 until the cessation of the defendants' allegedly unlawful conduct. Against Pfizer and/or its affiliates, plaintiffs in these actions generally allege that Pfizer's and/or its affiliates' settlement of patent litigation regarding EpiPen delayed market entry of generic EpiPen in violation of federal and various state antitrust laws. At least one lawsuit also alleges that Pfizer and/or Mylan violated RICO. Plaintiffs also filed various federal antitrust, state consumer protection and unjust enrichment claims against, and relating to conduct attributable solely to, Mylan and/or its affiliates regarding EpiPen. Plaintiffs seek treble damages for alleged overcharges for EpiPen since 2011. In 2017, all of these indirect purchase actions were consolidated for coordinated pre-trial proceedings in a Multi-District Litigation in the U.S. District Court for the District of Kansas with other EpiPen-related actions against Mylan and/or its affiliates to which Pfizer, King and Meridian are not parties. In July 2021, Pfizer and plaintiffs filed a stipulation of settlement to resolve the Multi-District Litigation for $345 million. The District Court approved the settlement in November 2021, and the payment was made in accordance with the terms of the settlement agreement.

B. Guarantees and Indemnifications

In the ordinary course of business and in connection with the sale of assets and businesses and other transactions, we often indemnify our counterparties against certain liabilities that may arise in connection with the transaction or that are related to events and activities prior to or following a transaction. If the indemnified party were to make a successful claim pursuant to the terms of the indemnification, we may be required to reimburse the loss. These indemnifications are generally subject to various restrictions and limitations. Historically, we have not paid significant amounts under these provisions and, as of December 31, 2021, the estimated fair value of these indemnification obligations has been included in our financial statements and is not material to Pfizer.

In addition, in connection with our entry into certain agreements and other transactions, our counterparties may agree to indemnify us. For example, in November 2020, we and Mylan completed the transaction to spin-off our Upjohn Business and combine it with Mylan to form Viatris. As part of the transaction and as previously disclosed, Viatris has agreed to assume, and to indemnify Pfizer for, liabilities arising out of certain matters.

We have also guaranteed the long-term debt of certain companies that we acquired and that now are subsidiaries of Pfizer. See *Note 7D*.

C. Certain Commitments

As of December 31, 2021, we had commitments totaling $5.2 billion that are legally binding and enforceable. These commitments include payments relating to potential milestone payments deemed reasonably likely to occur, and purchase obligations for goods and services.

See *Note 5A* for information on the TCJA repatriation tax liability.

D. Contingent Consideration for Acquisitions

We may be required to make payments to sellers for certain prior business combinations that are contingent upon future events or outcomes. See *Note 1E*. The estimated fair value of contingent consideration as of December 31, 2021 is $697 million, of which $135 million is recorded in *Other current liabilities* and $563 million in *Other noncurrent liabilities,* and as of December 31, 2020 is $689 million, of which $123 million is recorded in *Other current liabilities* and $566 million in *Other noncurrent liabilities*. The increase in the contingent consideration balance from December 31, 2020 is primarily due to fair value adjustments, partially offset by payments made upon the achievement of certain sales-based milestones.

E. Insurance

Our insurance coverage reflects market conditions (including cost and availability) existing at the time it is written, and our decision to obtain insurance coverage or to self-insure varies accordingly. Depending upon the cost and availability of insurance and the nature of the risk involved, the amount of self-insurance may be significant. The cost and availability of coverage have resulted in self-insuring certain exposures, including product liability. If we incur substantial liabilities that are not covered by insurance or substantially exceed insurance

coverage and that are in excess of existing accruals, there could be a material adverse effect on our cash flows or results of operations in the period in which the amounts are paid and/or accrued.

Note 17. Segment, Geographic and Other Revenue Information

A. Segment Information

We regularly review our operating segments and the approach used by management to evaluate performance and allocate resources. With the formation of the Consumer Healthcare JV in 2019 and the completion of the spin-off of our Upjohn Business in the fourth quarter of 2020, Pfizer transformed into a more focused, global leader in science-based innovative medicines and vaccines and beginning in the fourth quarter of 2020 operated as a single operating segment engaged in the discovery, development, manufacturing, marketing, sale and distribution of biopharmaceutical products worldwide. At the beginning of our fiscal fourth quarter of 2021, we reorganized our commercial operations and began to manage our commercial operations through a new global structure consisting of two operating segments, each led by a single manager: Biopharma, our innovative science-based biopharmaceutical business and PC1, our global contract development and manufacturing organization and a leading supplier of specialty active pharmaceutical ingredients. Biopharma is a science-based medicines business that includes six therapeutic areas – Oncology, Inflammation & Immunology, Rare Disease, Hospital, Vaccines and Internal Medicine. The Hospital therapeutic area commercializes our global portfolio of sterile injectable and anti-infective medicines.

Each operating segment has responsibility for its commercial activities. Regional commercial organizations market, distribute and sell our products and are supported by global platform functions that are responsible for the research, development, manufacturing and supply of our products and global corporate enabling functions. Biopharma receives its R&D services from GPD and WRDM. These services include IPR&D projects for new investigational products and additional indications for in-line products. Each business has a geographic footprint across developed and emerging markets. Our chief operating decision maker uses the revenues and earnings of the operating segments, among other factors, for performance evaluation and resource allocation. Biopharma is the only reportable segment. We have revised prior-period information (Revenues and Earnings, as defined by management) to conform to the current management structure.

Other Costs and Business Activities

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

- WRDM—the R&D and Medical expenses managed by our WRDM organization, which is generally responsible for research projects for our Biopharma portfolio until proof-of-concept is achieved and then for transitioning those projects to the GPD organization for possible clinical and commercial development. R&D spending may include upfront and milestone payments for intellectual property rights. The WRDM organization also has responsibility for certain science-based and other platform-services organizations, which provide end-to-end technical expertise and other services to the various R&D projects, as well as the Worldwide Medical and Safety group, which ensures that Pfizer provides all stakeholders—including patients, healthcare providers, pharmacists, payers and health authorities—with complete and up-to-date information on the risks and benefits associated with Pfizer products so that they can make appropriate decisions on how and when to use Pfizer's medicines.
- GPD—the costs associated with our GPD organization, which is generally responsible for clinical trials from WRDM in the Biopharma portfolio, including late-stage portfolio spend. GPD also provides technical support and other services to Pfizer R&D projects. GPD is responsible for facilitating all regulatory submissions and interactions with regulatory agencies.
- Corporate and Other Unallocated—the costs associated with (i) corporate enabling functions (such as digital, global real estate operations, legal, finance, human resources, worldwide public affairs, compliance and worldwide procurement, among others), all strategy, business development, portfolio management and valuation capabilities, patient advocacy activities and certain compensation and other corporate costs, such as interest income and expense, and gains and losses on investments; (ii) overhead expenses primarily associated with our manufacturing (which include manufacturing variances associated with production) operations that are not directly assessed to an operating segment, as business unit (segment) management does not manage these costs; and (iii) our share of earnings from the Consumer Healthcare JV.

- 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 PP&E; (ii) acquisition-related items, where we incur costs for executing the transaction, integrating the acquired operations and restructuring the combined company; and (iii) certain significant items, representing substantive and/or unusual, and in some cases recurring, items (such as pension and postretirement actuarial remeasurement gains and losses, gains on the completion of joint venture transactions, restructuring charges, legal charges or net gains and losses on investments in equity securities) that are evaluated on an individual basis by management and 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. Such items can include, but are not limited to, 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.

The operating results of PC1, our global contract development and manufacturing organization, and through July 31, 2019 our former Consumer Healthcare business are included in Other business activities.

Segment Assets

We manage our assets on a total company basis, not by operating segment, as our operating assets are shared or commingled. 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 $181 billion as of December 31, 2021 and $154 billion as of December 31, 2020.

Selected Income Statement Information

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

	Revenues			Earnings[a]			Depreciation and Amortization[b]		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019
Reportable Segment:									
Biopharma	**$ 79,557**	$ 40,724	$ 38,013	**$ 40,226**	$ 27,089	$ 24,419	**$ 1,439**	$ 1,013	$ 978
Other business activities[c]	**1,731**	926	2,892	**(10,396)**	(12,308)	(11,216)	**598**	603	592
Reconciling Items:									
Purchase accounting adjustments	**—**	—	—	**(3,175)**	(3,117)	(4,153)	**3,067**	3,047	4,145
Acquisition-related costs	**—**	—	—	**(52)**	(44)	(185)	**—**	—	3
Certain significant items[d]	**—**	—	—	**(2,292)**	(4,584)	2,456	**87**	18	37
	$ 81,288	$ 41,651	$ 40,905	**$ 24,311**	$ 7,036	$ 11,321	**$ 5,191**	$ 4,681	$ 5,755

[a] *Income from continuing operations before provision/(benefit) for taxes on income.* Biopharma's earnings include dividend income from our investment in ViiV of $166 million in 2021, $278 million in 2020 and $220 million in 2019.

[b] Certain production facilities are shared. Depreciation is allocated based on estimates of physical production. Amounts here relate solely to the depreciation and amortization associated with continuing operations.

[c] Other business activities include revenues and costs associated with PC1, as well as costs associated with global WRDM and GPD platform functions, global corporate enabling functions and other corporate items, as noted above, that we do not allocate to our operating segments. In 2019, Other business activities also include revenues and costs associated with our former Consumer Healthcare business through July 31, 2019. See *Note 2C.*

[d] Certain significant items are substantive and/or unusual, and in some cases recurring, items (as noted above) that, either as a result of their nature or size, would not be expected to occur as part of our normal business on a regular basis. For Earnings in 2021, includes, among other items: (i) a $2.1 billion charge for IPR&D related to our acquisition of Trillium, which was accounted for as an asset acquisition and recorded in *Research and development expenses*, (ii) restructuring charges/(credits) and implementation costs and additional depreciation—asset restructuring of $1.3 billion ($450 million recorded in *Selling, informational and administrative expenses* and the remaining amount primarily recorded in *Restructuring charges and certain acquisition-related costs*) and (iii) upfront and milestone payments on collaborative and licensing arrangements of $1.1 billion recorded in *Research and development expenses*, partially offset by (iv) actuarial valuation and other pension and postretirement plan gains of $1.6 billion recorded in *Other (income)/deductions—net* and (v) gains on equity securities of $1.3 billion recorded in *Other (income)/deductions—net*. For Earnings in 2020, includes, among other items; (i) charges of $1.7 billion related to certain asset impairments recorded in *Other (income)/deductions—net*, (ii) actuarial valuation and other pension and postretirement plan losses of $1.1 billion recorded in *Other (income)/deductions—net* and (iii) restructuring charges/(credits) and implementation costs and additional depreciation—asset restructuring of $791 million ($197 million recorded in *Selling, informational and administrative expenses* and the remaining amount primarily recorded in *Restructuring charges and certain acquisition-related costs*). For Earnings in 2019, includes, among other items: (i) a pre-tax gain of $8.1 billion recorded in *(Gain) on completion of Consumer Healthcare JV transaction* associated with the completion of the Consumer Healthcare JV transaction, partially offset by (ii) charges of $2.8 billion related to certain asset impairments recorded in *Other (income)/deductions—net* and (iii) actuarial valuation and other pension and postretirement plan losses of $750 million recorded in *Other (income)/deductions—net.* For additional information, see *Notes 2A, 2C, 3* and *4.*

B. Geographic Information

The following summarizes revenues by geographic area:

(MILLIONS)	Year Ended December 31, 2021	2020	2019
United States	**$ 29,746**	$ 21,455	$ 20,326
Developed Europe	**18,336**	7,788	7,729
Developed Rest of World	**12,506**	4,036	4,022
Emerging Markets	**20,701**	8,372	8,828
Revenues	**$ 81,288**	$ 41,651	$ 40,905

Revenues exceeded $500 million in each of 21, 8 and 10 countries outside the U.S. in 2021, 2020 and 2019, respectively. The U.S. is the only country to contribute more than 10% of total revenue in 2021, 2020 and 2019. As a percentage of revenues, our largest national market outside the U.S. was Japan, which contributed 9% of total revenue in 2021 and 6% in each of 2020 and 2019.

We and our collaboration partner, BioNTech, have entered into agreements to supply pre-specified doses of Comirnaty with multiple developed and emerging nations around the world and are continuing to deliver doses of Comirnaty under such agreements. We currently sell the Comirnaty vaccine directly to government and government sponsored customers. This includes supply agreements entered into in November 2020 and February and May 2021 with the EC on behalf of the different EU member states and certain other countries. Each EU member state submits its own Comirnaty vaccine order to us and is responsible for payment pursuant to terms of the supply agreements negotiated by the EC.

C. Other Revenue Information

Significant Customers

Our prescription pharmaceutical products are sold principally to wholesalers, but we also sell directly to retailers, hospitals, clinics, government agencies and pharmacies. In the U.S., we primarily sell our vaccine products directly to the federal government, CDC, wholesalers, individual provider offices, retail pharmacies and integrated delivery networks. Outside the U.S., we primarily sell our vaccines to government and non-government institutions.

The following summarizes revenue, as a percentage of total revenues, for our three largest U.S. wholesaler customers:

	Year Ended December 31,		
	2021	2020	2019
McKesson, Inc.	**9 %**	16 %	15 %
AmerisourceBergen Corporation	**7 %**	14 %	11 %
Cardinal Health, Inc.	**5 %**	10 %	9 %

Collectively, our three largest U.S. wholesaler customers represented 24%, 30% and 25% of total trade accounts receivable as of December 31, 2021, 2020 and 2019.

Additionally, revenues from the U.S. government represented 13% of total revenues for 2021, and primarily represent sales of Comirnaty. Accounts receivable from the U.S. government represented 12% of total trade accounts receivable as of December 31, 2021, and primarily relate to sales of Comirnaty.

Significant Product Revenues

The following provides detailed revenue information for several of our major products:

(MILLIONS)		Year Ended December 31,		
PRODUCT	**PRIMARY INDICATION OR CLASS**	**2021**	2020	2019
TOTAL REVENUES[a]		**$ 81,288**	$ 41,651	$ 40,905
PFIZER BIOPHARMACEUTICALS GROUP (BIOPHARMA)[a], [b]		**$ 79,557**	$ 40,724	$ 38,013
Vaccines		**$ 42,625**	$ 6,575	$ 6,504
Comirnaty direct sales and alliance revenues	Active immunization to prevent COVID-19	**36,781**	154	—
Prevnar family[c]	Pneumococcal disease	**5,272**	5,850	5,847
Nimenrix	Meningococcal ACWY disease	**193**	221	230
FSME-IMMUN/TicoVac	Tick-borne encephalitis disease	**185**	196	220
Trumenba	Meningococcal B disease	**118**	112	135
All other Vaccines	Various	**74**	42	73
Oncology		**$ 12,333**	$ 10,867	$ 9,014
Ibrance	HR-positive/HER2-negative metastatic breast cancer	**5,437**	5,392	4,961
Xtandi alliance revenues	mCRPC, nmCRPC, mCSPC	**1,185**	1,024	838
Inlyta	Advanced RCC	**1,002**	787	477
Sutent	Advanced and/or metastatic RCC, adjuvant RCC, refractory GIST (after disease progression on, or intolerance to, imatinib mesylate) and advanced pancreatic neuroendocrine tumor	**673**	819	936
Bosulif	Philadelphia chromosome–positive chronic myelogenous leukemia	**540**	450	365
Xalkori	ALK-positive and ROS1-positive advanced NSCLC	**493**	544	530
Ruxience[d]	Non-hodgkin's lymphoma, chronic lymphocytic leukemia, granulomatosis with polyangiitis (Wegener's Granulomatosis) and microscopic polyangiitis	**491**	170	(1)
Retacrit[d]	Anemia	**444**	386	225
Zirabev[d]	Treatment of mCRC; unresectable, locally advanced, recurrent or metastatic NSCLC; recurrent glioblastoma; metastatic RCC; and persistent, recurrent or metastatic cervical cancer	**444**	143	1
Lorbrena	ALK-positive metastatic NSCLC	**266**	204	115
Aromasin	Post-menopausal early and advanced breast cancer	**211**	148	136
Trazimera[d]	HER-positive breast cancer and metastatic stomach cancers	**197**	98	6
Besponsa	Relapsed or refractory B-cell acute lymphoblastic leukemia	**192**	182	157
Braftovi	In combination with Mektovi for metastatic melanoma in patients with a $BRAF^{V600E/K}$ mutation and, in combination with Erbitux® (cetuximab), for the treatment of $BRAF^{V600E}$-mutant mCRC after prior therapy	**187**	160	48
Bavencio alliance revenues	Locally advanced or metastatic urothelial carcinoma; metastatic Merkel cell carcinoma; immunotherapy and tyrosine kinase inhibitor combination for patients with advanced RCC	**178**	80	49
Mektovi	In combination with Braftovi for metastatic melanoma in patients with a $BRAF^{V600E/K}$ mutation	**155**	142	49
All other Oncology	Various	**238**	137	122
Internal Medicine		**$ 9,329**	$ 9,003	$ 8,790
Eliquis alliance revenues and direct sales	Nonvalvular atrial fibrillation, deep vein thrombosis, pulmonary embolism	**5,970**	4,949	4,220
Premarin family	Symptoms of menopause	**563**	680	734
Chantix/Champix	An aid to smoking cessation treatment in adults 18 years of age or older	**398**	919	1,107
BMP2	Development of bone and cartilage	**266**	274	287

(MILLIONS)		Year Ended December 31,		
PRODUCT	**PRIMARY INDICATION OR CLASS**	**2021**	2020	2019
Hospital[a]		**$ 7,301**	$ 6,777	$ 6,695
Sulperazon	Bacterial infections	**683**	618	684
Medrol	Anti-inflammatory glucocorticoid	**432**	402	469
Zavicefta	Bacterial infections	**413**	212	108
Fragmin	Treatment/prevention of venous thromboembolism	**305**	252	253
Zithromax	Bacterial infections	**278**	276	336
Vfend	Fungal infections	**267**	270	346
Tygacil	Bacterial infections	**200**	160	197
Precedex	Sedation agent in surgery or intensive care	**177**	260	155
Zyvox	Bacterial infections	**173**	222	251
Paxlovid	COVID-19 Infection (high risk population)	**76**	—	—
IVIg Products[e]	Various	**430**	376	275
All other Anti-infectives	Various	**1,453**	1,294	1,396
All other Hospital	Various	**2,412**	2,435	2,225
Inflammation & Immunology (I&I)		**$ 4,431**	$ 4,567	$ 4,733
Xeljanz	RA, PsA, UC, active polyarticular course juvenile idiopathic arthritis, ankylosing spondylitis	**2,455**	2,437	2,242
Enbrel (Outside the U.S. and Canada)	RA, juvenile idiopathic arthritis, PsA, plaque psoriasis, pediatric plaque psoriasis, ankylosing spondylitis and nonradiographic axial spondyloarthritis	**1,185**	1,350	1,699
Inflectra/Remsima[d]	Crohn's disease, pediatric Crohn's disease, UC, pediatric UC, RA in combination with methotrexate, ankylosing spondylitis, PsA and plaque psoriasis	**657**	659	625
All other I&I	Various	**134**	121	167
Rare Disease		**$ 3,538**	$ 2,936	$ 2,278
Vyndaqel/Vyndamax	ATTR-cardiomyopathy and polyneuropathy	**2,015**	1,288	473
BeneFIX	Hemophilia B	**438**	454	488
Genotropin	Replacement of human growth hormone	**389**	427	498
Refacto AF/Xyntha	Hemophilia A	**304**	370	426
Somavert	Acromegaly	**277**	277	264
All other Rare Disease	Various	**115**	120	129
PFIZER CENTREONE[b]		**$ 1,731**	$ 926	$ 810
CONSUMER HEALTHCARE BUSINESS[f]		**$ —**	$ —	$ 2,082
Total Alliance revenues		**$ 7,652**	$ 5,418	$ 4,648
Total Biosimilars[d]		**$ 2,343**	$ 1,527	$ 911
Total Sterile Injectable Pharmaceuticals[g]		**$ 5,746**	$ 5,315	$ 5,013

[a] On December 31, 2021, we completed the sale of our Meridian subsidiary. Prior to its sale, Meridian was managed as part of the Hospital therapeutic area. On November 16, 2020, we completed the spin-off and the combination of our Upjohn Business with Mylan to form Viatris. On December 21, 2020, Pfizer and Viatris completed the termination of the Mylan-Japan collaboration. Beginning in the fourth quarter of 2021, the financial results of Meridian are reflected as discontinued operations for all periods presented. Beginning in the fourth quarter of 2020, the financial results of the Upjohn Business and Mylan-Japan collaboration were reflected as discontinued operations for all periods presented. Prior-period financial information has been restated, as appropriate. See *Note 1A*.

[b] At the beginning of our fiscal fourth quarter of 2021, we reorganized our commercial operations and began to manage our commercial operations through a new global structure consisting of two operating segments, each led by a single manager: Biopharma, our innovative science-based biopharmaceutical business and PC1. PC1, which previously had been managed within the Hospital therapeutic area, includes revenues from our contract manufacturing, including certain Comirnaty-related manufacturing activities performed on behalf of BioNTech ($320 million for 2021 and $0 million for 2020 and 2019), and active pharmaceutical ingredient sales operation, as well as revenues related to our manufacturing and supply agreements with former legacy Pfizer businesses/partnerships, including but not limited to, transitional manufacturing and supply agreements with Viatris following the spin-off of the Upjohn Business. We have revised prior period information to conform to the current management structure.

[c] Prevnar family include revenues from Prevnar 13/Prevenar 13 (pediatric and adult) and Prevnar 20 (adult).

[d] Biosimilars are highly similar versions of approved and authorized biological medicines and primarily include revenues from Inflectra/Remsima, Ruxience, Retacrit, Zirabev and Trazimera.

[e] Intravenous immunoglobulin (IVIg) products include the revenues from Panzyga, Octagam and Cutaquig.

[f] On July 31, 2019, our Consumer Healthcare business, an OTC medicines business, was combined with GSK's consumer healthcare business to form a new consumer healthcare JV. See *Note 2C*.

[g] Total Sterile Injectable Pharmaceuticals represents the total of all branded and generic injectable products in the Hospital therapeutic area, including anti-infective sterile injectable pharmaceuticals.

Remaining Performance Obligations

Contracted revenue expected to be recognized from remaining performance obligations for firm orders in long-term contracts to supply Comirnaty to our customers totals $34.4 billion as of December 31, 2021, which includes amounts received in advance and deferred and amounts that will be invoiced as we deliver the product to our customers in future periods. Of this amount, we expect to recognize revenue of

$22.3 billion in 2022, $11.8 billion in 2023 and $265 million in 2024. Remaining performance obligations exclude arrangements with an original expected contract duration of less than one year.

Deferred Revenues

Our deferred revenues primarily relate to advance payments received or receivable in connection with contracts that we entered into during 2021 and 2020 with various government or government sponsored customers in international markets for supply of Comirnaty. The deferred revenues associated with the advance payments related to Comirnaty total $3.3 billion as of December 31, 2021 and $957 million as of December 31, 2020, with $3.0 billion and $249 million recorded in current liabilities and noncurrent liabilities, respectively as of December 31, 2021, and $957 million recorded in current liabilities as of December 31, 2020. The increase in the Comirnaty deferred revenues during 2021 was the result of additional advance payments received as we entered into new or amended contracts or as we invoiced customers in advance of vaccine deliveries less amounts recognized in *Revenues* as we delivered doses to our customers. During 2021, we recognized in revenue substantially all of the balance of Comirnaty deferred revenues as of December 31, 2020. The Comirnaty deferred revenues as of December 31, 2021 will be recognized in *Revenues* proportionately as we deliver doses of the vaccine to our customers and satisfy our performance obligation under the contracts, with the amounts included in current liabilities expected to be recognized in *Revenues* within the next 12 months, and the amounts included in noncurrent liabilities expected to be recognized in *Revenues* in 2023 and in the first quarter of 2024. Deferred revenues associated with contracts for other products were not significant as of December 31, 2021 or 2020.

Selected Quarterly Financial Data (Unaudited)

Pfizer Inc. and Subsidiary Companies

	Quarter			
(MILLIONS, EXCEPT PER COMMON SHARE DATA)	First	Second	Third	Fourth
2021[a]				
Revenues	$ 14,516	$ 18,899	$ 24,035	$ 23,838
Costs and expenses[b]	8,802	11,951	15,546	19,876
Restructuring charges and certain acquisition-related costs[c]	22	(1)	646	135
Income/(loss) from continuing operations before provision/(benefit) for taxes on income/(loss)	5,692	6,949	7,843	3,827
Provision/(benefit) for taxes on income/(loss)[d]	808	1,123	(328)	249
Income/(loss) from continuing operations	4,885	5,825	8,171	3,578
Discontinued operations—net of tax[e]	1	(236)	(13)	(187)
Net income/(loss) before allocation to noncontrolling interests	4,886	5,589	8,159	3,391
Less: Net income attributable to noncontrolling interests	9	26	12	(2)
Net income/(loss) attributable to Pfizer Inc. common shareholders	$ 4,877	$ 5,563	$ 8,146	$ 3,393
Earnings/(loss) per common share—basic:				
Income/(loss) from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.87	$ 1.04	$ 1.45	$ 0.64
Discontinued operations—net of tax	—	(0.04)	—	(0.03)
Net income/(loss) attributable to Pfizer Inc. common shareholders	$ 0.87	$ 0.99	$ 1.45	$ 0.60
Earnings/(loss) per common share—diluted:				
Income/(loss) from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.86	$ 1.02	$ 1.43	$ 0.62
Discontinued operations—net of tax	—	(0.04)	—	(0.03)
Net income/(loss) attributable to Pfizer Inc. common shareholders	$ 0.86	$ 0.98	$ 1.42	$ 0.59

[a] Business development activities impacted our results of operations in 2021. See *Note 1A.*

[b] The fourth quarter historically reflects higher costs in *Cost of sales, Selling, informational and administrative expenses* and *Research and development expenses. Cost of sales* for all quarters reflects higher costs for Comirnaty. The fourth quarter includes a $2.1 billion charge for IPR&D expense associated with the acquisition of Trillium, as well as other upfront and milestone payments on collaboration and licensing arrangements. See *Notes 2A, D* and *E.*

[c] The third and fourth quarters of 2021 primarily include employee termination costs associated with our Transforming to a More Focused Company program. See *Note 3.*

[d] All periods reflect a change in the jurisdictional mix of earnings primarily related to Comirnaty. The third quarter of 2021 reflects benefits resulting from certain initiatives executed in the third quarter of 2021 associated with our investment in the Consumer Healthcare JV with GSK. See *Note 5A.*

[e] All periods include the operating results of Meridian prior to its sale on December 31, 2021 and to a lesser extent post-closing adjustments directly related to prior discontinued businesses. The second quarter of 2021 includes a pre-tax charge of $345 million to resolve a legal matter related to Meridian and the fourth quarter of 2021 includes an after tax loss of $167 million related to the sale of Meridian. See *Note 2B.*

Basic and diluted EPS are computed independently for each of the periods presented. Accordingly, the sum of the quarterly EPS amounts may not agree to the total for the year.

Selected Quarterly Financial Data (Unaudited)

Pfizer Inc. and Subsidiary Companies

	Quarter			
(MILLIONS, EXCEPT PER COMMON SHARE DATA)	First	Second	Third	Fourth
2020[a]				
Revenues	$ 10,007	$ 9,795	$ 10,215	$ 11,634
Costs and expenses[b]	7,100	6,389	9,635	10,917
Restructuring charges and certain acquisition-related costs	54	360	2	163
(Gain) on completion of Consumer Healthcare JV transaction	(6)	—	—	—
Income/(loss) from continuing operations before provision/(benefit) for taxes on income/(loss)	2,859	3,046	577	554
Provision/(benefit) for taxes on income/(loss)	358	425	(334)	(80)
Income/(loss) from continuing operations	2,501	2,621	911	634
Discontinued operations—net of tax[c]	863	876	566	224
Net income/(loss) before allocation to noncontrolling interests	3,364	3,497	1,477	857
Less: Net income attributable to noncontrolling interests	9	8	8	11
Net income/(loss) attributable to Pfizer Inc. common shareholders	$ 3,355	$ 3,489	$ 1,469	$ 847
Earnings/(loss) per common share—basic:				
Income/(loss) from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.45	$ 0.47	$ 0.16	$ 0.11
Discontinued operations—net of tax	0.16	0.16	0.10	0.04
Net income/(loss) attributable to Pfizer Inc. common shareholders	$ 0.60	$ 0.63	$ 0.26	$ 0.15
Earnings/(loss) per common share—diluted:				
Income/(loss) from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.44	$ 0.47	$ 0.16	$ 0.11
Discontinued operations—net of tax	0.15	0.16	0.10	0.04
Net income/(loss) attributable to Pfizer Inc. common shareholders	$ 0.60	$ 0.62	$ 0.26	$ 0.15

[a] Business development activities impacted our results of operations in 2020. See *Note 1A.*

[b] The fourth quarter historically reflects higher costs in *Cost of sales, Selling, informational and administrative expenses* and *Research and development expenses.* Certain asset impairments totaled $900 million in the third quarter of 2020 and $791 million in the fourth quarter of 2020 recorded in *Other (income)/deductions—net*. See *Note 4.*

[c] Operating results of the Upjohn Business through November 16, 2020, the date of the spin-off and combination with Mylan, the Mylan-Japan collaboration and Meridian are presented as discontinued operations in all periods presented. See *Note 2B.*

Basic and diluted EPS are computed independently for each of the periods presented. Accordingly, the sum of the quarterly EPS amounts may not agree to the total for the year.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this Form 10-K, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective in alerting them in a timely manner to material information required to be disclosed in our periodic reports filed with the SEC.

Changes in Internal Controls

During our most recent fiscal quarter, there has not been any change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Pfizer Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Pfizer Inc. and Subsidiary Companies' (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements), and our report dated February 24, 2022 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

New York, New York

February 24, 2022

Management's Report on Internal Control Over Financial Reporting

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Management's Report

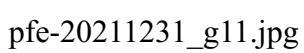
We prepared and are responsible for the financial statements that appear in this Form 10-K. These financial statements are in conformity with accounting principles generally accepted in the United States of America and, therefore, include amounts based on informed judgments and estimates. We also accept responsibility for the preparation of other financial information that is included in this document.

Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

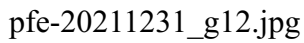
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework (2013)*. Based on our assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2021.

The Company's independent auditors have issued their auditors' report on the Company's internal control over financial reporting. That report appears above in this Form 10-K.



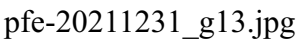
Albert Bourla

Chairman and Chief Executive Officer



Frank D'Amelio

Principal Financial Officer



Jennifer B. Damico

Principal Accounting Officer

February 24, 2022

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information about our Directors is incorporated by reference from the discussion under the heading *Item 1—Election of Directors* in our Proxy Statement. Information about the Pfizer Policies on Business Conduct governing our employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, and the Code of Business Conduct and Ethics for Members of the Board of Directors, is incorporated by reference from the discussions under the headings *Governance—Pfizer Policies on Business Conduct* and *—Code of Conduct for Directors* in our Proxy Statement. Information regarding the procedures by which our shareholders may recommend nominees to our Board of Directors is incorporated by reference from the discussion under the headings *Item 1—Election of Directors—Criteria for Board Membership* and *Annual Meeting Information—Submitting Proxy Proposals and Director Nominations for the 2023 Annual Meeting* in our Proxy Statement. Information about our Audit Committee, including the members of the Committee, and our Audit Committee financial experts, is incorporated by reference from the discussion under the heading *Governance—Board and Committee Information—Board Committees—The Audit Committee* in our Proxy Statement. The balance of the information required by this item is contained in the discussion entitled *Information about Our Executive Officers* in this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information about Director and executive compensation is incorporated by reference from the discussion under the headings *Non-Employee Director Compensation*; *Executive Compensation*; and *Governance—Board and Committee Information—Board Committees—The Compensation Committee—Compensation Committee Interlocks and Insider Participation* in our Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated by reference from the discussion under the headings *Executive Compensation—Compensation Tables—Equity Compensation Plan Information* and *Securities Ownership* in our Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information about certain relationships and transactions with related parties is incorporated by reference from the discussion under the headings *Governance—Other Governance Practices and Policies—Related Person Transactions and Indemnification* and *—Transactions with Related Persons* in our Proxy Statement. Information about director independence is incorporated by reference from the discussion under the heading *Item 1—Election of Directors—Director Independence* in our Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Our independent registered public accounting firm is KPMG LLP, New York, NY, Auditor Firm ID: 185. Information about the fees for professional services rendered by our independent registered public accounting firm in 2021 and 2020 is incorporated by reference from the discussion under the heading *Item 2—Ratification of Selection of Independent Registered Public Accounting Firm—Audit and Non-Audit Fees* in our Proxy Statement. Our Audit Committee's policy on pre-approval of audit and permissible non-audit services of our independent registered public accounting firm is incorporated by reference from the discussion under the heading *Item 2—Ratification of Selection of Independent Registered Public Accounting Firm—Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services* in our Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

15(a)(1) Financial Statements. The following consolidated financial statements, related notes, report of independent registered public accounting firm and supplementary data are set forth in *Item 8. Financial Statements and Supplementary Data* in this Form 10-K:

- Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements
- Consolidated Statements of Income
- Consolidated Statements of Comprehensive Income
- Consolidated Balance Sheets
- Consolidated Statements of Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements
- Selected Quarterly Financial Data (Unaudited)

15(a)(2) Financial Statement Schedules. Schedules are omitted because they are not required or because the information is provided elsewhere in the financial statements. The financial statements of unconsolidated subsidiaries are omitted because, considered in the aggregate, they would not constitute a significant subsidiary.

15(a)(3) Exhibits. These exhibits are available upon request. Requests should be directed to our Corporate Secretary, Pfizer Inc., 235 East 42nd Street, New York, New York 10017. The exhibit numbers preceded by an asterisk (*) indicate exhibits filed with this Form 10-K. All other exhibit numbers indicate exhibits filed by incorporation by reference. Exhibit numbers 10.1 through 10.44 are management contracts or compensatory plans or arrangements.

2.1	Stock and Asset Purchase Agreement, dated December 19, 2018, by and among us, GlaxoSmithKline plc and GlaxoSmithKline Consumer Healthcare Holdings Limited is incorporated by reference from our 2018 Annual Report on Form 10-K. (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the SEC upon request any omitted schedule or exhibit to the Stock and Asset Purchase Agreement.)
2.2	Business Combination Agreement, dated as of July 29, 2019, by and among us, Upjohn Inc., Utah Acquisition Sub Inc., Mylan N.V., Mylan I B.V. and Mylan II B.V. is incorporated by reference from our Current Report on Form 8-K filed on July 29, 2019. (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the SEC upon request any omitted schedule or exhibit to the Business Combination Agreement.)
2.3	Amendment No. 1 to the Business Combination Agreement, dated as of May 29, 2020, by and among us, Upjohn Inc., Utah Acquisition Sub Inc., Mylan N.V., Mylan I B.V. and Mylan II B.V. is incorporated by reference from our Current Report on Form 8-K filed on June 1, 2020. (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the SEC upon request any omitted schedule or exhibit to the Amendment No. 1 to the Business Combination Agreement.)
2.4	Separation and Distribution Agreement, dated as of July 29, 2019, by and between us and Upjohn Inc. is incorporated by reference from our Current Report on Form 8-K filed on July 29, 2019. (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the SEC upon request any omitted schedule or exhibit to the Separation and Distribution Agreement.)
2.5	Amendment No. 1 to the Separation and Distribution Agreement, dated as of February 18, 2020, by and between us and Upjohn Inc. is incorporated by reference from our 2019 Annual Report on Form 10-K. (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the SEC upon request any omitted schedule or exhibit to the Amendment No. 1 to the Separation and Distribution Agreement.)
2.6	Amendment No. 2 to the Separation and Distribution Agreement, dated as of May 29, 2020, by and between us and Upjohn Inc. is incorporated by reference from our Current Report on Form 8-K filed on June 1, 2020. (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the SEC upon request any omitted schedule or exhibit to the Amendment No. 2 to the Separation and Distribution Agreement.)
2.7	Amendment No. 3 to the Separation and Distribution Agreement, dated as of September 18, 2020, by and between us and Upjohn Inc. is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended September 27, 2020. (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the SEC upon request any omitted schedule or exhibit to the Amendment No. 3 to the Separation and Distribution Agreement.)
2.8	Amendment No. 4 to the Separation and Distribution Agreement, dated as of November 15, 2020, by and between us and Upjohn Inc. is incorporated by reference from our 2020 Annual Report on Form 10-K. (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the SEC upon request any omitted schedule or exhibit to the Amendment No. 4 to the Separation and Distribution Agreement.)
3.1	Our Restated Certificate of Incorporation dated December 14, 2020, is incorporated by reference from our Current Report on Form 8-K filed on December 14, 2020.
3.2	Our By-laws, as amended December 18, 2017, are incorporated by reference from our Current Report on Form 8-K filed on December 21, 2017.
4.1	Indenture, dated as of January 30, 2001, between us and The Chase Manhattan Bank, is incorporated by reference from our Current Report on Form 8-K filed on January 30, 2001.

4.2	First Supplemental Indenture, dated as of March 24, 2009, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended June 28, 2009.
4.3	Second Supplemental Indenture, dated as of June 2, 2009, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K filed on June 3, 2009.
4.4	Third Supplemental Indenture, dated as of June 3, 2013, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K filed on June 3, 2013.
4.5	Fourth Supplemental Indenture, dated as of May 15, 2014, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on May 15, 2014.
4.6	Fifth Supplemental Indenture, dated as of October 5, 2015, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on October 6, 2015.
4.7	Sixth Supplemental Indenture, dated as of June 3, 2016, between us and The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (National Association)))), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on June 3, 2016.
4.8	Seventh Supplemental Indenture, dated as of November 21, 2016, between us and The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (National Association)))), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on November 21, 2016.
4.9	Eighth Supplemental Indenture, dated as of March 17, 2017, among us, The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (successor to the Chase Manhattan Bank (National Association)))), as trustee, and The Bank of New York Mellon, London Branch, as paying agent, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on March 17, 2017.
4.10	Ninth Supplemental Indenture, dated as of March 6, 2017, among us, The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (National Association)))), as trustee, and The Bank of New York Mellon, London Branch, as paying agent and calculation agent, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on March 6, 2017.
4.11	Tenth Supplemental Indenture, dated as of December 19, 2017, among us, The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (National Association)))), as trustee, and The Bank of New York Mellon, London Branch, as paying agent, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on December 19, 2017.
4.12	Indenture, dated as of April 10, 1992, between Wyeth (formerly American Home Products Corporation) and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's Registration Statement on Form S-3, filed on January 18, 1995.
4.13	Supplemental Indenture, dated as of October 13, 1992, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's Registration Statement on Form S-3, filed on January 18, 1995.
4.14	Fifth Supplemental Indenture, dated as of December 16, 2003, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's 2003 Annual Report on Form 10-K.
4.15	Sixth Supplemental Indenture, dated as of November 14, 2005, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's Current Report on Form 8-K filed on November 15, 2005.
4.16	Seventh Supplemental Indenture, dated as of March 27, 2007, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's Current Report on Form 8-K filed on

4.22	Fourth Supplemental Indenture, dated as of May 28, 2020, between us and The Bank of New York Mellon, as trustee, is incorporated by reference from our Current Report on Form 8-K filed on May 28, 2020.
4.23	Fifth Supplemental Indenture, dated as of August 18, 2021 between us and The Bank of New York Mellon, as trustee, is incorporated by reference from our Current Report on Form 8-K filed on August 18, 2021.
*4.24	Description of Pfizer's Securities.
4.25	Except as set forth in Exhibits 4.1-24 above, the instruments defining the rights of holders of long-term debt securities of the Company and its subsidiaries have been omitted. We agree to furnish to the SEC, upon request, a copy of each instrument with respect to issuances of long-term debt of the Company and its subsidiaries.
10.1	2001 Stock and Incentive Plan is incorporated by reference from our Proxy Statement for the 2001 Annual Meeting of Shareholders.
10.2	Pfizer Inc. 2004 Stock Plan, as Amended and Restated is incorporated by reference from our 2011 Annual Report on Form 10-K.
10.3	Amendment No. 1 to Pfizer 2004 Stock Plan is incorporated by reference from our 2020 Annual Report on Form 10-K.
10.4	Pfizer Inc. 2014 Stock Plan is incorporated by reference from our Proxy Statement for the 2014 Annual Meeting of Shareholders.
10.5	Amendment No. 1 to Pfizer Inc. 2014 Stock Plan is incorporated by reference from our 2020 Annual Report on Form 10-K.
10.6	Form of Acknowledgment and Consent and Summary of Key Terms for Grants of RSUs, TSRUs, PPSs and PSAs is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended March 29, 2020.
10.7	Form of Executive Grant Letter is incorporated by reference from our 2015 Annual Report on Form 10-K.
10.8	Pfizer Consolidated Supplemental Pension Plan for United States and Puerto Rico Employees is incorporated by reference from our 2017 Annual Report on Form 10-K.
10.9	Amendment No. 1 to the Pfizer Consolidated Supplemental Pension Plan for United States and Puerto Rico Employees is incorporated by reference from our 2018 Annual Report on Form 10-K.
10.10	Amendment No. 2 to the Pfizer Consolidated Supplemental Pension Plan for United States and Puerto Rico Employees is incorporated by reference from our 2020 Annual Report on Form 10-K.
10.11	Pfizer Supplemental Savings Plan is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended April 3, 2016.
10.12	Amendment No. 1 to the Pfizer Supplemental Savings Plan (Amended and Restated as of January 1, 2016), is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended October 1, 2017.
10.13	Amendment No. 2 to the Pfizer Supplemental Savings Plan is incorporated by reference from our 2017 Annual Report on Form 10-K.
10.14	Amendment No. 3 to the Pfizer Supplemental Savings Plan is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended September 30, 2018.
10.15	Amendment No. 4 to the Pfizer Supplemental Savings Plan is incorporated by reference from our 2018 Annual Report on Form 10-K.
10.16	Amendment No. 5 to the Pfizer Supplemental Savings Plan is incorporated by reference from our 2018 Annual Report on Form 10-K.
10.17	Amendment No. 6 to the Pfizer Supplemental Savings Plan is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended June 30, 2019.
10.18	Amendment No. 7 to the Pfizer Supplemental Savings Plan is incorporated by reference from our 2019 Annual Report on Form 10-K.
10.19	Amendment No. 8 to the Pfizer Supplemental Savings Plan is incorporated by reference from our 2020 Annual Report on Form 10-K.
10.20	Amendment No. 9 to the Pfizer Supplemental Savings Plan is incorporated by reference from our 2020 Annual Report on Form 10-K.
10.21	Amended and Restated Pfizer Inc. Global Performance Plan is incorporated by reference from our 2020 Annual Report on Form 10-K.
10.22	Amended and Restated Deferred Compensation Plan is incorporated by reference from our 2012 Annual Report on Form 10-K

10.31	The form of Indemnification Agreement with each of the Named Executive Officers identified in our Proxy Statement for the 2021 Annual Meeting of Shareholders is incorporated by reference from our 1997 Annual Report on Form 10-K.
10.32	Letter to Frank A. D'Amelio regarding replacement pension benefit dated August 22, 2007 is incorporated by reference from our Current Report on Form 8-K filed on August 22, 2007.
10.33	Pfizer Inc. Executive Severance Plan is incorporated by referenced from our Current Report on Form 8-K filed on February 20, 2009.
10.34	Amendment No. 1 to the Pfizer Inc. Executive Severance Plan is incorporated by reference from our 2018 Annual Report on Form 10-K.
10.35	Amendment No. 2 to the Pfizer Inc. Executive Severance Plan is incorporated by reference from our 2019 Annual Report on Form 10-K.
10.36	Amendment No. 3 to the Pfizer Inc. Executive Severance Plan is incorporated by reference from our 2020 Annual Report on Form 10-K.
10.37	Annual Retainer Unit Award Plan (for Non-Employee Directors) (frozen as of March 1, 2006) as amended, is incorporated by reference from our 2008 Annual Report on Form 10-K.
10.38	Nonfunded Deferred Compensation and Unit Award Plan for Non-Employee Directors, as amended, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended September 28, 2014.
10.39	Form of Special Award Letter Agreement is incorporated by reference from our Current Report on Form 8-K filed on October 28, 2009.
10.40	Offer Letter to G. Mikael Dolsten, dated April 6, 2009, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended April 3, 2011.
10.41	Form of Special Performance-Based Incentive Award Letter is incorporated by reference from our 2017 Annual Report on Form 10-K.
10.42	Form of Special Performance-Based Incentive Grant Letter is incorporated by reference from our 2017 Annual Report on Form 10-K.
10.43	Pfizer Inc. 2019 Stock Plan is incorporated by reference from our Proxy Statement for the 2019 Annual Meeting of Shareholders.
10.44	Time Sharing Agreement, dated July 9, 2020, between Pfizer Inc. and Albert Bourla is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended June 28, 2020.
*21	Subsidiaries of the Company.
22	Subsidiary Issuers of Guaranteed Securities is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended April 4, 2021.
*23	Consent of Independent Registered Public Accounting Firm.
*24	Power of Attorney (included as part of signature page).
*31.1	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 101:	
*101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
*101.SCH	Inline XBRL Taxonomy Extension Schema
*101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
*101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
*101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Under the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report was signed on behalf of the Registrant by the authorized person named below.

Pfizer Inc.

Dated: February 24, 2022 By: /S/ MARGARET M. MADDEN

Margaret M. Madden
Senior
Vice President and Corporate Secretary
Chief Governance Counsel

We, the undersigned directors and officers of Pfizer Inc., hereby severally constitute Douglas M. Lankler and Margaret M. Madden, and each of them singly, our true and lawful attorneys with full power to them and each of them to sign for us, in our names in the capacities indicated below, any and all amendments to this Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Under the requirements of the Securities Exchange Act of 1934, this report was signed by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature	Title	Date
/S/ ALBERT BOURLA **Albert Bourla**	Chairman and Chief Executive Officer (Principal Executive Officer)	February 22, 2022
/S/ FRANK A. D'AMELIO **Frank A. D'Amelio**	Chief Financial Officer, Executive Vice President (Principal Financial Officer)	February 22, 2022
/S/ JENNIFER B. DAMICO **Jennifer B. Damico**	Senior Vice President and Controller (Principal Accounting Officer)	February 22, 2022
/S/ RONALD E. BLAYLOCK **Ronald E. Blaylock**	Director	February 22, 2022
/S/ SUSAN DESMOND-HELLMANN **Susan Desmond-Hellmann**	Director	February 22, 2022
/S/ JOSEPH J. ECHEVARRIA **Joseph J. Echevarria**	Director	February 22, 2022
/S/ SCOTT GOTTLIEB **Scott Gottlieb**	Director	February 22, 2022
/S/ HELEN H. HOBBS **Helen H. Hobbs**	Director	February 22, 2022
/S/ SUSAN HOCKFIELD **Susan Hockfield**	Director	February 22, 2022
/S/ DAN R. LITTMAN **Dan R. Littman**	Director	February 22, 2022
/S/ SHANTANU NARAYEN **Shantanu Narayen**	Director	February 22, 2022
/S/ SUZANNE NORA JOHNSON **Suzanne Nora Johnson**	Director	February 22, 2022
/S/ JAMES QUINCEY **James Quincey**	Director	February 22, 2022
/S/ JAMES C. SMITH **James C. Smith**	Director	February 22, 2022

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020

☐ **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

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PFIZER INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization) (I.R.S. Emp

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on wh registered
Common Stock, $.05 par value	PFE	New York Stock Exchange
0.250% Notes due 2022	PFE22	New York Stock Exchange
1.000% Notes due 2027	PFE27	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files.) Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, June 28, 2020, was approximately $169 billion. This excludes shares of common stock held by directors and executive officers at June 28, 2020. Exclusion of shares held by any person should not be construed to indicate that such person possesses the power, directly or indirectly, to direct or cause the direction of the management or policies of the registrant, or that such person is controlled by or under common control with the registrant. The registrant has no non-voting common stock.

The number of shares outstanding of the registrant's common stock as of February 23, 2021 was 5,577,629,491 shares of common stock, all of one class.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2021 Annual Meeting of Shareholders	Part III

TABLE OF CONTENTS

DEFINED TERMS

Unless the context requires otherwise, references to “Pfizer,” “the Company,” “we,” “us” or “our” in this Form 10-K (defined below) refer to Pfizer Inc. and its subsidiaries. The financial information included in our consolidated financial statements for our subsidiaries operating outside the U.S. is as of and for the year ended November 30 for each year presented. Pfizer's fiscal year-end for U.S. subsidiaries is as of and for the year ended December 31 for each year presented. References to “Notes” in this Form 10-K are to the Notes to the consolidated financial statements in *Item 8. Financial Statements and Supplementary Data* in this Form 10-K. We also have used several other terms in this Form 10-K, most of which are explained or defined below.

2018 Financial Report	Exhibit 13 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2018
Form 10-K	This Annual Report on Form 10-K for the fiscal year ended December 31, 2020
Proxy Statement	Proxy Statement for the 2021 Annual Meeting of Shareholders, which will be filed no later than 120 days after December 31, 2020
AbbVie	AbbVie Inc.
ABO	Accumulated benefit obligation represents the present value of the benefit obligation earned through the end of the year but does not factor in future compensation increases
ACA (also referred to as U.S. Healthcare Legislation)	U.S. Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act
ACIP	Advisory Committee on Immunization Practices
Akcea	Akcea Therapeutics, Inc.
ALK	anaplastic lymphoma kinase
Alliance revenues	Revenues from alliance agreements under which we co-promote products discovered or developed by other companies or us
Allogene	Allogene Therapeutics, Inc.
AML	Acute Myeloid Leukemia
Anacor	Anacor Pharmaceuticals, Inc.
AOCI	Accumulated Other Comprehensive Income
Array	Array BioPharma Inc.
Astellas	Astellas Pharma Inc., Astellas US LLC and Astellas Pharma US, Inc.
ATTR-CM	transthyretin amyloid cardiomyopathy
Bain Capital	Bain Capital Private Equity and Bain Capital Life Sciences
Biogen	Biogen Inc.
BioNTech	BioNTech SE
Biopharma	Pfizer Biopharmaceuticals Group
BMS	Bristol-Myers Squibb Company
BNT162b2	Pfizer-BioNTech COVID-19 Vaccine
BOD	Board of Directors
BRCA	BReast CAncer susceptibility gene
CAR T	chimeric antigen receptor T cell
CDC	U.S. Centers for Disease Control and Prevention
Cellectis	Cellectis S.A.
Cerevel	Cerevel Therapeutics, LLC
cGMPs	current Good Manufacturing Practices
CIAS	cognitive impairment associated with schizophrenia
Consumer Healthcare JV	GSK Consumer Healthcare JV
COVID-19	novel coronavirus disease of 2019
CMA	conditional marketing authorization
CStone	CStone Pharmaceuticals
DEA	U.S. Drug Enforcement Agency
Developed Europe	Includes the following markets: Western Europe, Scandinavian countries and Finland
Developed Markets	Includes the following markets: U.S., Developed Europe, Japan, Canada, Australia, South Korea and New Zealand
Developed Rest of World	Includes the following markets: Japan, Canada, Australia, South Korea and New Zealand
EMA	European Medicines Agency
Emerging Markets	Includes, but is not limited to, the following markets: Asia (excluding Japan and South Korea), Latin America, Eastern Europe, Africa, the Middle East, Central Europe and Turkey

FFDCA	U.S. Federal Food, Drug and Cosmetic Act
GAAP	Generally Accepted Accounting Principles
GDFV	grant-date fair value
GIST	gastrointestinal stromal tumors
GPD	Global Product Development organization
GSK	GlaxoSmithKline plc
Hospira	Hospira, Inc.
Ionis	Ionis Pharmaceuticals, Inc.
IPR&D	in-process research and development
IRC	Internal Revenue Code
IRS	U.S. Internal Revenue Service
IV	intravenous
J&J	Johnson & Johnson
JV	joint venture
King	King Pharmaceuticals LLC (formerly King Pharmaceuticals, Inc.)
LDL	low density lipoprotein
LIBOR	London Interbank Offered Rate
Lilly	Eli Lilly & Company
LOE	loss of exclusivity
MCO	managed care organization
mCRC	metastatic colorectal cancer
mCRPC	metastatic castration-resistant prostate cancer
mCSPC	metastatic castration-sensitive prostate cancer
mRNA	messenger ribonucleic acid
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
Medivation	Medivation LLC (formerly Medivation Inc.)
Meridian	Meridian Medical Technologies, Inc.
Moody's	Moody's Investors Service
Mylan	Mylan N.V.
Mylan-Japan collaboration	a pre-existing strategic collaboration between Pfizer and Mylan for generic drugs in Japan that terminated on December 21, 2020
Myovant	Myovant Sciences Ltd.
NAV	net asset value
NDA	new drug application
nmCRPC	non-metastatic castration-resistant prostate cancer
NMPA	National Medical Product Administration in China
NYSE	New York Stock Exchange
OTC	over-the-counter
PBM	pharmacy benefit manager
PBO	Projected benefit obligation; represents the present value of the benefit obligation earned through the end of the year and factors in future compensation increases
PCPP	Pfizer Consolidated Pension Plan
PGS	Pfizer Global Supply
Pharmacia	Pharmacia Corporation
PMDA	Pharmaceuticals and Medical Device Agency in Japan
PsA	psoriatic arthritis

Upjohn Business	Pfizer's global, primarily off-patent branded and generics business, which includes a portfolio of 20 globally recognized solid oral dose brands, including Lipitor, Lyrica, Norvasc, Celebrex and Viagra, as well as a U.S.-based generics platform, Greenstone, that was spun-off on November 16, 2020 and combined with Mylan to create Viatris
UC	ulcerative colitis
U.K.	United Kingdom
U.S.	United States
VAI	Voluntary Action Indicated
Valneva	Valneva SE
VBP	volume-based procurement
Viatris	Viatris Inc.
ViiV	ViiV Healthcare Limited
WRDM	Worldwide Research, Development and Medical

This Form 10-K includes discussion of certain clinical studies relating to various in-line products and/or product candidates. These studies typically are part of a larger body of clinical data relating to such products or product candidates, and the discussion herein should be considered in the context of the larger body of data. In addition, clinical trial data are subject to differing interpretations, and, even when we view data as sufficient to support the safety and/or effectiveness of a product candidate or a new indication for an in-line product, regulatory authorities may not share our views and may require additional data or may deny approval altogether.

Some amounts in this Form 10-K may not add due to rounding. All percentages have been calculated using unrounded amounts. All trademarks mentioned are the property of their owners.

FORWARD-LOOKING INFORMATION AND FACTORS THAT MAY AFFECT FUTURE RESULTS

This Form 10-K contains forward-looking statements. We also provide forward-looking statements in other materials we release to the public, as well as public oral statements. Given their forward-looking nature, these statements involve substantial risks, uncertainties and potentially inaccurate assumptions.

We have tried, wherever possible, to identify such statements by using words such as "will," "may," "could," "likely," "ongoing," "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "assume," "target," "forecast," "guidance," "goal," "objective," "aim," "seek" and other words and terms of similar meaning or by using future dates.

We include forward-looking information in our discussion of the following, among other topics:

- our anticipated operating and financial performance, reorganizations, business plans and prospects;
- expectations for our product pipeline, in-line products and product candidates, including anticipated regulatory submissions, data read-outs, study starts, approvals, post-approval clinical trial results and other developing data that become available, revenue contribution, growth, performance, timing of exclusivity and potential benefits;
- strategic reviews, capital allocation objectives, dividends and share repurchases;
- plans for and prospects of our acquisitions, dispositions and other business development activities, and our ability to successfully capitalize on these opportunities;
- sales, expenses, interest rates, foreign exchange rates and the outcome of contingencies, such as legal proceedings;
- expectations for impact of or changes to existing or new government regulations or laws;
- our ability to anticipate and respond to macroeconomic, geopolitical, health and industry trends, pandemics, acts of war and other large-scale crises; and
- manufacturing and product supply.

In particular, forward-looking information in this Form 10-K includes statements relating to specific future actions and effects, including, among others, our efforts to respond to COVID-19, including our development of a vaccine to help prevent COVID-19, the forecasted revenue contribution of BNT162b2 and the potential number of doses that we and BioNTech believe can be delivered; our expectations regarding the impact of COVID-19 on our business; the expected impact of patent expiries and competition from

generic manufacturers; the expected pricing pressures on our products and the anticipated impact to our business; the availability of raw materials for 2021; the expected charges and/or costs in connection with the spin-off of the Upjohn Business and its combination with Mylan; the benefits expected from our business development transactions; our anticipated liquidity position; the anticipated costs and savings from certain of our initiatives, including our Transforming to a More Focused Company program; our planned capital spending; the expectations for our quarterly dividend payments; and the expected benefit payments and employer contributions for our benefit plans.

Given their nature, we cannot assure that any outcome expressed in these forward-looking statements will be realized in whole or in part. Actual outcomes may vary materially from past results and those anticipated, estimated, implied or projected. These forward-looking statements may be affected by underlying assumptions that may prove inaccurate or incomplete, or by known or unknown risks and uncertainties, including those described in this section and in the *Item 1A. Risk Factors* section in this Form 10-K.

Therefore, you are cautioned not to unduly rely on forward-looking statements, which speak only as of the date of this Form 10-K. We undertake no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities law. You are advised, however, to consult any further disclosures we make on related subjects.

Some of the factors that could cause actual results to differ are identified below, as well as those discussed in the *Item 1A. Risk Factors* section in this Form 10-K and within MD&A. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. The occurrence of any of the risks identified below or in the *Item 1A. Risk Factors* section in this Form 10-K, or other risks currently unknown, could have a material adverse effect on our business, financial condition or results of operations, or we may be required to increase our accruals for contingencies. It is not possible to predict or identify all such factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties:

Risks Related to Our Business, Industry and Operations, and Business Development:

- the outcome of R&D activities, including, the ability to meet anticipated pre-clinical or clinical endpoints, commencement and/or completion dates for our pre-clinical or clinical trials, regulatory submission dates, and/or regulatory approval and/or launch dates, as well as the possibility of unfavorable pre-clinical and clinical trial results, including the possibility of unfavorable new pre-clinical or clinical data and further analyses of existing pre-clinical or clinical data;
- our ability to successfully address comments received from regulatory authorities such as the FDA or the EMA, or obtain approval from regulators on a timely basis or at all; regulatory decisions impacting labeling, manufacturing processes, safety and/or other matters; the impact of recommendations by technical or advisory committees; and the timing of pricing approvals and product launches;
- claims and concerns that may arise regarding the safety or efficacy of in-line products and product candidates, including claims and concerns that may arise from the outcome of post-approval clinical trials, which could impact marketing approval, product labeling, and/or availability or commercial potential, including uncertainties regarding the commercial or other impact of the results of the Xeljanz ORAL Surveillance (A3921133) study or any potential actions by regulatory authorities based on analysis of ORAL Surveillance or other data;
- the success and impact of external business development activities, including the ability to identify and execute on potential business development opportunities; the ability to satisfy the conditions to closing of announced transactions in the anticipated time frame or at all; the ability to realize the anticipated benefits of any such transactions in the anticipated time frame or at all; the potential need for and impact of additional equity or debt financing to pursue these opportunities, which could result in increased leverage and/or a downgrade of our credit ratings; challenges integrating the businesses and operations; disruption to business and operations relationships; risks related to growing revenues for certain acquired products; significant transaction costs; and unknown liabilities;
- competition, including from new product entrants, in-line branded products, generic products, private label products, biosimilars and product candidates that treat diseases and conditions similar to those treated by our in-line drugs and drug candidates;
- the ability to successfully market both new and existing products, including biosimilars;
- difficulties or delays in manufacturing, sales or marketing; supply disruptions, shortages or stock-outs at our facilities; and legal or regulatory actions;
- the impact of public health outbreaks, epidemics or pandemics (such as the COVID-19 pandemic) on our business, operations and financial condition and results;
- risks and uncertainties related to our efforts to develop a vaccine to help prevent COVID-19 and potential treatments for COVID-19, as well as challenges related to their manufacturing, supply and distribution;
- trends toward managed care and healthcare cost containment, and our ability to obtain or maintain timely or adequate pricing or favorable formulary placement for our products;
- interest rate and foreign currency exchange rate fluctuations, including the impact of possible currency devaluations in countries experiencing high inflation rates;
- any significant issues involving our largest wholesale distributors, which account for a substantial portion of our revenues;
- the impact of the increased presence of counterfeit medicines in the pharmaceutical supply chain;
- any significant issues related to the outsourcing of certain operational and staff functions to third parties; and any significant issues related to our JVs and other third-party business arrangements;
- uncertainties related to general economic, political, business, industry, regulatory and market conditions including, without limitation, uncertainties related to the impact on us, our customers, suppliers and lenders and counterparties to our foreign-exchange and interest-rate agreements of challenging global economic conditions and recent and possible future changes in global financial markets;
- any changes in business, political and economic conditions due to actual or threatened terrorist activity, civil unrest or military action;
- the impact of product recalls, withdrawals and other unusual items;
- trade buying patterns;

- the risk of an impairment charge related to our intangible assets, goodwill or equity-method investments;
- the impact of, and risks and uncertainties related to, restructurings and internal reorganizations, as well as any other corporate strategic initiatives, and cost-reduction and productivity initiatives, each of which requires upfront costs but may fail to yield anticipated benefits and may result in unexpected costs or organizational disruption;

Risks Related to Government Regulation and Legal Proceedings:

- the impact of any U.S. healthcare reform or legislation or any significant spending reductions or cost controls affecting Medicare, Medicaid or other publicly funded or subsidized health programs or changes in the tax treatment of employer-sponsored health insurance that may be implemented;
- U.S. federal or state legislation or regulatory action and/or policy efforts affecting, among other things, pharmaceutical product pricing, intellectual property, reimbursement or access or restrictions on U.S. direct-to-consumer advertising; limitations on interactions with healthcare professionals and other industry stakeholders; as well as pricing pressures for our products as a result of highly competitive insurance markets;
- legislation or regulatory action in markets outside of the U.S., including China, affecting pharmaceutical product pricing, intellectual property, reimbursement or access, including, in particular, continued government-mandated reductions in prices and access restrictions for certain biopharmaceutical products to control costs in those markets;
- the exposure of our operations outside of the U.S. to possible capital and exchange controls, economic conditions, expropriation and other restrictive government actions, changes in intellectual property legal protections and remedies, as well as political unrest, unstable governments and legal systems and inter-governmental disputes;

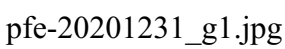
- legal defense costs, insurance expenses, settlement costs and contingencies, including those related to actual or alleged environmental contamination;
- the risk and impact of an adverse decision or settlement and the adequacy of reserves related to legal proceedings;
- the risk and impact of tax related litigation;
- governmental laws and regulations affecting our operations, including, without limitation, changes in laws and regulations or their interpretation, including, among others, changes in taxation requirements;

Risks Related to Intellectual Property, Technology and Security:

- any significant breakdown, infiltration or interruption of our information technology systems and infrastructure;
- the risk that our currently pending or future patent applications may not be granted on a timely basis or at all, or any patent-term extensions that we seek may not be granted on a timely basis, if at all; and
- our ability to protect our patents and other intellectual property, including against claims of invalidity that could result in LOE and in response to any pressure, or legal or regulatory action by, various stakeholders or governments that could potentially result in us not seeking intellectual property protection for or agreeing not to enforce intellectual property related to our products, including our vaccine to help prevent COVID-19 and potential treatments for COVID-19.

PART I

ITEM 1. BUSINESS



ABOUT PFIZER

Pfizer Inc. is a research-based, global biopharmaceutical company. We apply science and our global resources to bring therapies to people that extend and significantly improve their lives through the discovery, development, manufacture, marketing, sales and distribution of biopharmaceutical products worldwide. We work across developed and emerging markets to advance wellness, prevention, treatments and cures that challenge the most feared diseases of our time. We collaborate with healthcare providers, governments and local communities to support and expand access to reliable, affordable healthcare around the world. The Company was incorporated under the laws of the State of Delaware on June 2, 1942.

Most of our revenues come from the manufacture and sale of our products, principally biopharmaceutical products, and to a lesser extent, from alliance agreements, under which we co-promote products discovered or developed by other companies or us. We believe that our medicines and vaccines provide significant value for healthcare providers and patients, through improved treatment of diseases, improvements in health, wellness and productivity as well as by reducing other healthcare costs, such as emergency room or hospitalization. We seek to enhance the value of our medicines and vaccines and actively engage in dialogues about how we can best work with patients, physicians and payers to prevent and treat disease and improve outcomes. We seek to maximize patient access and evaluate our pricing arrangements and contracting methods with payers to minimize adverse impact on our revenues within the current legal and pricing structures.

We are committed to fulfilling our purpose: *Breakthroughs that change patients' lives*. By doing so, we expect to create value for the patients we serve and for our colleagues and shareholders. Pfizer's growth strategy is driven by five "Bold Moves" that help us deliver breakthroughs for patients and create value for shareholders and other stakeholders:

1. Unleash the power of our people;
2. Deliver first-in-class science;
3. Transform our go-to-market model;
4. Win the digital race in pharma; and
5. Lead the conversation.

We are committed to strategically capitalizing on growth opportunities by advancing our own product pipeline and maximizing the value of our existing products, as well as through various business development activities. We view our business development activity as an enabler of our strategies and seek to generate growth by pursuing opportunities and transactions that have the potential to strengthen our business and our capabilities. We assess our business, assets and scientific capabilities/portfolio as part of our regular, ongoing portfolio review process and also continue to consider business development activities that will advance our business.

Following (i) the recent spin-off and combination of the Upjohn Business (which was our global, primarily off-patent branded and generics business) with Mylan, which created a new global pharmaceutical company, Viatris, in November 2020 and (ii) the formation of the Consumer Healthcare JV in 2019, we saw the culmination of Pfizer's transformation into a more focused, innovative science-based biopharmaceutical products business.

Our significant recent business development activities in 2020 include: (i) the April 2020 agreement with BioNTech to develop, manufacture and commercialize an mRNA-based coronavirus vaccine program, BNT162, aimed at preventing COVID-19, (ii) the June 2020 agreement to co-develop and commercialize Valneva's Lyme disease vaccine candidate, VLA15, (iii) the September 2020 entry into a strategic collaboration with CStone to develop and commercialize a PD-L1 antibody, sugemalimab, and to bring

additional oncology assets to China, (iv) the November 2020 spin-off and combination of the Upjohn Business with Mylan, and (v) the December 2020 entry into a collaboration with Myovant to jointly develop and commercialize relugolix in advanced prostate cancer and women's health in the U.S. and Canada. For a further discussion of our strategy and our business development initiatives, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook* section within MD&A and *Note 2*.

In 2020, our business, operations and financial condition and results were impacted by the COVID-19 pandemic. To confront the public health challenge posed by the pandemic, we have made some important advances, including, among others, the development of a vaccine to help prevent COVID-19. For additional information, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook—COVID-19 Pandemic* section within MD&A and the *Item 1A. Risk Factors—Development, Regulatory Approval and Marketing of Products* and *—COVID-19 Pandemic* sections in this Form 10-K.

COMMERCIAL OPERATIONS

In 2020, we managed our commercial operations through a global structure consisting of two businesses—Biopharma, and, through November 16, 2020, Upjohn, each led by a single manager.

On November 16, 2020, we completed the spin-off and combination of the Upjohn Business with Mylan. Following the combination, we now operate as a focused innovative biopharmaceutical company engaged in the discovery, development, manufacturing, marketing, sales and distribution of biopharmaceutical products worldwide. Beginning in the fourth quarter of 2020, the financial results of the Upjohn Business are reflected as discontinued operations for all periods presented. Prior-period information has been restated to reflect our current organizational structure following the separation of the Upjohn Business. In 2019, Consumer Healthcare, which was our OTC medicines business, was

combined with GSK's consumer healthcare business to form a consumer healthcare JV in which we own a 32% equity stake. For additional information, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook* section within MD&A and *Notes 1A* and *2C.*

Our business includes the following therapeutic areas and key products:

Therapeutic Area	*Description*	*Key Products*
Internal Medicine	Includes innovative brands from two therapeutic areas, Cardiovascular Metabolic and Pain, as well as regional brands.	Eliquis*, Chantix/Champix* and the Premarin family
Oncology	Includes innovative oncology brands of biologics, small molecules, immunotherapies and biosimilars across a wide range of cancers.	Ibrance*, Xtandi*, Sutent*, Inlyta, Retacrit, Lorbrena and Braftovi
Hospital	Includes our global portfolio of sterile injectable and anti-infective medicines, as well as Pfizer CentreOne, our contract manufacturing and active pharmaceutical ingredient sales operation.	Sulperazon, Medrol, Zithromax, Vfend and Panzyga
Vaccines	Includes innovative vaccines across all ages—infants, adolescents and adults—in pneumococcal disease, meningococcal disease, tick-borne encephalitis and COVID-19, with a pipeline focus on infectious diseases with significant unmet medical need.	Prevnar 13/Prevenar 13 (pediatric/adult)*, Nimenrix, FSME/IMMUN-TicoVac, Trumenba and the Pfizer-BioNTech COVID-19 vaccine
Inflammation & Immunology	Includes innovative brands and biosimilars for chronic immune and inflammatory diseases.	Xeljanz*, Enbrel (outside the U.S. and Canada)*, Inflectra and Eucrisa/Staquis
Rare Disease	Includes innovative brands for a number of therapeutic areas with rare diseases, including amyloidosis, hemophilia and endocrine diseases.	Vyndaqel/Vyndamax*, BeneFIX and Genotropin

* Each of Prevnar 13/Prevenar 13, Ibrance, Eliquis, Xeljanz and Enbrel recorded direct product and/or Alliance revenues of more than $1 billion in 2020, 2019 and 2018. Each of Xtandi and Vyndaqel/Vyndamax recorded direct product and/or Alliance revenues of more than $1 billion in 2020, Chantix/Champix recorded direct product revenues of more than $1 billion in 2019 and 2018 and Sutent recorded direct product revenues of more than $1 billion in 2018. Eliquis includes Alliance revenues and direct sales.

For additional information on the key operational revenue drivers of our business, see the *Analysis of the Consolidated Statements of Income* section within MD&A. For a discussion of the risks associated with our dependence on certain of our major products, see the *Item 1A. Risk Factors—Concentration* section in this Form 10-K.

COLLABORATION AND CO-PROMOTION

We use collaboration and/or co-promotion arrangements to enhance our development, R&D, sales and distribution of certain biopharmaceutical products, which include, among others, the following:

- **Pfizer-BioNTech COVID-19 Vaccine (BNT162b2)** is an mRNA-based coronavirus vaccine to help prevent COVID-19 which is being jointly developed and commercialized with BioNTech. Pfizer and BioNTech will equally share the costs of development for the BNT162 program. BNT162b2 has now been granted a CMA, EUA or temporary authorization in more than 50 countries worldwide. We will also share gross profits equally from commercialization of BNT162b2 and are working jointly with BioNTech in our respective territories to commercialize the vaccine worldwide (excluding China, Hong Kong, Macau and Taiwan), subject to regulatory authorizations or approvals market by market. For discussion on BNT162b2, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook—COVID-19 Pandemic* section within MD&A.

- **Eliquis** (apixaban) is part of the Novel Oral Anticoagulant market and was jointly developed and commercialized with BMS as an alternative treatment option to warfarin in appropriate patients. We fund between 50% and 60% of all development costs depending on the study, and profits and losses are shared equally except in certain countries where we commercialize Eliquis and pay a percentage of net sales to BMS. In certain smaller markets we have full commercialization rights and BMS supplies the product to us at cost plus a percentage of the net sales to end-customers.
- **Xtandi** (enzalutamide) is an androgen receptor inhibitor that blocks multiple steps in the androgen receptor signaling pathway within tumor cells that is being developed and commercialized in collaboration with Astellas. We share equally in the gross profits and losses related to U.S. net sales and also share equally all Xtandi commercialization costs attributable to the U.S. market, subject to certain exceptions. In addition, we share certain development and other collaboration expenses. For international net sales we receive royalties based on a tiered percentage.
- **Bavencio** (avelumab) is a human anti-programmed death ligand-1 (PD-L1) antibody that is being developed and commercialized in collaboration with Merck KGaA. We jointly fund the majority of development and commercialization costs and split profits equally related to net sales generated from any products containing avelumab.
- **Orgovyx** (relugolix) is an oral gonadotropin-releasing hormone (GnRH) receptor antagonist approved by the FDA for the treatment of adult patients with advanced prostate cancer that is being developed and commercialized with Myovant. The companies are also collaborating on relugolix combination tablet (relugolix 40 mg, estradiol 1.0 mg, and norethindrone acetate 0.5 mg) in women's health. The companies will equally share profits and allowable expenses in the U.S. and Canada for Orgovyx and the relugolix combination tablet, with Myovant bearing our share of allowable expenses up to a maximum of $100 million in 2021 and up to a maximum of $50 million in 2022. Myovant will remain responsible for regulatory interactions and drug supply and continue to lead clinical development for the relugolix combination tablet.

Revenues associated with these arrangements are included in Alliance revenues (except in certain markets where we have direct sales and except for the majority of revenues for BNT162b2, which are included as direct product revenues). In addition, we have collaboration arrangements for the development and commercialization of certain pipeline products that are in development stage, including, among others, with Lilly to jointly develop and globally commercialize tanezumab for the treatment of osteoarthritis pain and cancer pain, under which the companies share equally the ongoing development costs and, if successful, will co-commercialize and share equally in profits and certain expenses in the U.S., while Pfizer will be responsible for commercialization activities and costs outside the U.S., with Lilly having the right to

receive certain tiered royalties outside the U.S. For further discussion of collaboration and co-promotion agreements, see the *Item 1A. Risk Factors—Collaborations and Other Relationships with Third Parties* section in this Form 10-K and *Notes 2* and *17*.

RESEARCH AND DEVELOPMENT

R&D is at the heart of fulfilling our purpose to deliver breakthroughs that change patients' lives as we work to translate advanced science and technologies into the therapies that may be the most impactful for patients. The discovery and development of drugs and biological products are time consuming, costly and unpredictable. In addition to discovering and developing new products, our R&D efforts seek to add value to our existing products by improving their effectiveness and ease of dosing and by discovering potential new indications.

Our R&D Priorities and Strategy. Our R&D priorities include:

- delivering a pipeline of highly differentiated medicines and vaccines where we have a unique opportunity to bring the most important new therapies to patients in need;
- advancing our capabilities that can position us for long-term R&D leadership; and
- advancing new models for partnerships with creativity, flexibility and urgency to deliver innovation to patients as quickly as possible.

To that end, our R&D primarily focuses on our main therapeutic areas.

While a significant portion of our R&D is internal, we also seek promising chemical and biological lead molecules and innovative technologies developed by others to incorporate into our discovery and development processes or projects, as well as our product lines. We do so by entering into collaboration, alliance and license agreements with universities, biotechnology companies and other firms as well as through acquisitions and investments. We also have arrangements with third parties that fund a portion of the development costs of one or more of our pipeline products in exchange for rights to receive future payments, such as milestone-based, revenue sharing, or profit-sharing payments or royalties. These collaboration, alliance, license and funding agreements and investments allow us to share knowledge, risk and cost. They also enable us to access external scientific and technological expertise, as well as provide us the opportunity to advance our own products and in-licensed or acquired products. For information on certain of these collaborations, alliances, license and funding arrangements and investments, see *Note 2*.

Our R&D Operations. In 2020, we continued to strengthen our global R&D operations and pursue strategies to improve R&D productivity to achieve a sustainable pipeline that is positioned to deliver value in the near term and over time. Our R&D activity is conducted through various platform functions that operate in parallel within our global operations, including the following:

- **WRDM.** Research units are generally responsible for research and early-stage development assets for our business (assets that have not yet achieved proof-of-concept) and are organized by therapeutic area to enhance flexibility, cohesiveness and focus. We can rapidly redeploy resources within a research unit and between various projects to leverage, as necessary, common skills, expertise or focus.
- **GPD.** GPD is a unified center for clinical development and regulatory activities that is generally responsible for the clinical development strategy and operational execution of clinical trials for both early-stage assets in the WRDM portfolio as well as late-stage assets in our portfolio.
- **Science-based platform-services organizations.** These organizations provide technical expertise and other services to various R&D projects, and are organized into science-based functions (which are part of our WRDM organization) such as Pharmaceutical Sciences and Medicine Design. These organizations allow us to react more quickly and effectively to evolving needs by sharing resources among projects, candidates and targets across therapeutic areas and phases of development. Another platform-service organization is the Worldwide Medical and Safety (WMS) group, which includes worldwide safety surveillance, medical information and the Chief Medical Office. The WMS group provides patients, healthcare providers, pharmacists, payers and health authorities with complete and up-to-date information about the risks and benefits associated with Pfizer's R&D programs and marketed products so they can make appropriate decisions on how and when to use our products.

We manage R&D operations on a total-company basis through our platform functions described above. Specifically, the Portfolio Strategy & Investment committee, comprised of senior executives, is accountable for aligning resources among all of our WRDM,

GPD and R&D projects and for seeking to ensure optimal capital allocation across the innovative R&D portfolio. We believe that this approach also serves to maximize accountability and flexibility.
We do not disaggregate total R&D expense by development phase or by therapeutic area since, as described above, we do not manage our R&D operations by development phase or by therapeutic area. Further, as we are able to adjust a significant portion of our spending quickly, we believe that any prior-period information about R&D expense by development phase or by therapeutic area would not necessarily be representative of future spending.

In 2020, the R&D organization within Upjohn supported the off-patent branded and generic established medicines and managed its resources separately from the WRDM and GPD organizations. Following the spin-off and combination of the Upjohn Business with Mylan to create Viatris, we have agreed to provide certain transition services to Viatris including support for R&D, pharmacovigilance and safety surveillance.

For additional information, see the *Costs and Expenses—Research and Development (R&D) Expenses* section within MD&A.

Our R&D Pipeline. The process of drug and biological product discovery from initiation through development and to potential regulatory approval is lengthy and can take more than ten years. As of February 2, 2021, we had the following number of projects in various stages of R&D:

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Development of a single compound is often pursued as part of multiple programs. While our drug candidates may or may not receive regulatory approval, new candidates entering clinical development phases are the foundation for future products. Information concerning several of our drug candidates in development, as well as supplemental filings for existing products, is set forth in the *Analysis of the Consolidated Statements of Income—Product Developments* section within MD&A. For information on the risks associated with R&D, see the *Item 1A. Risk Factors—Research and Development* section of this Form 10-K.

INTERNATIONAL OPERATIONS

Our operations are conducted globally, and we sell our products in over 125 countries. Emerging markets are an important component of our strategy for global leadership, and our commercial structure recognizes that the demographics and rising economic power of the fastest-growing emerging markets are becoming more closely aligned with the profile found within developed markets. Urbanization and the rise of the middle class in emerging markets provide potential growth opportunities for our products.

Revenues from operations outside the U.S. of $20.2 billion accounted for 48% of our total revenues in 2020. Revenues exceeded $500 million in each of 8, 10 and 10 countries outside the U.S. in 2020, 2019 and 2018, respectively. By total revenues, China and Japan are our two largest national markets outside the U.S. For a geographic breakdown of revenues, see the *Analysis of the Consolidated Statements of Income—Revenues by Geography* section within MD&A and the table captioned *Geographic Information* in *Note 17A.*

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Our international operations are subject to risks inherent in carrying on business in other countries. For additional information, see the *Item 1A. Risk Factors—Global Operations* and *Item 1. Business—Government Regulation and Price Constraints* sections in this Form 10-K.

SALES AND MARKETING

Our prescription pharmaceutical products are sold principally to wholesalers, but we also sell directly to retailers, hospitals, clinics, government agencies and pharmacies. In the U.S., we primarily sell our vaccines products directly to the federal government, CDC, wholesalers, individual provider offices, retail pharmacies and integrated delivery networks. Outside the U.S., we primarily sell our vaccines to government and non-government institutions. A portion of our government contracts are subject to renegotiation or termination of contracts or subcontracts at the discretion of a government entity. We seek to gain access for our products on healthcare authority and PBM formularies, which are lists of approved medicines available to members of the PBMs. PBMs use various benefit designs, such as tiered co-pays for formulary products, to drive utilization of products in preferred formulary positions. We may also work with payers on disease management programs that help to develop tools and materials to educate patients and physicians on key disease areas. For information on our largest biopharmaceutical wholesalers, see *Note 17B*.

We promote our products to healthcare providers and patients. Through our marketing organizations, we explain the approved uses, benefits and risks of our products to healthcare providers; MCOs that provide insurance coverage, such as hospitals, Integrated Delivery Systems, PBMs and health plans; and employers and government agencies who hire MCOs to provide health benefits to their employees. We also market directly to consumers in the U.S. through direct-to-consumer advertising that seeks to communicate the approved uses, benefits and risks of our products while motivating people to have meaningful conversations with their doctors. In addition, we sponsor general advertising to educate the public on disease awareness, prevention and wellness, important public health issues and our patient assistance programs.

PATENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS

Patents. We own or license a number of patents covering pharmaceutical and other products, their uses, formulations, and product manufacturing processes.

Patents for individual products extend for varying periods according to the date of patent filing or grant and the legal term of patents in the various countries where patent protection is obtained. The scope of protection afforded by a patent can vary from country to country and depends on the patent type, the scope of its patent claims and the availability of legal remedies. Patent term extensions (PTE) may be available in some countries to compensate for a loss of patent term due to delay in a product's approval due to the regulatory requirements. One of the primary considerations in limiting our operations in some countries outside the U.S. is the lack of effective intellectual property protection for our products, although international and U.S. free trade agreements have included some improved global protection of intellectual property rights. For additional information, see the *Item 1. Business—Government Regulation and Price Constraints* section in this Form 10-K.

In various markets, a period of regulatory exclusivity may be provided for drugs upon approval. The scope and term of such exclusivity will vary but, in general, the period will run concurrently with the term of any existing patent rights associated with the drug at the time of approval.

Based on current sales, and considering the competition with products sold by our competitors, the patent rights we consider most significant in relation to our business as a whole, together with the year in which the basic product patent expires, are as follows:

Drug	U.S. Basic Product Patent Expiration Year[1]	Major Europe Basic Product Patent Expiration Year[1]	Japan Basic Product Patent Expiration Year[1]
Chantix/Champix	2020[2]	2021	2022
Sutent	2021	2022	2024
Inlyta	2025	2025	2025
Xeljanz	2025	2028 [3]	2025
Prevnar 13/Prevenar 13	2026	—[4]	2029
Eliquis[5]	2026	2026	2026
Ibrance	2027	2028	2028
Xtandi[6]	2027	*[6]	*[6]
Vyndaqel/Vyndamax	2024 (2028 pending PTE)	2026	2026
Xalkori	2029	2027	2028
Besponsa	2030	2028	2028[7]
Braftovi[8]	2031 (2031 pending PTE)	*[8]	*[8]
Mektovi[8]	2031[9]	*[8]	*[8]
Bavencio[10]	2033	2032	2033
Lorbrena	2033	2034	2036

(1) Unless otherwise indicated, the years pertain to the basic product patent expiration, including granted PTEs, supplementary protection certificates (SPC) or pediatric exclusivity periods. SPCs are included when granted in three out of five major European markets (France, Germany, Italy, Spain and the U.K.). Noted in parentheses is the projected year of expiry of the earliest pending patent term extension in the U.S. or Japan and/or SPC application in Europe, the term of which, if granted, may be shorter than originally requested due to a number of factors. In some instances, there are later-expiring patents relating to our products which may or may not protect our drug from generic or biosimilar competition after the expiration of the basic patent.

(2) The basic product patent for Chantix in the U.S. expired in November 2020.

(3) Xeljanz Europe expiry is provided by regulatory exclusivity.

(4) The Europe patent that covers the combination of the 13 serotype conjugates of Prevenar 13 was revoked following an opposition and has now been withdrawn. There are other Europe patents and pending applications covering the formulation, various aspects of the manufacturing process, and the combination of serotype conjugates of Prevenar 13 that remain in force.

(5) Eliquis was developed and is being commercialized in collaboration with BMS. For Eliquis in the U.S., two patents listed in the FDA Orange Book, the composition of matter patent claiming apixaban specifically and a formulation patent, were challenged by numerous generic companies and are the subject of patent infringement litigation. Prior to the August 2020 ruling referenced in the following sentence, we and BMS settled with a number of these generic companies (settled generic companies) while continuing to litigate against three remaining generic companies (remaining generic companies). In August 2020, the U.S. District Court for the District of Delaware decided that the two challenged Eliquis patents are both valid and infringed by the remaining generic companies. The remaining generic companies have appealed the Delaware court decision and the final decision in this case could determine when generic versions of Eliquis will come on the market.

While we cannot predict the outcome of this pending litigation, these are the alternatives that might occur: (a) If the district court's decision is upheld in the current appeal with respect to both patents, under the terms of previously executed settlement agreements with the settled generic companies, the permitted date of launch for the settled generic companies under these patents is April 1, 2028; (b) if the formulation patent is held invalid or not infringed in the current appeal, the settled generic companies and the remaining generic companies would be permitted to launch on November 21, 2026; or (c) if both patents are held invalid or not infringed in the current appeal, the settled generic companies and the remaining generic companies could launch products immediately upon such an adverse decision.

In addition, both patents may be subject to subsequent challenges by parties other than the remaining generic companies. If this were to occur, depending on the outcome of the subsequent challenge, the potential launch by generic companies, including challengers, if successful, could occur on timelines similar to those discussed above.

Refer to *Note 16A1* for more information.

(6) Xtandi is being developed and commercialized in collaboration with Astellas, which has exclusive commercialization rights for Xtandi outside the U.S. Pfizer receives tiered royalties as a percentage of international Xtandi net sales.

(7) Besponsa Japan expiry is provided by regulatory exclusivity.

(8) We have exclusive rights to Braftovi and Mektovi in the U.S. The Pierre Fabre Group has exclusive rights to commercialize both products in Europe and Ono Pharmaceutical Co., Ltd. has exclusive rights to commercialize both products in Japan. We receive royalties from The Pierre Fabre Group and Ono Pharmaceutical Co., Ltd. on sales of Braftovi and Mektovi outside the U.S.

(9) Mektovi U.S. expiry is provided by a method of use patent.

(10) Bavencio is being developed and commercialized in collaboration with Merck KGaA.

The loss, expiration or invalidation of intellectual property rights, patent litigation settlements with manufacturers and the expiration of co-promotion and licensing rights can have a significant adverse effect on our revenues. Once patent protection has expired or has been lost prior to the expiration date as a result of a legal challenge, we typically lose exclusivity on these products, and generic and biosimilar pharmaceutical manufacturers generally produce identical or highly similar products and sell them for a lower price. The date at which generic or biosimilar competition commences may be different from the date that the patent or regulatory exclusivity expires. However, when generic or biosimilar competition does commence, the resulting price competition can substantially decrease our revenues for the impacted products, often in a very short period of time. Also, if one of our product-related patents is found to be invalid by judicial, court or regulatory or administrative proceedings, generic or biosimilar products could be introduced, resulting in the erosion of sales of our existing products.

We continue to vigorously defend our patent rights against infringement, and we will continue to support efforts that strengthen worldwide recognition of patent rights while taking necessary steps to help ensure appropriate patient access. For additional information, see the *Item 1A. Risk Factors—Intellectual Property Protection, —Third Party Intellectual Property Claims* and *—Competitive Products* sections in this Form 10-K and *Note 16A1*.

Losses of Product Exclusivity. Certain of our products have experienced patent-based expirations or loss of regulatory exclusivity in certain markets in the last few years, and we expect certain products to face significantly increased generic competition over the next few years. The basic product patent for Chantix in the U.S. expired on November 10, 2020. Also, the basic product patent for Sutent in the U.S. will expire in August 2021. For additional information on the impact of LOEs on our revenues, see the *Analysis of the Consolidated Statements of Income—Revenues—Selected Product Discussion* section within MD&A.

Trademarks. Our products are sold under brand-name and logo trademarks and trade dress. Registrations generally are for fixed, but renewable, terms and protection is provided in some countries for as long as the mark is used while in others, for as long as it is registered. Protecting our trademarks is of material importance to Pfizer.

COMPETITION

Our business is conducted in intensely competitive and often highly regulated markets. Many of our products face competition in the form of branded or generic drugs or biosimilars that treat similar diseases or indications. The principal forms of competition include efficacy, safety, ease of use and cost. Though the means of competition vary among our products, demonstrating the value of our products is a critical factor for success.

We compete with other companies that manufacture and sell products that treat diseases or indications similar to those treated by our major products. These competitors include other worldwide research-based biopharmaceutical companies, smaller research companies with more limited therapeutic focus and generic and biosimilar drug manufacturers. Our competitors also may devote substantial funds and resources to R&D and their successful R&D could result in erosion of the sales of our existing products and potential sales of products in development, as well as unanticipated product obsolescence. In addition, several of our competitors operate without large R&D expenses and make a regular practice of challenging our product patents before their expiration.

To address competitive trends we continually emphasize innovation, which is underscored by our multi-billion-dollar investment in R&D, as well as our business development transactions, both designed to result in a strong product pipeline. Our investment in research continues even after drug approval as we seek to further demonstrate the value of our products for the conditions they treat, as well as potential new applications. We educate patients, physicians, payers and global health authorities on the benefits and risks of our medicines, and seek to continually enhance the organizational effectiveness of our biopharmaceutical functions, including to accurately and ethically launch and market our products to our customers.

Operating conditions have also shifted as a result of increased global competitive pressures, industry regulation and cost containment. We continue to evaluate, adapt and improve our organization and business practices in an effort to better meet customer and public needs. We believe that we have taken an industry-leading role in evolving our approaches to U.S. direct-to-consumer advertising, interactions with, and payments to, healthcare professionals and medical education grants. We also continue to sponsor programs to address patient affordability and access barriers, as we strive to advance fundamental health system change through our support for better healthcare solutions.

Our vaccines may face competition from the introduction of alternative vaccines or “next-generation” vaccines prior to or after the expiration of their patents, which may adversely affect our future results.

Our biosimilars compete with branded products from competitors, as well as other generics and biosimilars manufacturers. We sell biosimilars of certain inflammation & immunology and oncology biologic medicines. We seek to maximize the opportunity to establish a “first-to-market” or early market position for our biosimilars to provide customers a lower-cost alternative immediately when available and also to potentially provide us with higher levels of sales and profitability until other competitors enter the market.

Generic Products. Generic pharmaceutical manufacturers pose one of the biggest competitive challenges to our branded small molecule products because they can market a competing version of our product after the expiration or loss of our patent and often charge much less. Several competitors regularly challenge our product patents before their expiration. Generic competitors often operate without large R&D expenses, as well as without costs of conveying medical information about products to the medical community. In addition, the FDA approval process exempts generics from costly and time-consuming clinical trials to demonstrate their safety and efficacy, allowing generic manufacturers to rely on the safety and efficacy data of the innovator product. In China, for example, we are expected to face further intensified competition by certain generic manufacturers in 2021 and beyond, which may result in price cuts and volume loss of some of our products. In addition, generic versions of competitors' branded products may also compete with our products.

MCOs that focus primarily on the immediate cost of drugs often favor generics over brand-name drugs. Many governments also encourage the use of generics as alternatives to brand-name drugs in their healthcare programs, including Medicaid in the U.S., and U.S. laws generally allow, and in some cases require, pharmacists to substitute generic drugs for brand-name drugs. In a small subset of states, prescribing physicians are able to expressly prevent such substitution.

Biosimilars. Certain of our biologic products, including Enbrel (we market Enbrel outside the U.S. and Canada), already face, or may face in the future, competition from biosimilars (also referred to as follow-on biologics). Biosimilars are versions of biologic medicines that have been developed and proven to be highly similar to the original biologic in terms of safety and efficacy and that have no clinically meaningful differences in safety, purity or potency. Biosimilars have the potential to offer high-quality, lower-cost alternatives to innovative biologic medicines. In the U.S., biosimilars referencing innovative biologic products are approved under the U.S. Public Health Service Act.

PRICING PRESSURES AND MANAGED CARE ORGANIZATIONS

Pricing Pressures. Pricing and access pressures in the commercial sector continue to be significant. Overall, there is increasing pressure on U.S. providers to deliver healthcare at a lower cost and to ensure that those expenditures deliver demonstrated value in terms of health outcomes. Many employers have adopted high deductible health plans, which can increase out-of-pocket costs for medicines. This trend is likely to continue. Private third-party payers, such as health plans, increasingly challenge pharmaceutical product pricing, which could result in lower prices, lower reimbursement rates and a reduction in demand for our products. Pricing pressures also may occur as a result of highly competitive insurance markets. Healthcare provider purchasers, directly or through group purchasing organizations, are seeking enhanced discounts or implementing more rigorous bidding or purchasing review processes.

Longer term, we foresee a shift in focus away from fee-for-service payments towards outcomes-based payments and risk-sharing arrangements that reward providers for cost reductions and improved patient outcomes. These new payment models can, at times, lead to lower prices for, and restricted access to, new medicines. At the same time, these models can also promote utilization of drugs by encouraging physicians to screen and diagnose and consider drugs as a means of forestalling more costly medical interventions.

We believe medicines are the most efficient and effective use of healthcare dollars based on the value they deliver to the overall healthcare system. We work with law makers and advocate for solutions that effectively improve patient health outcomes, lower costs to the healthcare system, and help ensure access to medicines within an efficient and affordable healthcare system. In addition, in response to the evolving U.S. and global healthcare spending landscape, we work with health authorities, health technology assessment and quality measurement bodies and major U.S. payers throughout the product-development process to better understand how these entities value our compounds and products. Further, we seek to develop stronger internal capabilities focused on demonstrating the value of the medicines that we discover or develop, register and manufacture, by recognizing patterns of usage of our medicines and competitor medicines along with patterns of healthcare costs.

For information on government pricing pressures, see the *Item 1. Business—Government Regulation and Price Constraints* and *Item 1A. Risk Factors—Pricing and Reimbursement* sections in this Form 10-K.

Managed Care Organizations. The evolution of managed care in the U.S. has been a major factor in the competitiveness of the healthcare marketplace. Approximately 299 million people in the U.S. now have some form of health insurance coverage, and the marketing of prescription drugs to both consumers and the entities that manage coverage in the U.S. continues to grow in importance. In particular, the influence of MCOs has increased in recent years due to the growing number of patients receiving coverage through MCOs. At the same time, consolidation in the MCO industry has resulted in fewer, even larger entities, which enhances MCOs' ability to negotiate pricing and increases their importance to our business. Since MCOs seek to contain and reduce healthcare expenditures, their growing influence has increased pressure on drug prices as well as revenues.

MCOs typically negotiate prices with pharmaceutical providers by using formularies (which are lists of approved medicines available to MCO members), clinical protocols (which require prior authorization for a branded product if a generic product is available or require the patient to first fail on one or more generic products before permitting access to a branded medicine), volume purchasing, long-term contracts and their ability to influence volume and market share of prescription drugs. In addition, by placing branded medicines on higher-tier or non-preferred status in their formularies, MCOs transfer a portion of the cost to the patient, resulting in significant patient out-of-pocket expenses. This financial disincentive is a tool for MCOs to manage drug costs and channel patients to medicines preferred by the MCOs. The ACA has accelerated payment reform by distributing risk across MCOs and other stakeholders in care delivery with the intent of improving quality while reducing costs, which creates pressure on MCOs to tie reimbursement to defined outcomes. We are closely monitoring these newer approaches and developing appropriate strategies to respond to them.

The breadth of the products covered by formularies can vary considerably from one MCO to another, and many formularies include alternative and competitive products for treatment of particular medical problems. MCOs also emphasize primary and preventive care, out-patient treatment and procedures performed at doctors' offices and clinics as ways to manage costs. Hospitalization and surgery, typically the most expensive forms of treatment, are carefully managed, and drugs that can reduce the need for hospitalization, professional therapy or surgery may become favored first-line treatments for certain diseases.

Exclusion of a product from a formulary or other MCO-implemented restrictions can significantly impact drug usage in the MCO patient population and beyond. Consequently, pharmaceutical companies compete to gain access to formularies for their products, typically on the basis of unique product features, such as greater efficacy, better patient ease of use, or fewer side effects, as well as the overall cost of the therapy. We have been generally, although not universally, successful in having our major products included on MCO formularies. However, increasingly our branded products are being placed on the higher tiers or in a non-preferred status. For additional information, see the *Item 1A. Risk Factors—Managed Care Trends* section in this Form 10-K.

RAW MATERIALS

We procure raw materials essential to our business from numerous suppliers worldwide. In general, these materials have been available in sufficient quantities to support our demand and in many cases are available from multiple suppliers. We have supplier management activities in place to monitor supply channels and to take action as needed to secure necessary volumes. No significant impact to our operations due to the availability of raw materials is currently anticipated in 2021.

GOVERNMENT REGULATION AND PRICE CONSTRAINTS

We are subject to extensive regulation by government authorities in the countries in which we do business. This includes laws and regulations governing pharmaceutical companies, such as the approval, manufacturing and marketing of products, pricing (including discounts and rebates) and health information privacy, among others. These laws and regulations may require administrative guidance for implementation, and a failure to comply could subject us to legal and administrative actions. Enforcement measures may include substantial fines and/or penalties, orders to stop non-compliant activities, criminal charges, warning letters, product recalls or seizures, delays in product approvals, exclusion from participation in government programs or contracts as well as limitations on conducting business in applicable jurisdictions, and could result in harm to our reputation and business. For additional information, see *Note 16A.* Compliance with these laws and regulations may be costly, and may require significant technical expertise and capital investment to ensure compliance. While capital expenditures or operating costs for compliance with government regulations cannot be predicted with certainty, we do not currently anticipate they will have a material effect on our capital expenditures or competitive position.

In the United States

Drug and Biologic Regulation. The FDA, pursuant to the FFDCA, the Public Health Service Act and other federal statutes and regulations, extensively regulates pre- and post-marketing activities related to our biopharmaceutical products. The regulations govern areas such as the safety and efficacy of medicines, clinical trials, advertising and promotion, quality control, manufacturing, labeling, distribution, post-marketing safety surveillance and reporting, and record keeping. Other U.S. federal agencies, including the DEA, also regulate certain of our products and activities. Many of our activities are subject to the jurisdiction of the SEC.

For a biopharmaceutical company to market a drug or a biologic product in the U.S., the FDA must evaluate whether the product is safe and effective for its intended use. If the FDA determines that the drug or biologic is safe and effective, the FDA will approve the product's NDA or Biologics License Application (BLA) (or supplemental NDA or supplemental BLA), as appropriate.

A drug or biologic may be subject to postmarketing commitments, which are studies or clinical trials that the product sponsor agrees to conduct, or postmarketing requirements, which are studies or clinical trials that are required as a condition of approval. Once a drug or biologic is approved, the FDA must be notified of any product modifications and may require additional studies or clinical trials. In addition, we are also required to report adverse events and comply with cGMPs (the FDA regulations that govern all aspects of manufacturing quality for pharmaceuticals), as well as advertising and promotion regulations. For additional information, see the *Item 1A. Risk Factors—Development, Regulatory Approval and Marketing of Products* and *—Post-Approval Data* section in this Form 10-K.

In the context of public health emergencies like the COVID-19 pandemic, we may apply for EUA with the FDA, which when granted, allows for the distribution and use of our products during the term declared and extended by the government, in accordance with the conditions set forth in the EUA, unless the EUA is otherwise terminated at the government's discretion. Although the criteria of an EUA differ from the criteria for approval of an NDA or BLA, EUAs nevertheless require the development and submission of data to

satisfy the relevant FDA standards, and a number of ongoing compliance obligations. The FDA expects EUA holders to work toward submission of full applications, such as a BLA, as soon as possible. For BNT162b2, we are working towards submitting a BLA for possible full regulatory approval.

Biosimilar Regulation. The FDA is responsible for approval of biosimilars. Innovator biologics are entitled to 12 years of market exclusivity by statute, and biosimilars applications may not be submitted until four years after the approval of the reference innovator biologic.

Sales and Marketing Regulations. Our marketing practices are subject to state laws as well as federal laws, such as the Anti-Kickback Statute and False Claims Act, intended to prevent fraud and abuse in the healthcare industry. The Anti-Kickback Statute generally prohibits soliciting, offering, receiving, or paying anything of value to generate business. The False Claims Act generally prohibits anyone from knowingly and willingly presenting, or causing to be presented, any claims for payment for goods or services to third-party payers (including Medicare and Medicaid) that are false or fraudulent and generally treat claims generated through kickbacks as false or fraudulent. The federal government and states also regulate sales and marketing activities and financial interactions between manufacturers and healthcare providers, requiring disclosure to government authorities and the public of such interactions, and the adoption of compliance standards or programs. State attorneys general have also taken action to regulate the marketing of prescription drugs under state consumer protection and false advertising laws.

Healthcare Reform. Any significant efforts at the federal or state levels to reform the healthcare system by changing the way healthcare is provided or funded could have a material impact on us. This includes potential replacements for the ACA, if it is ultimately invalidated by the U.S. Supreme Court in *California v. Texas*, as well as efforts at the state level to develop additional public insurance options or implement a single payer healthcare system. We do not expect that invalidation of the ACA itself would have a material impact on our business given the modest revenues the health insurance exchanges and Medicaid expansion generate for us. However, a future replacement of the ACA or other healthcare reform efforts may adversely affect our business and financial results, particularly if such replacement or reform reduces incentives for employer-sponsored insurance coverage or dramatically increases industry taxes and fees.

Pricing and Reimbursement. Pricing and reimbursement for our products depend in part on government regulation. In order to have our products covered by Medicaid, we must offer discounts or rebates on purchases of pharmaceutical products under various federal and state programs. We also must report specific prices to government agencies. The calculations necessary to determine the prices reported are complex and the failure to do so accurately may expose us to enforcement measures. See the discussion regarding rebates in the *Analysis of the Consolidated Statements of Income—Revenues by Geography* section within MD&A and *Note 1G.*

Government and private payers routinely seek to manage utilization and control the costs of our products, and there is considerable public and government scrutiny of pharmaceutical pricing. Efforts by states and the federal government to regulate prices or payment for pharmaceutical products, including proposed actions to facilitate drug importation, limit reimbursement to lower international reference prices, require deep discounts, and require manufacturers to report and make public price increases and sometimes a written justification for the increase, could adversely affect our business if implemented. In the Fall of 2020, the Trump Administration finalized an importation pathway from Canada and a payment model to tie Medicare Part B physician reimbursement to international prices, though ultimate implementation of both is uncertain due to legal challenges. We expect to see continued focus on regulating pricing resulting in additional legislation and regulation under the newly elected Congress and the Biden Administration. In addition, U.S. government action to reduce federal spending on entitlement programs including Medicare and Medicaid may affect payment for our products or services associated with the provision of our products. For additional information, see the *Item 1A. Risk Factors—Pricing and Reimbursement* section in this Form 10-K.

A majority of states use preferred drug lists to manage access to pharmaceutical products under Medicaid, including some of our products. For example, access to our products under the Medicaid and Medicare managed care programs typically is determined by the health plans with which state Medicaid agencies and Medicare contract to provide services to beneficiaries. States seek to control healthcare costs related to Medicaid and other state healthcare programs, including the implementation of supplemental rebate agreements under the Medicaid drug rebate program tied to patient outcomes. In addition, we expect that consolidation and integration among pharmacy chains, wholesalers and PBMs will increase pricing pressures in the industry. For additional information, see the *Item 1A. Risk Factors—Managed Care Trends* section in this Form 10-K.

Anti-Corruption. The FCPA prohibits U.S. corporations and their representatives from offering, promising, authorizing or making payments to any foreign government official, government staff member, political party or political candidate to obtain or retain business abroad. The scope of the FCPA includes interactions with certain healthcare professionals in many countries. Other countries have enacted similar anti-corruption laws and/or regulations.

Data Privacy. The collection and use of personal data by us as part of our business activities is subject to various federal and state privacy and data security laws and regulations, including oversight by various regulatory or other governmental bodies. Such laws and regulations have the potential to affect our business materially, continue to evolve and are increasingly being enforced vigorously.

Outside the United States

We encounter similar regulatory and legislative issues in most countries outside the U.S.

New Drug Approvals. In the EU, the EMA conducts the scientific evaluation, supervision and safety monitoring of our innovative medicinal products, and employs a centralized procedure for approval for the EU and the European Economic Area (EEA) countries. From January 1, 2021, as a consequence of the U.K. leaving the EU (Brexit), the Medicines and Healthcare products Regulatory Agency is the sole regulatory authority for the U.K. In China, following significant regulatory reforms in recent years, the NMPA is the primary regulatory authority for approving and supervising medicines. In Japan, the PMDA is involved in a wide range of regulatory activities, including clinical studies, approvals, post-marketing reviews and pharmaceutical safety. Health authorities in many middle- and lower-income require marketing approval by a recognized regulatory authority (i.e., the FDA or EMA) before they begin to conduct their application review process and/or issue their final approval.

Pharmacovigilance. In the EU/EEA, the EMA's Pharmacovigilance Risk Assessment Committee is responsible for reviewing and making recommendations on product safety issues. Outside developed markets, pharmacovigilance requirements vary and are generally not as extensive, but there is a trend toward increasing regulation.

Pricing and Reimbursement. Certain governments, including in the different EU member states, the U.K., China, Japan, Canada and South Korea, provide healthcare at low-to-zero direct cost to consumers at the point of care and have significant power to regulate pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored healthcare system, particularly under recent global financing pressures. Governments may use a variety of measures including proposing price reform or legislation, cross country collaboration and procurement, price cuts, mandatory rebates, health technology assessments, forced localization as a condition of market access, "international reference pricing" (i.e., the practice of a country linking its regulated medicine prices to those of other countries), QCE processes and VBP. In addition, the international patchwork of price regulation, differing economic conditions and incomplete value assessments across countries has led to varying access to quality medicines in many markets and some third-party trade in our products between countries. Several important multilateral organizations, such as the World Health Organization and the Organization for Economic Cooperation and Development, are increasing scrutiny of international pharmaceutical pricing through issuing reports and policy recommendations. On November 25, 2020, the European Commission published its new Pharmaceutical Strategy for Europe which envisions a broad range of new initiatives and legislation including a significant focus on affordability and access to medicines.

In China, pricing pressures have increased in recent years, with government officials emphasizing improved health outcomes, healthcare reform and decreased drug prices as key indicators of progress towards reform. Drug prices have decreased dramatically as a result of adding innovative drugs (including oncology medicines) to the National Reimbursement Drug List (NRDL). In the off-patent space, numerous local generics have been officially deemed bioequivalent under a QCE process that required domestically-manufactured generic drugs to pass a test to assess their bioequivalence to a qualified reference drug (typically the originator drug). A centralized VBP program has also been initiated and expanded nationwide, under which a tender process has been established where a certain portion of included molecule volumes are guaranteed to tender winners. The program is intended to contain healthcare costs by driving utilization of generics that have passed QCE, which has resulted in dramatic price cuts for off-patent medicines. Furthermore, the Chinese government has discussed moving toward efforts to unify the reimbursement price between QCE-approved generic medicines and the applicable original medicines, which the government currently plans to

implement within the next few years. We and most off-patent originators have mostly not been successful in the VBP bidding process. The government has indicated that additional post-LOE drugs could be subjected to QCE qualification in future rounds, which could also be tied to volume-based procurement. While certain details of future QCE expansion have been made available, we are unable to determine the impact on our business and financial condition until the initiation of these future rounds.

Healthcare Provider Transparency and Disclosures. Several countries have implemented laws requiring (or their industry associations have recommended) disclosure of transfers of value made by pharmaceutical companies to healthcare providers.

Intellectual Property. Reliable patent protection and enforcement around the world are among the key factors we consider for continued business and R&D investment. The World Trade Organization Agreement on Trade Related Aspects of Intellectual Property Rights (WTO-TRIPS) requires participant countries to provide patent protection for pharmaceutical products by law, with an exemption provided for least-developed countries until 2033. While some countries have made improvements, we still face patent grant, enforcement and other intellectual property challenges in many countries.

While the global intellectual property environment has generally improved following WTO-TRIPS and bilateral/multilateral trade agreements, our growth and ability to bring new product innovation to patients depends on further progress in intellectual property protection. In certain developed international markets, governments maintain relatively effective intellectual property policies. However, in the EU, following a review of pharmaceutical intellectual property and regulatory incentives, legislative change may result in the reduction of certain protections. In several emerging market countries, governments have used intellectual property policies as a tool to force innovators to accept less than fair value for medicines, as well as to advance industrial policy and localization goals.

Considerable political and economic pressure has weakened current intellectual property protection in some countries and has led to policies such as more restrictive standards for obtaining patents and more difficult procedures for patenting biopharmaceutical inventions, restrictions on patenting certain types of inventions, revocation of patents, laws or regulations that promote or provide broad discretion to issue a compulsory license, weak intellectual property enforcement and failure to implement effective regulatory data protection.

Our industry advocacy efforts focus on seeking a fair and transparent business environment for foreign manufacturers, underscoring the importance of strong intellectual property systems for local innovative industries and helping improve patients' access to innovative medicines.

Data Privacy. Outside of the U.S., many countries have privacy and data security laws and regulations concerning the collection and use of personal data, including the EU's General Data Protection Regulations. The legislative and regulatory framework for privacy and data protection issues worldwide is rapidly evolving as countries continue to adopt privacy and data security laws.

ENVIRONMENTAL MATTERS

Our operations are affected by national, state and/or local environmental laws. We have made, and intend to continue to make, the expenditures necessary for compliance with applicable laws. We also are cleaning up environmental contamination from past industrial activity at certain sites. We incurred capital and operational expenditures in 2020 for environmental compliance purposes and for the clean-up of certain past industrial activity as follows: $42 million in environment-related capital expenditures and $120 million in other environment-related expenses.

While capital expenditures or operating costs for environmental compliance cannot be predicted with certainty, we do not currently anticipate they will have a material effect on our capital expenditures or competitive position. See also *Note 16A3*.

Climate change presents risks to our operations, including the potential for additional regulatory requirements and associated costs, and the potential for more frequent and severe weather events and water availability challenges that may impact our facilities and those of our suppliers. We cannot provide assurance that physical risks to our facilities or supply chain due to climate change will not occur in the future. We periodically review our vulnerability to potential weather-related risks and other natural disasters and update

our assessments accordingly. Based on our reviews, we do not believe these potential risks are material to our operations at this time.

HUMAN CAPITAL

Our purpose is clear: *Breakthroughs that change patients' lives*. These breakthroughs are delivered through the relentless collaboration of our talented workforce. As of December 31, 2020, we employed approximately 78,500 people worldwide, with approximately 29,400 based in the U.S. Women compose approximately 48% of our workforce, and approximately 32% of our U.S.-based employees are individuals with ethnically diverse backgrounds.

Our continued success links directly to the commitment, engagement and performance of our employees. It is important that we not only attract and retain the best and brightest diverse talent but also ensure they remain engaged and can thrive in an environment that is committed to helping them grow, succeed and contribute directly to achieving our purpose. As part of these efforts, we strive for an inclusive and empowering work environment, adopting practices to simplify processes and remove needless complexity, rewarding both performance and leadership skills, and offering competitive compensation and benefits programs that encourage healthy work-life balance, so that all colleagues feel ready, equipped and energized to deliver innovative breakthroughs that extend and significantly improve patients' lives.

Diversity, Equity and Inclusion. At Pfizer, every person deserves to be seen, heard and cared for, and we work to further this goal by bringing together people with different backgrounds, perspectives and experiences. Our new and expanded commitments to equity include specific actions to help foster a more inclusive environment within Pfizer, including, among others: (i) increasing the representation of both women and underrepresented ethnic groups; (ii) providing resources to support managers in having courageous conversations about equity, race and the avoidance of bias within their teams; (iii) revising our Political Action Committee (PAC) bylaws to help ensure that PAC recipients consistently demonstrate conduct that align with our core values; and (iv) working to help ensure recruitment demographics of all clinical trials correlate to those of the countries where trials are taking place.

Colleague Engagement. We understand the importance of continuously listening and responding to colleague feedback. Our annual engagement survey, Pfizer Pulse, provides a forum for our colleagues to give structured feedback about their Pfizer experience and equips leaders with

actionable insights for discussion and follow up. Regular topics in the survey include (i) employee engagement, such as colleagues' commitment to and advocacy for Pfizer, and (ii) purpose, including how colleagues' work connects with our purpose. Through these surveys, we can measure and track the degree to which colleagues are proud to work at Pfizer, would recommend Pfizer as a great place to work to others and intend to stay with Pfizer.

Performance, Leadership and Growth. We are committed to helping our colleagues reach their full potential by rewarding both their performance and leadership skills and by providing opportunities for growth and development. Our performance management approach—called *Performance and Leadership Insights*—is based on six-month semesters during which our colleagues and their managers set goals, receive feedback and meet to discuss performance. These conversations are meant to help colleagues grow and develop by evaluating *performance* (what the colleague achieved, measured by outcomes), *leadership* (how they achieved it, taking into account Pfizer's values of courage, excellence, equity and joy), and identifying areas of *growth* that help move colleagues towards fulfilling their career goals and their potential. We strive to ensure that all colleagues have an equal opportunity to grow and offer a variety of programs including mentoring, job rotations, experiential project roles, skill based volunteering and learning programs focused on many topics, including leadership and management skills and industry- and job-specific learning, as well as general business, manufacturing, finance and technology skills.

Health, Safety and Well-Being. We are committed to the health, safety and well-being of our colleagues and continue to advance a comprehensive occupational injury and illness prevention program.

During 2020, our COVID-19 pandemic preparedness and response was a primary focus. Our comprehensive pandemic response plan incorporates guidance issued by external health authorities and is designed to keep onsite workers at our manufacturing and research sites safe and healthy. A global employee assistance program provides stress management, mental health, emotional, resiliency and pandemic guidance and support to our colleagues.

Pay Equity. We are committed to pay equity, based on gender or race/ethnicity, and we conduct and report publicly on pay equity on an annual basis.

Additional information regarding our human capital programs and initiatives is available in the "Careers" section of Pfizer's website.

AVAILABLE INFORMATION

Our website is located at *www.pfizer.com*. This Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and our proxy statements, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are, or will be, available (free of charge) on our website, in text format and, where applicable, in interactive data file format, as soon as reasonably practicable after we electronically file this material with, or furnish it to, the SEC.

Throughout this Form 10-K, we "incorporate by reference" certain information from other documents filed or to be filed with the SEC, including our Proxy Statement. Please refer to this information. This Form 10-K will be available on our website on or about February 25, 2021. Our Proxy Statement will be available on our website on or about March 11, 2021.

Our 2020 Environmental, Social and Governance (ESG) report, which provides enhanced ESG disclosures, will be available on our website on or about March 11, 2021. Information in our ESG Report is not incorporated by reference into this Form 10-K.

We may use our website as a means of disclosing material information and for complying with our disclosure obligations under Regulation Fair Disclosure promulgated by the SEC. These disclosures are included on our website in the "Investors" or "News" sections. Accordingly, investors should monitor these portions of our website, in addition to following our press releases, SEC filings, public conference calls and webcasts, as well as our social media channels (our Facebook, YouTube and LinkedIn pages and Twitter accounts (*@Pfizer* and *@Pfizer_News*)). The information contained on our website, our Facebook, YouTube and LinkedIn pages or our Twitter accounts, or any third-party website, is not incorporated by reference into this Form 10-K.

Information relating to corporate governance at Pfizer, including our Corporate Governance Principles; Director Qualification Standards; Pfizer Policies on Business Conduct (for all of our employees, including our Chief Executive Officer, Chief Financial

Officer and Principal Accounting Officer); Code of Business Conduct and Ethics for Members of the Board of Directors; information concerning our Directors; ways to communicate by e-mail with our Directors; Board Committees; Committee Charters; Charter of the Lead Independent Director; and transactions in Pfizer securities by Directors and Officers are available on our website. We will provide any of the foregoing information without charge upon written request to our Corporate Secretary, Pfizer Inc., 235 East 42nd Street, New York, NY 10017. We will disclose any future amendments to, or waivers from, provisions of the Pfizer Policies on Business Conduct affecting our Chief Executive Officer, Chief Financial Officer and Controller on our website as promptly as practicable, as may be required under applicable SEC and NYSE rules. Information relating to shareholder services, including the Computershare Investment Program, book-entry share ownership and direct deposit of dividends, is also available on our website.

ITEM 1A. RISK FACTORS

This section describes the material risks to our business, which should be considered carefully in addition to the other information in this report and our other filings with the SEC. Investors should be aware that it is not possible to predict or identify all such factors and that the following is not meant to be a complete discussion of all potential risks or uncertainties. If known or unknown risks or uncertainties materialize, our business operations, financial condition, operating results (including components of our financial results), cash flows, prospects, reputation or credit ratings could be adversely affected now and in the future, potentially in a material way. The following discussion of risk factors contains forward-looking statements, as discussed in the Forward-Looking Information and Factors that May Affect Future Results section in this Form 10-K.

RISKS RELATED TO OUR BUSINESS, INDUSTRY AND OPERATIONS:

MANAGED CARE TRENDS

Private payers, such as health plans, and other managed care entities, such as PBMs, continue to take action to manage the utilization and costs of drugs. Negotiating power of MCOs and other private third-party payers has increased due to consolidation, and they, along with governments, increasingly employ formularies to control costs and encourage utilization of certain drugs, including through the use of formulary inclusion or favorable formulary placement. These initiatives have increased consumers' interest and input in medication choices, as they pay for a larger portion of their prescription costs and may cause them to favor lower-cost generic alternatives. We may fail to obtain or maintain timely or adequate pricing or formulary placement of our products, or fail to obtain such formulary placement at favorable pricing.

The growing availability and use of innovative specialty pharmaceutical medicines that treat rare or life-threatening conditions, which typically have smaller patient populations, combined with their relative higher cost as compared to other types of pharmaceutical products, also has generated increased payer interest in developing cost-containment strategies targeted to this sector.

Third-party payers also use additional measures such as new-to-market blocks, exclusion lists, indication-based pricing, and value-based pricing/contracting to improve their cost containment efforts, and are also increasingly imposing utilization management tools, such as clinical protocols, requiring prior authorization for a branded product if a generic product is available or requiring the patient to first fail on one or more generic products before permitting access to a branded medicine. As the U.S. private third-party payer market consolidates further and as more drugs become available in generic form, we may face greater pricing pressure from private third-party payers as they continue to drive more of their patients to use lower cost generic alternatives.

Business arrangements in this area are subject to a high degree of government scrutiny, and available safe harbors under applicable federal and state fraud and abuse laws are subject to change through legislative and regulatory action, as well as evolving judicial interpretations. Our approach to these arrangements may also be informed by such government and industry guidance.

COMPETITIVE PRODUCTS

Competitive product launches may erode future sales of our products, including our existing products and those currently under development, or result in unanticipated product obsolescence. Such launches have recently occurred, and potentially competitive products are in various stages of development. We cannot predict with accuracy the timing or impact of the introduction of competitive products that treat diseases and conditions like those treated by our in-line drugs and drug candidates.

In addition, competition from manufacturers of generic drugs, including from generic versions of competitors' branded products that lose their market exclusivity, is a major challenge for our branded products. Certain of our products have experienced significant generic competition over the last few years. For example, the basic product patent for Chantix in the U.S. expired in November 2020. While multi-source generic competition for Chantix has not yet begun, it could commence at anytime. Also, the basic product patent for Sutent in the U.S. will expire in August 2021. In China, we expect to continue to face intense competition by certain generic manufacturers, which may result in price cuts and volume loss of some of our products.

In addition, our patented products may face generic competition before patent exclusivity expires, including upon the "at-risk" launch (despite pending patent infringement litigation against the generic product) by a manufacturer of a generic version of one of our patented products. Generic manufacturers have filed applications with the FDA seeking approval of product candidates that they claim do not infringe our patents or claim that our patents are not valid; these include candidates that would compete with, among other products, Eliquis, Ibrance and Xeljanz. Our licensing and collaboration partners also face challenges by generic drug manufacturers to patents covering products for which we have licenses or co-promotion rights.

We may become subject to competition from biosimilars referencing our biologic products if competitors are able to obtain marketing approval for such biosimilars.

We also commercialize biosimilar products that compete with products of others, including other biosimilar products. Uptake of our biosimilars may be lower due to various factors, such as anti-competitive practices, access challenges where our product may not receive appropriate coverage/reimbursement access or remains in a disadvantaged position relative to an innovator product, physician reluctance to prescribe biosimilars for existing patients taking the innovative product, or misaligned financial incentives. For example, Inflectra has experienced access challenges among commercial payers. In September 2017, Pfizer filed suit in the U.S. District Court for the Eastern District of Pennsylvania against J&J alleging that J&J's exclusionary contracts and other anticompetitive practices concerning Remicade® (infliximab) violate federal antitrust laws.

For additional information on competition our products face, see the *Item 1. Business—Competition* section in this Form 10-K.

CONCENTRATION

We recorded direct product and/or alliance revenues of more than $1 billion for each of seven products that collectively accounted for 53% of our total revenues in 2020. For additional information, see *Notes 1* and *17*. If these products or any of our other major products were to experience loss of patent protection (if applicable), changes in prescription growth rates, material product liability litigation, unexpected side effects or safety concerns, regulatory proceedings, negative publicity affecting doctor or patient confidence, pressure from existing competitive products, changes in labeling, pricing and access pressures or supply shortages or if a new, more effective treatment should be introduced, the adverse impact on our revenues could be significant. In particular, certain of our products have experienced patent-based expirations or loss of regulatory exclusivity in certain markets in the last few years, and patents covering a number of our best-selling products are, or have been, the subject of pending legal challenges. For additional information on our patents, see the *Item 1. Business—Patents and other Intellectual Property Rights* section in this Form 10-K.

In addition, we sell our prescription pharmaceutical products principally through wholesalers in the U.S. For additional information, see *Note 17B*. If one of our significant biopharmaceutical wholesalers should encounter financial or other difficulties, it might decrease the amount of business the wholesaler does with us and/or we might be unable to timely collect all the amounts that the wholesaler owes us or at all, which could negatively impact our results of operations. In addition, we expect that consolidation and integration of pharmacy chains and wholesalers will increase competitive and pricing pressures on pharmaceutical manufacturers, including us.

RESEARCH AND DEVELOPMENT

The discovery and development of new products, as well as the development of additional uses for existing products, are necessary for the continued strength of our business. Our product lines must be replenished over time to offset revenue losses when products lose exclusivity or market share, as well as to provide for earnings growth, either through internal R&D or through collaborations, acquisitions, JVs, licensing or other arrangements. Growth depends in large part on our ability to identify and develop new products or new indications for existing products that address unmet medical needs and receive reimbursement from payers. However, balancing current growth, investment for future growth and the delivery of shareholder return remains a major challenge. The costs of product development continue to be high, as are regulatory requirements in many therapeutic areas, which may affect the number of candidates we are able to fund as well as the sustainability of the R&D portfolio.
Decisions made early in the development process of a drug or vaccine candidate can have a substantial impact on the marketing strategy and payer reimbursement possibilities if the candidate receives regulatory approval. We try to plan clinical trials prudently and to reasonably anticipate and address challenges, but there is no assurance that an optimal balance between trial conduct, speed and desired outcome will be achieved.

Additionally, our product candidates can fail at any stage of the R&D process, and may not receive regulatory approval even after many years of R&D. We may fail to correctly identify indications for which our science is promising or allocate R&D investment resources efficiently, and failure to invest in the right technology platforms, therapeutic areas, product classes, geographic markets and/or licensing opportunities could adversely impact the productivity of our pipeline. Further, even if we identify areas with the greatest commercial potential, the scientific approach may not succeed despite the significant investment required for R&D, and the product may not be as competitive as expected because of the highly dynamic market environment and the hurdles in terms of access and reimbursement.

GLOBAL OPERATIONS

We operate on a global scale and could be affected by currency fluctuations, capital and exchange controls, global economic conditions, expropriation and other restrictive government actions, changes in intellectual property legal protections and remedies, trade regulations and procedures and actions affecting approval, production, pricing, and marketing of, reimbursement for and access to our products, as well as by political or civil unrest, terrorist activity, unstable governments and legal systems and inter-governmental disputes.

Some emerging market countries may be particularly vulnerable to periods of financial or political instability or significant currency fluctuations or may have limited resources for healthcare spending. As a result of these and other factors, our strategy to grow in emerging markets may not be successful, and growth rates in these markets may not be sustainable.

In addition, since a significant portion of our business is conducted in the EU, as well as the U.K., the changes resulting from Brexit may pose certain implications for our research, commercial and general business operations in the U.K. and the EU.

Government financing and economic pressures can lead to negative pricing pressure in various markets where governments take an active role in setting prices, access criteria (e.g., through health technology assessments) or other means of cost control. For additional information on government pricing pressures, see the *Item 1. Business—Government Regulation and Price Constraints* section in this Form 10-K.

We continue to monitor the global trade environment and potential trade conflicts and impediments that could impact our business. If trade restrictions or tariffs reduce global economic activity, potential impacts could include declining sales; increased costs; volatility in foreign exchange rates; a decline in the value of our financial assets and pension plan investments; required increases of our pension funding obligations; increased government cost control efforts; delays or failures in the performance of customers, suppliers and other third parties on whom we may depend for the performance of our business; and the risk that our allowance for doubtful accounts may not be adequate.

We operate in many countries and transact in over 100 different currencies. Changes in the value of those currencies relative to the U.S. dollar, or high inflation in these countries, can impact our revenues, costs and expenses and our financial guidance. Significant portions of our revenues, costs and expenses, as well as our substantial international net assets, are exposed to exchange rate changes. 48% of our total 2020 revenues were derived from international operations, including 23% from Europe and 17% from China, Japan and the rest of Asia. Future changes in exchange rates or economic conditions and the impact they may have on our results of operations, financial condition or business are difficult to predict. For additional information about our exposure to foreign currency risk, see the *Analysis of Financial Condition, Liquidity, Capital Resources and Market Risk—Selected Measures of Liquidity and Capital Resources* section within MD&A.

In addition, our borrowing, pension benefit and postretirement benefit obligations and interest-bearing investments, are subject to risk from changes in interest and exchange rates. The risks related to interest-bearing investments and borrowings and the measures we have taken to help contain them are discussed in the *Analysis of Financial Condition, Liquidity, Capital Resources and Market Risk—Selected Measures of Liquidity and Capital Resources* section within MD&A. For additional details on critical accounting estimates and assumptions for our benefit plans, see the *Significant Accounting Policies and Application of Critical Accounting Estimates and Assumptions—Benefit Plans* section within MD&A and *Notes 7E* and *11*.

From time to time, we issue variable rate debt based on LIBOR, or undertake interest rate swaps that contain a variable element based on LIBOR. The U.K. Financial Conduct Authority announced in 2017 that it will no longer compel banks to submit rates that are currently used to calculate LIBOR after 2021. This deadline was extended until June 2023 for a number of key U.S. dollar benchmark maturities (including the 1-month and 3-month LIBOR rates). The U.S. Federal Reserve has selected the Secured Overnight Funding Rate (SOFR) as the preferred alternate rate and the transition away from LIBOR will continue despite the extended timeline. We are planning for this transition and will amend

any contracts to accommodate the SOFR rate where required. While our exposure to LIBOR is very low, market volatility related to the transition may adversely affect the trading market for securities linked to such benchmarks.

PRODUCT MANUFACTURING, SALES AND MARKETING RISKS

We could encounter difficulties or delays in product manufacturing, sales or marketing due to regulatory actions, shut-downs, work stoppages or strikes, approval delays, withdrawals, recalls, penalties, supply disruptions, shortages or stock-outs, reputational harm, damage to our facilities due to natural or man-made disasters, product liability or unanticipated costs. Examples of such difficulties or delays include the inability to increase production capacity commensurate with demand; challenges related to component materials to maintain appropriate quality standards throughout our supply network and/or comply with applicable regulations; and supply chain disruptions at our facilities or at a supplier or vendor.

Regulatory agencies periodically inspect our manufacturing facilities to evaluate compliance with cGMP or other applicable requirements. Failure to comply with these requirements may subject us to possible legal or regulatory actions, such as warning letters, suspension of manufacturing, seizure of product, injunctions, debarment, product recalls, delays or denials of product approvals, import bans or denials of import certifications. For example, in September 2017, our subsidiary, Meridian, received a warning letter from the FDA asserting the FDA's view that certain violations of cGMP and Quality System Regulations exist at Meridian's manufacturing sites in St. Louis, Missouri and classifying the site as Official Action Indicated (OAI). Meridian responded to the warning letter and committed to making improvements across the sites. We have made considerable progress addressing the concerns raised by the FDA, and communication with the FDA is ongoing. Future FDA inspections and regulatory activities will further assess the adequacy and sustainability of these corrections implemented at the site. As a result of the OAI classification, the FDA may refuse to grant premarket approval of applications and/or the FDA may refuse to grant export certificates related to products manufactured at our St. Louis sites.

COLLABORATIONS AND OTHER RELATIONSHIPS WITH THIRD PARTIES

We depend on third-party collaborators, service providers, and others in the research, development, manufacturing and commercialization of our products and product candidates and also enter into JVs and other business development transactions. To achieve expected longer-term benefits, we may make substantial upfront payments as part of these transactions, which may negatively impact our reported earnings or cash flows. We rely heavily on these parties for multiple aspects of our drug development, manufacturing and commercialization activities, but we do not control many aspects of those activities. We also outsource certain services, including activities related to transaction processing, accounting, information technology, manufacturing, clinical trial recruitment and execution, clinical lab services, non-clinical research, safety services, integrated facilities management and other areas. Failure by one or more of the third-party collaborators, service providers and others to complete activities on schedule or in accordance with our expectations or to meet their contractual or other obligations to us; failure of one or more of these parties to comply with applicable laws or regulations; or any disruption in the relationships between us and these parties, could delay or prevent the development, approval, manufacturing or commercialization of our products and product candidates, expose us to suboptimal quality of service delivery or deliverables, result in repercussions such as missed deadlines or other timeliness issues, erroneous data and supply disruptions, and could also result in non-compliance with legal or regulatory requirements or industry standards or subject us to reputational harm, all with potential negative implications for our product pipeline and business. Further, our Alliance revenues will be adversely affected by the termination or expiration of collaboration and co-promotion agreements that we have entered into and that we may enter into from time to time.

COUNTERFEIT PRODUCTS

Our reputation and promising pipeline render our medicines prime targets for counterfeiters. Counterfeit medicines pose a significant risk to patient health and safety because of the conditions under which they are manufactured—often in unregulated, unlicensed, uninspected and unsanitary sites—as well as the lack of regulation of their contents. Failure to mitigate this threat could adversely impact our business, by, among other things, causing patient harm, the loss of patient confidence in the Pfizer name and in the integrity of our medicines, potentially resulting in lost sales, product recalls, and an increased threat of litigation.

The prevalence of counterfeit medicines is an industry-wide issue due to a variety of factors, including the adoption of e-commerce, which increased during the COVID-19 pandemic, greatly enhancing consumers' ability to obtain prescriptions and other medical treatments via the Internet in lieu of traditional brick and mortar pharmacies. The internet exposes patients to greater risk as it is a preferred vehicle for dangerous counterfeit offers and scams because of the anonymity it affords counterfeiters.

We consistently invest in an enterprise-wide strategy to aggressively combat counterfeit threats by educating patients and health care providers about the risks, proactively monitoring and interdicting supply with the help of law enforcement; and advising legislators and regulators. However, our efforts and those of others may not be entirely successful, and the presence of counterfeit medicines may continue to increase.

RISKS RELATED TO GOVERNMENT REGULATION AND LEGAL PROCEEDINGS:

PRICING AND REIMBURSEMENT

U.S. and international governmental regulations that mandate price controls or limitations on patient access to our products or establish prices paid by government entities or programs for our products impact our business, and our future results could be adversely affected by changes in such regulations or policies. The adoption of restrictive price controls in new jurisdictions, more restrictive controls in existing jurisdictions or the failure to obtain or maintain timely or adequate pricing could also adversely impact revenue. We expect pricing pressures will continue globally.

In the U.S., pharmaceutical product pricing is subject to government and public scrutiny and calls for reform, and many of our products are subject to increasing pricing pressures as a result. Some states have implemented, and others are considering, price controls or patient access constraints under the Medicaid program, and some are considering measures that would apply to broader segments of their populations that are not Medicaid-eligible. State legislatures also have recently focused on addressing drug costs, generally by increasing price transparency or limiting drug price increases. Measures to regulate prices or payment for pharmaceutical products, including legislation on drug importation,

could adversely affect our business. For additional information on U.S. pricing and reimbursement, see the *Item 1. Business—Government Regulation and Price Constraints* section in this Form 10-K.

We encounter similar regulatory and legislative issues in most other countries in which we operate. In certain markets, such as in EU member states, the U.K., China, Japan, Canada and South Korea, governments have significant power as large single payers to regulate prices, access criteria, or impose other means of cost control, particularly as a result of recent global financing pressures. For example, the QCE and VBP tender process in China has resulted in dramatic price cuts for off-patent medicines. For additional information regarding these government initiatives, see the *Item 1. Business—Government Regulation and Price Constraints* section in this Form 10-K. We anticipate that these and similar initiatives will continue to increase pricing pressures in China and elsewhere in the future. In addition, in many countries, with respect to our vaccines, we participate in a tender process for selection in national immunization programs. Failure to secure participation in national immunization programs or to obtain acceptable pricing in the tender process could adversely affect our business. We also anticipate pricing pressures will be amplified by COVID-19 induced budget deficits and focus on pricing for new COVID-19 therapies and vaccines.

U.S. HEALTHCARE REFORM

The U.S. healthcare industry is highly regulated and subject to frequent and substantial changes. Any significant efforts at the U.S. federal or state levels to reform the healthcare system by changing the way healthcare is provided or funded could have a material impact on us. For additional information on U.S. healthcare reform, see the *Item 1. Business—Government Regulation and Price Constraints* section in this Form 10-K.

Other U.S. federal or state legislative or regulatory action and/or policy efforts could adversely affect our business, including, among others, general budget control actions, changes in patent laws, the importation of prescription drugs to the U.S. at prices that are regulated by foreign governments, revisions to reimbursement of biopharmaceuticals under government programs that could reference international prices or require new discounts, restrictions on U.S. direct-to-consumer advertising, limitations on interactions with healthcare professionals and other industry stakeholders, or the use of comparative effectiveness methodologies that could be implemented in a manner that focuses primarily on cost differences and minimizes the therapeutic differences among pharmaceutical products and restricts access to innovative medicines.

A reduction of U.S. federal spending on entitlement programs, including Medicare and Medicaid, may affect payment for our products or services provided using our products. The Congressional Budget Office routinely releases options for reducing federal spending that could affect pharmaceutical utilization and pricing as does the Medicare Payment Advisory Commission. These and any other significant spending reductions or cost controls affecting Medicare, Medicaid or other publicly funded or subsidized health programs that may be implemented could have an adverse impact on our results of operations.

DEVELOPMENT, REGULATORY APPROVAL AND MARKETING OF PRODUCTS

The discovery and development of drugs and biological products are time consuming, costly and unpredictable. The outcome is inherently uncertain and involves a high degree of risk due to the following factors, among others:

- The process from early discovery to design and adequate implementation of clinical trials to regulatory approval can take many years.
- Product candidates can and do fail at any stage of the process, including as the result of unfavorable pre-clinical and clinical trial results, or unfavorable new pre-clinical or clinical data and further analyses of existing pre-clinical or clinical data, including results that may not support further clinical development of the product candidate or indication.
- We may not be able to meet anticipated pre-clinical or clinical endpoints, commencement and/or completion dates for our pre-clinical or clinical trials, regulatory submission dates, regulatory approval dates and/or launch dates.
- We may not be able to successfully address all the comments received from regulatory authorities such as the FDA and the EMA, or be able to obtain approval from regulators.

Regulatory approvals of our products depend on myriad factors, including a regulator making a determination as to whether a product is safe and efficacious. In the context of public health emergencies like the COVID-19 pandemic, regulators evaluate various factors and criteria to potentially allow for marketing authorization on an emergency basis. Additionally, clinical trial and other product data are subject to differing interpretations and assessments by regulatory authorities. As a result of regulatory interpretations and assessments or other developments that occur during the review process, and even after a product is authorized or approved for marketing, a product's commercial potential could be adversely affected by potential emerging concerns or regulatory decisions regarding or impacting labeling or marketing, manufacturing processes, safety and/or other matters.

We may not be able to receive or maintain favorable recommendations by technical or advisory committees, such as the ACIP, that may impact the use of our products. Further, claims and concerns that may arise regarding the safety and efficacy of in-line products and product candidates can negatively impact product sales, and potentially lead to product recalls or withdrawals, and/or consumer fraud, product liability and other litigation and claims. Further regulatory agency requirements may result in a more challenging, expensive and lengthy regulatory approval process than anticipated due to requests for, among other things, additional or more extensive clinical trials prior to granting approval, or increased post-approval requirements. For these and other reasons discussed in this *Risk Factors* section, we may not obtain the approvals we expect within the timeframe we anticipate, or at all.

POST-APPROVAL DATA

As a condition to granting marketing authorization or approval of a product, the FDA may require additional clinical trials or other studies. The results generated in these trials could result in the loss of marketing approval, changes in labeling, and/or new or increased concerns about the side effects, efficacy or safety. Regulatory agencies in countries outside the U.S. often have similar regulations and may impose comparable requirements. Post-marketing studies, whether conducted by us or by others, whether mandated by regulatory agencies or conducted voluntarily, and other emerging data about products, such as adverse event reports, may also adversely affect the availability or commercial potential of our products. Further, if safety or efficacy concerns are raised about a product in the same class as one of our products, those concerns could implicate the entire class; and this, in turn, could have an adverse impact on the availability or commercial viability of our product(s) as well as

other products in the class. The potential regulatory and commercial implications of post-marketing study results, for approved indications and potential new indications of an in-line product, typically cannot immediately be determined. For example, the potential impact of the co-primary endpoint results from a recently completed post-marketing required safety study of Xeljanz, ORAL Surveillance (A3921133), announced in January 2021, and related results, analyses and discussions with and reviews by regulators, remain uncertain. We are working with the FDA and other regulatory agencies to review the full results and analyses as they become available.

The terms of our EUA for the BNT162b2 vaccine require that we conduct post-authorization observational studies. In addition, the FDA expects EUA holders to work towards submission of full application, such as a BLA, as soon as possible.

LEGAL MATTERS

We are and may be involved in various legal proceedings, including patent litigation, product liability and other product-related litigation, including personal injury, consumer, off-label promotion, securities, antitrust and breach of contract claims, commercial, environmental, government investigations, employment, tax litigation and other legal proceedings that arise from time to time in the ordinary course of our business. Litigation is inherently unpredictable, and excessive verdicts do occur. Although we believe that our claims and defenses in matters in which we are a defendant are substantial, we could in the future 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.

Claims against our patents include challenges to the coverage and/or validity of our patents on various products or processes. There can be no assurance as to the outcome of these matters, and a loss in any of these cases could result in a loss of patent protection for the product at issue, which could lead to a significant loss of sales of that product and could materially affect future results of operations.

Government investigations and actions could result in substantial fines and/or criminal charges and civil penalties, limitations on our ability to conduct business in applicable jurisdictions, corporate integrity or deferred prosecution agreements and other disciplinary actions, as well as reputational harm, including as a result of increased public interest in the matter. In addition, in a qui tam lawsuit in which the government declines to intervene, the relator may still pursue a suit for the recovery of civil damages and penalties on behalf of the government.

Our sales and marketing activities and the pricing of our products are subject to extensive regulation under the FFDCA, the Medicaid Drug Rebate Program, the FCPA and other federal and state statutes, including those discussed elsewhere in this Form 10-K, as well as the Anti-Kickback Statute, anti-bribery laws, the False Claims Act, and similar laws in international jurisdictions. In addition to the potential for changes to relevant laws, the compliance and enforcement landscape is informed by government litigation, settlement precedent, advisory opinions, and special fraud alerts. Our approach to certain practices may evolve over time in light of these types of developments. Requirements or industry standards in the U.S. and certain jurisdictions abroad require pharmaceutical manufacturers to track and disclose financial interactions with healthcare professionals and healthcare providers and can increase government and public scrutiny of such financial interactions. If an interaction is found to be improper, government enforcement actions and penalties could result. Like many companies in our industry, we have from time-to-time received, and may receive in the future, inquiries and subpoenas and other types of information demands from government authorities. In addition, we have been subject to claims and other actions related to our business activities, brought by governmental authorities, as well as consumers and private payers. In some instances, we have incurred significant expense, civil payments, fines and other adverse consequences as a result of these claims, actions and inquiries. Such claims, actions and inquiries may relate to alleged non-compliance with laws and regulations associated with the dissemination of product (approved and unapproved) information, potentially resulting in government enforcement action and reputational damage. This risk may be heightened by digital marketing, including social media, mobile applications and blogger outreach.

In connection with the resolution of a U.S. government investigation concerning independent copay assistance organizations that provide financial assistance to Medicare patients, in 2018, we entered into a Corporate Integrity Agreement (CIA) with the Office of the Inspector General of the U.S. Department of Health and Human Services, which is effective for a period of five years. In the CIA,

we agreed to implement and/or maintain certain compliance program elements to promote compliance with federal healthcare program requirements. Breaches of the CIA could result in severe sanctions against us.

We and certain of our subsidiaries are also subject to numerous contingencies arising in the ordinary course of business relating to legal claims and proceedings, including environmental contingencies. 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. While we have accrued for worldwide legal liabilities, there is no guarantee that additional costs will not be incurred beyond the amounts accrued.

For additional information, including information regarding certain legal proceedings in which we are involved in, see *Note 16A*.

RISKS RELATED TO INTELLECTUAL PROPERTY, TECHNOLOGY AND SECURITY:

INTELLECTUAL PROPERTY PROTECTION

Our success largely depends on our ability to market technologically competitive products. We rely and expect to continue to rely on a combination of intellectual property, including patent, trademark, trade dress, copyright, trade secret and domain name protection laws, as well as confidentiality and license agreements, to protect our intellectual property and proprietary rights. If we fail to obtain and maintain adequate intellectual property protection, we may not be able to prevent third parties from launching generic or biosimilar versions of our branded products, from using our proprietary technologies or from marketing products that are very similar or identical to ours. Our currently pending or future patent applications may not result in issued patents, or be granted on a timely basis. Similarly, any term extensions that we seek may not be granted on a timely basis, if at all. In addition, our issued patents may not contain claims sufficiently broad to protect us against claims regarding validity, enforceability, scope and effective term made by parties with similar technologies or products or provide us with any competitive advantage, including exclusivity in a particular product area.

The scope of our patent claims also may vary between countries, as individual countries have distinct patent laws, and our ability to enforce our patents depends on the laws of each country, its enforcement practices, and the extent to which certain countries engage in policies or practices

that weaken a country's intellectual property framework (e.g., laws or regulations that promote or provide broad discretion to issue a compulsory license). In countries that provide some form of regulatory exclusivity, mechanisms exist permitting some form of challenge to our patents by competitors or generic drug marketers prior to or immediately following the expiration of such regulatory exclusivity, and generic companies are employing aggressive strategies, such as "at risk" launches that challenge our patent rights. Most of the suits involve claims by generic drug manufacturers that patents covering our products, uses, processes or dosage forms are invalid and/or do not cover the product of the generic or biosimilar drug manufacturer. Independent actions have been filed alleging that our assertions of, or attempts to enforce, patent rights with respect to certain products constitute unfair competition and/or violations of antitrust laws. Such claims may also be brought as counterclaims to actions we bring to enforce our patents. We are also party to other patent damages suits in various jurisdictions pursuant to which generic drug manufacturers, payers, governments or other parties are seeking damages from us for alleged delay of generic entry. We also are often involved in other proceedings, such as inter partes review, post-grant review, re-examination or opposition proceedings, before the U.S. Patent and Trademark Office, the European Patent Office, or other foreign counterparts relating to our intellectual property or the intellectual property rights of others. Also, if one of our patents or a competitors' patents is found to be invalid in such proceedings, generic or biosimilar products could be introduced into the market resulting in the erosion of sales of our existing products. For additional information, including information regarding certain legal proceedings in which we are involved, see *Note 16A1*. Further, if we are unable to maintain our existing license agreements or other agreements pursuant to which third parties grant us rights to intellectual property, our operating results and financial condition could be adversely affected.

We currently hold trademark registrations and have trademark applications pending in many jurisdictions, any of which may be the subject of a governmental or third-party objection, which could prevent the maintenance or issuance of the trademark. As our products mature, our reliance on our trademarks and trade dress to differentiate us from our competitors increases and, as a result, our business could be adversely affected if we are unable to prevent third parties from adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate our rights. We seek to protect our proprietary information, including our trade secrets and proprietary know-how, by requiring our employees, consultants, other advisors and other third parties to execute proprietary information and confidentiality agreements upon the commencement of their relationship with us. Despite these efforts and precautions, we may be unable to prevent a third party from copying or otherwise obtaining and using our trade secrets or our other intellectual property without authorization, and legal remedies may not adequately compensate us for the damages caused by such unauthorized use. Further, others may independently and lawfully develop substantially similar or identical products that circumvent our intellectual property by means of alternative designs or processes or otherwise.

THIRD PARTY INTELLECTUAL PROPERTY CLAIMS

A properly functioning intellectual property regime is essential to our business model. We are committed to respecting the valid intellectual property rights of other companies, but the patent granting process is imperfect. Accordingly, the pursuit of valid business opportunities may require us to challenge intellectual property rights held by others that we believe were improperly granted, including challenges through negotiation and litigation, and such challenges may not always be successful.

Part of our business depends upon identifying biosimilar opportunities and launching products to take advantage of those opportunities, which may involve litigation, associated costs and time delays, and may ultimately not be successful. These opportunities may arise in situations where patent protection of equivalent branded products has expired or been declared invalid, or where products do not infringe the patents of others. In some circumstances we may take action, such as litigation, asserting that our products do not infringe patents of existing products or that those patents are invalid or unenforceable in order to achieve a "first-to-market" or early market position for our products.

Third parties may claim that our products infringe one or more patents owned or controlled by them. Claims of intellectual property infringement can be costly and time-consuming to resolve, may delay or prevent product launches, and may result in significant damages. We are involved in patent-related disputes with third parties over our attempts to market generic pharmaceutical products and biosimilars. Once we have final regulatory approval of the related generic products or biosimilars, we may decide to commercially market these products even though associated legal proceedings (including any appeals) have not been resolved (i.e., "at-risk" launch). If one of our marketed products is found to infringe valid patent rights of a third party, such third party may be

awarded significant damages, or we may be prevented from further sales of that product. Such damages may be enhanced as much as three-fold if we or one of our subsidiaries is found to have willfully infringed valid patent rights of a third party.

INFORMATION TECHNOLOGY AND SECURITY

Significant disruptions of information technology systems or breaches of information security could adversely affect our business. We extensively rely upon sophisticated information technology systems to operate our business. We collect, store and transmit large amounts of confidential information (including personal information and intellectual property), and we deploy and operate an array of technical and procedural controls to maintain the confidentiality and integrity of such confidential information. We have outsourced significant elements of our operations, including significant elements of our information technology infrastructure and, as a result, we manage relationships with many third-party vendors who may or could have access to our confidential information. The size and complexity of our information technology and information security systems, and those of our third-party vendors (and the large amounts of confidential information that is present on them), make such systems potentially vulnerable to service interruptions or to security breaches from inadvertent or intentional actions by our employees or vendors, or malicious attackers. Cyber-attacks are of ever-increasing levels of sophistication and are made by groups and individuals with a wide range of motives (including, but not limited to, industrial espionage) and expertise, including organized criminal groups, “hacktivists,” nation states and others. As a global pharmaceutical company, our systems are subject to frequent cyber-attacks. Due to the nature of some of these attacks, there is a risk that they may remain undetected for a period of time. While we have invested in the protection of data and information technology, our efforts may not prevent service interruptions or security breaches. Any such interruption or breach of our systems could adversely affect our business operations and/or result in the loss of critical or sensitive confidential information or intellectual property, and could result in financial, legal, business and reputational harm to us. We maintain cyber liability insurance; however, this insurance may not be sufficient to cover the financial, legal, business or reputational losses that may result from an interruption or breach of our systems.

RISKS RELATED TO BUSINESS DEVELOPMENT:

BUSINESS DEVELOPMENT ACTIVITIES

We expect to enhance our in-line products and product pipeline through various forms of business development, which can include alliances, licenses, JVs, collaborations, equity- or debt-based investments, dispositions, divestments, mergers and acquisitions. The success of these activities is dependent on the availability and accurate cost/benefit evaluation of appropriate opportunities, competition from others that are seeking similar opportunities and our ability to successfully identify, structure and execute transactions, including the ability to satisfy closing conditions in the anticipated timeframes or at all, and successfully integrate acquisitions. Pursuing these opportunities may require us to obtain additional equity or debt financing, which could result in increased leverage and/or a downgrade of our credit ratings. Where we acquire debt or equity securities as all or part of the consideration for business development activities, the value of those securities will fluctuate, and may depreciate. We may not control a company in which we invest, and, as a result, we will have limited ability to determine its management, operational decisions and policies. Further, while we seek to mitigate risks and liabilities of such transactions through, among other things, due diligence, there may be risks and liabilities that such efforts fail to discover, that are not disclosed to us, or that we inadequately assess. The success of any of our acquisitions will depend, when applicable, on our ability to realize anticipated benefits from integrating these businesses with us. We, for example, may fail to achieve cost savings anticipated with certain of these acquisitions, or such cost savings within the expected time frame. Similarly, the accretive impact anticipated from certain of these acquisitions may not be realized or may be delayed. Integration of these businesses may result in the loss of key employees, the disruption of ongoing business, including third-party relationships, or inconsistencies in standards, controls, procedures and policies. We also may fail to generate the expected revenue growth for the acquired business. Expected revenue from acquired products and product candidates also may be constrained by developments outside of our control. Unsuccessful clinical trials, regulatory hurdles and commercialization challenges may adversely impact revenue and income contribution from products and product candidates, including those acquired in these acquisitions.

SPIN-OFF AND COMBINATION OF UPJOHN WITH MYLAN

We may not realize some or all of the expected benefits of the spin-off and combination (the Transactions) of the Upjohn Business with Mylan, which resulted in the creation of Viatris, due to many factors, including, among others, strategic adjustments required to reflect the nature of our business following the Transactions, increased risks resulting from us becoming a company that is a more focused, innovative science-based biopharmaceutical products business and the possibility that we may not achieve our strategic objectives. In addition, we have agreed to provide certain transition services to Viatris, generally for an initial period of 24 months following the completion of the Transactions (with certain possibilities for extension). These obligations under the transition services agreements may result in additional expenses and may divert our focus and resources that would otherwise be invested into maintaining or growing our business.

CONSUMER HEALTHCARE JV WITH GSK

In 2019, we and GSK combined our respective consumer healthcare businesses into a JV that operates globally under the GSK Consumer Healthcare name. Although we have certain consent, board representation and other governance rights, we are a minority owner of the JV and do not control the JV, its management or its policies. As a result, our ability to realize the anticipated benefits of the transaction depend upon GSK's operation and management of the JV. In addition, the JV is subject to risks that are different than the risks associated with our business. Many of these risks are outside GSK's or the JV's control and could materially impact the business, financial condition and results of operations of the JV.

GSK has indicated that it intends to separate the JV as an independent company listed on the U.K. equity market. Until July 31, 2024, GSK has the exclusive right to initiate a separation and listing transaction. We have the option to participate in a separation and listing transaction initiated by GSK. However, the separation and public listing transaction may not be initiated or completed within expected time periods or at all, and both the timing and success of any separation and public listing transaction, as well as the value generated for us or our shareholders in any such transaction, will be subject to prevailing market conditions and other factors

at the time of such transaction. Any future distribution or sale of our stake in the JV will similarly be subject to prevailing market conditions and other factors at the time of such transaction. Our ability to complete any such future distribution or sale may also be impacted by the size of our retained stake at the time. The uncertainty relating to the separation and public listing transactions, their implementation, their timing and their yet to be determined effects on the JV's business may subject us and the JV to risks and uncertainties that may adversely affect our business and financial results.

GENERAL RISKS:

COVID-19 PANDEMIC

Our business, operations and financial condition and results have been and may continue to be impacted by the COVID-19 pandemic to varying degrees. The pandemic has presented a number of risks and challenges for our business, including, among others, impacts due to travel limitations and mobility restrictions; manufacturing disruptions and delays; supply chain interruptions, including challenges related to reliance on third-party suppliers; disruptions to pipeline development and clinical trials, including difficulties or delays in enrollment of certain clinical trials and in access to needed supplies; decreased product demand, due to reduced numbers of in-person meetings with prescribers, patient visits with physicians, vaccinations and elective surgeries, resulting in fewer new prescriptions or refills of existing prescriptions and reduced demand for products used in procedures; further reduced product demand as a result of increased unemployment; challenges presented by reallocating personnel and R&D, manufacturing and other resources to assist in responding to the pandemic; costs associated with the COVID-19 pandemic, including practices intended to reduce the risk of transmission, increased supply chain costs and additional R&D costs incurred in our efforts to develop a vaccine to help prevent COVID-19 and potential treatments for COVID-19; challenges related to our business development initiatives, including potential delays or disruptions related to regulatory approvals; interruptions or delays in the operations of regulatory authorities, which may delay potential approval of new products we are developing, potential label expansions for existing products and the launch of newly-approved products; challenges operating in a virtual work environment; potential increased cyber incidents such as phishing, social engineering and malware attacks; challenges related to our intellectual property, both domestically and internationally, including in response to any pressure or legal or regulatory action that could potentially result in us not seeking intellectual property protection for, licensing, or agreeing not to enforce,

intellectual property rights related to our products, including our vaccine to help prevent COVID-19 and potential treatments for COVID-19; challenges related to conducting oversight and monitoring of regulated activities in a remote or virtual environment; and other challenges presented by disruptions to our normal operations in response to the pandemic, as well as uncertainties regarding the duration and severity of the pandemic and its impacts, and government or regulatory actions to contain the virus or control the supply of medicines.

We also face risks and uncertainties related to our efforts to develop and commercialize a vaccine to help prevent COVID-19 and potential treatments for COVID-19, as well as challenges related to their manufacturing, supply and distribution, including, among others, uncertainties inherent in R&D, including the ability to meet anticipated clinical endpoints, commencement and/or completion dates for clinical trials, regulatory submission dates, regulatory approval dates and/or launch dates, as well as risks associated with pre-clinical or clinical data (including the in vitro and Phase 3 data for the Pfizer-BioNTech COVID-19 vaccine (BNT162b2)), including the possibility of unfavorable new pre-clinical, clinical or safety data and further analyses of existing pre-clinical, clinical or safety data; the ability to produce comparable clinical or other results, including the rate of vaccine effectiveness and safety and tolerability profile observed to date, in additional analyses of the Phase 3 trial and additional studies or in larger, more diverse populations upon commercialization; the ability of BNT162b2 to prevent COVID-19 caused by emerging virus variants; the risk that more widespread use of the vaccine will lead to new information about efficacy, safety or other developments, including the risk of additional adverse reactions, some of which may be serious; the risk that pre-clinical and clinical trial data are subject to differing interpretations and assessments, including during the peer review/publication process, in the scientific community generally, and by regulatory authorities; whether and when additional data from the BNT162 mRNA vaccine program or other programs will be published in scientific publications and, if so, when and with what modifications and interpretations; whether regulatory authorities will be satisfied with the design of and results from these and any future pre-clinical and clinical studies; when other biologics license and/or EUA applications may be filed in particular jurisdictions for BNT162b2 or any other potential vaccines that may arise from the BNT162 program, and if obtained, whether or when such EUA or licenses will expire or terminate; whether and when any applications that may be pending or filed for BNT162b2 or other vaccines that may result from the BNT162 program may be approved by particular regulatory authorities, which will depend on myriad factors, including making a determination as to whether the vaccine's benefits outweigh its known risks and determination of the vaccine's efficacy and, if approved, whether it will be commercially successful; regulatory decisions impacting labeling or marketing, manufacturing processes, safety and/or other matters that could affect the availability or commercial potential of a vaccine, including development of products or therapies by other companies; disruptions in the relationships between us and our collaboration partners, clinical trial sites or third-party suppliers, including our relationship with BioNTech; the risk that other companies may produce superior or competitive products; the risk that demand for any products may be reduced or no longer exist; risks related to the availability of raw materials to manufacture or test any such products; challenges related to our vaccine's ultra-low temperature formulation, two-dose schedule and attendant storage, distribution and administration requirements, including risks related to storage and handling after delivery by us; the risk that we may not be able to successfully develop other vaccine formulations; the risk that we may not be able to recoup costs associated with our R&D and manufacturing efforts; risks associated with any changes in the way we approach or provide research funding for the BNT162 program or potential treatment for COVID-19; challenges and risks associated with the pace of our development programs; the risk that we may not be able to maintain or scale up manufacturing capacity on a timely basis or maintain access to logistics or supply channels commensurate with global demand for our vaccine or any potential approved treatment, which would negatively impact our ability to supply the estimated numbers of doses of our vaccine within the projected time periods as previously indicated; whether and when additional supply agreements will be reached; uncertainties regarding the ability to obtain recommendations from vaccine advisory or technical committees and other public health authorities and uncertainties regarding the commercial impact of any such recommendations; pricing and access challenges for such products; challenges related to public vaccine confidence or awareness; trade restrictions; and competitive developments.

Further, the COVID-19 pandemic, and the volatile global economic conditions stemming from the pandemic, could precipitate or amplify the other risks that we identify in this *Risk Factors* section, which could adversely affect our business, operations and financial condition and results.

We are continuing to monitor the latest developments regarding the COVID-19 pandemic and its effects on our business, operations and financial condition and results, and have made certain assumptions regarding the COVID-19 pandemic for purposes of our operational planning and financial projections, including assumptions regarding the duration, severity and the global macroeconomic

impact of the pandemic, as well as COVID-19 vaccine supply and contracts, which remain dynamic. Despite careful tracking and planning, we are unable to accurately predict the extent of the impact of the pandemic on our business, operations and financial condition and results due to the uncertainty of future developments. In particular, we believe the ultimate impact on our business, operations and financial condition and results will be affected by the speed and extent of the continued spread of the coronavirus globally, the emergence of additional virus variants, the duration of the pandemic, new information regarding the severity and incidence of COVID-19, the safety, efficacy and availability of vaccines and treatments for COVID-19, the rate at which the population becomes vaccinated against COVID-19, the global macroeconomic impact of the pandemic and governmental or regulatory actions to contain the virus or control supply of medicines. The pandemic may also affect our business, operations or financial condition and results in a manner that is not presently known to us or that we currently do not consider as presenting significant risks.

MARKET FLUCTUATIONS IN OUR EQUITY AND OTHER INVESTMENTS

Changes in fair value of certain equity investments need to be recognized in net income that may result in increased volatility of our income. For additional information, see *Note 4* and the *Analysis of Financial Condition, Liquidity, Capital Resources and Market Risk—Selected Measures of Liquidity and Capital Resources* section within MD&A.

Our pension benefit obligations and postretirement benefit obligations are subject to volatility from changes in fair value of equity investments and other investment risk in the assets funding these plans. For additional information, see the *Significant Accounting Policies and Application of Critical Accounting Estimates and Assumptions—Benefit Plans* section within MD&A and *Note 11.*

COST AND EXPENSE CONTROL AND NONORDINARY EVENTS

Growth in costs and expenses, changes in product and geographic mix and the impact of acquisitions, divestitures, restructurings, internal reorganizations, product withdrawals, recalls and other unusual events that could result from evolving business strategies, evaluation of asset realization and organizational restructuring could adversely affect future results. Such risks and uncertainties include, in particular, our ability to realize the projected benefits of our cost-reduction and productivity initiatives, other corporate strategic initiatives and any acquisitions, divestitures or other initiatives, as well as potential disruption of ongoing business.

INTANGIBLE ASSETS, GOODWILL AND EQUITY-METHOD INVESTMENTS

Our consolidated balance sheet contains significant amounts of intangible assets, including IPR&D and goodwill. For IPR&D assets, the risk of failure is significant, and there can be no certainty that these assets ultimately will yield successful products. Our ability to realize value on these significant investments is often contingent upon, among other things, regulatory approvals and market acceptance. As such, we expect that many of these IPR&D assets will become impaired and/or be written off at some time in the future if the associated R&D effort is abandoned or is curtailed. For goodwill, all reporting units can confront events and circumstances that can lead to a goodwill impairment charge such as, among other things, unanticipated competition, an adverse action or assessment by a regulator, a significant adverse change in legal matters or in the business climate and/or a failure to replace the contributions of products that lose exclusivity. Our other intangible assets, including developed technology rights and brands, face similar risks for impairment. Our equity-method investments may also be subject to impairment charges that may result from the occurrence of unexpected adverse events or management decisions that impact our estimates of expected cash flows to be generated from these investments. We may recognize impairment charges as a result of a weak economic environment, events related to particular customers or asset types, challenging market conditions or decisions by management. Any such impairment charge of our intangible assets, goodwill and equity-method investments may be significant. For additional details, see the S*ignificant Accounting Policies and Application of Critical Accounting Estimates and Assumptions* section within MD&A.

CHANGES IN LAWS AND ACCOUNTING STANDARDS

Our future results could be adversely affected by changes in laws and regulations or their interpretation, including, among others, changes in accounting standards, taxation requirements, competition laws, privacy laws and environmental laws in the U.S. and other countries. For additional information on changes in tax laws or rates or accounting standards, see the *Provision/(Benefit) for Taxes on Income* and *New Accounting Standards* sections within MD&A and *Note 1B*.

ITEM 2. PROPERTIES

We own and lease space around the world for sales and marketing, customer service, regulatory compliance, R&D, manufacturing and distribution and corporate enabling functions. In many locations, our business and operations are co-located to achieve synergy and operational efficiencies. Our global headquarters are located in New York City. We continue to advance our global workplace strategy to provide workplaces that enable collaboration and foster innovation. As of December 31, 2020, we had 363 owned and leased properties, amounting to approximately 43 million square feet.

In 2020, we reduced the number of properties in our portfolio by 90 sites and 4 million square feet, primarily due to the spin-off and combination of the Upjohn Business with Mylan to form Viatris.

We expect to relocate our global headquarters to the Spiral, an office building in the Hudson Yards neighborhood of New York City, with occupancy expected beginning in 2022. In April 2018, we entered into an agreement to lease space at this property. In July 2018, we completed the sale of our current headquarters in New York City. We remain in a lease-back arrangement with the buyer while we complete our relocation.

Our PGS platform function is headquartered in various locations, with leadership teams primarily in New York City and in Peapack, New Jersey. As of December 31, 2020, PGS had responsibility for 43 plants around the world, including in Belgium, Germany, India, Ireland, Italy, Japan, Singapore and the U.S., which manufacture products for our business. PGS expects to exit five of these sites over the next several years. PGS also operates multiple distribution facilities around the world.

In general, we believe that our properties, including the principal properties described above, are well-maintained, adequate and suitable for their current requirements and for our operations in the foreseeable future. See *Note 9* for amounts invested in land, buildings and equipment.

ITEM 3. LEGAL PROCEEDINGS

Certain legal proceedings in which we are involved are discussed in *Note 16A*.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The executive officers of the Company are set forth in this table. Each holds the office or offices indicated until his or her successor is chosen and qualified at the regular meeting of the BOD to be held on the date of the 2021 Annual Meeting of Shareholders, or until his or her earlier death, resignation or removal. Each of the executive officers is a member of the Pfizer Executive Leadership Team.

Name	Age	Position
Albert Bourla	59	Chairman of the Board since January 2020 and Chief Executive Officer since January 2019. Chief Operating Officer from January 2018 until December 2018. Group President, Pfizer Innovative Health from June 2016 until December 2017. Group President, Global Innovative Pharma Business (responsible for Vaccines, Oncology and Consumer Healthcare since 2014) from February 2016 until June 2016. President and General Manager of Established Products Business Unit from December 2010 until December 2013. Our Director since February 2018. Board member of Pharmaceutical Research and Manufacturers of America (PhRMA). Board member of The Pfizer Foundation, which promotes access to quality healthcare. Director of the Partnership for New York City and Catalyst, a global non-profit organization accelerating progress for the advancement of women into leadership.
William Carapezzi	63	Executive Vice President, Global Business Services and Transformation since June 2020. Senior Vice President of Global Business Operations from June 2013 until June 2020. Senior Vice President of Global Tax from 2008 until June 2013.

Name	Age	Position
Frank A. D'Amelio	63	Chief Financial Officer and Executive Vice President, Global Supply since June 2020. Chief Financial Officer, Executive Vice President, Business Operations and Global Supply from November 2018 until June 2020. Executive Vice President, Business Operations and Chief Financial Officer from December 2010 until October 2018. Senior Vice President and Chief Financial Officer from September 2007 until December 2010. Director of Zoetis Inc. and Humana Inc. and Chair of the Humana Inc. Board of Directors' Audit Committee. Director of the Independent College Fund of New Jersey.
Mikael Dolsten	62	Chief Scientific Officer, President, Worldwide Research, Development and Medical since January 2019. President of Worldwide Research and Development from December 2010 until December 2018. Senior Vice President; President of Worldwide Research and Development from May 2010 until December 2010. Senior Vice President; President of Pfizer BioTherapeutics Research & Development Group from October 2009 until May 2010. He was Senior Vice President of Wyeth and President, Wyeth Research from June 2008 until October 2009. Director of Karyopharm Therapeutics Inc. Director of PhRMA Foundation and Governor of New York Academy of Science (NYAS).
Lidia Fonseca	52	Chief Digital and Technology Officer, Executive Vice President since January 2019. Chief Information Officer and Senior Vice President of Quest Diagnostics Incorporated from 2014 to 2018. Senior Vice President of Laboratory Corporation of America Holdings from 2008 until March 2013. Director of Tegna, Inc.
Angela Hwang	55	Group President, Pfizer Biopharmaceuticals Group since January 2019. Group President, Pfizer Essential Health from January 2018 until December 2018. Global President, Pfizer Inflammation and Immunology from January 2016 until December 2017. Regional Head, U.S. Vaccines from January 2014 until December 2015. Vice President, Emerging Markets for the Primary Care therapeutic area from September 2011 until December 2013. Vice President, U.S. Brands commercial organization within Essential Health from October 2009 until August 2011. Director of United Parcel Service, Inc.
Rady A. Johnson	59	Chief Compliance, Quality and Risk Officer, Executive Vice President since January 2019. Executive Vice President, Chief Compliance and Risk Officer from December 2013 until December 2018. Senior Vice President and Associate General Counsel from October 2006 until December 2013.
Douglas M. Lankler	55	General Counsel, Executive Vice President since December 2013. Corporate Secretary from January 2014 until February 2014. Executive Vice President, Chief Compliance and Risk Officer from February 2011 until December 2013. Executive Vice President, Chief Compliance Officer from December 2010 until February 2011. Senior Vice President and Chief Compliance Officer from January 2010 until December 2010. Senior Vice President, Deputy General Counsel and Chief Compliance Officer from August 2009 until January 2010.
A. Rod MacKenzie	61	Chief Development Officer, Executive Vice President since June 2016. Senior Vice President, Chief Development Officer from March 2016 until June 2016. Group Senior Vice President and Head, Pharma Therapeutics Research and Development from 2010 until March 2016. Dr. MacKenzie represents Pfizer as a member of the Board of Directors of ViiV Healthcare Limited, TransCelerate Biopharma Inc. and the National Health Council.
Payal Sahni	46	Chief Human Resources Officer, Executive Vice President since June 2020. From May 2016 until June 2020 served as Senior Vice President of Human Resources for multiple operating units. Vice President of Human Resources, Vaccines, Oncology & Consumer from 2015 until 2016. Ms. Sahni has served in a number of positions in the Human Resources organization with increasing responsibility since joining Pfizer in 1997.
Sally Susman	59	Chief Corporate Affairs Officer, Executive Vice President since January 2019. Executive Vice President, Corporate Affairs (formerly Policy, External Affairs and Communications) from December 2010 until December 2018. Senior Vice President, Policy, External Affairs and Communications from December 2009 until December 2010. Director of WPP plc.
John D. Young	56	Chief Business Officer, Group President since January 2019. Group President, Pfizer Innovative Health from January 2018 until December 2018. Group President, Pfizer Essential Health from June 2016 until December 2017. Group President, Global Established Pharma Business from January 2014 until June 2016. President and General Manager, Pfizer Primary Care from June 2012 until December 2013. Primary Care Business Unit's Regional President for Europe and Canada from 2009 until June

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The principal market for our common stock is the NYSE. Our common stock currently trades on the NYSE under the symbol "PFE". As of February 23, 2021, there were 139,582 holders of record of our common stock.

The following summarizes purchases of our common stock during the fourth quarter of 2020[a]:

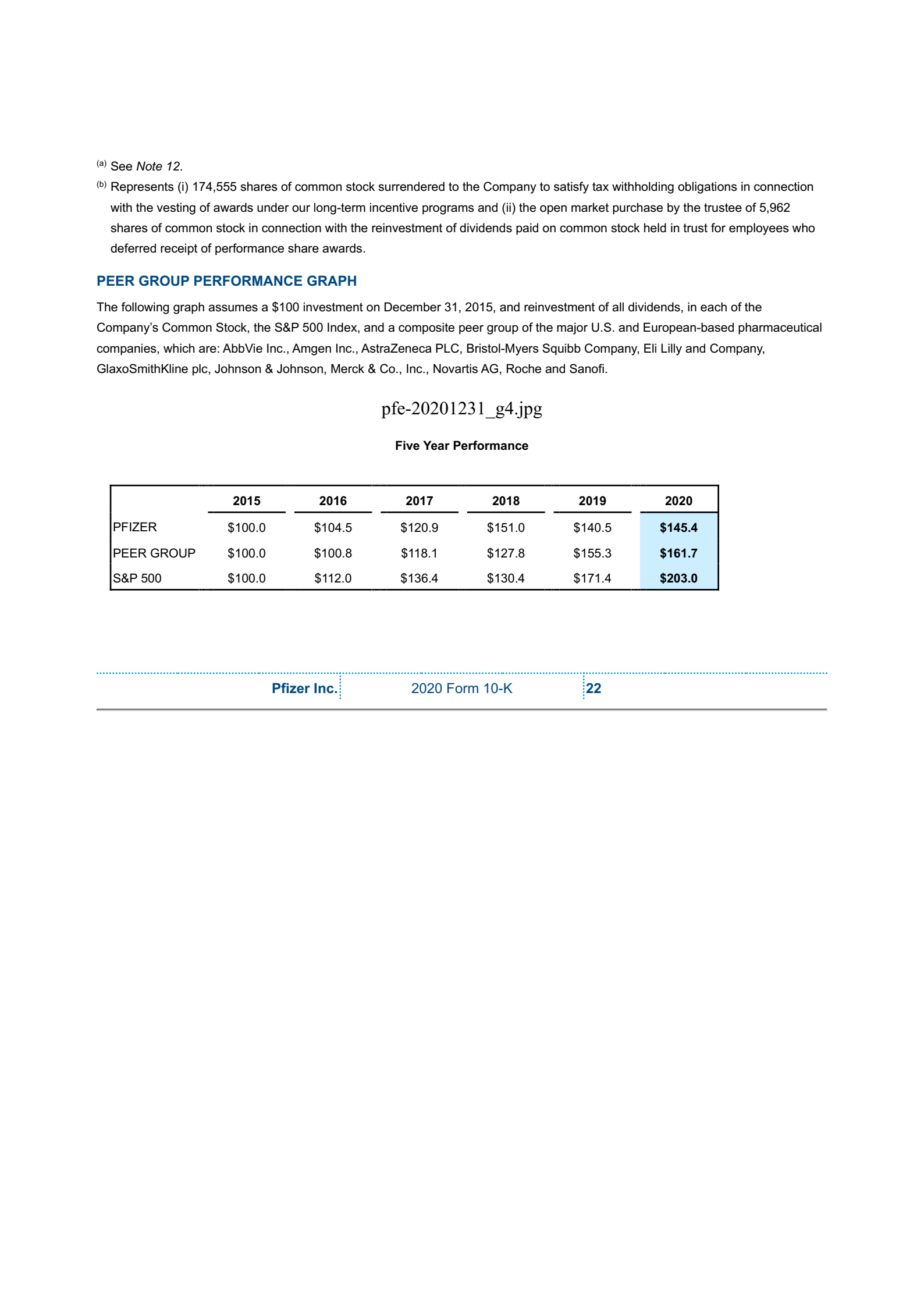
Period	Total Number of Shares Purchased[b]	Average Price Paid per Share[b]	Total Number of Shares Purchased as Part of Publicly Announced Plan	Approximate Value of Shares that May Yet Be Purchased Under the Plan[a]
September 28 through October 25, 2020	26,921	$ 36.99	—	$ 5,292,881,709
October 26 through November 30, 2020	84,279	$ 37.48	—	$ 5,292,881,709
December 1 through December 31, 2020	69,317	$ 37.39	—	$ 5,292,881,709
Total	180,517	$ 37.37	—	

[a] See *Note 12*.

[b] Represents (i) 174,555 shares of common stock surrendered to the Company to satisfy tax withholding obligations in connection with the vesting of awards under our long-term incentive programs and (ii) the open market purchase by the trustee of 5,962 shares of common stock in connection with the reinvestment of dividends paid on common stock held in trust for employees who deferred receipt of performance share awards.

PEER GROUP PERFORMANCE GRAPH

The following graph assumes a $100 investment on December 31, 2015, and reinvestment of all dividends, in each of the Company's Common Stock, the S&P 500 Index, and a composite peer group of the major U.S. and European-based pharmaceutical companies, which are: AbbVie Inc., Amgen Inc., AstraZeneca PLC, Bristol-Myers Squibb Company, Eli Lilly and Company, GlaxoSmithKline plc, Johnson & Johnson, Merck & Co., Inc., Novartis AG, Roche and Sanofi.



Five Year Performance

	2015	2016	2017	2018	2019	2020
PFIZER	$100.0	$104.5	$120.9	$151.0	$140.5	**$145.4**
PEER GROUP	$100.0	$100.8	$118.1	$127.8	$155.3	**$161.7**
S&P 500	$100.0	$112.0	$136.4	$130.4	$171.4	**$203.0**

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended/As of December 31,[a]				
(MILLIONS, EXCEPT PER COMMON SHARE DATA)	**2020**	2019	2018	2017	2016
Revenues	**$ 41,908**	$ 41,172	$ 40,825	$ 38,757	$ 38,664
Income/(loss) from continuing operations	**7,021**	10,867	3,861	13,558	(67)
Total assets	**154,229**	167,594	159,588	172,064	171,912
Long-term obligations[b]	**64,835**	66,844	63,972	69,981	80,957
Earnings/(loss) per common share—basic[c]					
Income/(loss) from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.26**	$ 1.95	$ 0.65	$ 2.26	$ (0.02)
Income from discontinued operations—net of tax[a]	**0.47**	0.98	1.25	1.31	1.20
Net income attributable to Pfizer Inc. common shareholders	**$ 1.73**	$ 2.92	$ 1.90	$ 3.57	$ 1.18
Earnings/(loss) per common share—diluted[c]					
Income/(loss) from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.24**	$ 1.91	$ 0.64	$ 2.23	$ (0.02)
Income from discontinued operations—net of tax[a]	**0.47**	0.96	1.23	1.29	1.19
Net income attributable to Pfizer Inc. common shareholders	**$ 1.71**	$ 2.87	$ 1.87	$ 3.52	$ 1.17
Cash dividends declared per common share	**$ 1.53**	$ 1.46	$ 1.38	$ 1.30	$ 1.22

[a] Amounts reflect the Upjohn Business and the Mylan-Japan collaboration as discontinued operations in all periods presented following the November 16, 2020 spin-off and combination of the Upjohn Business with Mylan and the December 21, 2020 termination of the Mylan-Japan collaboration. *Income from discontinued operations—net of tax,* including per common basic and diluted share amounts, for the year ended December 31, 2020 include the operating results of the Upjohn Business through November 16, 2020, the date of the spin-off and combination with Mylan. See *Notes 1A and 2B*. In addition, other acquisitions and business development activities completed in 2020, 2019 and 2018, including the acquisitions of Array and Therachon, and the contribution of our Consumer Healthcare business to the Consumer Healthcare JV, impacted financial results in the periods presented. See *Note 1A*. 2017 reflects the acquisition of AstraZeneca's small molecule anti-infectives business and the sale of Hospira Infusion Systems net assets. 2016 reflects the acquisitions of Medivation and Anacor.

[b] Defined as *Long-term debt, Pension benefit obligations, Postretirement benefit obligations, Noncurrent deferred tax liabilities, Other taxes payable* and *Other noncurrent liabilities.*

[c] All years presented, except for 2016, reflect the impact of the TCJA on the *Provision/(benefit) for taxes on income*. For additional information see *Note 5A.*

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW OF OUR PERFORMANCE, OPERATING ENVIRONMENT, STRATEGY AND OUTLOOK

Financial Highlights

The following is a summary of certain financial performance metrics (in billions, except per share data):

2020 Total Revenues—$41.9 billion

An increase of 2% compared to 2019

2020 Net Cash Flow from Operations—$14.4 billion

An increase of 14% compared to 2019

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2020 Reported Diluted EPS—$1.71

A decrease of 40% compared to 2019

2020 Adjusted Diluted EPS (Non-GAAP)—$2.22*

An increase of 16% compared to 2019

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* For additional information regarding Adjusted diluted EPS (which is a non-GAAP financial measure), including reconciliations of certain GAAP reported to non-GAAP adjusted information, see the *Non-GAAP Financial Measure: Adjusted Income* section within MD&A.

References to operational variances pertain to period-over-period changes that exclude the impact of foreign exchange rates. Although foreign exchange rate changes are part of our business, they are not within our control and since they can mask positive or negative trends in the business, we believe presenting operational variances excluding these foreign exchange changes provides useful information to evaluate our results.

Our Business and Strategy

Most of our revenues come from the manufacture and sale of biopharmaceutical products. With the formation of the Consumer Healthcare JV in 2019 and the completion of the spin-off and combination of our Upjohn Business with Mylan in November 2020, Pfizer has transformed into a more focused, global leader in science-based innovative medicines and vaccines. We now operate as a single operating segment engaged in the discovery, development, manufacturing, marketing, sales and distribution of biopharmaceutical products worldwide. Beginning in the fourth quarter of 2020, the financial results of the Upjohn Business and the Mylan-Japan collaboration are reflected as discontinued operations for all periods presented. Prior-period information has been restated to reflect our current organizational structure following the separation of the Upjohn Business. See *Note 1A* and *Item 1. Business—Commercial Operations* of this Form 10-K for additional information. We expect to incur costs of approximately $700 million in connection with separating Upjohn, of which, approximately 70% has been incurred since inception and through December 31, 2020. These charges include costs and expenses related to separation of legal entities and transaction costs.

Transforming to a More Focused Company: We have undertaken efforts to ensure our cost base aligns appropriately with our revenue base. While certain direct costs transferred to the Consumer Healthcare JV and to the Upjohn Business in connection with the spin-off, there are indirect costs which did not transfer. In addition, we are taking steps to restructure our corporate enabling functions to appropriately support and drive the purpose of our focused innovative biopharmaceutical products business and R&D and PGS platform functions. See the *Costs and Expenses—Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives* section of this MD&A.

R&D: We believe we have a strong pipeline and are well-positioned for future growth. R&D is at the heart of fulfilling our purpose to deliver breakthroughs that change patients' lives as we work to translate advanced science and technologies into the therapies that may be the most impactful for patients. Innovation, drug discovery and development are critical to our success. In addition to discovering and developing new products, our R&D efforts seek to add value to our existing products by improving their effectiveness and ease of dosing and by discovering potential new indications. See the *Item 1. Business—Research and Development* section of this Form 10-K for our R&D priorities and strategy.

We seek to leverage a strong pipeline, organize around expected operational growth drivers and capitalize on trends creating long-term growth opportunities, including:

- an aging global population that is generating increased demand for innovative medicines and vaccines that address patients' unmet needs;
- advances in both biological science and digital technology that are enhancing the delivery of breakthrough new medicines and vaccines; and
- the increasingly significant role of hospitals in healthcare systems.

We are committed to strategically capitalizing on growth opportunities by advancing our own product pipeline and maximizing the value of our existing products, as well as through various business development activities. We view our business development activity as an enabler of our strategies and seek to generate growth by pursuing opportunities and transactions that have the potential to strengthen our business and our capabilities. We assess our business, assets and scientific capabilities/portfolio as part of our regular, ongoing portfolio review process and also continue to consider business development activities that will advance our business. For additional information, including discussion of recent significant business development activities, see *Note 2*.

Our 2020 Performance

Revenues

Revenues increased $736 million, or 2%, to $41.9 billion in 2020 from $41.2 billion in 2019, reflecting an operational increase of $1.1 billion, or 3%, and an unfavorable impact of foreign exchange of $331 million, or 1%.

Excluding the impact of the Consumer Healthcare transaction, revenues increased 8% operationally, reflecting strong growth in Vyndaqel/Vyndamax, Eliquis, Ibrance outside developed Europe, Inlyta, Xeljanz, Xtandi, Prevenar 13 outside the U.S., oncology biosimilars and certain products in the Hospital therapeutic area in the U.S., partially offset by Enbrel internationally and Prevnar 13 and Chantix in the U.S. Revenues for 2020 included an estimated unfavorable impact of approximately $700 million, or 2%, due to COVID-19, primarily reflecting lower demand for certain products in China and unfavorable disruptions to wellness visits for patients in the U.S., which negatively impacted prescribing patterns for certain products, partially offset by increased U.S. demand for certain sterile injectable products and increased adult uptake for Prevenar 13 in certain international markets, resulting from greater vaccine awareness for respiratory illnesses, and U.S. revenues for BNT162b2.

The following outlines the components of the net change in revenues:

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For worldwide revenues, including a discussion of key drivers of our revenue performance and revenues by geography, see the discussion in the *Analysis of the Consolidated Statements of Income—Revenues—Selected Product Discussion* and *—Revenues by Geography* sections within MD&A. For additional information regarding the primary indications or class of certain products, see *Note 17B.*

Income from Continuing Operations Before Provision/(Benefit) for Taxes on Income

The following provides an analysis of the change in *Income from continuing operations before provision/(benefit) for taxes on income* for 2020:

(MILLIONS OF DOLLARS)		
Income from continuing operations before provision/(benefit) for taxes on income for the year ended December 31, 2019	$	11,485
Favorable change in revenues		**736**
Favorable/(Unfavorable) changes:		
Non-recurrence of *(Gain) on completion of Consumer Healthcare JV transaction*		**(8,080)**
Higher *Cost of sales*[(a)]		**(441)**
Lower *Selling, information and administrative expenses*[(a)]		**1,136**
Higher *Research and development expenses*[(a)]		**(1,010)**
Lower *Amortization of intangible assets*[(a)]		**1,026**
Lower asset impairment charges[(b)]		**1,152**
Higher net periodic benefit credits other than service costs[(b)]		**308**
Lower business and legal entity alignment costs[(b)]		**300**
Higher Consumer Healthcare JV equity method income[(b)]		**281**
Lower charges for certain legal matters[(b)]		**264**
Higher income from collaborations, out-licensing arrangements and sales of compound/product rights[(b)]		**158**
Lower charges to separate our Consumer Healthcare business into a separate legal entity[(b)]		**152**
Lower interest expense[(b)]		**125**
Higher royalty-related income[(b)]		**124**
Lower net losses on early retirement of debt[(b)]		**101**
Higher net gains recognized during the period on equity securities[(b)]		**86**
Higher ViiV dividend income[(b)]		**58**
Higher net losses on asset disposals[(b)]		**(268)**
Lower interest income[(b)]		**(153)**
All other items, net		**(44)**
Income from continuing operations before provision/(benefit) for taxes on income for the year ended December 31, 2020	**$**	**7,497**

[(a)] See the *Costs and Expenses* section within MD&A.

[(b)] See *Note 4*.

For information on our tax provision and effective tax rate, see the *Provision/(Benefit) for Taxes on Income* section within MD&A and *Note 5A*.

Our Operating Environment

We, like other businesses in our industry, are subject to certain industry-specific challenges. These include, among others, the topics listed below. See also the *Item 1. Business—Government Regulation and Price Constraints* section of this Form 10-K.

Regulatory Environment—Pipeline Productivity

Our product lines must be replenished to offset revenue losses when products lose their market exclusivity, respond to healthcare and innovation trends and provide for earnings growth. As a result, we devote considerable resources to our R&D activities which, while essential to our growth, incorporate a high degree of risk and cost, including whether a particular product candidate or new indication for an in-line product will achieve the desired clinical endpoint or safety profile, will be approved by regulators or will be successful commercially. We conduct clinical trials to

provide data on safety and efficacy to support the evaluation of a drug's overall benefit-risk profile for a particular patient population. In addition, after a product has been approved and launched, we continue to monitor its safety as long as it is available to patients. This includes postmarketing trials that may be conducted voluntarily or pursuant to a regulatory request to gain additional medical knowledge. For the entire life of the product, we collect safety data and report safety information to the FDA and other regulatory authorities. Regulatory authorities may evaluate potential safety concerns and take regulatory actions in response, such as updating a product's labeling, restricting its use, communicating new safety information to the public, or, in rare cases, requiring us to suspend or remove a product from the market. The commercial potential of in-line products may be negatively impacted by post-marketing developments.

Intellectual Property Rights and Collaboration/Licensing Rights

The loss, expiration or invalidation of intellectual property rights, patent litigation settlements with manufacturers and the expiration of co-promotion and licensing rights can have a material adverse effect on our revenues. Certain of our products have experienced patent-based expirations or loss of regulatory exclusivity in certain markets in the last few years, and we expect certain products to face significantly increased generic competition over the next few years. For example, the basic product patent for Chantix in the U.S. expired in November 2020. Also, the basic product patent for Sutent in the U.S. will expire in August 2021. While additional patent expiries will continue, we expect a moderate impact of reduced revenues due to patent expiries from 2021 through 2025. We continue to vigorously defend our patent rights against infringement, and we will continue to support efforts that strengthen worldwide recognition of patent rights while taking necessary steps to ensure appropriate patient access.

For additional information on patent rights we consider most significant to our business as a whole, see the *Item 1. Business—Patents and Other Intellectual Property Rights* section in this Form 10-K.

For a discussion of recent developments with respect to patent litigation, see *Note 16A1.*

Regulatory Environment/Pricing and Access—U.S. Healthcare Legislation

In March 2010, the ACA was enacted in the U.S. We recorded the following amounts to reflect the impact of the ACA legislation:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2020**	2019	2018
Reduction to *Revenues*, related to the Medicare "coverage gap" discount provision	**$ 1,175**	$ 761	$ 418
Selling, informational and administrative expenses, related to the fee payable to the federal government	**195**	210	134

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

The pricing of medicines by pharmaceutical manufacturers and the cost of healthcare, which includes medicines, medical services and hospital services, continues to be important to payers, governments, patients, and other stakeholders. Federal and state governments and private third-party payers in the U.S. continue to take action to manage the utilization of drugs and cost of drugs, including increasingly employing formularies to control costs by taking into account discounts in connection with decisions about formulary inclusion or favorable formulary placement. We consider a number of factors impacting the pricing of our medicines. Within the U.S., we often engage with patients, doctors and healthcare plans. We also often provide significant discounts from the list price to insurers, including PBMs and MCOs. The price that patients pay in the U.S. for prescribed medicines is ultimately set by healthcare providers and insurers. On average, insurers impose a higher out-of-pocket burden on patients for prescription medicines than for comparably priced medical services. Certain governments outside the U.S. provide healthcare at low-to-zero direct cost to consumers at the point of care and have significant power as large single payers to effectively regulate prices or patient reimbursement levels to control costs for the government-sponsored healthcare system. Governments may use a variety of measures, including proposing pricing reform or legislation, cross country collaboration and procurement, price cuts, mandatory rebates, health technology assessments, forced localization as a condition of market access, "international reference pricing" (i.e., the practice of a country linking its regulated medicine prices to those of other countries), QCE processes and VBP. For additional information, see the *Item 1. Business—Government Regulation and Price Constraints* section in this Form 10-K.

The Global Economic Environment

In addition to the industry-specific factors discussed above, we, like other businesses of our size and global extent of activities, are exposed to the economic cycle. Certain factors in the global economic environment that may impact our global operations include, among other things, currency fluctuations, capital and exchange controls, global economic conditions, restrictive government actions, changes in intellectual property, legal protections and remedies, trade regulations and procedures and actions affecting approval, production, pricing, and marketing of, reimbursement for and access to our products, as well as impacts of political or civil unrest, terrorist activity, unstable governments and legal systems, inter-governmental disputes and public health outbreaks, epidemics and pandemics. Government pressures can lead to negative pricing pressure in various markets where governments take an active role in setting prices, access criteria or other means of cost control.

COVID-19 Pandemic

The continuation of the COVID-19 pandemic has impacted our business, operations and financial condition and results. For additional information on the impact of COVID-19 on our revenues, please see the *Overview of Our Performance, Operating Environment, Strategy and Outlook–Our 2020 Performance* section of this MD&A.

Our Response to COVID-19

We are committed to confronting the public health challenge posed by the pandemic by collaborating with industry partners and academic institutions to develop potential approaches to prevent and treat COVID-19. In March 2020, we issued a five-point plan calling on the biopharmaceutical industry to join us in committing to unprecedented collaboration to combat COVID-19. Subsequently, we have made some important advances, including, among others:

- Entry into a global agreement (except for China, Hong Kong, Macau and Taiwan) with BioNTech for the development, manufacture and commercialization of an mRNA-based coronavirus vaccine, BNT162, to help prevent COVID-19. In November 2020, the companies announced that after conducting the final efficacy analysis in the Phase 3 study, BNT162b2 met both of the study's primary efficacy endpoints.

Analysis of the data indicated a vaccine efficacy rate against COVID-19 of 95% in participants without prior SARS-CoV-2 infection (first primary objective) and also in participants with and without prior SARS-CoV-2 infection (second primary objective), in each case measured from seven days after the second dose. The FDA authorized the distribution and use of BNT162b2 in the U.S. to help prevent COVID-19 for individuals 16 years of age and older under an EUA issued in December 2020. BNT162b2 has not been approved or licensed by the FDA. The EUA authorizes distribution and use of this product subject to the conditions set forth in the EUA, and only for the duration of the declaration by the Department of Health & Human Services that circumstances exist justifying authorization of emergency use of drugs and biological products (such as BNT162b2) during the COVID-19 pandemic under Section 564 of the FFDCA (the Declaration), or until revocation of the EUA by the FDA. The FDA has issued EUAs to certain other companies for products intended for the prevention or treatment of COVID-19 and may continue to do so during the duration of the Declaration. The FDA expects EUA holders to work towards submission of a BLA as soon as possible. BNT162b2 has now been granted a CMA, EUA or temporary authorization in more than 50 countries worldwide. The companies continue to study BNT162b2, including studies evaluating it in additional populations, booster doses and emerging variants. Based on the updated 6-dose labeling and subject to continuous process improvements, expansion at current facilities and adding new suppliers and contract manufacturers, the companies believe that they can potentially manufacture at least 2 billion doses in total by the end of 2021. The companies have entered into agreements to supply pre-specified doses of BNT162b2 with multiple developed and emerging nations around the world and are continuing to deliver doses of BNT162b2 to governments under such agreements. As of February 2, 2021, based on the doses to be delivered in 2021 primarily under agreements entered into as of February 2, 2021 (including, among others, agreements with the U.S. government to supply 200 million doses, the European Commission to supply 300 million doses, the Japanese government to supply 144 million doses and COVID-19 Vaccines Global Access (COVAX) for up to 40 million doses in 2021, subject to the negotiation and execution of additional agreements under the COVAX Facility structure), we forecasted approximately $15 billion in revenues in 2021 from BNT162b2, with gross margin to be split evenly with BioNTech. This forecast was based on doses mostly covered under agreements entered into as of February 2, 2021 and did not include all of the doses we can potentially deliver by the end of 2021. The companies continue to enter into agreements with governments for additional doses, including, among others, the exercise by the U.S. government of an option for an additional 100 million doses and an agreement with the European Commission for an additional 200 million doses to be delivered in 2021. Accordingly, this forecast may change based, in part, on these and future additional agreements that may be signed and as circumstances warrant. For additional information on our COVID-19 vaccine development program, see *Note 2* and the *Item 1A. Risk Factors—COVID-19 Pandemic* section in this Form 10-K.

- Initiation, in September 2020, of a Phase 1b clinical trial in hospitalized participants with COVID-19 to evaluate the safety, tolerability and pharmacokinetics of a novel investigational protease inhibitor for COVID-19, PF-07304814, which is a phosphate prodrug of a 3C-like (3CL) protease inhibitor, PF-00835231.

Despite our significant investments and efforts, any of our ongoing development programs related to COVID-19 may not be successful as the risk of failure is significant, and there can be no certainty these efforts will yield a successful product or that costs will ultimately be recouped.

Impact of COVID-19 on Our Business and Operations

The following discussion summarizes our current views of key business and operational areas impacted by the pandemic and its effects on our business, operations, and financial condition and results. As part of our on-going monitoring and assessment, we have made certain assumptions regarding the COVID-19 pandemic for purposes of our operational planning and financial projections, including assumptions regarding the duration, severity and the global macroeconomic impact of the pandemic, as well as COVID-19 vaccine supply and contracts, which remain dynamic. Despite careful tracking and planning, we are unable to accurately predict the extent of the impact of the pandemic on our business, operations and financial condition and results due to the uncertainty of future developments. In particular, we believe the ultimate impact on our business, operations and financial condition and results will be affected by the speed and extent of the continued spread of the coronavirus globally; the emergence of additional virus variants; the duration of the pandemic; new information regarding the severity and incidence of COVID-19; the safety, efficacy and availability of vaccines and treatments for COVID-19; the rate at which the population becomes vaccinated against COVID-19; the global macroeconomic impact of the pandemic and governmental or regulatory actions to contain the virus or control supply of medicines. We are focused on all aspects of our business and are implementing measures aimed at mitigating issues where possible, including by using digital technology to assist in operations for our commercial, manufacturing, R&D and enabling functions globally.

Our business and operations have been impacted by the pandemic in various ways. For example:

- At this time, most of our colleagues who are able to perform their job functions outside of our facilities continue to work remotely, while certain colleagues in the PGS and WRDM organizations continue to work onsite and are subject to strict protocols intended to reduce the risk of transmission.
- While engagement with healthcare professionals has started to return to pre-pandemic levels due to our virtual engagement capabilities, our sales force colleagues continue to encounter mixed access as a result of ongoing restrictions on in-person meetings. We are actively reviewing and assessing epidemiological data and our colleagues remain ready to resume in-person engagements with healthcare professionals on a location-by-location basis as soon as it is safe to do so. During the pandemic, we have adapted our promotional platform by amplifying our existing digital capabilities to reach healthcare professionals and customers to provide critical education and information, including increasing the scale of our remote engagement.
- We have not seen a significant disruption to our supply chain to date, and all of our manufacturing sites globally have continued to operate at or near normal levels.
- After a brief pause to the recruitment portion of certain ongoing clinical studies and a delay to most new study starts, we restarted recruitment across the development portfolio (including new study starts) in late-April 2020.
- Our portfolio of products experienced varying impacts from the pandemic. Some of our products are medically necessary but also more reliant on maintenance therapy with continuing patients in addition to new patients, some of our products are more reliant on new patient starts and typically require doctor visits, including wellness visits, and some of our products are identified as medically necessary for treatment in the pandemic. A large proportion of our portfolio comprises oral or self-injected medicines that do not require a visit to an infusion center or a physician's office for administration, but vaccines and physician-administered medicines, which do require office visits, were impacted in 2020 by COVID-19-related mobility restrictions or limitations and decline in patient visits to doctors. In addition, certain of our vaccines such as Prevnar 13/Prevenar 13 may be impacted by recommendations by certain health officials to not co-administer such vaccines alongside the COVID-19 vaccines. For additional detail on the impact of the COVID-19 pandemic on our products, see the *Analysis of the Consolidated Statements of Income—Revenues—Selected Product Discussio*n section within MD&A.

Notwithstanding the foregoing impact of the pandemic, given our significant operating cash flows, as well as our financial assets, access to capital markets and revolving credit agreements, we believe we have, and expect to maintain, the ability to meet liquidity needs for the foreseeable future. We will continue to pursue efforts to maintain the continuity of our operations while monitoring for new developments related to the pandemic. Future developments could result in additional favorable or unfavorable impacts on our business, operations or financial condition and results. If we experience significant disruption in our manufacturing or supply chains or significant disruptions in clinical trials or other operations, or if demand for our products is significantly reduced as a result of the COVID-19 pandemic, we could experience a material adverse impact on our business, operations and financial condition and results. See the *Item 1A. Risk Factors—COVID-19 Pandemic* section of this Form 10-K.

SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Following is a discussion about the critical accounting estimates and assumptions impacting our consolidated financial statements. Also, see *Note 1C*.

For a description of our significant accounting policies, see *Note 1*. Of these policies, the following are considered critical to an understanding of our consolidated financial statements as they require the application of the most subjective and the most complex judgments: Acquisitions (*Note 1D*); Fair Value (*Note 1E*); Revenues (*Note 1G*); Asset Impairments (*Note 1L*); Tax Assets and Liabilities and Income Tax Contingencies (*Note 1P*); Pension and Postretirement Benefit Plans (*Note 1Q*); and Legal and Environmental Contingencies (*Note 1R*).

Acquisitions and Fair Value

For discussions about the application of fair value, see the following: recent acquisitions (*Note 2A*); investments (*Note 7A)*; benefit plan assets (*Note 11D*); and *Asset Impairments* below.

Revenues

Our gross product revenues are subject to a variety of deductions, which generally are estimated and recorded in the same period that the revenues are recognized. Such variable consideration represents chargebacks, rebates, sales allowances and sales returns. These deductions represent estimates of the related obligations and, as such, knowledge and judgment are required when estimating the impact of these revenue deductions on gross sales for a reporting period.

Historically, adjustments to these estimates to reflect actual results or updated expectations, have not been material to our overall business and generally have been less than 1% of revenues. Product-specific rebates, however, can have a significant impact on year-over-year individual product revenue growth trends. If any of our ratios, factors, assessments, experiences or judgments are not indicative or accurate estimates of our future experience, our results could be materially affected. The potential of our estimates to vary (sensitivity) differs by program, product, type of customer and geographic location. However, estimates associated with U.S. Medicare, Medicaid and performance-based contract rebates are most at risk for material adjustment because of the extensive time delay between the recording of the accrual and its ultimate settlement, an interval that can generally range up to one year. Because of this lag, our recording of adjustments to reflect actual amounts can incorporate revisions of several prior quarters.

Asset Impairments

We review all of our long-lived assets for impairment indicators throughout the year. We perform impairment testing for indefinite-lived intangible assets and goodwill at least annually and for all other long-lived assets whenever impairment indicators are present. When necessary, we record charges for impairments of long-lived assets for the amount by which the fair value is less than the carrying value of these assets. Our impairment review processes are described in *Note 1L*.

Examples of events or circumstances that may be indicative of impairment include:

- A significant adverse change in legal factors or in the business climate that could affect the value of the asset. For example, a successful challenge of our patent rights would likely result in generic competition earlier than expected.

- A significant adverse change in the extent or manner in which an asset is used such as a restriction imposed by the FDA or other regulatory authorities that could affect our ability to manufacture or sell a product.
- An expectation of losses or reduced profits associated with an asset. This could result, for example, from a change in a government reimbursement program that results in an inability to sustain projected product revenues and profitability. This also could result from the introduction of a competitor's product that impacts projected revenue growth, as well as the lack of acceptance of a product by patients, physicians and payers. For IPR&D projects, this could result from, among other things, a change in outlook based on clinical trial data, a delay in the projected launch date or additional expenditures to commercialize the product.

Identifiable Intangible Assets

We use an income approach, specifically the discounted cash flow method to determine the fair value of intangible assets, other than goodwill. We start with a forecast of all the expected net cash flows associated with the asset, which incorporates the consideration of a terminal value for indefinite-lived assets, and then we apply an asset-specific discount rate to arrive at a net present value amount. Some of the more significant estimates and assumptions that impact our fair value estimates include: the amount and timing of the projected net cash flows, which includes the expected impact of competitive, legal and/or regulatory forces on the projections and the impact of technological advancements and risk associated with IPR&D assets, as well as the selection of a long-term growth rate; the discount rate, which seeks to reflect the various risks inherent in the projected cash flows; and the tax rate, which seeks to incorporate the geographic origin of the projected cash flows.

While all intangible assets other than goodwill can face events and circumstances that can lead to impairment, those that are most at risk of impairment include IPR&D assets (approximately $3.2 billion as of December 31, 2020) and newly acquired or recently impaired indefinite-lived brand assets. IPR&D assets are high-risk assets, given the uncertain nature of R&D. Newly acquired and recently impaired indefinite-lived assets are more vulnerable to impairment as the assets are recorded at fair value and are then subsequently measured at the lower of fair value or

carrying value at the end of each reporting period. As such, immediately after acquisition or impairment, even small declines in the outlook for these assets can negatively impact our ability to recover the carrying value and can result in an impairment charge.

Goodwill

Our goodwill impairment review work as of December 31, 2020 concluded that none of our goodwill was impaired and we do not believe the risk of impairment is significant at this time.

In our review, we first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Qualitative factors that we consider include, for example, macroeconomic and industry conditions, overall financial performance and other relevant entity-specific events. If we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we then perform a quantitative fair value test.

When we are required to determine the fair value of a reporting unit, we mainly use the income approach but may also use the market approach, or a weighted-average combination of both approaches.

- The income approach is a forward-looking approach to estimating fair value and relies primarily on internal forecasts. Within the income approach, we use the discounted cash flow method. We start with a forecast of all the expected net cash flows for the reporting unit, which includes the application of a terminal value, and then we apply a reporting unit-specific discount rate to arrive at a net present value amount. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, which includes the expected impact of technological risk and competitive, legal and/or regulatory forces on the projections, as well as the selection of a long-term growth rate; the discount rate, which seeks to reflect the various risks inherent in the projected cash flows; and the tax rate, which seeks to incorporate the geographic diversity of the projected cash flows.
- The market approach is a historical approach to estimating fair value and relies primarily on external information. We may use two alternative methods within the market approach:
  - Guideline public company method—this method employs market multiples derived from market prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market and the application of the identified multiples to the corresponding measure of our reporting unit's financial performance.
  - Guideline transaction method—this method relies on pricing multiples derived from transactions of significant interests in companies engaged in the same or similar lines of business and the application of the identified multiples to the corresponding measure of our reporting unit's financial performance.

The market approach is only appropriate when the available external information is robust and deemed to be a reliable proxy for the specific reporting unit being valued; however, these assessments may prove to be incomplete or inaccurate. Some of the more significant estimates and assumptions inherent in this approach include: the selection of appropriate guideline companies and transactions and the determination of applicable premiums and discounts based on any differences in ownership percentages, ownership rights, business ownership forms or marketability between the reporting unit and the guideline companies and transactions.

For all of our reporting units, there are a number of future events and factors that may impact future results and that could potentially have an impact on the outcome of subsequent goodwill impairment testing. For a list of these factors, see the *Forward-Looking Information and Factors That May Affect Future Results* and the *Item 1A. Risk Factors* sections in this Form 10-K.

Benefit Plans

For a description of our different benefit plans, see *Note 11*.

Effective January 1, 2018, accruals for future benefits under the PCPP (our largest U.S. defined benefit plan) and the defined benefit section of the Pfizer Group Pension Scheme (our largest pension plan in the U.K.) were frozen and resulted in elimination of future service costs for the plans. The Pfizer defined contribution savings plan provides additional annual contributions to those previously accruing benefits under the PCPP and active members of the Pfizer Group Pension Scheme started accruing benefits under the defined contribution section of that plan.

Our assumptions reflect our historical experiences and our judgment regarding future expectations that have been deemed reasonable by management. The judgments made in determining the costs of our benefit plans can materially impact our results of operations.

The following provides (i) at the end of each year, the expected annual rate of return on plan assets for the following year, (ii) the actual annual rate of return on plan assets achieved in each year, and (iii) the weighted-average discount rate used to measure the benefit obligations at the end of each year for our U.S. qualified pension plans and our international pension plans[(a)]:

	2020	2019	2018
U.S. Qualified Pension Plans			
Expected annual rate of return on plan assets	**6.8 %**	7.0 %	7.2 %
Actual annual rate of return on plan assets	**14.1**	22.6	(5.3)
Discount rate used to measure the plan obligations	**2.6**	3.3	4.4
International Pension Plans			
Expected annual rate of return on plan assets	**3.4**	3.6	3.9
Actual annual rate of return on plan assets	**9.7**	10.7	(0.9)
Discount rate used to measure the plan obligations	**1.5**	1.7	2.5

[(a)] For detailed assumptions associated with our benefit plans, see *Note 11B*.

Expected Annual Rate of Return on Plan Assets

The assumptions for the expected annual rate of return on all of our plan assets reflect our actual historical return experience and our long-term assessment of forward-looking return expectations by asset classes, which is used to develop a weighted-average expected return based on the implementation of our targeted asset allocation in our respective plans.

The expected annual rate of return on plan assets for our U.S. plans and the majority of our international plans is applied to the fair value of plan assets at each year-end and the resulting amount is reflected in our net periodic benefit costs in the following year.

The following illustrates the sensitivity of net periodic benefit costs to a 50 basis point decline in our assumption for the expected annual rate of return on plan assets, holding all other assumptions constant (in millions, pre-tax):

Assumption	Change	Increase in 2021 Net Periodic Benefit Costs
Expected annual rate of return on plan assets	50 basis point decline	$116

The actual return on plan assets was approximately $2.9 billion during 2020.

Discount Rate Used to Measure Plan Obligations

The weighted-average discount rate used to measure the plan obligations for our U.S. defined benefit plans is determined at least annually and evaluated and modified, as required, to reflect the prevailing market rate of a portfolio of high-quality fixed income investments, rated AA/Aa or better, that reflect the rates at which the pension benefits could be effectively settled. The discount rate used to measure the plan obligations for our international plans is determined at least annually by reference to investment grade corporate bonds, rated AA/Aa or better, including, when there is sufficient data, a yield-curve approach. These discount rate determinations are made in consideration of local requirements.
The measurement of the plan obligations at the end of the year will affect the amount of service cost, interest cost and amortization expense reflected in our net periodic benefit costs in the following year.

The following illustrates the sensitivity of net periodic benefit costs and benefit obligations to a 10 basis point decline in our assumption for the discount rate, holding all other assumptions constant (in millions, pre-tax):

Assumption	Change	Increase in 2021 Net Periodic Benefit Costs	2020 Benefit Obligations
		Increase	Increase
Discount rate	10 basis point decline	$2	$483

The change in the discount rates used in measuring our plan obligations as of December 31, 2020 resulted in an increase in the measurement of our aggregate plan obligations by approximately $1.9 billion.

Anticipated Change in Accounting Policy

We anticipate making a change in our pension accounting policy under which we would begin recognizing actuarial gains and losses immediately in the income statement compared to our current accounting policy that recognizes such gains and losses in stockholders' equity and amortizes them as a component of net periodic benefit cost/(credit) over future periods. This anticipated change is expected to go into effect in the first quarter of 2021 and if adopted, will require recasting prior period amounts to conform to the new accounting policy.

Income Tax Assets and Liabilities

Income tax assets and liabilities include income tax valuation allowances and accruals for uncertain tax positions. For additional information, see *Notes 1P* and *5,* as well as the *Analysis of Financial Condition, Liquidity, Capital Resources and Market Risk—Selected Measures of Liquidity and Capital Resources* section within MD&A.

Contingencies

We and certain of our subsidiaries are subject to numerous contingencies arising in the ordinary course of business, including tax, legal contingencies and guarantees and indemnifications. For additional information, see *Notes 1P*, *1R*, *5D* and *16*.

ANALYSIS OF THE CONSOLIDATED STATEMENTS OF INCOME

Revenues by Geography

The following presents worldwide revenues by geography:

	Year Ended December 31,									% Change					
	Worldwide			U.S.			International			Worldwide		U.S.		International	
(MILLIONS OF DOLLARS)	**2020**	2019	2018	**2020**	2019	2018	**2020**	2019	2018	**20/19**	19/18	**20/19**	19/18	**20/19**	19/18
Total revenues	**$41,908**	$41,172	$40,825	**$21,712**	$20,593	$20,119	**$20,196**	$20,579	$20,705	**2**	1	**5**	2	**(2)**	(1)

2020 v. 2019

The following provides an analysis of the change in worldwide revenues by geographic areas in 2020:

(MILLIONS OF DOLLARS)	Worldwide	U.S.	International
Operational growth/(decline):			
Growth from Prevnar 13/Prevenar 13, Ibrance, Eliquis, Xeljanz, Vyndaqel/ Vyndamax, Xtandi, Inlyta, Biosimilars and the Hospital therapeutic area, partially offset by Chantix/Champix. See the *Analysis of the Consolidated Statements of Income—Revenues—Selected Product Discussion* within MD&A for additional analysis	**$ 3,479**	**$ 1,902**	**$ 1,577**
Impact of completion of the Consumer Healthcare JV transaction. Revenues in 2019 reflect seven months of Consumer Healthcare business domestic operations and eight months of international operations, and none in 2020	**(2,082)**	**(988)**	**(1,094)**
Lower revenues for Enbrel internationally, primarily reflecting continued biosimilar competition in most developed Europe markets, as well as in Japan and Brazil, all of which is expected to continue	**(320)**	**—**	**(320)**
Other operational factors, net	**(10)**	**205**	**(214)**
Operational growth/(decline), net	**1,068**	**1,119**	**(50)**
Unfavorable impact of foreign exchange	**(331)**	**—**	**(331)**
Revenues increase/(decrease)	**$ 736**	**$ 1,119**	**$ (383)**

Revenues for 2020 included an estimated unfavorable impact of approximately $700 million, or 2%, due to COVID-19, primarily reflecting lower demand for certain products in China and unfavorable disruptions to wellness visits for patients in the U.S., which negatively impacted prescribing patterns for certain products, partially offset by increased U.S. demand for certain sterile injectable products and increased adult uptake for Prevenar 13 in certain international markets, resulting from greater vaccine awareness for respiratory illnesses, and U.S. revenues for BNT162b2.

Emerging markets revenues decreased $456 million, or 5%, in 2020 to $8.4 billion from $8.8 billion in 2019, and were relatively flat operationally, reflecting an unfavorable impact of foreign exchange of 5% on emerging markets revenues. The relatively flat operational performance was primarily driven by growth from Eliquis, Prevenar 13, Ibrance and Zavicefta, offset by lower revenues for Consumer Healthcare, reflecting the July 31, 2019 completion of the Consumer Healthcare JV transaction.

2019 v. 2018

The following provides an analysis of the change in worldwide revenues by geographic areas in 2019:

(MILLIONS OF DOLLARS)	Worldwide	U.S.	International
Operational growth/(decline):			
Growth from Ibrance, Eliquis, Xeljanz and Prevnar/Prevenar 13	$ 2,495	$ 914	$ 1,581
Higher revenues for certain Hospital products as a result of: • continued growth of anti-infective products in China, driven by increased demand for Sulperazon and new launches; • the 2018 U.S. launches of our immune globulin IV products (Panzyga and Octagam); and • the launches of certain anti-infectives products (Zavicefta, Zinforo and Cresemba) in international developed and emerging markets	472	174	298
Higher revenues for Inlyta, primarily in the U.S. driven by increased demand resulting from the second quarter of 2019 U.S. FDA approvals for the combinations of certain immune checkpoint inhibitors plus Inlyta for the first-line treatment of patients with advanced RCC	190	175	14
Higher revenues for Biosimilars, primarily in the U.S.	168	185	(17)
Higher revenues for rare disease products driven by: • the U.S. launches in May 2019 of Vyndaqel and in September 2019 of Vyndamax for the treatment of ATTR-CM; • continued uptake for the transthyretin amyloid polyneuropathy indication, primarily in developed Europe; and • the March 2019 launch of the ATTR-CM indication in Japan, partially offset by: • lower revenues for certain rare disease products, including the hemophilia franchises (Refacto AF/Xyntha and BeneFIX), primarily due to competitive pressures, and Genotropin in developed markets, mainly due to unfavorable channel mix in the U.S.	159	108	51
Impact of completion of the Consumer Healthcare JV transaction. Revenues in 2019 only reflect seven months of Consumer Healthcare business domestic operations and eight months of international operations	(1,436)	(889)	(547)
Lower revenues from other Hospital products, primarily reflecting declines in developed markets, mostly due to the continued expected negative impact from generic competition for products that have previously lost marketing exclusivity	(447)	(200)	(247)
Lower revenues for Enbrel, primarily in most developed Europe markets due to continued biosimilar competition	(292)	—	(292)
Other operational factors, net	141	6	136
Operational growth, net	1,450	473	976
Unfavorable impact of foreign exchange	(1,103)	—	(1,103)
Revenues increase/(decrease)	$ 347	$ 473	$ (127)

Emerging markets revenues increased $210 million, or 2%, in 2019 to $8.8 billion, from $8.6 billion in 2018, reflecting an operational increase of $820 million, or 10%. Foreign exchange had an unfavorable impact of 7% on emerging markets revenues. The operational increase in emerging markets was primarily driven by Prevenar 13, Ibrance and Eliquis.

Revenue Deductions

Our gross product revenues are subject to a variety of deductions, which generally are estimated and recorded in the same period that the revenues are recognized. These deductions represent estimates of related obligations and, as such, knowledge and judgment are required when estimating the impact of these revenue deductions on gross sales for a reporting period.

Historically, adjustments to these estimates to reflect actual results or updated expectations, have not been material to our overall business and generally have been less than 1% of revenues. Product-specific rebates, however, can have a significant impact on year-over-year individual product revenue growth trends.

The following presents information about revenue deductions:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2020**	2019	2018
Medicare rebates	**$ 647**	$ 628	$ 495
Medicaid and related state program rebates	**1,136**	1,259	984
Performance-based contract rebates	**2,660**	2,332	1,758
Chargebacks	**4,531**	3,411	2,954
Sales allowances	**3,841**	3,782	3,536
Sales returns and cash discounts	**924**	878	1,128
Total	**$ 13,739**	$ 12,290	$ 10,854

Revenue deductions are primarily a function of product sales volume, mix of products sold, contractual or legislative discounts and rebates.

For information on our accruals for revenue deductions, including the balance sheet classification of these accruals, see *Note 1G*.

Revenues—Selected Product Discussion

(MILLIONS OF DOLLARS)			Revenue Year Ended Dec. 31,		% Change		
Product	**Global Revenues**	**Region**	**2020**	**2019**	**Total**	**Oper.**	**Operational Results Commentary**
Prevnar 13/ Prevenar 13	**$5,850 Up 1% (operationally)**	U.S.	**$ 2,930**	$ 3,209	(9)		Operational growth internationally primarily reflects increased adult uptake in certain international markets resulting from greater vaccine awareness for respiratory illnesses, including specifically pneumococcal disease, due to the COVID-19 pandemic, as well as continued strong pediatric uptake in China, partially offset by a decline in the U.S., primarily driven by the expected unfavorable impact of disruptions to wellness visits for pediatric and adult patients due to COVID-19-related mobility restrictions or limitations as well as the continued impact of a lower remaining eligible adult population and the impact of the revised ACIP recommendation for the adult indication to shared clinical decision making, which means the decision to vaccinate should be made at the individual level between health care providers and their patients.
		Int'l.	**2,920**	2,638	11	13	
		Worldwide	**$ 5,850**	$ 5,847	—	1	
Ibrance	**$5,392 Up 9% (operationally)**	U.S.	**$ 3,634**	$ 3,250	12		Primarily driven by continued strong volume growth in most markets, partially offset by pricing pressures in certain developed Europe markets.
		Int'l.	**1,758**	1,710	3	5	
		Worldwide	**$ 5,392**	$ 4,961	9	9	
Eliquis	**$4,949 Up 18% (operationally)**	U.S.	**$ 2,688**	$ 2,343	15		Primarily driven by continued increased adoption in non-valvular atrial fibrillation as well as oral anti-coagulant market share gains, partially offset by a lower net price due to an increased impact from the Medicare "coverage gap" and unfavorable channel mix in the U.S.
		Int'l.	**2,260**	1,877	20	22	
		Worldwide	**$ 4,949**	$ 4,220	17	18	
Xeljanz	**$2,437 Up 9% (operationally)**	U.S.	**$ 1,706**	$ 1,636	4		Higher volumes in the U.S. within the RA, PsA and UC indications driven by reaching additional patients through improvements in formulary access, partially offset by increased discounts from recently-signed contracts which were entered into in order to unlock access to additional patient lives. Also reflects operational growth internationally mainly driven by continued uptake in the RA indication and, to a lesser extent, from the recent launch of the UC indication in certain developed markets.
		Int'l.	**731**	606	21	23	
		Worldwide	**$ 2,437**	$ 2,242	9	9	
Vyndaqel/ Vyndamax	**$1,288 ***	U.S.	**$ 613**	$ 191	*		Driven by the U.S. launches of Vyndaqel in May 2019 and Vyndamax in September 2019 for the treatment of ATTR-CM and by the March 2019 launch of the ATTR-CM indication in Japan and the February 2020 approval of the ATTR-CM indication in the EU.
		Int'l.	**675**	282	*	*	
		Worldwide	**$ 1,288**	$ 473	*	*	

* Calculation is not meaningful or results are equal to or greater than 100%.

See the *Item 1. Business—Patents and Other Intellectual Property Rights* section in this Form 10-K for information regarding the expiration of various patent rights.

See *Note 16* for a discussion of recent developments concerning patent and product litigation relating to certain of the products discussed above.

See *Note 17B* for additional information regarding the primary indications or class of the selected products discussed above.

Product Developments

A comprehensive update of Pfizer's development pipeline was published as of February 2, 2021 and is available at www.pfizer.com/science/drug-product-pipeline. It includes an overview of our research and a list of compounds in development with targeted indication and phase of development, as well as mechanism of action for some candidates in Phase 1 and all candidates from Phase 2 through registration.

The following provides information about significant marketing application-related regulatory actions by, and filings pending with, the FDA and regulatory authorities in the EU and Japan. The table below includes only approvals for products that have occurred in the last twelve months and does not include approvals that may have occurred prior to that time. The table includes filings with regulatory decisions pending (even if the filing occurred outside of the last twelve-month period).

PRODUCT	DISEASE AREA	APPROVED/FILED*		
		U.S.	EU	JAPAN
PF-07302048 (COVID-19 Vaccine)[(a)]	Immunization to prevent COVID-19 (16 years of age and older)	**EUA** Dec. 2020	**CMA** Dec. 2020	**Approved** Feb. 2021
Bavencio (avelumab)[(b)]	First-line maintenance urothelial cancer	**Approved** June 2020	**Approved** Jan. 2021	**Filed** May 2020
	First-line RCC (combination with Inlyta (axitinib))			**Approved** Dec. 2019
Nyvepria (pegfilgrastim-apgf)	Neutropenia in patients undergoing cancer chemotherapy (biosimilar)	**Approved** June 2020	**Approved** Nov. 2020	
Braftovi (encorafenib)[(c)]	Second or third-line $BRAF^{V600E}$-mutant mCRC (combination with Erbitux® (cetuximab))	**Approved** April 2020	**Approved** June 2020	**Approved** Nov. 2020
Braftovi (encorafenib) and Mektovi (binimetinib)[(c)]	Second or third-line $BRAF^{V600E}$-mutant mCRC (combination with Erbitux® (cetuximab))			**Approved** Nov. 2020
Xtandi (enzalutamide)[(d)]	mCSPC	**Approved** Dec. 2019	**Filed** July 2019	
Abrilada (U.S.); Amsparity (EU) (adalimumab-afzb)[(e)]	RA (biosimilar)	**Approved** Nov. 2019	**Approved** Feb. 2020	
abrocitinib (PF-04965842)	Atopic dermatitis	**Filed** Oct. 2020	**Filed** Oct. 2020	**Filed** Dec. 2020
Infliximab Pfizer (infliximab)	Ankylosing spondylitis (biosimilar)			**Approved** Oct. 2020
Bevacizumab Pfizer (bevacizumab)	Non-small cell lung cancer (biosimilar)			**Approved** Sept. 2020
Rituximab Pfizer (rituximab)	Chronic idiopathic thrombocytopenic purpura (biosimilar)			**Approved** Aug. 2020
tanezumab[(f)]	Chronic pain due to moderate-to-severe osteoarthritis	**Filed** March 2020	**Filed** March 2020	**Filed** Aug. 2020
Bosulif (bosutinib)	First-line chronic myelogenous leukemia			**Approved** June 2020
Daurismo (glasdegib)	Combination with low-dose cytarabine for AML		**Approved** June 2020	
Ruxience (rituximab)	Follicular lymphoma (biosimilar)		**Approved** April 2020	
Staquis (crisaborole)	Atopic dermatitis		**Approved** March 2020	

* For the U.S., the filing date is the date on which the FDA accepted our submission. For the EU, the filing date is the date on which the EMA validated our submission.

(a) PF-07302048 or BNT162b2 (Pfizer/BioNTech COVID-19 vaccine) received EUA from the FDA and CMA from the EMA.

(b) Being developed in collaboration with Merck KGaA, Germany.

(c) Erbitux® is a registered trademark of ImClone LLC. In the EU, we are developing in collaboration with the Pierre Fabre Group. In Japan, we are developing in collaboration with Ono Pharmaceutical Co., Ltd.

(d) Being developed in collaboration with Astellas.

(e) We are working to make Abrilada available to U.S. patients as soon as feasible based on the terms of our agreement with AbbVie. Current plans are to launch Abrilada in 2023. We do not currently plan to commercialize Amsparity in the EU due to unfavorable market conditions.

(f) Being developed in collaboration with Lilly.

(g) Being developed in collaboration with Myovant.

(h) Being developed in collaboration with OPKO Health, Inc.

In China, the following products received regulatory approvals in the last twelve months: Eucrisa for atopic dermatitis in July 2020 and Vyndaqel for cardiac amyloidosis in September 2020.

The following provides information about additional indications and new drug candidates in late-stage development:

	PRODUCT/CANDIDATE	PROPOSED DISEASE AREA
LATE-STAGE CLINICAL PROGRAMS FOR ADDITIONAL USES AND DOSAGE FORMS FOR IN-LINE AND IN-REGISTRATION PRODUCTS	Bavencio (avelumab)[(a)]	First-line non-small cell lung cancer
	Ibrance (palbociclib)[(b)]	ER+/HER2+ metastatic breast cancer
	Xtandi (enzalutamide)[(c)]	Non-metastatic high-risk castration sensitive prostate cancer
	Talzenna (talazoparib)	Combination with Xtandi (enzalutamide) for first-line mCRPC
	PF-06482077 (Vaccine)	Invasive and non-invasive pneumococcal infections (pediatric)
	somatrogon (PF-06836922)[(d)]	Adult growth hormone deficiency
	tanezumab[(e)]	Cancer pain
	Braftovi (encorafenib) and Erbitux® (cetuximab)[(f)]	First-line $BRAF^{v600E}$-mutant mCRC
	Relugolix[(g)]	Combination with estradiol and norethindrone acetate for endometriosis
NEW DRUG CANDIDATES IN LATE-STAGE DEVELOPMENT	aztreonam-avibactam (PF-06947387)	Treatment of infections caused by Gram-negative bacteria for which there are limited or no treatment options
	fidanacogene elaparvovec (PF-06838435)	Hemophilia B
	Giroctocogene fitelparvovec (SB-525 or PF-07055480)	Hemophilia A
	PF-06425090 (Vaccine)	Primary clostridioides difficile infection
	PF-06886992 (Vaccine)	Serogroups meningococcal (adolescent and young adults)
	PF-06928316 (Vaccine)	Respiratory syncytial virus infection (maternal)
	PF-07265803	Dilated cardiomyopathy due to Lamin A/C gene mutation
	ritlecitinib (PF-06651600)	Alopecia areata
	sasanlimab (PF-06801591)	Non-muscle-invasive bladder cancer
	PF-06939926	Duchenne muscular dystrophy
	marstacimab (PF-06741086)	Hemophilia

(a) Being developed in collaboration with Merck KGaA, Germany.

(b) Being developed in collaboration with the Alliance Foundation Trial.

(c) Being developed in collaboration with Astellas.

(d) Being developed in collaboration with OPKO Health, Inc.

(e) Being developed in collaboration with Lilly.

(f) Erbitux® is a registered trademark of ImClone LLC. In the EU, we are developing in collaboration with the Pierre Fabre Group. In Japan, we are developing in collaboration with Ono Pharmaceutical Co., Ltd.

(g) Being developed in collaboration with Myovant.

For additional information about our R&D organization, see the *Item 1. Business—Research and Development* section of this Form 10-K.

COSTS AND EXPENSES

The changes in costs and expenses below reflect, among other things, a decline in expenses resulting from the July 31, 2019 completion of the Consumer Healthcare JV transaction (see *Note 2C*). In addition, the COVID-19 pandemic impacted certain operating expenses in 2020.

Costs and expenses follow:

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2020**	2019	2018	**20/19**	19/18
Cost of sales	**$ 8,692**	$ 8,251	$ 8,987	**5**	(8)
Percentage of *Revenues*	**20.7 %**	20.0 %	22.0 %		
Selling, informational and administrative expenses	**11,615**	12,750	12,612	**(9)**	1
Percentage of *Revenues*	**27.7 %**	31.0 %	30.9 %		
Research and development expenses	**9,405**	8,394	7,760	**12**	8
Percentage of *Revenues*	**22.4 %**	20.4 %	19.0 %		
Amortization of intangible assets	**3,436**	4,462	4,736	**(23)**	(6)
Percentage of *Revenues*	**8.2 %**	10.8 %	11.6 %		
Restructuring charges and certain acquisition-related costs	**600**	601	1,058	**—**	(43)
Percentage of *Revenues*	**1.4 %**	1.5 %	2.6 %		
Other (income)/deductions—net	**669**	3,314	2,077	**(80)**	60

Cost of Sales

2020 v. 2019

Cost of sales increased $441 million, primarily due to:

- increased sales volumes;
- the increase in royalty expenses, due to an increase in sales of related products;
- the unfavorable impact of incremental costs incurred in response to the COVID-19 pandemic; and
- the unfavorable impact of foreign exchange and hedging activity on intercompany inventory,

partially offset by:

- the favorable impact of the July 31, 2019 completion of the Consumer Healthcare JV transaction.

The increase in *Cost of sales* as a percentage of revenues in 2020, compared to 2019, was primarily due to all of the factors discussed above, partially offset by an increase in alliance revenues, which have no associated cost of sales.

2019 v. 2018

Cost of sales decreased $736 million, primarily due to:

- the favorable impact of the July 31, 2019 completion of the Consumer Healthcare JV transaction;
- the favorable impact of foreign exchange; and
- the favorable impact of hedging activity of intercompany inventory,

partially offset by:

- the unfavorable change in product mix; and
- the increase in royalty expenses, due to an increase in sales of related products.

The decrease in *Cost of sales* as a percentage of revenues in 2019, compared to 2018, was primarily due to all of the factors discussed above, as well an increase in alliance revenues, which have no associated cost of sales.

Selling, Informational and Administrative (SI&A) Expenses

2020 v. 2019

SI&A expenses decreased $1.1 billion, mostly due to:

- the favorable impact of the July 31, 2019 completion of the Consumer Healthcare JV transaction;
- lower spending for corporate enabling functions;
- lower spending on sales and marketing activities due to the impact of the COVID-19 pandemic; and
- lower investments across the Internal Medicine and Inflammation & Immunology portfolios,

partially offset by:

- the increase in external, incremental costs directly related to implementing our cost-reduction/productivity initiatives; and
- the increase in business and legal entity alignment costs.

2019 v. 2018

SI&A expenses increased $138 million, primarily due to:

- additional investment in emerging markets;
- additional investment in the Oncology portfolio in developed markets;
- increased employee deferred compensation as a result of savings plan gains;
- the increase due to the timing of expenses (i.e., insurance recoveries and product donations);
- marketing and promotional expenses for the U.S. launches of Vyndaqel in May 2019 and Vyndamax in September 2019;

- increased business and legal entity alignment costs;
- costs to separate Consumer Healthcare; and
- increased healthcare reform expenses,

partially offset by:

- the favorable impact of the July 31, 2019 completion of the Consumer Healthcare JV; and
- the favorable impact of foreign exchange.

Research and Development (R&D) Expenses

2020 v. 2019

R&D expenses increased $1.0 billion, mainly due to:

- costs related to our collaboration agreement with BioNTech to co-develop a COVID-19 vaccine, including an upfront payment to BioNTech;
- a net increase in upfront payments, mainly related to Myovant and Valneva; and
- increased investments towards building new capabilities and driving automation,

partially offset by:

- the net reduction of upfront and milestone payments associated with the acquisition of Therachon in July 2019 and Akcea in October 2019.

2019 v. 2018

R&D expenses increased $635 million, mainly due to:

- upfront payments to Therachon and Akcea;
- increased investments towards building new capabilities and driving automation;
- increased spending on our Inflammation & Immunology and Rare Disease portfolios due to several Phase 3 programs and investment in gene therapy;
- increased spending related to assets acquired from our acquisition of Array; and
- increased medical spend for new and growing products,

partially offset by:

- decreased spending across the Oncology, Vaccines and Internal Medicine portfolios, as select programs have reached completion;
- the decrease in the value of the portfolio performance share grants reflecting changes in the price of Pfizer's common stock, as well as management's assessment of the probability that the specified performance criteria will be achieved;
- the discontinuation of the Staphylococcus aureus vaccine trial;
- the favorable impact of the July 31, 2019 completion of the Consumer Healthcare JV; and
- the favorable impact of foreign exchange.

Amortization of Intangible Assets

2020 v. 2019

Amortization of intangible assets decreased $1.0 billion, primarily due to:

- the non-recurrence of amortization of fully amortized assets and the impairment of Eucrisa in the fourth quarter of 2019,

partially offset by:

- the increase in amortization of intangible assets from our acquisition of Array.

2019 v. 2018

Amortization of intangible assets decreased $274 million, mainly due to:

- the non-recurrence of amortization as a result of the impairment of sterile injectable products in the fourth quarter of 2018;

- fully amortized assets; and
- the contribution of our Consumer Healthcare business to the Consumer Healthcare JV,

partially offset by:

- the increase in amortization related to assets recorded as a result of the approval of Xtandi in the U.S. for the treatment of nmCRPC in July of 2018; and
- amortization of intangible assets from our acquisition of Array.

For additional information, see *Notes 2A*, *2C*, and *10A*.

Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives

Transforming to a More Focused Company Program

For a description of our program, as well as the anticipated and actual costs, see *Note 3.* The program savings discussed below may be rounded and represent approximations. In connection with the costs primarily related to the corporate enabling functions initiatives, we expect gross cost savings of $1.0 billion, or net cost savings, excluding merit and inflation growth and certain real estate cost increases, of $700 million, to be achieved primarily over the two-year period 2021-2022. In connection with manufacturing network optimization, including legacy cost reduction initiatives, we expect targeted net cost savings of $300 million to be achieved primarily from 2020 through 2022.

Certain qualifying costs for this program were recorded in 2020, and in the fourth quarter of 2019, and are reflected as Certain Significant Items and excluded from our non-GAAP measure of Adjusted Income. See the *Non-GAAP Financial Measure: Adjusted Income* section of this MD&A.

In addition to this program, we continuously monitor our operations for cost reduction and/or productivity opportunities, especially in light of the losses of exclusivity and the expiration of collaborative arrangements for various products.

Other (Income)/Deductions—Net

2020 v. 2019

Other deductions—net decreased $2.6 billion, mainly due to:

- lower asset impairment charges;
- higher net periodic benefit credits other than service costs;
- lower business and legal entity alignment costs;
- higher Consumer Healthcare JV equity method income; and
- lower charges for certain legal matters,

partially offset by:

- higher net losses on asset disposals.

2019 v. 2018

Other deductions—net increased $1.2 billion, mainly due to:

- higher net periodic benefits costs other than service costs;
- lower income from collaborations, out-licensing arrangements and sales of compound/product rights;
- higher interest expense mainly as a result of an increased commercial paper balance due to the acquisition of Array, as well as the retirement of lower-coupon debt and the issuance of new debt with a higher coupon than the debt outstanding for the comparative prior year period; and
- higher business and legal entity alignment costs,

partially offset by:

- lower asset impairment charges.

See *Note 4* for additional information.

PROVISION/(BENEFIT) FOR TAXES ON INCOME

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2020**	2019	2018	**20/19**	19/18
Provision/(benefit) for taxes on income	**$ 477**	$ 618	$ (266)	**(23)**	*
Effective tax rate on continuing operations	**6.4 %**	5.4 %	(7.4)%		

* Indicates calculation not meaningful or result is equal to or greater than 100%.

For information about our effective tax rate and the events and circumstances contributing to the changes between periods, as well as details about discrete elements that impacted our tax provisions, see *Note 5*.

DISCONTINUED OPERATIONS

For information about our discontinued operations, see *Note 2B*.

NON-GAAP FINANCIAL MEASURE: ADJUSTED INCOME

Adjusted income is an alternative measure of performance used by management to evaluate our overall performance in conjunction with other performance measures. As such, we believe that investors' understanding of our performance is enhanced by disclosing this measure. We use Adjusted income, certain components of Adjusted income and Adjusted diluted EPS to present the results of our major operations—the discovery, development, manufacture, marketing, sales and distribution of biopharmaceutical products worldwide—prior to considering certain income statement elements as follows:

Measure	Definition	*Illustrative Use*
Adjusted income	*Net income attributable to Pfizer Inc. common shareholders*[(a)] before the impact of purchase accounting for acquisitions, acquisition-related costs, discontinued operations and certain significant items	
Adjusted cost of sales, Adjusted selling, informational and administrative expenses, Adjusted research and development expenses, Adjusted other (income)/ deductions—net	*Cost of sales, Selling, informational and administrative expenses, Research and development expenses, Amortization of intangible assets* and *Other (income)/ deductions—net* [(a)], each before the impact of purchase accounting for acquisitions, acquisition-related costs, discontinued operations and certain significant items, which are components of the Adjusted income measure	• Monthly managerial analysis of our operating results and our annual budgets are prepared using these non-GAAP measures • Senior management's compensation is determined, in part, using these non-GAAP measures[(b)]
Adjusted diluted EPS	*EPS attributable to Pfizer Inc. common shareholders—diluted* [(a)] before the impact of purchase accounting for acquisitions, acquisition-related costs, discontinued operations and certain significant items	

[a] Most directly comparable GAAP measure.

[b] The short-term incentive plans for substantially all non-sales-force employees worldwide are funded from a pool based on our performance, measured in significant part by three metrics, one of which is Adjusted diluted EPS, which is derived from Adjusted income and accounts for 40% of the bonus pool funding. Additionally, the payout for Performance Share Awards is determined in part by Adjusted net income, which is derived from Adjusted income. Effective for the 2020 performance year and consistent with shareholder feedback received in 2019, the Compensation Committee of the BOD approved adding an R&D pipeline achievement factor to the existing short-term incentive financial metrics.

Adjusted income, and its components and Adjusted diluted EPS, are non-GAAP financial measures that have no standardized meaning prescribed by GAAP and, therefore, are limited in their usefulness to investors. Because of their non-standardized definitions, they may not be comparable to the calculation of similar measures of other companies and are presented solely to permit investors to more fully understand how management assesses performance. A limitation of these measures is that they provide a view of our operations without including all events during a period, and do not provide a comparable view of our performance to peers. These measures are not, and should not be viewed as, substitutes for their directly comparable GAAP measures of *Net income attributable to Pfizer Inc. common shareholders*, components of *Net income attributable to Pfizer Inc. common shareholders* and *EPS attributable to Pfizer Inc. common shareholders—diluted*, respectively. See the accompanying reconciliations of certain GAAP reported to non-GAAP adjusted information for 2020, 2019 and 2018 below.

We also recognize that, as internal measures of performance, these measures have limitations, and we do not restrict our performance-management process solely to these measures. We also use other tools designed to achieve the highest levels of performance. For example, our R&D organization has productivity targets, upon which its effectiveness is measured. In addition, total shareholder return, both on an absolute basis and relative to a publicly traded pharmaceutical index, plays a significant role in determining payouts under certain of our incentive compensation plans.

Purchase Accounting Adjustments

Adjusted income excludes certain significant purchase accounting impacts resulting from business combinations and net asset acquisitions. These impacts can include the incremental charge to cost of sales from the sale of acquired inventory that was written up to fair value, amortization related to the increase in fair value of the acquired finite-lived intangible assets, and to a much lesser extent, depreciation related to the increase/decrease in fair value of the acquired fixed assets, amortization related to the increase in fair value of acquired debt, and the fair value changes for contingent consideration. Therefore, the Adjusted income measure includes the revenues earned upon the sale of the acquired products without considering the acquisition cost of those products.

The exclusion of amortization attributable to acquired intangible assets provides management and investors an alternative view of our results by providing a degree of parity to internally developed intangible assets for which R&D costs have been expensed. However, we have not factored in the impacts of any other differences that might have occurred if we had discovered and developed those intangible assets on our own, such as different R&D costs, timelines or resulting sales; accordingly, this approach does not intend to be representative of the results that would have occurred if we had discovered and developed the acquired intangible assets internally.

Acquisition-Related Costs

Adjusted income excludes acquisition-related costs, which are comprised of transaction, integration, restructuring charges and additional depreciation costs for business combinations because these costs are unique to each transaction and represent costs that were incurred to restructure and integrate businesses as a result of an acquisition. We have made no adjustments for resulting synergies.

The significant costs incurred in connection with a business combination result primarily from the need to eliminate duplicate assets, activities or employees—a natural result of acquiring a fully integrated set of activities. For this reason, we believe that such costs incurred can be viewed differently in the context of an acquisition from those costs incurred in other, more normal, business contexts. The integration and restructuring costs for a business combination may occur over several years, with the more significant impacts typically ending within three years of the relevant transaction. Because of the need for certain external approvals for some actions, the span of time needed to achieve certain restructuring and integration activities can be lengthy.

Discontinued Operations

Adjusted income excludes the results of discontinued operations, as well as any related gains or losses on the disposal of such operations. We believe that this presentation is meaningful to investors because, while we review our therapeutic areas and product lines for strategic fit with our operations, we do not build or run our business with the intent to discontinue parts of our business. Restatements due to discontinued operations do not impact compensation or change the Adjusted income measure for the compensation in respect of the restated periods, but are presented for consistency across all periods.

Certain Significant Items

Adjusted income excludes certain significant items representing substantive and/or unusual items that are evaluated individually on a quantitative and qualitative basis. Certain significant items may be highly variable and difficult to predict. Furthermore, in some cases it is reasonably possible that they could reoccur in future periods. For example, although major non-acquisition-related cost-reduction programs are specific to an event or goal with a defined term, we may have subsequent programs based on reorganizations of the business, cost productivity or in response to LOE or economic conditions. Legal charges to resolve litigation are also related to specific cases, which are facts and circumstances specific and, in some cases, may also be the result of litigation matters at acquired companies that were inestimable, not probable or unresolved at the date of acquisition. Unusual items represent items that are not part of our ongoing business; items that, either as a result of their nature or size, we would not expect to occur as part of our normal business on a regular basis; items that would be non-recurring; or items that relate to products we no longer sell. For a non-inclusive list of certain significant items see *Details of Income Statement Items Included in GAAP Reported but Excluded from Non-GAAP Adjusted Income* below.

Reconciliation of GAAP Reported to Non-GAAP Adjusted Information—Certain Line Items

IN MILLIONS, EXCEPT PER COMMON SHARE DATA	2020					
	GAAP Reported	Purchase Accounting Adjustments[a]	Acquisition-Related Costs[a]	Discontinued Operations[a]	Certain Significant Items[a]	Non-GAAP Adjusted
Revenues	**$ 41,908**	$ —	$ —	$ —	$ —	$ 41,908
Cost of sales	**8,692**	18	—	—	(118)	8,592
Selling, informational and administrative expenses	**11,615**	(2)	—	—	(489)	11,124
Research and development expenses	**9,405**	5	—	—	(526)	8,884
Amortization of intangible assets	**3,436**	(3,152)	—	—	—	284
Restructuring charges and certain acquisition-related costs	**600**	—	(44)	—	(556)	—
(Gain) on completion of Consumer Healthcare JV transaction	**(6)**	—	—	—	6	—
Other (income)/deductions—net	**669**	(75)	—	—	(2,068)	(1,474)
Income from continuing operations before provision/(benefit) for taxes on income	**7,497**	3,206	44	—	3,752	14,499
Provision/(benefit) for taxes on income[b]	**477**	668	9	—	803	1,957
Income from continuing operations	**7,021**	2,537	35	—	2,948	12,541
Income from discontinued operations—net of tax	**2,631**	—	—	(2,631)	—	—
Net income attributable to noncontrolling interests	**36**	—	—	—	—	36
Net income attributable to Pfizer Inc. common shareholders	**9,616**	2,537	35	(2,631)	2,948	12,506
Earnings per common share attributable to Pfizer Inc. common shareholders—diluted	**1.71**	0.45	0.01	(0.47)	0.52	2.22

IN MILLIONS, EXCEPT PER COMMON SHARE DATA	2019					
	GAAP Reported	Purchase Accounting Adjustments[a]	Acquisition-Related Costs[a]	Discontinued Operations[a]	Certain Significant Items[a]	Non-GAAP Adjusted
Revenues	**$ 41,172**	$ —	$ —	$ —	$ —	$ 41,172
Cost of sales	**8,251**	19	—	—	(208)	8,062
Selling, informational and administrative expenses	**12,750**	2	(2)	—	(263)	12,488
Research and development expenses	**8,394**	4	—	—	(663)	7,736
Amortization of intangible assets	**4,462**	(4,191)	—	—	—	271
Restructuring charges and certain acquisition-related costs	**601**	—	(183)	—	(418)	—
(Gain) on completion of Consumer Healthcare JV transaction	**(8,086)**	—	—	—	8,086	—
Other (income)/deductions—net	**3,314**	(21)	—	—	(3,563)	(270)
Income from continuing operations before provision/(benefit) for taxes on income	**11,485**	4,186	185	—	(2,971)	12,885
Provision/(benefit) for taxes on income[b]	**618**	823	59	—	539	2,039
Income from continuing operations	**10,867**	3,363	126	—	(3,510)	10,846
Income from discontinued operations—net of tax	**5,435**	—	—	(5,435)	—	—
Net income attributable to noncontrolling interests	**29**	—	—	—	—	29
Net income attributable to Pfizer Inc. common shareholders	**16,273**	3,363	126	(5,435)	(3,510)	10,817
Earnings per common share attributable to Pfizer Inc. common shareholders—diluted	**2.87**	0.59	0.02	(0.96)	(0.62)	1.91

IN MILLIONS, EXCEPT PER COMMON SHARE DATA	2018 GAAP Reported	Purchase Accounting Adjustments[a]	Acquisition-Related Costs[a]	Discontinued Operations[a]	Certain Significant Items[a]	Non-GAAP Adjusted
Revenues	**$ 40,825**	$ —	$ —	$ —	$ —	$ 40,825
Cost of sales	**8,987**	3	(10)	—	(105)	8,874
Selling, informational and administrative expenses	**12,612**	2	(2)	—	(191)	12,420
Research and development expenses	**7,760**	3	—	—	(47)	7,716
Amortization of intangible assets	**4,736**	(4,456)	—	—	—	280
Restructuring charges and certain acquisition-related costs	**1,058**	—	(299)	—	(759)	—
(Gain) on completion of Consumer Healthcare JV transaction	**—**	—	—	—	—	—
Other (income)/deductions—net	**2,077**	(182)	(7)	—	(2,520)	(631)
Income from continuing operations before provision/(benefit) for taxes on income	**3,594**	4,630	318	—	3,622	12,164
Provision/(benefit) for taxes on income[b]	**(266)**	888	54	—	1,509	2,185
Income from continuing operations	**3,861**	3,741	264	—	2,113	9,979
Income from discontinued operations—net of tax	**7,328**	—	—	(7,328)	—	—
Net income attributable to noncontrolling interests	**36**	—	—	—	—	36
Net income attributable to Pfizer Inc. common shareholders	**11,153**	3,741	264	(7,328)	2,113	9,944
Earnings per common share attributable to Pfizer Inc. common shareholders—diluted	**1.87**	0.63	0.04	(1.23)	0.35	1.66

[a] For details of adjustments, see *Details of Income Statement Items Included in GAAP Reported but Excluded from Non-GAAP Adjusted Income*.

[b] The effective tax rate on Non-GAAP Adjusted income was 13.5% in 2020, 15.8% in 2019 and 18.0% in 2018. The decrease in 2020, compared with 2019, was primarily due to a favorable change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business. The decrease in 2019, compared with 2018, was primarily due to a favorable change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business, partially offset by a decrease in tax benefits for the resolution of certain tax positions, principally non-U.S., pertaining to prior years.

Details of Income Statement Items Included in GAAP Reported but Excluded from Non-GAAP Adjusted Income

(MILLIONS OF DOLLARS)	Year Ended December 31, 2020	2019	2018
Purchase accounting adjustments			
Amortization, depreciation and other[a]	**$ 3,224**	$ 4,205	$ 4,633
Cost of sales	**(18)**	(19)	(3)
Total purchase accounting adjustments—pre-tax	**3,206**	4,186	4,630
Income taxes[b]	**(668)**	(823)	(888)
Total purchase accounting adjustments—net of tax	**2,537**	3,363	3,741
Acquisition-related items			
Restructuring charges/(credits)[c]	**—**	(192)	37
Transaction costs[c]	**10**	63	1
Integration costs and other[c]	**34**	311	260
Net periodic benefit costs/(credits) other than service costs[d]	**—**	—	7
Additional depreciation—asset restructuring[e]	**—**	3	12
Total acquisition-related items—pre-tax	**44**	185	318
Income taxes[f]	**(9)**	(59)	(54)
Total acquisition-related items—net of tax	**35**	126	264
Discontinued operations			
Income from discontinued operations—net of tax[g]	**(2,631)**	(5,435)	(7,328)
Certain significant items			
Restructuring charges/(credits)—cost reduction initiatives[h]	**556**	418	759
Implementation costs and additional depreciation—asset restructuring[i]	**257**	192	212
Net (gains)/losses on asset disposals[d]	**238**	—	—
Net (gains)/losses recognized during the period on equity securities[d]	**(557)**	(415)	(586)
Certain legal matters, net[d]	**24**	291	84
Certain asset impairments[d]	**1,691**	2,798	3,101
Business and legal entity alignment costs[j]	**270**	412	63
(Gain) on completion of Consumer Healthcare JV transaction[k]	**(6)**	(8,086)	—
Other[l]	**1,278**	1,418	(10)
Total certain significant items—pre-tax	**3,752**	(2,971)	3,622
Income taxes[m]	**(803)**	(539)	(1,509)
Total certain significant items—net of tax	**2,948**	(3,510)	2,113
Total purchase accounting adjustments, acquisition-related items, discontinued operations and certain significant items—net of tax, attributable to Pfizer Inc.	**$ 2,890**	$ (5,455)	$ (1,209)

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

[b] Included in *Provision/(benefit) for taxes on income.* Includes the tax effect of the associated pre-tax amounts, calculated by determining the jurisdictional location of the pre-tax amounts and applying that applicable tax rate.

[c] Included in *Restructuring charges and certain acquisition-related costs*. See *Note 3.*

[d] Included in *Other (income)/deductions—net.* See *Note 4*.

(e) In 2019, primarily included in *Selling, informational and administrative expenses.* In 2018, primarily included in C*ost of sales.* Represents the impact of changes in the estimated useful lives of assets involved in restructuring actions related to acquisitions.

(f) Included in *Provision/(benefit) for taxes on income.* Income taxes includes the tax effect of the associated pre-tax amounts, calculated by determining the jurisdictional location of the pre-tax amounts and applying the applicable tax rate. 2019 includes the impact of the non-taxable reversal of certain accruals related to our acquisition of Wyeth upon the effective favorable settlement of a U.S. IRS audit for multiple tax years.

(g) Included in *Income from discontinued operations—net of tax* and relates to the November 16, 2020 spin-off and combination of our Upjohn Business with Mylan. *See Note 2B.*

(h) Amounts relate to employee termination costs, asset impairments and other exit costs not associated with acquisitions, which are included in *Restructuring charges and certain acquisition-related costs* (see *Note 3*).

(i) Amounts relate to our cost-reduction/productivity initiatives not related to acquisitions (see *Note 3*). For 2020, primarily included in *Cost of sales* ($62 million) and *Selling, informational and administrative expenses* ($197 million). For 2019, included in *Cost of sales* ($89 million), *Selling, informational and administrative expenses* ($73 million) and *Research and development expenses* ($30 million). For 2018, included in *Cost of sales* ($101 million), *Selling, informational and administrative expenses* ($71 million) and *Research and development expenses* ($39 million).

(j) In 2020, included in *Cost of sales* ($51 million), *Selling, informational and administrative expenses* ($206 million) and *Research and development expenses* ($13 million) and primarily represents costs for consulting, legal, tax and advisory services associated with internal reorganization of legal entities. In 2019, primarily included in *Cost of sales* ($15 million), *Selling, informational and administrative expenses* ($96 million) and *Other (income)/deductions—net* ($300 million) and in 2018, included in *Other (income)/deductions—net* and represents costs for consulting, legal, tax and other advisory services associated with the design, planning and implementation of our then new business structure, effective in the beginning of 2019.

(k) Included in *(Gain) on completion of Consumer Healthcare JV transaction* (see *Note 2C*).

(l) For 2020, primarily included in *Selling, informational and administrative expenses* ($86 million), *Research and development expenses* ($515 million) and *Other (income)/deductions—net* ($672 million). For 2019, included in *Cost of sales* ($104 million), *Selling, informational and administrative expenses* ($94 million), *Research and development expenses* ($632 million) and *Other (income)/deductions—net* ($589 million). For 2018, primarily included in *Selling, informational and administrative expenses* ($120 million) and *Other (income)/deductions—net* ($142 million income). 2020 includes the following charges recorded in *Research and development expenses:* (i) $151 million, representing the expense portion of our upfront payment to Myovant, (ii) an upfront payment of $130 million to Valneva, (iii) a $75 million milestone payment to Akcea, (iv) a $72 million upfront payment to BioNTech and (v) a $50 million milestone payment to Therachon. 2020 also includes, among other things, the following charges recorded in *Other (income)/deductions—net:* (i) charges of $367 million, primarily representing our pro rata share of restructuring and business combination accounting charges recorded by the Consumer Healthcare JV, partially offset by gains from the divestiture of certain of the JV's brands recorded by the Consumer Healthcare JV, and our write-off and amortization of equity method basis differences primarily related to those brand divestitures and to inventory, and (ii) $198 million of settlement losses within the U.S. PCPP. 2019 included, among other things, (i) a $337 million charge in *Research and development expenses* related to our acquisition of Therachon, (ii) an upfront license fee payment of $250 million to Akcea, recorded in *Research and development expenses,* (iii) charges of $240 million, primarily in *Selling, informational and administrative expenses* ($87 million) and *Other (income)/deductions—net* ($152 million), for external incremental costs, such as transaction costs and costs to separate our Consumer Healthcare business into a separate legal entity associated with the formation of the Consumer Healthcare JV, (iv) net losses on early retirement of debt of $138 million in *Other (income)/deductions—net,* (v) charges of $112 million recorded in *Other (income)/deductions—net* representing our pro rata share of primarily restructuring and business combination accounting charges recorded by the Consumer Healthcare JV and (vi) a $99 million charge in *Cost of sales* related to rivipansel, primarily for inventory manufactured for expected future sale. For 2018, included, among other things, (i) a non-cash $343 million pre-tax gain in *Other (income)/deductions—net* associated with our transaction with Bain Capital to create a new biopharmaceutical company, Cerevel, to continue development of a portfolio of clinical and preclinical stage neuroscience assets primarily targeting disorders of the central nervous system, (ii) an $88 million charge, in the aggregate, in *Selling, informational and administrative expenses* for a special, one-time bonus paid to virtually all Pfizer colleagues, excluding executives, which was one of several actions taken by us after evaluating the expected positive net impact of the December 2017 enactment of the TCJA and (iii) a non-cash $50 million pre-tax gain in *Other (income)/deductions—net* as a result of the contribution of our allogeneic CAR T therapy development program assets in connection with our contribution agreement entered into with Allogene (see *Note 2B*).

(m) Included in *Provision/(benefit) for taxes on income.* Income taxes includes the tax effect of the associated pre-tax amounts, calculated by determining the jurisdictional location of the pre-tax amounts and applying the applicable tax rate. The amount in 2020 was favorably impacted by tax benefits associated with intangible asset impairment charges (see *Note 4*). The amount in 2019 was favorably impacted by a benefit of $1.4 billion, representing tax and interest, resulting from the favorable settlement of a U.S. IRS audit for multiple tax years, the benefits related to certain tax initiatives for the implementation of our then new business structure, as well as the tax benefit recorded as a result of additional guidance issued by the U.S. Department of Treasury related to the TCJA and unfavorably impacted by the tax expense of approximately $2.7 billion associated with the gain related to the completion of the Consumer Healthcare JV transaction. The amount in 2018 was favorably impacted primarily by tax benefits related to the TCJA, including certain 2018 tax initiatives as well as adjustments to the provisional estimate of the legislation, reported and disclosed within the applicable measurement period, in accordance with guidance issued by the SEC.

ANALYSIS OF THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash Flows from Continuing Operations

(MILLIONS OF DOLLARS)	Year Ended December 31, 2020	2019	2018	Drivers of change
Cash provided by/(used in):				
Operating activities from continuing operations	**$ 10,586**	$ 7,011	$ 8,875	*2020 v. 2019* The change is driven mainly by higher net income adjusted for non-cash items, advanced payments in 2020 for BNT162b2 recorded in deferred revenue, the upfront cash payment associated with our acquisition of Therachon in 2019, and the upfront cash payment associated with our licensing agreement with Akcea in 2019, partially offset by an increase in benefit plan contributions. The change also reflects the impact of timing of receipts and payments in the ordinary course of business. The change in *Other adjustments, net* is driven primarily by an increase in equity method dividends received, partially offset by an increase in equity income and increases in net unrealized gains on equity securities. *2019 v. 2018* The change is driven mostly by the upfront cash payments in 2019 associated with our acquisition of Therachon and our licensing agreement with Akcea, partially offset by a decrease in benefit plan contributions. The change also reflects the impact of timing of receipts and payments in the ordinary course of business. The change in *Other adjustments, net* is driven primarily by a non-cash gain in 2018 associated with our transaction with Bain Capital to create a new biopharmaceutical company, Cerevel, and a non-cash gain in 2018 on the contribution of Pfizer's allogeneic CAR T developmental program assets, partially offset by net gains on foreign exchange hedging of our intercompany inventory sales.
Investing activities from continuing operations	**$ (4,188)**	$ (3,852)	$ 4,584	*2020 v. 2019* The change is driven mostly by a $6.0 billion decrease in net proceeds from short-term investments with original maturities of three months or less and $2.7 billion in net purchases of short-term investments with original maturities of greater than three months in 2020 (compared to $2.3 billion net proceeds from short-term investments with original maturities of greater than three months in 2019), partially offset by the cash used to acquire Array, net of cash acquired, of $10.9 billion in 2019. *2019 v. 2018* The change is driven primarily by cash used for the acquisition of Array, net of cash acquired, of $10.9 billion in 2019, partially offset by an increase in net proceeds generated from the sale of investments of $2.9 billion for cash needs, including financing the acquisition of Array.
Financing activities from continuing operations	**$ (21,640)**	$ (8,485)	$ (20,441)	*2020 v. 2019* The change is driven primarily by $14.0 billion net payments on short-term borrowings in 2020 (compared to $10.6 billion net proceeds raised from short-term borrowings in 2019) and an increase in cash dividends paid of $397 million, partially offset by a decrease in purchases of common stock of $8.9 billion, lower repayments on long-term debt of $2.8 billion, and an increase in issuances of long-term debt of $280 million. *2019 v. 2018*

Cash Flows from Discontinued Operations

Cash flows from discontinued operations relate to the Upjohn Business (see *Note 2B*). In 2020, net cash provided by financing activities from discontinued operations primarily reflects issuances of long-term debt.

ANALYSIS OF FINANCIAL CONDITION, LIQUIDITY, CAPITAL RESOURCES AND MARKET RISK

We rely largely on operating cash flows, short-term investments or commercial paper borrowings and long-term debt to provide for our liquidity requirements. We continue our efforts to improve cash inflows through working capital efficiencies. We target specific areas of focus including accounts receivable, inventories, accounts payable, and other working capital, which allows us to optimize our operating cash flows.

Due to our significant operating cash flows as well as our financial assets, access to capital markets and available lines of credit and revolving credit agreements, we believe that we have, and will maintain, the ability to meet our liquidity needs for the foreseeable future, which can include, among others:

- the working capital requirements of our operations, including our R&D activities;
- investments in our business;
- dividend payments and potential increases in the dividend rate;
- share repurchases;
- the cash requirements for our cost-reduction/productivity initiatives;
- paying down outstanding debt;
- contributions to our pension and postretirement plans; and
- business development activities.

Our long-term debt is rated high-quality by both S&P and Moody's. See the *Credit Ratings* section below. We have taken, and will continue to take, a conservative approach to our financial investments and monitoring of our liquidity position in response to market changes. Our debt investments consist primarily of high-quality, highly liquid, well-diversified available-for-sale debt securities.

Debt Capacity—Lines of Credit

We have available lines of credit and revolving credit agreements with a group of banks and other financial intermediaries. We typically maintain cash and cash equivalent balances and short-term investments which, together with our available revolving credit facilities, are in excess of our commercial paper and other short-term borrowings. See *Note 7C*.

Selected Measures of Liquidity and Capital Resources

The following presents certain relevant measures of our liquidity and capital resources:

	As of December 31,	
(MILLIONS OF DOLLARS, EXCEPT RATIOS)	**2020**	2019
Selected financial assets[(a)]:		
Cash and cash equivalents	**$ 1,784**	$ 1,121
Short-term investments	**10,437**	8,525
Long-term investments, excluding private equity securities at cost	**2,973**	2,258
	15,195	11,905
Debt:		
Short-term borrowings, including current portion of long-term debt	**2,703**	16,195
Long-term debt	**37,133**	35,955
	39,835	52,150
Selected net financial liabilities	**$ (24,641)**	$ (40,245)
Working capital[(b)]	**$ 9,147**	$ (4,501)
Ratio of current assets to current liabilities	**1.35:1**	0.88:1

[(a)] See *Note 7* for a description of certain assets held and for a description of credit risk related to our financial instruments held.

[b] The increase in working capital was primarily driven by the use of Upjohn cash distribution proceeds to pay down short-term commercial paper borrowings. See *Note 2B*.

On November 16, 2020, we received $12.0 billion as partial consideration for the contribution of the Upjohn Business to Viatris (see *Note 2B*). In November 2020, we used the cash proceeds to pay down commercial paper and redeem, before the maturity date, the $1.15 billion aggregate principal amount outstanding of 1.95% senior unsecured notes that were due in June 2021 and $342 million aggregate principal amount of 5.80% senior unsecured notes that were due in August 2023.

In May 2020, we completed a public offering of $4.0 billion aggregate principal amount of senior unsecured notes.

In March 2020, we:

- completed a public offering of $1.25 billion aggregate principal amount of senior unsecured sustainability notes. The proceeds were initially used to repay outstanding commercial paper and subsequently will be used to help manage our environmental impact and support increased patient access to our medicines and vaccines, especially among underserved populations, and strengthen healthcare systems; and
- repurchased at par all $1.065 billion principal amount outstanding of senior unsecured notes that were due in 2047 before the maturity date.

For additional information about these issuances and retirements, see *Note 7D.*

For additional information about the sources and uses of our funds, see the *Analysis of the Consolidated Statements of Cash Flows* within MD&A.

Credit Ratings

Two major corporate debt-rating organizations, Moody's and S&P, assign ratings to our short-term and long-term debt. A security rating is not
a recommendation to buy, sell or hold securities and the rating is subject to revision or withdrawal at any time by the rating organization. Each
rating should be evaluated independently of any other rating.

The current ratings assigned to our commercial paper and senior unsecured long-term debt:

NAME OF RATING AGENCY	Pfizer Short-Term Rating	Pfizer Long-Term Rating	Outlook/Watch	Date of Last Rating Change
Moody's	P-1	A2	Stable	November 2020
S&P	A-1+	A+	Stable	November 2020

Both Moody's and S&P lowered Pfizer's long-term debt rating one notch to 'A2' and 'A+', respectively, upon completion of the Upjohn separation in November 2020. Pfizer's short-term rating remained unchanged. Additionally, both rating agencies removed Pfizer's long-term debt rating from "under review" and assigned a stable outlook.

LIBOR

For information on interest rate risk and LIBOR, see the *Item 1A. Risk Factors—Global Operations* section in this Form 10-K. We do not expect the transition to an alternative rate to have a material impact on our liquidity or financial resources.

Global Economic Conditions

Our Venezuela and Argentina operations function in hyperinflationary economies. The impact to Pfizer is not considered material. For additional information on the global economic environment, see the *Item 1A. Risk Factors—Global Operations* section in this Form 10-K.

Market Risk

The objective of our financial risk management program is to minimize the impact of foreign exchange rate and interest rate movements on our earnings. We address these exposures through a combination of operational means and financial instruments. We adapt our practices periodically as economic conditions change. For more information, see *Notes 1F* and *7E*, as well as the *Item 1A. Risk Factors—Global Operations* section in this Form 10-K for key currencies in which we operate.

Foreign Exchange Risk—We are subject to foreign exchange risk in our commercial operations, assets and liabilities that are denominated in foreign currencies and our net investments in foreign subsidiaries.

On the commercial side, a significant portion of our revenues and earnings is exposed to changes in exchange rates. Where foreign exchange risk is not offset by other exposures, we may use foreign currency forward-exchange contracts and/or foreign currency swaps to manage that risk.

With respect to our financial assets and liabilities, our primary foreign exchange exposure arises from intercompany receivables and payables, and, to a lesser extent, from investments and debt denominated in currencies other than the functional currency of the business entity.

In addition, under certain market conditions, we may seek to protect against possible declines in the reported net investments of our foreign business entities. In these cases, we may use foreign exchange contracts and/or foreign currency debt.

The fair values of our financial instrument holdings are analyzed at year-end to determine their sensitivity to foreign exchange rate changes. In this analysis, holding all other assumptions constant and assuming that a change in one currency's rate relative to the U.S. dollar would not have any effect on another currency's rates relative to the U.S. dollar, if the dollar were to appreciate against all other currencies by 10%, as of December 31, 2020, the expected adverse impact on our net income would not be significant.

Interest Rate Risk—Our interest-bearing investments and borrowings are subject to interest rate risk which may have an impact on net income. Depending on market conditions, we may change the profile of our outstanding debt or investments by entering into derivative financial instruments like interest rate swaps, either to hedge or offset the exposure to changes in the fair value of hedged items with fixed interest rates, or to convert variable rate debt (or investments) to fixed rates.

The fair values of our financial instrument holdings are analyzed at year-end to determine their sensitivity to interest rate changes. In this analysis, holding all other assumptions constant and assuming a parallel shift in the interest rate curve for all maturities and for all instruments, if there were a one hundred basis point decrease in interest rates as of December 31, 2020, the expected adverse impact on our net income would not be significant.

Equity Price Risk—We hold equity securities with readily determinable fair values in life science companies as a result of certain business development transactions. While we are holding such securities, we are subject to equity price risk, and this may increase the volatility of our income in future periods due to changes in the fair value of equity investments. From time to time, we will sell such equity securities based on our business considerations, which may include limiting our price risk.

Our equity securities with readily determinable fair values are analyzed at year-end to determine their sensitivity to equity price rate changes. In this sensitivity analysis, the expected adverse impact on our net income would not be significant.

Contractual Obligations

Payments due under contractual obligations as of December 31, 2020, mature as follows:

(MILLIONS OF DOLLARS)	Total	Years 2021	2022-2023	2024-2025	There-after	
Long-term debt, including current portion[a]	$39,135	$ 2,002	$ 4,346	$ 3,068	$ 29,719	Consists of senior unsecured notes (including fixed and floating rate, foreign currency denominated, and other notes). Commitments under financing leases are not significant.
Interest payments on long-term debt obligations[a]	21,122	1,390	2,746	2,455	14,530	Incorporates only current period assumptions for interest rates, foreign currency translation rates and hedging strategies, and assumes that interest is accrued through the maturity date or expiration of the related instrument.
Other long-term liabilities[b]	2,070	383	451	381	855	Includes expected payments relating to our unfunded U.S. supplemental (non-qualified) pension plans, postretirement plans and deferred compensation plans. Excludes amounts relating to our U.S. qualified pension plans and international pension plans, all of which have a substantial amount of plan assets, because the required funding obligations are not expected to be material and/or because such liabilities do not necessarily reflect future cash payments, as the impact of changes in economic conditions on the fair value of the pension plan assets and/or liabilities can be significant. Also, excludes $4.2 billion of liabilities related to the fair value of derivative financial instruments, legal matters and employee terminations, among other liabilities, most of which do not represent contractual obligations.
Operating leases[c]	3,312	357	638	460	1,856	Includes future minimum rental commitments under non-cancelable operating leases, including an agreement to lease space in an office building in New York City.
Purchase obligations and other[d]	3,793	847	1,470	933	543	Includes agreements to purchase goods and services that are enforceable and legally binding and includes amounts relating to advertising, information technology services, employee benefit administration services, and potential milestone payments deemed reasonably likely to occur.
Other taxes payable—deemed repatriated accumulated post-1986 earnings of foreign subsidiaries[e]	9,000	700	1,700	3,700	2,900	Represents estimated cash payments related to the TCJA repatriation tax liability.
Uncertain tax positions[e]	42	42	—	—	—	Includes only income tax amounts currently payable. We are unable to predict the timing of tax settlements related to our noncurrent obligations for uncertain tax positions as tax audits can involve complex issues and the resolution of those issues may span multiple years, particularly if subject to negotiation or litigation.

[a] See *Note 7*.

[b] See *Notes 3*, *7A*,*11E* and*16*.

[c] See *Note 15*.

[d] Also includes obligations to make guaranteed fixed annual payments over the next six years in connection with the U.S. and EU approvals for Besponsa ($401 million) and an obligation to make guaranteed fixed annual payments over the next seven years for Bosulif ($195 million), both associated with R&D arrangements.

[e] See *Note 5.*

The above table includes amounts for potential milestone payments under collaboration, licensing or other arrangements, if the payments are deemed reasonably likely to occur. Payments under these agreements generally become due and payable only upon the achievement of certain development, regulatory and/or commercialization milestones, which may span several years and which may never occur.

In 2021, we expect to spend approximately $3.0 billion on property, plant and equipment. We rely largely on operating cash flows to fund our capital investment needs.

Off-Balance Sheet Arrangements

In the ordinary course of business and in connection with the sale of assets and businesses and other transactions, we often indemnify our counterparties against certain liabilities that may arise in connection with the transaction or that are related to events and activities. For more information on guarantees and indemnifications, see *Note 16B*.

Additionally, certain of our co-promotion or license agreements give our licensors or partners the rights to negotiate for, or in some cases to obtain under certain financial conditions, co-promotion or other rights in specified countries with respect to certain of our products.

Share-Purchase Plans and Accelerated Share Repurchase Agreements

See *Note 12* for information on the shares of our common stock purchased and the cost of purchases under our publicly announced share-purchase plans, including our accelerated share repurchase agreements. At December 31, 2020, our remaining share-purchase authorization was approximately $5.3 billion.

Dividends on Common Stock

In December 2020, our BOD declared a first-quarter dividend of $0.39 per share, payable on March 5, 2021, to shareholders of record at the close of business on January 29, 2021. The first-quarter 2021 cash dividend will be our 329th consecutive quarterly dividend.

Our current and projected dividends provide a return to shareholders while maintaining sufficient capital to invest in growing our business. Our dividends are not restricted by debt covenants. While the dividend level remains a decision of Pfizer's BOD and will continue to be evaluated in the context of future business performance, we currently believe that we can support future annual dividend increases, barring significant unforeseen events. Viatris is expected to begin paying a quarterly dividend in the second quarter of 2021, at which time Pfizer's quarterly dividend is expected to be reduced such that the combined dividend dollar amount received by Pfizer shareholders, based upon the combination of continued Pfizer ownership and approximately 0.124079 shares of Viatris common stock which were granted for each Pfizer share in the spin-off, will equate to Pfizer's dividend amount in effect immediately prior to the initiation of the Viatris dividend.

NEW ACCOUNTING STANDARDS

Recently Adopted Accounting Standards

See *Note 1B.*

Recently Issued Accounting Standards, Not Adopted as of December 31, 2020

Standard/Description	Effective Date	Effect on the Financial Statements
Accounting for income taxes eliminates certain exceptions to the guidance, related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill.	January 1, 2021.	We do not expect this guidance to have a material impact on our consolidated financial statements.
Reference rate reform provides temporary optional expedients and exceptions to the guidance for contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued after 2021 because of reference rate reform. The new guidance provides the following optional expedients: 1. Simplify accounting analyses under current U.S. GAAP for contract modifications. 2. Simplify the assessment of hedge effectiveness and allow hedging relationships affected by reference rate reform to continue. 3. Allow a one-time election to sell or transfer debt securities classified as held to maturity that reference a rate affected by reference rate reform.	Elections can be adopted prospectively at any time in the first quarter of 2020 through December 31, 2022.	We are assessing the impact of the provisions of this new guidance on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this Item is incorporated by reference to the discussion in the *Analysis of Financial Condition, Liquidity, Capital Resources and Market Risk—Selected Measures of Liquidity and Capital Resources* section within MD&A.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Pfizer Inc. and Subsidiary Companies (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 25, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of the U.S. Medicare, Medicaid, and performance-based contract rebates accrual

As discussed in Note 1G to the consolidated financial statements, the Company records estimated deductions for Medicare, Medicaid, and performance-based contract rebates (collectively, U.S. rebates) as a reduction to gross product revenues. The accrual for U.S. rebates is recorded in the same period that the corresponding revenues are recognized. The length of time between when a sale is made and when the U.S. rebate is paid by the Company can be as long as one year, which increases the need for significant management judgment and knowledge of market conditions and practices in estimating the accrual.

We identified the evaluation of the U.S. rebates accrual as a critical audit matter because the evaluation of the product-specific experience ratio assumption involved especially challenging auditor judgment. The product-specific experience ratio assumption relates to estimating which of the Company's revenue transactions will ultimately be subject to a related rebate.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's U.S. rebates accrual process related to the development of the product-specific experience ratio assumptions. We estimated the U.S. rebates accrual using internal information and historical data and compared the result to the Company's estimated U.S. rebates accrual. We evaluated the Company's ability to accurately estimate the accrual for U.S. rebates by comparing historically recorded accruals to the actual amount that was ultimately paid by the Company.

Evaluation of gross unrecognized tax benefits

As discussed in Notes 5D and 1P, the Company's tax positions are subject to audit by local taxing authorities in each respective tax jurisdiction, and the resolution of such audits may span multiple years. Since tax law is complex and often subject to varied interpretations and judgments, it is uncertain whether some of the Company's tax positions will be sustained upon audit. As of December 31, 2020, the Company has recorded gross unrecognized tax benefits, excluding associated interest, of $5.6 billion.

We identified the evaluation of the Company's gross unrecognized tax benefits as a critical audit matter because a high degree of audit effort, including specialized skills and knowledge, and complex auditor judgment was required in evaluating the Company's interpretation of tax law and its estimate of the ultimate resolution of its tax positions.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of an internal control over the Company's liability for unrecognized tax position process related to (1) interpretation

of tax law, (2) evaluation of which of the Company's tax positions may not be sustained upon audit, and (3) estimation and recording of the gross unrecognized tax benefits. We involved tax and valuation professionals with specialized skills and knowledge who assisted in evaluating the Company's interpretation of tax laws, including the assessment of transfer pricing practices in accordance with applicable tax laws and regulations. We inspected settlements with applicable taxing authorities, including assessing the expiration of statutes of limitations. We tested the calculation of the liability for uncertain tax positions, including an evaluation of the Company's assessment of the technical merits of tax positions and estimates of the amount of tax benefits expected to be sustained.

Evaluation of product and other product-related litigation

As discussed in Notes 1R and 16 to the consolidated financial statements, the Company is involved in 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. Certain of these pending product and other product-related legal proceedings could result in losses that could be substantial. The accrued liability and/or disclosure for the pending product and other product-related legal proceedings requires a complex series of judgments by the Company about future events, which involves a number of uncertainties.

We identified the evaluation of product and other product-related litigation as a critical audit matter. Challenging auditor judgment was required to evaluate the Company's judgments about future events and uncertainties.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's product liability and other product-related litigation processes, including controls related to (1) the evaluation of information from external and internal legal counsel, (2) forward-looking expectations, and (3) new legal proceedings, or other legal proceedings not currently reserved or disclosed. We read letters received directly from the Company's external and internal legal counsel that described the Company's probable or reasonably possible legal contingency to pending product and other product-related legal proceedings. We inspected the Company's minutes from meetings of the Audit Committee, which included the status of key litigation matters. We evaluated the Company's ability to estimate its monetary exposure to pending product and other product-related legal proceedings by comparing historically recorded liabilities to actual monetary amounts incurred upon resolution of prior legal matters. We analyzed relevant publicly available information about the Company, its competitors, and the industry.

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KPMG LLP

We have not been able to determine the specific year that KPMG and our predecessor firms began serving as the Company's auditor, however, we are aware that KPMG and our predecessor firms have served as the Company's auditor since at least 1942.

New York, New York

February 25, 2021

Consolidated Statements of Income

Pfizer Inc. and Subsidiary Companies

(MILLIONS, EXCEPT PER COMMON SHARE DATA)	Year Ended December 31, 2020	2019	2018
Revenues	**$ 41,908**	$ 41,172	$ 40,825
Costs and expenses:			
Cost of sales[a]	**8,692**	8,251	8,987
Selling, informational and administrative expenses[a]	**11,615**	12,750	12,612
Research and development expenses[a]	**9,405**	8,394	7,760
Amortization of intangible assets	**3,436**	4,462	4,736
Restructuring charges and certain acquisition-related costs	**600**	601	1,058
(Gain) on completion of Consumer Healthcare JV transaction	**(6)**	(8,086)	—
Other (income)/deductions—net	**669**	3,314	2,077
Income from continuing operations before provision/(benefit) for taxes on income	**7,497**	11,485	3,594
Provision/(benefit) for taxes on income	**477**	618	(266)
Income from continuing operations	**7,021**	10,867	3,861
Income from discontinued operations—net of tax	**2,631**	5,435	7,328
Net income before allocation to noncontrolling interests	**9,652**	16,302	11,188
Less: Net income attributable to noncontrolling interests	**36**	29	36
Net income attributable to Pfizer Inc. common shareholders	**$ 9,616**	$ 16,273	$ 11,153
Earnings per common share—basic:			
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.26**	$ 1.95	$ 0.65
Income from discontinued operations—net of tax	**0.47**	0.98	1.25
Net income attributable to Pfizer Inc. common shareholders	**$ 1.73**	$ 2.92	$ 1.90
Earnings per common share—diluted:			
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.24**	$ 1.91	$ 0.64
Income from discontinued operations—net of tax	**0.47**	0.96	1.23
Net income attributable to Pfizer Inc. common shareholders	**$ 1.71**	$ 2.87	$ 1.87
Weighted-average shares—basic	**5,555**	5,569	5,872
Weighted-average shares—diluted	**5,632**	5,675	5,977

[a] Exclusive of amortization of intangible assets, except as disclosed in *Note 1L.*

See Accompanying Notes.

Consolidated Statements of Comprehensive Income

Pfizer Inc. and Subsidiary Companies

	Year Ended December 31,		
(MILLIONS)	**2020**	2019	2018
Net income before allocation to noncontrolling interests	**$ 9,652**	$ 16,302	$ 11,188
Foreign currency translation adjustments, net	**$ 957**	$ 654	$ (799)
Reclassification adjustments	**(17)**	(288)	(22)
	940	366	(821)
Unrealized holding gains/(losses) on derivative financial instruments, net	**(582)**	476	220
Reclassification adjustments for (gains)/losses included in net income[a]	**21**	(664)	27
	(561)	(188)	247
Unrealized holding gains/(losses) on available-for-sale securities, net	**361**	(1)	(185)
Reclassification adjustments for (gains)/losses included in net income[b]	**(188)**	39	124
Reclassification adjustments for unrealized gains included in *Retained earnings*[c]	**—**	—	(462)
	173	38	(522)
Benefit plans: actuarial gains/(losses), net	**(1,128)**	(826)	(649)
Reclassification adjustments related to amortization	**276**	241	242
Reclassification adjustments related to settlements, net	**278**	274	142
Other	**(189)**	22	112
	(763)	(289)	(153)
Benefit plans: prior service (costs)/credits and other, net	**52**	(7)	(9)
Reclassification adjustments related to amortization of prior service costs and other, net	**(176)**	(181)	(181)
Reclassification adjustments related to curtailments of prior service costs and other, net	**—**	(2)	(19)
Other	**—**	1	2
	(124)	(189)	(207)
Other comprehensive income/(loss), before tax	**(335)**	(262)	(1,457)
Tax provision/(benefit) on other comprehensive income/(loss)[d]	**(349)**	115	518
Other comprehensive income/(loss) before allocation to noncontrolling interests	**$ 14**	$ (376)	$ (1,975)
Comprehensive income before allocation to noncontrolling interests	**$ 9,666**	$ 15,926	$ 9,214
Less: Comprehensive income/(loss) attributable to noncontrolling interests	**27**	18	16
Comprehensive income attributable to Pfizer Inc.	**$ 9,639**	$ 15,908	$ 9,198

[a] Reclassified into *Other (income)/deductions—net* and *Cost of sales*. See *Note 7E*.

[b] Reclassified into *Other (income)/deductions—net*.

[c] See *Note 1B* in our 2018 Financial Report.

[d] See *Note 5E*.

See Accompanying Notes.

Consolidated Balance Sheets

Pfizer Inc. and Subsidiary Companies

(MILLIONS, EXCEPT PREFERRED STOCK ISSUED AND PER COMMON SHARE DATA)	As of December 31, 2020	2019
Assets		
Cash and cash equivalents	**$ 1,784**	$ 1,121
Short-term investments	**10,437**	8,525
Trade accounts receivable, less allowance for doubtful accounts: 2020—$508; 2019—$493	**7,930**	6,772
Inventories	**8,046**	7,068
Current tax assets	**3,264**	2,736
Other current assets	**3,438**	2,357
Current assets of discontinued operations and other assets held for sale	**167**	4,224
Total current assets	**35,067**	32,803
Equity-method investments	**16,856**	17,133
Long-term investments	**3,406**	3,014
Property, plant and equipment	**13,900**	12,969
Identifiable intangible assets	**28,471**	33,936
Goodwill	**49,577**	48,202
Noncurrent deferred tax assets and other noncurrent tax assets	**2,383**	1,911
Other noncurrent assets	**4,569**	4,199
Noncurrent assets of discontinued operations	**—**	13,427
Total assets	**$ 154,229**	$ 167,594
Liabilities and Equity		
Short-term borrowings, including current portion of long-term debt: 2020—$2,002; 2019—$1,462	**$ 2,703**	$ 16,195
Trade accounts payable	**4,309**	3,887
Dividends payable	**2,162**	2,104
Income taxes payable	**1,049**	980
Accrued compensation and related items	**3,058**	2,390
Other current liabilities	**12,640**	9,334
Current liabilities of discontinued operations	**—**	2,413
Total current liabilities	**25,920**	37,304
Long-term debt	**37,133**	35,955
Pension benefit obligations	**4,766**	5,291
Postretirement benefit obligations	**645**	926
Noncurrent deferred tax liabilities	**4,063**	5,652
Other taxes payable	**11,560**	12,126
Other noncurrent liabilities	**6,669**	6,894
Total liabilities	**90,756**	104,148
Commitments and Contingencies		
Preferred stock, no par value, at stated value; 27 shares authorized; issued: 2020—0; 2019—431	**—**	17
Common stock, $0.05 par value; 12,000 shares authorized; issued: 2020—9,407; 2019—9,369	**470**	468
Additional paid-in capital	**88,674**	87,428
Treasury stock, shares at cost: 2020—3,840; 2019—3,835	**(110,988)**	(110,801)
Retained earnings	**96,770**	97,670
Accumulated other comprehensive loss	**(11,688)**	(11,640)
Total Pfizer Inc. shareholders' equity	**63,238**	63,143

See Accompanying Notes.

Consolidated Statements of Equity

Pfizer Inc. and Subsidiary Companies

(MILLIONS, EXCEPT PREFERRED SHARES AND PER SHARE AMOUNTS)	PFIZER INC. SHAREHOLDERS										
	Preferred Stock		Common Stock			Treasury Stock					
	Shares	Stated Value	Shares	Par Value	Add'l Paid-In Capital	Shares	Cost	Retained Earnings	Accum. Other Comp. Loss	Share-holders' Equity	Non-controlling Interests	Total Equity
Balance, January 1, 2018	524	$ 21	9,275	$ 464	$84,278	(3,296)	$ (89,425)	$85,291	$ (9,321)	$71,308	$ 348	$71,656
Net income								11,153		11,153	36	11,188
Other comprehensive income/(loss), net of tax									(1,955)	(1,955)	(20)	(1,975)
Cash dividends declared, per share:												
$1.38												
Common stock								(8,060)		(8,060)		(8,060)
Preferred stock								(1)		(1)		(1)
Noncontrolling interests										—	(12)	(12)
Share-based payment transactions			57	3	1,977	(12)	13			1,993		1,993
Purchases of common stock						(307)	(12,198)			(12,198)		(12,198)
Preferred stock conversions and redemptions	(46)	(2)			(3)	—	—			(4)		(4)
Other[a]					—	—		1,172		1,172	—	1,172
Balance, December 31, 2018	478	19	9,332	467	86,253	(3,615)	(101,610)	89,554	(11,275)	63,407	351	63,758
Net income								16,273		16,273	29	16,302
Other comprehensive income/(loss), net of tax									(365)	(365)	(11)	(376)
Cash dividends declared, per share:												
$1.46												
Common stock								(8,174)		(8,174)		(8,174)
Preferred stock								(1)		(1)		(1)
Noncontrolling interests										—	(6)	(6)
Share-based payment transactions			37	2	1,219	(8)	(326)			894		894
Purchases of common stock						(213)	(8,865)			(8,865)		(8,865)
Preferred stock conversions and redemptions	(47)	(2)			(3)	—	1			(4)		(4)
Other					(40)	—	—	19		(21)	(60)	(81)
Balance, December 31, 2019	431	17	9,369	468	87,428	(3,835)	(110,801)	97,670	(11,640)	63,143	303	63,447
Net income								**9,616**		**9,616**	**36**	**9,652**
Other comprehensive income/(loss), net of tax									**23**	**23**	**(9)**	**14**
Cash dividends declared, per share:												
$1.53												
Common stock								**(8,571)**		**(8,571)**		**(8,571)**
Preferred stock								**—**		**—**		**—**
Noncontrolling interests										**—**	**(91)**	**(91)**
Share-based payment transactions			**37**	**2**	**1,261**	**(6)**	**(218)**			**1,044**		**1,044**
Preferred stock conversions and redemptions[b]	**(431)**	**(17)**			**(15)**	**1**	**31**			**(1)**		**(1)**
Distribution of Upjohn Business[c]								**(1,944)**	**(71)**	**(2,015)**	**(3)**	**(2,018)**
Other					**—**	**—**		**—**		**—**	**(1)**	**(1)**
Balance, December 31, 2020	**—**	**$ —**	**9,407**	**$ 470**	**$88,674**	**(3,840)**	**$(110,988)**	**$96,770**	**$(11,688)**	**$63,238**	**$ 235**	**$63,473**

[a] Primarily represents the cumulative effect of the adoption of new accounting standards in 2018 for revenues, financial assets and liabilities, income tax accounting, and the reclassification of certain tax effects. See *Note 1B* in our 2018 Financial Report.

[b] See *Note 12*.

[c] See *Note 2B*.

See Accompanying Notes.

Consolidated Statements of Cash Flows

Pfizer Inc. and Subsidiary Companies

(MILLIONS)	Year Ended December 31, 2020	2019	2018
Operating Activities			
Net income before allocation to noncontrolling interests	**$ 9,652**	$ 16,302	$ 11,188
Income from discontinued operations—net of tax	**2,631**	5,435	7,328
Net income from continuing operations before allocation to noncontrolling interests	**7,021**	10,867	3,861
Adjustments to reconcile net income before allocation to noncontrolling interests to net cash provided by operating activities:			
Depreciation and amortization	**4,777**	5,795	6,150
Asset write-offs and impairments	**2,049**	2,941	3,398
TCJA impact	**—**	(323)	(596)
Gain on completion of Consumer Healthcare JV transaction, net of cash conveyed[(a)]	**(6)**	(8,233)	—
Deferred taxes from continuing operations	**(1,468)**	596	(2,204)
Share-based compensation expense	**756**	688	923
Benefit plan contributions in excess of expense/income	**(1,790)**	(288)	(1,057)
Other adjustments, net	**(478)**	(1,080)	(1,266)
Other changes in assets and liabilities, net of acquisitions and divestitures:			
Trade accounts receivable	**(1,249)**	(1,140)	(458)
Inventories	**(736)**	(1,080)	(432)
Other assets	**(146)**	840	(52)
Trade accounts payable	**353**	(340)	404
Other liabilities	**2,741**	851	367
Other tax accounts, net	**(1,238)**	(3,084)	(163)
Net cash provided by operating activities from continuing operations	**10,586**	7,011	8,875
Net cash provided by operating activities from discontinued operations	**3,817**	5,576	6,952
Net cash provided by operating activities	**14,403**	12,588	15,827
Investing Activities			
Purchases of property, plant and equipment	**(2,252)**	(2,072)	(1,984)
Purchases of short-term investments	**(13,805)**	(6,835)	(11,677)
Proceeds from redemptions/sales of short-term investments	**11,087**	9,183	17,581
Net (purchases of)/proceeds from redemptions/sales of short-term investments with original maturities of three months or less	**920**	6,925	(3,917)
Purchases of long-term investments	**(597)**	(201)	(1,797)
Proceeds from redemptions/sales of long-term investments	**723**	232	6,244
Acquisitions of businesses, net of cash acquired	**—**	(10,861)	—
Acquisitions of intangible assets	**(539)**	(418)	(152)
Other investing activities, net[(a)]	**274**	195	287
Net cash provided by/(used in) investing activities from continuing operations	**(4,188)**	(3,852)	4,584
Net cash provided by/(used in) investing activities from discontinued operations	**(82)**	(94)	(60)
Net cash provided by/(used in) investing activities	**(4,271)**	(3,945)	4,525
Financing Activities			
Proceeds from short-term borrowings	**12,352**	16,455	3,711
Principal payments on short-term borrowings	**(22,197)**	(8,378)	(4,437)
Net (payments on)/proceeds from short-term borrowings with original maturities of three months or less	**(4,129)**	2,551	(1,617)
Proceeds from issuance of long-term debt	**5,222**	4,942	4,974
Principal payments on long-term debt	**(4,003)**	(6,806)	(3,566)
Purchases of common stock		(8,865)	(12,198)

Consolidated Statements of Cash Flows

Pfizer Inc. and Subsidiary Companies

	Year Ended December 31,		
	2020	2019	2018
Supplemental Cash Flow Information			
Cash paid (received) during the period for:			
Income taxes	**$ 3,153**	$ 3,664	$ 3,655
Interest paid	**1,641**	1,587	1,311
Interest rate hedges	**(20)**	(42)	(38)
Non-cash transactions:			
32% equity-method investment in the Consumer Healthcare JV received in exchange for contributing Pfizer's Consumer Healthcare business[(a)]	**$ —**	$ 15,711	$ —
Equity investment in Allogene received in exchange for Pfizer's allogeneic CAR T developmental program assets	**—**	—	92
Equity investment in Cerevel in exchange for Pfizer's portfolio of clinical and preclinical neuroscience assets	**—**	—	343

[(a)] The $8.2 billion *Gain on completion of Consumer Healthcare JV transaction, net of cash conveyed* reflects the receipt of a 32% equity-method investment in the new company initially valued at $15.7 billion in exchange for net assets contributed of $7.6 billion and is presented in operating activities net of $146 million cash conveyed that is reflected in *Other investing activities, net*. See *Note 2C*.

See Accompanying Notes.

Note 1. Basis of Presentation and Significant Accounting Policies

A. Basis of Presentation

The consolidated financial statements include the accounts of our parent company and all subsidiaries and are prepared in accordance with U.S. GAAP. The decision of whether or not to consolidate an entity for financial reporting purposes requires consideration of majority voting interests, as well as effective economic or other control over the entity. Typically, we do not seek control by means other than voting interests. For subsidiaries operating outside the U.S., the financial information is included as of and for the year ended November 30 for each year presented. Pfizer's fiscal year-end for U.S. subsidiaries is as of and for the year ended December 31 for each year presented. Substantially all unremitted earnings of international subsidiaries are free of legal and contractual restrictions. All significant transactions among our subsidiaries have been eliminated.

On November 16, 2020, we completed the spin-off and the combination of our Upjohn Business with Mylan. Prior to the separation of the Upjohn Business, beginning in 2020, the Upjohn Business, Meridian, which is the manufacturer of EpiPen and other auto-injector products, and a pre-existing strategic collaboration between Pfizer and Mylan for generic drugs in Japan (the Mylan-Japan collaboration) were managed as part of our former Upjohn operating segment. Revenues and expenses associated with Meridian and the Mylan-Japan collaboration were included in the Upjohn operating segment results along with the results of operations of the Upjohn Business in Pfizer's historical consolidated financial statements. Meridian, which remains with Pfizer, supplies EpiPen Auto-Injectors to Viatris under a supply agreement expiring December 31, 2024, with an option for Viatris to extend for an additional one-year term. On December 21, 2020, which falls in Pfizer's international 2021 fiscal year, Pfizer and Viatris completed the termination, under the previously disclosed agreement dated November 13, 2020, of the Mylan-Japan collaboration and we transferred related inventories and operations that were part of the Mylan-Japan collaboration to Viatris. Beginning in the fourth quarter of 2020, the financial results of the Upjohn Business and the Mylan-Japan collaboration are reflected as discontinued operations for all periods presented. The financial results of Meridian are now included in our Hospital therapeutic area for all periods presented. Upon completion of the spin-off of the Upjohn Business on November 16, 2020, the Upjohn assets and liabilities were derecognized from our consolidated balance sheet and are reflected in *Retained Earnings–Distribution of Upjohn Business* in the consolidated statement of equity. The assets and liabilities associated with the Upjohn Business and the Mylan-Japan collaboration are classified as assets and liabilities of discontinued operations. Certain prior year amounts have been reclassified to conform with the current year presentation. In addition, other acquisitions and business development activities completed in 2020, 2019 and 2018, including the acquisitions of Array and Therachon, and the contribution of our Consumer Healthcare business to the Consumer Healthcare JV, impacted financial results in the periods presented. See *Note 2.*

Prior to the separation of the Upjohn Business, we managed our commercial operations through three distinct business segments: (i) our innovative science-based biopharmaceutical products business (Biopharma); (ii) our global, primarily off-patent branded and generics business (Upjohn); and (iii) through July 31, 2019, Pfizer's consumer healthcare business. With the formation of the Consumer Healthcare JV in 2019 and the completion of the spin-off of our Upjohn Business in the fourth quarter of 2020, Pfizer has transformed into a more focused, global leader in science-based innovative medicines and vaccines. We now operate as a single operating segment engaged in the discovery, development, manufacturing, marketing, sales and distribution of biopharmaceutical products worldwide. Regional commercial organizations market, distribute and sell our products. Our commercial organization is supported by global platform functions that are responsible for the research, development, manufacturing and supply of our products. The business is also supported by global corporate enabling functions. Our determination that we operate as a single segment is consistent with the financial information regularly reviewed by the chief operating decision maker for purposes of evaluating performance, allocating resources, setting incentive compensation targets, and planning and forecasting for future periods. Our chief operating decision maker allocates resources and assesses financial performance on a consolidated basis. Prior-period information has been restated to reflect our current organizational structure following the separation of the Upjohn Business. For information about product and geographic revenues, see *Note 17*.

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

B. New Accounting Standards Adopted in 2020

On January 1, 2020, we adopted the following accounting standards:

Credit Losses on Financial Instruments—We adopted a new accounting standard for credit losses on financial instruments, which replaces the probable initial recognition threshold for incurred loss estimates under prior guidance with a methodology that reflects expected credit loss estimates. The standard generally impacts financial assets that have a contractual right to receive cash and are not accounted for at fair value through net income, such as accounts receivable and held-to-maturity debt securities. The new guidance requires us to identify, analyze, document and support new methodologies for quantifying expected credit loss estimates for certain financial instruments, using information such as historical experience, current economic conditions and information, and the use of reasonable and supportable forecasted information. The standard also amends existing impairment guidance for available-for-sale debt securities to incorporate a credit loss allowance and allows for reversals of credit impairments in the event the issuer's credit improves.

We adopted the new accounting standard utilizing the modified retrospective method and, therefore, no adjustments were made to prior period financial statements. The cumulative effect of adopting the standard as an adjustment to the opening balance of *Retained earnings* was not material. The adoption of this standard did not have a material impact on our consolidated statement of income or consolidated statement of cash flows for the year ended December 31, 2020, nor on our consolidated balance sheet as of December 31, 2020. For additional information, see *Note 1G.*

Goodwill Impairment Testing—We prospectively adopted the new standard, which eliminates the requirement to perform a hypothetical purchase price allocation to measure goodwill impairment. Under the new guidance, the goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount, and recognizing an impairment charge for the amount by which the carrying amount

of the reporting unit exceeds its fair value. There was no impact to our consolidated financial statements from the adoption of this new standard.

Implementation Costs in a Cloud Computing Arrangement—We prospectively adopted the new standard related to customers' accounting for implementation costs incurred in a cloud computing arrangement that is considered a service contract. The new guidance aligns the requirements for capitalizing implementation costs in such arrangements with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Collaboration Agreements—We prospectively adopted the new standard, which provides guidance clarifying the interaction between the accounting for collaborative arrangements and revenue from contracts with customers. There was no impact to our consolidated financial statements from the adoption of this new standard.

C. Estimates and Assumptions

In preparing these financial statements, we use certain estimates and assumptions that affect reported amounts and disclosures. These estimates and assumptions can impact all elements of our financial statements. For example, in the consolidated statements of income, estimates are used when accounting for deductions from revenues, determining the cost of inventory that is sold, allocating cost in the form of depreciation and amortization, and estimating restructuring charges and the impact of contingencies, as well as determining provisions for taxes on income. On the consolidated balance sheets, estimates are used in determining the valuation and recoverability of assets, and in determining the reported amounts of liabilities, all of which also impact the consolidated statements of income. Certain estimates of fair value and amounts recorded in connection with acquisitions, revenue deductions, impairment reviews, restructuring-associated charges, investments and financial instruments, valuation allowances, pension and postretirement benefit plans, contingencies, share-based compensation, and other calculations can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions.

Our estimates are often based on complex judgments and assumptions that we believe to be reasonable, but that can be inherently uncertain and unpredictable. If our estimates and assumptions are not representative of actual outcomes, our results could be materially impacted. As future events and their effects cannot be determined with precision, our estimates and assumptions may prove to be incomplete or inaccurate, or unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions. We are subject to risks and uncertainties that may cause actual results to differ from estimated amounts, such as changes in the healthcare environment, competition, litigation, legislation and regulations. We regularly evaluate our estimates and assumptions using historical experience and expectations about the future. We adjust our estimates and assumptions when facts and circumstances indicate the need for change.

D. Acquisitions

Our consolidated financial statements include the operations of acquired businesses after the completion of the acquisitions. We account for acquired businesses using the acquisition method of accounting, which requires, among other things, that most assets acquired and liabilities assumed be recognized at their estimated fair values as of the acquisition date and that the fair value of acquired IPR&D be recorded on the balance sheet. Transaction costs are expensed as incurred. Any excess of the consideration transferred over the assigned values of the net assets acquired is recorded as goodwill. When we acquire net assets that do not constitute a business, as defined in U.S. GAAP, no goodwill is recognized and acquired IPR&D is expensed.

Contingent consideration in a business combination is included as part of the acquisition cost and is recognized at fair value as of the acquisition date. Fair value is generally estimated by using a probability-weighted discounted cash flow approach. See *Note 16D*. Any liability resulting from contingent consideration is remeasured to fair value at each reporting date until the contingency is resolved. These changes in fair value are recognized in earnings in *Other (income)/deductions—net*.

E. Fair Value

We measure certain assets and liabilities at fair value, either upon initial recognition or for subsequent accounting or reporting. We estimate fair value using an exit price approach, which requires, among other things, that we determine the price that would be received to sell an asset or paid to transfer a liability in an orderly market. The determination of an exit price is considered from the perspective of market participants, considering the highest and best use of non-financial assets and, for liabilities, assuming that the risk of non-performance will be the same before and after the transfer.

When estimating fair value, depending on the nature and complexity of the asset or liability, we may use one or all of the following techniques:

- Income approach, which is based on the present value of a future stream of net cash flows.
- Market approach, which is based on market prices and other information from market transactions involving identical or comparable assets or liabilities.
- Cost approach, which is based on the cost to acquire or construct comparable assets, less an allowance for functional and/or economic obsolescence.

Our fair value methodologies depend on the following types of inputs:

- Quoted prices for identical assets or liabilities in active markets (Level 1 inputs).
- Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are directly or indirectly observable, or inputs that are derived principally from, or corroborated by, observable market data by correlation or other means (Level 2 inputs).
- Unobservable inputs that reflect estimates and assumptions (Level 3 inputs).

The following inputs and valuation techniques are used to estimate the fair value of our financial assets and liabilities:

- Available-for-sale debt securities—third-party matrix-pricing model that uses significant inputs derived from or corroborated by observable market data and credit-adjusted yield curves.
- Equity securities with readily determinable fair values—quoted market prices and observable NAV prices.
- Derivative assets and liabilities—third-party matrix-pricing model that uses inputs derived from or corroborated by observable market data. Where applicable, these models use market-based observable inputs, including interest rate yield curves to discount future cash flow amounts, and forward and spot prices for currencies. The credit risk impact to our derivative financial instruments was not significant.
- Money market funds—observable NAV prices.

We periodically review the methodologies, inputs and outputs of third-party pricing services for reasonableness. Our procedures can include, for example, referencing other third-party pricing models, monitoring key observable inputs (like benchmark interest rates) and selectively performing test-comparisons of values with actual sales of financial instruments.

F. Foreign Currency Translation

For most of our international operations, local currencies have been determined to be the functional currencies. We translate functional currency assets and liabilities to their U.S. dollar equivalents at exchange rates in effect as of the balance sheet date and income and expense amounts at average exchange rates for the period. The U.S. dollar effects that arise from changing translation rates are recorded in *Other comprehensive income/(loss)*. The effects of converting non-functional currency monetary assets and liabilities into the functional currency are recorded in *Other (income)/deductions—net*. For operations in highly inflationary economies, we translate monetary items at rates in effect as of the balance sheet date, with translation adjustments recorded in *Other (income)/deductions—net*, and we translate non-monetary items at historical rates.

G. Revenues and Trade Accounts Receivable

Revenue Recognition—We record revenues from product sales when there is a transfer of control of the product from us to the customer. We determine transfer of control based on when the product is shipped or delivered and title passes to the customer.

Our Sales Contracts—Sales on credit are typically under short-term contracts. Collections are based on market payment cycles common in various markets, with shorter cycles in the U.S. Sales are adjusted for sales allowances, chargebacks, rebates and sales returns and cash discounts. Sales returns occur due to LOE, product recalls or a changing competitive environment.

Deductions from Revenues—Our gross product revenues are subject to a variety of deductions, which generally are estimated and recorded in the same period that the revenues are recognized. Such variable consideration represents chargebacks, rebates, sales allowances and sales returns. These deductions represent estimates of the related obligations and, as such, knowledge and judgment is required when estimating the impact of these revenue deductions on gross sales for a reporting period.

Provisions for pharmaceutical sales returns—Provisions are based on a calculation for each market that incorporates the following, as appropriate: local returns policies and practices; historical returns as a percentage of sales; an understanding of the reasons for past returns; estimated shelf life by product; an estimate of the amount of time between shipment and return or lag time; and any other factors that could impact the estimate of future returns, such as LOE, product recalls or a changing competitive environment. Generally, returned products are destroyed, and customers are refunded the sales price in the form of a credit.

We record sales incentives as a reduction of revenues at the time the related revenues are recorded or when the incentive is offered, whichever is later. We estimate the cost of our sales incentives based on our historical experience with similar incentives programs to predict customer behavior.

The following outlines our common sales arrangements:

- *Customers*—Our biopharmaceutical products are sold principally to wholesalers, but we also sell directly to retailers, hospitals, clinics, government agencies and pharmacies. In the U.S., we primarily sell our vaccines products directly to the federal

government, CDC, wholesalers, individual provider offices, retail pharmacies, and integrated delivery networks. Outside the U.S., we primarily sell our vaccines to government and non-government institutions. Customers for our consumer healthcare business, which were part of the business that was combined with GSK's Consumer Healthcare business included retailers and, to a lesser extent, wholesalers and distributors.

Biopharmaceutical products that ultimately are used by patients are generally covered under governmental programs, managed care programs and insurance programs, including those managed through PBMs, and are subject to sales allowances and/or rebates payable directly to those programs. Those sales allowances and rebates are generally negotiated, but government programs may have legislated amounts by type of product (e.g., patented or unpatented).

Specifically:

- In the U.S., we sell our products principally to distributors and hospitals. We also have contracts with managed care programs or PBMs and legislatively mandated contracts with the federal and state governments under which we provide rebates based on medicines utilized by the lives they cover. We record provisions for Medicare, Medicaid, and performance-based contract pharmaceutical rebates based upon our experience ratio of rebates paid and actual prescriptions written during prior periods. We apply the experience ratio to the respective period's sales to determine the rebate accrual and related expense. This experience ratio is evaluated regularly to ensure that the historical trends are as current as practicable. We estimate discounts on branded prescription drug sales to Medicare Part D participants in the Medicare "coverage gap," also known as the "doughnut hole," based on the historical experience of beneficiary prescriptions and consideration of the utilization that is expected to result from the discount in the coverage gap. We evaluate this estimate regularly to ensure that the historical trends and future expectations are as current as practicable. For performance-based contract rebates, we also consider current contract terms, such as changes in formulary status and rebate rates.
- Outside the U.S., the majority of our pharmaceutical sales allowances are contractual or legislatively mandated and our estimates are based on actual invoiced sales within each period, which reduces the risk of variations in the estimation process. In certain European countries,

rebates are calculated on the government's total unbudgeted pharmaceutical spending or on specific product sales thresholds and we apply an estimated allocation factor against our actual invoiced sales to project the expected level of reimbursement. We obtain third-party information that helps us to monitor the adequacy of these accruals.

- Provisions for pharmaceutical chargebacks (primarily reimbursements to U.S. wholesalers for honoring contracted prices to third parties) closely approximate actual amounts incurred, as we settle these deductions generally within two to five weeks of incurring the liability.

We recorded direct product sales and/or alliance revenues of more than $1 billion for each of seven products in 2020, for each of six products in 2019 and for each of seven products in 2018. In the aggregate, these direct products sales and/or alliance product revenues represent 53% of our revenues in 2020, 49% of our revenues in 2019 and 47% of our revenues in 2018. See *Note 17B* for additional information. The loss or expiration of intellectual property rights can have a significant adverse effect on our revenues as our contracts with customers will generally be at lower selling prices due to added competition and we generally provide for higher sales returns during the period in which individual markets begin to near the loss or expiration of intellectual property rights.

Our accruals for Medicare, Medicaid and related state program and performance-based contract rebates, chargebacks, sales allowances and sales returns and cash discounts are as follows:

	As of December 31,	
(MILLIONS OF DOLLARS)	**2020**	2019
Reserve against ***Trade accounts receivable, less allowance for doubtful accounts***	**$ 861**	$ 823
***Other current liabilities*:**		
Accrued rebates	**3,017**	2,512
Other accruals	**436**	379
Other noncurrent liabilities	**399**	384
Total accrued rebates and other sales-related accruals	**$ 4,712**	$ 4,098

Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from *Revenues*.

Trade Accounts Receivable—Trade accounts receivable are stated at their net realizable value. The allowance for credit losses reflects our best estimate of expected credit losses of the receivables portfolio determined on the basis of historical experience, current information, and forecasts of future economic conditions. In developing the estimate for expected credit losses, trade accounts receivables are segmented into pools of assets depending on market (U.S. versus international), delinquency status, and customer type (high risk versus low risk and government versus non-government), and fixed reserve percentages are established for each pool of trade accounts receivables.

In determining the reserve percentages for each pool of trade accounts receivables, we considered our historical experience with certain customers and customer types, regulatory and legal environments, country and political risk, and other relevant current and future forecasted macroeconomic factors. These credit risk indicators are monitored on a quarterly basis to determine whether there have been any changes in the economic environment that would indicate the established reserve percentages should be adjusted, and are considered on a regional basis to reflect more geographic-specific metrics. Additionally, write-offs and recoveries of customer receivables are tracked against collections on a quarterly basis to determine whether the reserve percentages remain appropriate. When management becomes aware of certain customer-specific factors that impact credit risk, specific allowances for these known troubled accounts are recorded. Trade accounts receivable are written off after all reasonable means to collect the full amount (including litigation, where appropriate) have been exhausted.
During 2020, additions to the allowance for credit losses, write-offs and recoveries of customer receivables were not material to our consolidated financial statements.

H. Collaborative Arrangements

Payments to and from our collaboration partners are presented in our consolidated statements of income based on the nature of the arrangement (including its contractual terms), the nature of the payments and applicable accounting guidance. Under co-promotion agreements, we record the amounts received for our share of gross profits from our collaboration partners as alliance revenues, a component of *Revenues,* when our collaboration partners are the principal in the transaction and we receive a share of their net sales or profits. Alliance revenues are recorded as we perform co-promotion activities for the collaboration and the collaboration partners sell the products to their customers. The related expenses for selling and marketing these products including reimbursements to or from our collaboration partners for these costs are included in *Selling, informational and administrative expenses.* In collaborative arrangements where we manufacture a product for our collaboration partners, we record revenues when we transfer control of the product to our collaboration partners. In collaboration arrangements where we are the principal in the transaction, we record amounts paid to collaboration partners for their share of net sales or profits earned, and all royalty payments to collaboration partners as *Cost of sales*. Royalty payments received from collaboration partners are included in *Other (income)/ deductions—net.*

Reimbursements to or from our collaboration partners for development costs are recorded in *Research and development expenses*. Upfront payments and pre-approval milestone payments due from us to our collaboration partners in development stage collaborations are recorded as *Research and development expenses*. Milestone payments due from us to our collaboration partners after regulatory approval has been attained for a medicine are recorded in *Identifiable intangible assets—Developed technology rights*. Upfront and pre-approval milestone payments earned from our collaboration partners by us are recognized in *Other (income)/ deductions—net* over the development period for the products, when our performance obligations include providing R&D services to our collaboration partners. Upfront, pre-approval and post-approval milestone payments earned by us may be recognized in *Other (income)/deductions—net* immediately when earned or over other periods depending upon the nature of our performance obligations in the applicable collaboration. Where the milestone event is regulatory approval for a medicine, we generally recognize milestone payments due to us in the transaction price when regulatory approval in the applicable jurisdiction has been attained. We may recognize milestone payments due to us in the transaction price earlier than the milestone event in certain circumstances when recognition of the income would not be probable of a significant reversal.

I. Cost of Sales and Inventories

Inventories are recorded at the lower of cost or net realizable value. The cost of finished goods, work in process and raw materials is determined using average actual cost. We regularly review our inventories for impairment and reserves are established when necessary.

J. Selling, Informational and Administrative Expenses

Selling, informational and administrative costs are expensed as incurred. Among other things, these expenses include the internal and external costs of marketing, advertising, shipping and handling, information technology and legal defense. Advertising expenses totaled approximately $1.8 billion in 2020, $2.4 billion in 2019 and $2.7 billion in 2018. Production costs are expensed as incurred and the costs of TV, radio, and other electronic media and publications are expensed when the related advertising occurs.

K. Research and Development Expenses

R&D costs are expensed as incurred. These expenses include the costs of our proprietary R&D efforts, as well as costs incurred in connection with certain licensing arrangements. Before a compound receives regulatory approval, we record upfront and milestone payments we make to third parties under licensing arrangements as expense. Upfront payments are recorded when incurred, and milestone payments are recorded when the specific milestone has been achieved. Once a compound receives regulatory approval, we record any milestone payments in *Identifiable intangible assets, less accumulated amortization* and, unless the asset is determined to have an indefinite life, we amortize the payments on a straight-line basis over the remaining agreement term or the expected product life cycle, whichever is shorter.

L. Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets

Long-lived assets include:

- Property, plant and equipment, less accumulated depreciation—These assets are recorded at cost, including any significant improvements after purchase, less accumulated depreciation. Property, plant and equipment assets, other than land and construction in progress, are depreciated on a straight-line basis over the estimated useful life of the individual assets. Depreciation begins when the asset is ready for its intended use. For tax purposes, accelerated depreciation methods are used as allowed by tax laws.
- *Identifiable intangible assets, less accumulated amortization*—These assets are recorded at fair value at acquisition. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. Intangible assets with indefinite lives are not amortized until a useful life can be determined.
- *Goodwill*—Goodwill represents the excess of the consideration transferred for an acquired business over the assigned values of its net assets. Goodwill is not amortized.

Amortization of 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 of intangible assets that are for a single function and depreciation of property, plant and equipment are included in *Cost of sales, Selling, informational and administrative expenses* and/or *Research and development expenses,* as appropriate.

We review our long-lived assets for impairment indicators throughout the year. We perform impairment testing for indefinite-lived intangible assets and goodwill at least annually and for all other long-lived assets whenever impairment indicators are present. When necessary, we record impairments of long-lived assets for the amount by which the fair value is less than the carrying value of these assets.

Specifically:

- For finite-lived intangible assets, such as developed technology rights, and for other long-lived assets, such as property, plant and equipment, whenever impairment indicators are present, we calculate the undiscounted value of the projected cash flows for the asset, or asset group, and compare this estimated amount to the carrying amount. If the carrying amount is greater, we record an impairment loss for the excess of book value over fair value. In addition, in all cases of an impairment review, we reevaluate the remaining useful lives of the assets and modify them, as appropriate.
- For indefinite-lived intangible assets, such as Brands and IPR&D assets, when necessary, we determine the fair value of the asset and record an impairment loss, if any, for the excess of book value over fair value. In addition, in all cases of an impairment review other than for IPR&D assets, we re-evaluate whether continuing to characterize the asset as indefinite-lived is appropriate.
- For goodwill, when necessary, we determine the fair value of each reporting unit and record an impairment loss, if any, for the excess of the book value of the reporting unit over the implied fair value.

M. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives

We may incur restructuring charges in connection with acquisitions when we implement plans to restructure and integrate the acquired operations or in connection with our cost-reduction and productivity initiatives.

- 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 for site closings and other facility rationalization actions, workforce reductions and the expansion of shared services, including the development of global systems.

Included in *Restructuring charges and certain acquisition-related costs* are all restructuring charges, as well as certain other costs associated with acquiring and integrating an acquired business. If the restructuring action results in a change in the estimated useful life of an asset, that incremental impact is classified in *Cost of sales, Selling, informational and administrative expenses* and/or *Research and development*

expenses, as appropriate. 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. Transaction costs, such as banking, legal, accounting and other similar costs incurred in connection with a business acquisition are expensed as incurred.

Our business and platform functions may be impacted by these actions, including sales and marketing, manufacturing and R&D, as well as our corporate enabling functions (such as digital, global real estate operations, legal, finance, human resources, worldwide public affairs, compliance and worldwide procurement).

N. Cash Equivalents and Statement of Cash Flows

Cash equivalents include items almost as liquid as cash, such as certificates of deposit and time deposits with maturity periods of three months or less when purchased. If items meeting this definition are part of a larger investment pool, we classify them as *Short-term investments*.

Cash flows for financial instruments designated as fair value or cash flow hedges may be included in operating, investing or financing activities, depending on the classification of the items being hedged. Cash flows for financial instruments designated as net investment hedges are classified according to the nature of the hedge instrument. Cash flows for financial instruments that do not qualify for hedge accounting treatment are classified according to their purpose and accounting nature.

O. Investments and Derivative Financial Instruments

The classification of an investment depends on the nature of the investment, our intent and ability to hold the investment, and the degree to which we may exercise influence. Our investments are primarily comprised of the following:

- Public equity securities with readily determinable fair values, which are carried at fair value, with changes in fair value reported in *Other (income)/deductions—net.*
- Available-for-sale debt securities, which are carried at fair value, with changes in fair value reported in *Other comprehensive income/(loss)* until realized.
- Held-to-maturity debt securities, which are carried at amortized cost.
- Private equity securities without readily determinable fair values and where we have no significant influence are measured at cost minus any impairment and plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.
- For equity investments in common stock or in-substance common stock where we have significant influence over the financial and operating policies of the investee, we use the equity-method of accounting. Under the equity-method, we record our share of the investee's income and expenses in *Other (income)/deductions—net*. The excess of the cost of the investment over our share of the underlying equity in the net assets of the investee as of the acquisition date is allocated to the identifiable assets and liabilities of the investee, with any remaining excess amount allocated to goodwill. Such investments are initially recorded at cost, which is the fair value of consideration paid and typically does not include contingent consideration.

Realized gains or losses on sales of investments are determined by using the specific identification cost method.

We regularly evaluate all of our financial assets for impairment. For investments in debt and equity, when a decline in fair value, if any, is determined, an impairment charge is recorded and a new cost basis in the investment is established.

Derivative financial instruments are carried at fair value in various balance sheet categories (see *Note 7A*), with changes in fair value reported in *Net income* or, for derivative financial instruments in certain qualifying hedging relationships, in *Other comprehensive income/(loss)* (see *Note 7E*).

P. Tax Assets and Liabilities and Income Tax Contingencies

Tax Assets and Liabilities

Current tax assets primarily includes (i) tax effects for intercompany transfers of inventory within our combined group, which are recognized in the consolidated statements of income when the inventory is sold to a third party and (ii) income tax receivables that are expected to be recovered either via refunds from taxing authorities or reductions to future tax obligations.

Deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates and laws. We provide a valuation allowance when we believe that our deferred tax assets are not recoverable based on an assessment of estimated future taxable income that incorporates ongoing, prudent and feasible tax-planning strategies, that would be implemented, if necessary, to realize the deferred tax assets. Amounts recorded for valuation allowances requires judgments about future income which can depend heavily on estimates and assumptions. All deferred tax assets and liabilities within the same tax jurisdiction are presented as a net amount in the noncurrent section of our consolidated balance sheet.

Other non-current tax assets primarily represent our estimate of the potential tax benefits in one tax jurisdiction that could result from the payment of income taxes in another tax jurisdiction. These potential benefits generally result from cooperative efforts among taxing authorities, as required by tax treaties to minimize double taxation, commonly referred to as the competent authority process. The recoverability of these assets, which we believe to be more likely than not, is dependent upon the actual payment of taxes in one tax jurisdiction and, in some cases, the successful petition for recovery in another tax jurisdiction.

Other taxes payable as of December 31, 2020 and 2019 include liabilities for uncertain tax positions and the noncurrent portion of the repatriation tax liability for which we elected payment over eight years through 2026. For additional information, see *Note 5D* for uncertain tax positions and *Note 5A* for the repatriation tax liability and other estimates and assumptions in connection with the TCJA.

Income Tax Contingencies

We account for income tax contingencies using a benefit recognition model. If we consider that a tax position is more likely than not to be sustained upon audit, based solely on the technical merits of the position, we recognize all or a portion of the benefit. We measure the benefit by determining the amount that is greater than 50% likely of being realized upon settlement, presuming that the tax position is examined by the taxing authority with full knowledge of all relevant information.

We regularly monitor our position and subsequently recognize the unrecognized tax benefit: (i) if there are changes in tax law, analogous case law or there is new information that sufficiently raise the likelihood of prevailing on the technical merits of the position to "more likely than not"; (ii) if the statute of limitations expires; or (iii) if there is a completion of an audit resulting in a favorable settlement of that tax year with the appropriate agency. Liabilities for uncertain tax positions are classified as current only when we expect to pay cash within the next 12 months. Interest and penalties, if any, are recorded in *Provision/(benefit) for taxes on income* and are classified on our consolidated balance sheet with the related tax liability.

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.

Q. Pension and Postretirement Benefit Plans

The majority of our employees worldwide are covered by defined benefit pension plans, defined contribution plans or both. In the U.S., we have both IRC-qualified and supplemental (non-qualified) defined benefit plans and defined contribution plans, as well as other postretirement benefit plans consisting primarily of medical insurance for retirees and their eligible dependents. We recognize the overfunded or underfunded status of each of our defined benefit plans as an asset or liability. The obligations are generally measured at the actuarial present value of all benefits attributable to employee service rendered, as provided by the applicable benefit formula. Our pension and other postretirement obligations may be determined using assumptions such as discount rate, expected annual rate of return on plan assets, expected employee turnover and participant mortality. For our pension plans, the obligation may also include assumptions as to future compensation levels. For our other postretirement benefit plans, the obligation may include assumptions as to the expected cost of providing medical insurance benefits, as well as the extent to which those costs are shared with the employee or others (such as governmental programs). Plan assets are measured at fair value. Net periodic pension and postretirement benefit costs other than the service costs are recognized in *Other (income)/deductions—net*.

R. Legal and Environmental Contingencies

We and certain of our subsidiaries are subject to numerous contingencies arising in the ordinary course of business, such as patent litigation, product liability and other product-related litigation, commercial litigation, environmental claims and proceedings, government investigations and guarantees and indemnifications. We record accruals for these contingencies to the extent that we conclude that a loss is both probable and reasonably estimable. If some amount within a range of loss appears to be a better estimate than any other amount within the range, we accrue that amount. Alternatively, when no amount within a range of loss appears to be a better estimate than any other amount, we accrue the lowest amount in the range. We record anticipated recoveries under existing insurance contracts when recovery is assured.

S. Share-Based Payments

Our compensation programs can include share-based payments. Generally, grants under share-based payment programs are accounted for at fair value and these fair values are generally amortized on a straight-line basis over the vesting terms with the related costs recorded in *Cost of sales, Selling, informational and administrative expenses* and/or *Research and development expenses*, as appropriate.

Note 2. Acquisitions, Divestitures, Equity-Method Investments, Licensing Arrangements and Collaborative Arrangements

A. Acquisitions

Array

On July 30, 2019, we acquired Array, a commercial stage biopharmaceutical company focused on the discovery, development and commercialization of targeted small molecule medicines to treat cancer and other diseases of high unmet need, for $48 per share in cash. The total fair value of the consideration transferred was $11.2 billion ($10.9 billion, net of cash acquired). In addition, $157 million in payments to Array employees for the fair value of previously unvested stock options was recognized as post-closing compensation expense and recorded in *Restructuring charges and certain acquisition-related costs* (see *Note 3*). We financed the majority of the transaction with debt and the balance with existing cash.

Array's portfolio includes Braftovi (encorafenib) and Mektovi (binimetinib), a broad pipeline of targeted cancer medicines in different stages of R&D, as well as a portfolio of out-licensed medicines, which may generate milestones and royalties over time.

The final allocation of the consideration transferred to the assets acquired and the liabilities assumed was completed in 2020. In connection with this acquisition, we recorded: (i) $6.3 billion in *Identifiable intangible assets*, consisting of $2.0 billion of *Developed technology rights* with

a useful life of 16 years, $2.8 billion of *IPR&D* and $1.5 billion of *Licensing agreements* ($1.2 billion for technology in development—indefinite-lived licensing agreements and $360 million for developed technology—finite-lived licensing agreements with a useful life of 10 years), (ii) $6.1 billion of *Goodwill*, (iii) $1.1 billion of net deferred tax liabilities and (iv) $451 million of assumed long-term debt, which was paid in full in 2019.

In 2020, we recorded measurement period adjustments to the estimated fair values initially recorded in 2019, which resulted in a reduction in *Identifiable intangible assets* of approximately $900 million with a corresponding change to *Goodwill* and net deferred tax liabilities. The measurement period adjustments were recorded to better reflect market participant assumptions about facts and circumstances existing as of the acquisition date and did not have a material impact on our consolidated statement of income for the year ended December 31, 2020.

Therachon

On July 1, 2019, we acquired all the remaining shares of Therachon, a privately-held clinical-stage biotechnology company focused on rare diseases, with assets in development for the treatment of achondroplasia, a genetic condition and the most common form of short-limb dwarfism, for $340 million upfront, plus potential milestone payments of up to $470 million contingent on the achievement of key milestones in the development and commercialization of the lead asset. In 2018, we acquired approximately 3% of Therachon's outstanding shares for
$5 million. We accounted for the transaction as an asset acquisition since the lead asset represented substantially all the fair value of the gross assets acquired. The total fair value of the consideration transferred for Therachon was $322 million, which consisted of $317 million of cash and our previous $5 million investment in Therachon. In connection with this asset acquisition, we recorded a charge of $337 million in *Research and development expenses.*

B. Divestitures

Upjohn Separation and Combination with Mylan

On November 16, 2020, we completed the spin-off and the combination of the Upjohn Business with Mylan (the Transactions) to form Viatris. The Transactions were structured as an all-stock, Reverse Morris Trust transaction. Specifically, (i) we contributed the Upjohn Business to a wholly owned subsidiary, which was renamed Viatris, so that the Upjohn Business was separated from the remainder of our business (the Separation), (ii) following the Separation, we distributed, on a pro rata basis, all of the shares of Viatris common stock held by Pfizer to Pfizer stockholders as of the November 13, 2020 record date, such that each Pfizer stockholder as of the record date received approximately 0.124079 shares of Viatris common stock per share of Pfizer common stock (the Distribution); and (iii) immediately after the Distribution, the Upjohn Business combined with Mylan in a series of transactions in which Mylan shareholders received one share of Viatris common stock for each Mylan ordinary share held by such shareholder, subject to any applicable withholding taxes (the Combination). Prior to the Distribution, Viatris made a cash payment to Pfizer equal to $12.0 billion as partial consideration for the contribution of the Upjohn Business to Viatris. As of the closing of the Combination, Pfizer stockholders owned approximately 57% of the outstanding shares of Viatris common stock, and Mylan shareholders owned approximately 43% of the outstanding shares of Viatris common stock, in each case on a fully diluted, as-converted and as-exercised basis. The Transactions are generally expected to be tax free to Pfizer and Pfizer stockholders for U.S. tax purposes. Beginning November 16, 2020, Viatris operates both the Upjohn Business and Mylan as an independent publicly traded company, which is traded under the symbol "VTRS" on the NASDAQ.

In connection with the Transactions, in June 2020, Upjohn Inc. and Upjohn Finance B.V. completed privately placed debt offerings of $7.45 billion and €3.60 billion aggregate principal amounts, respectively, (approximately $11.4 billion) of senior unsecured notes and entered into other financing arrangements, including a $600 million delayed draw term loan agreement and a revolving credit facility agreement for up to $4.0 billion. Proceeds from the debt offerings and other financing arrangements were used to fund the $12.0 billion cash distribution Viatris made to Pfizer prior to the Distribution. We used the cash distribution proceeds to pay down commercial paper borrowings and redeem the $1.15 billion aggregate principal amount outstanding of our 1.95% senior unsecured notes that were due in June 2021 and $342 million aggregate principal amount outstanding of our 5.80% senior unsecured notes that were due in August 2023, before the maturity date. Interest expense for the $11.4 billion in debt securities incurred during 2020 is

included in *Income from discontinued operations—net of tax*. Following the Separation and Combination of the Upjohn Business with Mylan, we are no longer the obligor or guarantor of any Upjohn debt or Upjohn financing arrangements.

As a result of the separation of Upjohn, we incurred separation-related costs of $434 million in 2020 and $83 million in 2019, which are included in *Income from discontinued operations—net of tax*. These costs primarily relate to professional fees for regulatory filings and separation activities within finance, tax, legal and information system functions as well as investment banking fees.

In connection with the Transactions, Pfizer and Viatris entered into various agreements to effect the Separation and Combination to provide a framework for our relationship after the Combination, including a separation and distribution agreement, manufacturing and supply agreements (MSAs), transition service agreements (TSAs), a tax matters agreement, and an employee matters agreement, among others. Under the MSAs, Pfizer or Viatris, as the case may be, manufactures, labels, and packages products for the other party. The terms of the MSAs range in initial duration from 4 to 7 years post-Separation. The TSAs primarily involve Pfizer providing services to Viatris related to finance, information technology and human resource infrastructure and are generally expected to be for terms of no more than 3 years post-Separation. In addition, we are also party to various commercial agreements with Viatris. The amounts billed for net manufacturing supply and transition services provided under the above agreements as well as sales to and purchases from Viatris are not material to our results of continuing operations in 2020.

Included in our consolidated balance sheet as of December 31, 2020 are net amounts due from Viatris primarily related to various interim agency operating models and transitional services, partially offset by net amounts due to Viatris for unsettled intercompany balances as of the closing date of the spin-off, transaction-related indemnifications and a contractual cash payment pursuant to terms of the separation and distribution agreement, totaling approximately $401 million. The interim agency operating model primarily includes billings, collections and remittance of rebates that we are performing on a transitional basis on behalf of Viatris.

The operating results of the Upjohn Business are reported as *Income from discontinued operations—net of tax* through November 16, 2020, the date of the spin-off and combination with Mylan. In addition, as of December 31, 2019, the assets and liabilities associated with this business are classified as assets and liabilities of discontinued operations. Prior-period financial information has been restated, as appropriate.

Components of *Income from discontinued operations—net of tax:*

	Year Ended December 31,[a]		
(MILLIONS OF DOLLARS)	**2020**	2019	2018
Revenues	**$ 7,314**	$ 10,578	$ 12,822
Costs and expenses:			
Cost of sales	**1,899**	1,976	2,261
Selling, informational and administrative expenses	**1,665**	1,599	1,842
Research and development expenses	**212**	255	246
Amortization of intangible assets	**136**	148	157
Restructuring charges and certain acquisition-related costs	**7**	146	(14)
Other (income)/deductions—net	**400**	253	30
Pre-tax income from discontinued operations	**2,995**	6,201	8,300
Provision for taxes on income	**364**	766	973
Income from discontinued operations—net of tax	**$ 2,631**	$ 5,435	$ 7,328

[a] Virtually all *Income from discontinued operations—net of tax* relates to the Upjohn Business and the Mylan-Japan collaboration in all periods presented.

Components of assets and liabilities of discontinued operations and other assets held for sale:

	As of December 31,[a]	
(MILLIONS OF DOLLARS)	**2020**	2019
Cash and cash equivalents	**$ —**	$ 184
Trade accounts receivable, less allowance for doubtful accounts	**—**	1,952
Inventories	**86**	1,215
Other current assets	**—**	852
Other assets held for sale	**82**	21
Current assets of discontinued operations and other assets held for sale	**$ 167**	$ 4,224
Property, plant and equipment	**$ —**	$ 998
Identifiable intangible assets	**—**	1,434
Goodwill	**—**	10,451
Other noncurrent assets	**—**	544
Noncurrent assets of discontinued operations	**$ —**	$ 13,427
Trade accounts payable	**$ —**	$ 334
Accrued compensation and related items	**—**	330
Other current liabilities	**—**	1,749
Current liabilities of discontinued operations	**$ —**	$ 2,413
Pension and postretirement benefit obligations	**$ —**	$ 545
Other noncurrent liabilities	**—**	403
Noncurrent liabilities of discontinued operations[b]	**$ —**	$ 948

[a] Amounts relate to discontinued operations of the Upjohn Business and the Mylan-Japan collaboration, except for amounts in Other assets held for sale, which represent unrelated property, plant and equipment held for sale.

[b] Included in *Other noncurrent liabilities*.

As a result of the spin-off of the Upjohn Business, we distributed net assets of $1.9 billion as of November 16, 2020, which has been reflected as a reduction to *Retained earnings*. Of this amount, $412 million represents cash transferred to the Upjohn Business, with the remainder considered a non-cash activity in the consolidated statement of cash flows for the year ended December 31, 2020. The spin-off also resulted in a net increase to *Accumulated other comprehensive loss* of $71 million for the derecognition of net gains on foreign currency translation adjustments of $397 million and actuarial losses net of prior service credits associated with benefit plans of $326 million, which were reclassified to *Retained earnings*.

Contribution Agreement Between Pfizer and Allogene

In April 2018, Pfizer and Allogene announced that the two companies entered into a contribution agreement for Pfizer's portfolio of assets related to allogeneic CAR T therapy, an investigational immune cell therapy approach to treating cancer. Under this agreement, we received an equity investment in Allogene and Allogene received our rights to pre-clinical and clinical CAR T assets, all of which were previously licensed to us from French cell therapy company, Cellectis, beginning in 2014 and French pharmaceutical company, Servier, beginning in 2015. Allogene assumed responsibility for all potential financial obligations to both Cellectis and Servier. In connection with the Allogene transaction, we recognized a non-cash $50 million pre-tax gain in *Other (income)/deductions—net* in the second quarter of 2018, representing the difference between the $127 million fair value of the equity investment received and the book value of assets transferred (including an allocation of goodwill) (see *Note 4*).

As of December 31, 2020, we held a 15.7% equity stake in Allogene, and our investment in Allogene is being measured at fair value with changes in fair value recognized in net income.

Sale of Phase 2b Ready AMPA Receptor Potentiator for CIAS to Biogen

In April 2018, we sold our Phase 2b ready AMPA receptor potentiator for CIAS to Biogen. We received $75 million upfront which was recognized in *Other (income)/deductions—net* (see *Note 4*) and may receive up to $515 million in total development and commercialization milestones, as well as tiered royalties in the low-to-mid-teen percentages.

Divestiture of Neuroscience Assets

In September 2018, we and Bain Capital entered into a transaction to create a new biopharmaceutical company, Cerevel (formerly known as Cerevel Therapeutics, LLC), to continue development of a portfolio of clinical and preclinical stage neuroscience assets primarily targeting disorders of the central nervous system including Parkinson's disease, epilepsy, Alzheimer's disease, schizophrenia and addiction. In connection with this transaction, we out-licensed the portfolio to Cerevel in exchange for a 25% ownership stake in Cerevel's parent company, Cerevel Therapeutics, Inc., and potential future regulatory and commercial milestone payments and royalties. In connection with the transaction, we recognized a non-cash $343 million pre-tax gain in *Other (income)/deductions—net* in the third quarter of 2018, representing the fair value of the equity investment received as the assets transferred had a book value of $0 (see *Note 4*). On October 27, 2020, Cerevel Therapeutics, Inc. completed a merger with ARYA Sciences Acquisition Corp II, a publicly-traded special purpose acquisition corporation, and a concurrent private investment in public equity "PIPE" transaction to form Cerevel Therapeutics Holdings, Inc. Our existing shares in Cerevel Therapeutics, Inc. converted into common shares of Cerevel Therapeutics Holdings, Inc. as part of the merger transaction, and we purchased an additional $12 million in common shares as part of the PIPE transaction. The common shares of Cerevel Therapeutics Holdings, Inc. trade publicly on the NASDAQ stock market (ticker symbol CERE). As of December 31, 2020, we continue to hold a 21.5% equity stake in Cerevel Therapeutics Holdings, Inc. for which we have elected the fair value option and which we measure at fair value with changes in fair value recognized in net income. In the fourth quarter of 2020, we remeasured our investment based on the market price of Cerevel Therapeutics Holdings, Inc. common shares as of December 31, 2020 less a discount for lack of marketability, and we recognized a gain of $20 million in *Other income/(deductions)—net.*

C. Equity-Method Investments

Formation of Consumer Healthcare JV

On July 31, 2019, we completed a transaction in which we and GSK combined our respective consumer healthcare businesses into a new JV that operates globally under the GSK Consumer Healthcare name. In exchange, we received a 32% equity stake in the new company and GSK owns the remaining 68%. Upon closing, we deconsolidated our Consumer Healthcare business and recognized a pre-tax gain of $8.1 billion ($5.4 billion, net of tax) in the third quarter of 2019 in *(Gain) on completion of Consumer Healthcare JV transaction* for the difference in the fair value of our 32% equity stake and the carrying value of our Consumer Healthcare business. Our financial results and our Consumer Healthcare segment's operating results for 2019 reflect seven months of Consumer Healthcare segment domestic operations and eight months of Consumer Healthcare segment international operations. The financial results for 2020 do not reflect any contribution from the Consumer Healthcare business.

In valuing our investment in the Consumer Healthcare JV, we used discounted cash flow techniques. 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 or regulatory forces on the products; the long-term growth rate, which seeks to project the sustainable growth rate over the long term; the discount rate, which seeks to reflect our best estimate of 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.

We are accounting for our interest in the Consumer Healthcare JV as an equity-method investment. The carrying value of our investment in the Consumer Healthcare JV is $16.7 billion as of December 31, 2020 and $17.0 billion as of December 31, 2019 and is reported as a private equity investment in *Equity-method investments* as of December 31, 2020 and 2019. The Consumer Healthcare JV is a foreign investee whose reporting currency is the U.K. pound, and therefore we translate its financial statements

into U.S. dollars and recognize the impact of foreign currency translation adjustments in the carrying value of our investment and in other comprehensive income. The decrease in the value of our investment from December 31, 2019 to December 31, 2020 is primarily due to dividends of $932 million, which were received from the Consumer Healthcare JV in June, September and November 2020, largely offset by our share of the JV's earnings of $417 million and $345 million in pre-tax foreign currency translation adjustments (see *Note 6*). We record our share of earnings from the Consumer Healthcare JV on a quarterly basis on a one-quarter lag in *Other (income)/deductions—net* commencing from August 1, 2019. Our total share of the JV's earnings generated in the fourth quarter of 2019 and the first nine months of 2020, which we recorded in our operating results in 2020, was $417 million. Our total share of two months of the JV's earnings generated in the third quarter of 2019, which we recorded in our operating results in the fourth quarter of 2019, was $47 million. As of the July 31, 2019 closing date, we estimated that the fair value of our investment in the Consumer Healthcare JV was $15.7 billion and that 32% of the underlying equity in the carrying value of the net assets of the Consumer Healthcare JV was $11.2 billion, resulting in an initial basis difference of approximately $4.5 billion. In the fourth quarter of 2019, we preliminarily completed the allocation of the basis difference, which resulted from the excess of the initial fair value of our investment over the underlying equity in the carrying value of the net assets of the JV, primarily to inventory, definite-lived intangible assets, indefinite-lived intangible assets, related deferred tax liabilities and equity method goodwill within the investment account. During the fourth quarter of 2019, the Consumer Healthcare JV revised the initial carrying value of the net assets of the JV and our 32% share of the underlying equity in the carrying value of the net assets of the Consumer Healthcare JV was reduced to $11.0 billion and our initial basis difference was increased to $4.8 billion. The adjustment was allocated to equity method goodwill within the investment account. We began recording the amortization of basis differences allocated to inventory, definite-lived intangible assets and related deferred tax liabilities in *Other (income)/deductions—net* commencing August 1, 2019. During the third and fourth quarters of 2020, we recognized write-offs of a portion of our basis differences allocated to indefinite-lived and definite-lived intangible assets and related deferred tax liabilities for the divestiture of certain brands by the Consumer Healthcare JV during its second quarter of 2020. The total amortization and write-off of these basis differences for the fourth quarter of 2019 and the first nine months of 2020, which was included in *Other (income)/deductions—*

net in 2020, was $119 million of expense. The amortization of basis differences for two months of the third quarter of 2019 totaling approximately $31 million is included in our operating results in the fourth quarter of 2019. See *Note 4.* Amortization of basis differences on inventory and related deferred tax liabilities was completely recognized by the second quarter of 2020. Basis differences on definite-lived intangible assets and related deferred tax liabilities are being amortized over the lives of the underlying assets, which range from 8 to 20 years.

While we have received our full 32% interest in the Consumer Healthcare JV as of the July 31, 2019 closing and transferred control of our Consumer Healthcare business to the Consumer Healthcare JV, the contribution of the business was not completed in certain non-U.S. jurisdictions due to temporary regulatory or operational constraints. In these jurisdictions, we have continued to operate the business for the net economic benefit of the Consumer Healthcare JV, and we are indemnified against risks associated with such operations in the interim period, subject to our obligations under the definitive transaction agreements. We expect the contribution in these jurisdictions to be completed by the second half of 2021. As such, we have treated these jurisdictions as sold for accounting purposes.

In connection with the contribution, we entered into certain transitional agreements designed to facilitate the orderly transition of the business to the Consumer Healthcare JV. These agreements primarily relate to administrative services, which are generally to be provided for a period of up to 24 months after closing. We will also manufacture and supply certain consumer products for the Consumer Healthcare JV and the Consumer Healthcare JV will manufacture and supply certain retained Pfizer products for us after closing, generally for a term of up to six years. These agreements are not material to Pfizer.

As a part of Pfizer, pre-tax income on a management basis for the Consumer Healthcare business was $654 million through July 31, 2019 and $977 million in 2018.

Summarized financial information for our equity method investee, the Consumer Healthcare JV, as of and for the twelve months ending September 30, 2020, the most recent period available, and as of and for the two months ending September 30, 2019 is as follows:

(MILLIONS OF DOLLARS)	September 30, 2020	September 30, 2019
Current assets	**$ 6,614**	$ 7,505
Noncurrent assets	**38,361**	38,575
Total assets	**$ 44,975**	$ 46,081
Current liabilities	**$ 5,246**	$ 5,241
Noncurrent liabilities	**5,330**	5,536
Total liabilities	**$ 10,576**	$ 10,776
Equity attributable to shareholders	**$ 34,154**	$ 35,199
Equity attributable to noncontrolling interests	**245**	105
Total net equity	**$ 34,400**	$ 35,304

(MILLIONS OF DOLLARS)	For the Twelve Months Ending September 30, 2020	For the Two Months Ending September 30, 2019
Net sales	**$ 12,720**	$ 2,161
Cost of sales	**(5,439)**	(803)
Gross profit	**$ 7,281**	$ 1,358
Income from continuing operations	**1,350**	152
Net income	**1,350**	152
Income attributable to shareholders	**1,307**	148

Investment in ViiV

In 2009, we and GSK created ViiV, which is focused on research, development and commercialization of human immunodeficiency virus (HIV) medicines. We own approximately 11.7% of ViiV, and prior to 2016 we accounted for our investment under the equity method due to the significant influence that we have over the operations of ViiV through our board representation and minority veto rights. We suspended application of the equity method to our investment in ViiV in 2016 when the carrying value of our investment was reduced to zero due to the recognition of cumulative equity method losses and dividends. Since 2016, we have recognized dividends from ViiV as income in *Other (income)/deductions—net* when earned, including dividends of $278 million in 2020, $220 million in 2019 and $253 million in 2018 (see *Note 4*).

Summarized financial information for our equity method investee, ViiV, as of December 31, 2020 and 2019 and for the years ending December 31, 2020, 2019, and 2018 is as follows:

	As of December 31,	
(MILLIONS OF DOLLARS)	**2020**	2019
Current assets	**$ 3,283**	$ 3,839
Noncurrent assets	**3,381**	3,437
Total assets	**$ 6,664**	$ 7,276
Current liabilities	**$ 3,028**	$ 2,904
Noncurrent liabilities	**6,370**	5,860
Total liabilities	**$ 9,398**	$ 8,765
Total net equity/(deficit) attributable to shareholders	**$ (2,734)**	$ (1,489)

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2020**	2019	2018
Net sales	**$ 6,224**	$ 6,139	$ 6,219
Cost of sales	**(574)**	(516)	(462)
Gross profit	**$ 5,650**	$ 5,623	$ 5,757
Income from continuing operations	**2,012**	3,398	2,154
Net income	**2,012**	3,398	2,154
Income attributable to shareholders	**2,012**	3,398	2,154

D. Licensing Arrangements

Agreement with Valneva

On April 30, 2020, we signed an agreement to co-develop and commercialize Valneva's Lyme disease vaccine candidate, VLA15, which covers six serotypes that are prevalent in North America and Europe. Valneva and Pfizer will work closely together throughout the development of VLA15. Valneva is eligible to receive a total of up to $308 million in cash payments from us consisting of a $130 million upfront payment, which was paid and recorded in *Research and development expenses* in our second quarter of 2020, as well as $35 million in development milestones and $143 million in early commercialization milestones. Under the terms of the agreement, Valneva will fund 30% of all development costs through completion of the development program, and in return we will pay Valneva tiered royalties. We will lead late-stage development and have sole control over commercialization.

Agreement with BioNTech

In August 2018, a multi-year R&D arrangement went into effect between BioNTech and Pfizer to develop mRNA-based vaccines for prevention of influenza (flu). In relation to this R&D arrangement, in September 2018, we made an upfront payment of $50 million to BioNTech, which was recorded in *Research and development expenses,* and BioNTech became eligible to receive up to $325 million in development and sales-based milestones and royalty payments associated with worldwide sales. As part of the transaction, we also purchased 169,670 newly-issued ordinary shares of BioNTech for $50 million in the third quarter of 2018.

Akcea

On October 4, 2019, we entered into a worldwide exclusive licensing agreement for AKCEA-ANGPTL3-LRx, an investigational antisense therapy being developed to treat patients with certain cardiovascular and metabolic diseases, with Akcea, a wholly-owned subsidiary of Ionis. The transaction closed in November 2019 and we made an upfront payment of $250 million to Akcea, which was recorded in *Research and development expenses* in our fourth quarter of 2019. We may be required to make development, regulatory and sales milestone payments of up to $1.3 billion and pay tiered, double-digit royalties on annual worldwide net sales upon marketing approval of AKCEA-ANGPTL3-LRx.

E. Collaborative Arrangements

In the normal course of business, we enter into collaborative arrangements with respect to in-line medicines, as well as medicines in development that require completion of research and regulatory approval. Collaborative arrangements are contractual agreements with third parties that involve a joint operating activity, typically a research and/or commercialization effort, where both we and our partner are active participants in the activity and are exposed to the significant risks and rewards of the activity. Our rights and obligations under our collaborative arrangements vary. For example, we have agreements to co-promote pharmaceutical products discovered by us or other companies, and we have agreements where we partner to co-develop and/or participate together in commercializing, marketing, promoting, manufacturing and/or distributing a drug product.

Agreement with Myovant

On December 26, 2020, we entered into a collaboration to jointly develop and commercialize Orgovyx™ (relugolix) in advanced prostate cancer and, if approved, relugolix combination tablet (relugolix 40 mg, estradiol 1.0 mg, and norethindrone acetate 0.5 mg) in women's health in the U.S. and Canada. We will also receive an exclusive option to commercialize relugolix in oncology outside the U.S. and Canada, excluding certain Asian countries. Under the terms of the agreement, the companies will equally share profits and allowable expenses for Orgovyx and the relugolix combination tablet in the U.S. and Canada, with Myovant bearing our share of allowable expenses up to a maximum

of $100 million in 2021 and up to a maximum of $50 million in 2022. We will record our share of gross profits as Alliance revenue. Myovant will remain responsible for regulatory interactions and drug supply and continue to lead clinical development for the relugolix combination tablet. Myovant will be entitled to receive up to $4.35 billion, including an upfront payment of $650 million, which was made in December 2020, $200 million in potential regulatory milestones for FDA approvals for relugolix combination tablet in women's health, and tiered sales milestones of up to $3.5 billion for prostate cancer and also for the combined women's health indications. If we exercise the option to commercialize relugolix in oncology outside of the U.S. and Canada, excluding certain Asian countries, Myovant will receive $50 million and be entitled to receive double-digit royalties on sales. In connection with this transaction, we recognized $499 million in *Identifiable intangible assets—Developed technology rights* and $151 million in *Research and development expenses* representing the relative fair value of the portion of the upfront payment allocated to the approved indication and unapproved indications of the product, respectively.

Agreement with CStone

On September 29, 2020, we entered into a strategic collaboration with CStone to address oncological needs in China. The collaboration encompasses our $200 million upfront equity investment in CStone, a collaboration between the companies for the development and commercialization of CStone's sugemalimab (CS1001, PD-L1 antibody) in mainland China, and a framework between the companies to bring additional oncology assets to the Greater China market. The transaction closed on October 9, 2020. As of December 31, 2020, we held a 9.9% stake in CStone.

Agreement with BioNTech

On April 9, 2020, we signed a global agreement with BioNTech to co-develop a mRNA-based coronavirus vaccine program, BNT162b2, aimed at preventing COVID-19 disease. The collaboration rapidly advanced a COVID-19 vaccine candidate into human clinical testing based on BioNTech's proprietary mRNA vaccine platforms, and the vaccine has been granted EUA in the U.S., the EU and the U.K., among other countries. We are working with BioNTech to manufacture and help ensure rapid worldwide access to the vaccine. The collaboration leverages our broad expertise in vaccine R&D, regulatory capabilities, and global manufacturing and distribution network. In connection with the April 2020 agreement, we paid BioNTech an upfront cash payment of $72 million, which was recorded in *Research and development expenses* in our second quarter of 2020, and we made an additional equity investment of $113 million in common stock of BioNTech. BioNTech became eligible to receive potential milestone payments of up to $563 million for a total consideration of $748 million. Under the terms of this agreement, we and BioNTech will share gross profits and development costs equally after the vaccine is approved and successfully commercialized, and we were responsible for all of the development costs until commercialization of the vaccine. Thereafter, BioNTech was to repay us its 50 percent share of these development costs through reductions in gross profit sharing and milestone payments to BioNTech over time. On January 29, 2021, we and BioNTech signed an amended version of the April 2020 agreement. Under the January 2021 agreement, BioNTech will pay us their 50 percent share of prior development costs in a lump sum payment during the first quarter of 2021. Further R&D costs will be shared equally. We have commercialization rights to the vaccine worldwide (excluding Germany and Turkey where BioNTech will market and distribute the vaccine under the agreement with us, and excluding China, Hong Kong, Macau and Taiwan, which are subject to a separate collaboration between BioNTech and Shanghai Fosun Pharmaceutical (Group) Co., Ltd). We recognize *Revenues* and *Cost of sales* on a gross basis in markets where we are commercializing the vaccine and we will record our share of gross profits related to sales of the vaccine by BioNTech in Germany and Turkey in *Alliance revenues*.

We made an additional investment of $50 million in common stock of BioNTech as part of an underwritten equity offering by BioNTech, which closed in July 2020. As of December 31, 2020, we held an equity stake of 2.5% in BioNTech.

Summarized Financial Information for Collaborative Arrangements

The following provides the amounts and classification of payments (income/(expense)) between us and our collaboration partners:

(MILLIONS OF DOLLARS)	Year Ended December 31, 2020	2019	2018
Revenues—Revenues[a]	**$ 284**	$ 305	$ 268
Revenues—Alliance revenues[b]	**5,418**	4,648	3,838
Total revenues from collaborative arrangements	**$ 5,703**	$ 4,953	$ 4,107
Cost of sales[c]	**$ (61)**	$ (52)	$ (34)
Selling, informational and administrative expenses[d]	**(194)**	(176)	(92)
Research and development expenses[e]	**(192)**	104	162
Other income/(deductions)—net[f]	**567**	362	281

[a] Represents sales to our partners of products manufactured by us.

[b] Substantially all relates to amounts earned from our partners under co-promotion agreements. The increases in each of the periods presented reflect increases in alliance revenues from Eliquis and Xtandi.

[c] Primarily relates to amounts paid to collaboration partners for their share of net sales or profits earned in collaboration arrangements where we are the principal in the transaction, and cost of sales for inventory purchased from our partners.

[d] Represents net reimbursements to our partners for selling, informational and administrative expenses incurred.

[e] Primarily relates to upfront payments and pre-approval milestone payments earned by our partners as well as net reimbursements.

[f] Primarily relates to royalties from our collaboration partners.

The amounts outlined in the above table do not include transactions with third parties other than our collaboration partners, or other costs for the products under the collaborative arrangements.

Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/ Productivity Initiatives

In 2019, we substantially completed several multi-year initiatives focused on positioning us for future growth and creating a simpler, more efficient operating structure within each business.

Transforming to a More Focused Company Program

With the formation of the Consumer Healthcare JV in 2019 and the spin-off of our Upjohn Business in the fourth quarter of 2020, Pfizer has transformed into a more focused, global leader in science-based innovative medicines and vaccines. We have undertaken efforts to ensure our cost base aligns appropriately with our revenue base. While certain direct costs transferred to the Consumer Healthcare JV and to the Upjohn Business in connection with the spin-off, there are indirect costs which did not transfer. In addition, we are taking steps to restructure our corporate enabling functions to appropriately support and drive the purpose of our focused innovative biopharmaceutical products business and R&D and PGS platform functions. The program costs discussed below may be rounded and represent approximations.

We expect costs for this program, primarily related to corporate enabling functions, to be incurred from 2020 through 2022 and to total $1.6 billion on a pre-tax basis, with substantially all costs to be cash expenditures. Actions will include, among others, changes in location of certain activities, expanded use and co-location of centers of excellence and shared services, and increased use of digital technologies. The associated actions and the specific costs will primarily include severance and benefit plan impacts, exit costs as well as associated implementation costs.

Also as part of this program, we expect to incur costs related to manufacturing network optimization, including certain legacy cost-reduction initiatives, of $500 million, with approximately 20% of the costs to be non-cash. The costs for this effort are expected to be incurred primarily from 2020 through 2022, and will include, among other things, implementation costs, product transfer costs, site exit costs, as well as accelerated depreciation.

From the start of this program in the fourth quarter of 2019 through December 31, 2020, we incurred costs of $900 million.

Key Activities

In 2020, we incurred costs of $896 million, composed primarily of the Transforming to a More Focused Company program. In 2019, we incurred costs of $820 million composed of $548 million for the 2017-2019 and Organizing for Growth initiatives, $288 million for the integration of Array, $94 million for the integration of Hospira, and $87 million for the Transforming to a More Focused Company program, partially offset by income of $197 million, primarily due to the reversal of certain accruals upon the effective favorable settlement of an IRS audit for multiple tax years and other acquisition-related initiatives.

The following summarizes acquisitions and cost-reduction/productivity initiatives costs and credits:

(MILLIONS OF DOLLARS)	Year Ended December 31, 2020	2019	2018
Restructuring charges/(credits):			
Employee terminations	**$ 474**	$ 108	$ 473
Asset impairments[a]	**88**	69	290
Exit costs/(credits)	**(6)**	50	33
Restructuring charges[b]	**556**	227	796
Transaction costs[c]	**10**	63	1
Integration costs and other[d]	**34**	311	260
Restructuring charges and certain acquisition-related costs	**600**	601	1,058
Net periodic benefit costs recorded in *Other (income)/deductions—net*	**39**	23	144
Additional depreciation—asset restructuring recorded in our consolidated statements of income as follows[e]:			
Cost of sales	**23**	29	36
Selling, informational and administrative expenses	**—**	3	2
Research and development expenses	**(3)**	8	—
Total additional depreciation—asset restructuring	**19**	40	38
Implementation costs recorded in our consolidated statements of income as follows[f]:			
Cost of sales	**40**	61	75
Selling, informational and administrative expenses	**197**	73	71
Research and development expenses	**1**	22	39
Total implementation costs	**238**	156	186
Total costs associated with acquisitions and cost-reduction/productivity initiatives	**$ 896**	$ 820	$ 1,426

[a] 2018 charges are largely for cost-reduction initiatives not associated with acquisitions.

[b] Represents acquisition-related costs ($192 million credit in 2019, and $37 million charge in 2018) and cost reduction initiatives ($556 million charge in 2020, $418 million charge in 2019, and $759 million charge in 2018). 2020 charges mainly represent employee termination costs for our Transforming to a More Focused Company cost-reduction program. 2019 restructuring charges mainly represent employee termination costs for cost-reduction and productivity initiatives, partially offset by the reversal of certain accruals related to our acquisition of Wyeth upon the effective favorable settlement of an IRS audit for multiple tax years (see *Note 5B*). 2018 charges were primarily related to employee termination costs and asset write downs. The employee termination costs for

2019 and 2018 were primarily for our improvements to operational effectiveness as part of the realignment of our business structure, and for 2019, also includes employee termination costs for the Transforming to a More Focused Company cost-reduction program.

(c) Represents external costs for banking, legal, accounting and other similar services.

(d) Represents external, incremental costs directly related to integrating acquired businesses, such as expenditures for consulting and the integration of systems and processes, and certain other qualifying costs. 2020 costs primarily related to our acquisition of Array. 2019 costs mainly related to our acquisitions of Array, including $157 million in payments to Array employees for the fair value of previously unvested stock options that was recognized as post-closing compensation expense (see *Note 2A*), and Hospira. 2018 costs mostly related to our acquisition of Hospira.

(e) Represents the impact of changes in the estimated useful lives of assets involved in restructuring actions.

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

The following summarizes the components and changes in restructuring accruals:

(MILLIONS OF DOLLARS)	Employee Termination Costs	Asset Impairment Charges	Exit Costs	Accrual
Balance, January 1, 2019	$ 1,113	$ —	$ 49	$ 1,161
Provision[a]	108	69	50	227
Utilization and other[b]	(450)	(69)	(53)	(572)
Balance, December 31, 2019[c]	770	—	46	816
Provision	**474**	**88**	**(6)**	**556**
Utilization and other[b]	**(462)**	**(88)**	**(25)**	**(575)**
Balance, December 31, 2020[d]	**$ 782**	**$ —**	**$ 15**	**$ 798**

(a) Includes the reversal of certain accruals related to our acquisition of Wyeth upon the favorable settlement of an IRS audit for multiple tax years. See *Note 5D*.

(b) Includes adjustments for foreign currency translation.

(c) Included in *Other current liabilities* ($641 million) and *Other noncurrent liabilities* ($175 million).

(d) Included in *Other current liabilities* ($628 million) and *Other noncurrent liabilities* ($169 million).

Note 4. Other (Income)/Deductions—Net

Components of *Other (income)/deductions—net* include:

(MILLIONS OF DOLLARS)	Year Ended December 31, 2020	2019	2018
Interest income	**$ (73)**	$ (225)	$ (333)
Interest expense[a]	**1,449**	1,573	1,316
Net interest expense	**1,376**	1,348	983
Royalty-related income	**(770)**	(646)	(485)
Net (gains)/losses on asset disposals	**237**	(32)	(71)
Net (gains)/losses recognized during the period on equity securities[b]	**(540)**	(454)	(586)
Net realized (gains)/losses on sales of investments in debt securities[c]	**—**	—	141
Income from collaborations, out-licensing arrangements and sales of compound/ product rights[d]	**(326)**	(168)	(476)
Net periodic benefit costs/(credits) other than service costs[e]	**(236)**	72	(270)
Certain legal matters, net[f]	**28**	292	84
Certain asset impairments[g]	**1,691**	2,843	3,115
Business and legal entity alignment costs[h]	**—**	300	63
Consumer Healthcare JV equity method (income)/loss[i]	**(298)**	(17)	—
Other, net[j]	**(493)**	(226)	(421)
Other (income)/deductions—net	**$ 669**	$ 3,314	$ 2,077

[a] Capitalized interest totaled $96 million in 2020, $88 million in 2019 and $73 million in 2018.

[b] 2020 gains include, among other things, unrealized gains of $405 million related to investments in BioNTech and SpringWorks Therapeutics, Inc. (SpringWorks). 2019 gains included, among other things, unrealized gains of $295 million related to investments in Cortexyme, Inc. and SpringWorks. 2018 gains included unrealized gains on equity securities of $477 million, reflecting the adoption of a new accounting standard in 2018 and were primarily driven by unrealized gains of $466 million related to our investment in Allogene. See *Notes 2B* and *7B*.

[c] 2018 primarily included gross realized losses on sales of available-for-sale debt securities of $402 million and a net loss of $18 million from derivative financial instruments used to hedge the foreign exchange component of the matured available-for-sale debt securities, partially offset by gross realized gains on sales of available-for-sale debt securities of $280 million. Proceeds from the sale of available-for-sale debt securities were $5.7 billion in 2018.

[d] 2020 includes, among other things, (i) an upfront payment to us of $75 million from our sale of our CK1 assets to Biogen, (ii) $40 million of milestone income from Puma Biotechnology, Inc. related to Neratinib regulatory approvals in the EU, (iii) $30 million of milestone income from Lilly related to the first commercial sale in the U.S. of LOXO-292 for the treatment of RET fusion-positive NSCLC and (iv) $108 million in milestone income from multiple licensees. 2019 includes, among other things, $78 million in milestone income from Mylan Pharmaceuticals Inc. related to the FDA's approval and launch of Wixela Inhub®, a generic of Advair Diskus®(fluticasone propionate and salmeterol inhalation powder) and $52 million in milestone income from multiple licensees. 2018 includes, among other things, (i) $118 million in milestone income from multiple licensees, (ii) $110 million in milestone payments received from Shire, of which $75 million related to their first dosing of a patient in a Phase 3 clinical trial for the treatment of UC and $35 million related to their first dosing of a patient in a Phase 3 clinical trial

for the treatment of Crohn's disease, (iii) an upfront payment to us and a recognized milestone totaling $85 million for the sale of an AMPA receptor potentiator for CIAS to Biogen, (iv) $50 million in gains related to sales of compound/product rights and (v) a $40 million milestone payment from Merck & Co., Inc. in conjunction with the approval of ertugliflozin in the EU.

(e) See *Note 11*. In 2019, other non-service cost components' activity related to the Consumer Healthcare JV transaction, such as gain on settlements, were recorded in *(Gain) on completion of Consumer Healthcare JV transaction.*

(f) 2019 mostly included legal reserves for certain pending legal matters. 2018 primarily included legal reserves for certain pending legal matters, partially offset by the reversal of a legal accrual where a loss was no longer deemed probable.

(g) 2020 primarily includes intangible asset impairment charges of $1.7 billion, mainly composed of: (i) $900 million related to IPR&D assets for unapproved indications of certain cancer medicines, acquired in our Array acquisition, and reflect, among other things, updated commercial forecasts; (ii) $528 million related to Eucrisa, a finite-lived developed technology right acquired in our Anacor acquisition, and reflects updated commercial forecasts mainly reflecting competitive pressures; and (iii) $263 million related to finite-lived developed technology rights for certain generic sterile injectables acquired in our Hospira acquisition, and reflects updated commercial forecasts mainly reflecting competitive pressures.

2019 primarily included intangible asset impairment charges of $2.8 billion, mainly composed of $2.6 billion, related to Eucrisa, and reflects updated commercial forecasts mainly reflecting competitive pressures.

2018 primarily included intangible asset impairment charges of $3.1 billion, mainly composed of (i) $2.6 billion related to developed technology rights, $242 million related to licensing agreements and $80 million related to IPR&D, all of which were acquired in our Hospira acquisition, for generic sterile injectable products associated with various indications; and (ii) $117 million related to a multi-antigen vaccine IPR&D program for adults undergoing elective spinal fusion surgery. The intangible asset impairment charges for the generic sterile injectable products reflect, among other things, updated commercial forecasts, reflecting an increased competitive environment as well as higher manufacturing costs, largely stemming from manufacturing and supply issues. The intangible asset impairment charge for the multi-antigen vaccine IPR&D program was the result of the Phase 2b trial reaching futility at a pre-planned interim analysis.

(h) Mainly represents incremental costs for the design, planning and implementation of our then new business structure, effective in the beginning of 2019, and primarily includes consulting, legal, tax and other advisory services.

(i) See *Note 2C*.

(j) 2020 includes, among other things, (i) dividend income of $278 million from our investment in ViiV and (ii) charges of $105 million, reflecting the change in the fair value of contingent consideration. 2019 included, among other things, (i) dividend income of $220 million from our investment in ViiV; (ii) charges of $152 million for external incremental costs, such as transaction costs and costs to separate our Consumer Healthcare business into a separate legal entity, associated with the formation of the Consumer Healthcare JV; and (iii) net losses on early retirement of debt of $138 million. 2018 included, among other things, (i) a non-cash $343 million pre-tax gain associated with our transaction with Bain Capital to create a new biopharmaceutical company, Cerevel, to continue development of a portfolio of clinical and preclinical stage neuroscience assets primarily targeting disorders of the central nervous system; (ii) dividend income of $253 million from our investment in ViiV; (iii) a non-cash $50 million pre-tax gain related to our contribution agreement entered into with Allogene (see *Note 2B*); (iv) charges of $207 million, reflecting the change in the fair value of contingent consideration, and (vi) charges of $112 million for external incremental costs, such as transaction costs and costs to separate our Consumer Healthcare business into a separate legal entity, associated with the formation of the Consumer Healthcare JV.

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

Additional information about the intangible assets that were impaired during 2020 (impairment recorded in *Other (income)/deductions–net*) follows:

					Year Ended December 31, 2020
	Fair Value[a]				
(MILLIONS OF DOLLARS)	Amount	Level 1	Level 2	Level 3	Impairment
Intangible assets—IPR&D[b]	**$ 1,100**	**$ —**	**$ —**	**$ 1,100**	**$ 900**
Intangible assets—Developed technology rights[b]	**740**	**—**	**—**	**740**	**791**
Total	**$ 1,840**	**$ —**	**$ —**	**$ 1,840**	**$ 1,691**

(a) The fair value amount is presented as of the date of impairment, as these assets are not measured at fair value on a recurring basis. See also *Note 1E*.

[b] Reflects intangible assets written down to fair value in 2020. 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 for the asset and then applied an asset-specific discount rate to arrive at a net present value amount. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, which includes the expected impact of competitive, legal and/or regulatory forces on the product; 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

Components of *Income from continuing operations before provision/(benefit) for taxes on income* include:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2020**	2019	2018
United States	**$ (2,488)**	$ 7,064	$ (6,111)
International	**9,986**	4,420	9,706
Income from continuing operations before provision/(benefit) for taxes on income[a], [b]	**$ 7,497**	$ 11,485	$ 3,594

[a] 2020 v. 2019—The domestic loss in 2020 versus domestic income in 2019 was mainly related to the non-recurrence of the gain on the completion of the Consumer Healthcare JV transaction as well as higher certain asset impairments and higher R&D expenses. The increase in the international income was primarily related to the non-recurrence of the write off of assets contributed to the Consumer Healthcare JV as well as lower certain asset impairments and lower amortization of intangible assets.

[b] 2019 v. 2018—The domestic income in 2019 versus domestic loss in 2018 was mainly related to the completion of the Consumer Healthcare JV transaction as well as lower certain asset impairments, partially offset by higher business and legal entity alignment costs as well as increased costs related to certain legal matters. The decrease in the international income was primarily related to higher certain asset impairments as well as the write off of assets contributed to the Consumer Healthcare JV.

Components of *Provision/(benefit) for taxes on income* based on the location of the taxing authorities include:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2020**	2019	2018
United States			
Current income taxes:			
Federal	**$ 371**	$ (1,886)	$ 388
State and local	**58**	(187)	(49)
Deferred income taxes:			
Federal	**(1,061)**	1,193	(1,641)
State and local	**(115)**	266	15
Total U.S. tax benefit	**(747)**	(613)	(1,287)
TCJA[a]			
Current income taxes	**—**	(135)	(3,035)
Deferred Income taxes	**—**	(187)	2,439
Total TCJA tax benefit	**—**	(323)	(596)
International			
Current income taxes	**1,517**	2,418	2,195
Deferred income taxes	**(292)**	(863)	(579)
Total international tax provision	**1,224**	1,555	1,617
Provision/(benefit) for taxes on income	**$ 477**	$ 618	$ (266)

[a] The 2018 current tax benefit and deferred tax expense primarily relate to the utilization of tax credit carryforwards against the repatriation tax liability associated with the enactment of the TCJA. See discussion below.

Amounts discussed below are rounded to the nearest hundred million and represent approximations.

In 2018, we finalized our provisional accounting for the tax effects of the TCJA, based on our best estimates of available information and data. We reported and disclosed the impacts within the applicable measurement period, in accordance with SEC guidance, and recorded a favorable adjustment of $100 million to *Provision/(benefit) for taxes on income*.

We elected, with the filing of our 2018 U.S. Federal Consolidated Income Tax Return, to pay our initial estimated $15 billion repatriation tax liability on accumulated post-1986 foreign earnings over eight years through 2026. The third annual installment of this liability, which is due to be paid in April 2021, is reported in current *Income taxes payable*, and the remaining liability is reported in noncurrent *Other taxes payable* as of December 31, 2020. Our obligations may vary as a result of changes in our uncertain tax positions and/or availability of attributes such as foreign tax and other credit carryforwards.

The TCJA subjects a U.S. shareholder to current tax on global intangible low-taxed income earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, *Accounting for Global Intangible Low-Taxed Income*, states that we are permitted to make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as global intangible low-taxed income in future years or provide for the tax expense related to such income in the year the tax is incurred. We elected to recognize deferred taxes for temporary differences expected to reverse as global intangible low-taxed income in future years.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law in the U.S. to provide certain relief as a result of the COVID-19 pandemic. In addition, governments around the world have enacted or implemented various forms of tax relief measures in response to the economic conditions in the wake of COVID-19. As of December 31, 2020, neither the CARES Act nor changes to income tax laws or regulations in other jurisdictions had a significant impact on our effective tax rate.

The changes in *Provision/(benefit) for taxes on income* impacting the effective tax rate year-over-year are summarized below:

2020 v. 2019

The higher effective tax rate in 2020 was mainly the result of:

- the non-recurrence of the $1.4 billion tax benefits, representing taxes and interest, recorded in 2019 due to the favorable settlement of an IRS audit for multiple tax years;
- the non-recurrence of the tax benefits related to certain tax initiatives associated with the implementation of our then new business structure; and
- the non-recurrence of the tax benefits recorded in 2019 as a result of additional guidance issued by the U.S. Department of Treasury related to the TCJA, as well as:
- lower tax benefits related to the impairment of intangible assets,

partially offset by:

- the non-recurrence of the tax expense of $2.7 billion recorded in the third quarter of 2019 associated with the gain related to the completion of the Consumer Healthcare JV transaction; and
- the favorable change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business.

2019 v. 2018

The higher effective tax rate was primarily the result of:

- the tax expense of $2.7 billion associated with the gain related to the completion of the Consumer Healthcare JV transaction; and
- the non-recurrence of certain tax initiatives and favorable adjustments to the provisional estimate of the TCJA,

partially offset by:

- an increase in tax benefits associated with the resolution of certain tax positions pertaining to prior years, primarily due to a benefit of $1.4 billion, representing tax and interest, resulting from the favorable settlement of an IRS audit;
- benefits related to certain tax initiatives associated with the implementation of our then new business structure;
- the tax benefits recorded as a result of additional guidance issued by the U.S. Department of Treasury related to the enactment of the TCJA; and
- the favorable change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business.

In all years, federal, state and international net tax liabilities assumed or established as part of a business acquisition are not included in *Provision/(benefit) for taxes on income* (see *Note 2A*).

B. Tax Rate Reconciliation

The reconciliation of the U.S. statutory income tax rate to our effective tax rate for *Income from continuing operations* follows:

	Year Ended December 31,		
	2020	2019	2018
U.S. statutory income tax rate	**21.0 %**	21.0 %	21.0 %
TCJA impact[a]	**—**	(2.8)	(16.6)
Taxation of non-U.S. operations [b], [c]	**(9.6)**	(4.5)	1.2
Tax settlements and resolution of certain tax positions[d]	**(2.5)**	(13.8)	(19.3)
Completion of Consumer Healthcare JV transaction[d]	**—**	8.2	—
U.S. Healthcare Legislation[e]	**0.1**	—	(1.1)
U.S. R&D tax credit	**(1.3)**	(0.8)	(2.2)
Interest[f]	**1.1**	0.6	5.7
All other, net[g]	**(2.4)**	(2.5)	3.9
Effective tax rate for income from continuing operations	**6.4 %**	5.4 %	(7.4)%

[a] See *Note 5A.*

[b] For taxation of non-U.S. operations, this rate impact reflects the income tax rates and relative earnings in the locations where we do business outside the U.S., together with the U.S. tax cost on our international operations, changes in uncertain tax positions not included in the reconciling item called “Tax settlements and resolution of certain tax positions,” as well as changes in valuation allowances. Specifically: (i) the jurisdictional location of earnings is a significant component of our effective tax rate each year, and the rate impact of this component is influenced by the specific location of non-U.S. earnings and the level of such earnings as compared to our total earnings; (ii) the U.S. tax implications of our foreign operations is a significant component of our effective tax rate each year and generally offsets some of the reduction to our effective tax rate each year resulting from the jurisdictional location of earnings; (iii) the impact of certain tax initiatives; and (iv) the impact of changes in uncertain tax positions not included in the reconciling item called “Tax settlements and resolution of certain tax positions” is a component of our effective tax rate each year that can result in either an increase or decrease to our effective tax rate. The jurisdictional mix of earnings, which includes the impact of the location of earnings as well as the U.S. tax cost on our international operations, can vary as a result of operating fluctuations in the normal course of business and as a result of the extent and location of other income and expense items, such as restructuring charges, asset impairments and gains and losses on strategic business decisions. See also *Note 5A* for the components of pre-tax income and *Provision/(benefit)*

for taxes on income, which is based on the location of the taxing authorities, and for information about settlements and other items impacting *Provision/(benefit) for taxes on income*.

(c) In all years, the impact on our effective tax rate is the result of the jurisdictional location of earnings. In 2020 and 2019, the reduction in our effective tax rate resulting from the jurisdictional location of earnings is largely due to lower tax rates in certain jurisdictions, as well as manufacturing and other incentives for our subsidiaries in Singapore and to a lesser extent in Puerto Rico. We benefit from Puerto Rican tax incentives pursuant to a grant that expires during 2029. Under such grant, we are partially exempt from income, property and municipal taxes. In Singapore, we benefit from incentive tax rates effective through 2045 on income from manufacturing and other operations.

(d) For a discussion about tax settlements and resolution of certain tax positions and the impact of the gain on the completion of the Consumer Healthcare JV transaction, see *Note 5A*.

(e) The favorable rate impact in 2018 is a result of the updated 2017 invoice received from the federal government, which reflected a lower expense than what was previously estimated for invoiced periods, as well as certain tax initiatives.

(f) Includes changes in interest related to our uncertain tax positions not included in the reconciling item called “Tax settlements and resolution of certain tax positions”.

(g) All other, net is primarily due to routine business operations.

C. Deferred Taxes

Components of our deferred tax assets and liabilities, shown before jurisdictional netting, follow:

	2020 Deferred Tax*		2019 Deferred Tax*	
(MILLIONS OF DOLLARS)	Assets	(Liabilities)	Assets	(Liabilities)
Prepaid/deferred items[a]	**$ 3,094**	**$ (352)**	$ 1,918	$ (204)
Inventories	**276**	**(25)**	267	(10)
Intangible assets[b]	**793**	**(5,355)**	718	(6,784)
Property, plant and equipment	**211**	**(1,219)**	177	(1,204)
Employee benefits	**1,981**	**(127)**	2,115	(37)
Restructurings and other charges	**291**	**—**	212	—
Legal and product liability reserves	**382**	**—**	469	—
Net operating loss/tax credit carryforwards[c]	**1,761**	**—**	2,003	—
Unremitted earnings	**—**	**(46)**	—	(77)
State and local tax adjustments	**171**	**—**	152	—
Investments[d]	**128**	**(3,545)**	11	(3,318)
All other	**102**	**(57)**	167	(9)
	9,189	**(10,726)**	8,208	(11,643)
Valuation allowances	**(1,586)**	**—**	(1,526)	—
Total deferred taxes	**$ 7,603**	**$ (10,726)**	$ 6,682	$ (11,643)
Net deferred tax liability[e]		**$ (3,123)**		$ (4,961)

* The deferred tax assets and liabilities associated with global intangible low-taxed income are included in the relevant categories. See *Note 5A*.

[a] The increase in 2020 is primarily related to the capitalization of certain R&D-related expenses.

[b] The decrease in 2020 is primarily the result of amortization of intangible assets and certain impairment charges.

[c] The amounts in 2020 and 2019 are reduced for unrecognized tax benefits of $3.0 billion and $2.9 billion, respectively, where we have net operating loss carryforwards, similar tax losses, and/or tax credit carryforwards that are available, under the tax law of the applicable jurisdiction, to settle any additional income taxes that would result from the disallowance of a tax position.

[d] The amounts in 2020 and 2019 are primarily related to the Consumer Healthcare JV. See *Note 2C*.

[e] In 2020, *Noncurrent deferred tax assets and other noncurrent tax assets* ($0.9 billion), and *Noncurrent deferred tax liabilities* ($4.1 billion). In 2019, *Noncurrent deferred tax assets and other noncurrent tax assets* ($0.7 billion), and *Noncurrent deferred tax liabilities* ($5.7 billion).

We have carryforwards, primarily related to net operating and capital losses, general business credits, foreign tax credits and charitable contributions, which are available to reduce future U.S. federal and/or state, as well as international, income taxes payable with either an indefinite life or expiring at various times from 2021 to 2040. Certain of our U.S. net operating losses and general business credits are subject to limitations under IRC Section 382.

As of December 31, 2020, we have not made a U.S. tax provision on $55.0 billion of unremitted earnings of our international subsidiaries. As these earnings are intended to be indefinitely reinvested overseas, the determination of a hypothetical unrecognized deferred tax liability as of December 31, 2020 is not practicable. The amount of indefinitely reinvested earnings is based on estimates and assumptions and subject to management evaluation, and is subject to change in the normal course of business based on operational cash flow, completion of local statutory financial statements and the finalization of tax returns and audits, among other things. Accordingly, we regularly update our earnings and profits analysis for such events.

D. Tax Contingencies

For a description of our accounting policies associated with accounting for income tax contingencies, see *Note 1P*.

Uncertain Tax Positions

As tax law is complex and often subject to varied interpretations, it is uncertain whether some of our tax positions will be sustained upon audit. As of December 31, 2020, we had $4.3 billion and as of December 31, 2019, we had $4.2 billion in net unrecognized tax benefits, excluding associated interest.

- Tax assets for uncertain tax positions primarily represent our estimate of the potential tax benefits in one tax jurisdiction that could result from the payment of income taxes in another tax jurisdiction. These potential benefits generally result from cooperative efforts among taxing authorities, as required by tax treaties to minimize double taxation, commonly referred to as the competent authority process. The recoverability of these assets, which we believe to be more likely than not, is dependent upon the actual payment of taxes in one tax jurisdiction and, in some cases, the successful petition for recovery in another tax jurisdiction. As of December 31, 2020, we had $1.3 billion in assets associated with uncertain tax positions. These amounts were included in *Noncurrent deferred tax assets and other noncurrent tax assets* ($1.1 billion), *Noncurrent deferred tax liabilities* ($122 million) and *Other taxes payable* ($46 million). As of December 31, 2019, we had $1.2 billion in assets associated with uncertain tax positions. These amounts were included in *Noncurrent deferred tax assets and other noncurrent tax assets* ($1.0 billion) and *Noncurrent deferred tax liabilities* ($109 million).
- Substantially all of these unrecognized tax benefits, if recognized, would impact our effective income tax rate.

The reconciliation of the beginning and ending amounts of gross unrecognized tax benefits follows:

(MILLIONS OF DOLLARS)	**2020**	2019	2018
Balance, beginning	**$ (5,381)**	$ (6,259)	$ (6,558)
Acquisitions[a]	**37**	(44)	—
Divestitures[b]	**265**	—	—
Increases based on tax positions taken during a prior period[c]	**(232)**	(36)	(192)
Decreases based on tax positions taken during a prior period[c, d]	**64**	1,109	561
Decreases based on settlements for a prior period[e]	**15**	100	123
Increases based on tax positions taken during the current period[c]	**(411)**	(383)	(370)
Impact of foreign exchange	**(72)**	25	56
Other, net[c, f]	**120**	107	121
Balance, ending[g]	**$ (5,595)**	$ (5,381)	$ (6,259)

[a] For 2020 and 2019, primarily related to the acquisition of Array (goodwill adjustment made within the measurement period). See *Note 2A*.

[b] For 2020, related to the separation of Upjohn. See *Note 2B*.

[c] Primarily included in *Provision/(benefit) for taxes on income*.

[d] Primarily related to effectively settling certain issues with the U.S. and foreign tax authorities. See *Note 5A*.

[e] Primarily related to cash payments and reductions of tax attributes.

[f] Primarily related to decreases as a result of a lapse of applicable statutes of limitations.

[g] In 2020, included in *Income taxes payable* ($34 million), *Noncurrent deferred tax assets and other noncurrent tax assets* ($18 million), *Noncurrent deferred tax liabilities* ($3.0 billion) and *Other taxes payable* ($2.5 billion). In 2019, included in *Income taxes payable* ($108 million), *Current tax assets* ($2 million), *Noncurrent deferred tax assets and other noncurrent tax assets* ($51 million), *Noncurrent deferred tax liabilities* ($2.8 billion) and *Other taxes payable* ($2.4 billion).

- Interest related to our unrecognized tax benefits is recorded in accordance with the laws of each jurisdiction and is recorded primarily in *Provision/(benefit) for taxes on income*. In 2020, we recorded a net increase in interest of $89 million. In 2019, we recorded a net decrease in interest of $564 million, resulting primarily from a settlement with the IRS; and in 2018, we recorded a net increase in interest of $103 million. Gross accrued interest totaled $493 million as of December 31, 2020 (reflecting a decrease of $5 million as a result of cash payments and a decrease of $75 million relating to the separation of Upjohn) and gross accrued interest totaled $485 million as of December 31, 2019 (reflecting a decrease of $13 million as a result of cash payments). In 2020, this amount was included in *Income taxes payable* ($7 million) and *Other taxes payable* ($486 million). In 2019, this amount was included in *Income taxes payable* ($20 million) and *Other taxes payable* ($465 million). Accrued penalties are not significant. See also *Note 5A*.

Status of Tax Audits and Potential Impact on Accruals for Uncertain Tax Positions

The U.S. is one of our major tax jurisdictions, and we are regularly audited by the IRS. With respect to Pfizer, the IRS has issued a Revenue Agent's Report (RAR) for tax years 2011-2013. We are not in agreement with the RAR and are currently appealing certain disputed issues. Tax years 2014-2015 are currently under audit. Tax years 2016-2020 are open, but not under audit. All other tax years are closed.

In addition to the open audit years in the U.S., we have open audit years in other major tax jurisdictions, such as Canada (2013-2020), Japan (2017-2020), Europe (2011-2020, primarily reflecting Ireland, the U.K., France, Italy, Spain and Germany), Latin America (1998-2020, primarily reflecting Brazil) and Puerto Rico (2016-2020).

Any settlements or statutes of limitations expirations could result in a significant decrease in our uncertain tax positions. We estimate that it is reasonably possible that within the next 12 months, our gross unrecognized tax benefits, exclusive of interest, could decrease by as much as $50 million, as a result of settlements with taxing authorities or the expiration of the statutes of limitations.

Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but our estimates of unrecognized tax benefits and potential tax benefits may not be representative of actual outcomes, and variation from such estimates could materially affect our financial statements in the period of settlement or when the statutes of limitations expire, as we treat these events as discrete items in the period of resolution. Finalizing audits with the relevant taxing authorities can include formal administrative and legal proceedings, and, as a result, it is difficult to estimate the timing and range of possible changes related to our uncertain tax positions, and such changes could be significant.

E. Tax Provision/(Benefit) on Other Comprehensive Income/(Loss)

Components of the *Tax provision/(benefit) on other comprehensive income/(loss)* include:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2020**	2019	2018
Foreign currency translation adjustments, net[a]	**$ (79)**	$ 254	$ 94
Unrealized holding gains/(losses) on derivative financial instruments, net	**(88)**	83	21
Reclassification adjustments for (gains)/losses included in net income	**(25)**	(125)	27
Reclassification adjustments of certain tax effects from AOCI to *Retained earnings*[b]	**—**	—	1
	(113)	(42)	50
Unrealized holding gains/(losses) on available-for-sale securities, net	**45**	—	(23)
Reclassification adjustments for (gains)/losses included in net income	**(24)**	5	16
Reclassification adjustments for tax on unrealized gains from AOCI to *Retained earnings*[c]	**—**	—	(45)
	22	5	(53)
Benefit plans: actuarial gains/(losses), net	**(281)**	(169)	(141)
Reclassification adjustments related to amortization	**62**	55	55
Reclassification adjustments related to settlements, net	**65**	65	33
Reclassification adjustments of certain tax effects from AOCI to *Retained earnings*[b]	**—**	—	637
Other	**(8)**	(10)	29
	(161)	(58)	612
Benefit plans: prior service (costs)/credits and other, net	**12**	(1)	2
Reclassification adjustments related to amortization of prior service costs and other, net	**(31)**	(43)	(39)
Reclassification adjustments related to curtailments of prior service costs and other, net	**—**	(1)	(4)
Reclassification adjustments of certain tax effects from AOCI to *Retained earnings*[b]	**—**	—	(144)
Other	**1**	—	—
	(17)	(45)	(185)
Tax provision/(benefit) on other comprehensive income/(loss)	**$ (349)**	$ 115	$ 518

[a] Taxes are not provided for foreign currency translation adjustments relating to investments in international subsidiaries that are expected to be held indefinitely.

[b] For additional information on the adoption of a new accounting standard related to reclassification of certain tax effects from AOCI, see *Note 1B* in our 2018 Financial Report.

[c] For additional information on the adoption of a new accounting standard related to financial assets and liabilities, see *Note 1B* in our 2018 Financial Report.

Note 6. Accumulated Other Comprehensive Loss, Excluding Noncontrolling Interests

The following summarizes 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 Income/(Loss)
Balance, January 1, 2018	$ (5,180)	$ (30)	$ 401	$ (5,262)	$ 750	$ (9,321)
Other comprehensive income/(loss) due to the adoption of new accounting standards[a]	(2)	(1)	(416)	(637)	144	(913)
Other comprehensive income/(loss)[b]	(893)	198	(53)	(128)	(166)	(1,041)
Balance, December 31, 2018	(6,075)	167	(68)	(6,027)	728	(11,275)
Other comprehensive income/(loss)[b]	123	(146)	33	(231)	(144)	(365)
Balance, December 31, 2019	(5,952)	20	(35)	(6,257)	584	(11,640)
Other comprehensive income/(loss)[b]	**1,028**	**(448)**	**151**	**(602)**	**(106)**	**23**
Distribution of Upjohn Business[c]	**(397)**	**—**	**—**	**352**	**(26)**	**(71)**
Balance, December 31, 2020	**$ (5,321)**	**$ (428)**	**$ 116**	**$ (6,507)**	**$ 452**	**$ (11,688)**

[a] Represent the cumulative effect adjustments as of January 1, 2018 from the adoption of accounting standards related to (i) financial assets and liabilities and (ii) the reclassification of certain tax effects from AOCI. See *Note 1B* in our 2018 Financial Report.

[b] Amounts do not include foreign currency translation adjustments attributable to noncontrolling interests of $9 million loss in 2020, $11 million loss in 2019 and $20 million loss in 2018. Foreign currency translation adjustments in 2020 primarily include gains from the strengthening of the euro, Japanese yen, Australian dollar and U.K. pound against the U.S. dollar, and net gains related to foreign currency translation adjustments related to our equity method investment in the Consumer Healthcare JV (see *Note 2C*), partially offset by the impact of our net investment hedging program. Foreign currency translation adjustments in 2019 primarily include a gain of approximately $1.3 billion pre-tax ($978 million after-tax) related to foreign currency translation adjustments attributable to our equity method investment in the Consumer Healthcare JV (see *Note 2C*), partially offset by the strengthening of the U.S. dollar against the euro and the Australian dollar, and the results of our net investment hedging program. Amounts in 2018 primarily reflect the strengthening of the U.S. dollar against the euro, U.K. pound and Chinese renminbi.

[c] For more information, see *Note 2B.*

Note 7. Financial Instruments

A. Fair Value Measurements

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis and Fair Value Hierarchy, using a Market Approach:

(MILLIONS OF DOLLARS)	As of December 31, 2020 Total	Level 1	Level 2	As of December 31, 2019 Total	Level 1	Level 2
Financial assets:						
Short-term investments						
Classified as equity securities with readily determinable fair values:						
Money market funds	**$ 567**	**$ —**	**$ 567**	$ 705	$ —	$ 705
Classified as available-for-sale debt securities:						
Government and agency—non-U.S.	**7,719**	**—**	**7,719**	4,863	—	4,863
Government and agency—U.S.	**982**	**—**	**982**	811	—	811
Corporate and other	**1,008**	**—**	**1,008**	1,013	—	1,013
	9,709	**—**	**9,709**	6,687	—	6,687
Total short-term investments	**10,276**	**—**	**10,276**	7,392	—	7,392
Other current assets						
Derivative assets:						
Interest rate contracts	**18**	**—**	**18**	53	—	53
Foreign exchange contracts	**234**	**—**	**234**	413	—	413
Total other current assets	**251**	**—**	**251**	465	—	465
Long-term investments						
Classified as equity securities with readily determinable fair values[(a)]	**2,809**	**2,776**	**32**	1,902	1,863	39
Classified as available-for-sale debt securities:						
Government and agency—non-U.S.	**6**	**—**	**6**	—	—	—
Government and agency—U.S.	**121**	**—**	**121**	303	—	303
Corporate and other	**—**	**—**	**—**	11	—	11
	128	**—**	**128**	315	—	315
Total long-term investments	**2,936**	**2,776**	**160**	2,216	1,863	354
Other noncurrent assets						
Derivative assets:						
Interest rate contracts	**117**	**—**	**117**	266	—	266
Foreign exchange contracts	**5**	**—**	**5**	261	—	261
Total derivative assets	**122**	**—**	**122**	526	—	526
Insurance contracts[(b)]	**693**	**—**	**693**	575	—	575
Total other noncurrent assets	**814**	**—**	**814**	1,102	—	1,102
Total assets	**$ 14,278**	**$ 2,776**	**$ 11,501**	$ 11,176	$ 1,863	$ 9,313
Financial liabilities:						
Other current liabilities						
Derivative liabilities:						
Foreign exchange contracts	**$ 501**	**$ —**	**$ 501**	$ 114	$ —	$ 114
Total other current liabilities	**501**	**—**	**501**	114	—	114
Other noncurrent liabilities						
Derivative liabilities:						
Foreign exchange contracts	**599**	**—**	**599**	604	—	604
Total other noncurrent liabilities	**599**	**—**	**599**	604	—	604
Total liabilities	**$ 1,100**	**$ —**	**$ 1,100**	$ 718	$ —	$ 718

[a] Long-term equity securities of $190 million as of December 31, 2020 and $176 million as of December 31, 2019 were held in restricted trusts for employee benefit plans.

[b] Includes life insurance policies held in restricted trusts for U.S. non-qualified employee benefit plans. The underlying invested assets in these contracts are marketable securities, which are carried at fair value, with changes in fair value recognized in *Other (income)/deductions—net* (see *Note 4*).

Financial Assets and Liabilities Not Measured at Fair Value on a Recurring Basis

Carrying values and estimated fair values using a market approach:

	As of December 31, 2020			As of December 31, 2019		
	Carrying Value	Estimated Fair Value		Carrying Value	Estimated Fair Value	
(MILLIONS OF DOLLARS)		Total	Level 2		Total	Level 2
Financial Liabilities						
Long-term debt, excluding the current portion	**$ 37,133**	**$ 45,533**	**$ 45,533**	$ 35,955	$ 40,842	$ 40,842

The differences between the estimated fair values and carrying values for held-to-maturity debt securities, private equity securities, long-term receivables and short-term borrowings not measured at fair value on a recurring basis were not significant as of December 31, 2020 and 2019. The fair value measurements of our held-to-maturity debt securities and short-term borrowings are based on Level 2 inputs. The fair value measurements of our long-term receivables and private equity securities are based on Level 3 inputs using a market approach.

B. Investments

Total Short-Term and Long-Term Investments and Equity-Method Investments

The following summarizes our investments by classification type:

	As of December 31,	
(MILLIONS OF DOLLARS)	**2020**	2019
Short-term investments		
Equity securities with readily determinable fair values[(a)]	**$ 567**	$ 705
Available-for-sale debt securities	**9,709**	6,687
Held-to-maturity debt securities	**161**	1,133
Total Short-term investments	**$ 10,437**	$ 8,525
Long-term investments		
Equity securities with readily determinable fair values	**$ 2,809**	$ 1,902
Available-for-sale debt securities	**128**	315
Held-to-maturity debt securities	**37**	42
Private equity securities at cost[(b)]	**432**	756
Total Long-term investments	**$ 3,406**	$ 3,014
Equity-method investments	**16,856**	17,133
Total long-term investments and equity-method investments	**$ 20,262**	$ 20,147
Held-to-maturity cash equivalents	**$ 89**	$ 163

[(a)] As of December 31, 2020 and 2019, includes money market funds primarily invested in U.S. Treasury and government debt.

[(b)] Represent investments in the life sciences sector.

Debt Securities

At December 31, 2020, our investment securities portfolio consisted of diverse, primarily investment-grade, debt securities. The contractual maturities, or estimated maturities, of the debt securities are as follows:

	As of December 31, 2020							As of December 31, 2019			
		Gross Unrealized			Maturities (in Years)				Gross Unrealized		
(MILLIONS OF DOLLARS)	Amortized Cost	Gains	Losses	Fair Value	Within 1	Over 1 to 5	Over 5	Amortized Cost	Gains	Losses	Fair Value
Available-for-sale debt securities											
Government and agency—non-U.S.	**$ 7,593**	**$ 136**	**$ (4)**	**$ 7,725**	**$ 7,719**	**$ 6**	**$ —**	$ 4,895	$ 6	$ (38)	$ 4,863
Government and agency—U.S.	**1,104**	**—**	**(1)**	**1,103**	**982**	**121**	**—**	1,120	—	(6)	1,114
Corporate and other[a]	**1,006**	**2**	**—**	**1,008**	**1,008**	**—**	**—**	1,027	—	(2)	1,025
Held-to-maturity debt securities											
Time deposits and other	**283**	**—**	**—**	**283**	**251**	**9**	**24**	535	—	—	535
Government and agency—non-U.S.	**5**	**—**	**—**	**5**	**—**	**—**	**5**	803	—	—	803
Total debt securities	**$ 9,991**	**$ 138**	**$ (5)**	**$ 10,124**	**$ 9,959**	**$ 136**	**$ 29**	$ 8,380	$ 6	$ (47)	$ 8,340

[a] Primarily issued by a diverse group of corporations.

For our portfolio of available-for-sale and held-to-maturity debt securities, any expected credit losses would be immaterial to the financial statements.

Equity Securities

The following presents the calculation of the portion of unrealized (gains)/losses that relate to equity securities, excluding equity method investments, held at the reporting date:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2020**	2019	2018
Net (gains)/losses recognized during the period on equity securities[a]	**$ (540)**	$ (454)	$ (586)
Less: Net (gains)/losses recognized during the period on equity securities sold during the period	**(24)**	(25)	(109)
Net unrealized (gains)/losses during the reporting period on equity securities still held at the reporting date[b]	**$ (515)**	$ (429)	$ (477)

[a] Reported in *Other (income)/deductions—net.* See *Note 4*.

[b] Included in net unrealized gains are observable price changes on equity securities without readily determinable fair values. Since January 1, 2018, there were cumulative impairments and downward adjustments of $81 million and upward adjustments of $61 million. Impairments, downward and upward adjustments were not significant in 2020, 2019 and 2018.

C. Short-Term Borrowings

Short-term borrowings include:

	As of December 31,	
(MILLIONS OF DOLLARS)	**2020**	2019
Commercial paper[a]	**$ 556**	$ 13,915
Current portion of long-term debt, principal amount[b]	**2,004**	1,458
Other short-term borrowings, principal amount[c]	**145**	860
Total short-term borrowings, principal amount	**2,705**	16,233
Net fair value adjustments related to hedging and purchase accounting	**—**	5
Net unamortized discounts, premiums and debt issuance costs	**(2)**	(43)
Total *Short-term borrowings, including current portion of long-term debt*, carried at historical proceeds, as adjusted	**$ 2,703**	$ 16,195

[a] See *Note 2B*.

[b] See *Note 7D*.

[c] Primarily includes cash collateral. See *Note 7F*.

The weighted-average effective interest rate on commercial paper outstanding was approximately 0.13% as of December 31, 2020 and 1.92% as of December 31, 2019.

As of December 31, 2020, we had access to a total of $11 billion in U.S. revolving credit facilities consisting of a $7 billion facility expiring in 2025 and a $4 billion facility expiring in September 2021, which may be used to support our commercial paper borrowings. In January 2021, the $4 billion facility was terminated at our request. In addition to the U.S. revolving credit facilities, our lenders have provided us an additional $332 million in lines of credit, of which $300 million expire within one year. Of these total lines of credit, $11.3 billion were unused as of December 31, 2020.

D. Long-Term Debt

The following outlines our senior unsecured long-term debt and the weighted-average stated interest rate by maturity:

(MILLIONS OF DOLLARS)	As of December 31, 2020	2019
Notes due 2021 (2.4% for 2019)[(a)]	**$ —**	$ 3,153
Notes due 2022 (1.0% for 2020 and 2019)	**1,728**	1,624
Notes due 2023 (3.2% for 2020 and 3.7% for 2019)	**2,550**	2,892
Notes due 2024 (3.9% for 2020 and 2019)	**2,250**	2,250
Notes due 2025 (0.8% for 2020)	**750**	—
Notes due 2026 (2.9% for 2020 and 2019)	**3,000**	3,000
Notes due 2027-2030 (3.1% for 2020 and 3.6% for 2019)	**6,781**	4,453
Notes due 2034-2036 (5.3% for 2020 and 2019)	**2,250**	2,250
Notes due 2037-2040 (5.6% for 2020 and 6.0% for 2019)	**8,086**	7,066
Notes due 2043-2046 (3.7% for 2020 and 2019)	**4,878**	4,818
Notes due 2047-2050 (3.6% for 2020 and 4.1% for 2019)	**3,500**	3,315
Total long-term debt, principal amount	**35,774**	34,820
Net fair value adjustments related to hedging and purchase accounting	**1,562**	1,305
Net unamortized discounts, premiums and debt issuance costs	**(207)**	(176)
Other long-term debt	**4**	5
Total long-term debt, carried at historical proceeds, as adjusted	**$ 37,133**	$ 35,955
Current portion of long-term debt, carried at historical proceeds, as adjusted (not included above (2.6% and 1.2%))	**$ 2,002**	$ 1,462

[a] Reclassified to the current portion of long-term debt.

Our long-term debt outlined in the above table is generally redeemable by us at any time at varying redemption prices plus accrued and unpaid interest.

Issuances

In 2020, we issued the following:

(MILLIONS OF DOLLARS)		Principal
Interest Rate	Maturity Date	**As of December 31, 2020**
0.800%[a]	May 28, 2025	**$ 750**
1.700%[a]	May 28, 2030	**1,000**
2.550%[a]	May 28, 2040	**1,000**
2.700%[a]	May 28, 2050	**1,250**
		$ 4,000
2.625%[b]	April 1, 2030	**$ 1,250**

[a] May be redeemed by us at any time, in whole, or in part, at varying redemption prices plus accrued and unpaid interest. The weighted-average effective interest rate for the notes at issuance was 2.11%.

[b] May be redeemed by us at any time, in whole, or in part, at a redemption price plus accrued and unpaid interest. The weighted average effective interest rate for the notes at issuance was 2.67%.

In March 2019, we completed a public offering of $5.0 billion aggregate principal amount of senior unsecured notes with a weighted-average effective interest rate of 3.57%.

In September 2018, we completed a public offering of $5.0 billion aggregate principal amount of senior unsecured notes with a weighted-average effective interest rate of 3.56%.

Retirements

In November 2020, we repurchased all $1.15 billion and $342 million principal amount outstanding of the 1.95% senior unsecured notes due June 2021 and 5.80% senior unsecured notes due August 2023 and recorded a total net loss of $36 million, in *Other (income)/deductions—net.* See *Note 2B*.

In March 2020, we repurchased at par all $1.065 billion principal amount outstanding of our senior unsecured notes due in 2047.

In January 2019, we repurchased all €1.1 billion ($1.3 billion) principal amount outstanding of the 5.75% euro-denominated debt due June 2021 at a redemption value of €1.3 billion ($1.5 billion). We recorded a net loss of $138 million in *Other (income)/deductions—net*, which included the related termination of cross currency swaps.

E. Derivative Financial Instruments and Hedging Activities

Foreign Exchange Risk

A significant portion of our revenues, earnings and net investments in foreign affiliates is exposed to changes in foreign exchange rates. We manage our foreign exchange risk predominately through the use of derivative financial instruments and foreign currency debt. These financial instruments serve to mitigate the impact on net income as a result of remeasurement into another currency, or against the impact of translation into U.S. dollars of certain foreign exchange-denominated transactions.

The derivative financial instruments primarily hedge or offset exposures in the euro, U.K. pound, Japanese yen, Swedish krona and Canadian dollar. Additionally, we hedge a portion of our forecasted intercompany inventory sales denominated in euro, Japanese yen, Chinese renminbi, Canadian dollar, U.K. pound and Australian dollar for up to two years.

Changes in fair value are reported in earnings or in *Other comprehensive income/(loss)*, depending on the nature and purpose of the financial instrument (hedge or offset relationship). For certain foreign exchange contracts, we exclude an amount from the assessment of hedge effectiveness and recognize the excluded amount through an amortization approach in earnings. The hedge relationships are as follows:

Generally, we recognize the gains and losses on foreign exchange contracts that are designated as fair value hedges in earnings upon the recognition of the change in fair value of the hedged item. We also recognize the offsetting foreign exchange impact attributable to the hedged item in earnings.

- Generally, we record in *Other comprehensive income/(loss)* gains or losses on foreign exchange contracts that are designated as cash flow hedges and reclassify those amounts into earnings in the same period or periods during which the hedged transaction affects earnings.
- We record in *Other comprehensive income/(loss) —Foreign currency translation adjustments, net* the foreign exchange gains and losses related to foreign exchange-denominated debt and foreign exchange contracts designated as a hedge of our net investments in foreign subsidiaries and reclassify those amounts into earnings upon the sale or substantial liquidation of our net investments.
- For certain foreign exchange contracts not designated as hedging instruments, we recognize the gains and losses on contracts that are used to offset foreign currency assets or liabilities immediately into earnings along with the earnings impact of the items they generally offset. These contracts essentially take the opposite currency position of that reflected in the month-end balance sheet to counterbalance the effect of any currency movement.

Interest Rate Risk

Our interest-bearing investments and borrowings are subject to interest rate risk. Depending on market conditions, we may change the profile of our outstanding debt or investments by entering into derivative financial instruments like interest rate swaps, either to hedge or offset the exposure to changes in the fair value of hedged items with fixed interest rates, or to convert variable rate debt or investments to fixed rates. The derivative financial instruments primarily hedge U.S. dollar fixed-rate debt.

We recognize the gains and losses on interest rate contracts that are designated as fair value hedges in earnings upon the recognition of the change in fair value of the hedged risk. We also recognize the offsetting earnings impact attributable to the hedged item.

The following summarizes the fair value of the derivative financial instruments and the related notional amounts (including those reported as part of discontinued operations):

(MILLIONS OF DOLLARS)	**As of December 31, 2020**			**As of December 31, 2019**		
		Fair Value			Fair Value	
	Notional	Asset	Liability	Notional	Asset	Liability
Derivatives designated as hedging instruments:						
Foreign exchange contracts[(a)]	**$ 24,369**	**$ 145**	**$ 1,005**	$ 25,193	$ 591	$ 662
Interest rate contracts	**1,950**	**135**	**—**	6,645	318	—
		280	**1,005**		909	662
Derivatives not designated as hedging instruments:						
Foreign exchange contracts	**$ 15,063**	**94**	**95**	$ 19,623	82	55
Total		**$ 373**	**$ 1,100**		$ 992	$ 718

[(a)] The notional amount of outstanding foreign exchange contracts hedging our intercompany forecasted inventory sales was $5.0 billion as of December 31, 2020 and $5.9 billion as of December 31, 2019.

The following summarizes information about the gains/(losses) incurred to hedge or offset operational foreign exchange or interest rate risk (including gains/(losses) reported as part of discontinued operations).

	Amount of Gains/(Losses) Recognized in OID[a]		Amount of Gains/(Losses) Recognized in OCI[a]		Amount of Gains/(Losses) Reclassified from OCI into OID and COS[a]	
	As of December 31,					
(MILLIONS OF DOLLARS)	**2020**	2019	**2020**	2019	**2020**	2019
Derivative Financial Instruments in Cash Flow Hedge Relationships:						
Foreign exchange contracts[b]	**$ —**	$ —	**$ (649)**	$ 339	**$ (77)**	$ 525
Amount excluded from effectiveness testing recognized in earnings based on an amortization approach[c]	**—**	—	**55**	136	**57**	140
Derivative Financial Instruments in Fair Value Hedge Relationships:						
Interest rate contracts	**369**	900	**—**	—	**—**	—
Hedged item	**(369)**	(900)	**—**	—	**—**	—
Derivative Financial Instruments in Net Investment Hedge Relationships:						
Foreign exchange contracts	**—**	—	**(501)**	(313)	**—**	—
The portion on foreign exchange contracts excluded from the assessment of hedge effectiveness[c]	**—**	—	**181**	188	**154**	144
Non-Derivative Financial Instruments in Net Investment Hedge Relationships:						
Foreign currency short-term borrowings	**—**	—	**8**	34	**—**	—
Foreign currency long-term debt[d]	**—**	—	**(183)**	36	**—**	—
Derivative Financial Instruments Not Designated as Hedges:						
Foreign exchange contracts	**178**	**(172)**	**—**	—	**—**	—
All other net[c]	**—**	—	**12**	—	**(1)**	(1)
	$ 178	$ (172)	**$ (1,077)**	$ 421	**$ 133**	$ 808

[a] OID = Other (income)/deductions—net, included in *Other (income)/deductions—net* in the consolidated statements of income. COS = Cost of Sales, included in *Cost of sales* in the consolidated statements of income. OCI = Other comprehensive income/(loss), included in the consolidated statements of comprehensive income.

(b) The amounts reclassified from OCI into COS were:

- a net gain of $172 million in 2020 (including a gain of $22 million reported in *Income from discontinued operations—net of tax*); and
- a net gain of $247 million in 2019 (including a gain of $46 million reported in *Income from discontinued operations—net of tax*).

The remaining amounts were reclassified from OCI into OID. Based on year-end foreign exchange rates that are subject to change, we expect to reclassify a pre-tax loss of $341 million within the next 12 months into income. The maximum length of time over which we are hedging future foreign exchange cash flow relates to our $1.8 billion U.K. pound debt maturing in 2043.

(c) The amounts reclassified from OCI were reclassified into OID.

(d) Long-term debt includes foreign currency borrowings with carrying values of $2.1 billion as of December 31, 2020, which are used as hedging instruments in net investment hedge relationships.

The following summarizes the amounts recorded in our consolidated balance sheet related to cumulative basis adjustments for fair value hedges:

	As of December 31, 2020			As of December 31, 2019		
		Cumulative Amount of Fair Value Hedging Adjustment Increase/(Decrease) to Carrying Amount			Cumulative Amount of Fair Value Hedging Adjustment Increase/(Decrease) to Carrying Amount	
(MILLIONS OF DOLLARS)	Carrying Amount of Hedged Assets/ Liabilities[a]	Active Hedging Relationships	Discontinued Hedging Relationships	Carrying Amount of Hedged Assets/ Liabilities[a]	Active Hedging Relationships	Discontinued Hedging Relationships
Long-term debt	**$ 2,016**	**$ 117**	**$ 1,149**	$ 7,092	$ 266	$ 690

(a) Carrying amounts exclude the cumulative amount of fair value hedging adjustments.

F. Credit Risk

On an ongoing basis, we monitor and review the credit risk of our customers, financial institutions and exposures in our investment portfolio.

With respect to our trade accounts receivable, we monitor the creditworthiness of our customers to which we grant credit in the normal course of business. In general, there is no requirement for collateral from customers. For additional information on our trade accounts receivable and allowance for credit losses, see *Note 1G*. A significant portion of our trade accounts receivable balances are due from drug wholesalers. For additional information on our trade accounts receivables with significant customers, see *Note 17B*.

With respect to our investments, we monitor concentrations of credit risk associated with government, government agency, and corporate issuers of securities. Investments are placed in instruments that are investment grade and are primarily short in duration. Exposure limits are established to limit a concentration with any single credit counterparty. As of December 31, 2020, the largest investment exposures in our portfolio represent primarily sovereign debt instruments issued by the U.S., France, Canada, Japan, Sweden and Germany.

With respect to our derivative financial instrument agreements with financial institutions, we do not expect to incur a significant loss from failure of any counterparty. Derivative financial instruments are executed under International Swaps and Derivatives Association (ISDA) master agreements with credit-support annexes that contain zero threshold provisions requiring collateral to be exchanged daily depending on levels of exposure. As a result, there are no significant concentrations of credit risk with any individual financial institution. As of December 31, 2020, the aggregate fair value of these derivative financial instruments that are in a net payable position was $946 million, for which we have posted collateral of $821 million with a corresponding amount reported in *Short-term investments*. As of December 31, 2020, the aggregate fair value of our derivative financial instruments that are in a net receivable

position was $137 million, for which we have received collateral of $142 million with a corresponding amount reported in *Short-term borrowings, including current portion of long-term debt.*

Note 8. Inventories

The following summarizes the components of *Inventories*:

	As of December 31,	
(MILLIONS OF DOLLARS)	**2020**	2019
Finished goods	**$ 2,878**	$ 2,265
Work in process	**4,430**	4,131
Raw materials and supplies	**738**	672
Inventories[(a)]	**$ 8,046**	$ 7,068
Noncurrent inventories not included above[(b)]	**$ 890**	$ 638

[(a)] The change from December 31, 2019 reflects increases for certain products, including inventory build for new product launches, supply recovery, market demand and network strategy, and an increase due to foreign exchange.

[(b)] Included in *Other noncurrent assets*. There are no recoverability issues for these amounts.

Note 9. Property, Plant and Equipment

The following summarizes the components of *Property, plant and equipment*:

(MILLIONS OF DOLLARS)	Useful Lives (Years)	As of December 31, **2020**	2019
Land	-	**$ 444**	$ 495
Buildings	33-50	**9,022**	9,181
Machinery and equipment	8-20	**11,153**	10,648
Furniture, fixtures and other	3-12.5	**4,541**	4,840
Construction in progress	-	**3,552**	2,794
		28,711	27,959
Less: Accumulated depreciation		**14,812**	14,990
Property, plant and equipment		**$ 13,900**	$ 12,969

The following provides long-lived assets by geographic area:

(MILLIONS OF DOLLARS)	As of December 31, **2020**	2019
Property, plant and equipment		
United States	**$ 7,821**	$ 7,194
Developed Europe	**4,775**	4,238
Developed Rest of World	**413**	453
Emerging Markets	**890**	1,083
Property, plant and equipment	**$ 13,900**	$ 12,969

Note 10. Identifiable Intangible Assets and Goodwill

A. Identifiable Intangible Assets

The following summarizes the components of *Identifiable intangible assets*:

(MILLIONS OF DOLLARS)	As of December 31, 2020 Gross Carrying Amount	Accumulated Amortization	Identifiable Intangible Assets, less Accumulated Amortization	As of December 31, 2019 Gross Carrying Amount	Accumulated Amortization	Identifiable Intangible Assets, less Accumulated Amortization
Finite-lived intangible assets						
Developed technology rights[a]	**$ 73,545**	**$ (50,902)**	**$ 22,643**	$ 72,449	$ (47,092)	$ 25,357
Brands	**922**	**(774)**	**148**	922	(741)	181
Licensing agreements and other[b]	**2,292**	**(1,186)**	**1,106**	1,687	(1,108)	579
	76,759	**(52,862)**	**23,896**	75,058	(48,941)	26,117
Indefinite-lived intangible assets						
Brands	**827**		**827**	827		827
IPR&D[c]	**3,175**		**3,175**	5,919		5,919
Licensing agreements and other[b]	**573**		**573**	1,073		1,073
	4,575		**4,575**	7,819		7,819
Identifiable intangible assets[d]	**$ 81,334**	**$ (52,862)**	**$ 28,471**	$ 82,877	$ (48,941)	$ 33,936

[a] The increase in the gross carrying amount primarily reflects the transfer of $600 million from *IPR&D* to *Developed technology rights* to reflect the approval of Braftovi in combination with Erbitux® (cetuximab), for the treatment of $BRAF^{V600E}$-mutant mCRC after prior therapy, as well as a $499 million capitalized portion of an upfront payment to Myovant (see *Note 2E*) and an increase from a $200 million measurement period adjustment related to the acquisition of Array (see *Note 2A*), partially offset by a $528 million impairment of Eucrisa (see *Note 4*) and a $263 million impairment of certain generic sterile injectables acquired in connection with our acquisition of Hospira (see *Note 4*).

[b] The changes in the gross carrying amounts primarily reflect the transfer of $600 million from indefinite-lived *Licensing agreements and other* to finite-lived *Licensing agreements and other* to reflect the approval in the U.S. of several products subject to out-licensing arrangements acquired from Array, as well as measurement period adjustments related to the acquisition of Array.

[c] The decrease in the gross carrying amount primarily reflects a decrease from a $1.2 billion measurement period adjustment related to the acquisition of Array, a $900 million impairment of *IPR&D* (see *Note 4*), and the transfer of $600 million from *IPR&D* to *Developed technology rights* to reflect the approval of Braftovi in combination with Erbitux® (cetuximab), for the treatment of $BRAF^{V600E}$-mutant mCRC after prior therapy.

[d] The decrease is primarily due to amortization, impairments, and measurement period adjustments related to the acquisition of Array, partially offset by the capitalization of an upfront payment to Myovant (see *Note 2E*).

Nearly all of our identifiable intangible assets are managed by our commercial organization, with only 9% of total cost of IPR&D managed by our R&D organization.

Developed Technology Rights

Developed technology rights represent the cost for developed technology acquired from third parties and can include the right to develop, use, market, sell and/or offer for sale the product, compounds and intellectual property that we have acquired with respect to products, compounds and/or processes that have been completed. We possess a well-diversified portfolio of hundreds of developed technology rights across therapeutic categories, representing our commercialized products. The significant components of developed technology rights are the following: Xtandi, Prevnar 13/Prevenar 13 Infant, Braftovi/Mektovi, Premarin, Prevnar 13/ Prevenar 13 Adult, Eucrisa, Orgovyx, and, to a lesser extent Zavicefta, Tygacil, Merrem/Meronem, Refacto AF/Xyntha, Pristiq and Bosulif. Also included in this category are the post-approval milestone payments made under our alliance agreements for certain biopharmaceutical products.

Brands

Brands represent the cost for tradenames and know-how, as the products themselves do not receive patent protection. Indefinite-lived brands include Medrol and Depo-Medrol, while finite-lived brands include Depo-Provera and Zavedos.

IPR&D

IPR&D assets represent R&D assets that have not yet received regulatory approval in a major market. The significant components of IPR&D are the following: the program for the oral poly ADP ribose polymerase inhibitor for the treatment of patients with germline BRCA-mutated advanced breast cancer acquired as part of the Medivation acquisition and assets acquired in connection with the Array acquisition. IPR&D assets are required to be classified as indefinite-lived assets until the successful completion or the abandonment of the associated R&D effort. Accordingly, during the development period after the date of acquisition, these assets are not amortized until approval is obtained in a major market, typically either the U.S. or the EU, or in a series of other countries, subject to certain specified conditions and management judgment. At that time, we will determine the useful life of the asset, reclassify it out of IPR&D and begin amortization. If the associated R&D effort is abandoned, the related IPR&D assets will likely be written-off, and we will record an impairment charge.

IPR&D assets are high-risk assets, given the uncertain nature of R&D. Accordingly, we expect that many of these IPR&D assets will become impaired and be written-off at some time in the future.

Licensing Agreements

Licensing agreements for developed technology and for technology in development primarily relate to out-licensing arrangements acquired from third parties, including the Array acquisition. These assets represent the cost for the license, where we acquired the right to future royalties and/or milestones upon development or commercialization by the licensing partner. A significant component of the licensing arrangements are for out-licensing arrangements with a number of partners for oncology technology in varying stages of development that have not yet received regulatory approval in a major market. Accordingly, during the development period after the date of acquisition, each of these assets is classified as indefinite-lived intangible assets and will not be amortized until approval is obtained in a major market. At that time we will determine the useful life of the asset, reclassify the respective licensing arrangement asset to finite-lived intangible asset and begin amortization. If the development effort is abandoned, the related licensing asset will likely be written-off, and we will record an impairment charge.

Amortization

The weighted-average life for each of our total finite-lived intangible assets and the largest component, developed technology rights, is approximately 9 years. Total amortization expense for finite-lived intangible assets was $3.5 billion in 2020, $4.5 billion in 2019 and $4.8 billion in 2018.

The following provides the expected annual amortization expense:

(MILLIONS OF DOLLARS)	2021	2022	2023	2024	2025
Amortization expense	$ 3,372	$ 3,249	$ 2,921	$ 2,642	$ 2,492

B. Goodwill

At the beginning of 2019, we reorganized our commercial operations and began to manage our businesses through three different operating segments—Biopharma, Upjohn and Consumer Healthcare. As a result of the reorganization of our commercial operations, our remaining goodwill was required to be reallocated amongst the then new Biopharma and Upjohn operating segments by determining the fair value of each reporting unit under our old and new management structure and the portions being transferred. We completed this re-allocation based on relative fair value in the second quarter of 2019 and retrospectively presented goodwill according to the operating structure.

Our Consumer Healthcare business was classified as held for sale as of December 31, 2018 and, upon closing of the transaction with GSK during the third quarter of 2019, we deconsolidated our Consumer Healthcare business and derecognized Consumer Healthcare goodwill. For additional information, see *Note 2C*. On November 16, 2020, we completed the spin-off and the combination of our Upjohn Business with Mylan. Upon closing, we deconsolidated the Upjohn business and derecognized $10.6 billion in Upjohn goodwill. In addition, at December 31, 2019, the goodwill associated with the Upjohn Business was classified as *Noncurrent assets of discontinued operations*. For additional information, see *Note 2B*.

The following summarizes the components and changes in the carrying amount of *Goodwill*:

(MILLIONS OF DOLLARS)	Total
Balance, January 1, 2019	$ 42,927
Additions[a]	5,411
Other[b]	(136)
Balance, December 31, 2019	48,202
Additions[c]	**727**
Other[b]	**648**
Balance, December 31, 2020	**$ 49,577**

[a] Additions relate to our acquisition of Array (see *Note 2A*).

[b] Other represents the impact of foreign exchange.

[c] Additions primarily represent the impact of measurement period adjustments related to our Array acquisition (see *Note 2A*).

Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans

The majority of our employees worldwide are eligible for retirement benefits provided through defined benefit pension plans, defined contribution plans or both. In the U.S., we sponsor both IRC-qualified and supplemental (non-qualified) defined benefit plans and defined contribution plans. A qualified plan meets the requirements of certain sections of the IRC, and, generally, contributions to qualified plans are tax deductible. A qualified plan typically provides benefits to a broad group of employees with restrictions on discriminating in favor of highly compensated employees with regard to coverage, benefits and contributions. A supplemental (non-qualified) plan provides additional benefits to certain employees. In addition, we provide medical insurance benefits to certain retirees and their eligible dependents through our postretirement plans.

A. Components of Net Periodic Benefit Costs and Changes in Other Comprehensive Income/(Loss)

The following provides the annual (credit)/cost (including costs reported as part of discontinued operations) and changes in *Other comprehensive income/(loss)* for our benefit plans:

	Pension Plans											
	U.S. Qualified			U.S. Supplemental (Non-Qualified)			International			Postretirement Plans		
	Year Ended December 31,											
(MILLIONS OF DOLLARS)	**2020**	2019	2018	**2020**	2019	2018	**2020**	2019	2018	**2020**	2019	2018
Service cost	**$ —**	$ —	$ —	**$ —**	$ —	$ —	**$ 146**	$ 125	$ 136	**$ 38**	$ 37	$ 39
Interest cost	**499**	629	598	**34**	47	55	**164**	215	212	**49**	75	72
Expected return on plan assets	**(1,015)**	(890)	(1,040)	**—**	—	—	**(306)**	(317)	(360)	**(36)**	(33)	(37)
Amortization of:												
Actuarial losses	**136**	147	120	**15**	11	13	**125**	80	101	**—**	3	7
Prior service cost/ (credit)	**(3)**	(3)	2	**(1)**	(1)	(1)	**(3)**	(4)	(4)	**(170)**	(173)	(178)
Curtailments	**—**	—	12	**—**	—	1	**—**	(1)	(4)	**—**	(47)	(17)
Settlements	**223**	230	113	**49**	27	26	**6**	16	4	**—**	(10)	—
Special termination benefits	**(1)**	4	6	**2**	17	10	**—**	—	—	**—**	2	2
Net periodic benefit cost/ (credit) reported in income	**(161)**	116	(189)	**99**	100	103	**132**	115	84	**(118)**	(146)	(111)
(Credit)/cost reported in *Other comprehensive income/(loss)*	**640**	(246)	361	**95**	115	(189)	**202**	570	84	**(50)**	38	105
(Credit)/cost recognized in *Comprehensive income*	**$ 479**	$ (129)	$ 171	**$ 194**	$ 215	$ (86)	**$ 333**	$ 685	$ 168	**$ (168)**	$(107)	$ (6)

B. Actuarial Assumptions

The following provides the weighted-average actuarial assumptions of our benefit plans:

	Year Ended December 31,		
(PERCENTAGES)	**2020**	2019	2018
Weighted-average assumptions used to determine benefit obligations			
Discount rate:			
U.S. qualified pension plans	**2.6 %**	3.3 %	4.4 %
U.S. non-qualified pension plans	**2.4 %**	3.2 %	4.3 %
International pension plans	**1.5 %**	1.7 %	2.5 %
Postretirement plans	**2.5 %**	3.2 %	4.3 %
Rate of compensation increase[(a)]:			
International pension plans	**2.9 %**	1.4 %	1.4 %
Weighted-average assumptions used to determine net periodic benefit cost			
Discount rate:			
U.S. qualified pension plans	**3.3 %**	4.4 %	3.8 %
U.S. non-qualified pension plans	**3.2 %**	4.3 %	3.7 %
International pension plans interest cost	**1.5 %**	2.2 %	2.0 %
International pension plans service cost	**1.6 %**	2.4 %	2.3 %
Postretirement plans	**3.2 %**	4.3 %	3.7 %
Expected return on plan assets:			
U.S. qualified pension plans	**7.0 %**	7.2 %	7.5 %
International pension plans	**3.6 %**	3.9 %	4.4 %
Postretirement plans	**7.0 %**	7.3 %	7.5 %
Rate of compensation increase:			
U.S. qualified pension plans[(a)]	**—**	—	2.8 %
U.S. non-qualified pension plans[(a)]	**—**	—	2.8 %
International pension plans	**2.9 %**	1.4 %	2.5 %

[(a)] Effective January 1, 2018, we froze the defined benefit plans to future benefit accruals in the U.S. and members' accrued benefits to that date no longer increase in line with future compensation increases. The rate of compensation increase is therefore no longer an assumption used to determine the benefit obligation and net periodic benefit cost for the U.S. qualified and non-qualified pension plans.

The assumptions above are used to develop the benefit obligations at each fiscal year-end. All of the assumptions are reviewed on at least an annual basis. We revise these assumptions based on an annual evaluation of long-term trends as well as market conditions that may have an impact on the cost of providing retirement benefits.

The weighted-average discount rate for our U.S. defined benefit plans is determined annually and evaluated and modified to reflect at year-end the prevailing market rate of a portfolio of high-quality fixed income investments, rated AA/Aa or better that reflect the rates at which the pension benefits could be effectively settled. For our international plans, the discount rates are set by benchmarking against investment grade corporate bonds rated AA/Aa or better, including, when there is sufficient data, a yield curve approach. These rate determinations are made consistent with local requirements. Overall, the yield curves used to measure the benefit obligations at year-end 2020 resulted in lower discount rates as compared to the prior year.

The following provides the healthcare cost trend rate assumptions for our U.S. postretirement benefit plans:

	As of December 31,	
	2020	2019
Healthcare cost trend rate assumed for next year (up to age 65)	**5.4 %**	5.6 %
Healthcare cost trend rate assumed for next year (age 65 and older)	**5.6 %**	6.0 %
Rate to which the cost trend rate is assumed to decline	**4.5 %**	4.5 %
Year that the rate reaches the ultimate trend rate	**2037**	2037

C. Obligations and Funded Status

The following provides an analysis of the changes in our benefit obligations, plan assets and funded status of our benefit plans (including those reported as part of discontinued operations):

	U.S. Qualified		U.S. Supplemental (Non-Qualified)		International		Postretirement Plans	
	Year Ended December 31,							
(MILLIONS OF DOLLARS)	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Change in benefit obligation[a]								
Benefit obligation, beginning	**$ 16,535**	$ 15,141	**$ 1,351**	$ 1,280	**$ 11,059**	$ 9,952	**$ 1,667**	$ 1,870
Service cost	**—**	—	**—**	—	**146**	125	**38**	37
Interest cost	**499**	629	**34**	47	**164**	215	**49**	75
Employee contributions	**—**	—	**—**	—	**8**	7	**88**	84
Plan amendments	**2**	—	**—**	—	**2**	18	**(56)**	(56)
Changes in actuarial assumptions and other[b]	**1,953**	2,001	**159**	152	**702**	1,224	**(132)**	(87)
Foreign exchange impact	**—**	—	**—**	—	**646**	(33)	**2**	(1)
Upjohn spin-off[c]	**(1,016)**	—	**—**	—	**(320)**	—	**(218)**	—
Acquisitions/divestitures/other, net	**—**	(4)	**—**	(1)	**—**	(55)	**—**	(36)
Curtailments	**—**	—	**—**	—	**—**	(2)	**—**	—
Settlements	**(650)**	(692)	**(117)**	(70)	**(34)**	(34)	**—**	—
Special termination benefits	**(1)**	4	**2**	17	**—**	—	**—**	2
Benefits paid	**(383)**	(544)	**(62)**	(74)	**(372)**	(360)	**(201)**	(221)
Benefit obligation, ending[a]	**16,940**	16,535	**1,366**	1,351	**12,001**	11,059	**1,238**	1,667
Change in plan assets								
Fair value of plan assets, beginning	**14,586**	13,051	**—**	—	**8,956**	8,215	**519**	469
Actual gain/(loss) on plan assets	**1,974**	2,760	**—**	—	**868**	873	**69**	50
Company contributions	**1,253**	11	**179**	144	**197**	230	**113**	137
Employee contributions	**—**	—	**—**	—	**8**	7	**88**	84
Foreign exchange impact	**—**	—	**—**	—	**462**	42	**—**	—
Upjohn spin-off[c]	**(687)**	—	**—**	—	**(270)**	—	**—**	—
Acquisitions/divestitures, net	**—**	—	**—**	—	**(6)**	(16)	**—**	—
Settlements	**(650)**	(692)	**(117)**	(70)	**(34)**	(34)	**—**	—
Benefits paid	**(383)**	(544)	**(62)**	(74)	**(372)**	(360)	**(201)**	(221)
Fair value of plan assets, ending	**16,094**	14,586	**—**	—	**9,811**	8,956	**588**	519
Funded status—Plan assets less than benefit obligation	**$ (845)**	$ (1,949)	**$ (1,366)**	$ (1,351)	**$ (2,191)**	$ (2,103)	**$ (651)**	$ (1,148)

[a] The PBO represents the present value of the benefit obligation earned through the end of the year and factors in future compensation increases. The ABO is similar to the PBO but does not factor in future compensation increases. For the U.S. qualified and supplemental (non-qualified) pension plans, the benefit obligation is the PBO, which is also equal to the ABO. For the international pension plans, the benefit obligation is the PBO. The

ABO for our international pension plans was $11.5 billion in 2020 and $10.6 billion in 2019. For the postretirement plans, the benefit obligation is the ABO.

(b) Primarily includes actuarial losses resulting from decreases in discount rates in 2020 and 2019.

(c) For more information, see *Note 2B*.

The following provides information as to how the funded status is recognized in our consolidated balance sheets:

	Pension Plans							
	U.S. Qualified		U.S. Supplemental (Non-Qualified)		International		Postretirement Plans	
	As of December 31,							
(MILLIONS OF DOLLARS)	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Noncurrent assets[a]	**$ —**	$ —	**$ —**	$ —	**$ 522**	$ 453	**$ —**	$ —
Current liabilities[b]	**—**	—	**(127)**	(189)	**(31)**	(30)	**(6)**	(24)
Noncurrent liabilities[c]	**(845)**	(1,949)	**(1,239)**	(1,162)	**(2,681)**	(2,526)	**(645)**	(1,124)
Funded status	**$ (845)**	$ (1,949)	**$ (1,366)**	$ (1,351)	**$ (2,191)**	$ (2,103)	**$ (651)**	$ (1,148)

(a) Included in *Other noncurrent assets*.

(b) Included in *Accrued compensation and related items*.

(c) Included in *Pension benefit obligations*, *Postretirement benefit obligations*, and *Other noncurrent liabilities*, as appropriate.

The following provides the pre-tax components of cumulative amounts recognized in *Accumulated other comprehensive loss*:

	Pension Plans							
	U.S. Qualified		U.S. Supplemental (Non-Qualified)		International		Postretirement Plans	
	As of December 31,							
(MILLIONS OF DOLLARS)	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Actuarial losses[(a)]	**$ (5,062)**	$ (4,812)	**$ (579)**	$ (484)	**$ (3,056)**	$ (2,921)	**$ 58**	$ (76)
Prior service (costs)/credits	**(3)**	(2)	**(1)**	—	**(31)**	(21)	**688**	830
Total[(b)]	**$ (5,065)**	$ (4,814)	**$ (580)**	$ (485)	**$ (3,087)**	$ (2,942)	**$ 746**	$ 754

(a) Primarily represent the impact of changes in discount rates and other assumptions that result in cumulative changes in our PBO, as well as the cumulative difference between the expected return and actual return on plan assets. These accumulated actuarial losses are recognized in *Accumulated other comprehensive loss* and are amortized into net periodic benefit costs primarily over the average remaining service period for active participants for plans that are not frozen or the average life expectancy of plan participants for frozen plans, primarily using the corridor approach.

(b) The change from December 31, 2019 includes the derecognition of $388 million of pre-tax actuarial losses, net of prior service credits associated with benefit plans distributed as a result of the spin-off and the combination of the Upjohn Business with Mylan on November 16, 2020.

The following provides information related to the funded status of selected benefit plans (including those reported as part of liabilities of discontinued operations):

	U.S. Qualified		U.S. Supplemental (Non-Qualified)		International	
	As of December 31,					
(MILLIONS OF DOLLARS)	**2020**	2019	**2020**	2019	**2020**	2019
Pension plans with an ABO in excess of plan assets:						
Fair value of plan assets	**$ 16,094**	$ 14,586	**$ —**	$ —	**$ 6,674**	$ 5,843
ABO	**16,940**	16,535	**1,366**	1,351	**8,961**	7,960
Pension plans with a PBO in excess of plan assets:						
Fair value of plan assets	**16,094**	14,586	**—**	—	**6,735**	5,947
PBO	**16,940**	16,535	**1,366**	1,351	**9,447**	8,503

All of our U.S. plans and many of our international plans were underfunded as of December 31, 2020.

D. Plan Assets

The following provides the components of plan assets (including those reported as part of discontinued operations):

(MILLIONS OF DOLLARS)	As of December 31, 2020	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Assets Measured at NAV[a]	As of December 31, 2019	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Assets Measured at NAV[a]
U.S. qualified pension plans										
Cash and cash equivalents	**$ 781**	**$ 70**	**$ 711**	**$ —**	**$ —**	$ 363	$ 80	$ 284	$ —	$ —
Equity securities:										
Global equity securities	**3,241**	**3,213**	**27**	**1**	**—**	3,464	3,406	57	—	—
Equity commingled funds	**1,325**	**—**	**1,110**	**—**	**215**	1,179	—	819	—	360
Fixed income securities:										
Corporate debt securities	**6,499**	**23**	**6,476**	**—**	**—**	5,292	10	5,281	1	—
Government and agency obligations[b]	**1,555**	**—**	**1,555**	**—**	**—**	1,799	—	1,799	—	—
Fixed income commingled funds	**23**	**—**	**23**	**—**	**—**	6	—	6	—	—
Other investments:										
Partnership investments[c]	**1,431**	**—**	**—**	**—**	**1,431**	1,212	—	—	—	1,212
Insurance contracts	**190**	**—**	**190**	**—**	**—**	196	—	196	—	—
Other commingled funds[d]	**1,049**	**—**	**11**	**—**	**1,038**	1,075	—	9	—	1,066
Total	**$ 16,094**	**$3,306**	**$10,103**	**$ 1**	**$ 2,684**	$ 14,586	$3,496	$8,451	$ 1	$ 2,638
International pension plans										
Cash and cash equivalents	**$ 407**	**$ 61**	**$ 346**	**$ —**	**$ —**	$ 221	$ 33	$ 187	$ —	$ —
Equity securities:										
Equity commingled funds	**2,051**	**—**	**1,681**	**—**	**370**	1,922	—	1,548	—	374
Fixed income securities:										
Corporate debt securities	**925**	**—**	**925**	**—**	**—**	796	—	796	—	—
Government and agency obligations[b]	**1,334**	**—**	**1,334**	**—**	**—**	1,200	—	1,200	—	—
Fixed income commingled funds	**2,484**	**—**	**1,217**	**—**	**1,267**	2,201	—	1,031	—	1,171
Other investments:										
Partnership investments[c]	**69**	**—**	**3**	**—**	**66**	66	—	3	—	63
Insurance contracts	**1,027**	**—**	**57**	**969**	**1**	1,027	—	82	944	1
Other[d]	**1,514**	**—**	**117**	**393**	**1,003**	1,524	—	82	398	1,043
Total	**$ 9,811**	**$ 61**	**$ 5,681**	**$1,362**	**$ 2,707**	$ 8,956	$ 33	$4,929	$1,342	$ 2,652
U.S. postretirement plans[e]										
Insurance contracts	**$ 588**	**$ —**	**$ 588**	**$ —**	**$ —**	$ 519	$ —	$ 519	$ —	$ —

[a] Certain investments that are measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The NAV amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented for the total pension benefits plan assets.

[b] Government and agency obligations are inclusive of repurchase agreements.

[c] Mainly includes investments in private equity, private debt, public equity limited partnerships, and, to a lesser extent, real estate and venture capital.

[d] Mostly includes investments in hedge funds and real estate.

[e] Reflects postretirement plan assets, which support a portion of our U.S. retiree medical plans.

The following provides an analysis of the changes in our more significant investments valued using significant unobservable inputs (including those reported as part of discontinued operations):

	International Pension Plans			
	Insurance contracts		Other	
	Year Ended December 31,			
(MILLIONS OF DOLLARS)	**2020**	2019	**2020**	2019
Fair value, beginning	**$ 944**	$ 684	**$ 398**	$ 382
Actual return on plan assets:				
Assets held, ending	**32**	50	**(10)**	6
Purchases, sales, and settlements, net	**(38)**	(40)	**(10)**	6
Transfer into/(out of) Level 3	**(11)**	247	**(2)**	—
Exchange rate changes	**42**	2	**16**	4
Fair value, ending	**$ 969**	$ 944	**$ 393**	$ 398

Equity securities, Fixed income securities and Other investments may each be combined into commingled funds. Most commingled funds are valued to reflect the interest in the fund based on the reported year-end NAV. Partnership and Other investments are valued based on year-end reported NAV (or its equivalent), with adjustments as appropriate for lagged reporting of up to three months.

The following methods and assumptions were used to estimate the fair value of our pension and postretirement plans' assets:

- Cash and cash equivalents: Level 1 investments may include cash, cash equivalents and foreign currency valued using exchange rates. Level 2 investments may include short-term investment funds which are commingled funds priced at a stable NAV by the administrator of the funds.
- Equity securities: Level 1 investments may include individual securities that are valued at the closing price or last trade reported on the major market on which they are traded. Level 1 and Level 2 investments may include commingled funds that have a readily determinable fair value based on quoted prices on an exchange or a published NAV derived from the quoted prices in active markets of the underlying securities. Level 3 investments may include individual securities that are unlisted, delisted, suspended, or illiquid and are typically valued using their last available price.
- Fixed income securities: Level 1 investments may include individual securities that are valued at the closing price or last trade reported on the major market on which they are traded. Level 2 investments may include commingled funds that have a readily determinable fair value based on observable prices of the underlying securities. Level 2 investments may include corporate bonds, government and government agency obligations and other fixed income securities valued using bid evaluation pricing models or quoted prices of securities with similar characteristics. Level 3 investments may include securities that are valued using alternative pricing sources, such as investment managers or brokers, which use proprietary pricing models that incorporate unobservable inputs.
- Other investments: Level 1 investments may include individual securities that are valued at the closing price or last trade reported on the major market on which they are traded. Level 2 investments may include Insurance contracts which invest in interest bearing cash, U.S. government securities and corporate debt instruments.

Certain investments are authorized to include derivatives, such as equity or bond futures, swaps, options and currency futures or forwards for managing risks and exposures.

The following provides the long-term target asset allocations ranges and the percentage of the fair value of plan assets for benefit plans:

	Target Allocation Percentage	Percentage of Plan Assets	
		As of December 31,	
(PERCENTAGES)	**2020**	**2020**	2019
U.S. qualified pension plans			
Cash and cash equivalents	**0-10%**	**4.9 %**	2.5 %
Equity securities	**35-55%**	**28.4 %**	31.8 %
Fixed income securities	**28-53%**	**50.2 %**	48.7 %
Other investments	**5-20%**	**16.6 %**	17.0 %
Total	**100 %**	**100 %**	100 %
International pension plans			
Cash and cash equivalents	**0-10%**	**4.2 %**	2.5 %
Equity securities	**20-40%**	**20.9 %**	21.5 %
Fixed income securities	**35-60%**	**48.4 %**	46.9 %
Other investments	**10-35%**	**26.6 %**	29.2 %
Total	**100 %**	**100 %**	100 %
U.S. postretirement plans			
Cash and cash equivalents	**0-5%**	**—**	—
Other investments	**95-100%**	**100 %**	100 %
Total	**100 %**	**100 %**	100 %

Global plan assets are managed with the objective of generating returns that will enable the plans to meet their future obligations, while seeking to manage net periodic benefit costs and cash contributions over the long-term. We utilize long-term asset allocation ranges in the management of our plans' invested assets. Our long-term return expectations are developed based on a diversified, global investment strategy that takes into account historical experience, as well as the impact of portfolio diversification, active portfolio management, and our view of current and future economic and financial market conditions. As market conditions and other factors change, we may adjust our targets accordingly and our asset allocations may vary from the target allocations.

Our long-term asset allocation ranges reflect our asset class return expectations and tolerance for investment risk within the context of the respective plans' long-term benefit obligations. These ranges are supported by analysis that incorporates historical and expected returns by asset class, as well as volatilities and correlations across asset classes and our liability profile.

Each pension plan is overseen by a local committee or board that is responsible for the overall investment of the pension plan assets. In determining investment policies and associated target allocations, each committee or board considers a wide variety of factors. As such, the target asset allocation for each of our international pension plans is set on a standalone basis by the relevant board or committee. The target

asset allocation ranges shown for the international pension plans seek to reflect the combined target allocations across all such plans, while also showing the range within which the target allocations for each plan typically falls.

The investment managers of certain separately managed accounts, commingled funds and private equity funds may be permitted to use repurchase agreements and derivative securities, including U.S. Treasury and equity futures contracts as described in each respective investment management, subscription, partnership or other governing agreement.

E. Cash Flows

It is our practice to fund amounts for our qualified pension plans that are at least sufficient to meet the minimum requirements set forth in applicable employee benefit laws and local tax laws.

The following provides the expected future cash flow information related to our benefit plans:

	Pension Plans			
(MILLIONS OF DOLLARS)	U.S. Qualified	U.S. Supplemental (Non-Qualified)	International	Postretirement Plans
Expected employer contributions:				
2021	$ —	$ 127	$ 282	$ 90
Expected benefit payments:				
2021	$ 1,139	$ 127	$ 371	$ 97
2022	1,036	121	375	94
2023	1,032	116	375	92
2024	1,030	106	385	89
2025	986	100	393	86
2026–2030	4,625	424	2,086	430

The above table reflects the total U.S. and international plan benefits projected to be paid from the plans or from our general assets under the current actuarial assumptions used for the calculation of the benefit obligation and, therefore, actual benefit payments may differ from projected benefit payments.

F. Defined Contribution Plans

We have defined contribution plans in the U.S. and several other countries. For the majority of the U.S. defined contribution plans, employees may contribute a portion of their salaries and bonuses to the plans, and we match, in cash, a portion of the employee contributions. Beginning on January 1, 2011, for newly hired non-union employees, rehires and transfers to the U.S. or Puerto Rico, we no longer offer a defined benefit pension plan and, instead, offer a Retirement Savings Contribution (RSC) in the defined contribution plan. The RSC is an annual non-contributory employer contribution (that is not dependent upon the participant making a contribution) determined based on each employee's eligible compensation, age and years of service. Beginning on January 1, 2018, all non-union employees in the U.S. and Puerto Rico defined benefit plans transitioned to the RSC in the defined contribution plans. We recorded charges related to the employer contributions to global defined contribution plans of $685 million in 2020, $659 million in 2019 and $622 million in 2018.

Note 12. Equity

A. Common Stock Purchases

We purchase our common stock through privately negotiated transactions or in the open market as circumstances and prices warrant. Purchased shares under each of the share-purchase plans, which are authorized by our BOD, are available for general

corporate purposes. In December 2015, the BOD authorized an $11 billion share repurchase program, which was exhausted in the third quarter of 2018. In December 2017, the BOD authorized an additional $10 billion share repurchase program, which was exhausted in the first quarter of 2019. In December 2018, the BOD authorized another $10 billion share repurchase program to be utilized over time and share repurchases commenced thereunder in the first quarter of 2019.

In March 2018, we entered into an accelerated share repurchase agreement (ASR) with Citibank, N.A. to repurchase $4 billion of our common stock pursuant to our previously announced share repurchase authorization. We paid $4 billion and received an initial delivery of 87 million shares of stock at a price of $36.61 per share, which represented approximately 80% of the notional amount of the ASR. In September 2018, the ASR was completed resulting in Citibank owing us an additional 21 million shares of our common stock. The average price paid for all of the shares delivered under the ASR was $36.86 per share. The common stock received is included in *Treasury stock*.

In February 2019, we entered into an ASR with Goldman Sachs & Co. LLC to repurchase $6.8 billion of our common stock pursuant to our previously announced share repurchase authorization. We paid $6.8 billion and received an initial delivery of 130 million shares of common stock, which represented approximately 80% of the notional amount of the ASR. In August 2019, the ASR with Goldman Sachs & Co. LLC was completed resulting in Goldman Sachs & Co. LLC owing us an additional 33.5 million shares of our common stock. The average price paid for all of the shares delivered under the ASR was $41.42 per share. The common stock received is included in *Treasury stock*.

The following provides the number of shares of our common stock purchased and the cost of purchases under our publicly announced share purchase plans, including our ASRs:

	Year Ended December 31,		
(SHARES IN MILLIONS, DOLLARS IN BILLIONS)	**2020**	2019[a]	2018[b]
Shares of common stock purchased	—	213	307
Cost of purchase	**$** —	$ 8.9	$ 12.2

[a] Represents shares purchased pursuant to the ASR with Goldman Sachs & Co. LLC entered into in February 2019, as well as open market share repurchases of $2.1 billion.

[b] Represents shares purchased pursuant to the ASR with Citibank entered into in March 2018, as well as open market share repurchases of $8.2 billion.

Our remaining share-purchase authorization was approximately $5.3 billion at December 31, 2020.

B. Preferred Stock and Employee Stock Ownership Plans

Prior to May 4, 2020, our Series A convertible perpetual preferred stock (the Series A Preferred Stock) was held by an ESOP trust (the Trust). All outstanding shares of Series A Preferred Stock were converted, at the direction of the independent fiduciary under the Trust and in accordance with the certificate of designations for the Series A Preferred Stock, into shares of our common stock on May 4, 2020. The Trust received an aggregate of 1,070,369 shares of our common stock upon conversion, with zero shares of Series A Preferred Stock remaining outstanding as a result of the conversion. In December 2020, we filed a certificate of elimination and a restated certificate of incorporation with the Delaware Secretary of State, which eliminated the Series A Preferred Stock.

Since May 4, 2020, we have one ESOP that holds common stock of the Company (Common ESOP). Prior to that there was also an ESOP that held the Series A Preferred Stock. As of December 31, 2020, all shares of common stock held by the Common ESOP have been allocated to the Pfizer U.S. defined contribution plan participants. The compensation cost related to the Common ESOP was $19 million in 2020, $20 million in 2019 and $19 million in 2018.

Note 13. Share-Based Payments

Our compensation programs can include share-based payment awards with value that is determined by reference to the fair value of our shares and that provide for the grant of shares or options to acquire shares or similar arrangements. Our share-based awards are designed based on competitive survey data or industry peer groups used for compensation purposes; and are allocated between different long-term incentive awards, generally in the form of Total Shareholder Return Units (TSRUs), Restricted Stock Units (RSUs), Portfolio Performance Shares (PPSs), Performance Share Awards (PSAs) and Stock Options, as determined by the Compensation Committee.

The 2019 Stock Plan (2019 Plan) replaced and superseded the 2014 Plan. It provides for 400 million shares, in addition to shares remaining under the 2014 Plan, to be authorized for grants. The 2019 Plan provides that the number of stock options, TSRUs, RSUs, or performance-based awards that may be granted to any one individual during any 36-month period is limited to 20 million shares, and that RSUs, PPSs and PSAs count as three shares, while TSRUs and stock options count as one share, toward the maximum shares available under the 2019 Plan. As of December 31, 2020, 411 million shares were available for award. Although not required to do so we have used authorized and unissued shares and, to a lesser extent, treasury stock to satisfy our obligations under these programs.

A summary of the awards and valuation details:

Awarded to	Terms	Valuation	Recognition and Presentation
Total Shareholder Return Units (TSRUs)[a], [b]			
Senior and other key management and select employees	• Entitle the holder to receive shares of our common stock with a value equal to the difference between the defined settlement price and the grant price, plus the dividends accumulated during the five or seven-year term, if and to the extent the total value is positive. • Settlement price is the average closing price of our common stock during the 20 trading days ending on the fifth or seventh anniversary of the grant, as applicable; the grant price is the closing price of our common stock on the date of the grant. • Automatically settled on the fifth or seventh anniversary of the grant but vest on the third anniversary of the grant, after which time there is no longer a substantial likelihood of forfeiture.	As of the grant date using a Monte Carlo simulation model	Amortized on a straight-line basis over the vesting term into *Cost of sales*, *Selling, informational and administrative expenses*, and/or *Research and development expenses*, as appropriate.
Restricted Stock Units (RSUs)			
Select employees	• Entitle the holder to receive a specified number of shares of our common stock, including shares resulting from dividend equivalents paid on such RSUs. • For RSUs granted during the periods presented, in virtually all instances, the units vest after three years of continuous service from the grant date.	As of the grant date using the closing price of our common stock	Amortized on a straight-line basis over the vesting term into *Cost of sales*, *Selling, informational and administrative expenses*, and/or *Research and development expenses*, as appropriate.

Awarded to	Terms	Valuation	Recognition and Presentation
Portfolio Performance Shares (PPSs)			
Select employees	• Entitle the holder to receive, at the end of the performance period, shares of our common stock, if any, including shares resulting from dividend equivalents paid on such shares. • For PPSs granted during the period presented, the awards vest after three years of continuous service from the grant date and the number of shares paid, if any, depends on the achievement of predetermined goals related to Pfizer's long-term product portfolio during a five-year performance period from the year of the grant date. • The number of shares that may be earned ranges from 0% to 200% of the initial award depending on goal achievement over the performance period.	As of the grant date using the intrinsic value method using the closing price of our common stock	Amortized on a straight-line basis over the probable vesting term into *Cost of sales*, *Selling, informational and administrative expenses* and/or *Research and development expenses*, as appropriate, and adjusted each reporting period, as necessary, to reflect changes in the price of our common stock, changes in the number of shares that are probable of being earned and changes in management's assessment of the probability that the specified performance criteria will be achieved and/or changes in management's assessment of the probable vesting term.
Performance Share Awards (PSAs)			
Senior and other key management	• Entitle the holder to receive, at the end of the performance period, shares of our common stock, if any, including shares resulting from dividend equivalents, dependent upon the achievement of predetermined goals related to two measures: a. Adjusted operating income (for performance years through 2018) or adjusted net income (for 2019 and later years, except for the 2017 PSAs) over three one-year periods; and b. TSR as compared to the NYSE ARCA Pharmaceutical Index (DRG Index) over the three-year performance period. • PSAs vest after three years of continuous service from the grant date. • The number of shares that may be earned ranges from 0% to 200% of the initial award depending on goal achievement over the performance period.	As of the grant date using the intrinsic value method using the closing price of our common stock	Amortized on a straight-line basis over the probable vesting term into *Cost of sales*, *Selling, informational and administrative expenses*, and/or *Research and development expenses*, as appropriate, and adjusted each reporting period, as necessary, to reflect changes in the price of our common stock, changes in the number of shares that are probable of being earned and changes in management's assessment of the probability that the specified performance criteria will be achieved.
Stock Options			
Select employees	• Entitle the holder to purchase a specified number of our common stock at a price per share equal to the closing market price of our common stock on the date of grant, when vested. • Beginning in 2016, only a limited set of non-U.S. employees received stock option grants. No stock options were awarded to senior and other key management in any period presented. • Stock options vest after three years of continuous service from the grant date and have a contractual term of 10 years.	As of the grant date using the Black-Scholes-Merton option-pricing model	Amortized on a straight-line basis over the vesting term into *Cost of sales*, *Selling, informational and administrative expenses*, and/or *Research and development expenses*, as appropriate.

(a) Retirement-eligible holders, as defined in the grant terms, can convert their TSRUs, when vested, into Profit Units (PTUs) with a conversion ratio based on a calculation used to determine the shares at TSRU settlement. The PTUs are entitled to earn Dividend Equivalent Units (DEUs), and the PTUs and DEUs will be settled in our common stock on the TSRUs' original settlement date and will be subject to the terms and conditions of the original grant including forfeiture provisions.

(b) In 2017, Performance Total Shareholder Return Units (PTSRUs) were awarded to the Former Chairman and Chief Executive Officer (1,444,395 PTSRUs) and 361,099 PTSRUs were awarded to the Group President, Chief Business Officer (former role Group President Pfizer Innovative Health)

at a grant price of $30.31 and at a GDFV of $5.54 per PTSRU. All these amounts have been adjusted for the Upjohn spin-off discussed in *Note 2B*. In addition to having the same characteristics and valuation methodology of TSRUs, PTSRU grants require special service and performance conditions.

The following provides data related to all TSRU, RSU, PPS, PSA and stock option activity:

(MILLIONS OF DOLLARS, EXCEPT FAIR VALUE OF SHARES VESTED PER TSRU AND STOCK OPTION)	TSRUs			RSUs			PPSs			PSAs			Stock Options		
Year Ended December 31,	**2020**	2019	2018	**2020**	2019	2018	**2020**	2019	2018	**2020**	2019	2018	**2020**	2019	2018
Total fair value of shares vested[a]	**$6.22**	$8.52	$7.42	**$334**	$454	$146	**$119**	$136	$169	**$25**	$64	$4	**$3.56**	$5.98	$5.06
Total intrinsic value of options exercised or share units converted	**$84**	$175	$151				**$224**	$245	$194				**$293**	$261	$625
Cash received upon exercise													**$425**	$394	$1,259
Tax benefits realized from exercise													**$55**	$47	$115
Compensation cost recognized, pre-tax[b]	**$287**	$294	$302	**$272**	$275	$286	**$180**	$114	$276	**$31**	$28	$62	**$6**	$7	$12
Total compensation cost related to nonvested awards not yet recognized, pre-tax	**$224**	$229	$246	**$228**	$241	$256	**$104**	$87	$102	**$32**	$34	$41	**$4**	$5	$5
Weighted-average period over which cost is expected to be recognized (years)	**1.6**	1.6	1.6	**1.7**	1.7	1.7	**1.8**	1.8	1.8	**1.9**	1.8	1.8	**1.7**	1.6	1.7

[a] Weighted-average GDFV per TSRUs and stock options.

[b] TSRU includes expense for PTSRUs, which is not significant for all years presented.

Total share-based payment expense was $780 million, $718 million and $949 million in 2020, 2019 and 2018, respectively, which includes pre-tax share-based payment expense included in *Income from discontinued operations—net of tax* of $23 million, $30 million and $27 million in 2020, 2019 and 2018, respectively. Tax benefit for share-based compensation expense was $141 million, $137 million and $180 million in 2020, 2019 and 2018, respectively.

The table above excludes total expense due to the modification for share-based awards in connection with our cost reduction/ productivity initiatives, which was not significant for all years presented and is recorded in *Restructuring charges and certain acquisition-related costs* (see *Note 3*). Amounts capitalized as part of inventory cost were not significant for any period presented.

Summary of the weighted-average assumptions used in the valuation of TSRUs and stock options:

	TSRUs			Stock Options		
Year Ended December 31,	**2020**	2019	2018	**2020**	2019	2018
Expected dividend yield (based on a constant dividend yield during the expected term)	**4.36 %**	3.27 %	3.73 %	**4.36 %**	3.27 %	3.73 %
Risk-free interest rate (based on interpolated yield on U.S. Treasury zero-coupon issues)	**1.15 %**	2.55 %	2.60 %	**1.25 %**	2.66 %	2.85 %
Expected stock price volatility (based on implied volatility, after consideration of historical volatility)	**20.99 %**	18.34 %	20.00 %	**20.97 %**	18.34 %	20.02 %
TSRUs contractual/stock options expected term, years (based on historical exercise and post-vesting termination patterns for stock options)	**5.12**	5.13	5.12	**6.75**	6.75	6.75

Summary of all TSRU, RSU, PPS and PSA activity during 2020 (with the shares granted representing the maximum award that could be achieved for PPSs and PSAs):

	TSRUs			RSUs		PPSs[a]		PSAs	
	TSRUs	Per TSRU, Weighted Average		Shares		Shares		Shares	
	(Thousands)	GDFV	Grant Price	*(Thousands)*	Weighted Avg. GDFV per share	*(Thousands)*	Weighted Avg. Intrinsic Value per share	*(Thousands)*	Weighted Avg. Intrinsic Value per share
Nonvested, December 31, 2019[b]	122,654	$ 7.53	$ 38.01	23,407	$ 37.54	17,694	$ 39.18	5,061	$ 39.18
Granted[b]	**51,158**	**6.22**	**34.12**	**8,423**	**34.22**	**8,150**	**34.10**	**1,713**	**34.10**
Vested[b]	**(45,757)**	**6.40**	**34.11**	**(9,321)**	**34.70**	**(6,393)**	**34.73**	**(728)**	**34.65**
Reinvested dividend equivalents[b]				**955**	**37.32**				
Forfeited[b]	**(4,782)**	**7.27**	**37.20**	**(999)**	**37.91**	**(713)**	**36.78**	**(1,052)**	**35.00**
Upjohn spin-off adjustment[c]	**6,571**	**6.88**	**32.94**	**1,228**	**35.55**	**1,338**	**36.69**	**270**	**36.69**
Nonvested, December 31, 2020	**129,844**	**$ 6.90**	**$ 32.94**	**23,692**	**$ 35.50**	**20,077**	**$ 36.81**	**5,264**	**$ 36.81**

[a] Vested and non-vested shares outstanding, but not paid as of December 31, 2020 were 33.9 million.

[b] Activity prior to the Upjohn Business spin-off has not been adjusted.

[c] In connection with the Upjohn Business spin-off, the Company made adjustments to preserve the intrinsic value of the awards immediately before and after the spin-off. The terms of the outstanding awards remain the same and continue to vest over the original vesting periods. Certain outstanding awards at the time of the spin-off held by employees of Upjohn were prorated for services performed and the remaining portion forfeited at the time of the separation. The share-based awards held as of November 16, 2020 were adjusted as follows:

- The number of outstanding TSRUs was increased and the grant price was decreased.
- The number of shares of common stock subject to each outstanding RSUs, PPSs, and PSAs was increased.

The adjustments to the stock-based compensation awards did not result in additional compensation cost.

Summary of TSRU and PTU information as of December 31, 2020[a, b]:

	TSRUs *(Thousands)*	PTUs *(Thousands)*	Weighted-Average Grant Price Per TSRU	Weighted-Average Remaining Contractual Term *(Years)*	Aggregate Intrinsic Value *(Millions)*
TSRUs Outstanding	**230,539**	**—**	**$ 29.57**	**2.3**	**$ 1,737**
TSRUs Vested	**100,696**	**—**	**25.22**	**0.8**	**1,168**
TSRUs Expected to vest[c]	**124,594**	**—**	**32.94**	**3.3**	**547**
TSRUs exercised and converted to PTUs	**—**	**1,467**	**$ —**	**0.3**	**$ 54**

[a] In 2020, we settled 5,478,547 TSRUs with a weighted-average grant price of $30.93 per unit.

[b] In 2020, 2,217,044 TSRUs with a weighted-average grant price of $29.26 per unit were converted into 757,285 PTUs.

[c] The number of TSRUs expected to vest takes into account an estimate of expected forfeitures.

Summary of all stock option activity during 2020:

	Shares *(Thousands)*	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term *(Years)*	Aggregate Intrinsic Value[a] *(Millions)*
Outstanding, December 31, 2019[b]	88,600	$ 28.39		
Granted[b]	**1,755**	**34.10**		
Exercised[b]	**(18,492)**	**23.05**		
Forfeited[b]	**(160)**	**35.49**		
Expired[b]	**(326)**	**24.91**		
Upjohn spin-off adjustment[c]	**4,024**	**28.08**		
Outstanding, December 31, 2020	**75,402**	**28.31**	**3.1**	**$ 645**
Vested and expected to vest, December 31, 2020[d]	**75,226**	**28.30**	**3.0**	**645**
Exercisable, December 31, 2020	**71,732**	**$ 27.97**	**2.8**	**$ 635**

[a] Market price of our underlying common stock less exercise price.

[b] Activity prior to the Upjohn Business spin-off has not been adjusted.

[c] In connection with the Upjohn business spin-off discussed above, the number of shares of common stock subject to each outstanding stock option was increased and the exercise price was decreased. These adjustments did not result in additional compensation cost.

[d] The number of options expected to vest takes into account an estimate of expected forfeitures.

Note 14. Earnings Per Common Share Attributable to Pfizer Inc. Common Shareholders

The following presents the detailed calculation of *EPS:*

(IN MILLIONS)	Year Ended December 31, 2020	2019	2018
EPS Numerator—Basic			
Income from continuing operations attributable to Pfizer Inc.	**$ 6,985**	$ 10,838	$ 3,825
Less: Preferred stock dividends—net of tax	**—**	1	1
Income from continuing operations attributable to Pfizer Inc. common shareholders	**6,984**	10,837	3,824
Income from discontinued operations—net of tax	**2,631**	5,435	7,328
Net income attributable to Pfizer Inc. common shareholders	**$ 9,616**	$ 16,272	$ 11,152
EPS Numerator—Diluted			
Income from continuing operations attributable to Pfizer Inc. common shareholders and assumed conversions	**$ 6,985**	$ 10,838	$ 3,825
Income from discontinued operations—net of tax, attributable to Pfizer Inc. common shareholders and assumed conversions	**2,631**	5,435	7,328
Net income attributable to Pfizer Inc. common shareholders and assumed conversions	**$ 9,616**	$ 16,273	$ 11,153
EPS Denominator			
Weighted-average number of common shares outstanding—Basic	**5,555**	5,569	5,872
Common-share equivalents: stock options, stock issuable under employee compensation plans convertible preferred stock and accelerated share repurchase agreements	**77**	106	105
Weighted-average number of common shares outstanding—Diluted	**5,632**	5,675	5,977
Anti-dilutive common stock equivalents[(a)]	**4**	2	2

[(a)] These common stock equivalents were outstanding for the periods presented, but were not included in the computation of diluted EPS for those periods because their inclusion would have had an anti-dilutive effect.

Allocated shares held by the Common ESOP, including reinvested dividends, are considered outstanding for EPS calculations and the eventual conversion of allocated preferred shares held by the Preferred ESOP was assumed in the diluted EPS calculation until the conversion date, which occurred in May 2020. See *Note 12*.

Note 15. Leases

We lease real estate, fleet, and equipment for use in our operations. Our leases generally have lease terms of 1 to 30 years, some of which include options to terminate or extend leases for up to 5 to 10 years or on a month-to-month basis. We include options that are reasonably certain to be exercised as part of the determination of lease terms. We may negotiate termination clauses in anticipation of any changes in market conditions, but generally these termination options have not been exercised. Residual value guarantees are generally not included within our operating leases with the exception of some fleet leases. In addition to base rent payments, the leases may require us to pay directly for taxes and other non-lease components, such as insurance, maintenance and other operating expenses, which may be dependent on usage or vary month-to-month. Variable lease payments amounted to $380 million in 2020 and $327 million in 2019. We elected the practical expedient in the new standard to not separate non-lease components from lease components in calculating the amounts of ROU assets and lease liabilities for all underlying asset classes.

We determine if an arrangement is a lease at inception of the contract and we perform the lease classification test as of the lease commencement date. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date

based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our estimated incremental borrowing rate based on the information available at commencement date in determining the present value of future payments.

For operating leases, the ROU assets and liabilities in our consolidated balance sheets follows:

		As of December 31,	
(MILLIONS OF DOLLARS)	Balance Sheet Classification	**2020**	2019
ROU assets	*Other noncurrent assets*	**$ 1,393**	$ 1,289
Lease liabilities (short-term)	*Other current liabilities*	**321**	269
Lease liabilities (long-term)	*Other noncurrent liabilities*	**1,114**	1,030

Components of total lease cost includes:

	Year Ended December 31,	
(MILLIONS OF DOLLARS)	**2020**	2019
Operating lease cost	**$ 433**	$ 422
Variable lease cost	**380**	327
Sublease income	**(40)**	(45)
Total lease cost	**$ 773**	$ 704

Other supplemental information for 2020 follows:

	Weighted-Average Remaining Contractual Lease Term (Years)	Weighted-Average Discount Rate	
(MILLIONS OF DOLLARS)	**As of December 31, 2020**		**Year Ended December 31, 2020**
Operating leases	**6.9**	**2.9 %**	
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases			**$ 334**
(Gains)/losses on sale and leaseback transactions, net			**(3)**
ROU assets obtained in exchange for new operating lease liabilities			**413**

Other supplemental information for 2019 follows:

(MILLIONS OF DOLLARS)	Weighted-Average Remaining Contractual Lease Term (Years)	Weighted-Average Discount Rate	Year Ended December 31, 2019
	As of December 31, 2019		
Operating leases	6.9	3.5 %	
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases			$ 339
(Gains)/losses on sale and leaseback transactions, net			(29)
ROU assets obtained in exchange for new operating lease liabilities			318

The following reconciles the undiscounted cash flows for the first five years and total of the remaining years to the operating lease liabilities recorded in the consolidated balance sheet as of December 31, 2020:

(MILLIONS OF DOLLARS)

Period	Operating Lease Liabilities
Next one year[(a)]	**$ 357**
1-2 years	**299**
2-3 years	**250**
3-4 years	**167**
4-5 years	**137**
Thereafter	**408**
Total undiscounted lease payments	**1,618**
Less: Imputed interest	**183**
Present value of minimum lease payments	**1,435**
Less: Current portion	**321**
Noncurrent portion	**$ 1,114**

[(a)] Reflects lease payments due within 12 months subsequent to the balance sheet date.

In April 2018, we entered an agreement to lease space in an office building in New York City. We expect to take control of the property in 2021 and relocate our global headquarters to this new office building in 2022. Our future minimum rental commitment under this 20-year lease is approximately $1.6 billion.

Prior to our adoption of the new lease standard, rental expense, net of sublease income, was $301 million in 2018.

Note 16. Contingencies and Certain Commitments

We and certain of our subsidiaries are subject to numerous contingencies arising in the ordinary course of business, including tax and legal contingencies. The following outlines our legal contingencies. For a discussion of our tax contingencies, see *Note 5B.*

A. Legal Proceedings

Our legal contingencies include, but are not limited to, the following:

- Patent litigation, which typically involves challenges to the coverage and/or validity of patents on various products, processes or dosage forms. We are the plaintiff in the majority of these actions. An adverse outcome in actions in which we are the plaintiff could result in loss of patent protection for a drug, a significant loss of revenues from that drug or impairment of the value of 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 acquisition-, licensing-, collaboration- or co-promotion-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 jurisdictions.

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

We believe that our claims and defenses in matters in which we are a defendant 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 matters, which could have a material adverse effect on our results of operations and/or our cash flows in the period in which the amounts are accrued or 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, which result from a complex series of judgments about future events and uncertainties, are based on estimates and assumptions that have been deemed reasonable by management, but 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. In August 2020, the SEC amended its disclosure rules regarding the threshold for disclosure of proceedings under environmental laws to which a governmental authority is a party. In accordance with the amended rule, we have adopted a disclosure threshold for such proceedings of $1 million in potential or actual governmental monetary sanctions.

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 to assess materiality, such as, among others, the amount of damages

and the nature of other relief sought, if specified; our view of the merits of the claims and of the strength of our defenses; whether the action purports to be, or is, a class action and, if not certified, our view of the likelihood that a class will be certified by the court; the jurisdiction in which the proceeding is pending; whether related actions have been transferred to multidistrict litigation; 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 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 in which we are the plaintiff, we consider, among other things, the financial significance of the product protected by the patent(s) at issue. Some of the matters discussed below include those which management believes that the likelihood of possible loss in excess of amounts accrued is remote.

A1. Legal Proceedings—Patent Litigation

We are involved in suits relating to our patents, including but not limited to, those discussed below. Most involve claims by generic drug manufacturers that patents covering our products, processes or dosage forms are invalid and/or do not cover the product of the generic drug manufacturer. Also, counterclaims, as well as various independent actions, have been filed alleging that our assertions of, or attempts to enforce, 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 that are discussed below, patent rights to certain of our products are being challenged in various other jurisdictions. We are also party to patent damages suits in various jurisdictions pursuant to which generic drug manufacturers, payers, governments or other parties are seeking damages from us for allegedly causing delay of generic entry. Additionally, our licensing and collaboration partners face challenges by generic drug manufacturers to patents covering products for which we have licenses or co-promotion rights.

We also are often involved in other proceedings, such as inter partes review, post-grant review, re-examination or opposition proceedings, before the U.S. Patent and Trademark Office, the European Patent Office, or other foreign counterparts relating to our intellectual property or the intellectual property rights of others. Also, if one of our patents is found to be invalid by such proceedings, generic or competitive products could be introduced into the market resulting in the erosion of sales of our existing products. For example, several of the patents in our pneumococcal vaccine portfolio were challenged in inter partes review and post-grant review proceedings in the U.S. In 2017, the Patent Trial and Appeal Board (PTAB) initiated proceedings, which remain pending, with respect to two of our pneumococcal vaccine patents. However, the PTAB declined to initiate proceedings as to two other pneumococcal vaccine patents. Various legal challenges to other pneumococcal vaccine patents remain pending in jurisdictions outside the U.S. The invalidation of all of the patents in our pneumococcal portfolio could potentially allow a competitor's pneumococcal vaccine into the marketplace. In the event that any of the patents are found valid and infringed, a competitor's pneumococcal vaccine might be prohibited from entering the market or a competitor might be required to pay us a royalty.

We are also subject to patent litigation pursuant to which one or more third parties seek damages and/or injunctive relief to compensate for alleged infringement of its patents by our commercial or other activities. For example, our Hospira subsidiaries are involved in patent disputes over their attempts to bring generic pharmaceutical and biosimilar products to market. If one of our marketed products is found to infringe valid patent rights of a third party, such third party may be awarded significant damages, or we may be prevented from further sales of that product. Such damages may be enhanced as much as three-fold if we or one of our subsidiaries is found to have willfully infringed valid patent rights of a third party.

Actions In Which We Are The Plaintiff

EpiPen

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

Xeljanz (tofacitinib)

Beginning in 2017, we brought patent-infringement actions against several generic manufacturers that filed separate ANDAs with the FDA seeking approval to market their generic versions of tofacitinib tablets in one or both of 5 mg and 10 mg dosage strengths, and in both immediate and extended release forms. To date, we have settled actions with several generic manufacturers on terms not material to Pfizer. The remaining actions continue in the U.S. District Court for the District of Delaware as described below.

In 2017, we brought a patent-infringement action against Zydus Pharmaceuticals (USA) Inc. and Cadila Healthcare Ltd. (collectively, Zydus) asserting the infringement and validity of three patents: the patent covering the active ingredient expiring in December 2025 (the 2025 Patent), the patent covering an enantiomer of tofacitinib expiring in 2022, and the patent covering a polymorphic form of tofacitinib expiring in 2023 (the 2023 Patent), which Zydus challenged in its ANDA seeking approval to market a generic version of tofacitinib 5 mg tablets. In November 2020, we settled the case against Zydus on terms not material to Pfizer. In February 2021, we brought a separate patent-infringement action against Zydus asserting the infringement and validity of our composition of matter and crystalline form patents challenged by Zydus in its ANDA seeking approval to market a generic version of tofacitinib 22 mg extended release tablets.

In 2018, we brought a separate patent infringement action against Teva Pharmaceuticals USA, Inc. (Teva) asserting the infringement and validity of our patent covering extended release formulations of tofacitinib that was challenged by Teva in its ANDA seeking approval to market a generic version of tofacitinib 11 mg extended release tablets.

In January 2021, we brought a separate patent-infringement action against Aurobindo Pharma Limited (Aurobindo) asserting the infringement and validity of the 2025 Patent and the 2023 Patent, which Aurobindo challenged in its ANDA seeking approval to market a generic version of tofacitinib 5 mg and 10 mg tablets.

Inlyta (axitinib)

In 2019, Glenmark Pharmaceuticals Limited (Glenmark) notified us that it had filed an ANDA with the FDA seeking approval to market a generic version of Inlyta. Glenmark asserts the invalidity and non-infringement of the crystalline form patent for Inlyta that expires in 2030. In June 2019, we filed suit against Glenmark in the U.S. District Court for the District of Delaware, asserting the validity and infringement of the crystalline form patent for Inlyta.

Ibrance (palbociclib)

In March 2019, several generic companies notified us that they had filed ANDAs with the FDA seeking approval to market generic versions of Ibrance. The generic companies assert the invalidity and non-infringement of two composition of matter patents, one of which expires in 2023 and one of which expires in 2027, as a result of a U.S. Patent Term Extension certificate issued in January 2021, and a method of use patent covering palbociclib, which expires in 2023. In April 2019, we brought patent infringement actions against each of the generic filers in various federal courts, asserting the validity and infringement of the patents challenged by the generic companies. Beginning in September 2020, we received correspondence from several generic companies notifying us that they would seek approval to market generic versions of Ibrance. The generic companies assert the invalidity and non-infringement of our crystalline form patent which expires in 2034. Beginning in October 2020, we brought patent infringement actions against each of these generic companies in various federal courts, asserting the validity and infringement of the crystalline form patent.

Lyrica (pregabalin)

- *U.K.*

In June 2014, Generics (U.K.) Ltd (trading as Mylan) filed an invalidity action against the Lyrica pain use patent in the High Court of Justice in London. Subsequently, Actavis Group PTC ehf filed an invalidity action in the same court, and Pfizer sued Actavis Group PTC ehf, Actavis U.K. Ltd and Caduceus Pharma Ltd (together, Actavis) for infringement and requested preliminary relief. Our request for preliminary relief was denied in a January 2015 hearing, and the denial subsequently was confirmed on appeal.

In February 2015, the National Health Service (NHS) England was ordered by the High Court, as an intermediary, to issue guidance for prescribers and pharmacists directing the prescription and dispensing of Lyrica by brand when pregabalin was prescribed for the treatment of neuropathic pain. NHS Wales and NHS Northern Ireland also issued prescribing guidance. The guidance to prescribe and dispense Lyrica for neuropathic pain was withdrawn upon patent expiration in July 2017.

We also filed infringement actions against (i) Teva UK Ltd, and (ii) Dr. Reddy's Laboratories (UK) Ltd and Caduceus Pharma Ltd (together, Dr. Reddy's) in February 2015, seeking the same relief as in the action against Actavis. Dr. Reddy's filed an invalidity counterclaim. These actions were stayed pending the outcome of the Mylan and Actavis cases.

The Mylan and Actavis invalidity actions were heard in the High Court at the same time as the Actavis infringement action. The High Court ruled against us, holding that the asserted claims were either not infringed or invalid, and appeals followed. In November 2018, the U.K. Supreme Court ruled that all the relevant claims directed to neuropathic pain were invalid.

In October 2015, after Sandoz GmbH and Sandoz Ltd (together, Sandoz) launched a full label generic pregabalin product, we obtained from the High Court a preliminary injunction enjoining Sandoz from further sales of the product and ordering Sandoz to identify the parties holding its product. Sandoz identified wholesaler AAH Pharmaceuticals Ltd and pharmacy chain Lloyds Pharmacy Ltd (supplied by AAH), and we requested that these parties cease further sales and withdraw the Sandoz full label product. In October 2015, Lloyds was added to the Sandoz action, and we obtained a preliminary order from the High Court requiring Lloyds to advise its pharmacists that the Sandoz full label product should not be dispensed. In November 2015, the High Court confirmed the preliminary injunction against Sandoz and Lloyds. Sandoz filed an invalidity counterclaim. Upon agreement of the parties, in December 2015, the proceedings against Lloyds were discontinued, and the proceedings against Sandoz were stayed pending outcome of the Mylan and Actavis cases. The preliminary injunction against Sandoz remained in place until patent expiration in July 2017.

In May 2020, Dr. Reddy's filed a claim for damages in connection with the above-referenced legal actions. In July 2020, the Scottish Ministers and fourteen Scottish Health Boards (together, NHS Scotland) filed a claim for damages in connection with the above-referenced legal action concerning Sandoz. In September 2020, Teva, Sandoz, Ranbaxy, Inc. (Ranbaxy), Actavis, and the Secretary of State for Health and Social Care, together with 32 other National Health Service entities (together, NHS England, Wales, and Northern Ireland) filed claims for damages in the above-referenced legal actions. In November 2020, we and Mylan completed the transaction to spin-off our Upjohn Business and combine it with Mylan to form Viatris. As part of the transaction, Viatris has agreed to assume, and to indemnify Pfizer for, liabilities arising out of this matter.

◦ *Japan*

In January 2017, Sawai Pharmaceutical Company Limited (a Japanese generic company) (Sawai) filed an invalidation action against the Lyrica pain use patent in the Japanese Patent Office (JPO). Hexal AG has filed a separate invalidation action that was stayed pending the result of the Sawai action. Multiple parties were allowed to intervene in the Sawai case. In July 2020, the JPO recognized the validity of certain amended claims of the patent covering Lyrica. We are appealing the decision. In August 2020, the Japanese regulatory authority granted regulatory approval to multiple generic companies and we filed legal actions against the generic companies seeking preliminary and permanent injunctions to prevent infringement of our patent. In November 2020, we and Mylan completed the transaction to spin-off our Upjohn Business and combine it with Mylan to form Viatris. As part of the transaction, Viatris has agreed to assume, and to indemnify Pfizer for, liabilities arising out of this matter.

Matter Involving Our Collaboration/Licensing Partners

Eliquis

In February, March, and April 2017, twenty-five generic companies sent BMS Paragraph-IV certification letters informing BMS that they had filed ANDAs seeking approval of generic versions of Eliquis, challenging the validity and infringement of one or more of the three patents listed in the Orange Book for Eliquis. One of the patents expired in December 2019 and the remaining patents currently are set to expire in 2026 and 2031. Eliquis has been jointly developed and is being commercialized by BMS and Pfizer. In April 2017, BMS and Pfizer filed patent-infringement actions against all generic filers in the U.S. District Court for the District of Delaware and the U.S. District Court for the District of West Virginia, asserting that each of the generic companies' proposed products would infringe each of the patent(s) that each generic filer challenged. Some generic filers challenged only the 2031 patent, some challenged both

the 2031 and 2026 patent, and one generic company challenged all three patents. In August 2020, the U.S. District Court for the District of Delaware ruled that both the 2026 patent and the 2031 patent are valid and infringed by the proposed generic products. In August and September 2020, the generic filers appealed the District Court's decision to the U.S. Court of Appeals for the Federal Circuit. Prior to the August 2020 ruling, we and BMS settled with certain of the generic companies on terms not material to Pfizer, and we and BMS may settle with other generic companies in the future.

A2. Legal Proceedings—Product Litigation

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 (American Optical), 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. Warner-Lambert was acquired by Pfizer in 2000 and is 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 against American Optical, Pfizer and certain of its previously owned subsidiaries are pending in various federal and state courts seeking damages for alleged personal injury from exposure to products allegedly containing asbestos and other allegedly hazardous materials sold by Pfizer and certain of its previously owned subsidiaries.

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.

Effexor

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 appealed to the U.S. Court of Appeals for the Third Circuit. In August 2017, the U.S. Court of Appeals for the Third Circuit reversed the District Court's decisions and remanded the claims to the District Court.

Lipitor

- *Antitrust Actions*

Beginning in November 2011, purported class actions relating to Lipitor were filed in various federal courts against, among others, Pfizer, certain Pfizer affiliates, and, in most of the actions, Ranbaxy and certain Ranbaxy affiliates. 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 of the direct purchasers. In October and November 2014, the District Court dismissed with prejudice the claims of all other Multi-District Litigation plaintiffs. All plaintiffs have appealed the District Court's orders dismissing their claims with prejudice to the U.S. 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 Court of Appeals. In August 2017, the Court of Appeals reversed the District Court's decisions and remanded the claims to the District Court.

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 Pfizer in various federal and state courts alleging that the plaintiffs developed type 2 diabetes purportedly as a result of the 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. Since 2016, certain cases in the Multi-District Litigation were remanded to certain state courts. In January 2017, the District Court granted our motion for summary judgment, dismissing substantially all of the remaining cases pending in the Multi-District Litigation. In January 2017, the plaintiffs appealed the District Court's decision to the U.S. Court of Appeals for the Fourth Circuit. In June 2018, the Court of Appeals affirmed the District Court's decision. In November 2020, we and Mylan completed the transaction to spin-off our Upjohn Business and combine it with Mylan to form Viatris. As part of the transaction, Viatris has agreed to assume, and to indemnify Pfizer for, liabilities arising out of this matter.

Viagra

Since April 2016, a Multi-District Litigation has been pending in the U.S. District Court for the Northern District of California (*In Re: Viagra (Sildenafil Citrate) Products Liability Litigation, MDL-2691*), in which plaintiffs allege that they developed melanoma and/or the exacerbation of melanoma purportedly as a result of the ingestion of Viagra. Additional cases filed against Lilly with respect to Cialis have also been consolidated in the Multi-District Litigation *(In re: Viagra (Sildenafil Citrate) and Cialis (Tadalafil) Products Liability Litigation, MDL-2691*). In January 2020, the District Court granted our and Lilly's motion to exclude all of plaintiffs' general causation opinions. As a result, in April 2020, the District Court entered summary judgment in favor of defendants and dismissed all of plaintiffs' claims. In April 2020, plaintiffs filed a notice of appeal in the U.S. Court of Appeals for the Ninth Circuit. In November 2020, we and Mylan completed the transaction to spin-off our Upjohn Business and combine it with Mylan to form Viatris. As part of the transaction, Viatris has agreed to assume, and to indemnify Pfizer for, liabilities arising out of this matter.

EpiPen

Beginning in February 2017, purported class actions were filed in various federal courts by indirect purchasers of EpiPen against Pfizer, and/or its affiliates King and Meridian, and/or various entities affiliated with Mylan, and Mylan Chief Executive Officer, Heather Bresch. The plaintiffs in these actions seek to represent U.S. nationwide classes comprising persons or entities who paid for any portion of the end-user purchase price of an EpiPen between 2009 until the cessation of the defendants' allegedly unlawful conduct. In February 2020, a similar lawsuit was filed in the U.S. District Court for the District of Kansas against Pfizer, King, Meridian and the Mylan entities on behalf of a purported U.S. nationwide class of direct purchaser plaintiffs who purchased EpiPen devices directly from the defendants (the 2020 Lawsuit). Against Pfizer and/or its affiliates, plaintiffs in these actions generally allege that Pfizer's and/or its affiliates' settlement of patent litigation regarding EpiPen delayed market entry of generic EpiPen in violation of federal antitrust laws and various state antitrust laws. At least one lawsuit also alleges that Pfizer and/or Mylan violated the federal Racketeer Influenced and Corrupt Organizations Act (RICO). Plaintiffs also filed various federal antitrust, state consumer protection and unjust enrichment claims against, and relating to conduct attributable solely to, Mylan and/or its affiliates regarding EpiPen. Plaintiffs seek treble damages for alleged overcharges for EpiPen since 2011. In August 2017, all of these actions, except for the 2020 Lawsuit, were consolidated for coordinated pre-trial proceedings in a Multi-District Litigation (*In re: EpiPen (Epinephrine Injection, USP) Marketing, Sales Practices and Antitrust Litigation, MDL-2785*) in the U.S. District Court for the District of Kansas with other EpiPen-related actions against Mylan and/or its affiliates to which Pfizer, King and Meridian are not parties.

In July 2020, a new lawsuit was filed in the U.S. District Court for the District of Colorado on behalf of indirect purchasers. Plaintiff represents a putative U.S. nationwide class of persons or entities who paid for any portion of the end-user purchase price of certain refill or replacement EpiPens since 2010. Plaintiff alleges that Pfizer and Meridian misrepresented the shelf-life and expiration date of EpiPen, in violation of the federal RICO statute. Plaintiff seeks treble damages for alleged unnecessary replacement or refill purchases of EpiPens by members of the putative class.

Nexium 24HR and Protonix

A number of individual and multi-plaintiff lawsuits have been filed against Pfizer, certain of its subsidiaries and/or other pharmaceutical manufacturers in various federal and state courts alleging that the plaintiffs developed kidney-related injuries purportedly as a result of the ingestion of certain proton pump inhibitors. The cases against Pfizer involve Protonix and/or Nexium 24HR and seek compensatory and punitive damages and, in some cases, treble damages, restitution or disgorgement. In August 2017, the federal actions were ordered transferred for coordinated pre-trial proceedings to a Multi-District Litigation (*In re: Proton-Pump Inhibitor Products Liability Litigation* (No. II)) in the U.S. District Court for the District of New Jersey. In 2019, we and GSK combined our respective consumer healthcare businesses into a new Consumer Healthcare JV that operates globally under the GSK Consumer Healthcare name. As part of the JV transaction, the JV has agreed to assume, and to indemnify Pfizer for, liabilities arising out of such litigation to the extent related to Nexium 24HR.

Docetaxel

- *Personal Injury Actions*

A number of lawsuits have been filed against Hospira and Pfizer in various federal and state courts alleging that plaintiffs who were treated with Docetaxel developed permanent hair loss. The significant majority of the cases also name other defendants, including the manufacturer of the branded product, Taxotere. Plaintiffs seek compensatory and punitive damages.

In October 2016, the federal cases were transferred for coordinated pre-trial proceedings to a Multi-District Litigation (*In re Taxotere (Docetaxel) Products Liability Litigation, MDL-2740*) in the U.S. District Court for the Eastern District of Louisiana.

- *Mississippi Attorney General Government Action*

In October 2018, the Attorney General of Mississippi filed a complaint in Mississippi state court against the manufacturer of the branded product and eight other manufacturers including Pfizer and Hospira, alleging, with respect to Pfizer and Hospira, a failure to warn about a risk of permanent hair loss in violation of the Mississippi Consumer Protection Act. The action seeks civil penalties and injunctive relief.

Array Securities Litigation

In November 2017, two purported class actions were filed in the U.S. District Court for the District of Colorado alleging that Array, which we acquired in July 2019 and is our wholly owned subsidiary, and certain of its former officers violated federal securities laws

in connection with certain disclosures made, or omitted, by Array regarding the NRAS-mutant melanoma program. In March 2018, the actions were consolidated into a single proceeding.

Zantac

A number of lawsuits have been filed against Pfizer in various federal and state courts alleging that plaintiffs developed various types of cancer, or face an increased risk of developing cancer, purportedly as a result of the ingestion of Zantac. The significant majority of these cases also name other defendants that have historically manufactured and/or sold Zantac. Pfizer has not sold Zantac since 2006, and only sold an OTC version of the product. Plaintiffs seek compensatory and punitive damages and, in some cases, treble damages, restitution or disgorgement.

In February 2020, the federal actions were transferred for coordinated pre-trial proceedings to a Multi-District Litigation (*In re Zantac/ Ranitidine NDMA Litigation, MDL-2924*) in the U.S. District Court for the Southern District of Florida. From June to December 2020: (i) plaintiffs in the Multi-District Litigation filed against Pfizer and many other defendants a consolidated consumer class action complaint alleging, among other things, violations of the RICO statute and consumer protection statutes of all 50 states, and a consolidated third-party payor class action complaint alleging violation of the RICO statute and seeking reimbursement for payments made for the prescription version of Zantac; (ii) Pfizer received service of two Canadian class action complaints naming Pfizer and other defendants, and seeking compensatory and punitive damages for personal injury and economic loss, allegedly arising from the defendants' sale of Zantac in Canada; (iii) the State of New Mexico filed a civil action against Pfizer and many other defendants, alleging various state statutory and common law claims in connection with the defendants' alleged sale of Zantac in New Mexico; and (iv) Pfizer received service of a suit filed by the Mayor and City Council of Baltimore naming Pfizer and other defendants alleging various claims under Maryland law.

A3. Legal Proceedings—Commercial and Other Matters

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. 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 a wholly owned subsidiary of Pfizer.

In connection with its spin-off that was completed in 2002, New Monsanto assumed, and agreed to indemnify Pharmacia for, any liabilities related to Pharmacia's former agricultural business. New Monsanto has defended and/or is defending Pharmacia in connection with various claims and litigation arising out of, or related to, the agricultural business, and has been indemnifying Pharmacia when liability has been imposed or settlement has been reached regarding such claims and litigation.

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 primarily limited to sites that Solutia has owned or operated. In addition, in connection with its spin-off 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/or New Monsanto are defending Pharmacia in connection with various claims and litigation arising out of, or related to, Former Monsanto's chemical businesses, and have been indemnifying Pharmacia when liability has been imposed or settlement has been reached regarding such claims and litigation.

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. In September 2010, our corrective measures study report 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 September 2019, the EPA acknowledged that construction of the site remedy has been completed.

Also in 2009, we submitted a revised site-wide feasibility study with regard to Wyeth Holdings Corporation's (formerly, American Cyanamid Company) discontinued industrial chemical facility in Bound Brook, New Jersey. In July 2011, Wyeth Holdings Corporation executed an Administrative Settlement Agreement and Order on Consent for Removal Action (the 2011 Administrative Settlement Agreement) with the EPA with regard to the Bound Brook facility. In accordance with the 2011 Administrative Settlement Agreement, we completed construction of an interim remedy to address the discharge of impacted groundwater from the 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, filed a complaint and consent decree with the federal District Court for the District of New Jersey that allows Wyeth Holdings LLC to complete the design and to implement the remedy for the main plant area. The consent decree (which supersedes the 2011 Administrative Settlement Agreement) was entered by the District Court in December 2015. In September 2018, the EPA issued a final remediation plan for the two adjacent lagoons, which is generally in accordance with one of the remedies evaluated in our focused feasibility study, and, in September 2019, 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 lagoons.

We have accrued for the estimated costs of the site remedies for the North Haven and Bound Brook facilities.

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.

Contracts with Iraqi Ministry of Health

In October 2017, a number of U.S. service members, civilians, and their families brought a complaint in the U.S. District Court for the District of Columbia against a number of pharmaceutical and medical devices companies, including Pfizer and certain of its subsidiaries, alleging that the defendants violated the U.S. Anti-Terrorism Act. The complaint alleges that the defendants provided funding for terrorist organizations through their sales practices pursuant to pharmaceutical and medical device contracts with the Iraqi Ministry of Health, and seeks monetary relief. In July 2020, the District Court granted defendants' motions to dismiss and dismissed all of plaintiffs' claims. The plaintiffs are appealing the District Court's decision.

Allergan Complaint for Indemnity

In August 2018, Pfizer was named as a defendant in a third-party complaint for indemnity, along with King, filed by Allergan Finance LLC (Allergan) in a Multi-District Litigation (*In re National Prescription Opiate Litigation MDL 2804*) in the U.S. District Court for the Northern District of Ohio. The lawsuit asserted claims for indemnity related to Kadian, which was owned for a short period by King in 2008, prior to Pfizer's acquisition of King in 2010. In December 2018, the District Court dismissed the lawsuit. In February 2019, Allergan filed a similar complaint in the Supreme Court of the State of New York, asserting claims for indemnity related to Kadian. That suit was voluntarily discontinued without prejudice in January 2021.

Breach of Contract—Xalkori/Lorbrena

We are a defendant in a breach of contract action brought by New York University (NYU) in the Supreme Court of the State of New York (Supreme Court). NYU alleges that it is entitled to royalties on Pfizer's sales of Xalkori under the terms of a Research and License Agreement between NYU and Sugen, Inc. Sugen, Inc. was acquired by Pharmacia in August 1999, and Pharmacia was acquired by Pfizer in 2003 and is a wholly owned subsidiary of Pfizer. The action was originally filed in 2013. In December 2015, the Supreme Court dismissed the action and, in

May 2017, the New York State Appellate Division reversed the decision and remanded the proceedings to the Supreme Court. In January 2020, the Supreme Court denied both parties' summary judgment motions.

In October 2020, NYU filed a separate breach of contract action against Pfizer alleging that it is entitled to royalties on sales of Lorbrena under the terms of the same NYU-Sugen, Inc. Research and Licensing Agreement.

A4. Legal Proceedings—Government Investigations

We are subject to extensive regulation by government agencies in the U.S., other developed markets and multiple emerging markets in which we operate. Criminal charges, substantial fines and/or civil penalties, limitations on our ability to conduct business in applicable jurisdictions, corporate integrity or deferred prosecution agreements, as well as reputational harm and increased public interest in the matter could result from government investigations in the U.S. and other jurisdictions in which we do business. In addition, in a qui tam lawsuit in which the government declines to intervene, the relator may still pursue a suit for the recovery of civil damages and penalties on behalf of the government. Among the investigations by government agencies are the matters discussed below.

Greenstone Investigations

- *U.S. Department of Justice Antitrust Division Investigation*

Since July 2017, the U.S. Department of Justice's Antitrust Division has been investigating our former Greenstone generics business. We believe this is related to an ongoing broader antitrust investigation of the generic pharmaceutical industry. The government has been obtaining information from Greenstone relating to this investigation.

- *State Attorneys General Generics Antitrust Litigation*

In April 2018, Greenstone received requests for information from the Antitrust Department of the Connecticut Office of the Attorney General. In May 2019, Attorneys General of more than 40 states plus the District of Columbia and Puerto Rico filed a complaint against a number of pharmaceutical companies, including Greenstone and Pfizer. The matter has been consolidated with a Multi-District Litigation (*In re: Generic Pharmaceuticals Pricing Antitrust Litigation MDL No. 2724)* in the Eastern District of Pennsylvania. As to Greenstone and Pfizer, the complaint alleges anticompetitive conduct in violation of federal and state antitrust laws and state consumer protection laws. In June 2020, the State Attorneys General filed a new complaint against a large number of companies, including Greenstone and Pfizer, making similar allegations, but concerning a new set of drugs. This complaint was transferred to the Multi-District Litigation in July 2020.

Subpoena relating to Manufacturing of Quillivant XR

In October 2018, we received a subpoena from the U.S. Attorney's Office for the Southern District of New York (SDNY) seeking records relating to our relationship with another drug manufacturer and its production and manufacturing of drugs including, but not limited to, Quillivant XR. We have produced records pursuant to the subpoena.

Government Inquiries relating to Meridian Medical Technologies

In February 2019, we received a civil investigative demand from the U.S. Attorney's Office for the SDNY. The civil investigative demand seeks records and information related to alleged quality issues involving the manufacture of auto-injectors at our Meridian site. In August 2019, we received a HIPAA subpoena from the U.S. Attorney's Office for the Eastern District of Missouri seeking similar records and information. We are producing records in response to these requests.

U.S. Department of Justice/SEC Inquiry relating to Russian Operations

In June 2019, we received an informal request from the U.S. Department of Justice's Foreign Corrupt Practices Act (FCPA) Unit seeking documents relating to our operations in Russia. In September 2019, we received a similar request from the SEC's FCPA Unit. We have produced records pursuant to these requests.

Docetaxel—Mississippi Attorney General Government Investigation

See *Note 16A2. Contingencies and Certain Commitments: Legal Proceedings—Product Litigation—Docetaxel—Mississippi Attorney General Government Investigation* above for information regarding a government investigation related to Docetaxel marketing practices.

U.S. Department of Justice Inquiries relating to India Operations

In March 2020, we received an informal request from the U.S. Department of Justice's Consumer Protection Branch seeking documents relating to our manufacturing operations in India, including at our former facility located at Irrungattukottai in India. In April 2020, we received a similar request from the U.S. Attorney's Office for the SDNY regarding a civil investigation concerning operations at our facilities in India. We are producing records pursuant to these requests.

U.S. Department of Justice/SEC Inquiry relating to China Operations

In June 2020, we received an informal request from the U.S. Department of Justice's FCPA Unit seeking documents relating to our operations in China. In August 2020, we received a similar request from the SEC's FCPA Unit. We are producing records pursuant to these requests.

Zantac—State of New Mexico Civil Action

See *Note 16A2. Contingencies and Certain Commitments: Legal Proceedings—Product Litigation—Zantac* above for information regarding a civil action filed by the State of New Mexico alleging various state statutory and common law claims in connection with the defendants' alleged sale of Zantac in New Mexico.

A5. Legal Proceedings—Matters Resolved During 2020

During the full-year 2020, certain matters, including the matter discussed below, were resolved or became the subject of definitive settlement agreements or settlement agreements-in-principle.

Hormone Therapy Consumer Class Action

A certified consumer class action was pending against Wyeth in the U.S. District Court for the Southern District of California based on the alleged off-label marketing of its hormone therapy products. The case was originally filed in December 2003. The class consisted of California consumers who purchased Wyeth's hormone-replacement products between January 1995 and January 2003 and who did not seek personal injury damages therefrom. The class sought compensatory and punitive damages, including a full refund of the purchase price. In March 2020, the parties reached an agreement, and obtained preliminary court approval, to resolve this matter for $200 million, which was paid in full in the second quarter of 2020.

B. Guarantees and Indemnifications

In the ordinary course of business and in connection with the sale of assets and businesses and other transactions, we often indemnify our counterparties against certain liabilities that may arise in connection with the transaction or that are related to events and activities prior to or following a transaction. If the indemnified party were to make a successful claim pursuant to the terms of the indemnification, we may be required to reimburse the loss. These indemnifications are generally subject to various restrictions and limitations. Historically, we have not paid significant amounts under these provisions and, as of December 31, 2020, the estimated fair value of these indemnification obligations was not significant.

In addition, in connection with our entry into certain agreements and other transactions, our counterparties may agree to indemnify us. For example, our collaboration agreement with EMD Serono, Inc. to co-promote Rebif in the U.S. expired at the end of 2015 and included certain indemnity provisions. Patent litigation brought by Biogen Idec MA Inc. against EMD Serono Inc. and Pfizer is pending in the U.S. District Court for the District of New Jersey and the United States Court of Appeals for the Federal Circuit. EMD Serono Inc. has acknowledged that it is obligated to satisfy any award of damages.

We have also guaranteed the long-term debt of certain companies that we acquired and that now are subsidiaries of Pfizer. See *Note 7D*.

C. Certain Commitments

- As of December 31, 2020, we had agreements totaling $3.8 billion to purchase goods and services that are enforceable and legally binding and include amounts relating to advertising, information technology services, employee benefit administration services, and potential milestone payments deemed reasonably likely to occur.
- See *Note 5A* for information on the TCJA repatriation tax liability.

D. Contingent Consideration for Acquisitions

We may be required to make payments to sellers for certain prior business combinations that are contingent upon future events or outcomes. See *Note 1D*. The estimated fair value of contingent consideration as of December 31, 2020 is $689 million, of which $123 million is recorded in *Other current liabilities* and $566 million in *Other noncurrent liabilities* and $711 million, of which $160 million is recorded in *Other current liabilities* and $551 million in *Other noncurrent liabilities* as of December 31, 2019. The decrease in the contingent consideration balance from December 31, 2019 is primarily due to payments made upon the achievement of certain sales-based milestones, partially offset by fair value adjustments.

E. Insurance

Our insurance coverage reflects market conditions (including cost and availability) existing at the time it is written, and our decision to obtain insurance coverage or to self-insure varies accordingly. Depending upon the cost and availability of insurance and the nature of the risk involved, the amount of self-insurance may be significant. The cost and availability of coverage have resulted in self-insuring certain exposures, including product liability. If we incur substantial liabilities that are not covered by insurance or substantially exceed insurance coverage and that are in excess of existing accruals, there could be a material adverse effect on our cash flows or results of operations in the period in which the amounts are paid and/or accrued.

Note 17. Product, Geographic and Other Revenue Information

A. Geographic Information

The following summarizes revenues by geographic area:

(MILLIONS OF DOLLARS)	Year Ended December 31, 2020	2019	2018
United States	**$ 21,712**	$ 20,593	$ 20,119
Developed Europe	**7,788**	7,729	7,997
Developed Rest of World	**4,036**	4,022	4,090
Emerging Markets	**8,372**	8,828	8,618
Revenues	**$ 41,908**	$ 41,172	$ 40,825

Revenues exceeded $500 million in each of 8, 10 and 10 countries outside the U.S. in 2020, 2019 and 2018, respectively. The U.S. is the only country to contribute more than 10% of total revenue in 2020, 2019 and 2018. As a percentage of revenues, our two largest national markets outside the U.S. were China, which contributed 6% of total revenue in each of 2020, 2019 and 2018, and Japan, which contributed 6% of total revenue in 2020 and 5% in each of 2019 and 2018.

B. Other Revenue Information

Significant Customers

We sell our biopharmaceutical products primarily to customers in the wholesale sector.

The following summarizes revenue, as a percentage of total revenues, for our three largest U.S. wholesaler customers:

	Year Ended December 31,		
	2020	2019	2018
McKesson, Inc.	**16 %**	15 %	13 %
AmerisourceBergen Corporation	**13 %**	11 %	8 %
Cardinal Health, Inc.	**10 %**	9 %	8 %

Collectively, our three largest U.S. wholesaler customers represented 30%, 25% and 29% of total trade accounts receivable as of December 31, 2020, 2019 and 2018.

Significant Product Revenues

The following provides detailed revenue information for several of our major products:

(MILLIONS OF DOLLARS)		Year Ended December 31,		
PRODUCT	**PRIMARY INDICATION OR CLASS**	**2020**	2019	2018
TOTAL REVENUES[a]		**$ 41,908**	$ 41,172	$ 40,825
Internal Medicine[a]		**$ 9,003**	$ 8,790	$ 8,548
Eliquis alliance revenues and direct sales	Nonvalvular atrial fibrillation, deep vein thrombosis, pulmonary embolism	**4,949**	4,220	3,434
Chantix/Champix	An aid to smoking cessation treatment in adults 18 years of age or older	**919**	1,107	1,085
Premarin family	Symptoms of menopause	**680**	734	832
BMP2	Development of bone and cartilage	**274**	287	279
Toviaz	Overactive bladder	**252**	250	271
All other Internal Medicine	Various	**1,930**	2,192	2,648
Oncology		**$ 10,867**	$ 9,014	$ 7,471
Ibrance	Metastatic breast cancer	**5,392**	4,961	4,118
Xtandi alliance revenues	mCRPC, nmCRPC, mCSPC	**1,024**	838	699
Sutent	Advanced and/or metastatic RCC, adjuvant RCC, refractory GIST (after disease progression on, or intolerance to, imatinib mesylate) and advanced pancreatic neuroendocrine tumor	**819**	936	1,049
Inlyta	Advanced RCC	**787**	477	298
Xalkori	ALK-positive and ROS1-positive advanced NSCLC	**544**	530	524
Bosulif	Philadelphia chromosome–positive chronic myelogenous leukemia	**450**	365	296
Retacrit[b]	Anemia	**386**	225	82
Lorbrena	ALK-positive metastatic NSCLC	**204**	115	11
Ruxience[b]	Non-hodgkin's lymphoma, chronic lymphocytic leukemia, granulomatosis with polyangiitis (Wegener's Granulomatosis) and microscopic polyangiitis	**170**	(1)	—
Braftovi	In combination with Mektovi for metastatic melanoma for patients who test positive for a BRAF genetic mutation and, in combination with Erbitux® (cetuximab), for the treatment of $BRAF^{V600E}$-mutant mCRC after prior therapy	**160**	48	—
Zirabev[b]	Treatment of mCRC; unresectable, locally advanced, recurrent or metastatic NSCLC; recurrent glioblastoma; metastatic RCC; and persistent, recurrent or metastatic cervical cancer	**143**	1	—
Mektovi	In combination with Braftovi for metastatic melanoma for patients who test positive for a BRAF genetic mutation	**142**	49	—
All other Oncology	Various	**645**	470	395
Hospital[a], [c]		**$ 7,961**	$ 7,772	$ 7,955
Sulperazon	Bacterial infections	**618**	684	613
Medrol	Anti-inflammatory glucocorticoid	**402**	469	493
EpiPen[a]	Epinephrine injection used in treatment of life-threatening allergic reactions	**297**	303	303
Zithromax	Bacterial infections	**276**	336	326
Vfend	Fungal infections	**270**	346	392
Panzyga	Primary humoral immunodeficiency	**269**	183	39
Precedex	Sedation agent in surgery or intensive care	**260**	155	213
Fragmin	Treatment/prevention of venous thromboembolism	**252**	253	293
Zyvox	Bacterial infections	**222**	251	236
Zavicefta	Bacterial infections	**212**	108	46
Pfizer CentreOne[d]	Various	**926**	810	755

(MILLIONS OF DOLLARS)		Year Ended December 31,		
PRODUCT	**PRIMARY INDICATION OR CLASS**	**2020**	2019	2018
All other Hospital[c]	Various	**2,502**	2,281	2,584
Vaccines		**$ 6,575**	$ 6,504	$ 6,332
Prevnar 13/Prevenar 13	Pneumococcal disease	**5,850**	5,847	5,802
Nimenrix	Meningococcal disease	**221**	230	140
FSME/IMMUN-TicoVac	Tick-borne encephalitis disease	**196**	220	184
BNT162b2	Active immunization to prevent COVID-19 in individuals 16 years of age and older	**154**	—	—
All other Vaccines	Various	**154**	207	206
Inflammation & Immunology (I&I)		**$ 4,567**	$ 4,733	$ 4,720
Xeljanz	RA, PsA, UC, active polyarticular course juvenile idiopathic arthritis	**2,437**	2,242	1,774
Enbrel (Outside the U.S. and Canada)	RA, juvenile idiopathic arthritis, PsA, plaque psoriasis, pediatric plaque psoriasis, ankylosing spondylitis and nonradiographic axial spondyloarthritis	**1,350**	1,699	2,112
Inflectra/Remsima[b]	Crohn's disease, pediatric Crohn's disease, UC, pediatric UC, RA in combination with methotrexate, ankylosing spondylitis, PsA and plaque psoriasis	**659**	625	642
All other I&I	Various	**121**	167	192
Rare Disease		**$ 2,936**	$ 2,278	$ 2,211
Vyndaqel/Vyndamax	ATTR-cardiomyopathy and polyneuropathy	**1,288**	473	148
BeneFIX	Hemophilia B	**454**	488	554
Genotropin	Replacement of human growth hormone	**427**	498	558
Refacto AF/Xyntha	Hemophilia A	**370**	426	514
Somavert	Acromegaly	**277**	264	267
All other Rare Disease	Various	**120**	129	170
Consumer Healthcare Business[e]		**$ —**	$ 2,082	$ 3,587
Total Alliance revenues		**$ 5,418**	$ 4,648	$ 3,838
Total Biosimilars[b]		**$ 1,527**	$ 911	$ 769
Total Sterile Injectable Pharmaceuticals[a], [f]		**$ 5,315**	$ 5,013	$ 5,173

[a] On November 16, 2020, we completed the spin-off and the combination of our Upjohn Business with Mylan to form Viatris. On December 21, 2020, Pfizer and Viatris completed the termination of a pre-existing strategic collaboration between Pfizer and Mylan for generic drugs in Japan (Mylan-Japan) and we transferred the operations that were part of the Mylan-Japan collaboration to Viatris. Beginning in the fourth quarter of 2020, the financial results of the Upjohn Business and the Mylan-Japan collaboration are reported as *Income from discontinued operations—net of tax* for all periods presented. Prior-period financial information has been restated, as appropriate. Prior to the separation of the Upjohn Business, and beginning in 2020, Upjohn began managing our Meridian subsidiary, the manufacturer of EpiPen and other auto-injector products, and the Mylan-Japan collaboration. As a result, revenues associated with our Meridian subsidiary, except for product revenues for EpiPen sold in Canada, and Mylan-Japan were reported in Upjohn beginning in the first quarter of 2020. Beginning in the fourth quarter of 2020, the results of our Meridian subsidiary are reported in the Hospital therapeutic area for all periods presented in our consolidated financial statements.

[b] Biosimilars are highly similar versions of approved and authorized biological medicines and primarily include revenues from Inflectra/Remsima, Retacrit, Ruxience and Zirabev.

[c] Hospital is a therapeutic area that commercializes our global portfolio of sterile injectable and anti-infective medicines. Hospital also includes Pfizer CentreOne[d]. All other Hospital primarily includes revenues from legacy Sterile Injectable Pharmaceuticals (SIP) products (that are not anti-infective products) and, to a much lesser extent, solid oral dose products (that are not anti-infective products). SIP anti-infective products that are not individually listed above are recorded in "All other Anti-infectives".

[d] Pfizer CentreOne includes revenues from our contract manufacturing and active pharmaceutical ingredient sales operation, including sterile injectables contract manufacturing, and revenues related to our manufacturing and supply agreements.

[e] On July 31, 2019, our Consumer Healthcare business, an OTC medicines business, was combined with GSK's consumer healthcare business to form a new consumer healthcare JV. See *Note 2C*.

[f] Total Sterile Injectable Pharmaceuticals represents the total of all branded and generic injectable products in the Hospital therapeutic area, including anti-infective sterile injectable pharmaceuticals.

Contract Liabilities

Our contract liabilities primarily relate to advance payments received or receivable in connection with contracts that we entered into during 2020 with various government or government sponsored customers in international markets for supply of BNT162b2. The deferred revenue associated with these advance payments totals approximately $957 million as of December 31, 2020 and are recorded in *Other current liabilities*. The deferred revenue will be recognized in *Revenues* proportionately as we deliver doses of the vaccine to our customers and satisfy our performance obligation under the contracts, which we expect to fully occur during 2021. Contract liabilities associated with other customer contracts were not significant as of December 31, 2020 or 2019.

Selected Quarterly Financial Data (Unaudited)

Pfizer Inc. and Subsidiary Companies

(MILLIONS OF DOLLARS, EXCEPT PER COMMON SHARE DATA)	Quarter			
	First	Second	Third	Fourth
2020[a]				
Revenues	$ 10,083	$ 9,864	$ 10,277	$ 11,684
Costs and expenses[b]	7,219	6,559	8,716	11,323
Restructuring charges and certain acquisition-related costs	54	360	2	184
(Gain) on completion of Consumer Healthcare JV transaction	(6)	—	—	—
Income/(loss) from continuing operations before provision/(benefit) for taxes on income/(loss)	2,817	2,944	1,559	178
Provision/(benefit) for taxes on income/(loss)	355	396	(104)	(170)
Income/(loss) from continuing operations	2,462	2,548	1,663	348
Income from discontinued operations—net of tax[c]	948	887	539	257
Net income/(loss) before allocation to noncontrolling interests	3,410	3,434	2,202	605
Less: Net income attributable to noncontrolling interests	9	8	8	11
Net income/(loss) attributable to Pfizer Inc. common shareholders	$ 3,401	$ 3,426	$ 2,194	$ 594
Earnings/(loss) per common share—basic:				
Income/(loss) from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.44	$ 0.46	$ 0.30	$ 0.06
Income from discontinued operations—net of tax[c]	0.17	0.16	0.10	0.05
Net income/(loss) attributable to Pfizer Inc. common shareholders	$ 0.61	$ 0.62	$ 0.39	$ 0.11
Earnings/(loss) per common share—diluted:				
Income/(loss) from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.44	$ 0.45	$ 0.29	$ 0.06
Income from discontinued operations—net of tax[c]	0.17	0.16	0.10	0.05
Net income/(loss) attributable to Pfizer Inc. common shareholders	$ 0.61	$ 0.61	$ 0.39	$ 0.10

[a] Business development activities impacted our results of operations in 2020. See *Note 1A.*

[b] The fourth quarter historically reflects higher costs in *Cost of sales, Selling, informational and administrative expenses* and *Research and development expenses.* Certain asset impairments totaled $900 million in the third quarter of 2020 and $791 million in the fourth quarter of 2020 recorded in *Other (income)/deductions—net*. See *Note 4.*

[c] Operating results of the Upjohn Business and the Mylan-Japan collaboration are presented as discontinued operations in all periods presented following the November 16, 2020 spin-off and combination of our Upjohn Business with Mylan and the December 21, 2020 termination of the Mylan-Japan collaboration. See *Note 2B.*

Basic and diluted EPS are computed independently for each of the periods presented. Accordingly, the sum of the quarterly EPS amounts may not agree to the total for the year.

Selected Quarterly Financial Data (Unaudited)

Pfizer Inc. and Subsidiary Companies

	Quarter			
(MILLIONS OF DOLLARS, EXCEPT PER COMMON SHARE DATA)	First	Second	Third	Fourth
2019[a]				
Revenues	$ 9,957	$ 10,363	$ 10,402	$ 10,449
Costs and expenses[b]	7,839	8,257	8,695	12,380
Restructuring charges and certain acquisition-related costs[c], [d]	39	(122)	351	333
(Gain) on completion of Consumer Healthcare JV transaction[d]	—	—	(8,087)	1
Income/(loss) from continuing operations before provision/(benefit) for taxes on income/(loss)	2,079	2,228	9,442	(2,264)
Provision/(benefit) for taxes on income/(loss)[e]	142	(1,169)	2,866	(1,221)
Income/(loss) from continuing operations	1,937	3,397	6,576	(1,043)
Income from discontinued operations—net of tax[f]	1,952	1,659	1,107	716
Net income/(loss) before allocation to noncontrolling interests	3,889	5,056	7,684	(327)
Less: Net income attributable to noncontrolling interests	6	10	4	10
Net income/(loss) attributable to Pfizer Inc. common shareholders	$ 3,884	$ 5,046	$ 7,680	$ (337)
Earnings/(loss) per common share—basic:				
Income/(loss) from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.34	$ 0.61	$ 1.19	$ (0.19)
Income from discontinued operations—net of tax[f]	0.35	0.30	0.20	0.13
Net income/(loss) attributable to Pfizer Inc. common shareholders	$ 0.69	$ 0.91	$ 1.38	$ (0.06)
Earnings/(loss) per common share—diluted:				
Income/(loss) from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.34	$ 0.60	$ 1.16	$ (0.19)
Income from discontinued operations—net of tax[f]	0.34	0.29	0.20	0.13
Net income/(loss) attributable to Pfizer Inc. common shareholders	$ 0.68	$ 0.89	$ 1.36	$ (0.06)

[a] Business development activities impacted our results of operations in 2019. See *Note 1A.*

[b] The fourth quarter historically reflects higher costs in *Cost of sales, Selling, informational and administrative expenses* and *Research and development expenses.* The fourth quarter of 2019 includes $2.6 billion in certain asset impairments recorded in *Other (income)/deductions—net*. See *Note 4.*

[c] The second quarter of 2019 includes the reversal of certain accruals related to our acquisition of Wyeth upon the effective favorable settlement of an IRS audit from multiple tax years. See *Note 5B.* The third quarter of 2019 includes $217 million of integration costs and other, primarily including $157 million in payments to Array employees for the fair value of previously unvested stock options that was recognized as post-closing compensation expense. See *Note 2A*. The fourth quarter of 2019 primarily includes employee termination costs, asset impairments and other exit costs associated with cost reduction initiatives. The employee termination costs are mostly associated with our improvements to operational effectiveness as part of the realignment of our organizational structure and for the Transforming to a More Focused Company program. See *Note 3.*

[d] See *Note 2C.*

[e] During the second quarter of 2019, Pfizer reached settlement of disputed issues at the IRS Office of Appeals, thereby settling all issues related to U.S. tax returns of Pfizer for the years 2009-2010. As a result of settling these years, in the second quarter of 2019 we recorded a benefit of approximately $1.4 billion, representing tax and interest. The third quarter of 2019 reflects tax expense of approximately $2.7 billion associated with the gain related to the completion of the Consumer Healthcare JV.

[f] Operating results of the Upjohn Business and the Mylan-Japan collaboration are presented as discontinued operations in all periods presented following the November 16, 2020 spin-off and combination of our Upjohn Business with Mylan and the December 21, 2020 termination of the Mylan-Japan collaboration. See *Note 2B.*

Basic and diluted EPS are computed independently for each of the periods presented. Accordingly, the sum of the quarterly EPS amounts may not agree to the total for the year.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this Form 10-K, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective in alerting them in a timely manner to material information required to be disclosed in our periodic reports filed with the SEC.

Changes in Internal Controls

During our most recent fiscal quarter, there has not been any change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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

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The Board of Directors and Shareholders of Pfizer Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Pfizer Inc. and Subsidiary Companies' (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Pfizer Inc. and Subsidiary Companies as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements), and our report dated February 25, 2021 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

KPMG LLP

New York, New York

February 25, 2021

Management's Report on Internal Control Over Financial Reporting

Management's Report

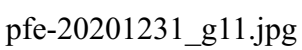
We prepared and are responsible for the financial statements that appear in this Form 10-K. These financial statements are in conformity with accounting principles generally accepted in the United States of America and, therefore, include amounts based on informed judgments and estimates. We also accept responsibility for the preparation of other financial information that is included in this document.

Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

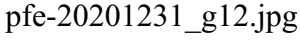
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework (2013)*. Based on our assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2020.

The Company's independent auditors have issued their auditors' report on the Company's internal control over financial reporting. That report appears above in this Form 10-K.



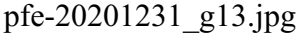
Albert Bourla

Chairman and Chief Executive Officer



Frank D'Amelio

Principal Financial Officer



Jennifer B. Damico

Principal Accounting Officer

February 25, 2021

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information about our Directors is incorporated by reference from the discussion under the heading *Item 1—Election of Directors* in our Proxy Statement. Information about the Pfizer Policies on Business Conduct governing our employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, and the Code of Business Conduct and Ethics for Members of the Board of Directors, is incorporated by reference from the discussions under the headings *Governance—Pfizer Policies on Business Conduct* and *—Code of Conduct for Directors* in our Proxy Statement. Information regarding the procedures by which our shareholders may recommend nominees to our Board of Directors is incorporated by reference from the discussion under the headings *Item 1—Election of Directors—Criteria for Board Membership* and *Submitting Proxy Proposals and Director Nominations for the 2022 Annual Meeting* in our Proxy Statement. Information about our Audit Committee, including the members of the Committee, and our Audit Committee financial experts, is incorporated by reference from the discussion under the heading *Governance—Board Information—Board and Committee Information—Board Committees—The Audit Committee* in our Proxy Statement. The balance of the information required by this item is contained in the discussion entitled *Information about Our Executive Officers* in this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information about Director and executive compensation is incorporated by reference from the discussion under the headings *Non-Employee Director Compensation*; *Executive Compensation*; and *Governance—Board Information—Board and Committee Information—Board Committees—The Compensation Committee—Compensation Committee Interlocks and Insider Participation* in our Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated by reference from the discussion under the headings *Executive Compensation—Compensation Tables—Equity Compensation Plan Information* and *Securities Ownership* in our Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information about certain relationships and transactions with related parties is incorporated by reference from the discussion under the headings *Related Person Transactions and Indemnification—Transactions with Related Persons* in our Proxy Statement. Information about director independence is incorporated by reference from the discussion under the heading *Governance—Other Governance Practices and Policies—Director Independence* in our Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information about the fees for professional services rendered by our independent registered public accounting firm in 2020 and 2019 is incorporated by reference from the discussion under the heading *Item 2—Ratification of Selection of Independent Registered Public Accounting Firm—Audit and Non-Audit Fees* in our Proxy Statement. Our Audit Committee's policy on pre-approval of audit and permissible non-audit services of our independent registered public accounting firm is incorporated by reference from the discussion under the heading *Item 2—Ratification of Selection of Independent Registered Public Accounting Firm—Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm* in our Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

15(a)(1) Financial Statements. The following consolidated financial statements, related notes, report of independent registered public accounting firm and supplementary data are set forth in *Item 8. Financial Statements and Supplementary Data* in this Form 10-K:

- Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements
- Consolidated Statements of Income
- Consolidated Statements of Comprehensive Income
- Consolidated Balance Sheets
- Consolidated Statements of Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements
- Selected Quarterly Financial Data (Unaudited)

15(a)(2) Financial Statement Schedules. Schedules are omitted because they are not required or because the information is provided elsewhere in the financial statements. The financial statements of unconsolidated subsidiaries are omitted because, considered in the aggregate, they would not constitute a significant subsidiary.

15(a)(3) Exhibits. These exhibits are available upon request. Requests should be directed to our Corporate Secretary, Pfizer Inc., 235 East 42nd Street, New York, New York 10017. The exhibit numbers preceded by an asterisk (*) indicate exhibits filed with this Form 10-K. All other exhibit numbers indicate exhibits filed by incorporation by reference. Exhibit numbers 10.1 through 10.44 are management contracts or compensatory plans or arrangements.

2.1	Stock and Asset Purchase Agreement, dated December 19, 2018, by and among us, GlaxoSmithKline plc and GlaxoSmithKline Consumer Healthcare Holdings Limited is incorporated by reference from our 2018 Annual Report on Form 10-K. (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the SEC upon request any omitted schedule or exhibit to the Stock and Asset Purchase Agreement.)
2.2	Business Combination Agreement, dated as of July 29, 2019, by and among us, Upjohn Inc., Utah Acquisition Sub Inc., Mylan N.V., Mylan I B.V. and Mylan II B.V. is incorporated by reference from our Current Report on Form 8-K filed on July 29, 2019. (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the SEC upon request any omitted schedule or exhibit to the Business Combination Agreement.)
2.3	Amendment No. 1 to the Business Combination Agreement, dated as of May 29, 2020, by and among us, Upjohn Inc., Utah Acquisition Sub Inc., Mylan N.V., Mylan I B.V. and Mylan II B.V. is incorporated by reference from our Current Report on Form 8-K filed on June 1, 2020. (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the SEC upon request any omitted schedule or exhibit to the Amendment No. 1 to the Business Combination Agreement.)
2.4	Separation and Distribution Agreement, dated as of July 29, 2019, by and between us and Upjohn Inc. is incorporated by reference from our Current Report on Form 8-K filed on July 29, 2019. (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the SEC upon request any omitted schedule or exhibit to the Separation and Distribution Agreement.)
2.5	Amendment No. 1 to the Separation and Distribution Agreement, dated as of February 18, 2020, by and between us and Upjohn Inc. is incorporated by reference from our 2019 Annual Report on Form 10-K. (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the SEC upon request any omitted schedule or exhibit to the Amendment No. 1 to the Separation and Distribution Agreement.)
2.6	Amendment No. 2 to the Separation and Distribution Agreement, dated as of May 29, 2020, by and between us and Upjohn Inc. is incorporated by reference from our Current Report on Form 8-K filed on June 1, 2020. (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the SEC upon request any omitted schedule or exhibit to the Amendment No. 2 to the Separation and Distribution Agreement.)
2.7	Amendment No. 3 to the Separation and Distribution Agreement, dated as of September 18, 2020, by and between us and Upjohn Inc. is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended September 27, 2020. (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the SEC upon request any omitted schedule or exhibit to the Amendment No. 3 to the Separation and Distribution Agreement.)
*2.8	Amendment No. 4 to the Separation and Distribution Agreement, dated as of November 15, 2020, by and between us and Upjohn Inc. (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the SEC upon request any omitted schedule or exhibit to the Amendment No. 4 to the Separation and Distribution Agreement.)
3.1	Our Restated Certificate of Incorporation dated December 14, 2020, is incorporated by reference from our Current Report on Form 8-K filed on December 14, 2020.
3.2	Our By-laws, as amended December 18, 2017, are incorporated by reference from our Current Report on Form 8-K filed on December 21, 2017.
4.1	Indenture, dated as of January 30, 2001, between us and The Chase Manhattan Bank, is incorporated by reference from our Current Report on Form 8-K filed on January 30, 2001.
4.2	First Supplemental Indenture, dated as of March 24, 2009, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended June 28, 2009.

4.3	Second Supplemental Indenture, dated as of June 2, 2009, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K filed on June 3, 2009.
4.4	Third Supplemental Indenture, dated as of June 3, 2013, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K filed on June 3, 2013.
4.5	Fourth Supplemental Indenture, dated as of May 15, 2014, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on May 15, 2014.
4.6	Fifth Supplemental Indenture, dated as of October 5, 2015, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on October 6, 2015.
4.7	Sixth Supplemental Indenture, dated as of June 3, 2016, between us and The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (National Association)))), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on June 3, 2016.
4.8	Seventh Supplemental Indenture, dated as of November 21, 2016, between us and The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (National Association)))), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on November 21, 2016.
4.9	Eighth Supplemental Indenture, dated as of March 17, 2017, among us, The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (successor to the Chase Manhattan Bank (National Association)))), as trustee, and The Bank of New York Mellon, London Branch, as paying agent, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on March 17, 2017.
4.10	Ninth Supplemental Indenture, dated as of March 6, 2017, among us, The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (National Association)))), as trustee, and The Bank of New York Mellon, London Branch, as paying agent and calculation agent, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on March 6, 2017.
4.11	Tenth Supplemental Indenture, dated as of December 19, 2017, among us, The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (National Association)))), as trustee, and The Bank of New York Mellon, London Branch, as paying agent, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on December 19, 2017.
4.12	Indenture, dated as of April 10, 1992, between Wyeth (formerly American Home Products Corporation) and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's Registration Statement on Form S-3, filed on January 18, 1995.
4.13	Supplemental Indenture, dated as of October 13, 1992, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's Registration Statement on Form S-3, filed on January 18, 1995.
4.14	Fifth Supplemental Indenture, dated as of December 16, 2003, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's 2003 Annual Report on Form 10-K.
4.15	Sixth Supplemental Indenture, dated as of November 14, 2005, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's Current Report on Form 8-K filed on November 15, 2005.
4.16	Seventh Supplemental Indenture, dated as of March 27, 2007, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's Current Report on

4.24	Except as set forth in Exhibits 4.1-22 above, the instruments defining the rights of holders of long-term debt securities of the Company and its subsidiaries have been omitted. We agree to furnish to the SEC, upon request, a copy of each instrument with respect to issuances of long-term debt of the Company and its subsidiaries.
10.1	2001 Stock and Incentive Plan is incorporated by reference from our Proxy Statement for the 2001 Annual Meeting of Shareholders.
10.2	Pfizer Inc. 2004 Stock Plan, as Amended and Restated is incorporated by reference from our 2011 Annual Report on Form 10-K.
*10.3	Amendment No. 1 to Pfizer 2004 Stock Plan.
10.4	Pfizer Inc. 2014 Stock Plan is incorporated by reference from our Proxy Statement for the 2014 Annual Meeting of Shareholders.
*10.5	Amendment No. 1 to Pfizer Inc. 2014 Stock Plan.
10.6	Form of Acknowledgment and Consent and Summary of Key Terms for Grants of RSUs, TSRUs, PPSs and PSAs is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended March 29, 2020.
10.7	Form of Executive Grant Letter is incorporated by reference from our 2015 Annual Report on Form 10-K.
10.8	Pfizer Consolidated Supplemental Pension Plan for United States and Puerto Rico Employees is incorporated by reference from our 2017 Annual Report on Form 10-K.
10.9	Amendment No. 1 to the Pfizer Consolidated Supplemental Pension Plan for United States and Puerto Rico Employees is incorporated by reference from our 2018 Annual Report on Form 10-K.
*10.10	Amendment No. 2 to the Pfizer Consolidated Supplemental Pension Plan for United States and Puerto Rico Employees.
10.11	Pfizer Supplemental Savings Plan is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended April 3, 2016.
10.12	Amendment No. 1 to the Pfizer Supplemental Savings Plan (Amended and Restated as of January 1, 2016), is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended October 1, 2017.
10.13	Amendment No. 2 to the Pfizer Supplemental Savings Plan is incorporated by reference from our 2017 Annual Report on Form 10-K.
10.14	Amendment No. 3 to the Pfizer Supplemental Savings Plan is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended September 30, 2018.
10.15	Amendment No. 4 to the Pfizer Supplemental Savings Plan is incorporated by reference from our 2018 Annual Report on Form 10-K.
10.16	Amendment No. 5 to the Pfizer Supplemental Savings Plan is incorporated by reference from our 2018 Annual Report on Form 10-K.
10.17	Amendment No. 6 to the Pfizer Supplemental Savings Plan is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended June 30, 2019.
10.18	Amendment No. 7 to the Pfizer Supplemental Savings Plan is incorporated by reference from our 2019 Annual Report on Form 10-K.
*10.19	Amendment No. 8 to the Pfizer Supplemental Savings Plan.
*10.20	Amendment No. 9 to the Pfizer Supplemental Savings Plan.
*10.21	Amended and Restated Pfizer Inc. Global Performance Plan.
10.22	Amended and Restated Deferred Compensation Plan is incorporated by reference from our 2012 Annual Report on Form 10-K.
10.23	Amendment to Amended and Restated Deferred Compensation Plan, dated June 20, 2013, is incorporated by reference from our 2013 Annual Report on Form 10-K.
10.24	Amendment No. 2 to Amended and Restated Deferred Compensation Plan, dated April 27, 2016, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended July 3, 2016.
*10.25	Amendment No. 3 to Amended and Restated Deferred Compensation Plan.
10.26	Wyeth 2005 (409A) Deferred Compensation Plan (frozen as of January 2012), together with certain Amendments, is

10.30	The form of Indemnification Agreement with each of our non-employee Directors is incorporated by reference from our 1996 Annual Report on Form 10-K.
10.31	The form of Indemnification Agreement with each of the Named Executive Officers identified in our Proxy Statement for the 2020 Annual Meeting of Shareholders is incorporated by reference from our 1997 Annual Report on Form 10-K.
10.32	Letter to Frank A. D'Amelio regarding replacement pension benefit dated August 22, 2007 is incorporated by reference from our Current Report on Form 8-K filed on August 22, 2007.
10.33	Pfizer Inc. Executive Severance Plan is incorporated by referenced from our Current Report on Form 8-K filed on February 20, 2009.
10.34	Amendment No. 1 to the Pfizer Inc. Executive Severance Plan is incorporated by reference from our 2018 Annual Report on Form 10-K.
10.35	Amendment No. 2 to the Pfizer Inc. Executive Severance Plan is incorporated by reference from our 2019 Annual Report on Form 10-K.
*10.36	Amendment No. 3 to the Pfizer Inc. Executive Severance Plan.
10.37	Annual Retainer Unit Award Plan (for Non-Employee Directors) (frozen as of March 1, 2006) as amended, is incorporated by reference from our 2008 Annual Report on Form 10-K.
10.38	Nonfunded Deferred Compensation and Unit Award Plan for Non-Employee Directors, as amended, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended September 28, 2014.
10.39	Form of Special Award Letter Agreement is incorporated by reference from our Current Report on Form 8-K filed on October 28, 2009.
10.40	Offer Letter to G. Mikael Dolsten, dated April 6, 2009, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended April 3, 2011.
10.41	Form of Special Performance-Based Incentive Award Letter is incorporated by reference from our 2017 Annual Report on Form 10-K.
10.42	Form of Special Performance-Based Incentive Grant Letter is incorporated by reference from our 2017 Annual Report on Form 10-K.
10.43	Pfizer Inc. 2019 Stock Plan is incorporated by reference from our Proxy Statement for the 2019 Annual Meeting of Shareholders.
10.44	Time Sharing Agreement, dated July 9, 2020, between Pfizer Inc. and Albert Bourla is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended June 28, 2020.
*21	Subsidiaries of the Company.
*23	Consent of Independent Registered Public Accounting Firm.
*24	Power of Attorney (included as part of signature page).
*31.1	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 101:	
*101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
*101.SCH	Inline XBRL Taxonomy Extension Schema
*101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
*101.LAB	Inline XBRL Taxonomy Extension Label Linkbase

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Under the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report was signed on behalf of the Registrant by the authorized person named below.

Pfizer Inc.

Dated: February 25, 2021 By: /S/ MARGARET M. MADDEN

Margaret M. Madden
Senior
Vice President and Corporate Secretary
Chief Governance Counsel

We, the undersigned directors and officers of Pfizer Inc., hereby severally constitute Douglas M. Lankler and Margaret M. Madden, and each of them singly, our true and lawful attorneys with full power to them and each of them to sign for us, in our names in the capacities indicated below, any and all amendments to this Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Under the requirements of the Securities Exchange Act of 1934, this report was signed by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature	Title	Date
/S/ ALBERT BOURLA **Albert Bourla**	Chairman and Chief Executive Officer (Principal Executive Officer)	February 23, 2021
/S/ FRANK A. D'AMELIO **Frank A. D'Amelio**	Chief Financial Officer and Executive Vice President, Global Supply (Principal Financial Officer)	February 23, 2021
/S/ JENNIFER B. DAMICO **Jennifer B. Damico**	Senior Vice President and Controller (Principal Accounting Officer)	February 24, 2021
/S/ RONALD E. BLAYLOCK **Ronald E. Blaylock**	Director	February 24, 2021
/S/ SUSAN DESMOND-HELLMANN **Susan Desmond-Hellmann**	Director	February 23, 2021
/S/ JOSEPH J. ECHEVARRIA **Joseph J. Echevarria**	Director	February 23, 2021
/S/ SCOTT GOTTLIEB **Scott Gottlieb**	Director	February 23, 2021
/S/ HELEN H. HOBBS **Helen H. Hobbs**	Director	February 23, 2021
/S/ SUSAN HOCKFIELD **Susan Hockfield**	Director	February 23, 2021
/S/ DAN R. LITTMAN **Dan R. Littman**	Director	February 23, 2021
/S/ SHANTANU NARAYEN **Shantanu Narayen**	Director	February 23, 2021
/S/ SUZANNE NORA JOHNSON **Suzanne Nora Johnson**	Director	February 23, 2021
/S/ JAMES QUINCEY **James Quincey**	Director	February 23, 2021
/S/ JAMES C. SMITH **James C. Smith**	Director	February 23, 2021

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019

☐ **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

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PFIZER INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-5315170**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.05 par value	PFE	New York Stock Exchange
0.000% Notes due 2020	PFE20A	New York Stock Exchange
0.250% Notes due 2022	PFE22	New York Stock Exchange
1.000% Notes due 2027	PFE27	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files.) Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2019, was approximately $241 billion. This excludes shares of common stock held by directors and executive officers at June 30, 2019. Exclusion of shares held by any person should not be construed to indicate that such person possesses the power, directly or indirectly, to direct or cause the direction of the management or policies of the registrant, or that such person is controlled by or under common control with the registrant. The registrant has no non-voting common stock.

The number of shares outstanding of the registrant's common stock as of February 25, 2020 was 5,547,639,005 shares of common stock, all of one class.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2019 Annual Report to Shareholders	Parts I, II and IV
Portions of the Proxy Statement for the 2020 Annual Meeting of Shareholders	Part III

TABLE OF CONTENTS

DEFINED TERMS

Unless the context requires otherwise, references to "Pfizer," "the Company," "we," "us" or "our" in this 2019 Form 10-K (defined below) refer to Pfizer Inc. and its subsidiaries. We also have used several other terms in this 2019 Form 10-K, most of which are explained or defined below.

2019 Financial Report	Exhibit 13 to this 2019 Form 10-K
2019 Form 10-K	This Annual Report on Form 10-K for the fiscal year ended December 31, 2019
2020 Proxy Statement	Proxy Statement for the 2020 Annual Meeting of Shareholders
ACA	U.S. Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act
Alliance revenues	Revenues from alliance agreements under which we co-promote products discovered or developed by other companies or us
Akcea	Akcea Therapeutics, Inc.
Array	Array BioPharma Inc.
Astellas	Astellas Pharma Inc., Astellas US LLC and Astellas Pharma US, Inc.
Biopharma	Pfizer Biopharmaceuticals Group
BMS	Bristol-Myers Squibb Company
cGMPs	current Good Manufacturing Practices
DEA	U.S. Drug Enforcement Agency
Developed Markets	U.S., Western Europe, Japan, Canada, South Korea, Australia, Scandinavian countries, Finland and New Zealand
EMA	European Medicines Agency
Emerging Markets	Includes, but is not limited to, the following markets: Asia (excluding Japan and South Korea), Latin America, Eastern Europe, Africa, the Middle East, Central Europe and Turkey
EU	European Union
Exchange Act	Securities Exchange Act of 1934, as amended
FCPA	U.S. Foreign Corrupt Practices Act
FDA	U.S. Food and Drug Administration
FFDCA	U.S. Federal Food, Drug and Cosmetic Act
GPD	Global Product Development organization
GSK	GlaxoSmithKline plc
Hospira	Hospira, Inc.
Ionis	Ionis Pharmaceuticals, Inc.
IPR&D	In-process Research and Development
LIBOR	London Interbank Offered Rate
LOE	Loss of Exclusivity
MCO	Managed Care Organization
Mylan	Mylan N.V.
NMPA	National Medical Product Administration in China
NYSE	New York Stock Exchange
OTC	over-the-counter
PBM	Pharmacy Benefit Manager
PGS	Pfizer Global Supply

PMDA	Pharmaceuticals and Medical Device Agency in Japan
QCE	quality consistency evaluation in China
R&D	research and development
SEC	U.S. Securities and Exchange Commission
Teva	Teva Pharmaceuticals USA, Inc.
U.K.	United Kingdom
U.S.	United States
VAI	Voluntary Action Indicated
VBP	volume-based procurement in China
WRDM	Worldwide Research, Development and Medical

tagline_1.jpg

marketgrowth.jpg	**~$51.8 Billion** in Revenues in 2019
pharmapill.jpg	**8** Products with Direct Product and/or Alliance Revenues of Greater than $1 Billion in 2019
structure.jpg	**3** Distinct Businesses in 2019* — Pfizer Biopharmaceuticals Group (Biopharma) *(~$39.4 Billion 2019 Revenues)* / Upjohn *(~$10.2 Billion 2019 Revenues)* / Consumer Healthcare
prescription.jpg	**6** Primary Therapeutic Areas in Biopharma — Internal Medicine, Oncology, Hospital, Vaccines, Inflammation & Immunology and Rare Disease
syringe.jpg	**20** Globally Recognized Brands and the Greenstone generics platform in Upjohn
globe.jpg	**>125** Countries Where We Sell Our Products
microscope.jpg	**95** Projects in Clinical Research & Development**
testtubes.jpg	**~$8.7 Billion** 2019 R&D Expense
pharmapack.jpg	**42** Manufacturing Sites Worldwide Operated by PGS; **7** Manufacturing Sites Worldwide Operated by Upjohn
team.jpg	**~88,300** Employees Globally

Unless indicated otherwise, the information contained in this summary is as of December 31, 2019. This summary does not include information that will be incorporated by reference into Part III of this 2019 Form 10-K from our 2020 Proxy Statement.

* On July 29, 2019, we announced that we entered into a definitive agreement to combine Upjohn with Mylan, creating a new global pharmaceutical company, Viatris. On July 31, 2019, Pfizer's Consumer Healthcare business, an over-the-counter medicines business, was combined with GSK's consumer healthcare business to form a new consumer healthcare joint venture. For additional information, see the *Item 1. Business—About Pfizer* section in this 2019 Form 10-K.

** As of January 28, 2020

PART I

ITEM 1. BUSINESS

pfizerlogo.jpg **ABOUT PFIZER**

Pfizer Inc. is a research-based, global biopharmaceutical company. We apply science and our global resources to bring therapies to people that extend and significantly improve their lives through the discovery, development, manufacture and distribution of healthcare products, including innovative medicines and vaccines. We work across developed and emerging markets to advance wellness, prevention, treatments and cures that challenge the most feared diseases of our time. We collaborate with healthcare providers, governments and local communities to support and expand access to reliable, affordable healthcare around the world. Our revenues are derived from the sale of our products and, to a much lesser extent, from alliance agreements, under which we co-promote products discovered or developed by other companies or us. The majority of our revenues come from the manufacture and sale of biopharmaceutical products. The Company was incorporated under the laws of the State of Delaware on June 2, 1942.

We believe that our medicines provide significant value for both healthcare providers and patients, not only from the improved treatment of diseases but also from a reduction in other healthcare costs, such as emergency room or hospitalization costs, as well as improvements in health, wellness and productivity. We continue to actively engage in dialogues about the value of our medicines and how we can best work with patients, physicians and payers to prevent and treat disease and improve outcomes. We continue to work within the current legal and pricing structures, as well as continue to review our pricing arrangements and contracting methods with payers, to maximize patient access and minimize any adverse impact on our revenues. We remain firmly committed to fulfilling our Company's purpose: *Breakthroughs that change patients' lives*. By doing so, we expect to create value for the patients we serve and for our colleagues and shareholders.

With the formation of the GSK Consumer Healthcare joint venture and the pending combination of Upjohn with Mylan, which are further discussed below, Pfizer is transforming itself into a more focused, global leader in science-based innovative medicines.

We are committed to capitalizing on growth opportunities by advancing our own pipeline and maximizing the value of our in-line products, as well as through various forms of business development, which can include alliances, licenses, joint ventures, collaborations, equity- or debt-based investments, dispositions, mergers and acquisitions. We view our business development activity as an enabler of our strategies, and we seek to generate earnings growth and enhance shareholder value by pursuing a disciplined, strategic and financial approach to evaluating business development opportunities.

Our significant recent business development activities include:

- License Agreement with Akcea Therapeutics, Inc.—In October 2019, we entered into a worldwide exclusive licensing agreement for AKCEA-ANGPTL3-LRx, an investigational antisense therapy being developed to treat patients with certain cardiovascular and metabolic diseases, with Akcea, a majority-owned affiliate of Ionis. The transaction closed in November 2019 and we made an upfront payment of $250 million to Akcea and Ionis.

- Formation of a New Consumer Healthcare Joint Venture—On July 31, 2019, we completed the transaction in which we and GSK combined our respective consumer healthcare businesses into a new consumer healthcare joint venture that operates globally under the GSK Consumer Healthcare name. The joint venture is a category leader in pain relief, respiratory and vitamins, minerals and supplements, and therapeutic oral health and is the largest global OTC consumer healthcare business. In exchange for contributing our Consumer Healthcare business to the joint venture, we received a 32% equity stake in the new company and GSK owns the remaining 68%.

- Acquisition of Array BioPharma Inc.—On July 30, 2019, we acquired Array, a commercial stage biopharmaceutical company focused on the discovery, development and commercialization of targeted small molecule medicines to treat cancer and other diseases of high unmet need, for $48 per share in cash. The total fair value of the consideration transferred for Array was approximately $11.2 billion ($10.9 billion, net of cash acquired).

- Agreement to Combine Upjohn with Mylan N.V.—On July 29, 2019, we announced that we entered into a definitive agreement to combine Upjohn with Mylan, creating a new global pharmaceutical company, Viatris. Under the terms of the agreement, which is structured as an all-stock, Reverse Morris Trust transaction, Upjohn is expected to be spun off or split off to Pfizer's shareholders and, immediately thereafter, combined with Mylan. Pfizer shareholders would own 57% of the combined new company, and former Mylan shareholders would own 43%. The transaction is expected to be tax free to Pfizer and Pfizer shareholders. The transaction is anticipated to close in mid-2020, subject to Mylan shareholder approval and satisfaction of other customary closing conditions, including receipt of regulatory approvals.

- Acquisition of Therachon Holding AG—On July 1, 2019, we acquired all the remaining shares of Therachon Holding AG, a privately-held clinical-stage biotechnology company focused on rare diseases, with assets in development for the treatment of achondroplasia, a genetic condition and the most common form of short-limb dwarfism, for $340 million upfront, plus potential milestone payments of up to $470 million, contingent on the achievement of key milestones in the development and commercialization of the lead asset.

For a further discussion of our strategy and our business development initiatives, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Business Development Initiatives* and *—Our Strategy* sections and the Notes to Consolidated Financial Statements—*Note 2. Acquisitions, Divestitures, Equity-Method Investments and Assets and Liabilities Held for Sale, Licensing Arrangements and Research and Development and Collaborative Arrangements* in our 2019 Financial Report.

Our businesses are heavily regulated in most of the countries in which we operate. In the U.S., the principal authority regulating our operations is the FDA. The FDA regulates the safety and efficacy of the products we offer and our research, quality, manufacturing processes, product promotion, advertising and product labeling. Similar regulations exist in most other countries, and in many countries the government also regulates our prices. In the EU, the EMA conducts the scientific evaluation, supervision and safety monitoring of our products, and employs a centralized procedure for approval of medicines for the EU and the European Economic Area countries. In China, the NMPA is the primary regulatory authority for approving and supervising medicines. In Japan, the PMDA is involved in a wide range of regulatory activities, including clinical studies, approvals, post-marketing reviews and pharmaceutical safety. Health authorities in many middle and lower income countries require marketing approval by a recognized regulatory authority (i.e., similar to the authority of the FDA or EMA) before they begin to conduct their application review process and/or issue their final approval. For additional information, see the *Item 1. Business—Government Regulation and Price Constraints* section in this 2019 Form 10-K.

Some amounts in this 2019 Form 10-K may not add due to rounding. All percentages have been calculated using unrounded amounts. All trademarks in this 2019 Form 10-K are the property of their respective owners.

AVAILABLE INFORMATION AND PFIZER WEBSITE

Our website is located at *www.pfizer.com*. This 2019 Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are, or will be, available (free of charge) on our website, in text format and, where applicable, in interactive data file format, as soon as reasonably practicable after we electronically file this material with, or furnish it to, the SEC.

Throughout this 2019 Form 10-K, we "incorporate by reference" certain information from other documents filed or to be filed with the SEC, including our 2020 Proxy Statement and our 2019 Financial Report, portions of which are filed as Exhibit 13 to this 2019 Form 10-K, and which also will be contained in Appendix A to our 2020 Proxy Statement. The SEC allows us to disclose important information by referring to it in that manner. Please refer to this information. Our 2019 Annual Report to Shareholders consists of our 2019 Financial Report and the Corporate and Shareholder Information attached to the 2020 Proxy Statement. Our 2019 Financial Report will be available on our website on or about February 27, 2020. Our 2020 Proxy Statement will be available on our website on or about March 13, 2020.

We may use our website as a means of disclosing material information and for complying with our disclosure obligations under Regulation Fair Disclosure promulgated by the SEC. These disclosures are included on our website in the "Investors" or "News" sections. Accordingly, investors should monitor these portions of our website, in addition to following Pfizer's press releases, SEC filings, public conference calls and webcasts, as well as Pfizer's social media channels (Pfizer's Facebook, YouTube and LinkedIn pages and Twitter accounts (@*Pfizer* and @*Pfizer_News*)).

Information relating to corporate governance at Pfizer, including our Corporate Governance Principles; Director Qualification Standards; Pfizer Policies on Business Conduct (for all of our employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer); Code of Business Conduct and Ethics for Members of the Board of Directors; information concerning our Directors; ways to communicate by e-mail with our Directors; Board Committees; Committee Charters; Charter of the Lead Independent Director; and transactions in Pfizer securities by Directors and Officers are available on our website. We will provide any of the foregoing information without charge upon written request to our Corporate Secretary, Pfizer Inc., 235 East 42nd Street, New York, NY 10017. We will disclose any future amendments to, or waivers from, provisions of the Pfizer Policies on Business Conduct affecting our Chief Executive Officer, Chief Financial Officer and Controller on our website as promptly as practicable, as may be required under applicable SEC and NYSE rules. Information relating to shareholder services, including the Computershare Investment Program, book-entry share ownership and direct deposit of dividends, is also available on our website.

The information contained on our website, our Facebook, YouTube and LinkedIn pages or our Twitter accounts is not incorporated by reference into this 2019 Form 10-K. Pfizer's references to the URLs for websites are intended to be inactive textual references only.

COMMERCIAL OPERATIONS

At the beginning of our 2019 fiscal year, we began to manage our commercial operations through a new global structure consisting of three businesses—Pfizer Biopharmaceuticals Group (Biopharma), Upjohn and, through July 31, 2019, Consumer Healthcare, each led by a single manager. We have revised prior-period segment information in our 2019 Form 10-K to reflect the 2019 reorganization. Biopharma and Upjohn are the only reportable segments.

For additional information regarding the 2019 reorganization, as well as our Organizing for Growth initiative, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Strategy—Organizing for Growth* section and the Notes to Consolidated Financial Statements—*Note 17. Segment, Geographic and Other Revenue Information* in our 2019 Financial Report.

On July 31, 2019, Pfizer's Consumer Healthcare business, an over-the-counter medicines business, was combined with GSK's consumer healthcare business to form a new consumer healthcare joint venture in which we own a 32% equity stake. For additional information, see the Notes to Consolidated Financial Statements—*Note 1A. Basis of Presentation and Significant Accounting Policies: Basis of Presentation* and *Note 2C. Acquisitions, Divestitures, Equity-Method Investments and Assets and Liabilities Held for Sale, Licensing Arrangements and Research and Development and Collaborative Arrangements: Equity-Method Investments and Assets and Liabilities Held for Sale* in our 2019 Financial Report.

Some additional information about our Biopharma and Upjohn business segments follows:

pfizerlogo2816.jpg **Pfizer Biopharmaceuticals Group**	upjohnlogoa02.jpg
Biopharma is a science-based medicines business that includes six business units – Oncology, Inflammation & Immunology, Rare Disease, Hospital, Vaccines and Internal Medicine. The Hospital unit commercializes our global portfolio of sterile injectable and anti-infective medicines and includes Pfizer's contract manufacturing operation, Pfizer CentreOne. At the beginning of our 2019 fiscal year, we also incorporated our biosimilar portfolio into the Oncology and Inflammation & Immunology business units and certain legacy established products into the Internal Medicine business unit. Each business unit is committed to delivering breakthroughs that change patients' lives.	Upjohn is a global, primarily off-patent branded and generic medicines business, which includes a portfolio of 20 globally recognized solid oral dose brands, as well as a U.S.-based generics platform, Greenstone.
Select products include: - *Prevnar 13/Prevenar 13* - *Ibrance* - *Eliquis* - *Xeljanz* - *Enbrel* (outside the U.S. and Canada) - *Chantix/Champix* - *Sutent* - *Xtandi* - *Vyndaqel/Vyndamax*	**Select products include:** - *Lyrica* - *Lipitor* - *Norvasc* - *Celebrex* - *Viagra* - *Certain generic medicines*

On July 29, 2019, we announced that we entered into a definitive agreement to combine Upjohn with Mylan, creating a new global pharmaceutical company, Viatris. For additional information, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Business Development Initiatives* and *—Our Strategy* sections in our 2019 Financial Report.

For a further discussion of these operating segments, see the *Pfizer Biopharmaceuticals Group (Biopharma)* and *Upjohn* sections in this 2019 Form 10-K, the table captioned *Revenues by Operating Segment and Geography* in the *Analysis of the Consolidated Statements of Income* section and the Notes to Consolidated Financial Statements—*Note 17. Segment, Geographic and Other Revenue Information*, including the tables therein captioned *Selected Income Statement Information*, *Geographic Information* and *Significant Product Revenues*, in our 2019 Financial Report, which are incorporated by reference.

PFIZER BIOPHARMACEUTICALS GROUP (BIOPHARMA)

The key therapeutic areas comprising our Biopharma business segment include:

Therapeutic Area	*Description*	*Key Products*
Internal Medicine	Includes innovative brands from two therapeutic areas, Cardiovascular Metabolic and Pain, as well as regional brands.	Eliquis, Chantix/Champix and Premarin family
Oncology	Includes innovative oncology brands of biologics, small molecules, immunotherapies, and biosimilars across a wide range of cancers.	Ibrance, Sutent, Xtandi, Xalkori, Inlyta and Braftovi + Mektovi
Hospital	Includes our global portfolio of sterile injectable and anti-infective medicines, as well as Pfizer CentreOne, our contract manufacturing and active pharmaceutical ingredient sales operation.	Sulperazon, Medrol, Vfend and Zithromax
Vaccines	Includes innovative vaccines brands across all ages—infants, adolescents and adults—in pneumococcal disease, Meningococcal disease and tick-borne encephalitis, with a pipeline focus on healthcare-acquired infections and maternal health.	Prevnar 13/Prevenar 13 (pediatric/adult), FSME-IMMUN, Nimenrix and Trumenba
Inflammation and Immunology	Includes innovative brands and biosimilars for chronic immune and inflammatory diseases.	Xeljanz, Enbrel (outside the U.S. and Canada), Inflectra and Eucrisa
Rare Disease	Includes innovative brands for a number of therapeutic areas with rare diseases, including amyloidosis, hemophilia, and endocrine diseases.	Vyndaqel/Vyndamax, BeneFIX, Genotropin and Refacto AF/Xyntha

We recorded direct product and/or alliance revenues of more than $1 billion for each of six Biopharma products in 2019, seven Biopharma products in 2018 and six Biopharma products in 2017:

Biopharma $1 Billion+ Products

2019	2018	2017
Prevnar 13/Prevenar 13	Prevnar 13/Prevenar 13	Prevnar 13/Prevenar 13
Ibrance	Ibrance	Ibrance
Eliquis*	Eliquis*	Eliquis*
Xeljanz	Enbrel	Enbrel
Enbrel	Xeljanz	Xeljanz
Chantix/Champix	Chantix/Champix	Sutent
	Sutent	

* *Eliquis* includes alliance revenues and direct sales in 2019, 2018 and 2017.

For a discussion of certain Biopharma products and additional information regarding collaboration and/or co-promotion agreements involving certain of these Biopharma products, see the *Item 1A. Business—Collaboration and Co-Promotion Agreements* and *—Patents and Other Intellectual Property Rights* sections of this 2019 Form 10-K; for additional information regarding the revenues of our Biopharma business, including revenues by geography and of significant Biopharma products, see the *Analysis of the Consolidated Statements of Income—Revenues—Overview, —Revenues by Operating Segment and Geography* and *—Revenues—Selected Product Discussion* sections and the Notes to Consolidated Financial Statements—*Note 17. Segment, Geographic and Other Revenue Information* in our 2019 Financial Report; and for additional information on the key operational revenue drivers of our Biopharma business, see the *Analysis of Operating Segment Information—Biopharma Operating Segment* section in our 2019 Financial Report. For a discussion of the risks associated with our dependence on certain of our major products, see the *Item 1A. Risk Factors—Dependence on Key In-Line Products* section in this 2019 Form 10-K.

UPJOHN

Upjohn's products are used to treat non-communicable diseases across a broad range of therapeutic areas, including:

- Cardiovascular (Lipitor, Norvasc and Revatio);
- Pain and neurology (Lyrica and Celebrex);
- Psychiatry (Effexor, Zoloft and Xanax);
- Urology (Viagra); and
- Ophthalmology (Xalatan/Xalacom).

We recorded direct product revenues of more than $1 billion for two Upjohn products in 2019, three Upjohn products in 2018, and three Upjohn products in 2017:

Upjohn $1 Billion+ Products

2019	2018	2017
Lyrica	Lyrica	Lyrica
Lipitor	Lipitor	Lipitor
	Norvasc	Viagra

For a discussion of certain Upjohn products and additional information regarding the revenues of our Upjohn business, including revenues by geography and of significant Upjohn products, see the *Analysis of the Consolidated Statements of Income—Revenues—Overview, —Revenues by Operating Segment and Geography* and *—Revenues —Selected Product Discussion* sections and the Notes to Consolidated Financial Statements—*Note 17. Segment, Geographic and Other Revenue Information* in our 2019 Financial Report; and for additional information on the key operational revenue drivers of our Upjohn business, see the *Analysis of Operating Segment Information—Upjohn Operating Segment* section in our 2019 Financial Report. For a discussion of the risks associated with our dependence on certain of our major products, see the *Item 1A. Risk Factors—Dependence on Key In-Line Products* section in this 2019 Form 10-K.

COLLABORATION AND CO-PROMOTION AGREEMENTS

We are party to collaboration and/or co-promotion agreements relating to certain biopharmaceutical products, including, among others, Eliquis, Xtandi and Bavencio. Revenues from Eliquis (except in certain markets where we have direct sales), Xtandi and Bavencio are included in alliance revenues.

Eliquis has been jointly developed and is commercialized by Pfizer and BMS. Pfizer funds between 50% and 60% of all development costs depending on the study. Profits and losses are shared equally on a global basis, except in certain countries where Pfizer commercializes Eliquis and pays BMS compensation based on a percentage of net sales. We have full commercialization rights in certain smaller markets. BMS supplies the product to us at cost plus a percentage of the net sales to end-customers in these markets. Eliquis is part of the Novel Oral Anticoagulant market; the agents in this class were developed as alternative treatment options to warfarin in appropriate patients.

Xtandi is being developed and commercialized through a collaboration with Astellas. The two companies share equally in the gross profits (losses) related to U.S. net sales of Xtandi. Subject to certain exceptions, Pfizer and Astellas also share equally all Xtandi commercialization costs attributable to the U.S. market. In addition, Pfizer and Astellas share certain development and other collaboration expenses, and Pfizer receives tiered royalties as a percentage of international Xtandi net sales (recorded in *Other (income)/deductions—net*). Xtandi is an androgen receptor inhibitor that blocks multiple steps in the androgen receptor signaling pathway within tumor cells.

Bavencio (avelumab) is being developed and commercialized in collaboration with Merck KGaA. Both companies jointly fund the majority of development and commercialization costs, and split equally any profits related to net sales generated from selling any products containing avelumab from this collaboration. Bavencio is a human anti-programmed death ligand-1 (PD-L1) antibody.

RESEARCH AND DEVELOPMENT

Innovation is critical to the success of our Company, and drug discovery and development are time-consuming, expensive and unpredictable. Pfizer's purpose is to deliver breakthroughs that change patients' lives. R&D is at the heart of fulfilling Pfizer's purpose as we work to translate advanced science and technologies into the therapies that matter most.

Our R&D Priorities and Strategy

Our R&D priorities include:

- delivering a pipeline of highly differentiated medicines and vaccines where Pfizer has a unique opportunity to bring the most important new therapies to patients in need;
- advancing our capabilities that can position Pfizer for long-term R&D leadership; and
- advancing new models for partnerships with creativity, flexibility and urgency to deliver innovation to patients as quickly as possible.

To that end, our R&D primarily focuses on:

- Oncology;
- Inflammation and Immunology;
- Vaccines;
- Internal Medicine;
- Rare Diseases; and
- Hospital.

While a significant portion of R&D is done internally, we continue to seek out promising chemical and biological lead molecules and innovative technologies developed by third parties to incorporate into our discovery and development processes or projects, as well as our product lines. We do so by entering into collaboration, alliance and license agreements with other companies, as well as leveraging acquisitions and equity- or debt-based investments. These agreements enable us to co-develop, license or acquire promising compounds, technologies and/or capabilities. We also enter into agreements pursuant to which a third party agrees to fund a portion of the development costs of one or more of our pipeline products in exchange for rights to receive potential milestone payments, revenue sharing payments, profit sharing payments and/or royalties. Collaboration, alliance, license and funding agreements and equity- or debt-based investments allow us to share risk and cost. They also enable us to access external scientific and technological expertise, as well as provide us the opportunity to advance our own products and in-licensed or acquired products.

For additional information, see the Notes to Consolidated Financial Statements—*Note 2. Acquisitions, Divestitures, Equity-Method Investments and Assets and Liabilities Held for Sale, Licensing Arrangements and Research and Development and Collaborative Arrangements* in our 2019 Financial Report.

Our R&D Operations

We conduct R&D internally and also through contracts with third parties, through collaborations with universities and biotechnology companies and in cooperation with other pharmaceutical firms. In 2019, we continued to strengthen our global R&D organization and pursue strategies intended to improve innovation and overall productivity in R&D to achieve a sustainable pipeline that is positioned to deliver value in the near term and over time.

Our R&D spending is conducted through a number of matrix organizations:

- Research Units within our WRDM organization are generally responsible for research and early-stage development assets for our Biopharma business (assets that have not yet achieved proof-of-concept). Our Research Units are organized by therapeutic area to enhance flexibility, cohesiveness and focus. Because of our structure, we are able to rapidly redeploy resources within a Research Unit between various projects as necessary because in many instances the workforce shares similar skills, expertise and/or focus.

- Our science-based and other platform-services organizations provide technical expertise and other services to the various R&D projects, and are organized into science-based functions (which are part of our WRDM organization), such as Pharmaceutical Sciences, Medicine Design, and non-science-based functions, such as Facilities, Digital and Finance. Within each of these functions, we are able to migrate resources among projects, candidates and/or targets in any therapeutic area and in most phases of development, allowing us to react quickly in response to evolving needs. In addition, the Worldwide Medical and Safety group, within WRDM, ensures that Pfizer provides all stakeholders—including patients, healthcare providers, pharmacists, payers and health authorities—with complete and up-to-date information on the risks and benefits associated with Pfizer products so that they can make appropriate decisions on how and when to use Pfizer's medicines.

- Our R&D organization within Upjohn supports the off-patent branded and generic established medicines and helps to develop product enhancements, new indications and new market registrations for these medicines.

- Our Global Product Development (GPD) organization is a unified center for clinical development and regulatory activities that is generally responsible for the clinical development strategy and operational execution of clinical trials for both early-stage assets in the WRDM portfolio as well as late-stage assets in the Biopharma portfolio.

We manage R&D operations on a total-company basis through our matrix organizations described above. Specifically, the Portfolio Strategy & Investment committee, comprised of senior executives, is accountable for aligning resources among all of our WRDM, GPD and Biopharma R&D projects and for seeking to ensure optimal capital allocation across the innovative R&D portfolio. We believe that this approach also serves to maximize accountability and flexibility. Our Upjohn R&D organization manages its resources separately from the WRDM and GPD organizations, with operational support from GPD for select clinical development regulatory activities and from WRDM for clinical supply operations and global pharmacovigilance processing.

Generally, we do not disaggregate total R&D expense by development phase or by therapeutic area since, as described above, we do not manage our R&D operations by development phase or by therapeutic area. Further, as we are able to adjust a significant portion of our spending quickly, we believe that any prior-period information about R&D expense by development phase or by therapeutic area would not necessarily be representative of future spending.

For additional information on our R&D operations and expenses, see the *Costs and Expenses—Research and Development (R&D) Expenses* section in our 2019 Financial Report.

Our R&D Pipeline and Competition

The discovery and development of safe, effective new products, as well as the development of additional uses for existing products, are necessary for the continued strength of our businesses. Drug candidates can fail at any stage of the process, and candidates may not receive regulatory approval even after many years of research and development. The process from discovery to development to regulatory approval can take more than ten years.

As of January 28, 2020, we had the following number of projects in various stages of R&D:

pfizerpipeline2020a02.jpg

Development of a single compound is often pursued as part of multiple programs. While these drug candidates may or may not eventually receive regulatory approval, new drug candidates entering clinical development phases are the foundation for future products. In addition to discovering and developing new products, our R&D efforts seek to add value to our existing products by improving their effectiveness, enhancing ease of dosing and by discovering potential new indications for them.

Information concerning several of our drug candidates in development, as well as supplemental filings for existing products, is set forth in the *Analysis of the Consolidated Statements of Income—Product Developments—Biopharmaceutical* section in our 2019 Financial Report, which is incorporated by reference.

Our competitors also devote substantial funds and resources to R&D. We also compete against numerous small biotechnology companies in developing potential drug candidates. The extent to which our competitors are successful in their research could result in erosion of the sales of our existing products and potential sales of products in development, as well as unanticipated product obsolescence. In addition, several of our competitors operate without large R&D expenses and make a regular practice of challenging our product patents before their expiration. For additional information, see the *Competition* and *Item 1A. Risk Factors—Competitive Products* sections in this 2019 Form 10-K.

INTERNATIONAL OPERATIONS

We have significant operations outside the U.S. In 2019, operations in developed and emerging markets were managed through our business segments: Biopharma, Upjohn and, through July 31, 2019, Consumer Healthcare. Emerging markets are an important component of our strategy for global leadership, and our commercial structure recognizes that the demographics and rising economic power of the fastest-growing emerging markets are becoming more closely aligned with the profile found within developed markets. Urbanization and the rise of the middle class in emerging markets, particularly in Asia, provide growth opportunities for our medicines.

We sell our products in over 125 countries. Revenues from operations outside the U.S. of $27.9 billion accounted for 54% of our total revenues in 2019. Revenues exceeded $500 million in each of eleven countries outside the U.S. in 2019, 2018 and 2017. By total revenues, China and Japan are our two largest national markets outside the U.S. For a geographic breakdown of revenues, see the *Analysis of the Consolidated Statements of Income—Revenues—Overview* and *—Revenues by Operating Segment and Geography* sections and the table captioned *Geographic Information* in the Notes to Consolidated Financial Statements—*Note 17. Segment, Geographic and Other Revenue Information* in our 2019 Financial Report.

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Our international operations are subject, in varying degrees, to a number of risks inherent in carrying on business in other countries, including, among other things, currency fluctuations, capital and exchange control regulations and expropriation and other restrictive government actions. See the *Item 1A. Risk Factors—International Operations* section in this 2019 Form 10-K. Our international businesses are also subject to government-imposed constraints, including laws and regulations on pricing, reimbursement, and access to our products. See the *Item 1. Business—Government Regulation and Price Constraints—Outside the United States* section in this 2019 Form 10-K for a discussion of these matters.

Depending on the direction of change relative to the U.S. dollar, foreign currency values can increase or decrease the reported dollar value of our net assets and results of operations. While we cannot predict with certainty future changes in foreign exchange rates or the effect they will have on us, we attempt to mitigate their impact through operational means and by using various financial instruments, depending upon market conditions. For additional information, see the Notes to Consolidated Financial Statements—*Note 7F. Financial Instruments: Derivative Financial Instruments and Hedging Activities* in our 2019 Financial Report, which is incorporated by reference, as well as *Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Financial Risk Management* section in this 2019 Form 10-K.

MARKETING

In our global biopharmaceutical businesses, we promote our products to healthcare providers and patients. Through our marketing organizations, we explain the approved uses, benefits and risks of our products to healthcare providers, such as doctors, nurse practitioners, physician assistants and pharmacists; MCOs that provide insurance coverage, such as hospitals, Integrated Delivery Systems, PBMs and health plans; and employers and government agencies who hire MCOs to provide health benefits to their employees. We also market directly to consumers in the U.S. through direct-to-consumer advertising that seeks to communicate the approved uses, benefits and risks of our products while motivating people to have meaningful conversations with their doctors. In addition, we sponsor general advertising to educate the public on disease awareness, prevention and wellness, important public health issues, and our patient assistance programs.

Our prescription pharmaceutical products are sold principally to wholesalers, but we also sell directly to retailers, hospitals, clinics, government agencies and pharmacies, and, in the case of our vaccines products in the U.S., we primarily sell directly to the U.S. Centers for Disease Control and Prevention, wholesalers, individual provider offices, retail pharmacies, and integrated delivery networks. We seek to gain access for our products on healthcare authority and PBM formularies, which are lists of approved medicines available to members of the PBMs. PBMs use various benefit designs, such as tiered co-pays for formulary

products, to drive utilization of products in preferred formulary positions. We may also work with payers on disease management programs that help to develop tools and materials to educate patients and physicians on key disease areas.

In 2019, our top three biopharmaceutical wholesalers accounted for approximately 37% of our total revenues (and approximately 79% of our total U.S. revenues).

% of 2019 Total Revenues and U.S. Revenues from Major Biopharmaceutical Wholesalers and Other Customers

totalrevbycustomer.jpgtotandusrevbiowhlslrs2019.jpg

PATENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS

Our products are sold around the world under brand-name, logo and certain product design trademarks that we consider, in the aggregate, to be of material importance to Pfizer. Trademark protection continues in some countries for as long as the mark is used and, in other countries, for as long as it is registered. Registrations generally are for fixed, but renewable, terms.

We own or license a number of U.S. and foreign patents. These patents cover pharmaceutical and other products and their uses, pharmaceutical formulations, product manufacturing processes and intermediate chemical compounds used in manufacturing.

Patents for individual products extend for varying periods according to the date of patent filing or grant and the legal term of patents in the various countries where patent protection is obtained. The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage and the availability of legal remedies in the country. Further, patent term extension may be available in many major countries to compensate for a regulatory delay in approval of the product. For additional information, see the *Item 1. Business—Government Regulation and Price Constraints—Outside the United States—Intellectual Property* section in this 2019 Form 10-K.

In various markets, a period of regulatory exclusivity may be provided to certain drugs upon approval. The scope and term of such exclusivity will vary but, in general, the period of regulatory exclusivity will run concurrently with the term of any existing patent rights associated with the drug at the time of approval.

In the aggregate, our patent and related rights are of material importance to our businesses in the U.S. and most other countries. Based on current product sales, and considering the vigorous competition with products sold by our competitors, the patent rights we consider most significant in relation to our business as a whole, together with the year in which the basic product patent expires (including, where applicable, grant of an additional six-month pediatric extension and/or the granted patent term extension in the U.S. and Japan and Supplementary Patent Certificate in Europe), are those for the medicines set forth in the table below. Unless otherwise indicated, the years set forth in the table below pertain to the basic product patent expiration for the respective products. Patent term extensions, supplementary protection certificates and pediatric exclusivity periods are not reflected in the expiration dates listed in the table below, unless they have been granted by the issuing authority. In some instances, there are later-expiring patents relating to our products directed to particular forms or compositions, to methods of manufacturing, or to use of the drug in the treatment of particular diseases or conditions. However, in some cases, such patents may not protect our drug from generic or, as applicable, biosimilar competition after the expiration of the basic patent.

Drug	U.S. Basic Product Patent Expiration Year	Major EU Basic Product Patent Expiration Year	Japan Basic Product Patent Expiration Year
Lyrica	2019[1]	2014[2]	2022[3]
Chantix/Champix	2020	2021	2022
Sutent	2021	2022	2024
Ibrance	2023	2028	2028
Vyndaqel/Vyndamax	2024	2026	2026
Inlyta	2025	2025	2025
Xeljanz	2025	2028[4]	2025
Prevnar 13/Prevenar 13	2026	—[5]	2029
Eliquis[6]	2026	2026	2026
Xtandi[7]	2027	*[7]	*[7]
Xalkori	2029	2027	2028
Besponsa	2030	2028	2028[8]
Braftovi[9]	2031	*[9]	*[9]
Mektovi[9]	2031[10]	*[9]	*[9]
Bavencio[11]	2033	2032	2033

(1) Lyrica lost patent protection in the U.S. in June 2019 and multi-source generic competition began in July 2019.

(2) Lyrica regulatory exclusivity in the EU expired in July 2014.

(3) Lyrica is covered by a Japanese method-of-use patent which expires in 2022. The patent is currently subject to an invalidation action.

(4) Xeljanz EU expiry is provided by regulatory exclusivity.

(5) The EU patent that covers the combination of the 13 serotype conjugates of Prevenar 13 was revoked following an opposition and has now been withdrawn. There are other EU patents and pending applications covering the formulation, various aspects of the manufacturing process, and the combination of serotype conjugates of Prevenar 13 that remain in force.

(6) Eliquis was developed and is being commercialized in collaboration with BMS.

(7) Xtandi is being developed and commercialized in collaboration with Astellas, which has exclusive commercialization rights for Xtandi outside the U.S. Pfizer receives tiered royalties as a percentage of international Xtandi net sales.

(8) Besponsa Japan expiry is provided by regulatory exclusivity.

(9) Pfizer has exclusive rights to Braftovi and Mektovi in the U.S. The Pierre Fabre Group has exclusive rights to commercialize both products in Europe and Ono Pharmaceutical Co., Ltd. has exclusive rights to commercialize both products in Japan. Pfizer receives royalties from The Pierre Fabre Group and Ono Pharmaceutical Co., Ltd. on sales of Braftovi and Mektovi outside the U.S.

(10) The U.S. expiration date in the table for Mektovi is provided by a method-of-use patent.

(11) Bavencio is being developed and commercialized in collaboration with Merck KGaA.

The loss, expiration or invalidation of intellectual property rights, patent litigation settlements with manufacturers and the expiration of co-promotion and licensing rights can have a significant adverse effect on our revenues. Many of our branded products have multiple patents that expire at varying dates, thereby strengthening our overall patent protection. However, once patent protection has expired or has been lost prior to the expiration date as a result of a legal challenge, we typically lose exclusivity on these products, and generic and biosimilar pharmaceutical manufacturers generally produce identical or highly similar products and sell them for a lower price. The date at which generic or biosimilar competition commences may be different from the date that the patent or regulatory exclusivity expires. However, when generic or biosimilar competition does commence, the resulting price competition can substantially decrease our revenues for the impacted products, often in a very short period of time. In some cases, however, we can continue to obtain commercial benefits from product manufacturing trade secrets; patents on uses for products; patents on processes and intermediates for the economical manufacture of the active ingredients; patents for special formulations of the product or delivery mechanisms; or conversion of the active ingredient to OTC products.

Also, if one of our patents is found to be invalid by judicial, court or administrative proceedings, such as inter partes review, post-grant review, re-examination or opposition proceedings, before the U.S. Patent and Trademark Office, the European Patent Office, or other foreign counterparts, generic or competitive products could be introduced into the market resulting in the erosion of sales of our existing products. For example, several of the patents in our pneumococcal vaccine portfolio were challenged in inter partes review and post-grant review proceedings in the U.S. For additional information, see the *Item 1A. Risk Factors—Patent Protection* section in this 2019 Form 10-K.

Companies have filed applications with the FDA seeking approval of product candidates that such companies claim either do not infringe our patents or our patents are invalid; these include candidates that would compete with, among other products, Eliquis, Ibrance and Xeljanz. We will continue to aggressively defend our patent rights whenever we deem appropriate. For additional

information, see the Notes to Consolidated Financial Statements—*Note 16A1. Contingencies and Certain Commitments—Legal Proceedings—Patent Litigation* in our 2019 Financial Report.

Recent Losses and Expected Losses of Product Exclusivity

Certain of our current products have experienced patent-based expirations or loss of regulatory exclusivity in certain markets in the last few years, and we expect certain products to face significantly increased generic competition over the next few years. For example, as a result of a patent litigation settlement, Teva launched a generic version of Viagra in the U.S. in December 2017. Lyrica lost patent protection in the U.S. in June 2019 and multi-source generic competition began in July 2019. Also, the basic product patent for Chantix in the U.S. will expire in November 2020. See the table above for the basic product patent expiries of our most significant products.

We expect the impact of reduced revenues due to patent expiries will be significant in 2020, then moderating downward to a much lower level from 2021 through 2025. For additional information, see the *Item 1A. Risk Factors—Dependence on Key In-Line Products* section in this 2019 Form 10-K.

The following table provides information about certain products recently experiencing, or expected to experience in 2020, patent expirations or loss of regulatory exclusivity in the U.S., Europe or Japan. Our financial results in 2019 and our financial guidance for 2020 reflect the impact of the loss of exclusivity of various products discussed below:

(MILLIONS OF DOLLARS)			Product Revenues in Markets Impacted		
Products	**Key Dates[a]**	**Markets Impacted**	**Year Ended December 31,**		
			2019	2018	2017
Viagra[b]	June 2013 May 2014 December 2017	Major European markets Japan U.S.	**$ 134**	$ 274	$ 850
Lyrica[c]	July 2014 June 2019	Major European markets U.S.	**2,208**	3,852	3,901
Pristiq[d]	March 2017	U.S.	**42**	71	133
Chantix[e]	November 2020	U.S.	**899**	838	742

[a] Unless otherwise noted, “Key Dates” indicate patent-based expiration dates.

[b] As a result of a patent litigation settlement, Teva launched a generic version of Viagra in the U.S. in December 2017.

[c] Lyrica lost patent protection in the U.S. in June 2019 and multi-source generic competition began in July 2019.

[d] As a result of a patent litigation settlement with several generic manufacturers, generic versions of Pristiq launched in the U.S. in March 2017.

[e] The basic product patent for Chantix in the U.S. will expire in November 2020, which includes the FDA’s grant of pediatric exclusivity that extended the period of market exclusivity in the U.S. for Chantix for an additional six months from May 2020.

Biologic Products

Our biologic products, including BeneFIX, ReFacto, Xyntha, Bavencio, Prevnar 13/Prevenar 13 and Enbrel (we market Enbrel outside the U.S. and Canada), already face, or may face in the future, competition from biosimilars (also referred to as follow-on biologics). In the U.S., such biosimilars would reference our originator biologic products approved under the U.S. Public Health Service Act. Additionally, the FDA has approved a follow-on recombinant human growth hormone that referenced our biotechnology product, Genotropin, that was approved under the FFDCA.

Biosimilars are versions of biologic medicines that have been developed and proven to be highly similar to the original biologic in terms of safety and efficacy and that have no clinically meaningful differences in safety, purity or potency. Biosimilars have the potential to offer high-quality, lower-cost alternatives to biologic medicines. Abbreviated legal pathways for the approval of biosimilars exist in certain international markets and, since the passage of the ACA in 2010, a framework for such approval exists in the U.S. In Europe, the European Commission grants marketing authorizations for biosimilars pursuant to a set of general and product class-specific guidelines for biosimilar approvals.

As part of our business strategy, we are capitalizing on our expertise in biologics manufacturing, as well as our regulatory and commercial strengths, to develop and commercialize biosimilar medicines. Some of the biosimilars that

we currently market include Inflectra, Nivestym, Retacrit, Zirabev, Ruxience and Trazimera in the U.S.; Inflectra, Retacrit, Nivestim and Trazimera in the EU; and Ixifi, Trazimera, Zirabev and Ruxience in Japan. See the *Item 1A. Risk Factors—Biosimilars* section in this 2019 Form 10-K.

We may face litigation with respect to the validity and/or scope of patents relating to our biologic products. Likewise, as we develop, manufacture and seek to launch biosimilars, patents may be asserted against us.

International

One of the main limitations on our operations in some countries outside the U.S. is the lack of effective intellectual property protection for our products. Under international and U.S. free trade agreements in recent years, we have seen some improvement in global protection of intellectual property rights. For additional information, see the *Item 1. Business—Government Regulation and Price Constraints—Outside the United States—Intellectual Property* section in this 2019 Form 10-K.

COMPETITION

Our businesses are conducted in intensely competitive and often highly regulated markets. Many of our prescription pharmaceutical products face competition in the form of branded or generic drugs or biosimilars that treat similar diseases or indications. The principal forms of competition include efficacy, safety, ease of use, and cost effectiveness. Though the means of competition vary among product categories and business groups, demonstrating the value of our products is a critical factor for success in all of our principal businesses.

Our competitors include other worldwide research-based biopharmaceutical companies, smaller research companies with more limited therapeutic focus and generic and biosimilar drug manufacturers. We compete with other companies that manufacture and sell products that treat diseases or indications similar to those treated by our major products.

This competition affects our core product business, which is focused on applying innovative science to discover and market products that satisfy unmet medical needs and provide therapeutic improvements. Our emphasis on innovation is underscored by our multi-billion-dollar investment in R&D, as well as our business development transactions, both designed to result in a strong product pipeline. Our investment in research does not stop with drug approval; we continue to invest in further demonstrating the value of our products for the conditions they treat, as well as potential new applications. We seek to protect the health and well-being of patients by striving to ensure that medically sound knowledge of the benefits and risks of our medicines is understood and communicated to patients, physicians, payers and global health authorities. We also seek to continually enhance the organizational effectiveness of all of our biopharmaceutical functions, including coordinating support for our efforts to accurately and ethically launch and promote our products to our customers.

Operating conditions have become more challenging under mounting global pressures of competition, industry regulation and cost containment. We continue to take measures to evaluate, adapt and improve our organization and business practices to better meet customer and public needs. We believe that we have taken an industry-leading role in evolving our approaches to U.S. direct-to-consumer advertising, interactions with, and payments to, healthcare professionals, and medical education grants. We also continue to sponsor programs to address patient affordability and access barriers, as we strive to advance fundamental health system change through support for better healthcare solutions.

Our vaccines business may face competition from the introduction of alternative vaccines. For example, Prevnar 13 may face competition in the form of competitor vaccines, including vaccines with additional serotypes or “next-generation” pneumococcal conjugate vaccines prior to or after the expiration of its patents, which may adversely affect our future results.

Our generics and biosimilars businesses compete with branded products from competitors, as well as other generics and biosimilars manufacturers. Globally, Pfizer sells generic versions of Pfizer’s, as well as certain competitors’, solid oral dose and sterile injectable pharmaceutical products. We also sell biosimilars of certain inflammation & immunology and oncology biologic medicines globally. We seek to maximize the opportunity to establish a “first-to-market” or early market position for our generic injectable drugs and biosimilars, as a “first-to-market” position provides customers a lower-cost alternative immediately when available and also may provide us with potentially higher levels of sales and profitability until other generic or biosimilar competitors enter the market.

Managed Care Organizations

The evolution of managed care in the U.S. has been a major factor in the competitive makeup of the healthcare marketplace. Approximately 300 million people in the U.S. now have some form of health insurance coverage. Due to the expansion of health insurance coverage (see the *Item 1. Business—Government Regulation and Price Constraints—In the United States* section in this 2019 Form 10-K), the marketing of prescription drugs to both consumers and the entities that manage this expanded coverage in the U.S. continues to grow in importance.

The influence of MCOs has increased in recent years due to the growing number of patients receiving coverage through MCOs. At the same time, those organizations have been consolidating into fewer, even larger entities. This consolidation enhances both their ability to negotiate, as well as their importance to Pfizer.

The growth of MCOs has increased pressure on drug prices as well as revenues. One objective of MCOs is to contain and, where possible, reduce healthcare expenditures. MCOs typically negotiate prices with pharmaceutical providers by using

formularies (which are lists of approved medicines available to members of the MCOs), clinical protocols (requiring prior authorization for a branded product if a generic product is available or requiring the patient to first fail on one or more generic products before permitting access to a branded medicine), volume purchasing, long-term contracts and their ability to influence volume and market share of prescription drugs. In addition, by placing branded medicines on higher-tier status in their formularies (leading to higher patient co-pays) or non-preferred tier status, MCOs transfer a portion of the cost of the medicine to the patient, resulting in significant out-of-pocket expenses for the patient, especially for chronic treatments. This financial disincentive is a tool for MCOs to manage drug costs and channel patients to medicines preferred by the MCOs. MCOs also use additional measures such as new-to-market blocks, exclusion lists, indication-based pricing and “copay accumulator” programs to improve their cost containment efforts. We are closely monitoring these newer approaches and developing appropriate strategies to respond to them.

Due to their generally lower cost, generic medicines typically are placed in lowest cost tiers of MCO formularies. The breadth of the products covered by formularies can vary considerably from one MCO to another, and many formularies include alternative and competitive products for treatment of particular medical problems.

Exclusion of a product from a formulary or other MCO-implemented restrictions can significantly impact drug usage in the MCO patient population and beyond. Consequently, pharmaceutical companies compete to gain access to formularies for their products. Unique product features, such as greater efficacy, better patient ease of use, or fewer side effects, are generally beneficial to achieving access to formularies. However, lower overall cost of therapy is also an important factor. We have been generally, although not universally, successful in having our major products included on MCO formularies. However, increasingly our branded products are being placed on the higher tiers or in a non-preferred status.

MCOs also emphasize primary and preventive care, out-patient treatment and procedures performed at doctors’ offices and clinics as another way to manage costs. Hospitalization and surgery, typically the most expensive forms of treatment, are carefully managed. Since the use of certain drugs can reduce the need for hospitalization, professional therapy, or even surgery, such drugs can become favored first-line treatments for certain diseases.

The ACA has accelerated payment reform by distributing risk across MCOs and other stakeholders in care delivery with the intent of improving quality while reducing costs, which creates pressure on MCOs to tie reimbursement to defined outcomes. For additional information, see the *Item 1. Business—Government Regulation and Price Constraints—In the United States—Healthcare Reform* section in this 2019 Form 10-K.

Generic Products

One of the biggest competitive challenges that our branded products face is from generic pharmaceutical manufacturers. Upon the expiration or loss of patent protection for a product, especially a small molecule product, we can lose the major portion of revenues for that product in a very short period of time. Several competitors make a regular practice of challenging our product patents before their expiration. Generic competitors often operate without large R&D expenses, as well as without costs of conveying medical information about products to the medical community. In addition, the FDA approval process exempts generics from costly and time-consuming clinical trials to demonstrate their safety and efficacy, allowing generic manufacturers to rely on the safety and efficacy data of the innovator product. Generic competitors can market a competing version of our product after the expiration or loss of our patent and often charge much less. In China, for example, we are expected to face further intensified competition by certain generic manufacturers in 2020, which may result in price cuts and volume loss of some of our products.

In addition, our patent-protected products can face competition in the form of generic versions of competitors’ branded products that lose their market exclusivity.

As noted above, MCOs that focus primarily on the immediate cost of drugs often favor generics over brand-name drugs. Many governments also encourage the use of generics as alternatives to brand-name drugs in their healthcare programs, including Medicaid in the U.S. Laws in the U.S. generally allow, and in some cases require, pharmacists to substitute, for brand-name drugs, generic drugs that have been rated under government procedures to be chemically and therapeutically equivalent to brand-name drugs. In a small subset of states, prescribing physicians are able to expressly prevent such substitution. Favoring generics may reduce sales of our branded products.

RAW MATERIALS

Raw materials essential to our businesses are purchased worldwide in the ordinary course of business from numerous suppliers. In general, these materials are available from multiple sources. In 2019, we experienced periodic shortages of select materials due to constrained capacity or operational challenges with the associated suppliers. Supplier management activities are ongoing to work to ensure the necessary supply to meet our requirements for these materials. No significant impact to our operations is anticipated in 2020.

GOVERNMENT REGULATION AND PRICE CONSTRAINTS

Pharmaceutical companies are subject to extensive regulation by government authorities in the countries in which they do business. Certain laws and regulations that govern Pfizer's business are discussed below.

General. Our business has been and will continue to be subject to numerous laws and regulations. Failure to comply with these laws and regulations, including those governing the manufacture and marketing of our products, could subject us to administrative and legal proceedings and actions by various governmental bodies. For additional information on these proceedings and actions, see the Notes to Consolidated Financial Statements—*Note 16A. Contingencies and Certain Commitments—Legal Proceedings* in our 2019 Financial Report. Criminal charges, substantial fines and/or civil penalties, warning letters and product recalls or seizures, delays in product approvals, as well as limitations on our ability to conduct business in applicable jurisdictions, could result from such proceedings and actions.

In the United States

Drug Regulation. In the U.S., biopharmaceutical products are subject to extensive pre- and post-market regulation by the FDA, including regulations that govern, among other things, the safety and efficacy of our medicines, clinical trials, advertising and promotion, manufacturing, labeling and record keeping. Our products are also subject to post-market surveillance under the FFDCA and its implementing regulations with respect to drugs, as well as the Public Health Service Act and its implementing regulations with respect to biologics.

Other U.S. federal agencies, including the DEA, also regulate certain of our products. Many of our activities also are subject to the jurisdiction of the SEC.

Biopharmaceutical companies seeking to market a product in the U.S. must first test the product to demonstrate that it is safe and effective for its intended use. If, after evaluation, the FDA determines the product is safe (i.e., its benefits outweigh its known risks) and effective, then the FDA will approve the product for marketing, issuing a New Drug Application or Biologics License Application, as appropriate. Companies seeking to market a generic prescription drug must scientifically demonstrate that the generic drug is bioequivalent to the innovator drug. The Abbreviated New Drug Application, or generic drug application, must show, among other things, that the generic drug is pharmaceutically equivalent to the brand, the manufacturer is capable of making the drug correctly, and the proposed label is the same as that of the innovator/brand drug's label.

Even after a drug or biologic is approved for marketing, it may still be subject to postmarketing commitments or postmarketing requirements. Postmarketing commitments are studies or clinical trials that the drug or biologic sponsor has agreed to conduct, but are not required by law and/or regulation. Postmarketing requirements include studies and clinical trials that sponsors are required to conduct, by law and/or regulation, as a condition of approval. Postmarketing studies or clinical trials can be required in order to assess a known risk or demonstrate clinical benefit for drugs or biologics approved pursuant to accelerated approval. If a company fails to meet its postmarketing requirements, the FDA may assess a civil monetary penalty, issue a warning letter or deem the drug or biologic misbranded. Once a drug or biologic is approved, the FDA must be notified of any modifications to the product and the FDA may also require a manufacturer to submit additional studies or conduct clinical trials. In addition, we are also required to report adverse events and comply with cGMPs, as well as advertising and promotion regulations. Failure to comply with the FFDCA may subject us to administrative and/or judicial sanctions, including warning letters, product recalls, seizures, delays in product approvals, injunctions, fines, civil penalties and/or criminal prosecution.

Biosimilar Regulation. The ACA created a framework for the approval of biosimilars (also known as follow-on biologics) following the expiration of 12 years of exclusivity for the innovator biologic, with a potential six-month pediatric extension. Under the ACA, biosimilar applications may not be submitted until four years after the approval of the reference innovator biologic.

The FDA is responsible for implementation of the legislation and approval of new biosimilars. Through FDA approvals and the issuance of draft and final guidance, the FDA has addressed a number of issues related to the biosimilars approval pathway, such as the labeling expectations for biosimilars. For example, in 2019, the FDA issued final guidance regarding the standards for demonstrating interchangeability with a U.S.-licensed reference product. In addition, in 2017, the Biosimilar User Fee Act was reauthorized for a five-year period, which led to a significant increase in the FDA's biosimilar user fee revenues, thereby providing the FDA with additional resources to process biosimilar applications. For example, since the enactment of the newly authorized fee structure, the FDA estimates its revenues from biosimilar user fees generally will exceed $40 million.

Sales and Marketing Laws and Regulations. The marketing practices of U.S. biopharmaceutical companies are generally subject to various federal and state healthcare laws that are intended, among other things, to prevent fraud and abuse in the healthcare industry and to protect the integrity of government healthcare programs. These laws

include anti-kickback laws and false claims laws. Anti-kickback laws generally prohibit a biopharmaceutical company from soliciting, offering, receiving, or paying anything of value to generate business, including purchasing or prescribing of a particular product. False claims laws generally prohibit anyone from knowingly and willingly presenting, or causing to be presented, any claims for payment for goods (including drugs or biologics) or services to third-party payers (including Medicare and Medicaid) that are false or fraudulent and generally treat claims generated through kickbacks as false or fraudulent. Violations of fraud and abuse laws may be punishable by criminal or civil sanctions and/or exclusion from federal healthcare programs (including Medicare and Medicaid). The federal government

and various states also have enacted laws to regulate the sales and marketing practices of pharmaceutical companies. The laws and regulations generally limit financial interactions between manufacturers and healthcare providers, require disclosure to the federal or state government and the public of such interactions, and/or require the adoption of compliance standards or programs. Many of these laws and regulations contain ambiguous requirements or require administrative guidance for implementation. Individual states, acting through their attorneys general, have become active as well, seeking to regulate the marketing of prescription drugs under state consumer protection and false advertising laws. Given the lack of clarity in laws and their implementation, our activities could be subject to the penalties under the pertinent laws and regulations.

Pricing and Reimbursement. Pricing and reimbursement for our pharmaceutical products depends in part on government regulation. Pfizer must offer discounted pricing or rebates on purchases of pharmaceutical products under various federal and state healthcare programs, such as the Medicaid Drug Rebate Program, the "federal ceiling price" drug pricing program, the 340B drug pricing program and the Medicare Part D Program. Pfizer must also report specific prices to government agencies under healthcare programs, such as the Medicaid Drug Rebate Program and Medicare Part B. The calculations necessary to determine the prices reported are complex and the failure to report prices accurately may expose Pfizer to penalties. See the discussion regarding rebates in the *Analysis of the Consolidated Statements of Income—Revenues—Overview* section and the Notes to Consolidated Financial Statements—*Note 1G. Basis of Presentation and Significant Accounting Policies: Revenues and Trade Accounts Receivable* in our 2019 Financial Report, which are incorporated by reference.

Government and private third-party payers routinely seek to manage utilization and control the costs of our products. Efforts by government officials or legislators to implement measures to regulate prices or payment for pharmaceutical products, including proposed action on drug importation, could adversely affect our business if implemented. There continues to be considerable public and government scrutiny of pharmaceutical pricing, and measures to address the perceived high cost of pharmaceuticals are being considered by Congress, the Presidential Administration and select states. For example, recent legislation revised how manufacturers calculate the average manufacturer price on branded drugs with authorized generics under the Medicaid drug rebate program, which the Congressional Budget Office has estimated will reduce Medicaid costs by over $3 billion over the next decade. Proposals for even more far-reaching reform, such as immediately eliminating or phasing out private health insurance, are being proposed by some Democratic candidates for U.S. President. In particular, several states have enacted or are considering transparency laws that require prescription drug manufacturers to report to the state and make public price increases, and sometimes to provide a written justification for the increase. In addition to new state transparency laws and the introduction of several Federal pricing bills, we have also seen the Presidential Administration introduce proposals related to importation and express interest in international reference pricing in Medicare Part B. We expect to see continued focus in regulating pricing resulting in additional legislation and regulation that could adversely impact revenue. In addition, U.S. government action to reduce federal spending on entitlement programs including Medicare and Medicaid may affect payment for our products or services associated with the provision of our products. For additional information, see the *Item 1A. Risk Factors—U.S. Entitlement Reform* section in this 2019 Form 10-K. Also, the majority of states use preferred drug lists to restrict access to certain pharmaceutical products under Medicaid. Restrictions exist for some Pfizer products under certain state Medicaid programs. As another example, access to our products under the Medicaid managed care program is typically determined by the health plans with which state Medicaid agencies contract to provide services to Medicaid beneficiaries. States continue to explore options for controlling healthcare costs related to Medicaid and other state healthcare programs, including the implementation of supplemental rebate agreements under the Medicaid drug rebate program that are tied to patient outcomes. In addition, we expect that consolidation and integration among pharmacy chains and wholesalers, who collectively are the primary purchasers of our pharmaceutical products in the U.S., and PBMs will increase pricing pressures on pharmaceutical manufacturers, including us. For additional information, see the *Item 1A. Risk Factors—Managed Care Trends* section in this 2019 Form 10-K.

The potential for additional pricing and access pressures in the commercial sector continues to be significant. Many employers have adopted high deductible health plans, which can increase out-of-pocket costs for medicines. This is a trend that is likely to continue. Private third-party payers, such as health plans, increasingly challenge pharmaceutical product pricing, which could result in lower prices, lower reimbursement rates and a reduction in demand for our products. Pricing pressures for our products may occur as a result of highly competitive insurance markets. Healthcare provider purchasers, directly or through group purchasing organizations, are seeking enhanced discounts or implementing more rigorous bidding or purchasing review processes.

Overall, there is increasing pressure on U.S. providers to deliver healthcare at a lower cost and to ensure that those expenditures deliver demonstrated value in terms of health outcomes. Longer term, we are seeing a shift in focus away from fee-for-service payments towards outcomes-based payments and risk-sharing arrangements that reward providers for cost reductions and improved patient outcomes. These new payment models can, at times, lead to lower prices for, and restricted access to, new medicines. At the same time, these models can also promote utilization of drugs by encouraging physicians to screen and diagnose and consider drugs as a means of forestalling more costly medical interventions.

We believe medicines are the most efficient and effective use of healthcare dollars based on the value they deliver to the overall healthcare system. We work with law makers and advocate for solutions that effectively improve patient health outcomes, lower costs to the healthcare system, and ensure access to medicines within an efficient and affordable healthcare system. In addition, in response to the evolving U.S. and global healthcare spending landscape, we work with health authorities, health technology assessment and quality measurement bodies and major U.S. payers throughout the product-development process to better

understand how these entities value our compounds and products. Further, we seek to develop stronger internal capabilities focused on demonstrating the value of the medicines that we discover or develop, register and manufacture, by recognizing patterns of usage of our medicines and competitor medicines along with patterns of healthcare costs.

Healthcare Reform. There have been significant efforts at the federal and state levels to reform the healthcare system by enhancing access to healthcare, improving the delivery of healthcare and further rationalizing payment for healthcare. We face uncertainties due to federal legislative and administrative efforts to repeal, substantially modify or invalidate some or all of the provisions of the ACA. There is additional uncertainty given the ruling in December 2019 by the U.S. Circuit Court of Appeals for the Fifth Circuit in *Texas v. Azar* that the individual mandate, which is a significant provision of the ACA, is unconstitutional. The case has been remanded to a lower court to determine whether the individual mandate is inseparable from the entire ACA, in which case the ACA as a whole would be rendered unconstitutional. In the meantime, the remaining provisions of the law remain in effect. The revenues generated for Pfizer by the health insurance exchanges and Medicaid expansion under the ACA are not material, so the impact of full invalidation of the law is expected to be limited. However, any future replacement for the ACA may adversely affect our business and financial results, particularly if the legislation reduces incentives for employer-sponsored insurance coverage or dramatically increases industry taxes and fees. Any future healthcare reform efforts may adversely affect our business and financial results.

Anti-Corruption. The FCPA prohibits U.S. corporations and their representatives from offering, promising, authorizing or making payments to any foreign government official, government staff member, political party or political candidate in an attempt to obtain or retain business abroad. The scope of the FCPA includes interactions with certain healthcare professionals in many countries. Other countries have enacted similar anti-corruption laws and/or regulations.

Data Privacy. Pfizer collects personal data as part of its regular business activities. The collection and use of this data is subject to privacy and data security laws and regulations, including oversight by various regulatory or other governmental bodies. For example, we are subject to the California Consumer Privacy Act (CCPA). The CCPA, which came into effect on January 1, 2020, imposes numerous obligations on us, including a duty to disclose the categories of personal data that we collect, sell, or share about California consumers, and gives those consumers rights regarding their personal data. Noncompliance with any of these laws could result in the imposition of fines, penalties, or orders to stop non-compliant activities, and could damage our reputation and harm our business.

Outside the United States

We encounter similar regulatory and legislative issues in most countries outside the U.S.

New Drug Approvals. In the EU, the approval of new drugs may be achieved using the Mutual Recognition Procedure, the Decentralized Procedure or the EU Centralized Procedure. These procedures apply in the EU member states, plus the European Economic Area countries, Norway, Iceland and Liechtenstein. The Centralized Procedure, managed by the EMA, results in one single authorization for the whole EU, which provides the most rapid and efficient means of gaining approval across the EU and is the one most commonly used for new products.

In China, the regulatory system historically presented numerous challenges for the pharmaceutical industry, as its requirements for drug development and registration were often inconsistent with U.S. or other international standards. In recent years, however, China has introduced reforms and draft reforms, which are discussed in more detail below, that attempt to address these challenges. Furthermore, in 2017, the China regulatory authority, the National Medical Products Administration (NMPA), became a member of the International Council for Harmonization (ICH), which has resulted in greater adoption of international technical guidelines and practices by the government. 2019 was another active year in this respect, with a number of reforms coming into effect, and more proposals and drafts being issued for consultation.

In Japan, the PMDA is the point of entry for businesses looking to sell drugs in the country. The PMDA, which is involved in a wide range of regulatory activities, including clinical studies, approvals, postmarketing reviews and pharmaceuticals safety, must approve an application before a new drug product may be marketed in Japan. The PMDA also offers consultations on clinical trials of new drugs and provides advice on product classifications and approvals.

Health authorities in many middle and lower income countries require marketing approval by a recognized regulatory authority (i.e., similar to the authority of the FDA or the EMA) before they begin to conduct their application review process and/or issue their final approval. Many authorities also require local clinical data in the country's population in order to receive final marketing approval.

Pharmacovigilance. In the EU, the EMA's Pharmacovigilance Risk Assessment Committee has the responsibility for reviewing and making recommendations on product safety issues for the EU authorities. EU regulators may require pharmaceutical companies to conduct post-authorization safety and efficacy studies at the time of approval, or at any

time afterwards in light of scientific developments. There are also additional extensive requirements regarding adverse drug reaction reporting and additional monitoring of products. Outside developed markets such as the EU and Japan, pharmacovigilance requirements vary and are generally not as extensive, but there is a trend toward increasing regulation.

Pricing and Reimbursement. Certain governments, including the different EU member states, the U.K., China, Japan, Canada, South Korea and some other international markets, provide healthcare at low-to-zero direct cost to consumers at the point of care and have significant power as large single payers to regulate pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored healthcare system, particularly under recent global financing pressures. Governments may use a variety of cost-containment measures for our pharmaceutical products, including price cuts, mandatory rebates, health technology assessments, forced localization as a condition of market access, "international reference pricing" (i.e., the practice of a country linking its regulated medicine prices to those of other countries), quality consistency evaluation processes and volume-based procurement. In addition, the international patchwork of price regulation and differing economic conditions and incomplete value assessments across countries has led to varying access to quality medicines in many markets and some third-party trade in our products between countries.

In particular, international reference pricing adds to the regional impact of price cuts in individual countries and hinders patient access and innovation. Price variations, exacerbated by international reference pricing systems, also have resulted from exchange rate fluctuations. The downward pricing pressure resulting from this dynamic can be expected to continue as a result of reforms to international reference pricing policies and measures targeting pharmaceuticals in some European countries.

In addition, several important multilateral organizations, such as the United Nations, including the World Health Organization (WHO), and the Organization for Economic Cooperation and Development, are increasing scrutiny of international pharmaceutical pricing through issuing reports and policy recommendations. In 2019, the WHO continued exerting pressure on pharmaceutical pricing practices by supporting strategies to reduce medicine prices, including calling for greater transparency around the cost of research and development and production of medicines, as well as disclosure of net prices.

In Japan, the pricing environment for innovative medicines further deteriorated in 2019 with the introduction of a health technology assessment (HTA) system to inform price adjustments of healthcare technologies after launch. Expansion of this system for reimbursement decisions, as seen in other HTA markets, remains a risk. While significant challenges remain, the 2020 Drug Pricing Reform Package, unlike the last reform package in 2018, is not expected to fundamentally change the access landscape. Furthermore, the eligibility criteria for the Price Maintenance Premium, a key policy that protects against price erosion for certain products, is expected to be somewhat enhanced while expedited regulatory pathways are codified in law.

In Canada, the Patented Medicine Prices Review Board (PMPRB) released draft guidelines to implement new pricing regulations in November 2019, which will go into force in July 2020. These regulations drop the U.S. from the reference basket of countries used to determine price and add economic factors for setting ceiling prices for new medicines. An initial analysis of the potential impact of these proposed changes to the PMPRB regulations estimated an approximately $26 billion reduction in industry revenues over the next decade.

China Pricing Pressures. In China, healthcare is largely driven by a public payer system, with public medical insurance as the largest single payer for pharmaceuticals, and pricing pressures have increased in recent years. Government officials have consistently emphasized the importance of improved health outcomes, the need for healthcare reform and decreased drug prices as key indicators of progress towards reform. While the government provides basic health insurance for the vast majority of Chinese citizens, that insurance is not adequate to cover many innovative medicines, and alternative funding sources for innovative medicines remain suboptimal.

In 2019, China's government negotiated with companies to add approximately 90 innovative drugs (mainly oncology medicines) to the National Reimbursement Drug List. This builds on 60 drugs already added through negotiation in 2017 and 2018. Prices for drugs have been reduced dramatically through this government-led process. While these negotiations have included a path to access for companies, market access is not assured. In addition, significant questions about the processes and negotiations for provincial tendering remain, as well as the need for multi-layered negotiations across provincial, municipal and hospital levels.

In the off-patent space, in 2013, China began to implement a quality consistency evaluation (QCE) process in order to improve the quality of domestically-manufactured generic drugs, primarily by requiring such drugs to pass a test to assess their bioequivalence to a qualified reference drug (typically the originator drug). In 2018, numerous local generics were officially deemed bioequivalent under QCE. A pilot project for centralized volume-based procurement (VBP) was then initiated including 25 molecules of drugs covering 11 major Chinese cities. Under this procurement model, a tender process has been established where a certain portion of included molecule volumes are guaranteed to tender winners. The program is intended to contain healthcare costs by driving utilization of generics that have passed QCE, which has resulted in dramatic price cuts for off-patent medicines.

Upjohn and most off-patent originators were not successful in the first bidding process under this pilot, which was finalized in December 2018 and implemented in March 2019, and most contracts went to local generic companies. The first bidding process resulted in significant price cuts by the successful bidders, with some bidders reducing the

price of their products by as much as 96 percent, as companies attempted to secure volumes on the Chinese pharmaceutical market. The drugs that lost the bidding were also requested to reduce their selling price up to 30 percent based on the price difference with the successful bidder. China's government began nationwide expansion of the VBP pilot in December 2019. The expanded model, which is being implemented nationwide, applies to certain drugs that are purchased for public hospitals as well as some military and private medical institutions. As in the first bidding process, our Upjohn business unit and most originator brands were not successful in

the bidding process for this nationwide expansion, and those contracts mostly went to local Chinese generic companies. The QCE-qualified generic makers of atorvastatin and amlodipine bid aggressively, lowering prices even further from the March 2019 tender. Our Upjohn business unit continues to take steps to mitigate the revenue impact of these initiatives but anticipates that they will continue to affect our Upjohn business in China in the future. We expect to utilize our presence in the retail channel, private hospitals and tendering capabilities to mitigate some of these pricing pressures. In addition, we believe that our geographic expansion to under-penetrated and lower-tiered cities and counties and additional focus on non-tendered products will increase sales volumes in greater China and partially mitigate pressures from QCE.

In late 2019, China announced another round of expansion of the national VBP program, which covers 33 new molecules, including Biopharma's Zithromax tablets and Diflucan tablets and no Upjohn products. Biopharma was not successful in the bidding process for this expansion.

Furthermore, the Chinese government has discussed moving toward efforts to unify the reimbursement price between QCE-approved generic medicines and the applicable original medicines. The government currently plans to implement this universal reimbursement price initiative within the next two to three years. If this policy is implemented, the new reimbursement level for Upjohn's products will likely be lower than the current reimbursement level, placing additional pressures on price and/or patient copays. There remains uncertainty as to whether, when and how this policy may be officially implemented. The Chinese government could also enact other policies that may increase pricing pressures or have the effect of reducing the volume of sales available to Upjohn's products. This potential policy, and any other policies like it that could increase pricing and copay pressures on Upjohn's drug products in China, could have an adverse effect on our business, financial condition and results of operations. The government has indicated that additional post-LOE drugs could be subjected to QCE qualification in future rounds, which could also be tied to volume-based procurement. The scope of future QCE products and timing of any program expansion is currently unknown, making it difficult to determine the impact on Pfizer's business and financial condition. We will continue to monitor the market for developments.

EU Regulatory Changes. The EU adopted a new Clinical Trials Regulation in May 2014, but its implementation has been delayed by the need for the EU authorities to establish new technical systems. This regulation is aimed at simplifying and harmonizing the administrative processes and governance of clinical trials in the EU and will require increased public posting of clinical trial results. It is currently not anticipated to be fully implemented until the first half of 2022 at the earliest.

Brexit. In June 2016, the U.K. electorate voted in a referendum to leave the EU, which is commonly referred to as "Brexit". The U.K. left the EU on January 31, 2020 with status quo arrangements through a transition period scheduled to end on December 31, 2020. The consequences of the U.K. leaving the EU and the terms of the future trading relationship continue to be highly uncertain, which may pose certain implications to our research, commercial and general business operations in the U.K. and the EU, including the approval and supply of our products. However, both the U.K. and the EU have issued detailed guidance for the industry on how medicines, medical devices and clinical trials will be separately regulated in their respective territories. Pfizer has substantially completed its preparations for Brexit, having made the changes necessary to meet relevant regulatory requirements in the EU and the U.K., through the transition period and afterwards, especially in the regulatory, research, manufacturing and supply chain areas. Between 2018 and 2021, we expect to spend up to approximately $60 million in one-time costs to make these adaptations. For additional information on Brexit, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook—The Global Economic Environment* section in our 2019 Financial Report.

China Regulatory Changes. In an effort to encourage drug innovation and reduce backlogs for existing applications for drug approval, in recent years, the NMPA has unveiled numerous reform initiatives for China's drug approval system and engaged in significant efforts to build its capabilities. The NMPA divides drugs into new drugs and generics, with the definition for new drugs changed from "China New" to "Global New." This means that drugs previously approved in other markets (such as the U.S. or Europe) are not considered new drugs under China's regulatory regime. This change in definition creates more opportunities for China's domestic drug manufacturers than for multinational firms, because multinational firms have historically had significant competitive advantage in successfully achieving regulatory approvals for drugs first approved outside of China. Revisions in 2019 made clear, however, that regulatory approval from the FDA or the EMA would no longer be required for approval of imported drugs, though a notable exception persists for imported vaccines, which still require prior approval from a reference regulatory agency such as the FDA. In 2019, China published a revision to its Drug Administration Law and introduced a "marketing authorization holder" system, which grants the NMPA more authority over regulating manufacturers and provides manufacturers more flexibility in contract manufacturing arrangements and manufacturing site transfers.

While challenges remain, a number of other policy changes are streamlining and accelerating approvals of domestic and imported drugs in China. These reforms, along with China's June 2018 elevation to the ICH Management Committee, are expected to pave the way for integration of Chinese regulations with global practices. These changes include introducing more streamlined processes for maintaining renewal of product registrations, reduction in importing testing requirements, and establishing an expedited registration pathway for drugs to treat rare diseases and

serious, life-threatening illnesses with no effective treatment. Though certain details on implementation are unclear (e.g., evolving list of qualified rare diseases and no guidance on what qualifies as serious, life threatening), the NMPA aims to build expedited pathways for certain categories of products similar to the U.S. and European regulatory systems. Additionally, the NMPA published changes to China's registration requirements that align more with international practices, including a 60-day review timeline for clinical trial authorizations and

guidance for acceptance of foreign clinical data and the utilization of real world data in drug development and regulatory decision making.

Although a number of regulatory changes better support China's inclusion in simultaneous global drug development, unique regulatory requirements continue to pose challenges for multinational companies, including China's Human Genetic Resources process for exporting clinical trial samples (which adds months to starting a clinical trial in China); mismatched China Pharmacopoeia and manufacturing data requirements that require standards exceeding acceptable practices in the U.S., EU, and Japan; and unpredictable and inconsistent clinical trial inspection practices.

Healthcare Provider Transparency and Disclosures. A number of countries have implemented laws requiring (or their industry associations have recommended) disclosure of transfers of value made by pharmaceutical companies to healthcare providers. For example, the European Federation of Pharmaceutical Industries and Associations' disclosure code requires all members, including Pfizer, to disclose transfers of value to healthcare professionals and healthcare organizations.

Intellectual Property. The World Trade Organization Agreement on Trade Related Aspects of Intellectual Property Rights (WTO-TRIPS) required participant countries to amend their intellectual property laws to provide patent protection for pharmaceutical products by 2005, with an extension until 2033 for least-developed countries. While we still face patent grant, enforcement and other intellectual property challenges around the world, some countries have made improvements. We include stronger patent protection among the factors we consider for continued business expansion in other participant countries.

While the global intellectual property environment has generally improved following WTO-TRIPS and bilateral/multilateral trade agreements, our future business growth depends on further progress in intellectual property protection. In emerging market countries in particular, governments have used intellectual property policies as a tool to force innovators to accept less than fair value for medicines, as well as to protect their local pharmaceutical industries. Considerable political and economic pressure exists to weaken current intellectual property protection and resist implementation of any further protection, which has led to policies such as more restrictive standards for obtaining patents and more difficult procedures for patenting biopharmaceutical inventions, restrictions on patenting certain types of inventions (e.g., new medical treatment methods), revocation of patents, laws or regulations that promote or provide broad discretion to issue a compulsory license, weak intellectual property enforcement and failure to implement effective regulatory data protection. Our industry advocacy efforts focus on seeking a more balanced business environment for foreign manufacturers, as well as on underscoring the importance of strong intellectual property systems for local innovative industries and helping improve patients' access to innovative medicines. In developed countries as well, including the EU, we are facing an increasingly challenging intellectual property environment.

As part of the Canada/EU Comprehensive Economic & Trade Agreement (CETA), Canada now provides *sui generis* protection, commonly referred to as patent term restoration, for patent term extensions for basic patents; however, the extension is capped at two years, whereas the international norm is five years. In addition, the implementing regulations may create obstacles for patentees applying for patent term restoration via a Certificate of Supplementary Protection (CSP), and Canada's proposed drug pricing reforms may negatively impact the benefit of a CSP. Furthermore, the United States-Mexico-Canada Agreement (USMCA) will, when implemented, require Canada and Mexico to make certain improvements to their current intellectual property regimes, including the establishment of patent term adjustment for unreasonable delays in the grant of patents.

In China, the intellectual property environment has improved in recent years, although effective enforcement and adequate legal remedies remain areas of concern. The government has taken steps to protect intellectual property rights in conformity with World Trade Organization provisions, although China remained on the U.S. Trade Representative's Priority Watch List for 2019 due to ongoing enforcement challenges and China's failure to make certain structural reforms. Further, the standards for patentability in China remain more restrictive than in other major markets, including the U.S., Europe and Japan. Also, while a framework exists for protecting patents for 20 years, enforcement mechanisms are often lacking or inconsistent. For example, the absence of effective patent linkage mechanisms and preliminary injunctions, impractical evidentiary burdens, and heightened sufficiency standards have been used to invalidate patents at the enforcement stage. In 2019, the regulatory authority granted marketing approval to generic products while the reference product in each case are still subject to patent protection, and there is no effective legal means to resolve patent disputes prior to the marketing of those infringing drugs. The U.S. and China recently signed an initial agreement in which China has committed to address some patent-related concerns, and both governments have indicated that they will continue bilateral discussions on implementation of these commitments and other intellectual property issues in 2020.

In Brazil and other Latin American countries, the role of health regulatory authorities in reviewing patents (e.g., National Health Surveillance Agency in Brazil), restrictive patentability rules, ambiguity regarding the term of certain patents and backlogs at patent agencies may limit our ability to protect our products through patents. The lack of regulatory data protection and difficulties in protecting certain types of inventions, such as new medical uses of drug

products, may limit the commercial lifespan of some pharmaceutical products. Additionally, an increased threat of issuance of compulsory licenses for biopharmaceutical products exists, which adds to business uncertainty.

In India, we have seen some progress in terms of expediting patent approval processes to reduce pendency rates and implementing training programs to enhance enforcement. Despite these positive steps, gaps remain in terms of addressing longstanding intellectual property concerns. For example, policies favoring compulsory licensing of patents, the tendency of the

Indian Patent Office to revoke pharmaceutical patents in opposition proceedings (both pre- and post-grant), and restrictive standards for patentability of pharmaceutical products have made it difficult to safeguard many of our inventions and our investments in innovation. These policies heighten the risk of additional patent challenges targeting innovative pharmaceutical products, especially in areas perceived as being important to the public health of the population. Challenges against Pfizer patents in India are ongoing.

Data Privacy. Outside of the U.S., many countries where we conduct business, including the EU, have privacy and data security laws and regulations concerning the collection and use of personal data, and we must comply with these laws and regulations as well. One applicable law is the EU's General Data Protection Regulation (GDPR). The GDPR imposes detailed obligations on companies that collect, use, or otherwise process personal data and penalties for noncompliance may include fines of up to 4 percent of the company's global annual revenue. Additionally, the legislative and regulatory framework for privacy and data protection issues worldwide is rapidly evolving as countries continue to adopt privacy and data security laws. Any inability to comply with applicable laws, regulations, policies, industry standards or other legal obligations regarding data protection or privacy could result in additional costs and liability to Pfizer as well as reputational harm and may adversely affect our business.

ENVIRONMENTAL MATTERS

Most of our operations are affected by national, state and/or local environmental laws. We have made, and intend to continue to make, the expenditures necessary for compliance with applicable laws. We also are cleaning up environmental contamination from past industrial activity at certain sites. See the Notes to Consolidated Financial Statements—*Note 16A3. Contingencies and Certain Commitments—Legal Proceedings—Commercial and Other Matters* in our 2019 Financial Report. As a result, we incurred capital and operational expenditures in 2019 for environmental compliance purposes and for the clean-up of certain past industrial activity as follows:

- environment-related capital expenditures— $31 million; and
- other environment-related expenses— $136 million.

While capital expenditures or operating costs for environmental compliance cannot be predicted with certainty, we do not currently anticipate they will have a material effect on our capital expenditures or competitive position.

Climate change presents risks to our operations, including the potential for additional regulatory requirements and associated costs, and the potential for more frequent and severe weather events and water availability challenges that may impact our facilities and those of our suppliers. For example, in 2017, our manufacturing and commercial operations in Puerto Rico were impacted by hurricanes as our three manufacturing sites in Puerto Rico sustained damage and became inoperable due to issues impacting Puerto Rico overall. All three sites resumed operations, and remediation activities were completed in 2018. We cannot provide assurance that physical risks to our facilities and supply chain due to climate change will not occur in the future; however, we have a program for reviewing our vulnerability to potential weather-related risks and other natural disasters and we update our assessments periodically. To date, we have concluded that, because of our facility locations, our existing distribution networks and our controls, we do not anticipate that these risks will have a material impact on Pfizer in the near term.

TAX MATTERS

The discussion of tax-related matters in the Notes to Consolidated Financial Statements—*Note 5. Tax Matters* in our 2019 Financial Report is incorporated by reference.

EMPLOYEES

In our innovation-intensive business, our employees are vital to our success. We generally believe we have good relationships with our employees. As of December 31, 2019, we employed approximately 88,300 people in our operations throughout the world.

DISCLOSURE PURSUANT TO SECTION 219 OF THE IRAN THREAT REDUCTION AND SYRIA HUMAN RIGHTS ACT OF 2012

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 (ITRSHRA) requires disclosure by public companies of certain transactions involving the Government of Iran, as well as entities and individuals designated under Executive Order 13382 and Executive Order 13224.

As a global biopharmaceutical company, we conduct business in multiple jurisdictions throughout the world. During 2019, our activities included supplying medicine and medical products (Pfizer products) for patient and consumer use in Iran. We ship Pfizer products to Iran, and conduct related activities, in accordance with licenses issued by the U.S.

Department of the Treasury's Office of Foreign Assets Control and other U.S. and non-U.S. governmental entities, and in line with our corporate policies. We will continue our global activities to improve the health and well-being of patients and consumers in a manner consistent with applicable laws and our corporate policies. To our knowledge, none of our activities during 2019 are required to be disclosed pursuant to ITRSHRA.

ITEM 1A. RISK FACTORS

The statements in this Section describe the major risks to our business and should be considered carefully. In addition, these statements constitute our cautionary statements under the Private Securities Litigation Reform Act of 1995.

Our disclosure and analysis in this 2019 Form 10-K and in our 2019 Annual Report to Shareholders contain forward-looking statements. From time to time, we also provide forward-looking statements in other materials we release to the public, as well as oral forward-looking statements. Such forward-looking statements involve substantial risks and uncertainties. We have tried, wherever possible, to identify such statements by using words such as "will," "may," "could," "likely," "ongoing," "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "assume," "target," "forecast," "guidance," "goal," "objective," "aim," "seek" and other words and terms of similar meaning or by using future dates in connection with any discussion of, among other things, our anticipated operating and financial performance, business plans and prospects, expectations for our product pipeline, in-line products and product candidates, including anticipated regulatory submissions, data read-outs, study starts, approvals, revenue contribution, growth, performance, timing of exclusivity and potential benefits, strategic reviews, capital allocation objectives, plans for and prospects of our acquisitions and other business-development activities, benefits anticipated from the reorganization of our commercial operations in 2019, sales efforts, expenses, interest rates, foreign exchange rates, the outcome of contingencies, such as legal proceedings, government regulation, our ability to successfully capitalize on growth opportunities or prospects, manufacturing and product supply and plans relating to share repurchases and dividends. In particular, these include statements relating to future actions, including, among others, the expected timing, benefits, charges and/or costs in connection with our agreement to combine Upjohn with Mylan to create a new global pharmaceutical company, Viatris, set forth in the Item 1. Business—About Pfizer and Item 1A. Risk Factors—Pending Combination of Upjohn with Mylan sections in this 2019 Form 10-K and the Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Business Development Initiatives and —Our Strategy sections and the Notes to Consolidated Financial Statements—Note 1A. Basis of Presentation and Significant Accounting Policies—Basis of Presentation in our 2019 Financial Report; the expected impact of patent expiries on our business set forth in the Item 1. Business—Patents and Other Intellectual Property Rights section in this 2019 Form 10-K and in the Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Operating Environment—Industry-Specific Challenges—Intellectual Property Rights and Collaboration/Licensing Rights section in our 2019 Financial Report; the expected competition from certain generic manufacturers in China in the Item 1. Business—Competition—Generic Products and Item 1A. Risk Factors—Generic Competition sections in this 2019 Form 10-K; the anticipated costs related to our preparations for Brexit set forth in the Item 1. Business—Government Regulation and Price Constraints—Outside the United States—Brexit section in this 2019 Form 10-K and the Overview of Our Performance, Operating Environment, Strategy and Outlook—The Global Economic Environment section in our 2019 Financial Report; the availability of raw materials for 2020 set forth in Item 1. Business—Raw Materials in this 2019 Form 10-K; the expected pricing pressures on our products in the U.S. and internationally and the anticipated impact to our business set forth in the Item 1. Business—Government Regulation and Price Constraints and Item 1A. Risk Factors—Pricing and Reimbursement sections in this 2019 Form 10-K; the anticipated impact of climate change on Pfizer set forth in Item 1. Business—Environmental Matters in this 2019 Form 10-K; the expected demerger of the GSK Consumer Healthcare joint venture set forth in the Item 1A. Risk Factors—Consumer Healthcare Joint Venture with GSK section in this 2019 Form 10-K; the benefits expected from the reorganization of our commercial operations in 2019 and our expectations regarding growth set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Strategy—Organizing for Growth section in our 2019 Financial Report; our anticipated liquidity position set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook—The Global Economic Environment and the Analysis of Financial Condition, Liquidity and Capital Resources sections in our 2019 Financial Report; the anticipated costs and savings from certain of our initiatives, including Transforming to a More Focused Company initiative, set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook—Transforming to a More Focused Company and Costs and Expenses—Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives sections and the Notes to Consolidated Financial Statements—Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives in our 2019 Financial Report; our plans for increasing investment in the U.S. set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Strategy—Capital Allocation and Expense Management—Increasing Investment in the U.S. section in our 2019 Financial Report; the financial guidance set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Financial Guidance for 2020 section in our 2019 Financial Report; the expected impact of the Advisory Committee on Immunization Practices recommendation for Prevnar 13 for adults 65 and older on Prevnar 13's revenues set forth in the Analysis of the Consolidated Statements of Income—Revenues—Selected Product Discussion—Prevnar 13/Prevenar 13 (Biopharma) section in our 2019 Financial Report; the expected impact of updates to the prescribing information for Xeljanz on its growth set forth in the Analysis of the Consolidated Statements of Income—Revenues—Selected Product Discussion—Xeljanz (Biopharma) section in our 2019 Financial Report; the benefits expected from our business development transactions; the planned capital spending set forth in the Analysis of Financial Condition, Liquidity and Capital Resources—Selected Measures of

Liquidity and Capital Resources—Contractual Obligations section in our 2019 Financial Report; the expected payments to our unfunded U.S. supplemental (non-qualified) pension plans, postretirement plans and deferred compensation plans and expected funding obligations set forth in the Analysis of Financial Condition, Liquidity and Capital Resources—Selected Measures of Liquidity and Capital Resources—Contractual Obligations section; and the voluntary contribution we expect to make during 2020 for the U.S. qualified plans set forth in the Notes to Consolidated Financial Statements—Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans in our 2019 Financial Report.

We cannot guarantee that any forward-looking statement will be realized. Achievement of anticipated results is subject to substantial risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. You should bear this in mind as you consider forward-looking statements, and you are cautioned not to put undue reliance on forward-looking statements.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law or by the rules and regulations of the SEC. You are advised, however, to consult any further disclosures we make on related subjects. Also note that we provide the following cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our businesses. These are factors that, individually or in the aggregate, may cause our actual results to differ materially from expected, projected or historical results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties.

RISKS RELATED TO OUR BUSINESS, INDUSTRY AND OPERATIONS:

MANAGED CARE TRENDS

Private third-party payers, such as health plans, and other managed care entities, such as PBMs, continue to take action to manage the utilization of drugs and control the cost of drugs. Consolidation among MCOs has increased the negotiating power of MCOs and other private third-party payers. Private third-party payers, as well as governments, increasingly employ formularies to control costs by taking into account discounts in connection with decisions about formulary inclusion or favorable formulary placement. Failure to obtain or maintain timely or adequate pricing or favorable formulary placement for our products, or failure to obtain such formulary placement at favorable pricing, could adversely impact revenue. Private third-party payers often implement formularies with copayment tiers to encourage utilization of certain drugs and have also been raising co-payments required from beneficiaries, particularly for branded pharmaceuticals and biotechnology products. Private third-party payers are also implementing new initiatives like so-called “copay accumulators” (policies that provide that the value of copay assistance does not count as out-of-pocket costs that are applied toward deductibles) that can shift more of the cost burden to manufacturers and patients. This cost shifting has increased consumer interest and input in medication choices, as they pay for a larger portion of their prescription costs and may cause consumers to favor lower cost generic alternatives to branded pharmaceuticals. Third-party payers also use additional measures such as new-to-market blocks, exclusion lists, indication-based pricing, and value-based pricing/contracting to improve their cost containment efforts, and are also increasingly imposing utilization management tools, such as clinical protocols, requiring prior authorization for a branded product if a generic product is available or requiring the patient to first fail on one or more generic products before permitting access to a branded medicine. As the U.S. private third-party payer market consolidates further and as more drugs become available in generic form, biopharmaceutical companies may face greater pricing pressure from private third-party payers, who will continue to drive more of their patients to use lower cost generic alternatives.

GENERIC COMPETITION

Competition from manufacturers of generic drugs is a major challenge for our branded products around the world, and the loss or expiration of intellectual property rights can have a significant adverse effect on our revenues. In addition, our patented products may face generic competition before patent exclusivity expires, including upon the “at-risk” launch (despite pending patent infringement litigation against the generic product) by a manufacturer of a generic version of one of our patented products. Generic competition could lead to our loss of a major portion of revenues for that product in a very short period of time. A number of our products have experienced significant generic competition over the last few years. For example, Lyrica (a product in our Upjohn business) lost patent protection in the U.S. in June 2019 and multi-source generic competition began in July 2019. Also, the basic product patent for Chantix in the U.S. will expire in November 2020. In China, we are expected to face further intensified competition by certain generic manufacturers, which may result in price cuts and volume loss of some of our products.

Also, generic manufacturers have filed applications with the FDA seeking approval of product candidates that such companies claim do not infringe our patents or that our patents are not valid; these include candidates that would compete with, among other products, Eliquis, Ibrance and Xeljanz. Our licensing and collaboration partners also face challenges by generic drug manufacturers to patents covering products for which we have licenses or co-promotion rights. In addition, our patent-protected products may face competition in the form of generic versions of competitors’ branded products that lose their market exclusivity.

COMPETITIVE PRODUCTS

We cannot predict with accuracy the timing or impact of the introduction of competitive products, including new product entrants, in-line branded products, generic products, private label products, biosimilars and product candidates that treat diseases and conditions similar to those treated by our in-line drugs and drug candidates. The introduction of competitive products can result in erosion of the sales of our existing products and potential sales of products in development, as well as unanticipated product obsolescence. Competitive product launches have occurred in recent years, and certain potentially competitive products are in various stages of development. Some of these have been filed for approval with the FDA and with regulatory authorities in other countries.

We also produce generic and biosimilar pharmaceutical products that compete with products from competitors, including other generic and biosimilar manufacturers. The ability to launch a generic or biosimilar pharmaceutical product at or before the anticipated formation of the generic or biosimilar marketplace is important to that product's profitability. With increasing competition in the generic or biosimilar product markets, our success will depend on our ability to bring new products to market quickly. The FDA, along with other regulatory agencies around the world, has been experiencing a backlog of generic drug applications, which may result in delayed approvals of new generic products over the next few years. Also, we may face access challenges for our biosimilar products where our product may not receive appropriate coverage/reimbursement access or remains in a disadvantaged position relative to the innovator product. For example, Inflectra has experienced access challenges among commercial payers. In September 2017, Pfizer filed suit in the U.S. District Court for the Eastern District of Pennsylvania against Johnson & Johnson (J&J) alleging that J&J's exclusionary contracts and other anticompetitive practices concerning Remicade® (infliximab) violate federal antitrust laws.

DEPENDENCE ON KEY IN-LINE PRODUCTS

We recorded direct product and/or alliance revenues of more than $1 billion for each of eight biopharmaceutical products in 2019: Prevnar 13/Prevenar 13, Ibrance, Eliquis, Lyrica, Xeljanz, Lipitor, Enbrel and Chantix/Champix. Those products accounted for 49% of our total revenues in 2019. If these products or any of our other major products were to become subject to problems such as loss of patent protection (if applicable), changes in prescription growth rates, material product liability litigation, unexpected side effects, regulatory proceedings, publicity affecting doctor or patient confidence, pressure from existing competitive products, changes in labeling, pricing and access pressures, supply shortages or, if a new, more effective treatment should be introduced, the adverse impact on our revenues could be significant. A number of our products have experienced patent-based expirations or loss of regulatory exclusivity in certain markets in the last few years, and patents covering a number of our best-selling medicines are, or have been, the subject of pending legal challenges. For example, as a result of a patent litigation settlement, Teva Pharmaceuticals USA, Inc. launched a generic version of Viagra (a product in our Upjohn business) in the U.S. in December 2017. In addition, Lyrica (a product in our Upjohn business) lost patent protection in the U.S. in June 2019 and multi-source generic competition began in July 2019. Also, the basic product patent for Chantix in the U.S. will expire in November 2020. In addition, our revenues could be significantly impacted by the timing and rate of commercial acceptance of key new products. For additional information, see the *Item 1. Business—Patents and Other Intellectual Property Rights* section in this 2019 Form 10-K. Further, our Alliance revenues will be adversely affected by the termination or expiration of collaboration and co-promotion agreements that we have entered into and that we may enter into from time to time.

RESEARCH AND DEVELOPMENT INVESTMENT

The discovery and development of safe, effective new products, as well as the development of additional uses for existing products, are necessary for the continued strength of our businesses. Our product lines must be replenished over time in order to offset revenue losses when products lose their market exclusivity, as well as to provide for earnings growth. Our growth potential depends in large part on our ability to identify and develop new products or new indications for existing products that address unmet medical needs and receive reimbursement from payers, either through internal R&D or through collaborations, acquisitions, joint ventures or licensing or other arrangements with third parties. However, balancing current growth, investment for future growth and the delivery of shareholder return remains a major challenge. The average costs of product development continue to rise, as do the regulatory requirements in many therapeutic areas, which may affect the number of candidates funded as well as the sustainability of the R&D portfolio. Our ongoing investments in new product introductions and in R&D for new products and existing product extensions could exceed corresponding sales growth.

Additionally, our R&D investment plans and resources may not be correctly matched between science and markets, and failure to invest in the right technology platforms, therapeutic segments, product classes, geographic markets and/or in-licensing and out-licensing opportunities could adversely impact the productivity of our pipeline. Further, even if the areas with the greatest market attractiveness are identified, the scientific approach may not succeed for any given program despite the significant investment required for R&D, and the commercial potential of the product may not be as competitive as expected because of the highly dynamic market environment and the hurdles in terms of access and reimbursement.

We continue to strengthen our global R&D organization and pursue strategies intended to improve innovation and overall productivity in R&D to achieve a sustainable pipeline that is positioned to deliver value in the near-term and over time. These strategies may not deliver the desired result, which could affect growth and profitability in the future.

BIOSIMILARS

Abbreviated legal pathways for the approval of biosimilars exist in many international markets and, since the passage of the ACA, a framework for such approval exists in the U.S. If competitors are able to obtain marketing approval for biosimilars referencing our biologic products, our biologic products may become subject to competition from these biosimilars, with attendant competitive pressure, and price reductions could follow. For example, Enbrel faces ongoing biosimilar competition in most European markets. The loss of patent rights, due to patent expiration or litigation, could trigger competition.

We are developing and commercializing biosimilar medicines. Risks related to our commercialization of biosimilars include the potential for steeper than anticipated price erosion due to increased competitive intensity, coupled with intellectual property challenges that may preclude timely commercialization of our potential biosimilar products. There is also a risk of lower uptake for biosimilars due to various factors that may vary for different biosimilars (e.g., anti-competitive practices, physician reluctance to prescribe biosimilars for existing patients taking the originator product, or misaligned financial incentives). See also the *Competitive Products* risk factor above.

RESEARCH STUDIES

Decisions about research studies made early in the development process of a drug or vaccine candidate can have a substantial impact on the marketing strategy and payer reimbursement possibilities if it receives regulatory approval. For example, a wider range of studies can lead to approval for a broader set of indications that may impact the marketing and payer reimbursement process. However, each additional indication and its reimbursement potential must be balanced against the time and resources required to demonstrate benefit, the increased complexity of development and manufacturing and the potential delays to approval of the lead indication. We try to plan clinical trials prudently and to reasonably anticipate and address challenges, but there is no guarantee that an optimal balance between trial conduct, speed and desired outcome will be achieved each time. The degree to which such potential challenges are foreseen and adequately addressed could affect our future results.

INTERNATIONAL OPERATIONS

Our international operations could be affected by currency fluctuations, capital and exchange controls, economic conditions, expropriation and other restrictive government actions, changes in intellectual property legal protections and remedies, trade regulations and procedures and actions affecting approval, production, pricing, and marketing of, reimbursement for and access to our products, as well as by political unrest, unstable governments and legal systems and inter-governmental disputes. Any of these changes could adversely affect our business.

Many emerging markets have experienced growth rates in excess of developed markets, leading to an increased contribution to the industry's global performance. As a result, we have been employing strategies to grow in emerging markets. However, our strategies in emerging markets may not be successful and these countries may not continue to sustain these growth rates. For example, even though China is growing faster than most emerging markets, we face certain challenges in China due to government imposed pricing controls affecting certain Pfizer medicines. In addition, some emerging market countries may be particularly vulnerable to periods of financial or political instability or significant currency fluctuations or may have limited resources for healthcare spending. Even though we constantly monitor the evolving emerging markets for any unanticipated risk to Pfizer, certain financial or political events in such markets can adversely affect our results.

SPECIALTY PHARMACEUTICALS

Specialty pharmaceuticals are medicines that treat rare or life-threatening conditions that typically have smaller patient populations. The growing availability and use of innovative specialty pharmaceuticals, combined with their relative higher cost as compared to other types of pharmaceutical products, has generated payer interest in developing cost-containment strategies targeted to this sector. The impact of payers' efforts to control access to and pricing of specialty pharmaceuticals is increasing. A number of factors create a more challenging paradigm for Pfizer given our growing specialty business portfolio such as formulary restrictions and increasing use of utilization management tools such as step edits, which can lead to higher negotiated rebates or discounts to health plans and PBMs in the U.S., as well as the increasing use of health technology assessments and government pressures in markets around the world.

PRODUCT MANUFACTURING, SALES AND MARKETING RISKS

Difficulties or delays in product manufacturing, sales or marketing could affect future results through regulatory actions, shut-downs, work stoppages or strikes, approval delays, withdrawals, recalls, penalties, supply disruptions, shortages or stock-outs, reputational harm, product liability or unanticipated costs. Examples of such difficulties or delays include, but are not limited to, the inability to increase production capacity commensurate with demand; the failure to predict market demand for, or to gain market acceptance of, approved products; the possibility that the

supply of component materials is delayed or unavailable and that the quality of such materials are substandard and not detected; the possibility that we may fail to maintain appropriate quality standards throughout our internal and external supply network and/or comply with cGMPs and other applicable regulations such as serialization (which allows for track and trace of products in the supply chain to enhance patient safety);

risks to supply chain continuity and commercial operations as a result of natural (including hurricanes, earthquakes and floods) or man-made disasters (including arson or terrorist attacks) at our facilities or at a supplier or vendor, including those that may be related to climate change; failure to maintain the integrity of our supply chains against economic adulteration, product diversion, product theft, counterfeit goods and cyberattacks. As an example, we have been experiencing production issues with Genotropin that will decrease revenue from that product.

Regulatory agencies periodically inspect our drug manufacturing facilities to evaluate compliance with cGMP or other applicable requirements. Failure to comply with these requirements may subject us to possible legal or regulatory actions, such as warning letters, suspension of manufacturing, seizure of product, injunctions, debarment, recall of a product, delays or denials of product approvals, import bans or denials of import certifications, any of which could have a material adverse effect on our business, financial condition and results of operations. In February 2017, for example, we received a warning letter from the FDA communicating the FDA's view that certain violations of cGMP regulations exist at Hospira's manufacturing facility in McPherson, Kansas. We undertook corrective actions to address the concerns raised by the FDA. In January 2018, the FDA upgraded the status of Pfizer's McPherson manufacturing facility to VAI based on an October 2017 inspection. The change to VAI status lifted the compliance hold that the FDA placed on approval of pending applications. In June 2018, the FDA informed us that it had completed an evaluation of corrective actions and closed out the February 2017 warning letter issued to our McPherson manufacturing facility after determining that we had addressed the violations contained in the warning letter. In July-August 2018, the FDA conducted a follow-up inspection of our McPherson facility and issued an inspection report noting several findings. Pfizer responded to the FDA's findings, and is in the process of implementing a corrective and preventive action plan to address the FDA's concerns. On the basis of the July-August 2018 FDA inspection, the FDA changed the inspection classification of the McPherson site to Official Action Indicated (OAI). Future FDA inspections and regulatory activities will further assess the adequacy and sustainability of these corrections implemented at the site. Communication with the FDA on the status of the McPherson site is ongoing. As a result of the current OAI classification, the FDA may refuse to grant premarket approval of applications and/or the FDA may refuse to grant export certificates related to products manufactured at our McPherson site until the site status is upgraded, which upgrade would be based on a re-inspection by the FDA. We have been experiencing shortages of products from the legacy Hospira portfolio, among others, largely driven by capacity constraints, technical issues, supplier quality concerns or unanticipated increases in demand. We have made considerable progress in remediating issues at legacy Hospira facilities manufacturing sterile injectables and have substantially improved supply from most of these sites. Continuing product shortage interruption at these manufacturing facilities could negatively impact our financial results.

In addition, in September 2017, Meridian Medical Technologies, Inc., a subsidiary of Pfizer Inc., received a warning letter from the FDA asserting the FDA's view that certain violations of cGMP and Quality System Regulations exist at Meridian's manufacturing sites in St. Louis, Missouri and classifying the site as OAI. Meridian responded to the warning letter and committed to making improvements across the sites. We have made considerable progress addressing the concerns raised by the FDA, and communication with the FDA is ongoing. Future FDA inspections and regulatory activities will further assess the adequacy and sustainability of these corrections implemented at the site. As a result of the OAI classification, the FDA may refuse to grant premarket approval of applications and/or the FDA may refuse to grant export certificates related to products manufactured at our St. Louis sites.

COLLABORATIONS AND OTHER RELATIONSHIPS WITH THIRD PARTIES

We depend on third-party collaborators, service providers, and others in the research, development, manufacturing and commercialization of our products and product candidates and also enter into joint ventures and other business development transactions in connection with our business. To achieve expected longer term benefits, we may make substantial upfront payments in such transactions, which may negatively impact our reported earnings. We rely heavily on these parties for multiple aspects of our drug development, manufacturing and commercialization activities, but we do not control many aspects of those activities. We also outsource certain services to other parties, including transaction processing, accounting, information technology, manufacturing, clinical trial recruitment and execution, clinical lab services, non-clinical research, safety services, integrated facilities management and other areas. Failure by one or more of these third parties to complete activities on schedule or in accordance with our expectations; failure by one or more of these parties to meet their contractual or other obligations to Pfizer; failure of one or more of these parties to comply with applicable laws or regulations; or any disruption in the relationships between Pfizer and one or more of these third parties, could delay or prevent the development, approval, manufacturing or commercialization of our products and product candidates, could expose us to suboptimal quality of service delivery or deliverables, could result in repercussions such as missed deadlines or other timeliness issues, erroneous data and supply disruptions, and could also result in non-compliance with legal or regulatory requirements or industry standards or reputational harm, all with potential negative implications for our product pipeline and business.

BIOPHARMACEUTICAL WHOLESALERS

In 2019, our largest biopharmaceutical wholesaler accounted for approximately 16% of our total revenues (and approximately 32% of our total U.S. revenues), and our top three biopharmaceutical wholesalers accounted for

approximately 37% of our total revenues (and approximately 79% of our total U.S. revenues). If one of our significant biopharmaceutical wholesalers should encounter financial or other difficulties, such wholesaler might decrease the amount of business that it does with us, and we might be unable to collect all the amounts that the wholesaler owes us on a timely basis or at all, which could negatively impact

our results of operations. In addition, we expect that consolidation and integration of pharmacy chains and wholesalers will increase competitive and pricing pressures on pharmaceutical manufacturers, including us.

BUSINESS DEVELOPMENT ACTIVITIES

We expect to continue to enhance our in-line products and product pipeline through various forms of business development, which can include alliances, licenses, joint ventures, collaborations, equity- or debt-based investments, dispositions, divestments, mergers and acquisitions. However, these enhancement plans are subject to the availability and cost of appropriate opportunities, competition from other pharmaceutical companies that are seeking similar opportunities and our ability to successfully identify, structure and execute transactions, including the ability to satisfy the conditions to closing of announced transactions in the anticipated timeframes or at all, and successfully integrate acquisitions. Pursuing these opportunities may require us to obtain additional equity or debt financing, and could result in increased leverage and/or a downgrade of our credit ratings. Where we acquire debt or equity securities as all or part of the consideration for business development activities, such as in connection with our contribution agreement entered into with Allogene Therapeutics, Inc., the value of those securities will fluctuate, and may depreciate in value. We may not control the company in which we acquire securities, such as in connection with a divestiture or collaborative arrangement, and as a result, we will have limited ability to determine its management, operational decisions and policies. Further, while we seek to mitigate risks and liabilities of such transactions through, among other things, due diligence, there may be risks and liabilities that such due diligence efforts fail to discover, that are not disclosed to us, or that we inadequately assess. Legal proceedings or regulatory issues often arise as a result of activities that occurred at acquired companies, their partners and other third parties. In 2016, for example, we paid $784.6 million to resolve allegations related to Wyeth's reporting of prices to the government with respect to Protonix for activities that occurred prior to our acquisition of Wyeth. For these and other reasons, we may not realize the anticipated benefits of such transactions, and expected synergies and accretion may not be realized within the expected timeframes, or at all.

COUNTERFEIT PRODUCTS

A counterfeit medicine is one that has been deliberately and fraudulently mislabeled as to its identity and source. A counterfeit Pfizer medicine, therefore, is one manufactured by someone other than Pfizer, but which appears to be the same as an authentic Pfizer medicine. The prevalence of counterfeit medicines is a significant and growing industry-wide issue due to a variety of factors, including, but not limited to, the following: the widespread use of the Internet, which has greatly facilitated the ease by which counterfeit medicines can be advertised, purchased and delivered to individual patients; the availability of sophisticated technology that makes it easier for counterfeiters to make counterfeit medicines; the growing involvement in the medicine supply chain of under-regulated wholesalers and repackagers; the lack of adequate inspection at certain international postal facilities as counterfeit medicines are increasingly delivered direct to customers in small parcel packages; the tendency to misuse and abuse medicines; and the relatively modest risk of penalties faced by counterfeiters compared to the large profits that can be earned by them from the sale of counterfeit medicines. Further, laws against pharmaceutical counterfeiting vary greatly from country to country, and the enforcement of existing law varies greatly from jurisdiction to jurisdiction. For example, in some countries, pharmaceutical counterfeiting is not a crime; in others, it may result in only minimal sanctions. In addition, those involved in the distribution of counterfeit medicines use complex transport routes in order to evade customs controls by disguising the true source of their products.

Pfizer's global reputation makes its medicines prime targets for counterfeiting organizations. Counterfeit medicines continue to pose a significant risk to patient health and safety because of the conditions under which they are manufactured—often in unregulated, unlicensed, uninspected and unsanitary sites—as well as the lack of regulation of their contents. Counterfeiters have been recently evolving to counterfeit life sustaining medications such as oncology medicines. This shift significantly increases the risk to patients who, for instance, unsuspectingly purchase counterfeit oncology medications from illicit online "pharmacies" operated by criminal counterfeiting organizations. Failure to mitigate this new threat posed by counterfeit biopharma medicines could adversely impact our business, by, among other things, causing the loss of patient confidence in the Pfizer name and in the integrity of our medicines, potentially resulting in lost sales, product recalls, and an increased threat of litigation.

We have an enterprise-wide strategy to counteract the threats associated with counterfeit medicines, and focused on educating patients and health care providers to reduce demand through awareness; increasing engagement and education of global law enforcement, customs and regulatory agencies about the growing prevalence of counterfeit life sustaining medicines; enhancing online identification and disruption efforts in partnership with pharmaceutical associations to optimize resources and impact; educating legislators about the risk to the security of the international drug supply chain by illicit manufacturing and distribution networks operated by transnational criminal organizations; supporting efforts by law enforcement authorities to prosecute counterfeiters; assessing new and existing technologies to seek to make it more difficult for counterfeiters to copy our products and easier for patients and healthcare providers to distinguish authentic from counterfeit medicines; and using data analytics and risk assessment tools to better target the factors that give rise to the counterfeiting problem in the first place. However, our efforts and the efforts of others may not be entirely successful, and the presence of counterfeit medicines may continue to increase.

RISKS RELATED TO GOVERNMENT REGULATION AND LEGAL PROCEEDINGS:

PRICING AND REIMBURSEMENT

U.S. and international governmental regulations that mandate price controls and limitations on patient access to our products or establish prices paid by government entities or programs for our products impact our business, and our future results could be adversely affected by changes in such regulations or policies.

In the U.S., many of our products are subject to increasing pricing pressures. Pharmaceutical product pricing is subject to enhanced government and public scrutiny and calls for reform. Some states have implemented, and other states are considering, pharmaceutical price controls or patient access constraints under the Medicaid program, and some states are considering price-control regimes that would apply to broader segments of their populations that are not Medicaid-eligible. There have also been recent state legislative efforts to address drug costs, which generally have focused on increasing transparency around drug costs or limiting drug prices. Efforts by government officials or legislators to implement measures to regulate prices or payment for pharmaceutical products, including legislation on drug importation, could adversely affect our business if implemented. See the discussion regarding pricing and reimbursement in the *Item 1. Business—Government Regulation and Price Constraints—In the United States—Pricing and Reimbursement* section in this 2019 Form 10-K.
We encounter similar regulatory and legislative issues in most other countries. In certain international markets, such as the different EU member states, the U.K., China, Japan, Canada and South Korea, governments have significant power as large single payers to regulate prices, access criteria (e.g., through public or private health technology assessments), or other means of cost control, particularly under recent global financing pressures. As a result, we expect that pressures on the pricing component of operating results will continue. For example, China, in 2013, began to implement a QCE process, under which numerous local generics have officially been deemed bioequivalents of a qualified reference drug. China's government subsequently initiated a pilot project for centralized VBP in 2018, which included 25 molecules of drugs and covered 11 major Chinese cities. Under this procurement model, a tender process was established whereby a certain portion of included molecule volumes were guaranteed to tender winners. This tender process was intended to contain healthcare costs by driving utilization of generics and bioequivalents that had passed QCE, and has resulted in dramatic price cuts for off-patent medicines. China's government began nationwide expansion of the VBP pilot in December 2019. See the discussion regarding these government initiatives in China in the *Item 1. Business—Government Regulation and Price Constraints—Outside the United States—China Pricing Pressures* section in this 2019 Form 10-K. We anticipate that these initiatives will continue to increase pricing pressures on our drug products in China in the future.

The adoption of restrictive price controls in new jurisdictions or more restrictive ones in existing jurisdictions or the failure to obtain or maintain timely or adequate pricing could also adversely impact revenue. In our vaccines business, we participate in a tender process in many countries for participation in national immunization programs. Failure to secure participation in national immunization programs or to obtain acceptable pricing in the tender process could adversely affect our business.

U.S. HEALTHCARE REFORM

The U.S. healthcare industry is highly regulated and subject to frequent and substantial changes. For example, the ACA was enacted by Congress in March 2010 and established a major expansion of healthcare coverage, financed in part by a number of new rebates, discounts, and taxes that had a significant effect on our expenses and profitability. See the discussion in the *Item 1. Business—Government Regulation and Price Constraints—In the United States* section in this 2019 Form 10-K. We face uncertainties due to federal legislative and administrative efforts to repeal, substantially modify or invalidate some or all of the provisions of the ACA. There is additional uncertainty given the ruling in December 2019 by the U.S. Circuit Court of Appeals for the Fifth Circuit in *Texas v. Azar* that the individual mandate, which is a significant provision of the ACA, is unconstitutional. The case has been remanded to a lower court to determine whether the individual mandate is inseparable from the entire ACA, in which case the ACA as a whole would be rendered unconstitutional. In the meantime, the remaining provisions of the law remain in effect. The revenues generated for Pfizer by the health insurance exchanges and Medicaid expansion under the ACA are not material, so the impact of full invalidation of the law is expected to be limited. However, any future replacement of the ACA may adversely affect our business and financial results, particularly if the legislation reduces incentives for employer-sponsored insurance coverage or dramatically increases industry taxes and fees. Any future healthcare reform efforts may adversely affect our business and financial results.

Other U.S. federal or state legislative or regulatory action and/or policy efforts could adversely affect our business, including, among others, general budget control actions, changes in patent laws, the importation of prescription drugs from outside the U.S. at prices that are regulated by governments of various foreign countries (which is among the U.S. Presidential Administration's policy proposals), revisions to reimbursement of biopharmaceuticals under government programs (such as the implementation of international reference pricing for Medicare Part B drugs, or changes to protected class criteria for Part D drugs), restrictions on U.S. direct-to-consumer advertising, limitations on interactions with healthcare professionals, or the use of comparative effectiveness methodologies that could be

implemented in a manner that focuses primarily on cost differences and minimizes the therapeutic differences among pharmaceutical products and restricts access to innovative medicines.

U.S. ENTITLEMENT REFORM

In the U.S., government action to reduce federal spending on entitlement programs including Medicare and Medicaid may affect payment for our products or services provided using our products. The Congressional Budget Office routinely releases options for reducing federal spending, and the December 2018 release includes proposals to cap federal Medicaid payments to the states, and to require manufacturers to pay a minimum rebate on drugs covered under Medicare Part D for low-income beneficiaries. Significant Medicare reductions could also result if, for example, Congress proceeds with certain proposals to convert the Medicare fee-for-service program into a premium support program, or Congress chooses to implement the recommendations made annually by the Medicare Payment Advisory Commission, which are primarily intended to extend the fiscal solvency of the Medicare program. These and any other significant spending reductions or cost controls affecting Medicare, Medicaid or other publicly funded or subsidized health programs that may be implemented could have an adverse impact on our results of operations.

SUBSTANTIAL REGULATION

We are subject to extensive, complex, costly and evolving regulation by federal and state governmental authorities in the U.S., principally by the FDA and the DEA, and foreign regulatory authorities. Failure to comply with all applicable regulatory requirements may subject us to operating restrictions and criminal prosecution, monetary penalties and other disciplinary actions, including, sanctions, warning letters, product seizures, recalls, fines, injunctions, suspension, revocation of approvals, corporate integrity or deferred prosecution agreements or exclusion from future participation in government healthcare programs, as well as reputational harm.

DEVELOPMENT, REGULATORY APPROVAL AND MARKETING OF PRODUCTS

Innovation is critical to the success of our Company, and drug discovery and development are time-consuming, expensive and unpredictable. The outcome of the lengthy and complex process of identifying new compounds and developing new products is inherently uncertain and involves a high degree of risk and cost. The process from early discovery to design and adequate implementation of clinical trials to regulatory approval can take many years. Drug candidates can and do fail at any stage of the process, including as the result of unfavorable pre-clinical and clinical trial results, or unfavorable new clinical data and further analyses of existing clinical data, including results that may not support further clinical development of the applicable product candidate or indication. We may not be able to meet anticipated pre-clinical or clinical endpoints, commencement and/or completion dates for our pre-clinical or clinical trials, regulatory submission dates, regulatory approval dates and/or launch dates. Similarly, we may not be able to successfully address all of the comments received from regulatory authorities such as the FDA and the EMA, or obtain approval from regulators. Regulatory approval of drug or biologic products depends on myriad factors, including a regulator making a determination as to whether a product's benefits outweigh its known risks and a determination of the product's efficacy. Additionally, clinical trial data are subject to differing interpretations and assessments by regulatory authorities. Even after a drug or biologic is approved, it could be adversely affected by regulatory decisions impacting labeling, manufacturing processes, safety and/or other matters. We may not be able to receive or maintain favorable recommendations by technical or advisory committees, such as the Advisory Committee on Immunization Practices that may impact the use of our vaccines. Further, claims and concerns that may arise regarding the safety and efficacy of in-line products and product candidates can result in a negative impact on product sales, product recalls or withdrawals, and/or consumer fraud, product liability and other litigation and claims. Increasing regulatory scrutiny of drug safety and efficacy, with regulatory authorities increasingly focused on product safety and the risk/benefit profile of products as they relate to already-approved products, has resulted in a more challenging, expensive and lengthy regulatory approval process due to requests for, among other things, additional or more extensive clinical trials prior to granting approval or increased post-approval requirements. For these and other reasons discussed in *Item 1A. Risk Factors*, we may not obtain the approvals we expect within the timeframe we anticipate, or at all.

POST-APPROVAL DATA

As a condition to granting marketing approval of a product, the FDA may require a company to conduct additional clinical trials. The results generated in these Phase 4 trials could result in the loss of marketing approval, changes in product labeling, and/or new or increased concerns about the side effects or efficacy of a product. Regulatory agencies in countries outside the U.S. often have similar authority and may impose comparable requirements. For example, in July and December 2019, the FDA updated the U.S. prescribing information for Xeljanz to include three additional boxed warnings as well as changes to the indication and dosing for ulcerative colitis. In January 2020, the EMA revised the summary of product characteristics (SmPC) for Xeljanz to include new warnings and recommendations for use of Xeljanz due to an increased risk of venous thromboembolism and, due to an increased risk of infections, revised warnings in patients older than 65 years of age. These updates were based on the FDA's and EMA's review of data from the ongoing post-marketing requirement rheumatoid arthritis study A3921133. Postmarketing studies, whether conducted by us or by others and whether mandated by regulatory agencies or voluntary, and other emerging data about marketed products, such as adverse event reports, may also adversely affect the availability or commercial potential of our products. Further, the discovery of significant problems with a

product similar to one of our products could implicate the entire class of products; and this, in turn, could have an adverse effect on the availability or commercial viability of our product(s) as well as other products in the class.

INTERACTIONS WITH HEALTHCARE PROFESSIONALS AND GOVERNMENT OFFICIALS

Risks and uncertainties apply if we provide, offer, or promise something of value to a healthcare professional, other healthcare provider and/or government official. Requirements or industry standards in the U.S. and certain jurisdictions abroad that require pharmaceutical manufacturers to track and disclose financial interactions with healthcare professionals and healthcare providers increase government and public scrutiny of such financial interactions. If an interaction is found to be improper, government enforcement actions and penalties could result. These risks may increase as both U.S. and foreign enforcement agencies adopt or increase enforcement efforts in respect of existing and new laws and regulations governing product promotion, marketing, anti-bribery and kickbacks, industry regulations, and codes of conduct.

CHANGES IN LAWS AND ACCOUNTING STANDARDS

Our future results could be adversely affected by changes in interpretations of existing laws and regulations, or changes in laws and regulations, including, among others, changes in accounting standards, taxation requirements (including tax rate changes, new tax laws, changes to existing tax laws and revised tax law and regulatory clarifications and/or interpretations, including changes affecting the taxation by the U.S. of income earned outside the U.S. that may result from pending and possible future proposals, including further clarifications and/or interpretations of or changes to the U.S. Tax Cuts and Jobs Act of 2017), competition laws, privacy laws and environmental laws in the U.S. and other countries. For additional information, see the *Provision/(Benefit) for Taxes on Income—Changes in Tax Laws* and *New Accounting Standards* sections, and the Notes to Consolidated Financial Statements—*Note 1B. Basis of Presentation and Significant Accounting Policies: Adoption of New Accounting Standards in 2019* in our 2019 Financial Report.

LEGAL PROCEEDINGS

We and certain of our subsidiaries are involved in various legal proceedings, including patent litigation, such as claims that our patents are invalid and/or do not cover the product of the generic drug manufacturer or where one or more third parties seeks damages and/or injunctive relief to compensate for alleged infringement of its patents by our commercial or other activities, product liability and other product-related litigation, including personal injury, consumer, off-label promotion, securities, antitrust and breach of contract claims, commercial, environmental, government investigations, employment, tax litigation and other legal proceedings, including various means for resolving asbestos litigation, that arise from time to time in the ordinary course of our business. Litigation is inherently unpredictable, and excessive verdicts do occur. Although we believe that our claims and defenses in matters in which we are a defendant are substantial, we could in the future 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.

Claims against our patents include challenges to the coverage and/or validity of our patents on various products or processes. Although we believe we have substantial defenses to these challenges with respect to all of our material patents, there can be no assurance as to the outcome of these matters, and a loss in any of these cases could result in a loss of patent protection for the product at issue, which could lead to a significant loss of sales of that product and could materially affect future results of operations.

Like other pharmaceutical companies, we are subject to extensive regulation by government agencies in the U.S., other developed markets and multiple emerging markets in which we operate. Criminal charges, substantial fines and/or civil penalties, limitations on our ability to conduct business in applicable jurisdictions, corporate integrity or deferred prosecution agreements, as well as reputational harm and increased public interest in the matter could result from government investigations in the U.S. and other jurisdictions in which we do business. In addition, in a qui tam lawsuit in which the government declines to intervene, the relator may still pursue a suit for the recovery of civil damages and penalties on behalf of the government.

Our activities relating to the sale and marketing and the pricing of our products are subject to extensive regulation under the FFDCA, the Medicaid Drug Rebate Program, the FCPA and other federal and state statutes, including those discussed elsewhere in this 2019 Form 10-K, as well as anti-kickback and false claims laws, and similar laws in international jurisdictions. Like many companies in our industry, we have from time to time received inquiries and subpoenas and other types of information demands from government authorities, and been subject to claims and other actions related to our business activities brought by governmental authorities, as well as by consumers and private payers. In some instances, we have incurred significant expense, civil payments, fines and other adverse consequences as a result of these claims, actions and inquiries. For example, these claims, actions and inquiries may relate to alleged failures to accurately interpret or identify or prevent non-compliance with the laws and regulations associated with the dissemination of product information (approved and unapproved), potentially resulting in government enforcement and damage to our reputation. This risk may be heightened by digital marketing, including social media, mobile applications and blogger outreach.

In connection with the resolution of a U.S. government investigation concerning independent copay assistance organizations that provide financial assistance to Medicare patients, in May 2018, we entered into a Corporate Integrity Agreement (CIA) with the Office of the Inspector General of the U.S. Department of Health and Human Services, which is effective for a period of five

years. In the CIA, we agreed to implement and/or maintain certain compliance program elements to promote compliance with federal healthcare program requirements. Breaches of the CIA could result in severe sanctions against us.

For additional information, including information regarding certain legal proceedings in which we are involved in, see the Notes to Consolidated Financial Statements—*Note 16A. Contingencies and Certain Commitments—Legal Proceedings* in our 2019 Financial Report.

ENVIRONMENTAL CLAIMS AND PROCEEDINGS

We and certain of our subsidiaries are subject to numerous contingencies arising in the ordinary course of business relating to environmental claims and proceedings. 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. While we have accrued for worldwide environmental liabilities, there is no guarantee that additional costs will not be incurred beyond the amounts accrued. If we fail to properly manage the safety of our facilities and the environmental risks associated therewith or if we are required to increase our accruals for contingencies for environmental claims and proceedings in the future, it could potentially have an adverse effect on our results of operations.

RISKS RELATED TO INTELLECTUAL PROPERTY:

PATENT PROTECTION

Our long-term success largely depends on our ability to market technologically competitive products. We rely and expect to continue to rely on a combination of intellectual property, including patent, trademark, trade dress, copyright, trade secret and domain name protection laws, as well as confidentiality and license agreements, to protect our intellectual property and proprietary rights. If we fail to obtain and maintain adequate intellectual property protection, we may not be able to prevent third parties from launching generic or biosimilar versions of our branded products, using our proprietary technologies or from marketing products that are very similar or identical to ours. Our currently pending or future patent applications may not result in issued patents, or be granted on a timely basis. Similarly, any term extensions that we seek may not be granted on a timely basis, if at all. In addition, our issued patents may not contain claims sufficiently broad to protect us against third parties with similar technologies or products or provide us with any competitive advantage, including exclusivity in a particular product area. The scope of our patent claims also may vary between countries, as individual countries have distinct patent laws. We may be subject to challenges by third parties regarding our intellectual property, including, among others, claims regarding validity, enforceability, scope and effective term.

Our ability to enforce our patents also depends on the laws of individual countries and each country's practice with respect to enforcement of intellectual property rights, and the extent to which certain sovereigns may seek to engage in policies or practices that may weaken its intellectual property framework (e.g., laws or regulations that promote or provide broad discretion to issue a compulsory license). In countries that provide some form of regulatory exclusivity, mechanisms exist permitting some form of challenge to our patents by competitors or generic drug marketers prior to or immediately following the expiration of such regulatory exclusivity, and generic companies are increasingly employing aggressive strategies, such as "at risk" launches that challenge our patent rights. 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. Independent actions have been filed alleging that our assertions of, or attempts to enforce, patent rights with respect to certain products constitute unfair competition and/or violations of antitrust laws. Such claims may also be brought as counterclaims to actions we bring to enforce our patents. We are also party to other patent damages suits in various jurisdictions pursuant to which generic drug manufacturers, payers, governments or other parties are seeking damages from us for alleged delay of generic entry. We also are often involved in other proceedings, such as inter partes review, post-grant review, re-examination or opposition proceedings, before the U.S. Patent and Trademark Office, the European Patent Office, or other foreign counterparts relating to our intellectual property or the intellectual property rights of others. Also, if one of our patents is found to be invalid in such proceedings, generic or competitive products could be introduced into the market resulting in the erosion of sales of our existing products. For example, several of the patents in our pneumococcal vaccine portfolio were challenged in inter partes review and post-grant review proceedings in the U.S. In October 2017, the Patent Trial and Appeal Board (PTAB) refused to initiate proceedings as to two patents. In June 2018, the PTAB ruled on another patent, holding that one claim was valid and that all other claims were invalid. The party challenging that patent has appealed the decision. In November 2019, the Federal Circuit vacated the PTAB's ruling and requested that the PTAB redecide the challenge. In March and June 2019, an additional patent was found invalid in separate proceedings by the PTAB. We have appealed. Challenges to other patents remain pending in jurisdictions outside the U.S. The invalidation of all of these patents in our pneumococcal portfolio could potentially allow a competitor pneumococcal vaccine into the marketplace. Further, if we are unable to maintain our existing license agreements or other agreements pursuant to which third parties grant us rights to intellectual property, including

because such agreements expire or are terminated, our operating results and financial condition could be materially adversely affected.

Likewise, in the U.S. and other countries, we currently hold issued trademark registrations and have trademark applications pending, any of which may be the subject of a governmental or third-party objection, which could prevent the maintenance or issuance of the trademark. As our products mature, our reliance on our trademarks and trade dress to differentiate us from our competitors increases and as a result, if we are unable to prevent third parties from adopting, registering or using trademarks

and trade dress that infringe, dilute or otherwise violate our trademark rights, our business could be materially adversely affected. We actively seek to protect our proprietary information, including our trade secrets and proprietary know-how, by requiring our employees, consultants, other advisors and other third parties to execute proprietary information and confidentiality agreements upon the commencement of their employment, engagement or other relationship. Despite these efforts and precautions, we may be unable to prevent a third party from copying or otherwise obtaining and using our trade secrets or our other intellectual property without authorization, and legal remedies in some countries may not adequately compensate us for the damages caused by such unauthorized use. Further, others may independently and lawfully develop substantially similar or identical products that circumvent our intellectual property by means of alternative designs or processes or otherwise.

THIRD PARTY INTELLECTUAL PROPERTY CLAIMS

A properly functioning intellectual property regime is essential to our business model. We are committed to respecting the valid intellectual property rights of other companies, but the patent granting process is imperfect. Accordingly, the pursuit of valid business opportunities may require us to challenge intellectual property rights held by other companies that we believe were improperly granted. Such challenges may include negotiation and litigation, which may not always be successful.

Part of our business depends upon successfully identifying generic pharmaceutical product and biosimilar opportunities and launching products to take advantage of those opportunities, which may involve litigation, associated costs and time delays, and may ultimately not be successful. These opportunities may arise in situations where patent protection of equivalent branded products has expired, where patents have been declared invalid, or where products do not infringe the patents of others, and in some circumstances we may take action, such as litigation, asserting that our products do not infringe patents of existing products or that those patents are invalid or unenforceable in order to achieve a “first-to-market” or early market position for our products.

Third parties may claim that our products infringe one or more patents owned or controlled by the third party. Claims of intellectual property infringement can be costly and time-consuming to resolve, may delay or prevent product launches, and may result in significant damages. We are involved in patent-related disputes with third parties over our attempts to market generic pharmaceutical products and biosimilars. Once we have final regulatory approval of the related generic pharmaceuticals products or biosimilars, we may decide to commercially market these products even though associated legal proceedings (including any appeals) have not been resolved (i.e., “at-risk” launch). If one of our marketed products is found to infringe valid patent rights of a third party, such third party may be awarded significant damages, or we may be prevented from further sales of that 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 valid patent rights of a third party. Any of these adverse consequences could have a material adverse effect on our profitability and financial condition.

RISK RELATED TO TECHNOLOGY:

INFORMATION TECHNOLOGY AND SECURITY

Significant disruptions of information technology systems or breaches of information security could adversely affect our businesses. We rely to a large extent upon sophisticated information technology systems to operate our businesses. In the ordinary course of business, we collect, store and transmit large amounts of confidential information (including, but not limited to, personal information and intellectual property), and we deploy and operate an array of technical and procedural controls to maintain the confidentiality and integrity of such confidential information. We also have outsourced significant elements of our operations to third parties, including significant elements of our information technology infrastructure and, as a result, we are managing many independent vendor relationships with third parties who may or could have access to our confidential information. The size and complexity of our information technology and information security systems, and those of our third-party vendors with whom we contract (and the large amounts of confidential information that is present on them), make such systems potentially vulnerable to service interruptions or to security breaches from inadvertent or intentional actions by our employees or vendors, or from attacks by malicious third parties. Such attacks are of ever-increasing levels of sophistication and are made by groups and individuals with a wide range of motives (including, but not limited to, industrial espionage) and expertise, including organized criminal groups, “hacktivists,” nation states and others. As a global pharmaceutical company, our systems are subject to frequent attacks. Due to the nature of some of these attacks, there is a risk that they may remain undetected for a period of time. While we have invested in the protection of data and information technology, our efforts may not prevent service interruptions or security breaches. Any such interruption or breach of our systems could adversely affect our business operations and/or result in the loss of critical or sensitive confidential information or intellectual property, and could result in financial, legal, business and reputational harm to us. We maintain cyber liability insurance; however, this insurance may not be sufficient to cover the financial, legal, business or reputational losses that may result from an interruption or breach of our systems.

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RISKS RELATED TO OUR STRATEGIC TRANSACTIONS:

STRATEGIC ACQUISITIONS

The success of any of our strategic acquisitions will depend, in large part, on our ability to realize anticipated benefits from combining these businesses with Pfizer. We, for example, may fail to achieve cost savings anticipated with certain of these acquisitions, or such cost savings within the expected time frame. Similarly, the accretive impact anticipated from certain of these acquisitions may not be realized or may be delayed. Integration of these businesses may result in the loss of key employees, the disruption of ongoing business, including third-party relationships, or inconsistencies in standards, controls, procedures and policies. We also may fail to generate the revenue growth for the acquired business that we expected at the time of entering into the transaction. Expected revenue from acquired products and product candidates also may be constrained by developments outside of our control. Unsuccessful clinical trials, regulatory hurdles and commercialization challenges may adversely impact revenue and income contribution from products and product candidates, including those acquired in these acquisitions. Hospira, for example, has experienced manufacturing disruptions and substantial regulatory scrutiny due to quality issues. Manufacturing problems, as well as any corrective actions and their operational implementation, could adversely impact the revenue we generate from products acquired from Hospira and result in substantial unanticipated costs. For additional information, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Business Development Initiatives* section in our 2019 Financial Report.

PENDING COMBINATION OF UPJOHN WITH MYLAN

Pfizer, Mylan and Upjohn may be unable to satisfy the conditions or obtain the approvals required to complete the combination of Upjohn with Mylan (the Combination), and regulatory agencies may delay or impose conditions on approval of the Combination, which may diminish the anticipated benefits of the Combination.

The consummation of the Combination is subject to numerous conditions, including the receipt by Pfizer of an Internal Revenue Service ruling and an opinion of its tax counsel to the effect that, among other things, certain transactions related to the Combination and certain related transactions will constitute a tax-free “reorganization” within the meaning of Section 368(a)(1)(D) of the Internal Revenue Code, the approval of the Combination by Mylan shareholders, and other customary conditions, certain of which are dependent upon the actions of third parties. As a result of such conditions, Pfizer cannot make any assurances that the Combination will be consummated on the terms or timeline currently contemplated, or at all.

Completion of the Combination is also conditioned upon the receipt of certain required government consents and approvals, including certain approvals required from regulatory agencies. While Pfizer, Mylan and Upjohn intend to pursue vigorously all required governmental approvals, the requirement to receive these approvals prior to the consummation of the Combination could delay the completion of the Combination, possibly for a significant period of time. Any delay in the completion of the Combination could diminish the anticipated benefits of the Combination or result in additional transaction costs, loss of revenue or other effects associated with uncertainty about the Combination, including delaying Pfizer’s ability to capitalize on its strategy of becoming a more focused, innovative company as well as Upjohn’s ability to optimize the execution of its growth strategies.

Pfizer may be subject to shareholder lawsuit, or other actions filed in connection with or in opposition to the Combination or any related transactions. Such litigation could have an adverse effect on the business, financial condition and results of operations of Pfizer and could prevent or delay the consummation of the Combination.

Pfizer has expended and will continue to expend significant management time and resources and has incurred and will continue to incur significant expenses due to legal, advisory, printing and financial services fees related to the Combination, including costs required to obtain the required government consents or defend or settle actions noted above. We expect to incur costs of approximately $500 million in connection with fully separating Upjohn, inclusive of $145 million incurred in 2019. Such charges will include costs and expenses related to separation of legal entities and anticipated transaction costs. Many of these expenses must be paid regardless of whether the Combination is consummated, and even if the expected benefits of the Combination are not achieved. Additionally, the completion of the Combination, including for example, obtaining regulatory approvals, will require significant time and attention from Pfizer management and may divert attention from the day-to-day operations of our business.

Even if the Combination is completed as anticipated, Pfizer may not realize some or all of the expected benefits. Furthermore, Upjohn may experience operational challenges in integrating the Upjohn and Mylan businesses, which may also diminish the anticipated benefits of the Combination.

Even if the Combination is completed, the anticipated operational, financial, strategic and other benefits of the Combination may not be achieved. There are many factors that could impact the anticipated benefits from the Combination, including, among others, strategic adjustments required to reflect the nature of our business following

the Combination, any negative reaction to the Combination by our customers and business partners, and increased risks resulting from Pfizer becoming a company that is more focused on innovative medicines. In addition, Pfizer has agreed to provide certain transition services to the combined company, generally for an initial period of 24 months following the completion of the Combination (with certain possibilities for extension). These obligations under the transition agreements may result in additional expenses and may divert

Pfizer's focus and resources that would otherwise be invested into maintaining or growing Pfizer's business. An inability to realize the full extent of the anticipated benefits of the Combination, as well as any delays encountered in the process, could have an adverse effect on the revenues, level of expenses and operating results of our business.

Furthermore, the Combination is a complex, costly and time-consuming process. Even if Upjohn and Mylan successfully integrate, Pfizer, Upjohn and Mylan cannot predict with certainty if or when the anticipated synergies, growth opportunities and benefits resulting from the Combination will occur, or the extent to which they actually will be achieved. For example, the benefits from the Combination may be offset by costs incurred in integrating the companies or by required capital expenditures related to the combined businesses. In addition, the quantification of synergies expected to result from the Combination is based on significant estimates and assumptions that are subjective in nature and inherently uncertain. Realization of any benefits and synergies could be affected by a number of factors beyond Pfizer's, Mylan's, Upjohn's or the combined company's control, including, without limitation, general economic conditions, increased operating costs, regulatory developments and the other risks described in these risk factors. The amount of synergies actually realized in the Combination, if any, and the time periods in which any such synergies are realized, could differ materially from the synergies anticipated to be realized, regardless of whether the two business operations are combined successfully. If the integration is unsuccessful or if the combined company is unable to realize the anticipated synergies and other benefits of the Combination, there could be a material adverse effect on the combined company's share price, business, financial condition and results of operations.

CONSUMER HEALTHCARE JOINT VENTURE WITH GSK

On July 31, 2019, we completed the transaction in which we and GSK combined our respective consumer healthcare businesses into a new consumer healthcare joint venture that operates globally under the GSK Consumer Healthcare name. Following the integration of the combined business, GSK intends to separate the joint venture as an independent company via a demerger of its equity interest to its shareholders and a listing of the combined business on the U.K. equity market. In February 2020, GSK announced the initiation of a two-year program to prepare for the separation of GSK into two companies, including a standalone Consumer Healthcare company. Until the fifth anniversary of the closing of the transaction, GSK will have the sole right to decide whether and when to initiate a separation and listing, and may also sell all or part of its stake in the joint venture in a contemporaneous initial public offering. Should a separation and listing occur during the first five years after closing, Pfizer has the option to participate through the distribution of some or all of its equity interest in the joint venture to its shareholders. Following a separation or listing, and subject to customary lock-up or similar restrictions, Pfizer will also have the ability to sell its equity interest in the joint venture through the capital markets. After the fifth anniversary of the closing of the transaction, both GSK and Pfizer will have the right to decide whether and when to initiate a separation and public listing of the joint venture. The planned separation and public listing transactions may not be initiated or completed within the expected time periods or at all, and both the timing and success of any separation and public listing transaction, as well as the value generated for Pfizer or its shareholders in any such transaction, will be subject to prevailing market conditions and other factors at the time of such transaction. Although Pfizer is entitled to participate in any separation and listing transaction initiated by GSK prior to the fifth anniversary of the closing, it is not required to do so, and any future distribution or sale of Pfizer's equity stake in the joint venture will similarly be subject to prevailing market conditions and other factors at the time of such transaction. Pfizer's ability to complete any such future distribution or sale may also be impacted by the size of Pfizer's retained equity stake at the time. The uncertainty relating to the separation and public listing transactions, their implementation, their timing and their yet to be determined effects on the joint venture's business may subject us and the joint venture to risks and uncertainties that may adversely affect our business and financial results.

Moreover, although we have certain consent, board representation and other governance rights with respect to the joint venture, Pfizer is a minority owner of the joint venture. As a result, Pfizer does not have control over the joint venture, its management or its policies and we may have business interests, strategies and goals that differ in certain respects from those of GSK or the joint venture.

In addition, the joint venture will be subject to the risks associated with the joint venture's consumer healthcare business, and the business, financial condition and results of operations of the joint venture may be affected by factors that are different from or in addition to those that previously affected the business, financial condition and results of operations of Pfizer's historical consumer healthcare business. Many of these factors are outside of our and the joint venture's control, and could materially impact the business, financial condition and results of operations of the joint venture.

The success of the transaction will also depend, in part, on the joint venture's ability to realize the anticipated benefits and cost synergies from the transaction. These anticipated benefits and cost savings may not be realized or may not be realized within the expected time period. The joint venture's integration of Pfizer's and GSK's historic consumer healthcare businesses may result in material unanticipated problems, costs, expenses, liabilities, competitive responses, and loss of customer and other business relationships. Any material unanticipated issues arising from the integration process could negatively impact our stock price and our or the joint venture's future business and financial results.

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OTHER RISKS:

THE GLOBAL ECONOMIC ENVIRONMENT

Like all businesses of our size, we are exposed to both global and industry-specific economic conditions. Governments, corporations, and insurance companies, which provide insurance benefits to patients, have implemented increases in cost-sharing and restrictions on access to medicines, potentially causing patients to switch to generic or biosimilar products, delay treatments, skip doses or use less effective treatments. As discussed above, government financing pressures can lead to negative pricing pressure in various markets where governments take an active role in setting prices, access criteria (e.g., through public or private health technology assessments), or other means of cost control.

The global economic environment has not had, nor do we anticipate that it will have, a material impact on our liquidity or capital resources. Due to our significant operating cash flows, financial assets, access to capital markets and available lines of credit and revolving credit agreements, we continue to believe that we have, and will maintain, the ability to meet our liquidity needs for the foreseeable future. We monitor our liquidity position continuously in the face of evolving economic conditions, but there can be no guarantee that changes in global financial markets and global economic conditions will not affect our liquidity or capital resources or impact our ability to obtain financing in the future.

We continue to monitor credit, capital restrictions and economic situations in volatile regions and markets, especially where the ability to obtain U.S. dollars for local currency is unpredictable and challenging. We cannot predict the likelihood of future changes in these economic conditions, or what impact they may have on our results of operations, financial condition or business.

In addition, given that a significant portion of our business is conducted in the EU, including the U.K., the formal change in the relationship between the U.K. and the EU caused by Brexit may pose certain implications for our research, commercial and general business operations in the U.K. and the EU, including the approval and supply of our products. Details on how Brexit will be finally executed and the impact on the remaining EU countries will dictate how and whether the broader EU will be impacted and what the resulting impact on our business may be. For additional information, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook—The Global Economic Environment* section in our 2019 Financial Report.

Public health epidemics or outbreaks could adversely impact our business. In December 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. While initially the outbreak was largely concentrated in China and caused significant disruptions to its economy, it has now spread to several other countries and infections have been reported globally. The extent to which the coronavirus impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. In particular, the continued spread of the coronavirus globally could adversely impact our operations, including among others, our manufacturing and supply chain, sales and marketing and clinical trial operations and could have an adverse impact on our business and our financial results.

We also continue to monitor the global trade environment and potential trade conflicts and impediments. If trade restrictions or tariffs reduce global economic activity, or if other factors lead to a general economic downturn, potential impacts could include declining sales; increased costs; volatility in foreign exchange rates; a decline in the value of our financial assets and pension plan investments; required increases of our pension funding obligations; increased government cost control efforts; delays or failures in the performance of customers, suppliers, and other third parties on whom we may depend for the performance of our business; and the risk that our allowance for doubtful accounts may not be adequate.

FOREIGN EXCHANGE AND INTEREST RATE RISK

Significant portions of our revenues, costs and expenses, as well as our substantial international net assets, are exposed to changes in foreign exchange rates. 54% of our total 2019 revenues were derived from international operations, including 21% from Europe and 24% from China, Japan and the rest of Asia. As we operate in multiple foreign currencies, including the euro, the Chinese renminbi, the Japanese yen, the Canadian dollar, the U.K. pound and approximately 100 other currencies, changes in those currencies relative to the U.S. dollar will impact our revenues and expenses. If the U.S. dollar were to weaken against another currency, assuming all other variables remained constant, our revenues would increase, having a positive impact on earnings, and our overall expenses would increase, having a negative impact on earnings. Conversely, if the U.S. dollar were to strengthen against another currency, assuming all other variables remained constant, our revenues would decrease, having a negative impact on earnings, and our overall expenses would decrease, having a positive impact on earnings. Therefore, significant changes in foreign exchange rates can impact our results and our financial guidance.

The impact of possible currency devaluations in countries experiencing high inflation rates or significant exchange fluctuations, including Venezuela and Argentina, can impact our results and financial guidance. For additional information about our exposure to foreign currency risk, see the *Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Foreign Exchange Risk* section in this 2019 Form 10-K and the *Overview of Our Performance, Operating Environment, Strategy and*

Outlook—Our Financial Guidance for 2020 and *Analysis of Financial Condition, Liquidity and Capital Resources* sections in our 2019 Financial Report.

In addition, our interest-bearing investments and borrowings, and our pension benefit obligations, net, and our postretirement benefit obligations, net, are subject to risk from changes in interest rates and foreign exchange rates. These risks related to interest-bearing investments and borrowings and the measures we have taken to help contain them are discussed in the *Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Financial Risk Management* section in this 2019 Form 10-K. For additional details, see the *Significant Accounting Policies and Application of Critical Accounting Estimates and Assumptions—Benefit Plans* section and the Notes to Consolidated Financial Statements—*Note 7F. Financial Instruments: Derivative Financial Instruments and Hedging Activities* and —*Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans* in our 2019 Financial Report, which are incorporated by reference.

From time to time, we issue variable rate debt based on LIBOR, or undertake interest rate swaps that contain a variable element based on LIBOR. The U.K. Financial Conduct Authority announced in July 2017 that it will no longer compel banks to submit rates that are currently used to calculate LIBOR after 2021. Various governing parties, including government agencies, are working on a benchmark transition plan for LIBOR (and other interbank offered rates globally). We are monitoring their progress, and we will likely amend contracts to accommodate any replacement rate where it is not already provided. As a result, our interest expense could increase and our available cash flow for general corporate requirements may be adversely affected. Additionally, uncertainty as to the nature of a potential discontinuance, modification, alternative reference rates or other reforms may materially adversely affect the trading market for securities linked to such benchmarks. For additional information, see the *Analysis of Financial Condition, Liquidity and Capital Resources—Selected Measures of Liquidity and Capital Resources—LIBOR* section in our 2019 Financial Report.

Notwithstanding our efforts to foresee and mitigate the effects of changes in external fiscal circumstances, we cannot predict with certainty changes in currency and interest rates, inflation or other related factors affecting our businesses.

MARKET FLUCTUATIONS IN OUR EQUITY INVESTMENTS

In 2018, we adopted a new accounting standard whereby certain equity investments are measured at fair value with changes in fair value now recognized in net income. We expect the adoption of this new accounting standard may increase the volatility of our income in future periods due to changes in the fair value of certain equity investments. For additional information, see the Notes to Consolidated Financial Statements—*Note 4. Other (Income)/Deductions—Net* in our 2019 Financial Report and the *Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Financial Risk Management* section in this 2019 Form 10-K.

Our pension benefit obligations and postretirement benefit obligations, net of our plan assets, are subject to volatility from changes in fair value of equity investments and other investment risk. For additional information, see the *Significant Accounting Policies and Application of Critical Accounting Estimates and Assumptions—Benefit Plans* section and the Notes to Consolidated Financial Statements—*Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans* in our 2019 Financial Report.

COST AND EXPENSE CONTROL/UNUSUAL EVENTS/FAILURE TO REALIZE THE ANTICIPATED BENEFITS OF STRATEGIC INITIATIVES AND ACQUISITIONS

Growth in costs and expenses, changes in product, segment and geographic mix and the impact of acquisitions, divestitures, restructurings, internal reorganizations, product withdrawals, recalls and other unusual events that could result from evolving business strategies, evaluation of asset realization and organizational restructuring could adversely affect future results. Such risks and uncertainties include, in particular, our ability to realize the projected benefits of (i) our cost-reduction and productivity initiatives; (ii) the reorganization of our commercial operations in 2019; (iii) any other corporate strategic initiatives; and (iv) any acquisitions, divestitures or other initiatives, such as our agreement to combine Upjohn with Mylan, creating a new global pharmaceutical company, which is anticipated to close in mid-2020, our acquisition of Array and the formation of the new consumer healthcare joint venture with GSK.

INTANGIBLE ASSETS, GOODWILL AND EQUITY-METHOD INVESTMENTS

Our consolidated balance sheet contains significant amounts of intangible assets, including goodwill. For IPR&D assets, the risk of failure is significant, and there can be no certainty that these assets ultimately will yield successful products. The nature of the biopharmaceutical business is high-risk and requires that we invest in a large number of projects in an effort to achieve a successful portfolio of approved products. Our ability to realize value on these significant investments is often contingent upon, among other things, regulatory approvals and market acceptance. As such, we expect that many of these IPR&D assets will become impaired and be written off at some time in the future. If the associated R&D effort is abandoned, the related IPR&D assets will likely be written-off, and we will record an impairment charge. For goodwill, all reporting units can confront events and circumstances that can lead to a goodwill

impairment charge (such as, among other things, unanticipated competition, an adverse action or assessment by a regulator, a significant adverse change in legal matters or in the business climate and/or a failure to replace the contributions of products that lose exclusivity). Any such charge may be significant. Our other intangible

assets, including developed technology rights and brands, face similar risks for impairment and charges related to such assets may be significant as well. For additional details, see the *Significant Accounting Policies and Application of Critical Accounting Estimates and Assumptions* section in our 2019 Financial Report.

We also regularly review our equity-method investments for impairment. An impairment charge may result from the occurrence of unexpected adverse events or management decisions that impact our estimates of expected cash flows to be generated from these investments. We may recognize impairment charges as a result of a weak economic environment, events related to particular customers or asset types, challenging market conditions or decisions by management.

TERRORIST ACTIVITY

Our future results could be adversely affected by changes in business, political and economic conditions, including the cost and availability of insurance, due to the threat of terrorist activity in the U.S. and other parts of the world and related U.S. military action overseas.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

As of December 31, 2019, we had 453 owned and leased properties, amounting to approximately 47 million square feet.

In 2019, we reduced the number of properties in our portfolio by 45 sites and 6 million square feet, which reflects the divestment of properties in connection with the formation of the GSK Consumer Healthcare joint venture and the addition of properties in connection with the acquisition of Array.

Pfizer continues to own and lease space around the world for sales and marketing, customer service, regulatory compliance, R&D, manufacturing and distribution, and administrative support functions. In many locations, business lines and operations are co-located to achieve synergy and operational efficiencies.

Pfizer's corporate headquarters are in New York City and Pfizer's properties extend internationally to approximately 90 countries.

In April 2018, we entered an agreement to lease space at the Spiral, an office building in the Hudson Yards neighborhood of New York City. We will relocate our global headquarters to this property with occupancy expected beginning in 2022. In July 2018, we completed the sale of our current headquarters in New York City. We remain in a lease-back arrangement with the buyer while we complete our relocation. We continue to advance our global workplace strategy to provide workplaces that enable collaboration and foster innovation.

We have numerous facilities across the world to support our R&D organizations, with a heavy concentration in North America. In 2019, we operationalized the new R&D facilities in St. Louis, Missouri and Andover, Massachusetts. We also purchased an R&D property in Durham, North Carolina in 2019 and expect to renovate and fit out the space over the next several years.

Our PGS division is headquartered in various locations, with leadership teams primarily in New York City, New York and in Peapack, New Jersey. As of December 31, 2019, PGS had responsibility for 42 plants around the world, which manufacture products for our commercial divisions. Locations with major manufacturing facilities include Belgium, China, Germany, India, Ireland, Italy, Japan, Singapore and the U.S. Our PGS division's plant network strategy is expected to result in the exit of two of these sites over the next several years. PGS also operates multiple distribution facilities around the world. In 2019, seven manufacturing plants transferred from PGS's responsibility to Upjohn's responsibility, and an additional two plants are expected to be fully migrated from PGS's responsibility to Upjohn's responsibility over the next several years.

In general, we believe that our properties are well-maintained, adequate and suitable for their current requirements and for our operations in the foreseeable future. See the Notes to Consolidated Financial Statements—*Note 9. Property, Plant and Equipment* in our 2019 Financial Report, which provides amounts invested in land, buildings and equipment and which is incorporated by reference.

ITEM 3. LEGAL PROCEEDINGS

Certain legal proceedings in which we are involved are discussed in the Notes to Consolidated Financial Statements —*Note 16A. Contingencies and Certain Commitments—Legal Proceedings* in our 2019 Financial Report, which is incorporated by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The executive officers of the Company are set forth in this table. Each holds the office or offices indicated until his or her successor is chosen and qualified at the regular meeting of the Board of Directors to be held on the date of the 2020 Annual Meeting of Shareholders, or until his or her earlier death, resignation or removal. Each of the executive officers is a member of the Pfizer Executive Leadership Team.

Name	Age	Position
Albert Bourla	58	Chairman of the Board since January 2020 and Chief Executive Officer since January 2019. Chief Operating Officer from January 2018 until December 2018; Group President, Pfizer Innovative Health from June 2016 until December 2017; Group President, Global Innovative Pharma Business (responsible for Vaccines, Oncology and Consumer Healthcare since 2014) from February 2016 until June 2016. President and General Manager of Established Products Business Unit from December 2010 until December 2013. Our Director since February 2018. Board member of Pharmaceutical Research and Manufacturers of America (PhRMA). Board member of the Pfizer Foundation, which promotes access to quality healthcare. Member of the Board of Directors of the Partnership for New York City and Catalyst, a global non-profit organization accelerating progress for the advancement of women into leadership.
Frank A. D'Amelio	62	Chief Financial Officer, Executive Vice President, Business Operations and Global Supply since November 2018. Executive Vice President, Business Operations and Chief Financial Officer from December 2010 until October 2018. Senior Vice President and Chief Financial Officer from September 2007 until December 2010. Director of Zoetis Inc. and Humana Inc. and Chair of the Humana Inc. Board of Directors' Audit Committee. Director of the Independent College Fund of New Jersey.
Mikael Dolsten	61	Chief Scientific Officer, President, Worldwide Research, Development and Medical since January 2019. President of Worldwide Research and Development from December 2010 until December 2018. Senior Vice President; President of Worldwide Research and Development from May 2010 until December 2010. Senior Vice President; President of Pfizer BioTherapeutics Research & Development Group from October 2009 until May 2010. He was Senior Vice President of Wyeth and President, Wyeth Research from June 2008 until October 2009. Director of Karyopharm Therapeutics Inc. Chairman of the Translational Advisory Board of Apple Tree Partners from 2016 to 2017.
Lidia Fonseca	51	Chief Digital and Technology Officer, Executive Vice President since January 2019. Chief Information Officer and Senior Vice President of Quest Diagnostics Incorporated from 2014 to 2018. Senior Vice President of Laboratory Corporation of America Holdings from 2008 until March 2013. Director of Tegna, Inc.
Angela Hwang	54	Group President, Pfizer Biopharmaceuticals Group since January 2019. Group President, Pfizer Essential Health from January 2018 until December 2018. Global President, Pfizer Inflammation and Immunology from January 2016 until December 2017. Regional Head, U.S. Vaccines from January 2014 until December 2015. Vice President, Emerging Markets for the Primary Care business from September 2011 until December 2013. Vice President, U.S. Brands business within Essential Health from October 2009 until August 2011.
Rady A. Johnson	58	Chief Compliance, Quality and Risk Officer, Executive Vice President since January 2019. Executive Vice President, Chief Compliance and Risk Officer from December 2013 until December 2018. Senior Vice President and Associate General Counsel from October 2006 until December 2013.
Douglas M. Lankler	54	General Counsel, Executive Vice President since December 2013. Corporate Secretary from January 2014 until February 2014. Executive Vice President, Chief Compliance and Risk Officer from February 2011 until December 2013. Executive Vice President, Chief Compliance Officer from December 2010 until February 2011. Senior Vice President and Chief Compliance Officer from January

2010 until December 2010. Senior Vice President, Deputy General Counsel and Chief Compliance Officer from August 2009 until January 2010.

Name	Age	Position
A. Rod MacKenzie	60	Chief Development Officer, Executive Vice President since June 2016. Senior Vice President, Chief Development Officer from March 2016 until June 2016. Group Senior Vice President and Head, Pharma Therapeutics Research and Development from 2010 until March 2016. Dr. MacKenzie represents Pfizer as a member of the Board of Directors of ViiV Healthcare Limited, TransCelerate Biopharma Inc. and the National Health Council.
Dawn Rogers	55	Chief Human Resources Officer, Executive Vice President since January 2019. Executive Vice President, Worldwide Human Resources from June 2018 until December 2018. Senior Vice President, Human Resources for the Chief Operating Officer from November 2017 until May 2018. Senior Vice President of Human Resources for Pfizer Essential Health, Global Product Development, and the Legal and Compliance Divisions from 2016 until November 2017. Senior Vice President of Human Resources for the Global Innovative Pharma Business from 2013 until 2016. Senior Vice President of Human Resources for the Primary Care Business Unit from 2011 until 2013. Senior Vice President of Human Resources for Worldwide Research and Development from 2008 until 2011.
Sally Susman	58	Chief Corporate Affairs Officer, Executive Vice President since January 2019. Executive Vice President, Corporate Affairs (formerly Policy, External Affairs and Communications) from December 2010 until December 2018. Senior Vice President, Policy, External Affairs and Communications from December 2009 until December 2010. Director of WPP plc.
John D. Young	55	Chief Business Officer, Group President since January 2019. Group President, Pfizer Innovative Health from January 2018 until December 2018. Group President, Pfizer Essential Health from June 2016 until December 2017; Group President, Global Established Pharma Business from January 2014 until June 2016. President and General Manager, Pfizer Primary Care from June 2012 until December 2013. Primary Care Business Unit's Regional President for Europe and Canada from 2009 until June 2012. Director of Johnson Controls International plc. Mr. Young represents Pfizer as a member of the Board of Directors of the GSK Consumer Healthcare joint venture.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The principal market for our common stock is the NYSE. Our common stock currently trades on the NYSE under the symbol "PFE". As of February 25, 2020, there were 142,524 holders of record of our common stock. Additional information required by this item is incorporated by reference from the *Selected Quarterly Financial Data (Unaudited)* and *Peer Group Performance Graph* sections in our 2019 Financial Report.

The following table provides certain information with respect to our purchases of shares of the Company's common stock during the fourth fiscal quarter of 2019:

Issuer Purchases of Equity Securities[a]

Period	Total Number of Shares Purchased[b]	Average Price Paid per Share[b]	Total Number of Shares Purchased as Part of Publicly Announced Plan	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan[a]
September 30, 2019 through October 27, 2019	32,848	$ 36.06	—	$ 5,292,881,709
October 28, 2019 through November 30, 2019	13,399	$ 37.50	—	$ 5,292,881,709
December 1, 2019 through December 31, 2019	67,767	$ 38.86	—	$ 5,292,881,709
Total	114,014	$ 37.89	—	

(a) For additional information, see the Notes to Consolidated Financial Statements—*Note 12. Equity* in our 2019 Financial Report, which is incorporated by reference.

(b) These columns represent (i) 108,367 shares of common stock surrendered to the Company to satisfy tax withholding obligations in connection with the vesting of awards under our long-term incentive programs and (ii) the open market purchase by the trustee of 5,647 shares of common stock in connection with the reinvestment of dividends paid on common stock held in trust for employees who were granted performance share awards and who deferred receipt of such awards.

ITEM 6. SELECTED FINANCIAL DATA

Information required by this item is incorporated by reference from the discussion under the heading *Financial Summary* in our 2019 Financial Report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information required by this item is incorporated by reference from the discussion under the heading *Financial Review* in our 2019 Financial Report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Risk Management

The objective of our financial risk management program is to minimize the impact of foreign exchange rate movements and interest rate movements on our earnings. We manage these financial exposures through operational means and through the use of third-party instruments. These practices may change as economic conditions change.

Foreign Exchange Risk

We operate globally and, as such, we are subject to foreign exchange risk in our commercial operations, as well as in our financial assets (investments) and liabilities (borrowings). Our net investments in foreign subsidiaries are also subject to currency risk.

On the commercial side, a significant portion of our revenues and earnings is exposed to changes in foreign exchange rates. See the *Overview of Our Performance, Operating Environment, Strategy and Outlook—The Global Economic Environment* section in our 2019 Financial Report for the key currencies in which we operate. We seek to manage our foreign exchange risk, in part, through operational means, including managing same-currency revenues in relation to same-currency costs and same-currency assets in relation to same-currency liabilities. Where foreign exchange risk cannot be mitigated via operational means, we may use foreign currency forward-exchange contracts and/or foreign currency swaps to manage that risk.

With respect to our financial assets and liabilities, our primary foreign exchange exposure arises predominantly from short-term and long-term intercompany receivables and payables, and, to a lesser extent, from short-term and long-term investments and debt, where the assets and/or liabilities are denominated in currencies other than the functional currency of the business entity.

We also hedge some forecasted intercompany sales denominated in euro, Japanese yen, Chinese renminbi, U.K. pound, Canadian dollar, and Australian dollar to protect against longer-term movements.

In addition, under certain market conditions, we may seek to protect against possible declines in the reported net investments of our foreign business entities. In these cases, we may use foreign currency swaps, foreign currency forward-exchange contracts and/or foreign currency debt.

For details about these and other financial instruments, including fair valuation methodologies, see the Notes to Consolidated Financial Statements—*Note 7A. Financial Instruments: Fair Value Measurements* in our 2019 Financial Report.

The fair values of our financial instrument holdings are analyzed at year-end to determine their sensitivity to foreign exchange rate changes. In this sensitivity analysis, holding all other assumptions constant and assuming that a change in one currency's rate relative to the U.S. dollar would not have any effect on another currency's rates relative to the U.S. dollar, if the dollar were to appreciate against all other currencies by 10%, as of December 31, 2019, the expected adverse impact on our net income would not be significant.

Interest Rate Risk

We are subject to interest rate risk on our investments and on our borrowings. We manage interest rate risk in the aggregate, while focusing on Pfizer's immediate and intermediate liquidity needs.

With respect to our investments, we strive to maintain a predominantly floating-rate basis position, but our strategy may change based on prevailing market conditions. Our floating-rate assets are subject to the risk that short-term

interest rates may fall and, as a result, the investments would generate less interest income. Fixed-rate investments provide a known amount of interest income regardless of a change in interest rates. We sometimes use interest rate swaps in our financial investment portfolio.

We borrow primarily on a long-term, fixed-rate basis. From time to time, depending on market conditions, we will change the profile of our outstanding debt by entering into derivative financial instruments like interest rate swaps.

For details about these and other financial instruments, including fair valuation methodologies, see the Notes to Consolidated Financial Statements—*Note 7A. Financial Instruments: Fair Value Measurements* in our 2019 Financial Report.

The fair values of our financial instrument holdings are analyzed at year-end to determine their sensitivity to interest rate changes. In this sensitivity analysis, holding all other assumptions constant and assuming a parallel shift in the interest rate curve for all maturities and for all instruments, if there were a one hundred basis point increase in interest rates as of December 31, 2019, the expected adverse impact on our net income would not be significant.

Equity Price Risk

We hold equity securities with readily determinable fair values in life science companies as a result of certain business development transactions. While we are holding such securities, we are subject to equity price risk, and this may increase the volatility of our income in future periods due to changes in the fair value of equity investments. From time to time, we will sell such equity securities based on our business considerations, which may include limiting our price risk.

Our equity securities with readily determinable fair values are analyzed at year-end to determine their sensitivity to equity price rate changes. In this sensitivity analysis, the expected adverse impact on our net income would not be significant.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this item is incorporated by reference from the *Report of Independent Registered Public Accounting Firm* in our 2019 Financial Report and from the consolidated financial statements, related notes and supplementary data in our 2019 Financial Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls

As of the end of the period covered by this 2019 Form 10-K, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective in alerting them in a timely manner to material information required to be disclosed in our periodic reports filed with the SEC.

Internal Control over Financial Reporting

Management's report on the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), and the related report of our independent registered public accounting firm, are included in our 2019 Financial Report under the headings *Management's Report on Internal Control Over Financial Reporting* and *Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting*, respectively, and are incorporated by reference.

Changes in Internal Controls

During our most recent fiscal quarter, there has not been any change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information about our Directors is incorporated by reference from the discussion under the heading *Item 1—Election of Directors* in our 2020 Proxy Statement. Information about the Pfizer Policies on Business Conduct governing our employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, and the Code of Business Conduct and Ethics for Members of the Board of Directors, is incorporated by reference from the discussions under the headings *Governance—Pfizer Policies on Business Conduct* and *—Code of Conduct for Directors* in our 2020 Proxy Statement. Information regarding the procedures by which our shareholders may recommend nominees to our Board of Directors is incorporated by reference from the discussion under the headings *Item 1—Election of Directors—Criteria for Board Membership* and *Submitting Proxy Proposals and Director Nominations for the 2021 Annual Meeting* in our 2020 Proxy Statement. Information about our Audit Committee, including the members of the Committee, and our Audit Committee financial experts, is incorporated by reference from the discussion under the heading *Governance—Board Information—Board and Committee Information—Board Committees—The Audit Committee* in our 2020 Proxy Statement. The balance of the information required by this item is contained in the discussion entitled *Information about Our Executive Officers* in Part I of this 2019 Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information about Director and executive compensation is incorporated by reference from the discussion under the headings *Non-Employee Director Compensation*; *Executive Compensation*; and *Governance—Board Information—Board and Committee Information—Board Committees—The Compensation Committee—Compensation Committee Interlocks and Insider Participation* in our 2020 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated by reference from the discussion under the headings *Executive Compensation—Compensation Tables—Equity Compensation Plan Information* and *Securities Ownership* in our 2020 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information about certain relationships and transactions with related parties is incorporated by reference from the discussion under the headings *Related Person Transactions and Indemnification—Transactions with Related Persons* in our 2020 Proxy Statement. Information about director independence is incorporated by reference from the discussion under the heading *Governance—Other Governance Practices and Policies—Director Independence* in our 2020 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information about the fees for professional services rendered by our independent registered public accounting firm in 2019 and 2018 is incorporated by reference from the discussion under the heading *Item 2—Ratification of Selection of Independent Registered Public Accounting Firm—Audit and Non-Audit Fees* in our 2020 Proxy Statement. Our Audit Committee's policy on pre-approval of audit and permissible non-audit services of our independent registered public accounting firm is incorporated by reference from the discussion under the heading *Item 2—Ratification of Selection of Independent Registered Public Accounting Firm—Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm* in our 2020 Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

15(a)(1) Financial Statements. The following consolidated financial statements, related notes, report of independent registered public accounting firm and supplementary data from our 2019 Financial Report are incorporated by reference into Item 8 of Part II of this 2019 Form 10-K:

- Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements
- Consolidated Statements of Income
- Consolidated Statements of Comprehensive Income
- Consolidated Balance Sheets
- Consolidated Statements of Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements
- Selected Quarterly Financial Data (Unaudited)

15(a)(2) Financial Statement Schedules. Schedules are omitted because they are not required or because the information is provided elsewhere in the financial statements. The financial statements of unconsolidated subsidiaries are omitted because, considered in the aggregate, they would not constitute a significant subsidiary.

15(a)(3) Exhibits. These exhibits are available upon request. Requests should be directed to our Corporate Secretary, Pfizer Inc., 235 East 42nd Street, New York, New York 10017. The exhibit numbers preceded by an asterisk (*) indicate exhibits filed with this 2019 Form 10-K. All other exhibit numbers indicate exhibits filed by incorporation by reference. Exhibit numbers 10.1 through 10.38 are management contracts or compensatory plans or arrangements.

2.1	Stock and Asset Purchase Agreement, dated December 19, 2018, by and among Pfizer Inc., GlaxoSmithKline plc and GlaxoSmithKline Consumer Healthcare Holdings Limited is incorporated by reference from our 2018 Annual Report on Form 10-K (File No. 001-03619). (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the Securities and Exchange Commission upon request any omitted schedule or exhibit to the Stock and Asset Purchase Agreement.)
2.2	Business Combination Agreement, dated July 29, 2019, by and among Pfizer Inc., Upjohn Inc., Utah Acquisition Sub Inc., Mylan N.V., Mylan I B.V. and Mylan II B.V. is incorporated by reference from our Current Report on Form 8-K filed on July 29, 2019 (File No. 001-03619). (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the Securities and Exchange Commission upon request any omitted schedule or exhibit to the Business Combination Agreement.)
2.3	Separation and Distribution Agreement, dated as of July 29, 2019, by and between Pfizer Inc. and Upjohn Inc. is incorporated by reference from our Current Report on Form 8-K filed on July 29, 2019 (File No. 001-03619). (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the Securities and Exchange Commission upon request any omitted schedule or exhibit to the Separation and Distribution Agreement.)
*2.4	Amendment No. 1 to the Separation and Distribution Agreement, dated as of February 18, 2020, by and between Pfizer Inc. and Upjohn Inc.
3.1	Our Restated Certificate of Incorporation dated April 12, 2004, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended March 28, 2004 (File No. 001-03619).
3.2	Amendment dated May 1, 2006 to Restated Certificate of Incorporation dated April 12, 2004, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended July 2, 2006 (File No. 001-03619).

3.3	Our By-laws, as amended December 18, 2017, are incorporated by reference from our Current Report on Form 8-K filed on December 21, 2017 (File No. 001-03619).
4.1	Indenture, dated as of January 30, 2001, between us and The Chase Manhattan Bank, is incorporated by reference from our Current Report on Form 8-K filed on January 30, 2001 (File No. 001-03619).
4.2	First Supplemental Indenture, dated as of March 24, 2009, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended June 28, 2009 (File No. 001-03619).

4.3	Second Supplemental Indenture, dated as of June 2, 2009, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K filed on June 3, 2009 (File No. 001-03619).
4.4	Third Supplemental Indenture, dated as of June 3, 2013, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K filed on June 3, 2013 (File No. 001-03619).
4.5	Fourth Supplemental Indenture, dated as of May 15, 2014, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on May 15, 2014 (File No. 001-03619).
4.6	Fifth Supplemental Indenture, dated as of October 5, 2015, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on October 6, 2015 (File No. 001-03619).
4.7	Sixth Supplemental Indenture, dated as of June 3, 2016, between us and The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (National Association)))), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on June 3, 2016 (File No. 001-03619).
4.8	Seventh Supplemental Indenture, dated as of November 21, 2016, between us and The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (National Association)))), as trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on November 21, 2016 (File No. 001-03619).
4.9	Eighth Supplemental Indenture, dated as of March 17, 2017, among us, The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (successor to the Chase Manhattan Bank (National Association)))), as trustee, and The Bank of New York Mellon, London Branch, as paying agent, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on March 17, 2017 (File No. 001-03619).
4.10	Ninth Supplemental Indenture, dated as of March 6, 2017, among us, The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (National Association)))), as trustee, and The Bank of New York Mellon, London Branch, as paying agent and calculation agent, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on March 6, 2017 (File No. 001-03619).
4.11	Tenth Supplemental Indenture, dated as of December 19, 2017, among us, The Bank of New York Mellon (formerly The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank (National Association)))), as trustee, and The Bank of New York Mellon, London Branch, as paying agent, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K report filed on December 19, 2017 (File No. 001-03619).
4.12	Indenture, dated as of April 10, 1992, between Wyeth (formerly American Home Products Corporation) and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's Registration Statement on Form S-3 (File No. 33-57339), filed on January 18, 1995.
4.13	Supplemental Indenture, dated as of October 13, 1992, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's Registration Statement on Form S-3 (File No. 33-57339), filed on January 18, 1995.
4.14	Fifth Supplemental Indenture, dated as of December 16, 2003, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's 2003 Annual Report on Form 10-K (File No. 001-01225).
4.15	Sixth Supplemental Indenture, dated as of November 14, 2005, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's Current Report on Form 8-K filed on November 15, 2005 (File No. 001-01225).

4.16	Seventh Supplemental Indenture, dated as of March 27, 2007, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as trustee, is incorporated by reference from Wyeth's Current Report on Form 8-K filed on March 28, 2007 (File No. 001-01225).
4.17	Eighth Supplemental Indenture, dated as of October 30, 2009, between Wyeth, us and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, formerly The Chase Manhattan Bank), as trustee, to Indenture dated as of April 10, 1992 (as amended on October 13, 1992), is incorporated by reference from our Current Report on Form 8-K filed on November 3, 2009 (File No. 001-03619).
4.18	Indenture, dated as of September 7, 2018, between us and The Bank of New York Mellon, as trustee, is incorporated by reference from our Current Report on Form 8-K filed on September 7, 2018 (File No. 001-03619).

4.19	First Supplemental Indenture, dated as of September 7, 2018, between us and The Bank of New York Mellon, as trustee, is incorporated by reference from our Current Report on Form 8-K filed on September 7, 2018 (File No. 001-03619).
4.20	Second Supplemental Indenture, dated as of March 11, 2019, between us and The Bank of New York Mellon, as trustee, is incorporated by reference from our Current Report on Form 8-K filed on March 11, 2019 (File No. 001-03619).
*4.21	Description of Pfizer's Securities.
4.22	Except as set forth in Exhibits 4.1-21 above, the instruments defining the rights of holders of long-term debt securities of the Company and its subsidiaries have been omitted.[1]
10.1	2001 Stock and Incentive Plan is incorporated by reference from our Proxy Statement for the 2001 Annual Meeting of Shareholders (File No. 001-03619).
10.2	Pfizer Inc. 2004 Stock Plan, as Amended and Restated is incorporated by reference from our 2011 Annual Report on Form 10-K (File No. 001-03619).
10.3	Pfizer Inc. 2014 Stock Plan is incorporated by reference from our Proxy Statement for the 2014 Annual Meeting of Shareholders (File No. 001-03619).
10.4	Form of Acknowledgment and Consent and Summary of Key Terms for Stock Option Grants, RSUs and TSRUs is incorporated by reference from our 2017 Annual Report on Form 10-K (File No. 001-03619).
10.5	Form of Executive Grant Letter is incorporated by reference from our 2015 Annual Report on Form 10-K (File No. 001-03619).
10.6	Pfizer Consolidated Supplemental Pension Plan for United States and Puerto Rico Employees is incorporated by reference from our 2017 Annual Report on Form 10-K (File No. 001-03619).
10.7	Amendment No. 1 to the Pfizer Consolidated Supplemental Pension Plan for United States and Puerto Rico Employees is incorporated by reference from our 2018 Annual Report on Form 10-K (File No. 001-03619).
10.8	Pfizer Supplemental Savings Plan is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended April 3, 2016 (File No. 001-03619).
10.9	Amendment No. 1 to the Pfizer Supplemental Savings Plan (Amended and Restated as of January 1, 2016), is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended October 1, 2017 (File No. 001-03619).
10.10	Amendment No. 2 to the Pfizer Supplemental Savings Plan is incorporated by reference from our 2017 Annual Report on Form 10-K (File No. 001-03619).
10.11	Amendment No. 3 to the Pfizer Supplemental Savings Plan is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended September 30, 2018 (File No. 001-03619).
10.12	Amendment No. 4 to the Pfizer Supplemental Savings Plan is incorporated by reference from our 2018 Annual Report on Form 10-K (File No. 001-03619).
10.13	Amendment No. 5 to the Pfizer Supplemental Savings Plan is incorporated by reference from our 2018 Annual Report on Form 10-K (File No. 001-03619).
10.14	Amendment No. 6 to the Pfizer Supplemental Savings Plan is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended June 30, 2019 (File No. 001-03619).
*10.15	Amendment No. 7 to the Pfizer Supplemental Savings Plan.
10.16	Pfizer Inc. Global Performance Plan is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended October 1, 2017 (File No. 001-03619).
10.17	Executive Annual Incentive Plan is incorporated by reference from our 2012 Annual Report on Form 10-K (File No. 001-03619).
10.18	Amended and Restated Deferred Compensation Plan is incorporated by reference from our 2012 Annual Report on Form 10-K (File No. 001-03619).

10.19	Amendment to Amended and Restated Deferred Compensation Plan, dated June 20, 2013, is incorporated by reference from our 2013 Annual Report on Form 10-K (File No. 001-03619).
10.20	Amendment No. 2 to Amended and Restated Deferred Compensation Plan, dated April 27, 2016, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended July 3, 2016 (File No. 001-03619).
10.21	Wyeth 2005 (409A) Deferred Compensation Plan (frozen as of January 2012), together with all material Amendments, is incorporated by reference from our 2013 Annual Report on Form 10-K (File No. 001-03619).

[1] We agree to furnish to the Securities and Exchange Commission, upon request, a copy of each instrument with respect to issuances of long-term debt of the Company and its subsidiaries.

10.22	Amended and Restated Wyeth Supplemental Employee Savings Plan (effective as of January 1, 2005 and frozen as of January 2012), together with all material Amendments is incorporated by reference from our 2011 Annual Report on Form 10-K (File No. 001-03619).
10.23	Amendment to Amended and Restated Wyeth Supplemental Employee Savings Plan, dated June 20, 2013, is incorporated by reference from our 2013 Annual Report on Form 10-K (File No. 001-03619).
10.24	The form of Indemnification Agreement with each of our non-employee Directors is incorporated by reference from our 1996 Annual Report on Form 10-K (File No. 001-03619).
10.25	The form of Indemnification Agreement with each of the Named Executive Officers identified in our Proxy Statement for the 2019 Annual Meeting of Shareholders is incorporated by reference from our 1997 Annual Report on Form 10-K (File No. 001-03619).
10.26	Letter to Frank A. D'Amelio regarding replacement pension benefit dated August 22, 2007 is incorporated by reference from our Current Report on Form 8-K filed on August 22, 2007 (File No. 001-03619).
10.27	Pfizer Inc. Executive Severance Plan is incorporated by referenced from our Current Report on Form 8-K filed on February 20, 2009 (File No. 001-03619).
10.28	Amendment No. 1 to the Pfizer Inc. Executive Severance Plan is incorporated by reference from our 2018 Annual Report on Form 10-K (File No. 001-03619).
*10.29	Amendment No. 2 to the Pfizer Inc. Executive Severance Plan.
10.30	Annual Retainer Unit Award Plan (for Non-Employee Directors) (frozen as of March 1, 2006) as amended, is incorporated by reference from our 2008 Annual Report on Form 10-K (File No. 001-03619).
10.31	Nonfunded Deferred Compensation and Unit Award Plan for Non-Employee Directors, as amended, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended September 28, 2014 (File No. 001-03619).
10.32	Form of Special Award Letter Agreement is incorporated by reference from our Current Report on Form 8-K filed on October 28, 2009 (File No. 001-03619).
10.33	Offer Letter to G. Mikael Dolsten, dated April 6, 2009, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended April 3, 2011 (File No. 001-03619).
10.34	Form of Special Performance-Based Incentive Award Letter is incorporated by reference from our 2017 Annual Report on Form 10-K (File No. 001-03619).
10.35	Form of Special Performance-Based Incentive Grant Letter is incorporated by reference from our 2017 Annual Report on Form 10-K (File No. 001-03619).
10.36	Pfizer Inc. 2019 Stock Plan is incorporated by reference from our Proxy Statement for the 2019 Annual Meeting of Shareholders (File No. 001-03619).
10.37	Time Sharing Agreement, dated December 17, 2018, by and between Pfizer Inc. and Ian C. Read is incorporated by reference from our 2018 Annual Report on Form 10-K (File No. 001-03619).
10.38	Consulting Agreement, dated December 13, 2019, between Ian C. Read and Pfizer Inc. is incorporated by reference from our Current Report on Form 8-K filed on December 19, 2019 (File No. 001-03619).
*13	Portions of the 2019 Financial Report, which, except for those sections incorporated by reference, are furnished solely for the information of the SEC and are not to be deemed "filed."
*21	Subsidiaries of the Company.
*23	Consent of Independent Registered Public Accounting Firm.
*24	Power of Attorney (included as part of signature page).
*31.1	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	

	Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 101:

*101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
*101.SCH	Inline XBRL Taxonomy Extension Schema
*101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase

*101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
*101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
*101.DEF	Inline XBRL Taxonomy Extension Definition Document
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

ITEM 16. FORM 10-K SUMMARY

A Form 10-K summary is provided at the beginning of this 2019 Form 10-K, with hyperlinked cross-references. This allows users to easily locate the corresponding items in this 2019 Form 10-K, where the disclosure is fully presented. The summary does not include certain Part III information that is incorporated by reference from our 2020 Proxy Statement.

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SIGNATURES

Under the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report was signed on behalf of the Registrant by the authorized person named below.

Pfizer Inc.

Dated: February 27, 2020

By: /S/ MARGARET M. MADDEN
Margaret M. Madden
Senior
Vice President and Corporate Secretary
Chief Governance Counsel

We, the undersigned directors and officers of Pfizer Inc., hereby severally constitute Douglas M. Lankler and Margaret M. Madden, and each of them singly, our true and lawful attorneys with full power to them and each of them to sign for us, in our names in the capacities indicated below, any and all amendments to this Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Under the requirements of the Securities Exchange Act of 1934, this report was signed by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature	Title	Date
/S/ ALBERT BOURLA **Albert Bourla**	Chairman and Chief Executive Officer (Principal Executive Officer)	February 25, 2020
/S/ FRANK A. D'AMELIO **Frank A. D'Amelio**	Chief Financial Officer, Executive Vice President, Business Operations and Global Supply (Principal Financial Officer)	February 25, 2020
/S/ LORETTA V. CANGIALOSI **Loretta V. Cangialosi**	Senior Vice President—Controller (Principal Accounting Officer)	February 25, 2020
/S/ RONALD E. BLAYLOCK **Ronald E. Blaylock**	Director	February 25, 2020
/S/ W. DON CORNWELL **W. Don Cornwell**	Director	February 25, 2020
/S/ JOSEPH J. ECHEVARRIA **Joseph J. Echevarria**	Director	February 25, 2020
/S/ SCOTT GOTTLIEB **Scott Gottlieb**	Director	February 25, 2020
/S/ HELEN H. HOBBS **Helen H. Hobbs**	Director	February 25, 2020

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Signature	Title	Date
/S/ JAMES M. KILTS **James M. Kilts**	Director	February 25, 2020
/S/ DAN R. LITTMAN **Dan R. Littman**	Director	February 25, 2020
/S/ SHANTANU NARAYEN **Shantanu Narayen**	Director	February 25, 2020
/S/ SUZANNE NORA JOHNSON **Suzanne Nora Johnson**	Director	February 25, 2020
/S/ JAMES C. SMITH **James C. Smith**	Director	February 25, 2020